



COMMONWEALTH OF AUSTRALIA

SENATE

Official Committee Hansard

FOREIGN AFFAIRS, DEFENCE AND TRADE
LEGISLATION COMMITTEE

THURSDAY, 26 FEBRUARY 1998

CANBERRA

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SENATE
THURSDAY, 26 FEBRUARY 1998
FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE

Portfolios: Foreign Affairs and Trade; Defence (including Veterans' Affairs)

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

Senators in attendance: Senators Calvert, George Campbell, Jacinta Collins, Cook, Eggleston, Chris Evans, Ferris, Hogg, Lightfoot, Sandy Macdonald, Payne, Quirke, Schacht and West

Committee met at 9.10 a.m.

DEPARTMENT OF VETERANS' AFFAIRS

Proposed additional expenditure, \$301,861,000 (Document A).

In Attendance

Senator Newman, Minister for Social Security

Department of Veterans' Affairs

Executive

Dr Neil Johnston, President, Repatriation Commission

Compensation Program (1)

Dr Keith Horsley, Medical Services Adviser

Mr Peter Reece, Division Head, Compensation and Support

Mr Barry Telford, Branch Head, Housing and Community Services

Mr Bob Hay, Branch Head, Income Support

Health Care and Services Program (2)

Ms Maree Bowman, Branch Head, Health Care and Services Policy

Dr Graeme Killer, Principal Medical Adviser

Mr Geoff Stonehouse, Division Head, Health Care and Services

Corporate Services Program (4)

Ms Kerry Blackburn, Branch Head, Commemorations

Mr Ian Carnell, Division Head, Corporate Services

Mr David Mackrell, Branch Head, Resources

Mr Owen Eddy, Director, Budget Section, Resources Branch

Mr Murray Harrison, Manager, Information Management

Department of Finance and Administration—

Mr Steve Woods

CHAIR—Good morning. I declare open this meeting of the Senate Foreign Affairs, Defence and Trade Legislation Committee. I welcome the minister, Senator Newman, representing the

Minister for Veterans' Affairs, and departmental officers. The committee has before it a list of topics nominated by senators for consideration at these supplementary hearings. The committee will first consider matters relating to program 1 of the Department of Veterans' Affairs and then consider other programs in a numerical sequence. Minister, do you wish to make an opening statement?

Senator Newman—No thank you, Mr Chairman.

CHAIR—Thank you, Minister.

[9.10 a.m.]

Program 1—Compensation

Senator QUIRKE—I have had some constituents come and see me recently and they tell me that it is very difficult in South Australia to obtain a TPI pension for former serving personnel. One of the allegations they have made to me is that in South Australia it is much more difficult than it is in other states, that the approval rate for TPI pensions is far lower in South Australia than is the case in other states. Can you give us some sort of interstate comparison in regard to that to see whether there are any grounds to that charge?

Mr Reece—It is very difficult from the figures we have to affirm that impression, but it is an impression that veterans around Australia often have. It depends on the personalities and the fate of certain cases. No doubt some of those cases are the representations you speak about. When you have a look at the figures on an interstate comparison, in South Australia the proportion of TPI grants as a proportion of the total disability claims is no different from Victoria and New South Wales. It is different, though, from Western Australia, Queensland and Tasmania. The reason for that we believe is that in South Australia, Victoria and New South Wales there is a higher proportion of World War II veterans and a smaller proportion of Vietnam veterans.

TPI claims now are predominantly from Vietnam veterans because it has an age limit effectively of 65. World War II veterans are beyond that. The figures for Western Australia, Queensland and Tasmania are a little higher as a proportion of the total number of claims, but it is interesting to note that in South Australia it is about 2½ to three per cent of total claims of TPI, the same as Victoria and New South Wales. So it is hard to draw it from that.

When you look at the particular disabilities which go to making up a TPI, it is very hard to say that South Australia is different from any other state. For example, on the breakdown of disabilities—and I can give you this figure which shows the groups of disabilities—if TPI is now predominantly the result of post-traumatic stress disorder, the acceptance rate in South Australia for that particular disability is 80 per cent compared with a national average of 77 per cent. If you go across the states for that particular disorder, Tasmania is 78 per cent, Western Australia is 79 per cent and Queensland is 72 per cent, which is much lower. You could probably say on the basis of that thesis being put to you that Queensland is a bit tougher, but it does not necessarily follow. It is very difficult to make that interstate comparison.

Senator QUIRKE—What you are effectively saying is that there is not a great deal of difference. There is no enormous discrepancy percentage wise. There might be a discrepancy in terms of the absolute numbers of people granted TPIs, but in a percentage sense it is roughly the same. It is in the high 70s to 80 per cent across the whole country.

Mr Reece—On that particular disorder, which is probably the majority of TPI claims, that is right. That is not to say, though, that we do not have some quality differentials across the country which we have been addressing for some time now following an audit report a few

years ago which found that consistency of decision making nationally was an issue for us. We had been doing an awful lot to fix that, because states develop their own cultures and their own relationships.

This is part of a devolved organisation and it is difficult to get absolute consistency across the board, because at the end of the day the legislation is very discretionary and relies heavily on subjective judgments of claims assessors. We find from state to state that there are great variations in some cases in the way in which staff approach the particular claims that they have, but it is not necessarily showing up in an extraordinary degree with respect to TPIs.

Senator QUIRKE—How does a person access this particular system? Do they do it through their local doctor and then approach the department and the department appoints a specialist or do they do it through their own doctor and their own specialists and then the department reviews it?

Mr Reece—Generally, it is done through their own GP. If they lodge a claim without a diagnosis we generally require a diagnosis to be done. They can go to one of our licensed medical people or other GPs with whom we have a contractual relationship. If we have problems with the diagnosis and the assessment of their disability we can refer them for another opinion and get more specialist advice. We will sometimes require them to get that specialist advice to make sure that we have the best possible information on which to determine the claim.

Senator QUIRKE—With particularly stress related instances of TPI, if a person is deemed to qualify how long is that period of qualification? Is it open ended or is it reviewed annually or every couple of years? How does that work out?

Mr Reece—Generally, once the claim has been accepted and put into payment, in our jurisdiction there are no reviews—that is it—unless we get what we call dob ins for TPIs who are allegedly working. Of course, they are not supposed to be working for more than eight hours. We do get a few of those, in which case we do review them.

Senator QUIRKE—The Australian government committed Australian armed forces to the Far East Strategic Reserve in 1955. Members of the Air Force, the Army and the Navy served with other Commonwealth countries in counterinsurgency operations in Malaya. It was determined at that stage by the Menzies government that RAN personnel would not receive the same repatriation benefits as those in the Army and the Air Force. I wonder whether there has been any review of this in recent times, particularly in the light of the *Sydney* case where those RAN personnel who served on the troop ship, as she was by that time, delivering supplies to our commitment in Vietnam were given, I think, the full range of repatriation benefits.

Mr Reece—Yes, the government, as part of its election platform, did undertake to review a whole range of anomalies in these service matters where certain groups of ex-service people believed that they had been treated inequitably compared with others. The FESR is one of those. There is a whole range of others as well.

We recently asked the Department of Defence to review all those in a historical sense against the guidelines that they have for determining the level of benefits available for overseas service. You are probably aware that nowadays this service falls into two categories: warlike and non-warlike. Non-warlike is overseas service where the person is not really considered to have been in any personal danger. Warlike is the reverse; it is much hotter. With the Gulf circumstances at present, for example, those people have been deemed to be non-warlike unless something happens in which case it would be upgraded.

They are definition issues. We asked the Department of Defence to review all of these anomalous areas of service against the guidelines. They finished that report and found, for example, in this case that FESR perhaps ought to be considered as eligible for operational service which gives them the benefit of compensation and defence service housing but not the service pension, which is a benefit attached to the warlike, if you like—I am simplifying this a little bit—because it was considered that FESR did not incur any particular danger. The enemy on the mainland did not have a capacity to harm the ships offshore, to put it simply. That was the decision the government made. FESR people have been given operational service with compensation entitlements, but not the entitlement to the service pension, which is the age pension available five years earlier.

That same rationale was applied to a whole range of other things, for example, the Air Force in Thailand and the United Nations peacekeeping operations around the world. That has now been legislated for with one little outlet, if you like, that if people still believe that within that framework they did undertake some hazardous service then we would be happy to re-examine that particular incident. The door has been left open for those people who think they have been particularly disadvantaged.

Senator QUIRKE—Is that what happened with the personnel on the *Sydney*?

Mr Reece—The anomaly with the *Sydney* was that the period of benefits for the troops being carried on the *Sydney*, when it was a troop ship, commenced from the day they left port. The benefits for the crew of the *Sydney* only commenced on the day they entered the operational area which is a geographically determined area around Vietnam. That was considered to be an anomaly and the government agreed to extend to the crew of the *Sydney* the same benefits the troops received—that is, a port to port rule—to get equity between the two categories of passengers.

Senator QUIRKE—In the case of RAN personnel on the *Sydney*, they would be, to use your words, in the non-warlike conditions, because I do not think arriving in Saigon to unload the troops would have subjected the ship to immediate danger from the enemy forces at that time, would it?

Mr Reece—That has probably been the traditional judgment but, for the sake of equity, it was considered that there was some risk and that the distinction between the troops being carried was anomalous and it was really a question of equity—if the troops were getting it, why shouldn't the crew of the *Sydney*? I think it was more an equity issue than one of any judgment made about perceived danger for the voyage of the ship.

Senator QUIRKE—Finally, what is the position for RAN personnel who took part in Operation Desert Storm, when we supplied frigates and a supply ship to the Gulf War?

Mr Reece—They were considered to be part of warlike service and would attract all the benefits of the Veterans' Entitlements Act, including service pension.

Senator WEST—While we are on Gulf War veterans, are we seeing any clusters of claims and illnesses coming through? Are our veterans from Desert Storm presenting with problems similar to those which the US veterans are presenting with?

Mr Reece—No. We have received 90-odd claims from personnel who served in that region at the time, but we have none of the Gulf War syndrome—the thing that is getting so much press. All the claims we have had are for routine things like stress disorders, injuries to knees and legs, and the sorts of physical injuries that happen on board ship during a campaign, but

nothing of the kind that has been written about that the Americans and the British are so concerned about as a result of inoculations or contaminated air or anything like that.

Senator WEST—Were our troops not immunised? I recall that they were.

Mr Reece—Some were.

Dr Horsley—Yes, some of our troops were immunised.

Senator WEST—They have not shown the same symptoms or signs that the Americans have?

Dr Horsley—No, they have not.

CHAIR—As there are no more questions on program 1, we now move to program 2, on the topic of residential aged care.

[9.25 a.m.]

Program 2—Health care and services

Senator WEST—Now that the nursing home changes seem to have bedded down, is it going to be necessary to make any adjustments to veterans entitlements?

Mr Stonehouse—No.

Senator WEST—So even TPIs will be up for all of the costs associated with aged residential care?

Mr Stonehouse—It is a little more complicated than that. I will ask Maree Bowman to speak on that.

Ms Bowman—I will go through the reforms and put the veterans issues into context. The veterans are subject to the aged care reforms, with particular issues in relation to income testing which I will point out. Veterans may have to pay accommodation bonds, as do the rest of the Australian community. They are subject to daily fees, which is income testing, commencing on 1 March 1998 for new residents only, subject to certain conditions.

For example, the disability pension will be exempt from calculations of daily fees for service pensioners and self-funded retirees with qualifying service, so that exemption continues. Ex-POWs in high level of care will be exempt from daily fees, and DVA will do the income testing for our veterans. Subject to those arrangements, veterans are subject to the normal conditions that apply throughout the aged care reforms.

Senator WEST—I should just say that accommodation bonds were scrapped prior to October of last year.

Ms Bowman—Sorry, I should have said accommodation payments.

Senator WEST—So they will be required to pay accommodation payments?

Ms Bowman—Yes, along with the rest of the community.

Senator WEST—How much have these changes cost the department in terms of information, training, communication and things like that?

Ms Bowman—There have been no particular charges. We have absorbed them within our budget. We did get some extra money recently—and I do not have those figures with me today, but I can make them available—to do some systems changes and a small amount of communication strategy.

Senator WEST—So you have had to have an additional allocation for systems changes and communication strategy?

Ms Bowman—Yes.

Senator WEST—Can you give me some indication of how much money that has been?

Ms Bowman—I do not have those figures with me today, I am sorry.

Senator WEST—Okay. Has this involved the need to put on any consultants?

Ms Bowman—No, we have not employed any consultants. We have been heavily involved in consulting with the Department of Health and Family Services on their communication strategy, but they are basically responsible for the bulk of the communication activity. We have taken on board some particular training of our own staff, and they are going out into the veterans community to some extent and explaining those conditions that apply to veterans and assisting them, for example, in looking at their income arrangements and what might best apply in terms of the care choices that they make.

Senator WEST—I would like a breakdown of how much the department has spent to date on the aged care reform process and of the additional appropriations that have had to be provided to DVA, and what they were for.

Ms Bowman—Yes, I can get that for you.

Senator WEST—Is VAN running training or information programs?

Ms Bowman—They will be running limited information programs. The main communications strategy will be delivered by the Department of Health and Family Services. They have a significant number of pamphlets. They have information material. We are contributing to that. Within that, there is some specific information on entitlements for veterans, as I just explained. They will be running the major sessions. We will be helping individual veterans and veterans in local communities to understand those changes, but we will not be running a specific and separate communication strategy for veterans.

Senator WEST—You said that you would be contributing to Health and Family Services. What form will that contribution take?

Ms Bowman—There are joint working parties on how a communications strategy might operate, what material might best be provided, how that information might be portrayed and how things like schedules and ready reckoners might be set up. We have been involved in that communications strategy process.

Senator WEST—Right. That will all appear in the breakdown you are going to give me. Have you contracted to them or have they contracted to you certain aspects of the reforms?

Ms Bowman—Whether it is contracted or not, there are arrangements between us. For example, hotlines are going to operate and depending on whether the query is veteran specific or general the information will be provided by the various hotlines provided by those departments—as is provided for non-veterans through Centrelink. So depending on the nature of the query people will have access to those information hotlines. We have worked that out between us.

Senator WEST—And that will appear in the costings you are going to give me.

Ms Bowman—Yes.

Dr Johnston—I am not sure whether the costings you are seeking can be quite as precise as you are possibly assuming but we will do our best to provide some indication of the costs involved.

Senator WEST—Did DVA estimate these aged care reform packages might be a savings to them?

Dr Johnston—Do you mean the measures being implemented by the government at this time?

Senator WEST—Yes. Did they have any savings component for DVA?

Dr Johnston—No.

Senator WEST—It did have savings for the Department of Health and Family Services. And they have had a loss of nearly a quarter of a billion dollars of those savings over four years.

Dr Johnston—I would like to be precise on that. As Ms Bowman has explained, the government responsibility for this area of activity is formally with the Department of Health and Family Services but, because of the particular mission we have to look after veterans, we get involved in that and work closely with that department. The costing variations that you are referring to will relate, in a sense, to veterans as part of the community as a whole. In terms of savings for our department per se there are no such expectations in the current framework.

Senator WEST—And there never were, as originally budgeted?

Dr Johnston—No, not for the department.

Senator WEST—How many vets and war widows with treatment benefits go into nursing homes for the first time each year?

Ms Bowman—Veterans and war widows in this group constitute roughly 10 per cent of the population of this age group and we think that roughly that figure goes into nursing homes and hostel accommodation. We do not have precise figures at the moment because those figures have not been kept separately. When we have the new system arrangements in place we will, for the first time, be able to identify veterans and war widows within nursing homes and get more exact figures. The new system will allow us to do that. At the moment we do not have that separate information.

Senator WEST—So you might end up getting a better handle on what is happening to the veterans.

Ms Bowman—Yes, Senator, that is right.

Senator WEST—That is good. This may seem a little obscure but I am trying to link it in. In the last few days concern has been expressed by the domiciliary nurses association that there have been changes in schedules and treatment processes at home resulting in more DVA patients ending up in nursing homes. Is anyone aware of the situation I am talking about?

Dr Johnston—We are in the course of introducing major reforms to the way in which we acquire domiciliary nursing care. Those reforms have been developed in close consultation with the nursing profession and have their strong endorsement. At the moment we are in the process of formalising new contractual relationships with domiciliary nurses and the changes are to be implemented in the next few months. Naturally, as we get to the point of introducing a major change there are some concerns that we have to work through with some sectors of the profession. We have been very pleased with the wide support for and acknowledgment of the appropriateness of the direction of these changes but there are some discussions going on with some providers in New South Wales which still remain to be settled. But that has been an area of public comment and we are working through those issues at this time.

Senator WEST—Would you say that the public comment from some groups has been accurate?

Dr Johnston—In short, no.

Senator WEST—I agree with you.

Dr Johnston—Thank you.

Senator WEST—Is it only a small number?

Dr Johnston—A very small number.

Senator WEST—You may want to take this question on notice. The steering committee looked at treatment and visit numbers and things like that. Is there some indication of the differences in treating or visiting patterns between New South Wales and the rest of Australia?

Mr Stonehouse—The most significant difference is in the use of the private agencies. About 90 per cent of nursing in New South Wales is provided by private agencies. I do not have the figures with me, unfortunately, but there is a significantly higher servicing profile generally across the board in New South Wales.

Senator WEST—That is what I had been told by one of the professional groups and I was wondering if you were able to back that up—and you can.

Mr Stonehouse—Yes, we can.

Senator WEST—Okay.

[9.37 a.m.]

Program 4—Corporate services

Subprogram 4.2—Information and office management

Senator WEST—In calculating the minimum sale price of \$5.5 million for the department's existing computers, what amount was attributed to the tender costs and what amount was attributed to voluntary redundancy payments?

Dr Johnston—We can provide that information separately.

Senator WEST—I would like those figures. Why did the department indicate to tenderers that it would be amenable to selling its existing computers for less than their book value and less than their independent valuation?

Dr Johnston—I am not sure that is an appropriate interpretation of what we were saying to tenderers. The only requirement that we put forward was that there would be at least an up-front payment of at least \$5.5 million because we had to face those up-front costs. But it was up to the tenderers to tender on their preferred profile of an up-front payment and payments through the course of the contract.

The way in which we handled it makes it rather difficult to identify the relationship between the assets we had and the payments, in effect, for those assets. We did, as you recall, discuss this matter when we last met with you and the answer we have given you in response to the questions of our last hearing try and lay out that information in a way that is suggestive of the way in which we think the exercise should be viewed. Is this helpful? Should I continue on this line?

Senator WEST—You can keep going.

Dr Johnston—The answer pointed out that there was a book valuation of the assets, based on the purchase price of those assets, and that was far exceeded by the consultants' advice

on the market valuation of those assets and the value of those assets in use in an equivalent operation. So the evidence that we have and which the tendering companies have is that the assets were worth much more than their book value, which is the tenor of the advice we gave you some time back in relation to the particular PCs that were of interest to you.

Senator WEST—But you are not able to give me at this stage a breakdown of how much of that \$5.5 million is attributed to tender costs and redundancy payments. Are you are not able to tell me from the figures if there is a breakdown of the computer values that you received vis-a-vis the book value and vis-a-vis independent valuations?

Dr Johnston—Can we take that in segments?

Mr Mackrell—About \$3.6 million for redundancy payments and \$1.9 million in tender costs was the breakdown of that \$5.5 million figure. We will confirm that.

Senator WEST—I am after a comparative scale of what you got for the computers, what the book value was and what the independent valuation was. Then they can be compared and discrepancies can be questioned.

Dr Johnston—The \$5.5 million up-front payment has nothing to do with the value placed on our assets by the successful tenderer. They are completely unrelated. The only calculation you can really do in the way of this exercise is to look at a total cash flow requirement for our IT requirements over the next five years, and the audited assessment of the tenders indicate that over the life of the contract we expect to save some \$20 million compared with what we would have spent if we had had to continue that operation ourselves. Within that framework is the management of our assets, the valuation of our assets, depreciation of those assets and replacement of those assets.

Senator WEST—When are we going to have some indication of where you are coming in your five-year plan? You must have stages of that that you are going to reach.

Dr Johnston—I will ask Mr Harrison to report briefly to you. We have just completed an information implementation review which, on the whole, has indicated quite satisfactory progress.

Mr Harrison—I am the information manager and I am also the contract manager for DVA. That is true; at this stage we are not paying any bills in excess of what we anticipated we were going to pay, so the price has not blown out to this point. It is early days in a five-year cycle, though.

Senator WEST—Have your forward estimates been altered or been changed in any way?

Mr Harrison—No.

Senator WEST—They have not, so you think you have got a good deal?

Dr Johnston—If I may add to what Mr Harrison has said, what is pleasing at this point in time is that the nature of the service performance by IBM-GSA has been entirely in line with the expectations we set forward in our tender arrangements.

At the moment I am in the process of visiting all of our state offices, talking with staff about where we are at and about the prospects for the next year or two, and we are getting reasonably good feedback from staff about the nature of the partnership relationship at the local level between IBM-GSA and staff in our offices. There are areas of difficulty that need to be addressed from time to time but I do not think there can be any qualification that to date the performance under this contract has been exemplary.

Senator WEST—How are you going for the year 2000? Presumably, you do not have to do anything about it because your contractor does it all. Is that right?

Mr Harrison—I wish that was true but it is not. We still retain responsibility for our own applications development and our applications ourselves. We believe that we are going very well. At a steering committee meeting we held yesterday we reported on progress. The steering committee was satisfied at that point with the progress to the states. It is a very big topic, and I could spend some time answering the questions and taking you through the various elements of the strategy in relation to the year 2000.

Senator WEST—When you talk about the steering committee, is this a DVA steering committee?

Mr Harrison—Yes.

Senator WEST—How would you go if Maurice Newman's committee came and talked to you? How do you go when scrutinised by them?

Mr Harrison—We are required, as you no doubt appreciate, to report to OGIT every three months on our progress, which we just started early in February. We do not get a lot of feedback on that, to be honest, except the audit report on the first report that was put to OGIT by organisations back in December was a general report that said that perhaps overall the government agencies were a little behind where they should be at that point. We cannot take our foot off the pedal at this point but I am relatively comfortable with our current position.

Senator WEST—If the committee is saying that the government agencies are behind where they should be at this stage, I would think you would be wanting to put your foot on the pedal, wouldn't you?

Mr Harrison—I did not mean to suggest that we have not got it. We cannot take it off but I am comfortable with where we are at at the moment.

Senator WEST—How far behind do you think you might be?

Mr Harrison—I hope I did not say that we are behind.

Senator WEST—The committee said that government agencies were behind where they should be. How far behind are you from where you should be?

Mr Harrison—The committee was not specific in the sense of Veterans' Affairs.

Senator WEST—I am asking Veterans' Affairs how far they think they might be behind.

Mr Harrison—I do not believe we are.

Senator WEST—When will you be receiving a report from that committee of their assessment of you in particular?

Dr Johnston—There is no process for audit of performance of individual agencies. The process is for regular reporting and overall assessment to government on the progress. I would expect that if that indicates that matters are not being properly attended to, there might be further processes to deal with that.

As Mr Harrison has said, we are giving the matter highest priority. It is a large task. We feel we have got it under control but it is the sort of exercise that you always wish you did yesterday, if you follow what I am trying to say. But we feel we have the requirements under control.

Senator WEST—That is good bureauratese. What is your target date?

Mr Harrison—We have a number of systems. The final target date is July 1999 to finish all of it.

Senator WEST—What are the target dates for all of your systems and at what stage are you? Do you look like you are going to meet those target dates?

Mr Harrison—We can take that on notice and update you with the latest project plan, which I hope would answer those questions. To some extent we are unable to provide probably the detail you are looking for, for this reason: we have chosen to take up what is called a factory option, which is sending the lines of code that we have in our current systems off to a factory to have assessed. Depending on what process is undergone, whether it is fixed at the factory or not, depends on what they find. But we have chosen to go to that factory option and we are currently piloting sending lines of code to the factory just to make sure that we know what we are doing there.

When we have got through that process, which is by the end of March, we then intend to send something like two million lines of code to that particular factory. They will take six to eight months to do their work before we then start to test that the work has been successful.

As to the detail that you are looking for in relation to individual applications, I am not able to say, for example, that application A will be fixed by the factory in May and we will start our testing in June because we have not got to that level of detail about which applications go when.

Senator HOGG—Has that work been put out to tender, and what additional costs are involved?

Mr Harrison—There are no additional costs; I explained that. We were aware of factory options in the industry. We went for what we call a request for quotation to four companies. We received a response and pursued two of those based on price, seeking best and final offers and chose one.

Senator HOGG—Who was successful?

Mr Harrison—IBM. The decision was based essentially on price and what they were also offering as a value added during the course of the year 2000 project. To explain what I mean by no additional cost, our cost estimates are based on what we believe to be a Gartner Group indication of what you can expect to pay per line of code. Their estimate was that it currently cost you \$1.50 per line of code to correct for the year 2000 problem. They also say that you can expect that to increase over the next 18 months because of the scarcity of resources. We have made an assessment based on the number of lines of code multiplied by a figure of \$2.25 as to how much the whole thing is going to cost us.

Senator HOGG—How many lines of code are we looking at approximately?

Mr Harrison—Again it is a difficult answer. In the organisation we have got 5½ million lines of code. There are 2½ million lines of code that we do not need to go and correct from a year 2000 point of view because they represent systems that in fact are either being rebuilt or modified or in some way fixed. Of the three million that are remaining, about one million of those cannot be done by the factories, so the end result is that the factory will be getting two million lines of code.

Senator HOGG—Where will the other one million be done?

Mr Harrison—By us. We currently have people working on that now. It is a fairly laborious task, I have to say. We need to have people looking for dates within lines of code, and then looking at what effect that has on the program itself.

Senator HOGG—It would seem to me that it would be necessary for you to get some form of additional allocation to the budget to meet the demand that is going to be placed upon you.

Dr Johnston—We have done a comprehensive review of our systems maintenance and development requirements over the last several months. As you would understand, we have been very conscious of the need to do that assessment at the time of a budget and use the opportunity to take those matters forward if we feel that we need those funds. At the moment we believe we can manage with the running cost budget that is in prospect. But we are discussing our running cost requirements with the Department of Finance. Those discussions are not yet completed and will not be completed until the budget is settled.

Senator WEST—What guarantees are there that the factory will be able to have the modifications to the two million lines of code done within the six to eight months?

Mr Harrison—We will enter a contract in relation to that. All we have agreed to at this point is the pilot for the first 100,000 lines of code.

Senator WEST—You have not got a contract yet?

Mr Harrison—We do not wish to have one because we are testing their capacity to do the work.

Senator WEST—At this stage you are not even sure that you can send them the lines of code.

Mr Harrison—We are not 100 per cent sure. This particular factory has recently been given \$10 million worth of work from Qantas. They are also working for Telstra on the same task, so we do not believe they will not be able to do it. We want to verify it by having them look at our code.

Senator WEST—Have they had the Qantas and Telstra codes transmitted to them?

Mr Harrison—They have won that business; I cannot answer as to where that is at.

Senator WEST—When you talk about the pilot, you are saying ‘sending’. I presume you mean linking up your computer with theirs and downlining it rather than having to pick up all the tapes and discs?

Mr Harrison—It will no doubt be a mixture. If we can get an electronic link to their factory, that would be the easiest, but it may not be possible in all circumstances. There are other things like CDs—100,000 lines of code in the overall scheme of things is not a great deal of data.

Senator WEST—No, but two million lines of code are a slightly different story.

Mr Harrison—They certainly are, yes.

Senator WEST—Where is the factory?

Mr Harrison—In Sydney.

Senator WEST—When will you be writing the contract, or will you actually have to put it out for more tenders?

Mr Harrison—No. In the request for quotation we asked what the price for the pilot and the price for up to two million lines of code would be, and we selected the factory on that basis. However we committed ourselves only to the pilot to prove the concept. I would expect that concept to be proved, frankly. Then we would proceed to write a contract for the two million lines of code.

Senator WEST—Do you expect to be sending the pilot codes by the end of March?

Mr Harrison—No, the pilot codes are being sent within the next day or two. The work will be finished by the end of March.

Senator WEST—So you expect to send the two million lines by the end of March?

Mr Harrison—Soon after Easter, probably; certainly early April.

Senator WEST—Soon after Easter? Easter is actually 10 and 12 April—that is the middle of April. We are blowing our line out a couple of weeks here—almost to the end of April if you send it soon after Easter. There is a big difference when we are talking about time frames.

Mr Harrison—As I was offering earlier, we can show you the project plan itself in some detail, which I think would answer those questions.

Senator WEST—I would like to know where we are in relation to the project plan. I presume the project plan will contain target dates?

Mr Harrison—Yes.

Senator WEST—We will then be able to ask you next time where you are in meeting your target dates. But it strikes me that you are getting a fairly tight time frame here.

Mr Harrison—The whole thing is tight, Senator. As the secretary said, we are applying our highest priority to this task. It is not an easy task, and it is within tight time frames. There is no doubt about that.

Senator WEST—You will actually have three lots of software that has been modified in different ways. You will have the software that you have already got—the newer software you have acquired that is 2000-compatible, or approved, or whatever the wording is; you have got the million lines of code that you are going to do; and you have got the two million lines of code that IBM are going to do. Are you sure at the end of all this that the three different lots of code are going to be able to talk to one another and be able to communicate?

Mr Harrison—I can only say yes.

Dr Johnston—One of the major tasks that is involved is the testing of the code and the inter-testing—that is, the testing of the linkages between systems. This is a major task for us.

Senator WEST—You are going to start that about July 1999?

Mr Harrison—No. We expect to be able to certify all systems to be compliant by July 1999. We are giving ourselves, on the project plan, the rest of that year as a contingency in case we have a problem.

Senator WEST—If you have to go and redo two million lines of code, that will take six to eight months; and if you discover that problem in July 1999, you are going to be—

Mr Harrison—We will not discover that in July 1999. The testing that the secretary referred to will occur in that case as soon as we get the code back from the factory in relation to particular applications; that will start as soon as possible. Again I am struggling to give you an actual date, but it will be in the latter half of this year when most of that testing will be done.

Senator WEST—I wait to see with interest the plan; I wait to see with interest the targets being met or not met.

CHAIR—Senator Hogg, do you have a general question on program 4 before we finish?

Senator HOGG—I do not know whether it comes under program 4. I just want to find out about the appointment of the Director of War Graves. When was that done?

Dr Johnston—I do not have the precise dates in my mind, but Air Vice Marshal Beck took up his appointment in mid-January this year. The selection for the position was completed in about September or October last year. He was given leave of several months in taking up that appointment—that is, the minister agreed to his deferring taking up that appointment for several months.

Senator HOGG—Why would that be?

Dr Johnston—I can give you the more precise date. His appointment was approved by the Governor-General on 1 October 1997.

Senator HOGG—Why would it have been delayed?

Dr Johnston—Air Vice Marshal Beck at the time was principal of ADFA here in Canberra. He had a preference to see out the academic year with the institution to assist in the transition of the governance of that institution before he took up the appointment with the Office of Australian War Graves.

Senator HOGG—That raises the question, as one of my colleagues has just said: why was he appointed?

Dr Johnston—It was a position that was advertised, and he applied for that position. He was due to complete his placement with Defence as part of the current restructuring of the Defence Force and was successful in his application for the position.

Senator HOGG—So it is interlinked with the defence review program.

Dr Johnston—Yes.

[10.07 a.m.]

DEPARTMENT OF DEFENCE

Proposed additional expenditure, \$111,121,000 (Document A)

In Attendance

Senator Newman, Minister for Social Security

Defence Headquarters

Vice Admiral Chris Barrie, Vice Chief of the Defence Force

Mr Rob Tonkin, Deputy Secretary, Corporate

Rear Admiral Peter Briggs, Head, Strategic Command Division

Air Vice-Marshal Dave Rogers, Head, Capability Development

Air Vice-Marshal Colin Hingston, Head, National Support Division

Dr Ian Williams, Head, Capability Program and Resource Planning

Mr Terry Smith, Director-General, Resources Planning and Management

Ms Adrienne Jackson, Director-General, Major Powers and Global Security

Major General Peter Abigail, Head, Strategic Policy and Plans

Navy

Rear Admiral Chris Oxenbould, Deputy Chief of Navy

Mr Les Wallace, Assistant Secretary, Resources Planning, Navy

Army

Major General John Hartley, Deputy Chief of Army

Mr Peter Lush, Assistant Secretary, Corporate Management, Army
Air Force

Air Commodore Peter Criss, Acting Deputy Chief of Air Force

Mr Tony Preston-Stanley, Assistant Secretary, Resources Planning, Air Force
Defence Personnel Executive

Major General Peter Dunn, Head, Defence Personnel Executive

Brigadier Paul Buckley, Director-General, Defence Health Service

Mr Claude Neumann, Assistant Secretary, Personnel Services and Information Management
Defence Acquisition Organisation

Commodore Eoin Asker, Acting Head, Systems Acquisition (Maritime and Ground)

Air Commodore John McNaughton, Acting Head, Systems Acquisition (Aerospace)

Mr Ron Bonighton, Head, Systems Acquisition (Electronic Systems)

Dr Graham Kearns, Head, Industry and Procurement Infrastructure

Mr Gil Watters, Assistant Secretary, Acquisition Finance and Reporting

Mr Maurice Hermann, Assistant Secretary, Exports and International Programs

Defence Estate

Mr Rod Corey, Head, Defence Estate

Mr Ross Bain, Acting Assistant Secretary, Property Management

Defence Corporate Support

Mr Peter Sharp, Head, Defence Corporate Support

Mr Stephen Brown, General Counsel, Defence Legal Office

Colonel Andy Reynolds, Director General, Public Information

Finance and Inspector General

Mr Ken Moore, Acting First Assistant Secretary, Resources and Financial Programs

Department of Finance and Administration—

Mr Giulio Cerasani

CHAIR—I welcome the Minister, Senator Newman, representing the Minister for Defence, and departmental officers. The committee has before it a list of topics nominated by senators for consideration at the supplementary hearings. But the committee has decided it will first consider matters relating to Dubai, then an update on the defence reform program and then nominated programs in a numerical sequence. When officers are first called upon to answer a question, I ask that they state their names clearly. Today's hearings will be suspended at 11 o'clock for a cup of tea and between 12.45 and 1.30 p.m. for a lunch break. Tea and coffee will be available throughout the hearing in committee room 2S2. Minister, do you wish to make an opening statement?

Senator Newman—No, thank you, Mr Chairman.

Senator CHRIS EVANS—I would like to start by asking some questions about the involvement of military personnel in the Dubai exercise, as indicated by the chairman. Perhaps we could start by asking the relevant officer to just give us an update on the press release put out by Defence on 5 December which detailed at that stage the knowledge of the Defence

Department, which I understand went to them acknowledging that 29 serving Australian Defence Force personnel have been identified as exploring employment opportunities with Fynwest Pty Ltd. Could we perhaps start with an update as to how many were involved and where we are at with that information?

Vice Adm. Barrie—Certainly. Twenty-nine individuals were identified as being interested in the training in Dubai, as was outlined in that press release. As of a couple of weeks ago, we had seven individuals still on approved leave, six individuals had returned to work, nine individuals pending discharge and seven had actually been discharged.

Senator CHRIS EVANS—Are you able to give us a breakdown of which units they were serving in? I am not after individual names; I am interested in what units were involved and what rank of personnel were involved.

Vice Adm. Barrie—I do not have the precise deal of unit by unit breakdown. Most of the individuals involved were non-commissioned officers or soldiers. They came from a variety of units all around Australia.

Senator CHRIS EVANS—Perhaps you might like to take the unit question on notice. I am not interested in any personal information; I am just interested in who we are talking about.

Senator Newman—I have noticed that the press sometimes infer ‘non-commissioned officers’ as meaning ‘officers’. These are other ranks. They are not officers who were involved. That is just for clarity.

Senator CHRIS EVANS—Just to make that clear, Vice Admiral, you are saying that there were no officers at all involved?

Vice Adm. Barrie—I think there may have been one officer involved, but they were largely non-commissioned officers and soldiers.

Senator CHRIS EVANS—Are you confirming there is an officer involved or are you not sure?

Vice Adm. Barrie—I will have to get you that detail.

Senator CHRIS EVANS—Perhaps you can take that on notice. The rest were largely non-commissioned officers. When you give us the units, can you give us the ranks as well?

Vice Adm. Barrie—Certainly.

Senator CHRIS EVANS—Perhaps the starting point would be to ask how you came to compile this information and how you came to know about it. Clearly you have officers and other members of the defence forces going on leave prior to discharge. How is it that you are able to compile this particular information?

Vice Adm. Barrie—It was relatively easy once we knew what to look for. That is in the sense that, every time somebody takes leave without pay or long service leave to explore an employment opportunity, the commanding officer has to be persuaded that that is a bona fide reason for taking that leave and therefore a case has to be put which explains what the individual has in mind.

Senator CHRIS EVANS—How is that done?

Vice Adm. Barrie—That is through a formal process of applying for leave and having it approved on a leave request.

Senator WEST—You just said, ‘Those who were taking leave without pay and those who were taking long service leave to explore employment opportunities.’ What about those who were just taking long service leave because they were owed long service leave?

Vice Adm. Barrie—Whenever we take long service leave there has to be a reason, and that is subject to an approval process.

Senator CHRIS EVANS—Who approves these? At what level is this approval granted?

Vice Adm. Barrie—Unit commanding officers in accordance with the Defence Instruction (Army).

Senator CHRIS EVANS—You are saying to me now that you were able to track down the numbers involved in this particular exercise by searching through application forms?

Vice Adm. Barrie—That is correct. These were not the only individuals going through that process. It was a heavy time of year because of the normal movement in the Defence Force—people leaving, people rotating and so on and so forth. But it is a relatively simple exercise once you know what you are looking for.

Senator CHRIS EVANS—When did the Defence Force first become aware that members of the Defence Force were seeking leave to be employed by Fynwest?

Vice Adm. Barrie—Our first information was early in December last year.

Senator CHRIS EVANS—How did you come to gain that information?

Vice Adm. Barrie—I think there was a conjunction of information. I think we had started to hear from one of the units a request through the chain of command about the proposal at the same time it came up in the media.

Senator CHRIS EVANS—You had some information from a particular unit requesting approval to approve the leave for these particular members of the forces?

Vice Adm. Barrie—No, just gathering more information.

Senator CHRIS EVANS—They were seeking to gather information from higher up the command chain?

Vice Adm. Barrie—As I recall the case, the proposal was related to an AWA that had been presented. Further information was wanted about the legitimacy of that AWA.

Senator CHRIS EVANS—A commanding officer was seeking clarification from human resources about whether or not it was appropriate for an officer to be granted leave, given that they were signing this particular AWA?

Vice Adm. Barrie—The AWA, as I recall it, was presented. The bona fides of the particular firm involved were not known to us. So it was a simple request for clarification.

Senator CHRIS EVANS—When did that occur?

Vice Adm. Barrie—At about the same time—early in December last year.

Senator CHRIS EVANS—Can you date that for me?

Vice Adm. Barrie—I can.

Senator CHRIS EVANS—Perhaps you could take it on notice. Did you have any other source of information about this Fynwest activity?

Vice Adm. Barrie—No.

Senator CHRIS EVANS—Were the applications from a wide range of units or was there a bit of a concentration in terms of the applications?

Vice Adm. Barrie—There were a variety of units. We were interested to know if they were all from one place; they were not.

Senator CHRIS EVANS—Were they from a particular type of unit or was there a large number of applications in one particular unit?

Vice Adm. Barrie—When I provide that other information, I think you will see that it was quite widespread.

Senator CHRIS EVANS—I am trying to guess whether we had six or 10 from one particular unit to see if there was a pattern in a particular unit—or is that not the case?

Vice Adm. Barrie—We certainly looked for it at the time and we could not establish that.

Senator CHRIS EVANS—Perhaps I could take you back to the normal procedure that you apply when people seek to take leave to seek employment. Could you explain how the Defence Force handles that? Generally, I presume you have rules that will not prevent people from having two jobs. What is special about this and how is this handled?

Vice Adm. Barrie—To correct that, there is nothing special about this. There is an established procedure outlined in the Defence Instruction (Army).

Senator CHRIS EVANS—I am sorry, I meant the procedure, not the Fynwest example.

Vice Adm. Barrie—There are two sets of procedures. One is related to people who might be thinking of discharging from the ADF and are looking for employment opportunities. In that case, you would expect individuals to apply for long service leave, leave without pay or leave prior to discharge and that preserves for them an option, if they do not like the opportunity, to return to ADF employment.

There is a second issue: that is, people who are in any particular posting and would like to take on a second job. In both cases our approval is subject to there being a priority to render military service and it is subject to a range of rules about what people may do and may not do. My recollection of those rules—there are just two—is: firstly, no individual can be involved in a strikebreaking activity. Secondly, members of the SAS are not permitted to work for security firms.

Senator CHRIS EVANS—I have in front of me a document entitled ‘Employment of members of the Army in off duty hours’. It seemed a bit more comprehensive than just two rules. Is that the one we are talking about?

Vice Adm. Barrie—No. I am saying they are the two relevant rules. There are actually a list of other things.

Senator CHRIS EVANS—I will come back to that a bit later. While we are on it, could you confirm whether those rules are the same for the Army, the Air Force and the Navy or whether there are differences between them?

Vice Adm. Barrie—As I am aware, they are much the same although we have been doing some work over recent months aggregating three separate service instructions into one.

Senator CHRIS EVANS—Let us go back. You say there were a total of 29 individuals you have identified who have been involved with Fynwest. Can I get it clear—are we talking about people who are employed and who signed their agreements or are we talking about people who may have had some discussions with Fynwest? I am trying to be clear what we are saying about the 29. I saw at one stage on some document that there were 48 serving members.

Vice Adm. Barrie—I am sure there are many more individuals than the 29 we have identified, but they would have included people who may have made an initial inquiry. The 29 that I am thinking about are people who actually proceeded further down the path of taking up that employment opportunity.

Senator CHRIS EVANS—So they are people who, as far as you are concerned, actually signed some sort of workplace agreement with Fynwest or went that far?

Vice Adm. Barrie—I think they are the 29 who presented information back to their commanding officers for approval.

Senator CHRIS EVANS—So they are 29 who actually applied for leave without pay or long service leave to seek employment with Fynwest?

Vice Adm. Barrie—That is correct.

Senator CHRIS EVANS—That was information you gained from their forms, wasn't it?

Vice Adm. Barrie—That is correct.

Senator CHRIS EVANS—And so they actually identified Fynwest as the company?

Vice Adm. Barrie—I think that is correct.

Senator CHRIS EVANS—I notice when the advertisement appeared in the Army newspaper, it was not in the name of Fynwest; it was in the name of some Hong Kong shelf company at the time.

Vice Adm. Barrie—My recollection is that there were three advertisements placed. They were different in some way or another but, ultimately, I think when the processes were gone through they ended up with Fynwest.

Senator CHRIS EVANS—Have you checked to ensure that there were not other applications that involved members of the Defence Force that may not have used the Fynwest name? They might have used other—

Vice Adm. Barrie—We certainly have been on the lookout for other connections.

Senator CHRIS EVANS—So you are pretty confident, even if they had not specified Fynwest, that this is the totality of the group involved?

Vice Adm. Barrie—That is correct.

Senator CHRIS EVANS—Perhaps we could just go to the approval process. You say these 29 individuals applied. It was not brought to your attention until early December. Had a number of members of the Defence Force already received approval at that stage?

Vice Adm. Barrie—I think that is correct.

Senator CHRIS EVANS—Have you any idea of the number who had already received approval?

Vice Adm. Barrie—I could not, with any precision, say what that number is. We would have to go back and check the individual dates of application and approval.

Senator CHRIS EVANS—Perhaps you could do that because it obviously begs the question I was coming to, which is what you did when you found out about this employment offer to members of the Defence Force. Perhaps you could take me through what you did when you were alerted. I think the minister claims not to have known anything about it until it was raised in the House on 3 December, so I presume he sought some information from you then as well, so you would have had some information coming through your own command structure. Did you get a request from the minister for information or a PPQ or something?

Vice Adm. Barrie—I think 3 December was the date we were all working to find out as much information as we could on this activity.

Senator CHRIS EVANS—But you had some prior knowledge prior to that of Fynwest's activities?

Vice Adm. Barrie—Not at our level. I think, as I said earlier, it was coincident that this matter was raised in the parliament on the date we actually got knowledge about it.

Senator CHRIS EVANS—So you are saying you got notification of requests coming through your chain of command on exactly the same day—3 December?

Vice Adm. Barrie—We had that request for clarification about the bona fides of this particular AWA. It was either the day before or on the same day as the matter was raised in parliament. My doubt about answering the question in further detail is that I am not sure about the dated approval applications of other members of the 29. They may have been in November, for example.

Senator CHRIS EVANS—Perhaps you could take that on notice and also take on notice the question about the date on which you received that information and, to the best of your knowledge, how many had already been approved on that date. What happened next? Did you continue to approve the granting of leave to members of the forces who were applying?

Vice Adm. Barrie—Again, that record will become clear when we examine the approval processes. My recollection of the issue at the time is that we had no reason to not approve such applications.

Senator CHRIS EVANS—So you are saying to me that you are not in a position to tell me today whether you approved leave on or after 3 December?

Vice Adm. Barrie—When the issue arose on 3 December, our intention was to make sure that the rules laid down in the Defence Instruction (Army) were followed to the letter, that there would be no suggestion that that had not been fully put in front of commanding officers for approval and, where those circumstances had been legitimately put forward to COs, that the approval was given.

Senator CHRIS EVANS—Are you now confirming for me that approvals did occur after 3 December?

Vice Adm. Barrie—No, I do not have the dates, so I would not do that.

Senator CHRIS EVANS—I would appreciate that information. It is obviously an important consideration. I am surprised that we are not able to ascertain that today. So, the process you set in place after 3 December was to allow approvals to be continued, provided they met the regulations laid down? Was that the sort of instruction?

Vice Adm. Barrie—We did two things. We reminded commanding officers of their responsibilities and we reminded members of the Defence Force of their responsibilities in respect of those applications.

Senator CHRIS EVANS—How did you do that?

Vice Adm. Barrie—By general messages.

Senator CHRIS EVANS—So you sent a general message to all members of the Defence Force?

Vice Adm. Barrie—Yes.

Senator CHRIS EVANS—And one to commanding officers?

Vice Adm. Barrie—Yes.

Senator CHRIS EVANS—Can I have copies of those?

Vice Adm. Barrie—Certainly.

Senator CHRIS EVANS—Do I take it then that all the 29 individuals received approved leave at some stage?

Vice Adm. Barrie—Yes.

Senator CHRIS EVANS—No-one's application for leave was rejected?

Vice Adm. Barrie—As far as I am aware, no. But, again, if there were, say, 32 that were presented for COs—and some COs may have rejected or refused an application—I could not say. But certainly not to my knowledge.

Senator CHRIS EVANS—It seems that all applications were approved. Does the 'seven—approved leave' mean that the seven are still on approved leave?

Vice Adm. Barrie—That is correct.

Senator CHRIS EVANS—They have not sought to return early?

Vice Adm. Barrie—No.

Senator CHRIS EVANS—How long were they approved leave for?

Vice Adm. Barrie—There would be a variety of dates. It would depend on how many days they wanted to take.

Senator CHRIS EVANS—But they might have got three months or so and that is still working its way out?

Vice Adm. Barrie—Yes.

Senator CHRIS EVANS—So, even though the purpose for their leave has clearly disappeared, there has been no interference in the leave arrangements?

Vice Adm. Barrie—No.

Senator CHRIS EVANS—Have you had discussions with those members of the forces about whether they wish to return early?

Vice Adm. Barrie—I would have to take that question on notice.

Major Gen. Hartley—With most of them, the answer is yes. There is a variety of answers. Some will continue with their long service leave or whatever form of leave they have; others will return earlier.

Senator CHRIS EVANS—Are they generally on long service leave?

Major Gen. Hartley—The majority would be, yes. There are other forms of leave, but the majority are on long service leave.

Senator CHRIS EVANS—Were any granted leave without pay to embark on this exercise?

Major Gen. Hartley—Not to my knowledge, no.

Senator CHRIS EVANS—Have you sought to counsel, meet with, or discuss the situation with all of the 29?

Major Gen. Hartley—The majority of the 29 have certainly been spoken to. Some, of course, have taken their discharge and some of those just simply have not been contacted, but the majority have been spoken to in one way or another.

Senator CHRIS EVANS—Let's go through the group. You have spoken to the seven who are still on approved leave and they have, for whatever reason, decided to stay on leave. There were six who returned to work. Under what conditions did they return to the forces?

Major Gen. Hartley—They returned and, in most cases, resumed the job that they had left when they had applied for long service leave.

Senator CHRIS EVANS—You allowed them to return early in some cases?

Major Gen. Hartley—That is correct, yes.

Senator CHRIS EVANS—I presume that this assumes that you had no difficulty with what they had done while on leave? There is no question of disciplinary action or concern from the forces about the nature of their employment?

Senator Newman—This is a normal procedure. People can do things with approval whilst on long service leave or other leave.

Senator CHRIS EVANS—We will come back to that. I want to ask whether they have or not.

Senator Newman—There was nothing extraordinary about these applications as far as the defence forces were concerned.

Senator CHRIS EVANS—With respect, that is probably a subjective judgment.

Senator Newman—No.

Senator CHRIS EVANS—I am asking whether the defence forces have taken any action involving these questions. It is a simple question.

Vice Adm. Barrie—I think the answer to that is no.

Senator CHRIS EVANS—Have you counselled them?

Vice Adm. Barrie—About what?

Senator CHRIS EVANS—Have you met with them?

Senator Newman—For what purpose?

Senator CHRIS EVANS—Minister, these people have returned to work early after being involved in an exercise which has excited quite a deal of publicity in Australia and has drawn the defence forces into quite a deal of what I would suggest is probably adverse publicity. I just wondered what procedures the defence forces have—

Vice Adm. Barrie—I think it is very clear that these are ordinary Australians enjoying the right of ordinary Australians to exercise their own will about these matters. As far as we are concerned, the leave was given quite legitimately in accordance with the rules. We are always delighted when people want to come back to the fold early and continue their service with the ADF, so there would not be any issue about counselling them or disciplinary action.

Senator CHRIS EVANS—That is what I want to ascertain: what you have actually done. What is happening in terms of process with the nine pending discharge? What does 'pending discharge' mean? Does it mean they have applied to resign?

Major Gen. Hartley—That is correct. They have stipulated some time in the future by which they wish to leave. Therefore, in effect, they have sought discharge and it is now a matter of waiting until the time by which their wish to be discharged occurs.

Senator CHRIS EVANS—Is that at their discretion or was that, at the latest, at the end of their leave?

Major Gen. Hartley—It is a mixture of things. It is at the discretion of the commanding officer for whom they are still working, plus their own personal circumstances.

Senator CHRIS EVANS—So it would not be a question of being on leave without pay pending discharge; it would be a question of them using their leave or something of that nature?

Major Gen. Hartley—Yes.

Senator CHRIS EVANS—What does a serving member of the military have to do in terms of notice in seeking discharge?

Major Gen. Dunn—Normally three months notice is given, but the key factor here is the transition of the individual. We are prepared to look at each individual case on its merits to make sure that we help our people in the transition into private life, if they have left the service or are leaving the service, in the best and most efficient manner possible.

Senator CHRIS EVANS—But the normal notice is three months?

Major Gen. Dunn—Yes.

Senator CHRIS EVANS—Has that applied to the seven who you have discharged or have they been allowed to go early?

Major Gen. Dunn—I would have to take that on notice in the case of each of the individuals, but I would stress that there has been no particular attention paid to these folks. They are all working within the current practices and procedures that we have laid down. So if you want that information I will have to take it on notice.

Senator CHRIS EVANS—I am not trying to make a case. I am just trying to ask for the information because it seems to me that if they have been discharged already logic says—

Vice Adm. Barrie—That will be clear with the information we will provide.

Senator CHRIS EVANS—Thanks very much. So you will provide us with the ranks and the unit information. You are happy to confirm that to the best of your knowledge only 29 personnel were formally involved?

Vice Adm. Barrie—That is correct.

Senator CHRIS EVANS—Do you have any information as to any other personnel who might have been involved but did not get to that formal stage?

Vice Adm. Barrie—We may have some information about that but it would not be accurate in the sense that, to go back to the point, I am sure the advertisements may have attracted a range of initial inquiries which would have simply petered out.

Senator CHRIS EVANS—So do you have a feel, Vice Admiral, as to what the size of the interest was?

Vice Adm. Barrie—I would have to say, looking at the numbers in the ADF, not significant.

Senator CHRIS EVANS—Do you have any information as to whether any Navy or RAAF personnel were involved? I do not know whether to do that now or when the individual programs come up.

Vice Adm. Barrie—Again, we were concerned to see whether that was the case at the time. To my knowledge there was one Air Force interest.

Senator CHRIS EVANS—So there was one Air Force member who actually applied for leave and took leave.

Vice Adm. Barrie—I think that is correct.

Senator CHRIS EVANS—So one member of the Air Force. Do you know what rank?

Vice Adm. Barrie—No.

Senator CHRIS EVANS—Could you take that on notice for me, please? So, as far as you know, there was only one person out of the Air Force. Were there any out of the Navy?

Vice Adm. Barrie—No.

Senator CHRIS EVANS—They did not fancy the Navy.

Senator WEST—So does that now make 30 individuals?

Vice Adm. Barrie—No. That is within the 29.

Senator CHRIS EVANS—Has that person returned, do you know, or are they being discharged?

Vice Adm. Barrie—That will be exposed in the information.

Senator CHRIS EVANS—I appreciate the information.

Senator HOGG—Just on the placing of the advertisements, when were the ads first placed?

Major Gen. Hartley—There were three ads placed, on 30 October and 13 and 27 November. They were placed in the Army newspaper. This, I might say, is not an unusual occurrence. A number of prospective employers place advertisements and certainly, reading the advertisement, there was no indication that it would involve, for instance, an overseas training requirement.

Senator HOGG—Who placed the ad? Do we know?

Major Gen. Hartley—The ads were placed by an organisation known as CTMS. We now know that that was a subsidiary of Fynwest.

Senator CHRIS EVANS—Is that an Australian registered company?

Major Gen. Hartley—I am sorry. I don't know that information.

Senator HOGG—Does someone vet the advertisements when they are placed? Obviously you would need to know the bona fides, because Vice Admiral Barrie has spoken about checking the bona fides later on. Surely someone would have checked the bona fides up front when the ads were placed.

Major Gen. Hartley—Certainly the advertisements are vetted, but to what extent I am not sure.

Vice Adm. Barrie—I think the editor always has the licence not to run an advertisement that is offered for the newspaper, but I think the rules are the same that apply to any other newspaper in Australia. That is to say, if it looks within the guidelines, it will be placed, provided they have paid.

Senator HOGG—It would seem to me, though, that if we are dealing with the defence forces someone would take the time to vet the bona fides of those who are placing advertisements because one would not know what type of advertisements were being placed.

Vice Adm. Barrie—I am sorry, Senator. Are you suggesting censorship of a service newspaper?

Senator HOGG—I am not suggesting censorship.

Senator CHRIS EVANS—Surely you wouldn't encourage mercenary organisations to advertise, for instance?

Vice Adm. Barrie—No, and as I say, if that were evident—

Senator HOGG—That is what I am saying. That is not censorship, that is vetting.

Vice Adm. Barrie—But you are suggesting that every advertisement that gets placed in one of those newspapers has got to be checked out.

Major Gen. Hartley—Senator Hogg, I think the advertisement gave the indication that this would be a suitable form of employment for people with particular skills who were contemplating leaving the Army and from my point of view there was nothing wrong with that. It turned out perhaps to be something else. But certainly the way the advertisement was structured it would appear to give long serving soldiers who had a requirement probably to cease service in the Army an opportunity to further a civilian career.

Senator HOGG—Right. Is there any charge associated with the placement of that advertisement?

Major Gen. Hartley—There would be a charge, yes.

Senator CHRIS EVANS—I take your point, Vice Admiral. I am not trying to crucify you. But clearly the defence forces would have certain guidelines for the editor about accepting certain ads.

Vice Adm. Barrie—Every newspaper has guidelines about what advertisements can be run in that newspaper, and I think our guidelines are the same as any other newspaper in this country.

Senator CHRIS EVANS—I remember being embarrassed when I produced a union journal that had an ad once for CRA. It got me into no end of trouble. But we were keen to make a profit and they were paying. Clearly you must have some guidelines about recruitment of mercenaries advertisements. That is a logical first one you would be concerned about, isn't it?

Vice Adm. Barrie—We would certainly be concerned. It is also worth saying that we do have a rule that says members of the SAS are not permitted to work in security firms.

Senator CHRIS EVANS—All I am trying to get to is: what instructions do you provide to the editor? Are they written instructions, or is there a policy in terms of advertisements in the paper?

Senator Newman—Senator, are you suggesting that this is something of a mercenary arrangement?

Senator CHRIS EVANS—I do not want you to put words in my mouth, Senator. I am just asking the officers questions.

Senator Newman—But from the question you just asked you were putting it on the record that somehow this was something to do with mercenaries.

Senator CHRIS EVANS—I think if you look at the *Hansard*, what I asked was: did they have guidelines regarding the employment of mercenaries? I used that as an example of the sort of ad I was sure they would not want to condone.

Senator Newman—If that is all you meant, that is fine.

Senator CHRIS EVANS—I do not want you to put words in my mouth, Minister.

Senator Newman—No. That is what it sounded like in the context.

Senator QUIRKE—But Minister, I think you also have to accept that they were recruiting defence personnel. They were not down at the local abattoirs or a few other places.

Senator Newman—They were recruiting people with existing skills that would be useful for another job after defence force service. That is quite normal and ordinary.

Senator QUIRKE—The question arises what skills they were after.

Senator Newman—They could be recruiting chefs, they could be recruiting people with a whole lot of other trades or skills in the defence forces. There is nothing abnormal about what happened.

Senator QUIRKE—But they were not doing that, were they? They were not recruiting chefs.

Senator Newman—They were recruiting people with mechanical skills, with heavy machinery skills.

Vice Adm. Barrie—The advertisement specifically said that they wanted to have people with specialist equipment and trade skills, which is entirely appropriate to ADF members who want to separate.

Senator Newman—The ad said ‘civilian career opportunities’, let that be quite clear. These are ads which sought machinery specialists and trade specialists, offering an excellent career opportunity and a competitive salary. That is the reality of it.

Senator CHRIS EVANS—An ad from a Hong Kong shelf company.

Senator QUIRKE—I do not mind you quoting the advertisement.

Senator Newman—I hope not. They are the facts.

Senator QUIRKE—Let me finish.

Senator Newman—You might like to examine them.

Senator QUIRKE—We have done that. At the end of the day, Minister, these people were being recruited out of the defence forces of Australia and I think—

Senator Newman—And they are entitled to a job like any other citizen when they leave the Army.

Senator QUIRKE—Absolutely, but it is the skills that obviously in the public’s mind come with the defence forces that this company was—

Senator Newman—These were not their military skills. They were advertising for heavy equipment specialists.

Senator QUIRKE—I think you would be pretty naive if you were thinking that.

Senator Newman—I think you are seeing a red under the bed, Senator.

Senator QUIRKE—No, it is not my party that looks for reds under the bed.

Senator CHRIS EVANS—You started this exchange. I would like to ask Vice Admiral Barrie some questions about the processes involved.

Senator Newman—I am glad I have it on the record as to what the ads were because you are ignoring the reality of it.

Senator CHRIS EVANS—Your defence of this company’s activities is noted.

Senator Newman—Good. Soldiers, sailors and airmen are all entitled to post-discharge employment and training.

Senator CHRIS EVANS—If you will let me ask questions of Vice Admiral Barrie we will get onto what processes are involved to help them into that employment.

Senator Newman—We have been doing that for about three-quarters of an hour.

Senator CHRIS EVANS—What instructions are provided to the editor of the Army newspaper or what guidelines are issued? Are they available or is it a more informal thing?

Vice Adm. Barrie—There certainly are guidelines, and we can provide them.

Senator CHRIS EVANS—I would appreciate a copy of that. I presume that it would include the sorts of things that you talked about in the regulations, where you do not encourage people to take employment in security firms. Is that one of the things that is precluded?

Vice Adm. Barrie—The specifics of that apply to members of the SAS and that is processed as part of the application approval. There is absolutely nothing that can prevent a member of the SAS discharging from the ADF and then working for a security firm. But whilst they are members of the ADF they may not.

Senator CHRIS EVANS—What about when they are on leave?

Vice Adm. Barrie—The same rule applies; they may not.

Senator CHRIS EVANS—Is that only for members of the SAS?

Vice Adm. Barrie—Yes.

Senator CHRIS EVANS—So normal forces personnel are allowed to work for security companies while still employed by the ADF and on approved leave.

Vice Adm. Barrie—Yes.

Senator WEST—So clearance divers can work for security companies.

Vice Adm. Barrie—That is correct.

Senator WEST—What about the RAAF fellows who do that?

Vice Adm. Barrie—Air defence guards?

Senator WEST—Yes.

Vice Adm. Barrie—Yes, they may too.

Senator WEST—Why can the SAS not work for security people yet Navy clearance divers can?

Vice Adm. Barrie—My recollection is that that policy was introduced in the early 1970s. I think the government at the time was concerned about an association with SAS skills and security firms, and that was when the rule was introduced.

Senator WEST—You would reckon your clearance divers were pretty skilled in a similar range of activities.

Vice Adm. Barrie—They like to think that they have many similar skills, but I would say that their skill range is not nearly as comprehensive in land skills as the SAS.

Senator WEST—There would still be places I would not want to meet any of them on a dark night. I am being serious.

Senator Newman—If you had evil intent.

Senator WEST—Yes.

Vice Adm. Barrie—I hope there are lots of members of the ADF you would not like to meet on a dark night.

Senator HOGG—You said it.

Senator WEST—That is right.

Senator CHRIS EVANS—Vice Admiral, you have to remember that *Hansard* gets distributed widely—

Senator WEST—Wait until we get to program 8, Vice Admiral. I am being serious here: the three services have troops who are trained in specialist defence hand-to-hand close combat for disarming and immobilising and whatever else. Why is one group not allowed to work for security companies—and I think it is an appropriate thing—when two other groups are allowed to?

Vice Adm. Barrie—My recollection of the material at the time suggested the first principle when we wrote those rules was that any member of the ADF should enjoy the same further employment opportunities as any other Australian citizen. In drawing a line that members of the SAS were not allowed to work for security firms it was simply the sensitivity of their training related to what they might have to do as members of security firms.

Senator WEST—Do you think you perhaps need to review it in terms of the sensitivity of the training of the other two groups and what they might be required to do?

Vice Adm. Barrie—We can certainly look at it, but the first principle is that they should all enjoy the same other opportunities as any other Australian to have that form of employment.

Senator WEST—I do not have a problem with that, but we are talking about people who are still employed by the ADF.

Senator CHRIS EVANS—I would like to go back to the question of the ad. Was any concern ever raised with the defence forces about this particular advertisement?

Vice Adm. Barrie—No.

Senator CHRIS EVANS—So your knowledge of it is effectively post the recruitment stage?

Vice Adm. Barrie—As of 3 December.

Senator CHRIS EVANS—Will you provide us with a copy of the directions and the advertising material?

Vice Adm. Barrie—Yes.

Senator CHRIS EVANS—Thank you. Can you outline what happens in terms of Army career advice for people looking to discharge?

Vice Adm. Barrie—I would have to ask the Deputy Chief of Army to answer that.

Major Gen. Hartley—Can you express that?

Senator CHRIS EVANS—I presume one of the major human resource functions undertaken is to discuss with people seeking to discharge their future employment and preparing them for life outside of the service. I would think that would be a big part of your human resources role, would it not?

Major Gen. Hartley—Certainly. In terms of discharge, most soldiers, particularly those who have served for some time, undertake post-discharge resettlement training which covers a range of skills—the sorts of skills that you would expect someone coming from a close community like the Army to need when going into a broader civilian community: that is, how to manage resources, how to make job applications, that sort of thing.

Senator CHRIS EVANS—Did the Army or any of the defence forces human resources career advice people have any formal contact with the CTMS or Fynwest or one of their other aliases in terms of this particular recruitment campaign?

Major Gen. Hartley—They did, but after the Dubai issue became obvious in the media.

Senator CHRIS EVANS—I assume that the Army contacts major employers and you have those sorts of relationships as part of moving people through. So there was no contact between the Defence Force and CTMS, Fynwest, however described, prior to the media attention?

Major Gen. Hartley—That is correct.

Senator CHRIS EVANS—What purpose was there in contact after that?

Major Gen. Hartley—I would prefer to take this on notice because I am not sure, at the end of the day, whether it was Fynwest who contacted the Army to say that they were aware of our requirements and that they would ensure that no breach would occur from soldiers who were on long service leave and employed by them or whether we contacted them to see the extent of their involvement with the Army.

Senator CHRIS EVANS—Perhaps you could take that on notice. Perhaps that is a good point at which to have a look at the question of the regulations regarding employment of members in the Army in off duty hours. I have a copy of what I hope is the most recent instruction in that regard. Has that instruction been altered or amended in recent times?

Vice Adm. Barrie—As I said earlier, we are going through a process now of aggregating the three separate service instructions into one that will be a DI(G).

Senator CHRIS EVANS—In 1997 were there any amendments to that particular instruction?

Major Gen. Hartley—Not from Army's point of view, no.

Vice Adm. Barrie—What is the date on the bottom of your copy of the instructions.

Senator CHRIS EVANS—It says, 'PERS 44/96, 5 September 1996.'

Vice Adm. Barrie—That was the last time of amendment.

Senator CHRIS EVANS—For all intents and purposes, for the period we are discussing, this is the current instruction?

Vice Adm. Barrie—Yes.

Senator CHRIS EVANS—It has quite detailed instructions regarding the employment of anyone with the Army in off duty hours. It talks about gaining the approval of the commanding officers, as I have already discussed. It includes a clause that states:

. . . the activity does not involve the use of information or experience acquired in the course of official duties, particularly Special Forces and combat skills (other than non-operational skills) . . .

What is meant by that?

Major Gen. Dunn—The particular concern here is that we do not have people moving out on approved training or employment over a period of leave, whatever sort of leave that is, and working for consultancies or firms that are actually engaged in contracts with the Defence Force.

Senator CHRIS EVANS—Is the Defence Force at all concerned that the Fynwest arrangements might have breached that clause?

Major Gen. Dunn—No, not in this instance.

Senator CHRIS EVANS—What about the clause that says, 'The activity will not bring the Army into disrepute'? I know it is in hindsight. I am not suggesting that you should have known in advance.

Senator Newman—But it has not anyway.

Major Gen. Dunn—That was not a consideration—

Senator CHRIS EVANS—Are you answering for the Army, Minister?

Senator Newman—I am saying as an Australian citizen that it has not brought the Army into disrepute. I really resent that implication. What is it? You may not like what they were doing, but that does not bring them into disrepute.

Senator CHRIS EVANS—Again, Minister, it is not for you to put implications into the questions I asked. I asked them whether they were satisfied.

Senator Newman—It is a different thing altogether to say that it has brought them into disrepute. You might choose your words more carefully, Senator.

Senator CHRIS EVANS—I used words straight from the official regulation.

Senator Newman—Yes, but are you suggesting that this has brought them into disrepute?

Senator CHRIS EVANS—No.

Senator Newman—Of course it has not.

Senator CHRIS EVANS—I am suggesting that I would like the question answered. The question was: in the opinion of the Army or the defence forces has that clause of their regulation been breached in terms of this arrangement? That is a reasonable question. Check the *Hansard*, Minister. If you want to defend Fynwest up hill and down dale, fine. That is not the purpose of this. Let me ask the questions.

Senator Newman—I am defending the defence forces. Do not let the record be distorted. I am defending the defence forces from your unjust accusations.

Senator CHRIS EVANS—I have not accused them of anything.

Senator Newman—They are decent, honest citizens wanting to earn their way in life. What is wrong with looking for a job for which you already have some of the basic skills.

Senator CHRIS EVANS—I asked the defence forces whether or not they felt their regulations had been breached—a perfectly reasonable question for estimates, Minister. If you stop interfering we will get on with it. Vice Admiral Barrie strikes me as being perfectly able to defend himself.

Vice Adm. Barrie—I will answer the question. The answer is no.

Senator CHRIS EVANS—What about the clause which provides that ‘any member is not remunerated at a lower rate than that paid to a civilian in like employment’.

Vice Adm. Barrie—I think the point needs to be made that the employment was to occur after discharge; this was training.

Senator CHRIS EVANS—Is that technically correct? As I understood it, they signed workplace agreements which were in effect during their employment with the defence forces.

Vice Adm. Barrie—My understanding is that those AWAs were in respect of the employment to occur and it was the bona fides on which the training was to be undertaken.

Senator CHRIS EVANS—So are you saying that when they were in training they were not employed?

Vice Adm. Barrie—That is my understanding.

Senator CHRIS EVANS—And not in receipt of wages?

Vice Adm. Barrie—I am sure they were remunerated for undertaking the training.

Senator CHRIS EVANS—I do not want to get into a debate over the definition of employment. I suspect that is a highly technical and not correct interpretation of their relationship. I do not think anyone seriously contends that they have not got an employment relationship. They were placed on the payroll two days prior to departure from Australia. They were clearly employed by Fynwest throughout the period of training. I do not know that anything particularly turns on it. Have you undertaken any investigation regarding that question of remuneration?

Major Gen. Dunn—No, the remuneration that was offered was not lower than that offered to a civilian who would undertake the same job.

Senator CHRIS EVANS—So you have done a comparison?

Major Gen. Dunn—The arrangements that were made brought no complaints to us that Defence Force personnel were accepting employment, training or otherwise at a lower rate.

Senator CHRIS EVANS—That is not what you said first up, Major General Dunn. You said you did not. I am asking you: did you make the comparison?

Major Gen. Dunn—I am saying that we would have very quickly had brought to our attention, I am sure, any instance where our personnel were being employed specifically at a lower rate. That was not the case in this instance.

Senator CHRIS EVANS—Thank you for that answer. Did you make the comparison?

Major Gen. Dunn—In relation to various agreements, no.

Senator CHRIS EVANS—You do not know whether or not they were to work at a lower rate?

Major Gen. Dunn—In that context no; however, I would add that we are very alert to any attention that is drawn to that circumstance. We would not wish to see our people in any way displacing others, and that would have been brought to our attention very quickly, I am sure.

Senator CHRIS EVANS—But you have already given evidence that this matter was not brought to your attention formally until on or around 3 December, after a number had signed contracts. Clearly, as it happens at the lower end of the chain of command—

Vice Adm. Barrie—My reading of it is that, as part of the approval processes, COs would have had to satisfy themselves about those clauses inside the DI(A).

Senator CHRIS EVANS—But, realistically, it is a bit unfair to expect them to have gone to that sort of detail, isn't it?

Vice Adm. Barrie—I am sure they would not have undertaken a very proactive investigation.

Senator CHRIS EVANS—All right. What about clause 12, the application for approval, where each member has, I presume, to sign a statement to the effect that they understand that, including that their private business is in no way to interfere with their Army duties and they will not undertake activities which will give rise to suspicion, however ill-founded, that they could use their Army knowledge to further their business interests, and so on? Does that take the form of a statement that each member is required to sign when applying for leave?

Vice Adm. Barrie—I think that, as part of the application process, they sign an undertaking that they have read that and understand its implications.

Senator CHRIS EVANS—It says here that they sign a statement, so I gather that you have got some sort of standard form that they sign off on.

Vice Adm. Barrie—Yes.

Senator CHRIS EVANS—Was that form signed in all circumstances by the 29 members referred to?

Vice Adm. Barrie—I believe so.

Senator CHRIS EVANS—So they all signed the statement to that effect. What about the question of proceeding overseas? All of these persons were to depart for the Middle East. When people are going on leave, do they require any special permission or approval to go overseas or to go to what would potentially be a trouble zone? What are your procedures?

Vice Adm. Barrie—My understanding of the regulations is that any ADF member who proceeds overseas has to notify his commanding officer about the travel overseas. That is not an approval process; it is simply a knowledge of whereabouts process.

Senator CHRIS EVANS—Did it occur on these occasions?

Vice Adm. Barrie—I believe so.

Senator CHRIS EVANS—The Defence Force was aware that these 29 were proceeding overseas during their leave?

Vice Adm. Barrie—I would expect that, when the members became aware that they were proceeding overseas, they would have informed their commanding officers.

Senator CHRIS EVANS—Have you been able to check whether or not that occurred?

Vice Adm. Barrie—I would have to take specific actions to do that.

Senator CHRIS EVANS—Perhaps you could take it on notice to find out whether or not commanding officers were informed that, when applying for this leave, that involved employment overseas and, in particular, whether or not that specified the Middle East.

Vice Adm. Barrie—Could I just add to that: it would not be part of the same process. It might be quite a different process. But we will check.

Senator CHRIS EVANS—Within reasonable capabilities—I do not want you to ring every commanding officer or anything like that. What is your general policy in terms of officers being on leave and overseas? Foreign Affairs issues a warning notice to travellers generally. Clearly, defence personnel are a special case—potential targets for trouble in various parts of the world at various times. What policy applies there?

Vice Adm. Barrie—In general, ADF members are free to visit overseas countries, but they must inform their commanding officers of their intention to do so. If they go to what are sensitive areas—and in that connection I am particularly recalling the Cold War days when there were a lot of countries which, if we wanted to visit, we had to notify all sorts of people and get all sorts of approvals—or to Foreign Affairs hot spots and other things like that, I do not think there is any particular prescription, except for COs to say to members, ‘Are you really sure you should do that?’ Where the Australian government clearly does not support people going to those countries, then I am sure COs would say, ‘You are not to go.’

Senator CHRIS EVANS—Was any instruction or procedure in force at the time regarding the Middle East?

Vice Adm. Barrie—Not that I am aware of.

Senator CHRIS EVANS—Is there anything currently?

Vice Adm. Barrie—We serve throughout the Middle East in all sorts of different areas, so I do not think there is anything specific to people who might be travelling on leave.

Senator CHRIS EVANS—I do not mean for officers serving under orders; I mean for travel. Currently, for instance, with the concern about the Middle East, Iraq, et cetera, is any instruction issued to personnel about off-duty travel?

Vice Adm. Barrie—Not over and above the normal Foreign Affairs warning.

Senator CHRIS EVANS—How do defence personnel become aware if there is a Foreign Affairs warning generally? Do they just do it in the same way that normal citizens do?

Vice Adm. Barrie—In the same way that we all do.

Senator CHRIS EVANS—Thank you.

Proceedings suspended from 10.58 a.m. to 11.10 a.m.

Senator CHRIS EVANS—Vice Admiral Barrie, I will take you to the question of the AWA signed by Defence personnel with Fynwest; we had the discussion about employment earlier. Have you seen the AWA?

Vice Adm. Barrie—I saw the draft AWA that popped out of the system on 3 December.

Senator CHRIS EVANS—Its first clause—Period of Operation—says:

This AWA will commence on the later of the day after the Employment Advocate issues a filing receipt or the employment commences, and will operate for a period of three years from the date of the last signature to this AWA.

Has there been any Army analysis of this particular AWA and how it impacts on your regulations about persons being in employment while on leave, et cetera?

Vice Adm. Barrie—That was offered as a bona fide reason for taking leave to seek an employment opportunity. My understanding was that the last signatures would not be affixed until a much later date.

Senator CHRIS EVANS—How did you come to that understanding?

Vice Adm. Barrie—It goes back to the split I tried to make between what was training, because my understanding of the training opportunity was at that time the fullest extent of commitment for further employment would be realised only after the training had occurred.

Senator CHRIS EVANS—I know you said that was your understanding, and I agree to disagree with you on that—or I will express some doubt. Are you saying to me that you have information that these AWAs were not signed?

Vice Adm. Barrie—All I am saying is that the one that I saw was not signed. At the time we were relatively satisfied that it represented a bona fide offer of employment at a future date.

Senator CHRIS EVANS—Are you saying to me that, on analysis of this particular AWA, you contend that they are not employed when they sign it?

Vice Adm. Barrie—No, what I am contending is that the training opportunity was not necessarily consequential to the signing of that AWA.

Senator CHRIS EVANS—Do you regard the signing of the AWA as consistent with the Defence Force regulations regarding employment while on leave?

Vice Adm. Barrie—I would have to confirm my view in this sense: when people take leave from the Defence Force to explore employment opportunities or any other form of work, it must clearly be done on the understanding their obligation for military service is paramount. I do not remember the detail in the AWA and I would have to be fairly carefully advised to make sure there was no inconsistency in that before I could agree that could be signed whilst they are on a period of leave.

Senator CHRIS EVANS—That is a very important question so I would appreciate your taking it on notice. Has the Defence Force done an analysis of that AWA and how it impacted on compliance or otherwise with its regulations?

Vice Adm. Barrie—I do not know the answer to that question.

Major Gen. Hartley—We certainly sought legal advice on that issue. Until a soldier is actually required to return to service—and that, of course, is part of this process—a soldier on long service leave or any form of leave is still a soldier and, if required to return to a unit for whatever reason, until that order is given and not complied with there is no breach of the regulation. My understanding is that the company involved actually contacted the Army to assure us that they also understood that element of the requirement.

Senator CHRIS EVANS—So you got legal advice which was based on examination of these contracts?

Major Gen. Hartley—My understanding is yes.

Senator CHRIS EVANS—Are you able to make that available to the committee?

Major Gen. Hartley—We will take that on notice.

Senator CHRIS EVANS—The legal advice was based on the specific AWA offered to Defence personnel by Fynwest,

not as a generic inquiry about what effect AWAs have but an actual piece of advice based on presentation of the actual AWA?

Major Gen. Hartley—My understanding is yes.

Senator CHRIS EVANS—And that advice expressed no concern about an AWA impact on compliance with Defence Force regulations?

Major Gen. Hartley—My understanding is that there were mixed legal opinions on it but the weight of opinion was that until an order was issued for a soldier to return and that order was not complied with, there would be no breach of military discipline.

Senator CHRIS EVANS—I suppose that did not go to the question of whether a soldier would breach his AWA by, say, returning to answer a call to return to active service on Dubai?

Major Gen. Hartley—Once again, my understanding is that the company concerned understood that and made us aware that they appreciated the significance of what you are saying.

Senator CHRIS EVANS—But you did not get legal advice as to where that left the particular member?

Major Gen. Hartley—I do not believe so.

Senator CHRIS EVANS—It seems to me on the face of it that the particular soldier has become a servant to two masters who both have calls over his availability in terms of service to both those masters, one while serving for a company in Dubai and the other while still formally with the Defence Force.

Major Gen. Hartley—Certainly from the Army point of view, it was very clear in our mind that any soldier who involves himself on employment on these forms of leave is required to return. We have been doing this now for many years and we have had many soldiers in many forms of employment. So from our point of view there was never any assumption that it would

be otherwise. My understanding is that the company itself also contacted us to confirm that arrangement.

Senator CHRIS EVANS—But at some stage the Defence Force made the decision that the signing of the AWA did not put that member in conflict with the Defence Force regulations?

Major Gen. Hartley—Correct.

Senator CHRIS EVANS—That has to be true because you re-employed a number of them. That was a live issue in that sense, I suppose, wasn't it?

Vice Adm. Barrie—I would like to caveat in the sense that I am not sure how many of those were actually signed and at what stage the employment was due to take place. It does go back to the differentiation we are trying to make between the training opportunity employment.

Senator CHRIS EVANS—Are you claiming to me that you think people had not signed this AWA or just the one you are aware of?

Vice Adm. Barrie—My recollection is that people went on the training opportunity without having signed AWAs.

Senator CHRIS EVANS—That is your understanding. Is that based on interviewing the particular 29?

Vice Adm. Barrie—No. I would obviously have to check that but it is certainly my understanding that all 29 did not have signed AWAs for employment when they took up the training opportunity.

Senator CHRIS EVANS—But in any event, the view of the Defence Force is the fact that they had signed the AWA would not prejudice their employment with the Defence Force?

Major Gen. Hartley—That is correct.

Senator CHRIS EVANS—And that is based on the legal advice which you will take on notice as to whether you can provide it or not?

Major Gen. Hartley—Yes.

Senator CHRIS EVANS—Is the Defence Force aware of whether any of the members did sign the AWA?

Vice Adm. Barrie—We would have to look into that. I cannot say with any certainty.

Senator CHRIS EVANS—I would be particularly interested if you could find that information, particularly as to whether any of those returning had signed the AWA.

Vice Adm. Barrie—I just qualify my answer in the sense that we may not have access to the information because that is, in effect, a contract between the employee and the company.

Senator CHRIS EVANS—I appreciate the difficulty. I know it is not necessarily strictly within your brief.

Senator HOGG—In a document that we have here under the Fynwest Pty Ltd letterhead it says that it is understood that a signal went to SCMA and all units in September 1997 advising that two months notice would be required from that date for any long service leave applications. Is that correct?

Vice Adm. Barrie—It could be. I do not know the answer to the question.

Senator WEST—Who is SCMA?

Major Gen. Hartley—The Soldier Career Management Agency. I suspect that that is a pretty routine sort of thing. I doubt it has anything at all to do with the Dubai issue.

Senator HOGG—It is just that it appears in the Fynwest document and I am wondering whether there is any relationship between it appearing in the Fynwest document and obviously a signal that went to SCMA and all units in September 1997.

Vice Adm. Barrie—My reading of that is that it is a routine message that goes towards the end of each year so that the soldier management agency can begin to work the manpower profiles for the end of the year.

Senator HOGG—Can you check out that particular signal to see if there was any particular interrelationship with Fynwest?

Senator CHRIS EVANS—I think the particular change in approval for long service leave was dated November. Is that right? It says, 'Order 509, approval process and approving authorities for the granting of long service leave.'

Major Gen. Hartley—This was also from the SCMA, was it?

Senator CHRIS EVANS—You got me there. It just says, 'Order 509, approval processes and approving authorities for the granting of long service leave', issued I think in November 1997.

Major Gen. Dunn—There was a signal issued via my organisation on 25 November 1997 which reiterated the approval authorities that are required. This is a routine process.

Senator CHRIS EVANS—The document I have in front of me says that there have been some major changes in the arrangements for processing and approval of long service leave applications. It does not sound like the sort of thing you were describing.

Major Gen. Dunn—Any changes that were occurring at that time could have related to the levels of approval. We were certainly processing, as we had been for some time, as we mentioned earlier, a Defence instruction which was to bring all three services into line. The period of advice—that is, the forewarning, the two months that were referred to before by Senator Hogg—would represent a major change. Those sorts of issues for career management and career planning would be advised throughout the whole of the ADF.

Senator CHRIS EVANS—I appreciate that; but are you able to tell us what change was activated by this order according to documents which—unless there has been a forgery were Defence Department documents—described major changes in the arrangements for the processing and approval of long service leave? Are you able to give us the before and after—what changed?

Major Gen. Dunn—I will take that on notice. I can say that part of it does relate to the early advice that is given.

Senator CHRIS EVANS—Why was that change made?

Major Gen. Dunn—As I said, in order to make sure that we do get proper time to plan for reasonably long absences if people are applying for that sort of leave.

Senator CHRIS EVANS—But that has obviously been a problem for 20 or 30 years; what brought this particular problem to a head that required you to change these standing orders?

Major Gen. Dunn—One of the issues that we are facing at the moment is a major restructuring in the Defence Force, as you would be aware. Any applications for long periods of absence can affect the new organisations that we are setting up. That would be part of it.

Also there is the need to make sure that we do facilitate the transition of our people back into civilian life, if they really want that.

Senator CHRIS EVANS—Perhaps you could provide us, on notice, with the old order, the new order and, if you are able to, some explanation as to why the changes occurred. That was issued on 25 November, is that correct?

Major Gen. Dunn—That is the one I am referring to.

Senator CHRIS EVANS—Was that Defence Force-wide.

Major Gen. Dunn—Yes it was.

Senator CHRIS EVANS—Were any Defence Force premises used for providing briefings to potential recruits to Fynwest, or however else it might be described?

Major Gen. Dunn—Not to my knowledge, Senator, but the Deputy Chief of Army may have better information.

Major Gen. Hartley—I believe that a presentation was actually given at the Oakleigh Barracks in Melbourne. I do not know how many people were there and I do not know any further detail on that.

Senator CHRIS EVANS—You do not have a date?

Major Gen. Hartley—It was either 17 or 18 November.

Senator CHRIS EVANS—On 17 or 18 November, Defence Force premises at Oakleigh Barracks—forgive my ignorance, where is Oakleigh Barracks?

Major Gen. Hartley—I think it is in Melbourne, but I am not sure of that. Yes, it is in Melbourne.

Senator Newman—Oakleigh is a reserve unit.

Senator CHRIS EVANS—Who gave authority for those premises to be used?

Major Gen. Hartley—I would have to take that on notice.

Senator CHRIS EVANS—Is it normal to allow Defence establishments to be used in that way?

Major Gen. Hartley—I think there is a certain amount of latitude. Meetings which would be of benefit to soldiers could certainly occur, and the local commanding officer would normally give approval for that to occur.

Senator CHRIS EVANS—When you take that on notice, you could find out who approved it, who applied and whether any charge was made. Do you charge for use of premises by private organisations?

Major Gen. Hartley—Certainly.

Senator CHRIS EVANS—In this world of fiscal restraint you have to. To your knowledge, was that the only occasion on which Defence Force barracks were used?

Major Gen. Hartley—To my knowledge, absolutely.

Senator CHRIS EVANS—Is it considered normal practice to allow private employers the use of those facilities for recruitment?

Major Gen. Hartley—It would not be a normal issue but it would not be unprecedented.

Senator CHRIS EVANS—I might have thought BHP or somebody might come in if they were looking for particular skills, and hold a seminar on occasions.

Major Gen. Hartley—If it was considered to be in the interests of soldiers—and clearly, at that time, it probably was because they were given the prospect of some future employment—then I would say a local commanding officer would be well within his rights to do that.

Senator CHRIS EVANS—You will give me the details, if you can, about the application, the approval process, and whether any fees were charged et cetera. Do we know how many personnel attended that?

Major Gen. Hartley—No I do not.

Senator CHRIS EVANS—Was it held at Oakleigh Barracks because a particular unit is based there, with particular skills they were looking for?

Major Gen. Hartley—I would have to take that on notice.

Senator CHRIS EVANS—I assume their interest was in mechanical engineering-type people. I was wondering whether there is any correlation with a unit based there. Can I skip to an unrelated issue. Are you able to provide us with any information as to whether any Defence personnel were on official duties in Dubai during the relevant times?

Vice Adm. Barrie—That was tested at the time and the answer is no.

Senator CHRIS EVANS—So what period are we looking at there?

Vice Adm. Barrie—My recollection is from 4 December til just before Christmas.

Senator CHRIS EVANS—That was across the Defence Forces?

Vice Adm. Barrie—Yes.

Senator CHRIS EVANS—Was there any attempt to check back as to whether any Defence personnel had visited Dubai in the couple of months prior to 4 December on official duties or while serving?

Vice Adm. Barrie—I cannot say whether that was done or not.

Senator CHRIS EVANS—Would you mind checking that for me? There has been some suggestion—

Vice Adm. Barrie—There was certainly some suggestion in the media that there were people there.

Senator CHRIS EVANS—Yes. I would be interested to know whether that is the case. What about aircraft? Do we fly aircraft to Dubai?

Vice Adm. Barrie—I would just have to check the records.

Senator CHRIS EVANS—I would appreciate that. Perhaps, Minister, I could now ask you a couple of questions relating to the minister's involvement? Are you able to confirm that the first the minister knew of it was when he received a question in the chamber on 3 December?

Senator Newman—I am advised that, yes, that was the first time he had heard of it.

Senator CHRIS EVANS—Can you advise what action the minister then took to inform himself of the matter?

Senator Newman—I understand that he asked for a brief.

Senator CHRIS EVANS—When was that brief provided?

Senator Newman—I will have to check for you.

Senator CHRIS EVANS—Would you like to bring the officer to the table?

Senator Newman—He is a bit far away to speak in my ear.

Senator CHRIS EVANS—Perhaps, Mr Chairman, I might suggest the officer came to the table so the minister could consult rather than crick her neck?

Senator Newman—No. He is not a member of the department.

Senator CHRIS EVANS—I was not suggesting he speak. I was just trying to make you more comfortable.

Senator Newman—I am sorry, he is not in a position to advise me, in order to advise you, as to when the brief arrived, but I can take those questions on notice if you want to.

Senator CHRIS EVANS—Perhaps you could take on notice, Minister, what briefs were prepared during the period 3 December to, say, Christmas—

Senator Newman—On this subject?

Senator CHRIS EVANS—On this issue—and when they were received in the minister's office. Are you able to tell us what action the minister took, apart from being briefed, in terms of this issue?

Senator Newman—Could you just ask that question again?

Senator CHRIS EVANS—I was asking for information about the briefs the minister received. Then you said that you would have to take that on notice. Then I asked about what action the minister had taken in relation to this matter once he had been informed. His initial response was to say, 'I didn't know anything.' The following day he said that he understood 18 personnel had left the Melbourne airport the previous day. I want to know what action the minister took, having informed himself of this situation.

Senator Newman—I will see what answer I can get from the minister on that. I will see what is available to you. I cannot really be the judge.

Senator CHRIS EVANS—Are we aware whether he took any action other than seeking information?

Senator Newman—No, I am not aware now. But I can go back to the minister for you.

Senator CHRIS EVANS—Perhaps you could also ask whether he sought to get a briefing from anybody else, apart from the defence forces—whether he sought to contact the company, whether he sought to contact the Dubai government, whether he sought Foreign Affairs advice. I am interested in what actions the minister took, following the matter being raised with him in the parliament. But you are not able to help me today on any of that?

Senator Newman—No, I cannot help you on any of that, I am sorry.

Senator CHRIS EVANS—Perhaps I could ask the Department of Defence whether they provided briefs to the minister on this issue and, if they did, when.

Vice Adm. Barrie—We provided a number of briefs, and on notice we could give you information about that.

Senator CHRIS EVANS—When would the first one have been?

Senator Newman—I think you are straying into territory without trying to—

Senator CHRIS EVANS—Yes, I am happy to be guided as to what is appropriate or not.

Senator Newman—The subject matter of briefs and things and what advice is going to the minister I think is very much a matter for confidentiality.

Senator CHRIS EVANS—Perhaps I could ask either of you: on what date was the first advice provided to the minister from the Defence department? I do not think that is unreasonable.

Vice Adm. Barrie—My recollection would be to say 3 December. But, of course, I would have to get confirmation because I may not be aware of all the advice the minister obtained for himself.

Senator CHRIS EVANS—If you would take that on notice then and just check that that was the first occasion on which you provided advice to the minister about this matter, I would appreciate that. Did you provide briefs to other ministers as well?

Vice Adm. Barrie—Not that I am aware of.

Senator CHRIS EVANS—What is the normal procedure with Defence? Do you copy to the junior defence personnel minister all briefs?

Vice Adm. Barrie—Not in every case. On matters of departmental interest, of course, they go to both ministers.

Senator CHRIS EVANS—So would these have gone to both ministers?

Vice Adm. Barrie—We would have to see.

Senator CHRIS EVANS—Perhaps you could check. What about the foreign affairs minister? This matter involved questions about people going to Dubai. Did you brief the foreign affairs minister as well?

Vice Adm. Barrie—Not that I am aware of.

Senator CHRIS EVANS—Is that definitive?

Vice Adm. Barrie—That is pretty definitive.

Senator CHRIS EVANS—I take it then that you will advise me if you did advise—and I am not trying to be smart; I am just trying to get clear whether you were saying ‘definitely’.

Vice Adm. Barrie—Certainly. I am pretty confident that we did not.

Senator HOGG—I just seek clarification on an issue that was raised before by Major General Hartley in a discussion with my colleague. That was the issue of the application of any workplace agreement, whilst still in the employ of the Army. I would just seek your clarification: is there a distinction drawn between those who are on long service leave, those who might be on leave of absence without pay and those who might be on, say, pre-discharge leave of some sort? Is there any difference in the way those people are treated?

Major Gen. Hartley—Theoretically, no. All people who are still serving—and all those categories are still serving soldiers—are still under military law and discipline and, in particular, are required to return to full-time service if a direction is issued to that effect. It would have to be something of grave emergency for that to occur, and I do not know whether it has ever been invoked that way.

Having that said that, that applies to all of them. Clearly, those soldiers who are electing to be discharged have made a formal decision to leave, and we would be very loath to change any of that arrangement. But at the end of the day, all of them know that, when they go on these forms of leave, they are still subject to military discipline and, in fact, can be returned to the military, if so ordered.

Senator HOGG—With those who are going on pre-discharge, you can understand that there is a clear intention they are going to withdraw from the defence forces. What about those on

long service leave? Those people have an ongoing commitment to the Army and at the same time they are committing themselves to some other long-term commitment. I just cannot reconcile the two.

Major Gen. Hartley—The onus is on the soldier to discuss with his or her future employer or employer while on long service leave and to advise to the effect that they are still under military discipline and indeed that, if they were required to return, they would have to. A lot of people take long service leave on that condition, on the understanding perhaps that they are looking for whatever their future employment is going to be. But that is a well inculcated provision in the Army.

Senator HOGG—How much notice do they have to give on the taking of such leave?

Major Gen. Hartley—I think the rule is three months. But clearly that can be waived by particular commanding officers, depending upon the circumstance.

Senator HOGG—They have to clearly indicate the purpose of the leave three months prior to taking that leave?

Major Gen. Hartley—That is correct.

Senator HOGG—I noticed in the Fynwest document that there was a requirement that any serving member who has not received discharge at the time of leaving their unit for this training scheme must produce a copy of their leave authority and permission to leave Australia signed by their commanding officer. If people are going off on long service leave and there is this three-month requirement, then one would assume that, if we are looking at an early to mid-December date, there must have been some real knowledge of this some months earlier.

Senator Newman—Knowledge by whom?

Senator HOGG—By the commanding officers.

Major Gen. Hartley—There may well have been. I really cannot answer it more than that.

Senator HOGG—Would you look into that for me. The date of the applications may well serve part of the purpose. Given the regulations that are in place—and I understand that you said they may be waived—if we could have an indication where there has been a waiver, that would assist us as well.

Vice Adm. Barrie—But against that rule everybody is subject to waiver because the advertisements did not appear in the Army newspaper until the end of October; I think that was the first date.

Senator HOGG—The first date was 30 October.

Senator CHRIS EVANS—That is assuming, though, that that was the only way people heard of it. We have already got an Air Force member involved, so there may well have been other advertisements. I take your point, but—

Senator Newman—Of course, at that time I guess there would have been a lot of people reassessing their future because of the defence reforms that were going through. You may well have had commanding officers who were very ready to provide waivers to people who were going to be in that position.

Senator HOGG—I am glad you raise that, Minister. How many of these people are affected by the DRP? Do we know that?

Major Gen. Hartley—Formally—that is, an individual being told that he is affected—probably none. But many of them would have been in the age, category of employment and rank level—many of them were warrant officers, for instance—who would have known that

ultimately that is the area that the DRP would have the greatest impact upon. But I do not think any of them formally would have been told, 'You're likely to be retrenched as a result of the DRP,' for instance.

Senator HOGG—Yes, but the scuttlebutt works pretty well throughout the services. They would have a fair idea who was going to be affected. If you could confirm for us whether these people were likely to be affected within six months, 12 months—

Vice Adm. Barrie—That would be a very long bow on our part. What you can say of course is that individuals would make their own judgments about it. I think the age profiles of some of these would indicate to me that they see themselves as being potentially seriously affected by the DRP. Therefore, seeking an employment opportunity would be very much foremost in their minds.

Senator WEST—You said earlier that you could not give us a breakdown of rank.

Vice Adm. Barrie—No, I said we could do that.

Senator WEST—You have taken it on notice. You seem to be able to give us some indication, from the conversations this morning, as to the profile of age and experience.

Vice Adm. Barrie—It is a recollection; that is for certain. But I do not think any of these are the 18- to 20-year-olds that we are talking about.

Senator WEST—They do tend to be getting closer to their 20 years—

Senator Newman—The ads called for experienced people in these areas.

Senator CHRIS EVANS—Obviously people looking to get out, I suppose. There is still a financial incentive basically to get out after 20 years, is there?

Vice Adm. Barrie—All those are judgments for individuals to make. But you can clearly see that, if somebody is uncertain about the potential long-term prospects in the ADF, this might have been an opportunity they should head for.

Senator WEST—The bulk of the 29 would have been at the senior NCO rank?

Vice Adm. Barrie—I think we would have to look at that profile across the 29.

Major Gen. Hartley—I can confirm that 17 of the 29 were warrant officers.

Senator CHRIS EVANS—A lot of chiefs and not many indians. Who is Colonel Andrew Reynolds?

Vice Adm. Barrie—He is the Director General, Public Information, in the defence organisation.

Senator CHRIS EVANS—A report in the *Age* of 16 December 1997—I will read the paragraph—says:

A department spokesman, Colonel Andrew Reynolds, said that if the trainees—many of whom were on leave—had signed Australian Workplace Agreements with the backers of the Dubai program, Fynwest, they would not be returning to work with the army.

Are you aware of that report?

Vice Adm. Barrie—I have read that statement.

Senator CHRIS EVANS—Is it an accurate reflection of what Colonel Reynolds said?

Vice Adm. Barrie—We would have to ask Colonel Reynolds that.

Senator CHRIS EVANS—Being a politician, I am the first to give you the opportunity to answer the question of whether it is an accurate reflection of what you said.

Col. Reynolds—Thank you, Senator. Yes, I am pretty sure I made that comment to the *Age*. I think that is quite an accurate reflection of what I said.

Senator CHRIS EVANS—What were you indicating there—that in your view the signing of the AWAs would make a member of the Defence Force ineligible to return to the forces?

Col. Reynolds—My understanding, and following on from what the Vice Admiral said before, was that these people had not signed AWAs for the training phase of what was going on. The AWA was in relation to the successful completion of the training and then signing a workplace agreement for employment. If they signed that workplace agreement, as I understood it, then they would be leaving the services.

Senator CHRIS EVANS—There are two understandings there. One is that you thought that they would not sign while on training. What led you to have that view?

Col. Reynolds—It was information I had. I am not sure; it might have even been a conversation with the Vice Chief of the Defence Force, because he mentioned to me that he had seen that workplace agreement. So I think it was probably in discussion.

Senator CHRIS EVANS—You had no direct knowledge of these particular individuals and whether or not they had signed AWAs?

Col. Reynolds—No. If I can just clarify slightly: I think the question that was put to me was, ‘If they had signed AWAs, would they be coming back to the services?’ I said that, if they signed AWAs, it would mean they were going to leave because they were seeking employment outside and that, once they sought employment outside, they could no longer serve.

Senator CHRIS EVANS—Is that still your view—that the signing of an AWA with Fynwest would mean that that member of the forces was no longer able to return to work for the forces?

Col. Reynolds—It means that they are putting in an employment agreement and, therefore, they are moving on from employment within the forces. So, yes, that is my understanding.

Senator CHRIS EVANS—So yours is not an understanding based on an employment contract. Your view is that that would be a sign that they wanted to move on?

Col. Reynolds—Yes.

Senator CHRIS EVANS—What is that based on?

Col. Reynolds—I think it is based on commonsense and moving through. It makes sense that, if you sign a workplace agreement, you are then considering leaving the services and you are leaving the services.

Vice Adm. Barrie—I think I can help there—it goes back to what I said earlier. In my view, a signed AWA between an employee and employer is an enforceable contract. If that enforceable contract is inconsistent with an obligation to render military service then, clearly, it is inconsistent to sign an AWA for employment prior to discharge.

Senator HOGG—How can you sign an AWA if you are on long service leave?

Vice Adm. Barrie—I would not sign one.

Senator CHRIS EVANS—You are saying to me that, in your view, the signing of the workplace agreement would be incompatible with their continued service in the forces?

Vice Adm. Barrie—No. If the AWA contains a provision which allows for an obligation to render military service, that might be one set of issues. But my recollection is: we need to

be sure that that is not an enforceable contract, which would be inconsistent with that obligation.

Senator CHRIS EVANS—Yes. I think we are saying the same thing. What steps did you take to ensure that those officers returning to the forces had not signed AWAs with Fynwest?

Vice Adm. Barrie—I am not sure that it is a matter in which I have an interest; it is a matter between the employer and the employee.

Senator CHRIS EVANS—I do not want to put words in your mouth—we were around the same area, but you were choosing your words carefully, so I will let you phrase it the way you want to—but I thought you just said to me that you had, at the very least, concerns about an employee having signed a workplace agreement with another employer and their capacity to continue in the defence forces, which I do not think is unreasonable and is a commonsense response. I therefore want to know what steps the defence forces took when readmitting or allowing people to go back on active service; whether they had signed AWAs and still had an ongoing commitment to Fynwest?

Vice Adm. Barrie—I think that is a very legitimate question. Ultimately, we do not have access to those contracts, because they are not contracts with us. You would have to take the assurances of the member that there was no further obligation.

Senator CHRIS EVANS—I guess I am getting to the question of process that I asked before. Some people looked a bit astounded that I asked whether you had counselled them, but it seemed to me that this is a pretty live issue for you as to whether someone who was coming back into the defence forces also had a contract to perform other work. I go back to my starting point: did you counsel; did you discuss with each returning Defence Force member whether they were committed to employment with another employer; and, if not, why not? Your spokesman was quoted in the paper as saying they were not welcome back if they had. I am not holding you to that, but it seems it is a reasonable position to take. I want to know why the Army did not interview at least the six or seven you have taken back and ask them the question: are you employed by somebody else?

Vice Adm. Barrie—They may have asked them the question, for all I know. But our view is quite consistent: there is a concern about having an obligation to render service to two masters.

Senator CHRIS EVANS—I would have thought more so with the defence forces than any other employer, particularly given the nature of the employment contract with Fynwest. Are you able to tell me whether you undertook that process; are you saying you did not; or are you saying you will attempt to find out for me?

Vice Adm. Barrie—I cannot say and we would have to check.

Senator CHRIS EVANS—I would appreciate that, because I would like to be clear as to what process occurred with each of those returning and with those not returning; whether they were actually asked whether they had signed a workplace agreement with Fynwest and, if they had, what attitude the defence forces took to that, given our earlier discussions about legal advice, et cetera.

Major Gen. Hartley—I think it is a very fair question. Once again, our experience in this process is that we have done this over many years frequently. Soldiers who return do so on the understanding that whatever arrangement that they entered into with their employer was on the understanding that they were still eligible for military service until they had formally taken their discharge. So I doubt very much that they were interviewed in relation to whether

they had actually signed a workplace agreement. It would have been assumed that, if they had signed it, the company employing them would have been aware of that provision.

I might add that a large number of soldiers did return, and many of them are now awaiting discharge. So, in effect, there was some form of discussion that certainly would have taken place when they returned.

Senator CHRIS EVANS—What are you saying to me there, because you told me only seven had been discharged? You are talking about what—the nine pending discharge or—

Major Gen. Hartley—Yes, I think so. I have a set of figures which do not necessarily agree with everybody else's here, but my understanding is—

Senator WEST—How about sharing those?

Major Gen. Hartley—I would rather not muddy the water, thank you. We will get you those figures more precisely—because they are there—of a number of soldiers who returned. A number have since taken discharge, and a number of those who have not taken discharge are awaiting discharge.

Senator CHRIS EVANS—I am particularly interested to know what attitude you took in discussing with them their relationship with another employer to train in a foreign country. It seems to me that is a pretty live issue for the defence forces, and I think it is reasonable for us to have some knowledge about what you did about it and what you say about that sort of contractual relationship with another employer. I think that that is at the nub of this.

You said earlier that they do not require permission to travel overseas. I notice, in the Fynwest document sent to defence service personnel, that they say they would only employ them if they actually had a written advice from their commanding officer—signed permission to leave Australia from their commanding officer. This does not quite fit. I am not saying it should—this is obviously a Fynwest document—but I am just trying to get clear: are you aware of commanding officers providing signed permission to members of the Defence Force to authorise them to leave Australia?

Vice Adm. Barrie—If that was a requirement from Fynwest, then I am sure that, pursuant to the earlier question about this, our record ought to be perfectly clear that they all did so. You will recall I said, and slightly caveated a response, that it might be difficult to get at because they were separate activities.

Senator CHRIS EVANS—I think what you said to me before was that it did not necessarily have to be in writing; that you would expect them to inform their commanding officer. Fynwest requires a formal written authority, which is beyond what you said you required.

Vice Adm. Barrie—That is right. If they approached their commanding officers for a written document of that nature, then our record ought to be more firm.

Senator CHRIS EVANS—Could you please take on notice the question as to whether those documents were supplied, to whom, and when they were dated—if, in fact, they did occur? Senator Hogg is interested in the instruction that they ought to take their Army socks with them.

Senator WEST—And their football socks.

Senator CHRIS EVANS—I do not intend pursuing that, Senator Hogg.

Senator WEST—You said that, in your understanding, they had not signed the AWA; that they were not employed by Fynwest. A confirmation of contract details for Dubai trainees issued to them all by Fynwest starts off by saying:

This letter serves to confirm the conditions of employment discussed at our recent briefing sessions, plus other information to either assist you and/or required by us prior to departure.

Point 1 is:

You will have signed an "Australian Workplace Agreement" offering you a three (3) year employment contract which is renewable every three years.

What are your comments about that?

Vice Adm. Barrie—I have not seen that document, and I have to say that it surprises me that that was a pre-departure obligation.

Senator CHRIS EVANS—We are happy to provide you with a copy.

Vice Adm. Barrie—I would like to see it.

Senator CHRIS EVANS—We will do that.

Senator WEST—Where does it place you with the 29—or the various figures that you have provided us with and the various figures that General Hartley thinks he has got in relation to those who have actually come back?

Vice Adm. Barrie—I think it places them in some difficulty, potentially. Until I have established all the facts of that, it would be too early to comment on where it really places people.

Senator CHRIS EVANS—But I think it reflects that Fynwest's understanding, our understanding and yours, of the contracts—about this sort of training component—are quite different. I would argue that these people were employed as employees of Fynwest two days before they left Australia, and I think that is quite clear. With respect to the fact that they were undergoing training during that period, as you well know, defence service personnel undergo training when they first commence, but they are employed by you from the day you fit them out with the boots and uniform. It does not make them any less employees because they are undergoing training.

Senator Newman—They are trainees. You surely would expect that some people will fall out of a training program.

Senator CHRIS EVANS—But they are employees in terms of employment conditions.

Senator Newman—I could envisage—not having seen or heard of this either—that you could have an agreement between Fynwest and the people they were taking on as trainees that the successful completion of training would be a prerequisite for a contract to get up and running; that it was like a provisional agreement. I do not know; I am speculating.

Senator CHRIS EVANS—That is not the nature of this agreement.

Senator Newman—You have seen it and I have not.

Senator CHRIS EVANS—I am not sure whether Vice Admiral Barrie has seen the same one. I will also provide him with a copy of the one we have. There is no indication of that in the document we have. Obviously, the employment is subject to satisfactory service and the normal conditions, but there is no suggestion that it is not an employment contract—in an everyday understanding of an employment contract.

Vice Adm. Barrie—I would like to see that and then we can test it against what information we have.

Senator Newman—And whether they were signed.

Senator CHRIS EVANS—We are happy to provide you with copies of the things that we have. I think you will find that they are probably the same as the ones you have, but we will do that. You are taking on notice the inquiries that Senator West made.

Mr Chairman, I just wanted to ask questions on a related matter. It relates to some press about defence service personnel potentially being employed on the Melbourne docks currently. It is not actually about Dubai, but it is on the same issue of service personnel being employed on wharf-related work—this time, in this country—and I thought we may as well deal with it now as we are on the topic. There have been reports in the press that a Defence Force member, Sergeant Shane Toppin, has been working in security work on the docks at Melbourne. Are you able to confirm whether he is a serving member of the defence forces?

Major Gen. Hartley—I can confirm that Sergeant Toppin is no longer a serving member of the defence forces.

Senator WEST—Since when?

Senator CHRIS EVANS—Which begs the questions: what regiment was he with and when did he cease employment?

Major Gen. Hartley—Sergeant Toppin ceased employment on 4 February.

Senator CHRIS EVANS—The day after the newspaper article. The newspaper article was 3 February. Who was he with?

Major Gen. Hartley—He was a signaller working at Watsonia. I do not know his exact unit.

Senator CHRIS EVANS—Could you take that on notice for us?

Col. Reynolds—I can confirm that it was the School of Signals at Watsonia.

Senator CHRIS EVANS—Is he a former SAS member?

Major Gen. Hartley—He had previous service some years ago with the SAS.

Senator CHRIS EVANS—But, at the time in question, he was not a member of the SAS?

Major Gen. Hartley—That is correct.

Senator WEST—But he would have had a reasonable security clearance level.

Major Gen. Hartley—He would have probably had a secret level security clearance.

Senator CHRIS EVANS—Can you tell us the circumstances surrounding his, I presume, resignation?

Major Gen. Hartley—Sergeant Toppin was on long service leave at the time. He had formed, I think together with someone else, a security company which provided security advice. He was potentially to be employed in providing some sort of advice in relation to the docks. It was pointed out to him that, if he did this, it would not be in the best interests of the Army. He had been considering discharge for some time. He, therefore, effected to take his discharge on 4 February.

Senator CHRIS EVANS—When was he counselled about this employment relationship being potentially prejudicial?

Major Gen. Hartley—It may have been the day before or two days before 4 February—in early February.

Senator CHRIS EVANS—Just prior to his resigning?

Major Gen. Hartley—Correct.

Senator WEST—One could say that it was a rapid discharge.

Major Gen. Hartley—Yes. We can do things like that if we have to.

Senator CHRIS EVANS—Do you still use the term ‘honourable discharge’?

Major Gen. Hartley—Correct.

Senator CHRIS EVANS—So you facilitated an honourable discharge?

Major Gen. Hartley—Correct.

Senator CHRIS EVANS—So he was basically able to give you a couple of days notice and then he was gone?

Major Gen. Hartley—Yes.

Senator CHRIS EVANS—How was this matter brought to your attention?

Major Gen. Hartley—I think it may have actually come through the media in the first instance.

Senator CHRIS EVANS—And then what? Someone in human resources was instructed to act on it?

Major Gen. Hartley—Correct.

Senator CHRIS EVANS—You have informed us that he was on long service leave. Have you had a look at the application for long service leave? On what basis was he on long service leave?

Major Gen. Hartley—I certainly have not, but the officer who counselled him in Melbourne and who facilitated his discharge would have seen that.

Senator CHRIS EVANS—Are you able to share that information with us?

Major Gen. Hartley—The reason why he was on long service leave?

Senator CHRIS EVANS—Yes.

Major Gen. Hartley—I am sure we can, yes.

Senator CHRIS EVANS—You do not have it currently?

Major Gen. Hartley—No.

Senator CHRIS EVANS—No officer in the room has it currently?

Major Gen. Hartley—No.

Senator CHRIS EVANS—So we do not know why this gentleman was on long service leave. Do I assume from what you have said that he had not sought approval to form a security company in the form that he was currently operating when making his application?

Major Gen. Hartley—Until I saw his application I could not say that.

Senator CHRIS EVANS—Well why else would you have counselled him? I assume you counselled him because you thought he was now in contravention of your regulations.

Major Gen. Hartley—Correct.

Senator CHRIS EVANS—I therefore assume that in making his application for long service leave he did not specify a request which was in contravention of your regulations.

Major Gen. Hartley—Correct.

Senator CHRIS EVANS—So it is fair to assume, although you will take it on notice, that the application which he made for leave did not truly represent the activities that he later became engaged in.

Major Gen. Hartley—I could not say that. There would be nothing to prevent someone being involved in security work or even forming a security company. It is a fact that after that happened he came to public notice as a result of the dispute in Melbourne. That is what was the real problem. There would be nothing to prevent him putting on his application a request to go out and engage in security type work.

Senator CHRIS EVANS—Because he was not currently a member of the SAS. Therefore he was not barred from doing security work.

Major Gen. Hartley—That is correct.

Senator CHRIS EVANS—I appreciate that you will take on notice the application question, but defence force's concern with Sergeant Shane Toppin's activities was not that he was in security but the nature of that security work. Is that correct?

Major Gen. Hartley—Yes, that is correct.

Senator CHRIS EVANS—And what was it about the nature of his work that concerned you?

Major Gen. Hartley—I think it was very much the publicity that was surrounding an incident which was leading to a good deal of industrial unrest.

Senator CHRIS EVANS—So it was the bringing of the defence forces into disrepute or the strike breaking clause which you think was—

Major Gen. Hartley—I think the disrepute one would have been the primary one.

Senator CHRIS EVANS—So on this occasion you had some concerns about the Army being brought into disrepute because of his activities as a security officer on the Melbourne docks.

Major Gen. Hartley—Correct.

Senator CHRIS EVANS—But Vice Admiral Barrie, you indicated earlier that you had no concerns about the Army or the defence forces being brought into disrepute in terms of the Dubai exercise. Could you explain to me why Sergeant Toppin's activities on an Australian dock were of concern, whereas the transfer of 29 serving officers to a foreign country to work in dock work was not?

Vice Adm. Barrie—Each case was taken on its own merits in the circumstances at the time. Of course, I am not privileged to know what was in the mind of the person who spoke to that individual, but my recollection is that the media coverage of the action that brought his name to attention was quite different from the sort of media coverage that attached to the Dubai incident.

Senator CHRIS EVANS—So the criterion is the quality or direction of media coverage here.

Vice Adm. Barrie—No. I think it is a combination of factors: what is the sort of employment, what are the individuals doing, what are they proffering in terms of the relationship between them and the work they are doing and those sorts of issues.

Senator CHRIS EVANS—Sorry. Your previous explanation went more to the publicity surrounding Sergeant Toppin. I am trying to understand the criteria you have now given me. What prompted quite a different response in terms of his activities and the Dubai activities?

Vice Adm. Barrie—I cannot say what was in the mind of the person who spoke to the sergeant and what that is. All I can say is that each case like that is treated on its own merits and, of course, certain circumstances might give rise to a judgment one way, and in another set of circumstances you reach a different judgment.

Senator CHRIS EVANS—Sure, that is perfectly reasonable. Perhaps you could indicate to me, then, at what level in terms of the command chain was the decision taken to counsel Sergeant Toppin to the extent that he decided to resign.

Major Gen. Hartley—I could say that I took the decision that Sergeant Toppin should be counselled.

Senator CHRIS EVANS—And did you take the decision to take no action in terms of the Dubai endeavour?

Major Gen. Hartley—I am not sure that you can relate the two issues with that sort of question. The answer is no, I have not been involved with the Dubai thing.

Senator CHRIS EVANS—Who is responsible for making decisions about whether or not the defence forces are being brought into disrepute?

Vice Adm. Barrie—I am certainly part of that process.

Senator CHRIS EVANS—Were you consulted about Sergeant Toppin?

Vice Adm. Barrie—In terms of whether I thought he was acting in disrepute? No.

Senator CHRIS EVANS—So, Major General Hartley, you were the most senior officer involved.

Major Gen. Hartley—Certainly in the case of Sergeant Toppin that is so.

Senator CHRIS EVANS—And that was brought to your attention?

Major Gen. Hartley—Yes.

Senator CHRIS EVANS—Is that because you have line authority for Army personnel in that sort of area?

Major Gen. Hartley—I think on the day I was probably Acting Chief of Army. That is probably what caused it. From my point of view Sergeant Toppin had probably one of two options. He could continue the work he was doing but not as a soldier or he could withdraw from it. He chose to leave the Army.

Senator CHRIS EVANS—Were you Acting Chief of Army on 3 December?

Major Gen. Hartley—I believe I was, yes.

Senator CHRIS EVANS—And was the question of the Dubai exercise and the involvement of defence personnel brought to your attention then?

Major Gen. Hartley—No.

Senator CHRIS EVANS—Why was it not?

Major Gen. Hartley—This had occurred some time before.

Senator CHRIS EVANS—What had occurred before?

Major Gen. Hartley—The issue of Dubai.

Senator CHRIS EVANS—I thought they were leaving on a plane the next day.

Major Gen. Hartley—We are talking about early February as opposed to December.

Senator CHRIS EVANS—I just asked you about 3 December. Were you acting chief?

Major Gen. Hartley—No. In fact, I was on leave.

Senator CHRIS EVANS—I think if you look at the *Hansard* you volunteered that you were there.

Major Gen. Hartley—Let me get that straight then. I was certainly acting as Chief of Army in early February when the issue of Toppin came up.

Senator CHRIS EVANS—I then asked you whether you were Acting Chief of Army in December.

Major Gen. Hartley—No, I am sorry, I was not.

Senator CHRIS EVANS—Who was in charge in December?

Major Gen. Hartley—The Chief of Army.

Senator CHRIS EVANS—Who is?

Major Gen. Hartley—General Sanderson.

Senator CHRIS EVANS—Was he involved in a decision regarding whether or not the regulations had been breached by the members' involvement in the Dubai exercise?

Major Gen. Hartley—Yes.

Senator CHRIS EVANS—Was it he who would make that judgment, or would it have come to the Defence Force more generally?

Vice Adm. Barrie—I certainly discussed it with him, and we reached the judgment that provided the approvals process had been gone through and all the obedience to the Defence Instruction (Army) had been on the record that there was not a difficulty with it.

Senator CHRIS EVANS—But you two together took the view that, on the face of it, this was not bringing the defence forces into disrepute.

Vice Adm. Barrie—That is correct.

Senator CHRIS EVANS—You then ordered the checks to be made that we have discussed in terms of confirming that the process had been followed correctly.

Vice Adm. Barrie—I think the Chief of Army ordered those checks as they related mostly to Army personnel. We took action in respect of the one Air Force person.

Senator CHRIS EVANS—What is the feedback from that? What is your conclusion from those inquiries?

Vice Adm. Barrie—In terms of what?

Senator CHRIS EVANS—Were the procedures followed correctly? Are you happy that everything went according to Hoyle?

Vice Adm. Barrie—Yes.

Senator CHRIS EVANS—I think that deals with Sergeant Shane Toppin. General Hartley will get back to me in terms of the leave application from Mr Toppin. Did senior officers see the report of the confrontation with a Channel 7 television crew on the Webb Dock wharf in Melbourne last Tuesday?

Vice Adm. Barrie—I did not see it.

Senator CHRIS EVANS—For your information, there was a confrontation between a television camera crew and some persons employed on Webb Dock in Melbourne I think last Tuesday, and some footage was shown on the Channel 7 news of a person unknown to me who I think is in the employ of Fynwest manhandling and generally being a bit rough with

the TV crew. I wondered whether anyone in the defence forces had viewed the footage to ascertain whether or not that person is a serving member of the military.

Vice Adm. Barrie—I could not say. I do not know whether Colonel Reynolds has any further information to add.

Col. Reynolds—No, I cannot. All I can say is that one of the media who was at that particular incident informed me that they believed the person who did the pushing and everything else was the boat operator involved in this particular instance. I guess we are talking at cross-purposes there. As far as I am aware, there are no boat operators that are either ex-service or service personnel related involved with Fynwest.

Senator CHRIS EVANS—I was asking whether or not the defence forces had taken the trouble to look at the footage and ascertain whether or not this person was a serving or former member of the defence forces.

Vice Adm. Barrie—For my part I certainly did not.

Major Gen. Hartley—I had certainly heard the story that it might be, and someone told me that it was not. But I cannot tell you who did tell me.

Senator CHRIS EVANS—As I say, I am not alleging that it is. I just do not know. The allegation has been in the press. I thought under normal process, given the notoriety that these matters have caused, that someone would have checked.

Major Gen. Hartley—I did check and I was told that it was not.

Senator CHRIS EVANS—And you are satisfied with that?

Major Gen. Hartley—Correct.

Senator CHRIS EVANS—I will leave it there.

Senator WEST—I would like to return to Sergeant Toppin for a moment. Was he one of the 29?

Major Gen. Hartley—No.

Senator WEST—So his discharge is not one of the seven discharges.

Major Gen. Hartley—Correct.

Senator WEST—Which raises this question in my mind: how speedy were those discharges? Were they a normal process or were they—

Major Gen. Hartley—I would have to take that on notice.

Senator WEST—That is fine. There was also comment that there would have been special authorisation needed for those taking their long service leave to go to Dubai because of the short notice of the ads appearing. You were going to find out how many were granted the exemptions. Can you give us some indication as to what proportion of exemptions granted these particular individuals were? Were they the only exemptions for long service leave granted in those areas? It might be a fairly monumental task. I am just wanting to get some handle on how often exemptions applying for long service or leave without pay happen.

Vice Adm. Barrie—I think it would be worth taking that on notice. For my part the context is that in the current employment climate with the things we are trying to do in the Defence Force it is quite common that people approach the ADF with an employment proposal that has suddenly arisen reasonably frequently that is for a lesser period than the three months notice they are normally required to give. Where that suits the individual's circumstances and us, we are happy to proceed with it.

Senator WEST—I think Major General Hartley said that Toppin was becoming involved with a security company with another individual. Was that individual a serving ADF or former ADF member?

Major Gen. Hartley—I cannot say.

Senator HOGG—I have a general question. Has Defence had discussions with staff from ACIL, Paul Haulihan, Mike Wells or Peter Kilfoyle during either 1996, 1997 or 1998? What was the nature of those discussions, if there were any?

Vice Adm. Barrie—We will take that on notice.

Senator WEST—Are there any people on long service leave or leave without pay at present who are actually involved in the PNC operations and training?

Vice Adm. Barrie—Is that the Webb Dock operation?

Senator WEST—Yes, the training program that is under way there.

Vice Adm. Barrie—As far as I am aware, no.

Senator WEST—I would be interested if anybody within the three forces knows whether that has happened.

Senator CHRIS EVANS—Can you check for me that Sergeant Toppin has not been in Dubai in the last year or so on official business?

Vice Adm. Barrie—Yes.

CHAIR—As per our agreement when we began, we propose to have questions on the defence reform program because that was the second area that was nominated as being of general importance. So I would ask that we move on to that now.

Senator HOGG—I have a fairly broad question to start with. Where are we at with the DRP? What advances have been made? What savings have been made? How have those savings been redistributed?

Mr Tonkin—The first general answer is that there has been substantial progress across all 14 defence programs on implementing various aspects of the defence reform program. That progress is shown, to some extent, in the material provided in the portfolio additional estimates statements against each of the defence efficiency review recommendations. As you would appreciate the process has been ongoing since that book was printed.

We anticipate that we will achieve in 1997-98 savings of some \$60 million. In this financial year, most of those savings will be directed towards the costs involved in achieving the personnel separations that have gone on. If someone leaves the Defence Force and the department in a given year the cost of separation roughly equates to a year's salary. You do not achieve the continuing saving. That is how much we have achieved to date. We anticipate that the savings will rise substantially in 1998-99 and then continue to rise across the forward estimates period. Essentially, in a general sense that is what I would want to say.

Senator HOGG—You seem to indicate that the savings have been redirected into separations so are we not seeing them put to any other purpose within Defence?

Mr Tonkin—We anticipate that over this year and the next, say, three years it will cost us about \$60 million a year for separation payments of one form or another. This year, the savings being generated effectively fully consumed by that cost. Next year, the savings will be substantially in excess of that. Those savings are then being re-allocated to a range of initiatives including improved preparedness and readiness in logistics, the amphibious retention of HMAS *Tobruk* in service, some additional funding for the general amount of money to be

put aside for new major capital equipment. They are three examples of areas where, in future years, we have programmed those resources.

Senator HOGG—Can I take you up on the issue of readiness. That was one of the areas of concern with the restructuring that was going to take place. It seemed to me initially that we were going to suffer a setback in terms of our readiness. Has that been addressed under the current programs that you have in place? We did get down to specific readiness.

Mr Tonkin—I think I would disagree with the presumption that the implementation of these reforms reduces readiness and preparedness. We are trying to achieve—and the Vice Chief might comment on the Defence Force more specifically—a change in structure, nature or composition of the Defence Force so that a far greater proportion of it is in the combat and related areas. We are doing that progressively by what is probably best described as a churning effect of the population of the Defence Force. We will be looking at support areas and reducing the military strength in those areas as they are civilised or market tested and in parallel with that increasing the proportion of Defence Force personnel in combat areas and the associated costs to support those. I would expect that, from where we are now, our preparedness and general readiness levels will rise and not go through a dip first.

Senator HOGG—It was said to us earlier that we were going to go through a dip to start off with and then start to pick up as things improved. Can we get an assessment of where we are at there?

Vice Adm. Barrie—We have set ourselves the target of having about 65 per cent of our uniform people in combat related areas. There is a significant reshaping of the force to be gone through. We are in the process of looking at that now. There are competing demands between keeping the organisation going and being able to provide ADF units to undertake tasks of which we are all aware and at the same time go through the reshaping process. Right now we are still able to accomplish all those tasks. The challenge for us over the next couple of years is how we actually reshape the people we are employing. That will be a combination of two things. One is offering people who already serve the opportunity to retrain. The other is recruiting and training people into different categories.

Senator HOGG—On the issue of resignations: have they escalated as a result of the DRP program?

Mr Tonkin—Separations have increased as a result of that. I would not use the word ‘resignations’. You find in times of these sorts of changes that service and civilian people are more likely to await the opportunity of a redundancy package than they are to resign. They are smart enough to figure that out.

Senator HOGG—I am coming to that group of people in a moment.

Mr Tonkin—I have no information—although someone else may—that resignations have risen at all.

Vice Adm. Barrie—In the short term, I have seen quite a significant reduction of the resignation rate in the services, but it is too early to say whether that is a long-term trend or a simple gut reaction to the process.

Senator HOGG—On the issue of separations and voluntary redundancies, how many have we had across the services?

Mr Tonkin—I will answer for the civilians, and General Dunn might address the Defence Force. If you take this financial year, as at 6 February, there have been 464 planned redundancies which relate to the defence reform program or the commercial support program—

they are running in parallel and, essentially, CSP is part of the defence reform program—and that is out of a planned target this year of 1,340. So the process will accelerate across the balance of the financial year. These are effected redundancies, so there will be others in the pipeline.

Major Gen. Dunn—From the military side, on the issue of major-general equivalents, there have been seven redundancies effected. In terms of brigadier equivalents—one-star officers—five redundancies have been effected, and for the colonel equivalents, 18 have been effected. There have been other separations, either by people reaching the compulsory retirement age or electing to transfer or retire, but the actual redundancies are the figures I have just given you.

Senator HOGG—I am just trying to sort out what is happening as a result of the DRP process: whether we are getting resignations or voluntary redundancies. I understand that there would be those who would retire naturally because of age and so on. Are we, therefore, meeting the targets in the military area that you would see that we need to meet?

Major Gen. Dunn—Yes, we are.

Senator HOGG—Are we exceeding those targets?

Major Gen. Dunn—No, we are working to a planned draw down in each of those categories that I have just given you. That represents the 20 per cent reduction required in the defence reform program, and we are on track for those redundancy figures.

Senator HOGG—The other thing that seems to have been important in the DRP is the issue of reserves. Are we meeting the numbers that we require in terms of reserves? As I understood it, there was a slow take-up to start with.

Major Gen. Dunn—The issue of the reserves is fundamental to restructuring the Army and to the reshaping of the ADF as a whole. At the moment, we have initiatives, certainly within the Army, to look at different methods of recruiting reserves into the service and also training those people. Those recruiting efforts are being successful at the moment, and indeed they have been extremely successful over the Christmas period. They are still running at in excess of 85 per cent of the recruiting target. So they are going quite well. At the moment, we are looking at the needs of the ADF in terms of reservists, given the restructuring post the DRP changes. Some further requirements will be placed on the reserves, and they remain a very important part of our total force.

Senator HOGG—What about the training? I understood that you were doing two different types of modules to see which one would be the preferred module. What have you settled on?

Major Gen. Dunn—We have not settled on any yet. That training is being undertaken at the moment. In the case of the Army, the common induction training, as it is called, is proving to be successful. It was well received by potential candidates over the Christmas period, and the figures for recruiting into those courses were sitting at in excess of 90 per cent of the targets. That was very satisfactory. There are courses running now where the recruiting intake is over 80 per cent.

Senator HOGG—Where are most of those recruits coming from?

Major Gen. Dunn—Essentially, Victoria and Western Australia.

Senator HOGG—I understand that, but what area of civilian life?

Major Gen. Dunn—In general, we are seeking to target school leavers, but that is not an exclusive targeting. It is simply the natural fact that if you run it over the Christmas period

there are people who are making decisions as to career options and the like and also people who might be entering tertiary or other forms of training that have holidays at that time, so we have quite deliberately targeted that period of time to allow us to make ourselves available to those sorts of people. We will evaluate that training at the completion of it, but I can tell you at this stage that the indications are that it is an extremely successful way of conducting training for reservists.

Senator HOGG—Does that involve a six-week intensive training period?

Major Gen. Dunn—Correct.

Senator HOGG—I understood that there was a degree of resistance from employers because of the need to release people for a six-week period. Has that difficulty been overcome?

Major Gen. Dunn—I am not aware of the resistance as such. You have information that we have not been presented with. The recruiting figures that I have given you would indicate that this is an extremely successful venture. If we go out and get plus 90 per cent of the vacancies taken up by candidates who are very keen to conduct the course, that would indicate that we have got a particularly successful option that we are presenting now.

Senator WEST—What particular areas of deployment within the ADF are those reserves tending to be put into—soldiers or specialist areas?

Major Gen. Dunn—The course that I am talking about, the common induction training, is for—

Senator WEST—Everybody.

Major Gen. Dunn—No, it is for the Army at the moment because, clearly, Army has by far the largest commitment to reserves. So they are going into all the categories within the Army's reserve units.

Senator WEST—Are any reserve units having difficulties meeting their numbers in terms of specialist qualifications—and I do not mean officer rank, I mean soldier—

Major Gen. Dunn—The engagement and continued employment of specialists within the reserve has been an issue for some years. It is something that we do experience variations in all the time. There certainly are units at the moment that are short of specialists.

Senator WEST—Are these in areas like construction, road engineering and those sorts of things?

Major Gen. Dunn—Typical shortages fall in weapons artificer areas, electronic specialist areas and the areas in which individuals in their civilian capacity work at very hard and do not have the time to commit to reserve service. We do have to, from time to time, look at ways to bring those specialists in to assist the reserve units. One of the ways that we do that is by using full-time specialists in those areas in the reserve units. You would be aware that we do have a number of full-time personnel in every reserve unit and those specialities are made up sometimes in that way.

Senator WEST—I was wondering what the impact has been on units such as construction and engineering of the change to contracting out of a number of services to bodies such as the RTA where they are not using their own crews but are contracting out. And those contractors could well be using subcontractors. Are you finding that that is causing you problems? No longer do you have a pool of workers who have employers who are happy to give them four weeks leave or whatever is needed for their exercises but now you have a group of people who are self-employed and not able to be as flexible.

Major Gen. Dunn—There is no specific problem that we are dealing with. Obviously that circumstance you outlined will create issues for people to work through but in those fields that you are talking about—construction and engineering—we are contracting out too. Wherever possible we would use civil resources to assist us there. But we do have the capacity within the ADF to conduct those tasks that we see we would need to conduct with purely military people. I am not aware of any particular issue that is affecting reserve service because of the circumstance you outlined.

Senator WEST—I will have to go back to my informant.

Senator HOGG—I have two further questions. One is in relation to an issue I raised at the previous estimates, and that is morale. I expressed concern at that stage that morale was being affected right across the defence forces because of the uncertainty created as a result of the DRP. Whilst we agreed to disagree about the varying levels of morale within the defence forces, it seems to me, from the contact I have had with people in the lower ranks—the ordinary serving soldiers and Navy personnel—that there is still a major morale problem.

I do not know whether those at the top see what is going on down at the bottom but if there is a morale problem it does not seem to have been addressed. I was harangued by someone only as late as last week on the problems within the defence forces and it seems to me that that is a major problem yet to be overcome.

Vice Adm. Barrie—I can answer that in two frames of reference. One is individuals' perspectives about the defence reform program and so on and what their personal views are. When you go through a change program as significant as the defence reform program there are going to be a range of individuals who will tend to see that in a pessimistic way as opposed to an optimistic way. But in all the soundings that I have taken, and that has been quite a lot, on balance I would say that the optimists well outweigh the pessimists.

A second frame of reference for me would be: have we in any way affected the professionalism of the ADF in the performance of what it is there to do? If we really had a significant morale problem that is where you would see it reflected. I have seen no cause to have any concern about the professionalism of the ADF. The story over the last 18 months or so of the commitments that have been undertaken and the performance of the ADF is quite the opposite.

Senator HOGG—I am not questioning the professionalism; I am questioning the fact that people are dismayed by what they see taking place around them. It is not just individual harangements that I have been invited to, I have been invited to mass harangements, as well. I try to steer clear of them. I am wondering whether the people who manage the whole program are necessarily being told the truth. I am not saying that it is a deliberate lie.

Vice Adm. Barrie—It is a question of dealing with people's concerns about the extent of change. Watching changes going on around you is always going to engender the sorts of thought processes we were talking about earlier: 'I am making my own personal decision about my commitment to the ADF; is this the sort of organisation I want to be part of?' People may vote with their feet if they feel that this is an organisation that has it wrong. On the other hand, if you have poor morale inside the organisation it is reflected in the way it does its job. That is true of any organisation.

You are always balancing these two perspectives. All of the senior leaders and managers in the organisation have been through the harangue groups as much as they have been through the others. My judgment is that, on balance, the optimists outweigh the pessimists.

Major Gen. Dunn—I would like to add two points; one was picked up earlier. Our retention is up by almost 1 per cent at the moment and our recruiting is running at 91 per cent of target. We are very well satisfied with that. We would expect that both of those figures would go in a different direction if we had a major morale issue.

Vice Adm. Barrie—I understand the concern; we are all concerned about those issues so I would not want to convey an impression that we are complacent about it.

Senator HOGG—We get it at the ground level. We are the public shoulder they can come along to cry on. I am wondering whether you get the same as we get.

Vice Adm. Barrie—They cry on my shoulder too.

Senator HOGG—I must have a bigger shoulder. My last question on the DRP relates to a question I raised earlier with Veterans' Affairs about the appointment of Air Vice Marshal Beck to be director of the Office of Australian War Graves. They indicated to me that his appointment was interlinked with the DRP. Can you tell me in which way his appointment was interlinked? Maybe his job as an air vice marshal was held open a little bit longer than it otherwise would normally have been.

Senator Newman—I am advised that is an appointment for Veterans' Affairs.

Senator HOGG—I understand that, but the appointment seems to have been held over because of what was happening under the DRP. Can we find out what special circumstances there were?

Vice Adm. Barrie—My view of that would be the question about whether he was part of the redundancy packaging or whether he went separately.

Senator HOGG—Was he made redundant under the DRP?

Senator Newman—People are entitled to privacy. If this were in Social Security, I would not want to talk about any of our constituents, and I do not see that it makes too much difference whether—

Senator WEST—Veterans' Affairs implied that his leaving the Air Force was related to the DRP. We are following that question up.

Senator Newman—I think they also said that he had applied for a position.

Senator HOGG—We are not looking for anything sinister; we are just trying to find out what happened.

Senator Newman—Is your recollection the same as mine—that they said something about having applied for a position? I do not recall the DRP connection.

Senator HOGG—I did not make the DRP connection. They did and that is why I am asking.

Senator Newman—I just feel that it is an inappropriate forum in which to be asking about an individual's circumstances.

Vice Adm. Barrie—What I can say is that in that particular case the rank level of the job that he held was reduced to one star, but that is a different issue from his separation from the ADF.

Senator WEST—The issue I want to pursue is this: is there something in the DRP that precludes people for at least a 12-month period after separation from coming back on to the public service payroll in a military related position?

Major Gen. Dunn—That is the normal separation rule. There are no changes as a result of DRP to that.

Senator WEST—So this officer has left the ADF and taken up a position within less than 12 months at another place.

Senator HOGG—We were told it was interlinked with DRP and we are just trying to find the connection.

Vice Adm. Barrie—As a result of DRP, the job that he had was reduced in rank so he knew that he would no longer continue in that job because we were going to put a one-star officer into that position. I cannot say whether that prompted his decision to seek other employment or not.

Senator Newman—That is where you are getting into his personal life.

Senator HOGG—I do not want to get into the person's personal life. I am trying to find out what the inter-relationship was.

Mr Tonkin—There was no managed transition or anything else between how Air Vice Marshal Beck was employed in the Defence Force and how he might now be employed in some other agency.

CHAIR—Thank you. There being no further questions on the DRP, it might be convenient to have a break.

Proceedings suspended from 12.42 p.m. to 1.34 p.m.

CHAIR—The Senate Foreign Affairs, Defence and Trade Legislation Committee has reconvened. We have been through the two particular subjects that the committee wished to deal with first—namely, Dubai and the defence reform program. We will now proceed program by program. There are no questions on program 1, Defence Headquarters.

[1.35 p.m.]

Program 2—Navy

Senator HOGG—The only question I have on this program is in relation to the operation of port services contracts. I just want to pursue the issue of Australian workplace agreements. As I understand it, at one stage there was an insistence by the minister that any agreements that were negotiated were to be done under the Australian workplace agreements arrangements. Is that still in place?

Rear Adm. Oxenbould—Yes, that was a direction which was passed to us by the minister. That was implemented and incorporated within the contract which was signed in October last year.

Senator HOGG—So all employees engaged are signatories to an Australian workplace agreement. Is that a common workplace agreement?

Rear Adm. Oxenbould—No, it is an individual workplace agreement. We are still in the process of putting the contract into place. We are on time with that and it is on schedule at the moment. The contractor, Defence Maritime Services, is due to take over the full range of services on 1 July this year. We have handed over about half the support services and support craft areas to them at the moment. They have had to negotiate 72 individual AWAs and they have all gone through without any problems. When they have gone to the advocate, they have been assessed against the criteria which has been put forward and there have been no charges or additional costs rendered under the no detriment clause.

Senator HOGG—Who determines the core material in those AWAs—is there a core common to all other AWAs?

Rear Adm. Oxenbould—That was determined between the company, Defence Maritime Services, and the individual.

Senator HOGG—Was there a core dictated by the department as to what should appear?

Rear Adm. Oxenbould—No, because we dictated in the contract the service we required, and then the company is required to go out and negotiate with the individuals themselves.

Senator HOGG—So you had no influence over the content of those AWAs at all, other than the fact that an AWA had to be entered into?

Rear Adm. Oxenbould—That is correct; that was stated in the contract.

Senator HOGG—So you did not set down a number of criteria that had to be met in those AWAs, such as certain leave provisions?

Rear Adm. Oxenbould—No. It is a very tight contract where the company assumes absolute responsibility for providing the service. They then have to negotiate with their employees. They then have to present those AWAs to the Employment Advocate, who assesses them against the no disadvantage rule. The 72 which have gone forward for the New South Wales and Jervis Bay employees have been tested against the Marine Motor Drivers, Coxswains etc (State) Award for New South Wales and Jervis Bay. Other employees throughout Australia have been assessed against the Self-Propelled Barge and Small Ships Award 1991. There has been found to be no disadvantage against any of those employees, and there has been no charge brought against the allocation we made in writing the contract—that if there was a disadvantage it might affect the final price of the contract.

Senator HOGG—Are we aware of any of the basic conditions in those AWAs, if we are able to say that there is no disadvantage under those particular awards?

Rear Adm. Oxenbould—That has to be presented to the advocate and the advocate has declared that there is no disadvantage in mediating between the employer and the employee.

Senator HOGG—Is there any opportunity for Defence Maritime Services to subcontract out any of their work and, if so, are they bound by the same AWA arrangement?

Rear Adm. Oxenbould—They can subcontract some parts of their work out; I will provide that on notice. It was one of the questions closely examined when the contract was being prepared with regard to AWAs. I do not think they would have that authority over all of their subcontractors. But I can take that on notice and provide that information for you.

Senator WEST—Can you refresh my memory as I was not here for much of last time's estimates—who are Defence Maritime Services?

Rear Adm. Oxenbould—It was formed between the two companies P&O and Serco.

Senator WEST—Who are Serco?

Rear Adm. Oxenbould—I believe they are a British company, of British origin, and they have quite a lot of involvement with various defence contracts here and also overseas. They provide similar services in Britain.

Senator WEST—How was this contract let?

Rear Adm. Oxenbould—It was let through the full commercial support process: a requirement was stated and there were four bidders which came in for the contract, and then it went through a very formal assessment process.

Senator WEST—Are they responsible for all of your maritime service needs across the whole of Australia or are there any docks where they are not?

Rear Adm. Oxenbould—They are responsible for our port services and support craft, which includes the provision of tugs and workboats which we use in harbour; they are also responsible for our target towing services. We use their vessels for that. They are providing vessels for the navigation training we do on Sydney Harbour. They are providing vessels for the initial officer training and sea experience that we do associated with HMAS *Creswell* down at Jervis Bay. They also have responsibility for our recreational sailing vessels. It is a very full and wide contract. It has been let for 10 years with a total cost of around \$300 million.

Senator WEST—They are in Sydney and Jervis Bay. Can you give me a list of where else they are based?

Rear Adm. Oxenbould—It is a national contract, Senator. So far in the transition to this final takeover on 1 July, they have taken over our requirements in Cairns, Thursday Island, Darwin, *Cerberus* down in Westernport Bay, the Sydney area and Jervis Bay. By 1 July they will have taken over the whole of our services nationally.

Senator HOGG—So, you then will have no services done by any independent operators outside of them?

Rear Adm. Oxenbould—No. They will be responsible for providing all those services—

Senator HOGG—They will be your sole provider?

Rear Adm. Oxenbould—They will be our sole provider. It also includes services to support the submarine trials for the Collins class and the submarine rescue facility as well. It is a very wide spanning contract and a big contract.

Senator WEST—As you have vessels moving around Australia all the time, does it mean that, if those vessels go into a port where there is no actual naval base, Defence Maritime Services will provide the services; or is the contractor to provide the services that are needed there?

Rear Adm. Oxenbould—The contractor, namely Defence Maritime Services, provides all tug services to all units operated by and for the RAN in Australian waters.

Senator WEST—So DMS would not be responsible for the supply?

Rear Adm. Oxenbould—No.

Senator HOGG—Who does the monitoring of the contract to see that their performance standards are reached?

Rear Adm. Oxenbould—The process they are going through to start off with is a certification process. There is a project officer, a naval officer, who goes to the port before DMS take over the responsibility for that port. He assesses the services that they are providing; and he is also supported by fleet staff and other area experts, where needs be. For example, with the submarine rescue vessel that they will be providing, there will be some submariner support provided. That is part of the handover process. We will then retain a manager within the Navy for this contract, and we will review it periodically and audit it periodically.

Senator HOGG—Does this requirement of DMS to offer only Australian workplace agreements apply to other providers of services to the Navy as well?

Rear Adm. Oxenbould—No. The direction we received was only with regard to that contract with DMS. But that is the only major contract that we have had to put in place in that regard, and it was specific to that contract.

Senator HOGG—Does the Navy have any other contracts with the likes of, say, Patrick Stevedoring and so on?

Rear Adm. Oxenbould—Not that I am aware of.

Senator HOGG—I was hoping that you would say that.

CHAIR—There being no further questions on program 2, we will move to program 3.

[1.48 p.m.]

Program 3—Army

Senator HOGG—Under this program, I just want to pursue briefly the problems that Army were having with their ammunition supplies. I raised it at the previous estimates. I am just concerned that some of our armed forces are not in receipt of the ammunition they require because, on that last occasion, I did quote from an Army document about one disaffected person who had written in complaining about a lack of ammunition. It seems to me that I would like some assurances that we are overcoming the problems. Could I just have some outline there as to what is happening?

Major Gen. Hartley—Yes, I remember you asking that question. I think it referred to a letter, which appeared in the Army newspaper, signed by a disaffected corporal in Townsville.

Senator HOGG—Did you say disaffected?

Major Gen. Hartley—I presume he was disaffected because he wrote the letter.

Senator HOGG—I presume he was upset; I would not say disaffected.

Major Gen. Hartley—It was a corporal in Townsville. I think his mortar platoon had not quite received the allocation of mortar ammunition it had the previous year. It is an issue of continuing concern to us to ensure that we do get our ammunition allocation correct. I think we embarked on an exercise last year which was essentially a staff exercise because, clearly, we had been using more ammunition than we were allocating funds for. This was an internal Army management issue. The staff exercise looked at what would be the impacts if we allocated less ammunition. Unfortunately, that exercise was taken as being a decision to allocate less ammunition rather than to determine what the impacts would be.

We have sorted all that out. Last year we expended on ammunition exactly the same amount we had the previous year. When I spoke to you previously, I told you that there were a number of natures of ammunition where clearly we were in short supply. These were quite specialist in nature. Some of them were different coloured smoke grenades, some of them were illuminating rounds, and so on. There were a couple of categories which I would prefer not to talk about. Having said all that, we have now decided—

Senator HOGG—It might be the categories that you are not prepared to talk about that I have the interest in.

Major Gen. Hartley—I would certainly talk to you otherwise, but I do not think they should be on the public record because they are specialist types of ammunition.

Senator HOGG—So, if I mention some, you will look blankly at me.

Major Gen. Hartley—I probably would, with the minister's indulgence. What I would prefer to talk about is what we are doing in terms of initiatives to monitor this issue, and to make better usage of our ammunition. We are clearly looking at the whole issue of ammunition allocation and trying to get a better relationship between the preparedness state of the unit and

the amount of ammunition it needs to reach that preparedness state. We have methodologies right now, but they clearly need to be refined.

Senator HOGG—Is this independent of the DRP?

Major Gen. Hartley—Yes.

Senator HOGG—Also, there was an ANAO assessment done there.

Major Gen. Hartley—I think it is fair to say that both of them have some influence, but it is not directly related, I think, to either. It was something that we had been planning to do in any case. Secondly, we are developing an ammunition information management system. This will take a couple of years to be fully developed, but this will allow us to be able to manipulate information relating to ammunition far more readily than we can at this stage. We are also looking at a whole range of simulation issues where we can in fact start to reduce the usage of ammunition. There are four simulation systems which will come on line in the next three years which clearly will have a considerable lessening on our requirement to use live ammunition. So it is a combination of all those issues which are ongoing right now.

Senator HOGG—The information I have is that in areas such as artillery and tank, without nominating the specific size of shell and so on, there are definite needs where there is either no ammunition available or very limited supplies. What are we doing to overcome those problems? Are they manufacturing problems? Are they import problems? What are they?

Major Gen. Hartley—Let me start by saying that the requirement for individuals to achieve the skills they need are being met in all cases. There is some additional ammunition required, though, for units to become fully operational. In certain categories of those ammunitions that you have mentioned, we do have deficiencies. The deficiencies are going to be overcome. In some cases they related to assessments that might have been made a couple of years ago because of the lead time to produce this sort of ammunition. In other cases we are using war stocks—in other words, the reserves we would hold—to do some of our training. What we need to do is to build our war stocks back up to the levels that they need to be at. I can assure you that individuals are not in any way being exempted from meeting their qualifications. It is that added element of operational requirement in some areas which we are deficient in.

Senator HOGG—Is this impacting on our ability to participate in the various exercises?

Major Gen. Hartley—No.

Senator WEST—Or to defend ourselves?

Major Gen. Hartley—That is a pretty broad question. Ideally in some areas we would prefer to have more ammunition, and we are rectifying that issue right now.

Senator WEST—Let us say we had to repeat Desert Storm again and send larger numbers than we have sent away. You would have to send them fully equipped, presumably, with ammunition. What would that leave the situation back here like?

Major Gen. Hartley—There were no Army troops deployed in Desert Storm. But, if we had a hypothetically similar sort of experience, the troops that we have sent to the Gulf right now are fully trained, have met all the requirements and have the necessary ammunition they need for their task.

Senator WEST—If we got another one like that, what would be the impact back here on existing training requirements and needs and even day-to-day requirements for operational purposes?

Major Gen. Hartley—I think the impact would be minimal, except in a small number of areas involving a very small number of people.

Senator WEST—Where does our ammunition come from?

Major Gen. Hartley—Some of it is manufactured in Australia. A great deal of it is also imported.

Senator WEST—Are we moving away from the use of Australian ammunition to more imported ammunition?

Vice Adm. Barrie—In aggregate terms, a shift is occurring as we rely more on precision guided munitions as opposed to straight ammunition. Nonetheless, there is still quite a strong commitment to having an indigenous manufacturing capability for ammunition. That is in place. In addition to that, we supplement from purchases overseas where it is not economic to produce here.

CHAIR—I have one question, which I will ask Major General Hartley before he leaves. It concerns the Singleton army base. Major General Hartley, I know that you would like me to give you the opportunity to be asked about the future of Singleton army base. Have you got anything that you might like to say or add, or would you like to describe what is going on?

Major Gen. Hartley—Army has a long-term, as far forward as we can possibly see requirement for Singleton army base. Over the next couple of years there will be some rationalisation of a number of bases, essentially training bases, to determine what is the best use we should make of that base. That will involve the types of units that might be permanently located in Singleton. But there will be a permanent location in Singleton of roughly the same number of soldiers who are there now. The training area itself is indeed the only major training area we have east of the Great Divide for all the reserve units and formations that are based in the Sydney-Hunter Valley area. So it will get extensive use.

Senator WEST—I will have to ask the same of RAAF for Wagga. RAAF, stand on notice for Wagga, thank you. At the world swimming championships we saw all of the medal winners being escorted to the medal ceremony and then around the pool by what would appear to have been senior NCOs. Can you explain the involvement, please? Is this the appropriate program?

Major Gen. Hartley—I am wearing the right uniform, but I suspect there are at least two other programs that have an involvement in this.

Senator WEST—Tell us about your share. Navy can take it on notice and RAAF-

Vice Adm. Barrie—I think the particular arrangements can probably be illuminated by Defence, Corporate Support.

Senator WEST—Which program is that?

CHAIR—Program 13. Thank you, Major General Hartley.

[1.59 p.m.]

Program 4—Air Force

Senator HOGG—The first question relates to a CSP contract that was let recently at the Williamstown RAAF base. Do you know anything about that particular contract?

Air Cdre Criss—I am not aware of the particular contract you are referring to.

Senator HOGG—You might need to take these questions on notice and get back to me with the answers.

Vice Adm. Barrie—Is that just in a particular area or RAAF bases in general? There may be a number of CSP contracts in application.

Senator HOGG—I would like to know: what were the recent CSP contracts let there; what was the tender process; who were the successful tenderers; was it necessarily the lowest tender that was successful; were there other criteria in determining who would be the successful tenderer?

Air Cdre Criss—I will take that on notice.

Senator HOGG—Further, was there any involvement from Minister Bishop's office in any of those contracts? I would appreciate the answer to that.

Vice Adm. Barrie—Any further involvement? They all get approved there.

Senator Newman—It has been noted, I am told.

Senator WEST—That is noted by the minister. It is different from her being involved.

Senator HOGG—Yes. I believe that the minister's office was involved with the approval of one of those contracts and, if so, I would appreciate knowing which one. The other issue, which I have raised previously, is the replacement of the VIP fleet. As I understand it, evidence was given to us on a previous occasion that we were going to be running out of time to make a decision on this; that a decision would be available shortly because of the need to renew leases or get out of the existing leases, whichever way we went.

Vice Adm. Barrie—The government has the future of the VIP fleet under active consideration and we may expect an announcement soon.

Senator WEST—That is very good. Sir Humphrey would be proud of you.

Senator QUIRKE—Further to that, I thought that the VIP fleet was coming up under Acquisition in Program 9. Who is going to pay for it? Is it going to be out of the Defence budget or is the budget going to be supplemented by the government?

Vice Adm. Barrie—I think it is too early to say what the precise arrangements will be until a decision has been made as to precisely what is required.

Senator QUIRKE—So it is possible that the VIP fleet will be paid for out of the Defence budget?

Vice Adm. Barrie—Of course it is. If the VIP fleet were to end up looking much like the current burden on the Defence Department, which has to pay the operating lease, then of course I would expect the department to pay for it.

Senator QUIRKE—What happens with the current arrangements?

Vice Adm. Barrie—That is what we do; we lease it. It is an operating lease.

Senator QUIRKE—There is supplementation for it, isn't there, or does it come out of the \$10 billion that is given to Defence?

Mr Tonkin—The Defence budget was supplemented at the introduction of the present VIP aircraft arrangements for the cost of the lease of the aircraft and the maintenance contract. As at the last completed financial year, 1996-97, the lease was \$22.9 million; the maintenance contract was \$5.4 million; and Defence met the cost of the labour of No. 34 Squadron and the staff. The full cost of that, which includes all the overheads was \$11.3 million. The arrangement has been that Defence has been supplemented for the cost of the leasing arrangements, that is, the current arrangements for the present VIP fleet.

Senator QUIRKE—What is the cost of the VIP fleet currently?

Mr Tonkin—It is the sum of those three numbers.

Senator QUIRKE—Which is?

Mr Tonkin—It is \$22.9 million plus \$5.4 million plus \$11.3 million.

Senator QUIRKE—If the media report in the *Financial Review* is to be believed, we are talking about \$160 million for the next stage, which is a great increase on what is currently—

Mr Tonkin—I suggest you distinguish between what I told you was the annual cost and what newspaper speculation may well be of the further cost of the lease over time.

Senator QUIRKE—With due respect, the only thing we have to go on, when we are getting answers to things that are under active consideration, is what is printed in the newspapers.

Senator Newman—You have been a senator for long enough, I would have hoped, by now, Senator, to know that you cannot rely on newspaper reports. Until you get a definitive response from the government—and you have been told by the officials that it is under consideration—we cannot help you any more than that today. You have been told why that is a misleading figure.

CHAIR—Are there any further questions on the Air Force?

Senator WEST—Yes, thank you. What is the future of Wagga base please?

Air Cdre Criss—Thanks for the forewarning. Wagga, along with a number of other bases, is under active consideration for review. Until that review is complete, I am not in a position to give you any further information.

Senator WEST—So all our hard work to keep it there may be for nought yet? There are a lot of training facilities actually involved with Wagga—it is not just to fly up and down. It pretty much provides the basic training in trade training.

Air Cdre Criss—I agree, there is training conducted at Wagga. It is part of the review process to see whether that training can remain at Wagga or can be placed somewhere else. Until that review is completed, I cannot give you any more information.

Senator WEST—When is the review going to be completed? Do you have some idea?

Mr Tonkin—It forms part of the overall defence reform program—that part of the program which relates to rationalisation of training establishments. Consideration of some of these aspects has commenced. I do not think it is practical at this point to give you a deadline of when that outcome will be. When each of the phases of those considerations is complete, recommendations will be made to government. It will be a ministerial or probably government level decision of what will happen in respect of each of the bases, which was addressed in the reform program.

Firstly, we need to address: the nature of the training which is undertaken at Wagga and similar establishments; how best and most efficiently to deliver that training for the Defence Force as a whole in the future; and where is that most efficiently and effectively undertaken. Once you go through that process, you then look at: what are the downstream consequences for the bases that are affected; is there any other sensible productive use; if not, what do we do. So there are a series of steps involved in that process. I would not expect that we will be in a position to answer your question on this issue soon.

Senator WEST—You do not have a time line; it is a more distant time line?

Mr Tonkin—It is a bit more distant than I could sensibly predict.

Senator WEST—That suits me nicely.

Vice Adm. Barrie—Just to add to that, one of the elements of the strategic planning process that we have to work through this year is the long-term force disposition issue, which is highly relevant to those sorts of judgments.

Senator WEST—What has been the involvement of RAAF with RAAF training at the air school run by Ansett and British Aerospace at Tamworth? Has RAAF utilised that?

Air Cdre Criss—RAAF utilises that at the early stages of basic pilot training.

Senator WEST—Will you be continuing to maintain that relationship?

Air Cdre Criss—The basic pilot training in total across the ADF for all three services is under review right now, and later this year we would hope to go to an amended contract. I do not know at this stage who the successful tenderer is for that.

Senator WEST—Have you a set of criteria that they are required to meet?

Air Cdre Criss—That is under development at present.

Senator WEST—So the criteria have not yet been developed?

Air Cdre Criss—To my knowledge, no. I could take it on notice and give you more information if you like.

Senator WEST—Yes, please. I would like more information because there is speculation in that area—in the business enterprise centre and stuff there—that they stand to lose because additional incentives have been offered in another state.

Air Cdre Criss—I am not aware of those additional incentives.

Senator WEST—I can always send you the media. Perhaps I will make representations to you on behalf of these people and provide you with the correspondence that they are providing to me.

Senator Newman—Do you want to make a follow-up to the minister?

Senator WEST—I am sure the minister would already be aware—I hope.

Senator Newman—You can make a submission.

CHAIR—When is the decision on that contract going to be made?

Air Cdre Criss—Tenders are currently being evaluated. Source selection and contract signature are expected by mid-1998.

CHAIR—For what period of time would that contract be?

Air Cdre Criss—I am not aware of the duration of that contract.

Senator WEST—So tenders have been called?

Air Cdre Criss—Tenders are currently being evaluated for flight screening.

CHAIR—For flight screening only?

Air Cdre Criss—Yes, for flight screening and basic pilot training for the ADF across the three services. We would hope to go with source selection and contract signature by the middle of this year.

CHAIR—Does it say there that the actual submissions had to be in by early February?

Air Cdre Criss—I do not have that data here.

Senator HOGG—I want to go back to the VIP because I am very much aware of what the minister has said. I just want to pursue that for a couple of minutes longer. Whilst one cannot necessarily believe what is printed in the media, in the media that Senator Quirke referred to

there is a comment that says that a team from the RAAF travelled to the Singapore air show this week for discussions with Boeing and other manufacturers interested in pursuing what would be a sizeable government contract. Is there any validity to that statement whatsoever?

Vice Adm. Barrie—There are a number of sizeable government contracts which Boeing might be interested in and about which RAAF officers might have discussions.

Senator HOGG—Has a RAAF team gone to the Singapore air show for that purpose?

Vice Adm. Barrie—Specifically for that purpose?

Senator HOGG—Yes.

Vice Adm. Barrie—They have gone to attend the show. I do not think that they have gone specifically to conduct negotiations.

Senator HOGG—There is another issue that interests me with respect to the VIP fleet. I understand that the lease contract runs out in August this year. Is that correct?

Mr Tonkin—No. A 10-year lease commenced in December 1988.

Senator HOGG—So it is December?

Mr Tonkin—Yes.

Senator HOGG—So, if any decision were made, it would be dependent on a replacement being available or extending that lease for such time until the contract can be fulfilled?

Vice Adm. Barrie—Yes, and that is an option we have, depending on what the decision is.

Senator QUIRKE—What notice do you have to give the lessor that you are either not going to proceed with it or you are going to proceed with it?

Vice Adm. Barrie—That is a detail I do not have. My understanding is that there is no complication in seeking an extension of the lease if that is what we require.

Senator QUIRKE—But, say the lease has to be terminated due to a government decision to go down a different road, what notice do you have to give the lessor?

Vice Adm. Barrie—It might terminate in December 1999.

Senator QUIRKE—And that is it? You do not have to give any advance notice?

Vice Adm. Barrie—At the moment, my understanding is that that is when the lease will terminate.

Senator HOGG—Just out of curiosity, is this the sort of thing where the government would call for tenders?

Vice Adm. Barrie—I think once the decision about the future of the fleet has been made, it will go through the normal acquisition processes and, of course, it will call for tenders.

Senator WEST—There was an article in the *Weekend Australian* of 24 January which was headlined, 'Pilot training deal flies coop for France'. Excuse the alliteration and puns. It relates to the training of 250 Singaporean air force pilots. What was the situation relating to this article? How accurate is the article?

Vice Adm. Barrie—That is a question for the Singapore government; not for us. We do know that some Singapore air force pilots are going to be trained in France, the detail of which is not known.

Senator HOGG—Have we still got a contract with them to train pilots out here?

Air Cdre Criss—Yes, Singapore currently conducts its own training at Pearce RAAF base for their basic pilot training.

Senator HOGG—So it is not so much that we have lost a money generating exercise?

Air Cdre Criss—We may not have lost anything. Singapore still has the offer made by the government to access Woomera under consideration. They have not made a decision as yet.

Senator WEST—So this article would be a bit premature, would it?

Senator Newman—Slow news day.

Senator WEST—It is only a small par.

[2.15 p.m.]

Program 8—Defence personnel executive

Senator HOGG—Again, this is another issue that I have raised previously. I understand that the coalition in its policy statement in 1996 made a commitment to accelerate legislation to protect reservist civilian employment not only in times of war but also in situations short of war and peacekeeping. They said that it would be done in consultation with employers and employer groups as well as reservists. From my understanding, to date nothing has been done to protect the civilian rights of those people who are in the reserve. This obviously is more a question for you, Minister. What is the government doing to protect those rights? When will we see appropriate legislation?

Senator Newman—As would you realise, this is in Mrs Bishop's area of responsibility. We don't have an adviser here—I am sorry—at the moment for me to be able to give you an answer. But we will try and get you one.

Senator HOGG—It is one that I have expressed concern about before.

Senator Newman—I am sorry we don't have a staffer here.

Major Gen. Dunn—We are certainly moving in that direction, but there are some precursor actions that had to be taken. Those actions were to review closely the impact of employment protection conditions and, indeed, legislation, on the reservists and on the employer. That required us to conduct a detailed study of just how important such legislation would be. That study has now been completed. We have a draft of a discussion paper which in due course will be ready for circulation to employer groups to start to seek their formal views on what steps could or should be taken to allow reservists called out on duty to have their employment protected. That is being processed at the moment. We have finished the analysis of the consultancy reviews. We will be going forward in the not too distant future with the revised discussion paper, which moves in the direction of the current policy statement.

Senator HOGG—How long do you envisage that taking?

Major Gen. Dunn—It certainly won't be a short process. It will take a number of months. It will require a fair amount of consultation. So I would not expect anything in the next six to 12 months or before that.

Senator Newman—This was a process which was previously undertaken in Britain—very successfully, I might say. It was a longstanding consultation process between the government and reservists and employers. I think it led to a great deal of satisfaction with the process, although it did take a while.

Senator HOGG—I understand that, but we are now looking—going on the time line that you have outlined to me—at maybe, in all, about three years before something has been done about it. Is there any interim—

Senator Newman—We haven't been in government for three years.

Senator HOGG—No, I am not saying that. By the time it is completed.

Senator WEST—You'll be out of government.

Senator Newman—Well, you had 13 years. Come on. You didn't do it.

Senator HOGG—Is there any interim step that one might take to give security to these people before one reaches a final solution?

Senator Newman—That sounds ominous.

Major Gen. Dunn—I don't think that we need to do that at the moment. As we have said, the consultation is close. It is being managed by the reservists themselves. I certainly have an oversight of that. The progress to date indicates that one of the key features of any arrangement has to be that the employers are indeed attracted to make their employees available for reserve service. That is the first and foremost requirement because that affects us in periods that don't require call-out as well. We are moving in that direction very rapidly. I don't think at this stage it is necessary to accelerate any particular work that we are doing because we would want to make sure that any legislative proposals we put forward are very well founded and cover all the circumstances that employers and the reservists themselves see.

Senator HOGG—Who will the consultative process be with—individual employers, peak bodies of employers, or both?

Major Gen. Dunn—We are consulting with both.

Senator HOGG—Will the consultation be done by an outside consulting firm or will it be done in-house?

Major Gen. Dunn—The consultancy work has been done to this stage by an outside firm and also internally, I might add. Once we get to the point of presenting a fully developed discussion paper to the minister, then it will be managed up to that point by the reserve organisation and by my organisation. So we will do that ourselves.

Senator HOGG—Just take me through the steps after we have gone through the consultation process.

Major Gen. Dunn—We will construct an updated discussion paper. We have a draft of that paper already. We have had that for some time. We will present a draft discussion paper. Once that is approved by the ministers, we will enter into the consultation process with industry. Once that is finished, we will make recommendations as to any legislation that is required.

Senator WEST—What is happening with the spouse employment programs and projects?

Major Gen. Dunn—That has been announced; it is under way. The booklets have been distributed; the web sites are up and are being accessed now. This year will see the introduction of a publicity campaign aimed at not only our own people but also employers in various centres so that they become aware of the program. This is the way it has been planned. We had to get the sites up first and the publications distributed before we encouraged the employers to start accessing it, but it is happening now.

Senator WEST—So ADF is setting up web sites to—

Major Gen. Dunn—Has set up.

Senator WEST—You have set up web sites to offer people with particular skills. Is that right?

Major Gen. Dunn—That is correct. It goes both ways. Employers will be able to access that to see whether, if they advertise their jobs on the database, people wish to respond directly prior to moving on posting or indeed in the location that they are in. Likewise, the spouses can access the sites to see what is being offered. It is a mutual arrangement. It has the potential to be an enormously powerful tool.

Senator WEST—You were doing some pilots and some work with the CES, were you not?

Major Gen. Dunn—Yes, we were. As I have said, we have set the system up now. Anybody can access it; it is open.

Senator WEST—How much is it costing?

Major Gen. Dunn—I do not have the figures here.

Senator WEST—You had better take it on notice.

Major Gen. Dunn—I will take it on notice.

Senator WEST—When was this program or project devised or thought about? It is somewhat new. I must have missed it in the PBS. I thought I had followed this issue fairly closely; I am slipping. What is the genesis of this program?

Major Gen. Dunn—It was publicly announced by the minister in December last year.

Senator WEST—Why was it decided to go this way, to operate your own web site?

Major Gen. Dunn—In terms of getting our spouses involved in their employment, this is probably the most effective technology that we have available to us. It is exactly what is happening in private enterprise as well. The work that we have done has now been examined by a number of private employment companies and has been given accolades. The reason we have gone this way is that it is the most effective way that we can possibly get and also allows remote access.

Senator WEST—So you are basically running your own private employment agency?

Major Gen. Dunn—No, we are running a web site that allows people to access it and put their own data on it and for firms to put their data on it as well. It is not an agency as such. The individual is still required, after they have accessed the data on the Net, to make direct contact with that firm. The data in there does not relate to individuals; it relates to competencies. Privacy is maintained in that way, but it is also a matching exercise. If it is believed by a spouse or a company that a match can be made, then they go through a process to go into negotiations together. That could well be through another agency.

Senator WEST—At what cost?

Major Gen. Dunn—At what cost?

Senator WEST—To the spouse or to the potential employer?

Major Gen. Dunn—As I said, I do not have the costings with me. I will provide that to you on notice.

Senator WEST—I am interested in the cost to the individual as well.

Major Gen. Dunn—Our spouses do not have to pay anything to access it. What we have done is we have set up 30 Internet sites. Spouses on the Net can access it themselves. There are 30 sites that spouses can come to if they are not on the Net and access it as well.

Senator WEST—Maybe you can give me the web site so I can have a look at it.

Major Gen. Dunn—Absolutely. You are welcome.

Senator WEST—I would also like a copy of the minister's press release because I missed that one.

Major Gen. Dunn—It was a big announcement.

Senator WEST—It must have been a very big announcement; I missed it. I must be slipping, which is a bit of a worry. It is a relief for you people. I want to turn to the Dubbo recruiting office. It is a beautiful office in Winjarra Street, all nicely refurbished. I think it opened in late 1986 or early 1987. Now it is going to be closed. What is the reason? It was a shopfront. The careers advisers at the schools thought it was excellent. It had a good success rate and proved useful for the schools in distributing first-hand knowledge to not just Dubbo but also the western area.

Major Gen. Dunn—The Dubbo office and some other regional offices are being rationalised.

Senator WEST—For the people of Dubbo that means closed.

Major Gen. Dunn—They are being closed.

Senator HOGG—What other ones?

Major Gen. Dunn—A physical presence in Townsville and in Tasmania will be reduced. That does not mean to say that there will be a reduction in recruiting effort in that area. It is a question of how we provide that service and where we direct our recruiting staff. You would be aware that we have a large number of mobile recruiting career counsellors, and they will continue to provide the service that they have provided in Dubbo. It is far more effective for us to concentrate some of those regional centres so that we can look after centres that do not have representation and make sure that we recruit more effectively across the whole of New South Wales.

Senator WEST—I would like a list of all defence recruiting centres that are going to be closed.

Major Gen. Dunn—Okay. I also mentioned physical reduction before.

Senator WEST—Details on that would be interesting as well. I would also be interested to know when those that are being closed were actually opened and/or had their last refurbishment and what the level of recruitment was out of those offices. How often are you now going to send the vans out to Dubbo?

Major Gen. Dunn—I cannot answer questions on the schedule for visitations. What I can say is that the people of Dubbo will have as much opportunity as they ever had to join the Defence Force and we will be able to spread that opportunity further around by making better use of those people.

Senator WEST—So you do not think that the presence of an office in a major regional centre actually was a constant reminder to the community—and not just the Dubbo community but because it is a large service centre for places like Bourke and Cobar a reminder to them as well—that the Defence Force is a viable option as an employment alternative and provided the necessary knowledge to people?

Major Gen. Dunn—It does provide a presence, I agree with that. However, that is not the main source of our recruiting. Physical walk in or physical siting of small offices is not the big issue. Certainly the presence of large Defence installations has a big impact, but the other

forms of advertising and the, in particular, direct recruitment campaigns either into the schools or into the work force are where we get the majority of our recruits from.

Senator WEST—What was conducted at the Dubbo centre?

Major Gen. Dunn—Certainly, the physical presence aspect is a point, but they actually conducted processing for personnel who were nominating to come into the Defence Force. That processing will be provided, as is provided in other centres, by mobile teams when recruiting campaigns are on rather than keeping those centres there full time.

Senator WEST—How far down processing for entry into the ADF could people go through the Dubbo office without having to leave the region?

Major Gen. Dunn—I cannot answer that. What I can say is that we move all over the state for various forms of processing and we have the agreements in various country towns to allow us to use facilities in those areas. I would also note that we are moving to more on-line processing so that we do not waste individuals' time by coming to a centre only to find that, in the initial stages of processing, they are not satisfactory and therefore have to return. This is part of an overall improvement in the way we handle our recruiting. It is allowing us to reduce costs quite significantly. The fact is that we are getting a more effective recruiting organisation out of it.

I mentioned earlier that we are recruiting to 91 per cent of the target. We are satisfied with our recruiting at this stage. It is the percentages that we are gaining that is allowing us to properly assess the market out there and also assess the areas of recruiting that are particularly effective. We need to shift those people elsewhere to maintain those figures because recruiting is going to get more difficult in the future. It will not mean that people in the region have less access to joining the Defence Force.

Senator WEST—I am thinking about their initial processing. They may in fact, because of the presence of that office, have been saved a trip to Sydney or Canberra or wherever.

Major Gen. Dunn—We will actually be going out to do that processing in the future. We do that now all over the country. Whilst we used the Dubbo office—and yes that was convenient—we will now move to Dubbo on various occasions and conduct that testing in that area. We have to move to a whole lot of other centres as well. There are centres that have no recruiting presence whatsoever and we need to actually increase it. We are spreading the resource far more evenly over all of the states rather than just reducing it in a particular area.

Senator WEST—What is happening to Albury recruiting office?

Major Gen. Dunn—There is no change.

Senator WEST—Can I have a list of visits that have taken place in the central west of New South Wales for recruiting purposes prior and post Dubbo so that I can get some idea just what the increase is going to be and how much more often I am going to see the van and the people in the town?

Major Gen. Dunn—Can I run through the changes. I can give you part of that detail right now. By January 1999, the careers reference centre—that is what it is—at Dubbo will be closed. The recruiting unit in Townsville will be reduced in size by four. The recruiting unit in Hobart will be reduced by four. There will be the closure of the careers reference centre at Launceston as well. By January 2000, the recruiting unit in Townsville will be reduced from 26 to 12 staff and the recruiting unit in Hobart will be reduced from 25 to 12 staff. But, as I said, a recruiting service will continue to be provided in all areas.

Senator HOGG—What will happen to those staff?

Major Gen. Dunn—They will be redeployed, assuming that that is what they wish to do and they are capable of doing that. Our recruiting staff generally are quite high calibre staff.

Senator HOGG—So none of those will be deployed on the travelling road show?

Major Gen. Dunn—Those travelling road shows, as you have described them, are active now and if they are the people that we would want to put in there we would certainly use that experience.

Senator HOGG—It seems to me that they are people with certain very specialised skills in the specialised area of recruitment. I would think that it would be hard to redeploy some of those people.

Major Gen. Dunn—The people who go into recruiting are high quality people, but that is not their only skill. They are there to represent the ADF as well as doing the processing and recruiting. There are a number of areas where they can be redeployed.

Senator WEST—I would like to turn to the question of sexual harassment. What is the latest with the Tindal case?

Major Gen. Dunn—I cannot comment on specific cases.

Senator WEST—Is it getting close to being resolved?

Major Gen. Dunn—Yes. It is, as you know, being reviewed.

Senator WEST—Senator Newman, for how long has this one been being reviewed?

Mr Tonkin—In relation to what is called the Tindal case, some aspects of this matter relating to allegations of defective administration have been considered by an appropriate authorised officer in Defence. That is one of the consequences of the long chain of events in this thing. A determination on that matter was made in November 1997. The action on that has been decided and the complainants have been so advised.

Senator WEST—Right, so we wait to hear what the final response is. On sexual harassment, there have been a number of articles in the Sydney Sunday media in recent times. It would appear from those that none of the allegations relates to new incidents but to incidents that have taken place in previous years. Is Defence getting an increased number of reportages and an increased number of reportages of old cases or new cases?

Vice Adm. Barrie—Consistent with what we expected, some of that is new information in terms of what we have been able to know about and do something about. I guess my perception—and General Dunn will give more detail in a minute—is that I think there is an increase in ab initio reporting—reporting which is coming forward in what I would call the management structure without prompting in any way. Some of that is being engendered by the programs we have in place and some of it is also being engendered by media reporting like that in the *Sun-Herald*.

Major Gen. Dunn—I will start with our statistics first and then move on to the things we have done about it. The number of reported incidents of unacceptable sexual behaviour actually fell by 22 per cent between the financial years 1994-95 and 1996-97. That is very pleasing. For the same period, the number of reported sexual harassment incidents decreased by 27 per cent. The number of reported sexual offences over that same period decreased by six per cent. That is not to say that we are happy with the percentages, but we are very pleased that the trend is going in the right direction.

Within my program, we have established a defence equity organisation. The organisation is not only a policy making organisation but it is also an advice providing organisation. They

have been particularly active in providing that advice to units and to individuals. We now have a coordinated approach to that activity and the opportunity for all the hotlines that are still running to be brought into a single area which is staffed by experts who can give very good advice.

The fact that the incidents are falling by a percentage is pleasing, but it still does not make us complacent or even content at the number of incidents being reported. We believe that the equity organisation in particular, and the work that the three services and our civilian APS organisations are doing in terms of developing understanding of equity and other issues in relation to harassment and sexual offences, is having an impact.

We now have a first-class organisation that is running the development of policy and training and education within the organisation and the handling of those offences. Within that organisation, we are also able to conduct investigations, and we are doing so as they come to our attention.

Senator WEST—Have you answered the concerns of the Ombudsman in her last report about the methods of investigation and what was happening in terms of investigation?

Major Gen. Dunn—That is why I mentioned the investigation capability within that organisation. You may not be aware that we actually set the equity organisation in place on 1 July last year.

Senator WEST—Yes, I knew that.

Major Gen. Dunn—We used the changes brought about by DRP to facilitate that. Very quickly thereafter, we introduced the investigation capacity to it, so we were well ahead of the announcement of the own-motion report by the Ombudsman. We have also completed what I will describe as the final draft of a training manual for personnel involved in the investigation of serious complaints. We are also working to develop our own internal training courses for personnel involved in the investigation of serious complaints.

That training program will take some time. In the meantime, we are using an excellent course provided by the Charles Sturt University, but we need to do some tailoring to our own needs later on. That works well as an interim course. It costs \$6,000 per candidate.

Senator WEST—So the equity and investigative branch has taken on board the recommendations of the Ombudsman, particularly in relation to investigation?

Major Gen. Dunn—Yes.

Senator WEST—I am happy for you to put the answer to the following on notice. Can we have a breakdown of the reportage—the different categories; whether it is service person on service person, or service person on civilian; and by differing services, Army, Air Force and Navy.

Major Gen. Dunn—Do you want the number of incidents?

Senator WEST—Yes.

Major Gen. Dunn—Certainly, I will take that on notice. I have a series of figures here, but it would take us quite some time to go through them, so I will take it on notice.

Senator WEST—Good. I know you have the figures there because you get them every month, don't you?

Major Gen. Dunn—That is right.

Senator WEST—You have an increased reportage in some areas. What about cases where action is being taken? There is reportage within the ADF but there are also complaints to HREOC, and litigation. Are you seeing an increase in those numbers?

Major Gen. Dunn—At this stage, no. It would be reasonable to expect that, as we increase the awareness of people's rights and educate the organisation, there will be an increase in the amount of reporting. I would not be surprised to see that occur at all. You might recall that some of the previous statistics that you have questioned us on have actually reflected that as we have raised awareness within the ADF of the steps that people are to take under certain circumstances. We expect that our reporting figures over the next few years will become even more accurate as we change some of the processes for reporting while still respecting the privacy requirements of the complainants. But at this stage there is no trend evident at all.

Senator WEST—I am interested in what disciplinary action may have been taken in association with reporting of incidents. I recall several years ago that the RAAF, I think it was, had very minor disciplinary actions. I do not think they even got to the level of making an apology. That has to go hand in hand with actual reporting. I am not talking about the ones that get handed over to the civilian police for action.

Major Gen. Dunn—I would not want the record to create the impression that obtaining an apology is a bad thing. You are aware that, particularly in instances of harassment, getting an apology immediately in the workplace and stopping the activity is one of the best outcomes we could have because it does not cause nearly as much trauma as an ongoing circumstance. The other advantage of the equity organisation is that we are able to do parity checks. Through the advice that we give we are able to let various parts of the ADF know the appropriate action to take and we can monitor the changes that are occurring in disciplinary results.

Senator WEST—It requires sensitive handling but the discipline must be carried out in such a way that a perpetrator—and there is evidence that it has happened in the past—is not just shuffled off to a new posting with no change in behaviour. Presumably you people at equity will be able to watch a situation where you get somebody with a minor deviation from what is acceptable so that it does not continue as they move around the service.

Major Gen. Dunn—Absolutely, Senator. I do not want to harp on it but that is precisely the advantage we get from the organisation that we have set up. It is very important to us to make sure that we do not get a circumstance whereby an offender is simply moved and allowed to re-offend, or indeed moved and not provided any counselling or retraining or misses out on the appropriate disciplinary action. We do now have the facility to monitor that and we are monitoring it.

Senator WEST—Good. What has happened with the review of policy and procedures at ADFA in relation to sexual harassment and sexual offences?

Major Gen. Dunn—That is proceeding very well indeed—if you can say that about a review we would prefer not to be doing. That review is due for completion on 30 April. It is on schedule. All of the data has been collected and the analysis phase is almost complete. We are now looking at the changes to ADF-wide policy because you recall it is going to be applied across the board. We are starting to look at that now.

Senator WEST—I will follow that up at a later date. Thank you.

Senator HOGG—I have a couple of questions; one I asked on the last of occasion. It is about the Defence Housing Authority and the potential sale of that authority. I was told that

investigations were being made and that some outcome would be known by around this time. Can you enlighten me as to whether it is going to be sold or what its future might be?

Major Gen. Dunn—The joint steering group, which I chair, has essentially completed its work and is in the process of writing its final report. A cabinet submission will be prepared and it is anticipated that that will be available for consideration next month. So you can see that the finalisation of the report is imminent. The review has been conducted jointly by ourselves and the Department of Finance and Administration. We are in the process now of preparing the report and the cabinet submission.

Senator HOGG—The other question I would like to raise concerns something I have heard about but know little or nothing about, and that is the concept of ‘phased careers’ within the defence department. Can you tell me what a ‘phased career’ is?

Vice Adm. Barrie—Do you want the three-minute, 30-minute or four-hour version?

Senator HOGG—I want to be told in plain simple English what it means.

Major Gen. Dunn—We currently offer careers, certainly in the Army and Navy, for life, and by implication in the Air Force, although they do have some fixed periods of engagement. In each occupational model we are looking at the various break points in the career to see when people are attracted out, particularly in key professional areas such as pilots, air traffic controllers and the like—

Senator HOGG—So this is looking at the officer end of things?

Major Gen. Dunn—No, it is across the board. It happens with all personnel that there are various points in their career, various phases, that we would wish to pull them across. The project is known as the flexible career management system. It is designed to identify where those phases are and to provide mechanisms to pull people across those break points if they are the ones whom we wish to retain.

Senator HOGG—Does this project involve looking at training bridges that may well be necessary to take people further on in their career or to sustain them in their career?

Major Gen. Dunn—It certainly does. We identify where that training is going to be required and the cost of our providing that training to individuals—therefore the value of them to us—and it represents an occupational modelling right across the board as opposed to just saying in the ADF the average is N years and applying it to everybody. It does not work that way.

Senator HOGG—Are there any industrial relations implications as a result of this project?

Major Gen. Dunn—Not that I am aware of at the moment. We have been investigating this for quite some time. It is not going to be something that we have a mandatory transfer to for all those in the service. People currently serving in the ADF will have the option to voluntarily transfer to the new system. As the new system will have within it incentives for crossing some of those key phases, I expect that a number of people will wish to transfer to it.

It is designed to give more certainty to key personnel but it is also designed to give us better control over the careers and the work force so that we can maintain the right people in the right place. It allows us to remove blockages, for example, by shifting people into a different area.

Senator HOGG—Is there an actual model in place at this stage or is this still in the evolutionary stage?

Major Gen. Dunn—No, there is not. It is almost complete. We will have finished the occupational modelling by the end of this year. We have started work on the very first phase,

which is the important one for us to nail down because people who will be joining the Defence Force very shortly will be affected by this system. We will be putting to the chiefs of staff committee in the not too distant future the proposals for the first phase. That is when we will seek to determine how long personnel should remain in the service after we have expended varying amounts of training on them.

Senator HOGG—What about those who do not switch across? Will their careers be disadvantaged in any way by the new system?

Major Gen. Dunn—No. The new system is by no means certain yet in terms of its methodology. Over the next month or two we will be finalising that. People currently serving will not be impeded in any way.

Senator HOGG—So they will go along happily with what they are doing, and if they want to make the change they can.

Major Gen. Dunn—But this is offering a better system to the individuals because, as I said, we are talking about incentives; the incentive may be further technical training—the sort of thing that you have just alluded to—or it may be a financial cash incentive or it may be something to do with lifestyle.

Senator HOGG—Will it deal with promotion?

Major Gen. Dunn—It could well deal with promotion. In fact, one of the proposals we have considered is that that should be the incentive. We are aware of that view, and the recommendations that we will be putting up will say that promotion is only part of it.

Senator HOGG—I will wait to see your model when it finally comes out. We will ask you more questions then.

CHAIR—Are there any more questions on program 8?

Senator HOGG—Yes. I noted an article in the *Courier-Mail* on 2 February headlined ‘Cadet plan to target teenagers’ self-esteem’. I do not know whether the terminology was used loosely by the reporter but it went on to say that ‘a cadet corps-type scheme’ will be set up in Queensland state high schools allowing students to learn skills from soldiers, emergency rescue officers and surf lifesavers. Obviously, the last two categories do not apply to you. I am wondering if it is a cadet corps as we currently know it or if this a Queensland model that no-one has been told about down here. Also, what about the involvement of soldiers?

Major Gen. Dunn—Certainly the Queensland government has announced its intention to invigorate the cadet scheme. It actually calls the overall program which the cadet service fits into the Queensland youth development pilot program.

Senator HOGG—What is the relationship between that and the traditional cadets?

Major Gen. Dunn—There is a dollar for dollar matching relationship that has been proposed, and that is a system which fits in with the Queensland government’s view on how it would see it running. We are moving in that direction to work with the Queensland government, so it is happening.

Senator HOGG—What is the cost? I would imagine it is a new initiative. Was it in the budget?

Major Gen. Dunn—The additional funding of \$0.130 million was approved in the additional estimates that we are dealing with here for funding of the school based cadet units, so there is a funding increase involved. That is not just for Queensland. The funding will continue

throughout our five-year program. We are requesting in the order of \$0.2 million in 1998-99, \$0.3 million in 1999-2000, \$0.45 million in 2000-01 and \$0.675 million in 2001-02.

This is allowing us to assist school based cadet units established under the government's defence policy and allows us to follow that policy of entering into agreements with the states to strengthen the state based school cadet system. So it is all there.

Senator WEST—Which states is the additional funding going to go to?

Major Gen. Dunn—We are moving to bring all of the limited cadet units up to fully supported status. In that respect, it is across the country. We are working with Western Australia, Victoria and Queensland. They have come forward and particularly added extra dollar for dollar incentives within those states.

Senator HOGG—But these will be working in different areas than the traditional cadets have worked. Is that correct?

Major Gen. Dunn—No, these are taking the cadet units that exist now both in the schools and in the community. The particular area that we are working is to increase the number of school cadet units that are available. The cadet system that exists at the moment remains, with the big exception that what were known as limited support units—those with community based units—are now moving to fully supported. We are extending the opportunity to youth right across the country.

Senator WEST—What benefit does the ADF get?

Major Gen. Dunn—Over the long period of the existence of cadet units, there is a clear link between the presence of those cadet units and the entry into the ADF of personnel. It is seen as an avenue of entry but it is also seen as a commitment to the youth of the country.

Senator WEST—Refresh my memory. I think I have asked this question before. How many of your entrants to the ADF actually came through cadet units?

Major Gen. Dunn—I will have to take that on notice. We are talking about a program that has been going for many, many years.

Senator Newman—This figure also shows up in officer recruit enlistment.

Senator WEST—I have heard all this argument and I cannot remember the figures.

Rear Adm. Barrie—At one stage when I last looked at it, about 15 per cent of people joining the Navy came out of cadet schemes. But that is old information.

Senator Newman—You can call it targeted recruitment as well, can't you?

Senator WEST—No, I would not call it targeted recruitment. I would call it privileged recruitment.

Senator Newman—For kids at school?

Senator WEST—Go and look at the schools which have cadet units. They are not representative of schools across the board.

Senator Newman—They are the ones that have survived your government's decimation of the cadet corps. You decided that you would not fully support the ones in schools so the ones in poor areas with poor families died while the ones at wealthier schools survived. Your replacement by putting them out to community organisations worked in some areas but quite poorly in others. I am afraid you are wrong on your facts.

Senator WEST—I know of students going to school with a cadet unit and not too many kids joined the ADF.

Senator HOGG—I do not want to prolong this; it is not the end of the world, but I think you and I are really at cross-purposes. The article that I have seems to reflect none of what you have said at all. I might take it up with you afterwards.

Senator Newman—You would like the four-hour seminar then?

Senator HOGG—No, I do not want the four-hour seminar.

CHAIR—That completes program 8.

[3.04 p.m.]

Program 9—Acquisition

Senator QUIRKE—I wonder if we could have some information on the current situation with respect to the Nulka missile and its sale to overseas countries.

Mr Bonighton—The Nulka program falls within my division. Were there some particular aspects of that that you wished to know?

Senator QUIRKE—Could you give us some details on what the current situation is with respect to sales to overseas countries and NATO in particular?

Mr Bonighton—We have an agreement with the US and Canada for sales, as you are probably aware. They are the only two countries that we currently have agreements with.

Senator QUIRKE—They are the only two NATO countries? There are no others?

Mr Bonighton—Not at this stage. We are exploring possibilities. It is a cooperative agreement with the US, so we need to get our act together between us.

Senator QUIRKE—It is under licence, is it, to the United States?

Mr Bonighton—Yes, it has been jointly developed between the two of us.

Senator QUIRKE—This is the hovering rocket?

Mr Bonighton—That is correct—a fine piece of DSTO workmanship.

Senator QUIRKE—It has been around for about 10 years, I think.

Mr Bonighton—Yes, it was originally developed some years ago but we are now at the stage of installing it on Navy vessels. The first one has gone on HMAS *Melbourne*.

Senator QUIRKE—The only other question I have on this area is to do with the acquisition of the Penguin air-to-surface missile for the helicopters for the Anzac frigates. We understand that this was part of an original project C-1411, but we understand there has been a series of cost overruns as a result of this particular acquisition. Could we get some details on it please.

Mr Watters—We do not have any information in relation to cost overruns on that project. We could take that on notice.

Senator WEST—Did the Penguin missiles actually change from being part of the original project Sea 1411 to their own separate project of Sea 1414 and therefore with its own budget?

Air Cdre Macnaughtan—It is still known as a Sea 1411.

Senator WEST—So it has not become C1414?

Air Cdre Macnaughtan—No.

Senator CHRIS EVANS—In relation to a question that I asked at previous estimates about PJP Aerospace and Defence Industries tendering with Defence, apparently there was an order placed with PJP Aerospace to the value of \$250,000 for the development and supply of two inflatable medical tents. I do not know if you recall that question. I understand PJP at that

stage had been the unsuccessful tenderer. They were miffed, to say the least, about having missed out and, it seems from the answer which I have been supplied, have subsequently been given an order to the value of \$250,000. Could I have that explained or am I misreading what I am seeing in front of me?

Dr Kearns—I do not have a lot more on that, beyond the answer that we provided to the previous question. They were, as I understand it, given the order to provide—for development purposes—the additional tents. I am not aware of further action taken since then, so I am not able to update it.

Senator CHRIS EVANS—But they were an original unsuccessful tenderer for, I think, some 10 or 12 tents that went to the successful tenderer. Don't hold me to the exact number, but they were the unsuccessful tenderer?

Dr Kearns—That is correct.

Senator CHRIS EVANS—It seems now from the answer that I have that, whilst they were the unsuccessful tenderer, post the tender process they have somehow had an order for two of these inflatable medical tents placed with them for \$250,000. How did they get the order? Was there a subsequent tender process undertaken or was this, to put it bluntly, given to them just to shut them up and get them out of the road?

Dr Kearns—As I understand it, there was an order placed for just the two tents, in response to the issue raised of how an Australian company would be able to meet that kind of demand. That is the totality of my current background on the question. I can take that on notice if you wish me to explore it further.

Senator CHRIS EVANS—I would really like to know how the extra order for two tents came about. Was a proper tender process gone through?

Dr Kearns—I will need to check that, Senator. I will take it on notice and we will provide subsequent advice.

Senator CHRIS EVANS—Could you let me know of any involvement of the minister's office in the subsequent tender process or in the letting of the tenders to PJP Aerospace?

Dr Kearns—Yes, we will get back to you on that question.

Senator WEST—Why was it decided that there was a need for an additional two inflatable tents is the question I would like to ask. The successful tenderer in the first place, as I understand it, is a tenderer that does a lot of defence work here in Australia.

Dr Kearns—My understanding is that the issue revolved around how an Australian industry would be able to develop tents to that specification and to explore that issue through the order but I will, in responding to the earlier question, round out some of the background on that.

Senator WEST—We would like to know why PJP was chosen to be the one.

Senator CHRIS EVANS—Also, what other companies were invited to tender for the additional tents, and if no others were invited why not?

Air Cdre Macnaughtan—Mr Chairman, could I correct an answer I gave to Senator West? In December 1996 project Sea 1414 was separated from project Sea 1411—the acquisition of the helicopters—and it has proceeded as a separate project since then.

Senator WEST—So the Penguin missiles became Sea 1414 then?

Air Cdre Macnaughtan—Yes, Senator.

Senator WEST—Were they in the original Sea 1411 project tender?

Air Cdre Macnaughtan—As I understand it, the requirement for the air-to-surface missiles was originally identified under project Sea 1411 but it was decided to remove it, as I said, in December.

Senator WEST—What was the reason for it being removed and being given its own project number?

Air Cdre Macnaughtan—I think it was to defer expenditure on this item.

Senator WEST—So there was a cost overrun taking place and this was one way of not having to go back for further approvals and avoiding further processes, is that correct?

Air Cdre Macnaughtan—Not according to the information I have. You mentioned the question of a cost overrun and I said I would provide an answer on notice to that.

Senator WEST—I presume that when the Penguin became Sea 1414 it acquired, in fact, its own budget.

Air Cdre Macnaughtan—It was approved in the new major investment proposal in December 1997.

Senator WEST—But it became Sea 1414 in December 1996?

Air Cdre Macnaughtan—Yes.

CHAIR—We will move on to program 11.

[3.15 p.m.]

Program 11—Defence Estate

Senator HOGG—Could I have some information about Defence's policy in relation to rezoning of Defence property prior to its sale?

Mr Corey—It depends on which state we are in. What we try to do prior to selling any property is add value to the process, rather than hand it over to a developer. How far we can take it depends on the regulations that apply in the various states. As you are aware, all Defence property at the moment is zoned 'defence special purposes', and that is not very useful to anybody who wants to undertake a development. So, prior to putting it on the market, we attempt to get a zoning either formally in place or informally recognised by the local planning authority.

Senator HOGG—How many of those actions would take place in any one year? There must be an enormous number.

Mr Corey—I think we had 58 properties for sale this year. So there could be up to 58 rezonings, either informal or formal.

Senator HOGG—Are we successful in getting the rezoning done before the sale of the property?

Mr Corey—Before the sale, yes.

Senator HOGG—Because it seems that, if we are not, we hand a windfall commercial profit over to the purchaser, who then sets about having it rezoned very quickly.

Mr Corey—That is not the way we do business.

Senator HOGG—So we have no instances where we have failed to have a property—

Mr Corey—There will be instances where we will have a priority sale approved to a state government or another instrumentality that will have special recognition. They will acquire the property at its assessed highest and best use value, which will generally be in accord with

what zoning may have been in place. But we will not necessarily formally or informally get it rezoned. We will have it valued on the basis that it would be rezoned, and transfer or sell it to the state at that value.

Senator HOGG—Having had your guidance there, the Newcastle *Herald* on 30 January this year made reference to the Adamstown residents having:

. . . attacked the Defence department fearing a massive gradual sell off of prime Defence land parallel to Brunner Road. Residents say that they plan to stage demonstrations and lodge a protest petition containing about 600 signatures with the Newcastle City Council.

It seems to me that this has hit a raw nerve in this particular area.

Mr Corey—That is not unusual. As we progress down the disposal path, people who become aware of Defence's intentions to dispose of land sometimes react before we get the opportunity to go through a consultative process to inform them of what is happening and actually go through the disposal process in detail. That is the case in this particular instance.

Senator HOGG—It seems to be a rezoning problem, though, in that some of the land is going to be open space and some is going to be residential.

Mr Corey—There are a whole lot of vested and other interests in land that we hold and propose to dispose of, as you will have seen from a whole lot of newspaper articles—and that one is no different. We will go through the process in relation to Adamstown. We will go through a consultative process with the local planning authorities, we will discuss it with the local community and we will apply for rezoning applications on the outcome of that process.

Senator HOGG—Is there any disquiet set about in the local community as a result of any rezonings that you take part in? Do they object to the changed land use as a result of your decision to dispose of—

Mr Corey—Our decision? It is not necessarily our decision.

Senator HOGG—Not your decision, but the government's decision to dispose of property?

Mr Corey—As I think I implied earlier, with any property disposal or rezoning, there are always people who do not agree, and that will be the case. That is why the processes are put in place for consultation and appeal situations, and there is a whole range of administrative processes in place to let everybody be heard. That will always go on. In some cases, not everybody will agree with us.

Senator HOGG—Are all your rezonings successful? Are many of them knocked back by state governments or local government planning authorities?

Mr Corey—The ones for sale have been successful. There are some where we are still going through a process with local governments and state governments where we are trying to negotiate a position that we see is the best for us, and they are trying to negotiate a position for whatever reason that suits them best. We will go through that with most of our major properties in major city areas.

Senator WEST—On land, there is an article in the *Financial Review* of 30 January with 'New buyer found for ex-naval site'. That article relates to the fact that Hudson Conway had bought an area—and it has to be on the docklands somewhere—at Port Lonsdale. Was it \$5 million they bought that area for?

Mr Corey—I am not sure of the exact figure.

Senator WEST—It is now being sold, the *Financial Review* understands, for \$9 million. Was it rezoned?

Mr Corey—In Victoria we cannot actually formally rezone land. We had an understanding with the local government about what the site could be used for. The site is heavily contaminated, and it is presently a sealed site. There were certain restrictions on what it could and could not be used for. We had it valued at the best and highest value on the basis of residential development on a sealed site. We called for tenders and sold it on the open market on that basis. I am aware of the article, but I am not aware of the validity of the numbers that are used in the article.

Senator WEST—You are saying to me that the former HMAS *Lonsdale* site is or was heavily contaminated?

Mr Corey—The ground underneath the site is heavily contaminated. It was a former oil works or coal or gas works site. It is a filled site.

Senator WEST—In your mind, it would be unsuitable for residential use?

Mr Corey—No, it would not be unsuitable for residential development at all. Provided it is sealed, it is not a problem. The proposal to develop the site was based on filling and sealing the site even further.

Senator WEST—Victoria is one of the states that do not allow you to rezone—

Mr Corey—Not before disposal, no. But we do have an arrangement with the Victorian government where we can negotiate what the site could be used for and get an informal zoning to enable a valuation to be done.

Senator WEST—Would it be possible to give the states' individual policies regarding rezoning of defence land?

Mr Corey—Yes, I am sure we can do that.

Senator WEST—Thank you. What is happening with Sydney Defence land that is surplus?

Mr Corey—We are in the process, and we have been for some time, of going through a rezoning process to get some revenue out of the harbour foreshore sites, which I assume is what you are talking about.

Senator WEST—In answer to a question on notice from Senator Hogg last time, you gave us a list of which ones were to be sold and the various stages of disposal. In seeking an update on that, I am also interested to know what might be going to happen to the foreshore lands. Do you think you are going to get some money out of the Federation Fund for that?

Mr Tonkin—The Federation Fund is a matter for the Department of Prime Minister and Cabinet, not the Department of Defence.

Senator WEST—You have no say, as long as somebody gives you the money?

Mr Tonkin—I am simply saying that the questions about the Federation Fund should be addressed to another group of officials.

Senator WEST—And I am asking you that, as long as somebody comes up with the money, it is of no importance to the ADF?

Mr Tonkin—Defence has had in place for a considerable period of time, going back several years, proposals to rationalise our holdings on Sydney harbour. As part of that proposal, in respect of a number of sites, we have been developing proposals to sell elements of those sites and return as public open space elements of those sites.

Senator WEST—I guess what we are seeking is an update on—

Mr Corey—We can provide that.

Senator HOGG—It seems to me from the list as well that a number of these are subject to rezoning applications. Could we have some idea of where the rezoning applications have gone? Secondly, is there a reserve price that is placed upon all of these sites—a reserve valuation that you use?

Mr Corey—We have a valuation that we use. If the tenders we receive are less than the valuation, then we have to make a judgment as to whether it is worthwhile going back to the market.

Senator HOGG—Just before you proceed on that, can you let me know by how much the rezoning increases the valuation of the various properties that you have for sale?

Mr Corey—In broad percentage terms based on experience, yes.

Senator HOGG—Are we able to find out what the reserve prices or the valuations on these properties would be?

Mr Corey—No. I can assure you that in all cases, with probably one minor exception of a property that was valued at about \$50,000, the revenue we have returned has exceeded the best and highest valuation we have obtained.

Senator HOGG—What test do we have that the property has been sold for a fair price, given that we do not know what the valuation might be?

Mr Corey—We have a valuation. We get a valuation from the Valuer-General. Also, if we are not happy with that, we get a commercial valuation. In some cases we get both.

Senator HOGG—Is that reported to us in any way through the annual report? It is just so that we can know that the properties are not being undersold.

Mr Corey—It is reported to the Minister for Finance, who holds the delegation under the Lands Acquisition Act and has to agree to the disposal.

Senator HOGG—But there is no way directly that we, on this committee, for example—

Mr Corey—We could tell you for properties that have been sold. It would not be a difficulty.

Mr Tonkin—Unless there has been some commercial agreement that the price of the sale is confidential, which would be hard to imagine.

Senator HOGG—There is no such thing as confidentiality when it comes to the sale price of properties anywhere.

Mr Tonkin—Some buyers might think so.

Senator WEST—It usually ends up in the *Financial Review* if it is a decent piece of land.

Senator HOGG—I think it is just so that we can—

Mr Corey—We can provide you with the valuation and what price we have received for the properties we have sold over the last couple of years.

Senator HOGG—I think that would be handy, because that is a convincing argument then that the right thing is being done. I am not doubting that you would not do the right thing, by the way.

Mr Corey—I do not suggest for one moment that you are.

Senator WEST—But it provides good public scrutiny.

Senator HOGG—In relation to Cockatoo Island, I notice that at one stage we were talking about the clean-up costs of that, and I think they were quite substantial. Has the clean-up now

been completed? If it has been completed, as I suspect, will the clean-up costs be incorporated in the sale price?

Mr Corey—Cockatoo Island has yet to be remediated. We have done some interim works to contain any contamination from seeping into the harbour. The major remediation has not commenced yet.

Senator HOGG—And the costs of that?

Mr Corey—The costs of that we hope to recover from the disposal of the site.

Senator HOGG—What does the environmental status that is presently being determined indicate to us?

Mr Corey—In relation to Cockatoo Island?

Senator HOGG—Yes.

Mr Corey—That it is severely contaminated with a range of contaminants.

Senator HOGG—It is nothing more than that?

Mr Corey—No.

Senator HOGG—The clean-up process there would take a substantial period of time?

Mr Corey—It could take a couple of years.

Senator HOGG—So it is not likely to be on the quick sale list?

Mr Corey—We call 'short term' up to five years.

Senator HOGG—Yes, I know that. But I am looking at the next two years—what you might sell. The other one I am interested in is Neutral Bay, which is currently planned to be decommissioned in 1999. An application for 95 dwellings was submitted to the council on 28 November 1997. Do we know the outcome there?

Mr Corey—Not yet.

Senator HOGG—Where does that put the decommissioning date?

Mr Corey—The decommissioning date will not change.

Senator HOGG—I look forward to an update on that comprehensive list.

CHAIR—Thank you, Mr Corey. There being no further questions on program 11, we move finally to program 13—Corporate support.

[3.31 p.m]

Program 13—Corporate support

Senator WEST—I will ask my question that I wanted to ask the Army. We saw at the world swimming championships the escorts being provided by the senior NCOs from the Army. Was it just Army; how many were involved; and how did that come about, please?

Mr Sharp—The swimming championships put in a request for some assistance to support the event. This was considered and it was decided that we would provide an Army band to Perth which consisted of two regular personnel and reserve personnel up to a number of 21. We also provided a ceremonial flag party of 12 personnel—two Navy, two Air Force and eight Army. On any one day, only six of those were on duty.

These sorts of requests are received all the time and considered, depending on their size and the event. In this case, the matter was left to the discretion of the local manager and he made

the decisions on the level of participation. The level of participation is something less than was requested.

Senator WEST—Who footed the bill?

Mr Sharp—The cost was \$20,640 and the costs were waived; that is, Defence bore the bill.

Senator WEST—I see, and this was because it was the world championships?

Mr Sharp—It was a significant event, particularly for Western Australia, and, to a lesser extent, nationally.

Senator WEST—For such a significant event you provided \$20,000 worth: a 21-piece band and a 12-person flag party. Does that provide some indication that, come the Olympics, the ADF will be having an input into the provision of those sorts of—

Mr Tonkin—The answer is yes.

Senator WEST—With the same cost arrangement?

Mr Tonkin—The overall cost arrangements for Defence's support, participation in and assistance with the Olympic Games, I think, is yet to be fully finalised. In the broad, there will be some aspects of Defence assistance with the conduct of the Olympic Games, which would be the provision of some services which are uniquely Defence specific, without getting into details. That is part of our normal business and responsibility.

Senator WEST—I do not want to go into those ones.

Mr Tonkin—In respect of other aspects which the Olympics organisers might seek our assistance with, if that assistance has some training value for the Defence Force or the department, we would consider some form of modification of our cost recovery regime. Where the assistance sought is assistance which could be obtained commercially but may be beyond the scale of what is available, then the Defence assistance would be on a full cost recovery basis. That is the way the thinking is going.

Senator WEST—Given that Perth, where they provided a flag party and a band, was done at no cost, what would the training component and value of that have been? If you did that one at no cost, I thought you would have to perform similar functions at the Olympic Games, which is a much larger, much more prestigious event than only one element of the sports that are included.

What is the logic and the rationale for the consideration of cost recovery for the Olympics for that particular part? I do not want to go into the other parts that you mentioned, but it is the equivalent that was provided for the world swimming championships. Maybe we could throw in the Indi, if there are no charges made there; maybe we could throw in the Grand Prix, if there are no charges there.

Vice Adm. Barrie—It really boils down to a question of scale and size. I could not envisage that a small group of 25 people from the ADF would do for the Olympics what was done in Western Australia. That judgment about Western Australia was based purely on the publicity value of that participation, particularly in Western Australia. The question of the Olympics and the totality of our contribution and the cost recovery policies will be a matter for the government.

Senator WEST—For Western Australia you had 25 personnel for one element of the total Olympic Games. I will follow with interest when you arrive at a funding or cost recovery decision, and I will be seeking the rationale behind that. It was more than 25; it was 21 band personnel plus 12. So it was 33.

Vice Adm. Barrie—There are informal demands for all sorts of help from the Defence Force which have ranged up to thousands of personnel. That is clearly a whole different class of decision than what occurred in Perth. We are always anxious, of course—more so in areas other than in the Sydney-Melbourne complex—to put the Defence Force out in the public frame as being in those areas for the benefit it gives us.

Senator WEST—Was the decision for the swimming made by ADF or did the minister have an involvement in that decision?

Mr Sharp—The decision on the level of representation was made by the commander on the ground, but the matter had been considered in Canberra as part of the consideration of major events which goes on from time to time.

Senator WEST—Which side of the lake in Canberra was it considered?

Mr Sharp—I do not have knowledge of that.

Vice Adm. Barrie—There is an ongoing program each year of advising ministers about events of national significance that we think the ADF ought to make a contribution to. It is my assumption—I do not know with certainty—that this event was listed in that schedule of activities.

Senator WEST—Could you please find the answer to that question for me? Where was the decision made to waive the \$20,640?

Mr Sharp—It was made by the local manager, and that is within his discretion.

Senator HOGG—The last issue that I need to raise is something that I am looking for a comment on from the people at the table. It is with respect to what could only be described as a letter from a disaffected person. It takes on the issue of 'The Great Defence Department Cleaning Contract Racket'. It refers to the Russell Hill offices of the Department of Defence in Canberra. It says:

. . . clerks have a 'great little earner' going.

The letter goes on:

Arthur Daley would be proud of these bludgers. The scam goes like this: contrary to all formal policies, the cleaning contract for these buildings is NOT put out to public tender. So local private sector cleaning contractors are not able to quote for the work. Their employees—'battlers' by anyone's standards—are denied the right to this work—and it's work they badly need (not all Canberra residents are the fat cats we hear about in the Public Service).

It goes on:

But it gets worse. Because this is such a terrific little lurk, worth many thousands of dollars per year in extra pay to the lucky few in the section concerned, nobody gets promoted into that section, and those who disapprove are quietly transferred out swiftly . . . usually after being ambushed by phoney 'performance reviews'. Compliant members of the group are then promoted to make sure no 'outsiders' get in on the racket.

And so it goes on. It would seem to me that all is not well if that is the case. What is the situation with respect to the cleaning contracts or the racket at the Russell—

Senator Newman—The alleged racket.

Senator HOGG—The alleged racket. It sounds like a pretty good racket from what I can gather.

Mr Sharp—I would have to take the letter on notice. I am not aware of the racket. I can, however, inform you that cleaning in Russell Offices—that which is not already contracted out—will be contracted out in the not too distant future. The policy and the practice is clear.

Cleaning throughout this portfolio is a matter that is put out to tender and the practice suggests that commercial tenderers are usually successful. They tend to be more competitive than in-house arrangements in this particular function.

Senator HOGG—Are there any in-house arrangements there currently and, if so, could you let me know?

Mr Tonkin—There are with respect to the intelligence facilities, where the level and standard of clearance required for people to enter and go around unescorted in those buildings is very substantial and beyond that which you would get through a normal contractual relationship. That is for three buildings out of the whole of the Russell-Campbell Park complex. The vast range of buildings at Russell are cleaned under contract and have been for years and years.

Senator HOGG—Where there is smoke there is fire, so one can only assume that these people seem to be referring to that area that you first mentioned.

Mr Tonkin—That is speculative, Senator.

Senator HOGG—Whilst it may well be speculative, I have drawn this to your attention nonetheless, and I would ask you to make the appropriate inquiries to allay any fears about there being any scam being run out of those offices.

Mr Tonkin—Certainly. If you can give us a copy of the letter, we will investigate it.

Senator WEST—I forgot to ask about what involvement the ADF is going to have with the Grand Prix next weekend, and the cost recovery or not in relation to that.

Vice Adm. Barrie—We will take that on notice.

Senator WEST—Also, how many tickets are going to ADF personnel, if there are any?

CHAIR—Thank you, Minister and witnesses.

Proceedings suspended from 3.43 p.m. to 4.01 p.m.

DEPARTMENT OF FOREIGN AFFAIRS AND TRADE

Proposed additional expenditure, \$27,014,000 (Document A)

Proposed additional provision, \$207,000 (Document C)

In Attendance

Senator Newman, Minister for Social Security

Senator Hill, Minister for the Environment

Senator Vanstone, Minister for Justice

Mr Kim Jones, Deputy Secretary

Subprogram 1.1

North Asia Division (NAD)

Mr Gary Quinlan, A/g FAS NAD

Mr John Richardson, AS North East Asia Branch

Mr Tom Connor, A/g AS East Asia Branch

Subprogram 1.2

South and South East Asia Division (SED)

Mr Michael Potts, A/g FAS SED

Mr Allaster Cox, Director, Indonesia Section

Ms Rebecca Weisser, Programs Coordination and Management

Subprogram 1.3

Americas and Europe Division (AED)

Mr Mark Pierce, A/g FAS AED

Mr Justin Brown, AS Office of European Affairs

Subprogram 1.4

South Pacific, Africa and Middle East Division (PMD)

Mr David Ritchie, FAS PMD

Subprogram 1.5

Trade Negotiations Division (TND)

Mr Peter Hussin FAS TND

Mr Stephen Deady, AS World Trade Organisation Branch

Ms Jean Dunn, AS Services and Intellectual Property Branch

Dr Walter Goode A/g AS Trade Policy Issues and Industrials Branch

Mr John Hannoush, A/g AS Agriculture Branch

Mr John ML Woods, Manager OECD Resources and Coordination Section

Subprogram 1.6

Market Development Division (MDD)

Ms Pamela Fayle, FAS

Mr Phillip Sparkes, AS APEC and Regional Trade Policy Branch

Mr Tony Urbanski, A/g AS Trade and Economic Analysis Branch

Mr David O'Leary, AS Trade Development Branch

Mr David Garner, A/g Director, East Asia Economic Unit

Subprogram 1.7

International Security Division (ISD)

Mr Les Luck, A/g FAS ISD

Mr Tony Godfrey-Smith, A/g AS Strategic Policy and Intelligence Branch

Ms Anastasia Carayanides, Director Chemical and Biological Disarmament Section

Subprogram, 1.7.6 1.7.7

Australian Safeguards Office/Chemical Weapons Convention Office

Mr John Carlson, Director of Safeguards

Subprogram 1.8

International Organisations and Legal Division (ILD)

Ms Gillian Bird, FAS ILD

Mr Michael Mugliston, AS ENB

Mr Richard Rowe, Legal Advisor

Ms Meg McDonald, Ambassador for the Environment

Subprogram 1.9 2.2 3.2 3.3

Public Affairs and Consular Division (PCD)

Mr Nick Warner, A/g FAS PCD

Ms Sally Mansfield A/g AS PMB

Mr Hugh Borrowman, Director PLF

Ms Jackie McConnell, Parliamentary Liaison Officer, PLF

Mr Richard Fogarty, PPQ Officer, PLF

Mr John Oliver, AS Consular

Mr Ian Russell, Director, Consular Operations

Mr Ian Scott, Director, Consular Response Group

Mr Steve Ross, Executive Officer, Consular

Jurek Juszczak, A/g AS Overseas Promotions and Olympics Branch

Mr Jim Meszes, Director, Management Administrative Coordination Section (MACS)

Ms Suzanne Stein, Administrative Manager, MACS

Subprogram 5.1

Mr Michael Smith, AS Corporate Planning and Evaluation Office

Mr Paul Robilliard, Director, Executive Liaison Section

Subprogram 5.2

Corporate Management Division (CMD)

Ms Michelle Marginson, A/g FAS CMD

Mr David Poulter, Executive Officer, Management Strategy and Coordination Section, CMD

Ms Lucy Iannelli, Administrative Coordination Unit, CMD

Mr Dough Chester, Assistant Secretary, Staffing Branch

Mr Patrick Lawless, Director, Staffing Operations Section, Staffing Branch

Mr Brian Gorman, Director, Conditions of Service Section, Staffing Branch

Mr John Monfries, Director, Staff Development Section, Staffing Branch

Mr Michael Ovington, Director, Language Training Section, Staffing Branch

Mr Peter Baxter, Assistant Secretary, Finance Management Branch (FMB)

Mr Robert Newton, Budget Manager, FMB

Mr John Page, Budget Policy Team, FMB

Ms Sue McQualter, Budget Policy Team, FMB

Ms Louise Holgate, Budget Policy Team, FMB

Mr Rick Wellman, Budget Management Team, FMB

Mr Callan Payne, FMB

Subprogram 5.2, 2.2, 4

Passports, Services and Security Division (PSD)

Mr John Buckley, FAS

Mr Robert Tyson, AS Passports Branch

Mr Doug Woodhouse, AS Information Technology Branch

Mr Keith Baker, AS Diplomatic Security and Countermeasures Branch

Mr Rod Chidgey, A/g Director, Overseas Property Section

Mr Harry Leece, Divisional Coordinator

Australian Agency for International Development (AusAID)

Development Cooperation

Davis, Mr Bruce, Deputy Director General, Pacific and International Programs Division

Dawson, Mr Scott, A/Deputy Director General, Corporate Development and Support Division

Kanaley, Mr Trevor, Director General

McCawley, Dr Peter, Deputy Director General, Asia, Africa and Community Programs Division

Proctor, Mr Murray, Assistant Director General, Corporate Strategies Team

Country Programs

Caldwell, Mr John, Director, Health and Renewable Resources Section

Callan, Mr Peter, Director, China and Central Asia Section

Davies, Mr Robin, A/Assistant Director General, South Pacific and Training Branch

Davis, Mr Bruce, Deputy Director General, Pacific and International Programs Division

Engel, Mr Laurie, Assistant Director General, East Asia Branch

Gillies, Ms Ali, A/Assistant Director General, Papua New Guinea Branch

Glasser, Dr Robert, Director Vietnam Section

Huning, Mr Ernst, Assistant Director General, Indonesia, China and Business Branch

Loneragan, Mr Colin, Assistant Director General, South Asia, Africa and Humanitarian Relief Branch

McCawley, Dr Peter, Deputy Director General, Asia, Africa and Community Programs Division

Muir, Mr Ross, Director, Business and East Asia Linkages Section

Global Programs

Commins, Mr Michael (Mick), Assistant Director General, Sectoral Policy and Review Branch

Davis, Mr Bruce, Deputy Director General, Pacific and International Programs Division

Huning, Mr Ernst, Assistant Director General, Indonesia, China and Business Branch

Lloyd, Mr Ray, A/Director, Environment, Agriculture and Physical Infrastructure Section

Loneragan, Mr Colin, Assistant Director General, South Asia, Africa and Humanitarian Relief Branch

Munro, Mr John, Director, Humanitarian Relief Section

Moore, Mr Richard, Director, United Nations and International Programs Section

Muir, Mr Ross, Director, Business and East Asia Linkages Section

Rawlinson, Ms Miranda, Assistant Director General, International Organisations and Public Affairs

Shiple, Ms Ellen, Director, Social Sector and Gender Section

Corporate Services

Commins, Mr Michael (Mick), Assistant Director General, Sectoral Policy and Review Branch

Dawson, Mr Scott, A/Deputy Director General, Corporate Development and Support Division

Messer, Ms Wendy, Director, Finance and Administrative Support Section

Zoller, Mr Peter, Assistant Director General, Development Issues and Corporate Policy Branch

Austrade

Mr Peter Langhorne, Executive General Manager, Corporate and Government

Mr Michael Crawford, Manager, Government and Policy

Mr Ian Chesterfield, General Manager, Corporate Finance and Assets

Mr Michael Tindall, General Manager, Export Finance Assistance Programs

Mr Michael Vickers, Group Manager, Client Development and Ally Liaison

Ms Fiona Buffinton, National Manager, North East Asia Office—Canberra

Mr Sean Riley, Manager, South East Asia Office, Canberra

Mr Juratowitch, Manager, Japan-Korea Region

Department of Finance and Administration—

Mr Adrian Moss

Ms Nicky Feijen

CHAIR—I welcome the Minister representing the Minister for Foreign Affairs, Mr Kim Jones and departmental officers. The committee has before it a list of topics nominated by senators for consideration at these supplementary hearings. The committee will consider matters on a subprogram basis in a numerical sequence except for program 8, which will be considered after subprogram 5.1. Today's hearing will be suspended between 6.30 p.m. and 7.30 p.m. for a dinner break. Tea and coffee will be available throughout the hearing in committee room 2S2. Before commencing I report that the committee has received a list of questions on notice for program 6 from Senator Harradine. These have been passed to AusAid for an answer. Minister, do you wish to make an opening statement?

Senator Newman—No, thank you, Mr Chairman.

[4.02 p.m.]

Program 1—International Relations, Trade and Business Liaison

Subprogram 1.1—Interests in North Asia

CHAIR—Senator Cook, would you like to lead off?

Senator COOK—Thank you, Mr Chairman. In the last round of estimates I asked a series of questions both of the North Asia Division and the South and South East Asia Division about the Asian currency crisis. The party line from the department then was that this was something to keep an eye on but it was not something to be troubled too much about. They are my words, not the department's words, but that was the tenor of the remarks. What is the view the department now has of the crisis? And, if I have to relate it to North Asia, what is the view as far as North Asia is concerned? How would you describe its impact now?

Mr Jones—I will ask Pamela Fayle, the head of the Market Development Division, to speak generally on that issue.

Ms Fayle—Senator, in your question you said that we had indicated this was something that the department was not concerned about. I do not think that is entirely accurate. We did put some qualifications about our concerns in the presentation we made at the last Senate estimates committee. I think at the time that Senate estimates committee occurred the financial turmoil was confined to some of the ASEAN economies. Subsequently, we have had problems in Korea as well.

As developments have unfolded, I think what we predicted has come to pass—that is, the longer the financial turmoil went on the more it played into real economies. The impact on the real economies then does have an impact on Australia's trade relationship with those economies. We have continually been revising our assessments as have other observers around the world.

Senator COOK—Just so that we are clear, I do not think I said that the department said that we are not concerned. I am not quite sure of the words I used. I did not mean to imply that you were not concerned about it at the last estimates, but you played down the level of concern quite deliberately. The crisis has taken a much more tangible form since, that is true.

Going over the *Hansard* of the last estimates today, I am not sure it is fair to say that it was predicted by the department that it might flow into North Asia. It seems to me that what you were saying is that one has to guard against the possibility or be aware of the possibility rather than predicting that it would occur. Does the department agree with Treasury's description of the impact on Australia as being substantial or Minister Moore's reported remarks in the *Australian Financial Review* today that 'the crisis will slice at least one per cent off Australia's economic growth rate next year'?

Ms Fayle—I am not aware of what Minister Moore actually said. I am aware of the press reporting. I think that the official view on the impact on Australia's economic growth is one that is balanced by the impact of exports to the region and exports elsewhere in the world and the strength in the domestic economy at the moment. The estimates for the next financial year are that GDP will grow at 3.25 per cent. That is a significant revision downwards on what the growth estimates would have been in the previous year. However, the composition of that growth has also changed. Much more of that growth is a component of the domestic economy than was the case in the earlier estimates. Much less of the growth comes from exports than was the case in previous estimates.

Senator COOK—The net impact was described in Treasury estimates yesterday by senior Treasury officials as being significant. They declined to quantify 'significant' with a figure. Do you agree with them that it is significant?

Ms Fayle—I think everybody probably has a different view of what significant might mean. I do not think it is useful for me to comment on that assessment because I am not sure what they mean by significant. If you want our department's view, it is the government's view that there is an impact on the Australian economy and that it is ameliorated to some extent by the strength in the domestic economy. The official estimates are that we will have a 3.25 growth in the GDP for 1998-99.

Senator COOK—How would you characterise the impact that you refer to on the Australian economy?

Ms Fayle—I am not sure what you mean.

Senator COOK—You say that there will be an impact on the Australian economy. What sort of impact? How do you characterise it?

Ms Fayle—The impact is overall slower growth than we would otherwise have anticipated. The impact is delivered through exports. I am much more in a position to comment on the impact on trade: we expect an effect on export volumes and the value of our trade to a lot of our Asian trading partners. The impact will be very different throughout Australia. It will have a different impact on different industrial sectors. Some will not be affected at all; others will be affected only slightly; and on others it will have a quite significant effect, depending on the nature of the product that they are currently exporting to the affected economies.

Senator COOK—I asked you earlier about the remarks by Mr Moore which are quoted in the *Australian Financial Review*. I understand that if you have not seen the report, you are going on my reporting to you of it. It is a headline, front-page story. The opening words are: The Australian financial crisis will slice at least one per cent off Australia's economic growth rate next year, the Federal Minister for Industry has warned.

This is a reputable journal. Do you think that Mr Moore's remarks are about right?

Ms Fayle—If we look at what the official estimates were in May last year, they had Australian growth for the 1998 financial year as being something in excess of four per cent. That growth estimate has been revised to 3.25 per cent.

Senator COOK—So you think it is about one per cent?

Ms Fayle—The official estimates suggest that it is somewhat less than one per cent, but close to.

Senator COOK—What do you think Mr Moore knows that you do not know?

Ms Fayle—I have no idea. I cannot comment on that. I suspect that he has also read what the official estimates were 12 months ago and what they are now.

Senator COOK—But he has gone further. He has actually said 'at least one per cent'.

Ms Fayle—I cannot comment on that because I am not sure how accurate the reporting might be.

Senator Newman—Mr Chairman, it is not fair to ask an officer from this department to comment on comments made by another minister that are reported in a newspaper. Senator Cook should go to that estimates committee if he wants an interpretation of that minister's comments.

Senator COOK—What is your interpretation, Minister?

Senator Newman—I do not have an interpretation at all. I am not representing Mr Moore, and I therefore cannot help you any more than the officer can.

Senator COOK—In place of the foreign minister or the trade minister, can you give us your estimate of what you think the impact will be?

Senator Newman—No. I am very happy with the advice that you have been given by a professional in this area. I am not going to step into that exercise, thank you, Senator, but if you want to know more about what Mr Moore may or may not have said, I suggest that this is not the appropriate forum.

Senator COOK—Private financial and banking economists have put figures on what they think the damage to the Australian economy would be. Are you familiar with any of those figures?

Ms Fayle—Yes, there is a range of figures. If you are looking at their expectations of growth in the next financial year, I have seen estimates that are still close to four per cent—around 3.6 per cent—and I have seen estimates that are less than three per cent. I think the Treasury calculations of the mean of those private sector estimates is that it is around 3.3 per cent. As I said, the official estimate for growth is 3.25 per cent. There is a great variety of views out there in the private sector as to the impact on the Australian economy of what is happening in the region.

Senator COOK—Are you aware of the intelligence unit run by the *Economist* magazine?

Ms Fayle—Yes.

Senator COOK—Are you aware that they have done a country forecast for Australia?

Ms Fayle—I am not aware of the detail of it, but I am aware that they regularly do forecasts for Australia, as they do for some 90 countries around the world.

Senator COOK—If you are not aware of it, then it is unfair for me to ask you what you think of their forecast, but their forecast is 2.4 per cent growth for 1998, which is a long way short of 3.3. This is a reputable organisation. Why do you think they differ so widely from what you are saying?

Ms Fayle—As I said, there is a range of estimates out there, ranging from those less than three per cent to those that are almost four per cent. This is just another one of those estimates. As you suggest, they are quite a reputable private sector assessor of these sorts of things. However, there are many others around. What I am saying is that the mean of those assessments is around 3.3 per cent.

I cannot comment because I am not sure of the particular methodology that they may have used. A number of these analysts have their own models. They plug the information into those and then churn out slightly different results. There is nothing to suggest that the intelligence unit of the *Economist* is any more successful in its predictions about the Australian economy than a whole range of other private sector analysts.

Senator COOK—They say in their summary that the full impact of the Asian financial crisis will not be felt in Australia until the second half of 1998. Would you agree with that?

Ms Fayle—Yes. We are on record as having said that the full impact is likely to play through more in the second half of calendar 1998. That derives from the fact that a lot of our trade is done on a contract basis, so we will not see the impact flowing through in the trade figures or in what happens to particular companies' contracts until the second half of the year. There are also indications that the cash flow problems will get significantly worse towards the end of calendar 1998, and that could play through into trade with Australia.

Senator COOK—They also say that there will be a recovery in demand for Australia's exports, but it will not be until the year 2000-2001. Do you share that view?

Ms Fayle—I do not want to get into forecasting that far ahead.

Senator COOK—It is only a couple of years. What it suggests is that the demand for our exports will be lower in the immediate future, but it will revive—which is surely the good news.

Ms Fayle—Ultimately, our view is that opportunities are there in the region and that, assuming governments take the right steps to address the crisis that they are currently facing, we expect growth to resume. However, I would not put time frames on that at this particular point in time. There are a lot of things that can affect our exports and the volume and value

of them to various parts of the region, and it is too soon to be predicting what will happen specifically with our exports in the year 2000.

Senator COOK—Did you say that there are opportunities in the region?

Ms Fayle—Yes. This is a region that, annually, without any growth, imports \$US1.4 trillion worth of imports every year. It is a region that has a GDP which is some 18 to 20 times the size of the Australian market, so of course there are opportunities, even during times of crisis in the region. What has happened during the crisis has created a situation where, in some cases, it provides an opportunity to enter more cheaply markets that have previously been very difficult to enter. So there are opportunities as well as challenges at the moment, and that situation would continue in the future.

Senator COOK—Where do you think those opportunities are?

Ms Fayle—Again, I do not think that it is appropriate for me to discuss that because a lot will depend on the sorts of policy changes that the governments of the region impose. We are looking at a period of transition and possibly substantial restructuring over the next few years in a lot of the Asian economies. That will mean that some of the things we currently export to supply their demand will fall off and in other areas there will be growing demand. It is a very complex mix at sectoral or particular product level and it is not appropriate for me to make those forecasts about individual products.

Senator COOK—I have in front of me a document which sets out changes in exchange rates from January 1997 to January 1998. We are talking about northern Asia here. In the case of Japan the value of the Australian dollar against the yen has declined by 7.61 per cent whereas the value of the yen against the US dollar has declined by 11.63 per cent. On exchange rate variations alone one would think that for Australian goods that compete with American goods on the Japanese market where price is the factor there would be greater opportunity for Australian goods.

Ms Fayle—I think that that is correct. As I said, there is a complex range of factors. Where Australian products are competing with ASEAN or Korean products then their currency devaluations have been much more significant than changes in the Australian dollar against either the US dollar or the yen. So that would mean that they are much more competitive in price terms. But, as you pointed out, we are much more competitive vis-a-vis European or American currencies. Therefore, it depends entirely on the particular product as to whether you have improved your competitiveness over the last 12 months or not. There is also the issue of supply contracts here. There are issues other than price factors that affect sales. Certainly we are aware from our Austrade colleagues that in some North Asian markets Austrade has been approached by buyers looking for cheaper alternatives to the now more expensive American products that they are importing.

Senator COOK—That is an area of opportunity that ought to be well known in the business community. But you are not commenting on that.

Ms Fayle—That is a broad area of opportunity. I can comment broadly. Another broad area will be the extent to which export growth will be the driver of a return to stronger growth in the region. Where we are exporting intermediate inputs into that export production we can expect our export growth in those products to pick up as the region pulls out of its current problems. Where we are exporting high value consumer products to the region then it is a little more difficult. Those are the first things to be affected; they are discretionary expenditure. These are economies at the moment that have purchasing power and cash flow problems so things like tourism, high value-added processed food products and those sorts of things are

falling off very quickly. So producers may have to look to other markets for opportunities in the short term. In the longer term, assuming growth returns, there will be opportunities again for those sorts of products.

So I can talk in the broad sense about the types of products. If it is something where we compete with the US or European producers and we are now a cheaper supplier then there are good opportunities there. There are good opportunities in a number of professional service areas where these economies need advice and assistance with banking reform, financial services and legal structures. There are quite a few opportunities there as well.

Senator COOK—Sticking with Japan for the moment, you may have seen the comments that the Department of the Treasury made to the estimates committee yesterday about the Japanese economy—they are on the front page of a number of papers today. In summary, Mr Borthwick of Treasury said that the growth rate would not be as great as Treasury anticipated in the mid-term review and that the Japanese economy is as ‘flat as a tack’—those are his words—and growth will be between zero and one per cent, not up to the 2.2 per cent that they predicted before. Is that your view too?

Ms Fayle—For some time this department has had a view that the Japanese economy is going to continue to put in quite sluggish growth performances of anywhere between zero and two per cent. I am not aware of the exact figure that Treasury has put into its mid-term review calculations so I cannot comment specifically on that.

Senator COOK—Would you agree with his description that it is as ‘flat as a tack’?

Ms Fayle—If you were expecting growth in the Japanese economy to be the same as it has been for some time then a growth rate of between zero and two per cent is quite a flat growth path. However, we are talking about a very large economy so even very minimal growth from an economy of that size provides substantial opportunities for exporters.

Senator COOK—His point was that he would put it between zero and one per cent; not between one per cent and two per cent. Do you think that it is between zero and one per cent?

Mr Richardson—The government’s forecast for the fiscal year 1997 is for flat growth. The Japanese government is expecting growth of about that level. They expect growth to rebound in the next financial year to around 1.9 per cent.

Senator COOK—I am asking a simple question. Treasury think that it is between zero and one per cent. They said that yesterday. What does DFAT think it is?

Mr Richardson—Over the next year we do not have a DFAT forecast for growth in Japan. We are not in the business of forecasting growth. The key question in the case of the Japanese economy is the impact that the various packages of measures that the Japanese government has introduced will have on domestic demand. There is no doubt that consumer confidence in Japan is very flat and domestic demand has, as a result, been very sluggish. The government has put in place three separate packages to tackle various methods of stimulating the economy. The effect of those measures, in particular on consumer confidence, remains to be seen. Consumer confidence is very difficult to predict and to influence and is of course subject to a wide range of influences quite outside the measures that a government can take.

Senator COOK—Do you agree with the Treasury forecast or not?

Mr Richardson—I said we are not forecasters.

Senator COOK—Just last week—or was it this week?—the G7 criticised Japan for its economic management and its failure of leadership. Do you agree with the G7 remarks?

Mr Richardson—Australia and other countries would obviously welcome higher rates of growth in Japan. The fact is, though, that the government has introduced a series of measures designed to address the structural and the demand aspects in the economy. It is difficult to assess the long-term impact of the measures, but we particularly welcome the measures they have taken to continue to open their market, which we regard as being particularly important to playing a leadership role in the region.

Over the past five years Japanese import growth has been five to six times the overall level of growth in GNP, illustrating the importance of continuing internationalisation, reform and deregulation. We particularly welcome the moves that Japan has taken in those areas. They have introduced a successive program to the deregulation action program, in part a response to representations that Australia has made. We consider those measures to be particularly important in terms of a role in the region.

Senator COOK—The G7, notwithstanding all that, criticised Japanese fiscal stimulation as being not sufficient and expressed quite negative views about the Japanese economy. Do you agree with the G7, given that they have not gone far enough?

Mr Richardson—We believe that the conundrum which Japan faces in the area of fiscal stimulus is significant. The question of the appropriate balance between fiscal consolidation in the medium term and short-term fiscal stimulus is very difficult, but that is only one of a series of areas in which the Japanese government can stimulate the economy. They have been tackling it in a series of areas and I personally would not want to over-focus on one particular area, given the significant difficulties both in terms of the impact that it has in the short term and the problems that Japan is facing. As I said, clearly we would welcome higher domestic growth and measures to implement that, but that is only one area in which domestic growth can be stimulated.

Senator COOK—Do you agree with the view that it is a little unfair of the G7 to take this view of Japan when their budget is in deficit to about eight per cent of GDP and that to go into further deficit to stimulate the economy would be an unreasonable request?

Mr Richardson—As I said, we think that the question of the appropriate balance between that fiscal consolidation objective, which may be very important in terms of consumer confidence, and short-term fiscal stimulus is very difficult. I cannot add to that.

Dr Perkins—One point that we emphasised in our report last year on the Japanese economy that I know the department strongly supports is that measures to deregulate the economy will probably be at least as important as traditional pump priming. There is the comment made by Treasury yesterday that they have reached the end of the line on that. Obviously, there could be some more creative ways to look at stimulating the economy but, ultimately, the real problem of the Japanese economy, which has been pointed out by their own economic planning commission, is that it needs a good dose of what we call micro-economic reform, structural reform, to kick-start it again. Until that happens, there really will not be any sustained improvement in activity in Japan.

Senator COOK—I would not mind canvassing for a moment with your department what I was interested in talking to Treasury about yesterday on Japan. I would hate to quote Treasury to DFAT, but the question I was concerned to explore was what the somewhat flat nature of the Japanese economy and the low level of domestic demand mean for Australian exports to Japan. The point that Treasury made was Japan is still exporting its head off and that for Australian exports, particularly mineral commodities, there is a strong market—prices have improved for iron ore although they have gone down for coal—and that there are other

reasons to believe that, in terms of our trade relationship with Japan, Japanese demand for our goods will still remain relatively high not for domestic reasons but for export reasons out of Japan. I have put that broadly and sloppily, but is that broadly what you think as well?

Mr Richardson—Yes, we agree with that. Australia's exports to Japan increased in the last calendar year; they grew by about eight per cent. We increased our market share. We would expect, given that external demand is a major source of growth in the Japanese economy, that that in turn will sustain demand for a wide range of our exports.

Senator COOK—One of the reasons holding up Japanese external demand is the value of the yen. Do you think that the yen is likely to continue in about the same relationship with the dollar and the European currencies for a while?

Mr Richardson—I have not forecast future exchange rate movements.

Senator COOK—I am not talking about day-to-day movements but in terms of longer term trend lines the exchange rates reflect the relative strengths of the economies. Do you think that the relationship in which the US dollar has been appreciating against everyone is likely to continue against the yen for a time yet?

Mr Richardson—What determines relative exchange rates is obviously very complex. It covers a range of factors—saving rates relative to investment, the overall external position and relative growth rates. The range of factors which come into market determination of that are complex. At the moment we do not see any sign of the Japanese yen shifting significantly but I am not in a position to forecast in the medium or longer term.

Senator COOK—Earlier I referred to the changes in exchange rates from January 1997 to January 1998. The Australian dollar depreciated against the yen by 7.61 per cent and the yen depreciated against the US dollar by 11.63 per cent. As I said earlier, this does suggest that where price is the decisive factor for goods, we can grab a bigger market share where we compete with European and American goods, under the European exchange rates, but it is a similar position. Are we doing anything in Japan to encourage Australian exporters to pick up that market opportunity?

Mr Richardson—As I mentioned, we did achieve an increase in market share last year from 4.1 to 4.3 per cent, so we are having successes. We are aware that a number of Australian exporters who have previously looked to markets in South-East Asia have been re-evaluating the opportunities in Japan, and Austrade and the department have been encouraging that process. Yes, we are offering support to Australian exporters who wish to re-evaluate the prospects for the Japanese market. There is some evidence of some success in that area. I think the point also needs to be made that it takes time for relative exchange rate and cost factors to work through into contracts. There is a time lag.

Senator COOK—I appreciate that answer but I was really asking whether we are doing anything special or different from the ordinary and routine that we always do because there is now a market opportunity opening bigger than what we had before.

Ms Fayle—You should probably address that question to Austrade as well. I am aware that Austrade has, for example, brought out their senior representatives from Tokyo to address a series of forums around Australia with Australian business who want to know a little more about the Japanese market and what the opportunities are. That has been happening over the past few weeks. There have been some very specific steps taken by Austrade to upgrade their attention to the opportunities that may arise in Japan as a result of exchange rate and other changes.

Senator COOK—With respect to the automobile sector, I have a vivid memory that back in 1995 the United States effectively confronted Japan about the inability of Detroit to penetrate the Japanese car market. This was a matter that President Bush had taken up earlier. The negotiations between Clinton and Hashimoto, the then Minister for International Trade and Industry, resulted in an agreement, which went MFN. We were told that we had equal access to that market that the Americans had opened up or the Japanese had agreed to, whichever view you take, to compete on quality, timeliness and price of automotive parts into that market.

Since that time the statistics show that the Japanese auto parts supply to its own domestic market has remained about constant, the American auto parts supply to that market has gone up in value and volume and Australian auto parts have gone down, leading some cynics to suggest that while the market was opened up, third players like Australia were sacrificed to make room for US players.

Whatever the truth of the cynics' view—nonetheless, those were the trend lines in the statistics—with the exchange rates like they are, there is a God given case, isn't there, to argue for better access for auto parts in Japan? The government has its own plan for the car industry in Australia in which winning greater export markets for our goods is a key element. Let me ask you this specific question: are you doing anything to encourage a greater promotion of automotive component part sales in Australia given the very good settings that the exchange rates confer on us?

Mr Richardson—The government has established a special facilitator in the auto industry. I will pass to Ms Fayle to elaborate on those arrangements. Might I add one further point—that is, when looking at the bilateral trade, one also needs to look at it not just in a strict bilateral sense but in a broader context of exports to third country markets. One of the areas of particular success in terms of collaboration of Japan on autos has been the very significant increase in auto parts exports from Australian based Japanese companies to third countries. That is a very significant fact in the overall global nature of the auto industry.

Senator COOK—That is an important point. I accept that point. There are about four major automotive manufacturing centres in the world: Detroit, Japan, Korea and Europe. Japan is a major market in that. Getting a bigger share of that market by our producers is a major interest for Australia, hence my question: are we doing anything specific for this sector given the very favourable exchange rate position?

Ms Fayle—There are several elements here. Late last year the government announced an automotive trade strategy. One aspect of that, as Mr Richardson has pointed out, was to establish an automotive market access facilitator position in the Department of Foreign Affairs and Trade, and that is happening. Another element was for money to be provided for Austrade to place specialist automotive counsellors in a number of centres, including Japan, to do the very thing that you are talking about: to take advantage of new opportunities and to be there specifically to target promotion of Australian automotive products, including motor vehicles and parts.

Senator COOK—When you say the coordinator is happening, has that position happened or is it slated to happen and, if it is, when?

Ms Fayle—It is about to happen, the program is up and running. Not all sectoral facilitators have yet been appointed but there have been interviews conducted and decisions have been made. At the moment, as it stands, we are awaiting Public Service Commission approval of the process before finalising the appointment.

Senator COOK—How long between the finalising of the appointment will that person take up their position?

Ms Fayle—We expect that particular person to take up their position during March.

Senator COOK—You expect to have someone on station, in Tokyo, next March?

Ms Fayle—No. This is the market access facilitator position, based in Canberra, to utilise a whole range of activity across WTO, APEC, AFTA, CER and bilateral fronts. You will have to ask Austrade about when they will have their Tokyo position up and running.

Senator COOK—Okay, I will ask Austrade about that. The facilitator position is in Australia?

Ms Fayle—Yes.

Senator COOK—It is across a range of responsibilities—

Ms Fayle—No. There are separate positions for a number of sectors. That position is focused on market access and on breaking down the barriers, whereas the Austrade position which is based in Tokyo is really more about marketing and promoting the Australian products. Facilitator positions will be located in the food sector, in the automotive sector, in the textiles, clothing and footwear sector and in information technology.

Senator COOK—The automotive one will be taking up the position in March?

Ms Fayle—In March.

Senator COOK—That will be auto wherever, not just Japan?

Ms Fayle—Exactly.

Senator COOK—Can I can just move off Japan to Korea. The economy in North Asia is in the lap of the IMF, as is Korea. When we last met that was not the case. What is DFAT's analysis of the Korean situation? What is your view of the way in which Korea is dealing with its current economic difficulties?

Mr Richardson—The Korean government has responded quickly to the terms and conditions set out in the IMF package. They have vigorously pursued the implementation of those measures and are ahead of schedule, in some respects, in their implementation. It is of course relatively early days in the working out of economic problems in Korea and a number of risks remain in the economic outlook. The position will probably not become clearer for another four or five months. But certainly the response of the Korean government in the last couple of months has been very sustained. This has led to a significant improvement in market sentiment surrounding Korea which has been reflected in an upgrading of their credit ratings.

Senator COOK—I think you said last time, Mr Richardson, that the expectation was that growth in Korea would still be in excess of five per cent. Export growth will not be as strong as it would have been, but over the past 12 months Australian exports to Korea have continued to grow strongly. What do you think their growth levels will be now?

Mr Richardson—The IMF forecast, which Korea has as a target, is for one per cent. So there has been a significant downward revision, as part of the IMF package.

Senator COOK—You are aware that the December quarter trade figures showed a drop in Australian trade to South Korea?

Mr Richardson—Yes.

Senator COOK—From about \$1.1 billion to \$762 million?

Mr Richardson—Yes, of that order.

Senator COOK—What is your expectation on Australian trade to Korea now?

Mr Richardson—Last year—to look at the whole year and then to come to the short term—there was a fall in Australian exports of around \$600 million. All of that was the result of a significant drop in our gold exports of about \$1 billion. I think we have mentioned in the past that there were some uncertainties surrounding that particular component of the trade but, equally, we expected that were it to drop off to Korea, the gold would be exported to other destinations. The positive side was that, while there was an overall fall in the level of exports excluding gold, there was an increase in our exports from around \$4.4 million to around \$4.9 million last year. That covered a number of sectors. We do expect, as Ms Fayle said, that at the consumer end of our exports there will be a drop in demand. We expect that there will be a drop in services demand. But because Korea is placing a great deal of weight on net exports for its own domestic growth and as Korean export industries require strong inputs of raw materials, we expect that factor will limit the drop in exports in our primary commodities area. We are cautiously optimistic that the effects on our primary resources exports will be limited. But, as I said, a number of uncertainties still remain in the Korean economic outlook which could affect, in turn, our exports.

Senator COOK—It is true of Korea, as it is of Japan, that they are exporting their heads off, isn't it?

Mr Richardson—The main source of growth in Korea is from net exports.

Senator COOK—So that is likely to hold up demand, particularly for Australian commodities?

Mr Richardson—Net exports?

Senator COOK—Yes.

Mr Richardson—Yes—the demand for inputs from Australia for Korean export industries.

Senator COOK—Turning to China, there is a general view that, to a large extent, China will be quarantined from the Asian currency crisis. Is that a view shared by DFAT?

Mr Quinlan—It depends, I guess, on what you mean by 'quarantine' and then the magnitude of the quarantining effect. Obviously, China has remained relatively unaffected to date by the sort of turmoil elsewhere in Asia.

Clearly, the Chinese economy is differentiated from the other economies that have been affected by a number of very significant factors. There is their very significant trade surplus, their very substantial foreign reserves which stand at more than \$US130 billion; the fact that most investment in China is direct foreign investment, not portfolio investment; the fact that they have very modest international debt with very low short-term exposure; and also, of course, a currency which is not fully convertible—it is not fully convertible on the capital account. All of those things are very significant differentiating factors from the economies elsewhere in the region.

Nevertheless, clearly the situation elsewhere is going to have an impact on China. The direct impact of events in South-East Asia may be relatively small—and all this, of course, is relative. Only about four to seven per cent of their export or trade relationship, for example, is with South-East Asia.

But the more important potential effect could come from the situations in Korea and Japan, and of course any downturn in world trade generally. Japan and Korea together purchased over a quarter of China's total exports last year, and they are very significant sources of foreign

investment: in the case of Japan, the second largest source; in the case of Korea, the sixth or seventh largest source.

The effects of Japanese and Korean contractions will be particularly marked in fairly critical areas of China—areas in the north in particular, like Shandong province, which has the highest level of unemployment and one of the greatest concentrations of state owned enterprises, which are desperately in need of reform. So the impacts will be there, and they will be concentrated in certain areas which may, in fact, be areas of more concern for other reasons to the Chinese government.

The latest trade statistics to have come out of China would also indicate that there is an impact which has already started: the level of imports over the last couple of months has declined quite significantly. That may play into what is already a contraction in the growth rate—a drop from 9.7 per cent last year to 8.8 per cent now—and there are various predictions of what that growth rate will be over the next 12 months. That may be of concern to some. There is also a marginal decrease in the latest statistics—which, of course, are very short-term statistics—in respect of exports.

Senator COOK—I think it is next month that the National People's Congress is going to meet, the Communist Party of China having last September given the goals for opening up the economy further, privatising or commercialising over 100,000 state owned enterprises. My understanding is that the National People's Congress will announce plans of how those goals are to be implemented and the timetable by which they hope to achieve those outcomes.

There is no doubt a great deal of commercial interest from Australia in seeing how Australian companies might take advantage of the world's largest privatisation. Are we doing anything specific in China to help Australian companies take, or obtain, a better understanding, or look at the possible targets for privatisation for Australian companies to take a position there?

Mr Quinlan—The word 'privatisation'—it may or may not be the case. Certainly, there is a process of marketisation and, as you say, commercialisation.

Senator COOK—The Chinese use the word 'commercialisation'.

Mr Quinlan—But it may be used in a slightly different way than we have become accustomed to seeing it used in Australia. The 15th party congress laid down an indicative timetable which would have seen a large number of the state owned enterprises being commercialised by the year 2000, or as soon as possible thereafter. There are already indications that there may be a reconsideration of that kind of timetable.

One of the immediate effects of the commercialisation of the enterprises of SOEs and so on is a growth in urban unemployment, with the official statistic for urban unemployment being three per cent. In fact, most analysts would think of the unofficial statistics and, increasingly, Chinese analysts will say the same. They may run somewhere between 15 to 20 per cent. So the unemployment impacts are becoming of more concern to the Chinese government—

Senator COOK—Fifteen to 20 per cent urban unemployment?

Mr Quinlan—Urban unemployment to the way it manages the economic change. I think there is a sense that there may be a reconsideration of the timetable. The goal is expected to be reinforced because there clearly is a recognition at the highest levels of the Chinese government that SOE reform coupled with banking and financial sector reform are essential structural changes for China into the future.

The program that has been announced so far does specifically encourage private sector involvement in some of the SOE reform. The exact nature of that encouragement is not entirely clear. There is an intention to create—or there has been in the past or since September—a large smaller number of SOEs perhaps along the lines of the Korean chaebol, for example. There is some indication that that kind of approach may be being reconsidered in Beijing. Secondly, a large number of those SOEs are intended to be allowed to go bankrupt, basically to cease to exist over a period of time. The number that would be commercialised in a way which would perhaps be open to foreign investment is unclear. The principle is there, but the areas and the nature of those SOEs are unclear.

We are monitoring this fairly closely. Obviously there is an interest in our department. There is also an interest in Austrade as to whether there will be assets available on the market which Australian industry may be interested in. We have had an initial discussion with the Australia China Business Council and some of its members, for example, about their interest and potential interest they think might be in Australia in that kind of investment. We will be keeping that under fairly close observation over the coming 10 days to see what kinds of final decisions and so on might be announced. Apart from that, we haven't a more dedicated strategy.

Senator COOK—There is a view, I think it is ascribed to the White House, that the Asian currency crisis will slow China's negotiations for accession to the World Trade Organisation. I am not sure whether this is an issue that you deal with in China.

Mr Quinlan—It is dealt with both by the North Asia Division and by the Trade Negotiations Division. I do not know whether Mr Thomson is here or wants to say something, but I will. That is a speculation. It has been evinced by other people as well. I honestly do not know. You would have to say that the Chinese government certainly will be taking that into account. The degree of effect on the Chinese economy over the next few months of the Asian economic situation would clearly be an increasingly important factor on a whole range of economic decisions.

However, in respect of their immediate response to free up certain parts of the economy, they have taken action such as reviewing certain tariff lines. They are looking at questions of reducing VAT. They have in fact reduced VAT on various imports and so on. So there is a range of, if you like, liberalisation measures that are in fact being taken in order to encourage exports and indeed to encourage imports. There may actually be a beneficial impact in some areas. But I would expect that it would be a consideration they take into account in their strategic thinking about the WTO. Vice Minister Long Yongtu, who is the chief Chinese negotiator, has been in Canberra for the last couple of days privately to attend a conference at the ANU. He has clearly reaffirmed China's commitment to accession to the WTO.

Senator COOK—Are you the right person for me to ask about Australia's view of accession? Are we now happy to sign off and agree?

Mr Quinlan—I am not the complete person, but I will still say something. I hope I am, but that is another question.

Senator COOK—That raises a whole area of other speculation which I do not think ought to go in the *Hansard*.

Mr Quinlan—Now you have in fact discombobulated me for a moment. On the WTO, no, we are not happy. We have been having a continuing negotiation obviously with China on our bilateral market access concerns. We remain unhappy with the progress that has been possible to date. We are committed to China's early accession, and that is a strong commitment

by the government. But the reality is that there are economic interests which must be met as part of that package which has to be negotiated.

In particular, we have yet to have a satisfactory resolution of access on wool. There is not a huge difference between China and Australia, but we still need further improvement on that. There are other key agricultural areas such as barley, sugar, grains. This needs further work. There are industrial products which also need further work. Of course, there is the whole range of services. China finds the services area difficult and is working still on that at the broad global level. Obviously we will be a part of that approach.

The next working party on China's accession which will be held in Geneva possibly in early April will address a number of these questions at the broad level, the generic level—that is, the latest tariff offer and the latest services package offer as well. Obviously we will be closely looking at that to see what benefits we can derive from those packages. We will then be in a position, I guess, to make a further calculation as to how we proceed with China. The basic line, however, is that we remain firmly committed to early accession; it is a question of actually getting the bilateral market access package finalised.

Senator COOK—Is it possible to speculate on a time when we might have completed those negotiations?

Mr Quinlan—I do not think it is, no.

Senator COOK—Does the crisis in Asia affect our evaluation of the likelihood of us being able to complete those negotiations?

Mr Quinlan—It is relevant to our calculations and so on. I do not know whether Mr Hussin, who heads the Trade Negotiations Division, would like to say something.

Mr Hussin—I think Mr Quinlan has given a very good picture of where we stand bilaterally with China on the negotiation, the various elements where we have made some progress and those which remain outstanding. I think the impact of the Asian crisis, some of the issues that Mr Quinlan has mentioned about restructuring within China and some of those decisions may have a bearing on some of the systemic issues, the rules issues, which will need to be clarified with China still before they can move to accession. But I think it is too early at the moment for us to tell what impact that will have. There is some speculation, as you mentioned, that this may delay the process. I guess we will know more when that next working party meets, which is in April. I could not speculate further than that, I do not think.

Senator COOK—Just coming to the North Asian area as a whole, for the moment, Mr Quinlan in his evidence mentions rightly that China has a trade surplus with the United States, as does Japan. I am not sure about Korea, but I imagine they do too. In the present global economic environment, the magnificence of the US economy holding up for so long and so strongly is the outstanding feature. But, even so, within the US there are voices being raised about the surpluses that countries like China and Japan have with them. Is DFAT in any way concerned that there may be a rekindling of trade tensions between the US and North Asian economies in the near future? This continuing exporting puts pressure on the American economy anyway, despite its low inflation, low unemployment, strong growth setting.

Mr Quinlan—Obviously, it is a concern. There is quite a deal of speculation in some areas of the media that that may occur. It is obviously something that would be of concern to us, particularly if it led to protectionist responses in the United States and to a slowing of the international trade liberalisation agenda. I do not know whether it is really possible to speculate much beyond that.

Mr Hussin—If I could add to Mr Quinlan's comments, I think there is a recognition amongst the developed world that the markets that really are essential for some of the countries which will be affected by the Asian crisis need to be kept open. It will be necessary for these countries to trade their way out of their difficulties and it is certainly being flagged as an issue that will be addressed at coming fora such as the OECD ministerial meeting, the G7 summit and the WTO ministerial meeting. I think that some of the implications of what is happening, and the need to boost liberalisation through this process rather than go in the other direction, will be a matter that will be very much the focus of these discussions in the coming months.

Senator COOK—It is not only a matter of the Asian economies opening up their markets or keeping them open. Most of them are—

Mr Hussin—No, I am talking about the markets for their products.

Senator COOK—The markets to which they export?

Mr Hussin—That is correct.

Senator COOK—I thank the officers. I have a few questions on the East Asian Analytical Unit. This has been an ongoing source of interest of mine for a while now. The last time we left this saga, the East Asian Analytical Unit had had its funds cut quite severely but was seeking private sector support to make up the shortfall. Has the shortfall been made up?

Mr Jones—When you say 'shortfall', do you mean the difference between the funding which had been available and is now available?

Senator COOK—Yes.

Mr Jones—As you will recall, originally funding was provided for a period of years and that funding expired. The department found some funds to enable the EAAU to keep going at a reduced level of activity. The idea was that, if private sector sponsorship could be found to supplement that, that would be a good thing.

Senator COOK—I am sorry, Mr Jones. There is something about the staff cafeteria being broadcast out here which overwhelms your voice.

Mr Jones—I do not think it obscured anything terribly important.

Senator COOK—I am sure it did.

Mr Jones—I said that the intention was to see whether private sector sponsorship could be found to supplement the funding which the department made available to keep the EAAU operating. Dr Perkins will speak about the private sector support that she has been able to attract.

Dr Perkins—Last time, I mentioned that we had secured two corporate sponsors at that stage—BHP and Pacific Power. We are still discussing with quite a few other private sector companies. Quite interestingly, and not surprisingly, fund managers have suddenly discovered us in large numbers. They never did before, but want to know what is happening in East Asia. So we are hoping to cash in on a little of that interest—if I can put it that crudely. We are discussing with BT, National Mutual and Colonial Mutual at the moment. We are hoping that something will come out of that.

Since we spoke last time, we have secured \$50,000 from the Australia-Korea Foundation for our forthcoming and, I think, very timely report on Korea, and some additional funding from Austrade for that report as well.

We are managing generally to secure funds and that will keep the unit going at quite a good level in the next year or so. We are also planning a new report on financial market

liberalisation prior to, and in the wake of, the crisis and, hopefully, also a short report on the crisis itself. We hope all of those things should produce quite a bit of private sector interest in the right sectors, the financial market and whatever.

Senator COOK—The major funds cut occurred in the 1996-97 budget. Are you, in terms of private sector sponsorship, back to the pre-1996-97 budget allocation?

Dr Perkins—No, not at all. On the other hand, this year we are operating, because of various carryovers and also \$240,000 from AusAID for two ongoing reports on the Philippines and the provision of private sector infrastructure in Asia, with a budget of about \$900,000—down from \$1.3 million. That significantly topped up the departmental allocation of \$440,000, so we are, shall we say, halfway in between this year. Obviously, it is a bit hard to predict where we will be next year on the private sector funding.

Senator COOK—Can you just go through the figures again for me? What was the level that you were aiming to make up?

Dr Perkins—The previous funding was \$1.3 million per annum. I do not know whether we had ever expected to fully regain that; I think we would have all been happy to reach \$1 million and we have achieved \$900,000—so we are quite close to that target. We have introduced quite a lot of efficiencies. Productivity gains have been significant, which basically entailed more than halving the staff and putting much more out to consultants and developing our skills—honing our skills—on managing consultants. In the time that I have been in the unit, we have cut the support staff from four to one-half. Things like this certainly can save a lot of money. I think that, if we can retain something like \$900,000 to \$1 million a year, we will probably be able to retain the same output, given those productivity gains we have been able to secure.

Senator COOK—But, at \$900,000, you are still \$400,000 short of where you were before.

Dr Perkins—That is correct, but the whole department has taken quite a lot of budget trimming over recent years. That would be more severe than that, of course. I think departmental funds would have been cut by 13 per cent in real terms. So we are maybe three times that.

Senator COOK—I understand the hit the department has taken across the board, but it may well be that someone who writes a review of this period will find, between the greatest economic crisis in this region in living memory and a cutting of our funds from the only analytical unit that does close-in work to understand what is happening, that this was an unhappy coincidence for Australia. It seems to me that the work that the unit has done has always been widely acclaimed and often hugely sought after—unfortunately, not only always by Australians but also by other nations—and here we are cutting the funding, Minister, at a time in which this information is more important than it has ever been.

Senator Newman—It was an unhappy coincidence for a coalition government to once again come into government to clean up a huge budget deficit left by a Labor government. If you want to look at the reason why cuts have had to be made in all those portfolios, you have to look in the mirror.

Senator COOK—That is, of course, not true. Is the government going to consider funding those activities that give us a better understanding of the economic developments in this region that open up activities for Australian business or is it going to continue to keep those activities suppressed by cutting their funding?

Senator Newman—Is that question directed to me?

Senator COOK—Yes.

Senator Newman—As you would well realise, that is a question for the minister and/or the cabinet. It is not a matter for me to speak for the minister or for the cabinet on future budget expenditure.

Senator COOK—Will you put that question to the minister?

Senator Newman—I would be happy to refer it to him.

Senator COOK—And ask him to provide me with a reply?

Senator Newman—Yes. He will give you a reply, but I cannot verify what is going to be in it.

Senator COOK—It is an opportunity to actually do the right thing. I thought I would be gracious and extend it to you.

Senator Newman—I am gracious in accepting your question. It will be for the minister to determine what answer you get.

Mr Jones—I might just observe that work on the regional economies is done in other parts of the department as well as the EAAU of course.

Senator COOK—I know that, but I think that the best work of any I have seen on modern Japan has been done by the East Asia Analytical Unit, and the work that they did on China was extremely good as well. We are just building up an audience in Australia for that type of quality work and, at this time, the funds are cut.

Mr Jones—But there is still a fairly solid work program and there are a number of reports in the pipeline which will contribute to maintaining that momentum.

Senator COOK—Yes, there was a report on South-East Asian economies as well. You say that you are bringing out a short report on the economic crisis. When might that be?

Dr Perkins—We have to discuss that with our advisory group and get their permission. We are hoping to get it out quite quickly; maybe even by June.

Senator COOK—Is the commercial sponsorship that you are obtaining in any way distorting the program of work that you want? Are you being required to focus on the primary interests of those commercial sponsors rather than the wider issues?

Dr Perkins—Basically, we are asking them to support our existing work program. If they do not want to, then we keep looking for support. It is really more a donation. As I discussed the last time we met, we are too small to divert our resources to commercial type consulting work. There are plenty of commercial consultants out there to do that. I see our job as providing a public good that is available for the whole economy and, therefore, it has to be of interest to the whole economy, not just particular firms. So I am not going to be interested in doing particular consulting work for particular firms.

CHAIR—There being no further questions on subprogram 1.1, we will move on to subprogram 1.2.

[5.12 p.m.]

Sub program 1.2—Interests in South and South-East Asia

Senator COOK—My questions on South and South-East Asia are quite similar to the questions we just did on North Asia. The last time Mr Dauth was here giving evidence, my characterisation of his evidence was that it was a bit laid back about the economic crisis in South-East Asia—a bit too reassuring. The crisis has deepened and gotten worse since. What

does the department say now about the situation in South-East Asia? How do you characterise it? What is your summary of it?

Mr Potts—This is something on which I think Ms Fayle will probably have some additional commentary. My response to the opening question would be very similar in many ways to the North Asia perspective. Clearly, the impact of the South-East Asian economic crisis has worked its way somewhat further through the economies in South and South-East Asia, particularly in Thailand and most dramatically in Indonesia. There is a continued effect also in Malaysia and the Philippines.

That it has had an impact is clear and undeniable, and that is certainly the line we are taking with business. We are also emphasising that it has moved into the real economies; that it is not just a financial crisis, but is having significant effects in the real economy and, clearly, it is going to have an impact on those economies and on our trading relationships with those various economies.

Senator COOK—Is it over?

Mr Potts—Our view certainly is that it is not over and it is still working with its way through Thailand, which was the first of the regional economies affected, and, more particularly, Indonesia. If it has moderated at all, perhaps that applies to the specific case of the Philippines.

Senator COOK—I guess the question ‘is it over?’ means: are we in the recovery phase in your view or is there still more worsening or deepening of the crisis to occur, either in economies that have been affected or economies that may yet be affected?

Mr Potts—I think most commentators, certainly if they are looking at Thailand and Indonesia, would feel that the worst is still to come, although it may not be far hence.

Senator COOK—Any other economies that you would identify as being economies that might suffer further?

Mr Potts—I don’t think you can isolate any economy in South-East Asia as being unaffected. Even economies like Vietnam, which don’t have a convertible currency, are nonetheless affected by what is happening with their neighbours. Vietnam is a good case in point, with its exports of rice being penalised by a comparatively unfavourable exchange rate and also by Thailand’s very effective marketing of its rice exports. The economy of Burma is another case in point. It is feeling the heat as well. So I think all of them are affected. There is no denying that.

Senator COOK—I think at the last estimates there was evidence that the department had established an Asian currency crisis reaction team. Is that team still in existence?

Mr Potts—Yes, and I think Ms Fayle might want to talk a little more about it.

Ms Fayle—I don’t think the terminology has ‘crisis’ in the title. It is called the East Asian Economic Unit. That economic unit resides in my division. However, it is a coordination unit. There are some staff in my division who monitor these issues on a daily, weekly, monthly basis. They also draw on expertise from the particular geographic desks in the South-East Asia Division and the North Asia Division.

Senator COOK—How many people are in this unit?

Ms Fayle—At the moment there are three people in the unit working on these issues. There are other people within my division who work with more of a focus on the impact on Australian industry and Australian exports. There are a number of people in our posts in the

region and also in the divisions who devote substantial amounts of their time to work on these issues.

Senator COOK—And what is its product? It works on these issues. What does it actually do?

Ms Fayle—The unit is responsible for keeping our ministers briefed. It produces a weekly bulletin which updates our ministers and senior officers on what is happening, as I said, on a daily and weekly basis in the region in terms of currency movements, stock market developments, policy developments, reform, decisions by the IMF—a whole range of issues relating to the region. That information is compiled into a bulletin. The unit is also responsible for coordinating more comprehensive briefing from time to time on particular issues. It also gets itself involved in some of the risk assessments associated with discussion of trade finance cover for Korea and Indonesia, as was the case recently. It does a whole range of briefing and research, but with a relatively short-term focus. The longer term focus is carried on by the East Asia analytical unit, as previously discussed.

Senator COOK—Is that bulletin publicly available?

Ms Fayle—No, Senator, it isn't. It is a restricted bulletin. It contains quite substantial amounts of confidential information that is passed to us from posts or from other governments.

Senator COOK—So this unit is a unit for service to ministers and the government. It is not a unit for services to Australian community beyond the government.

Ms Fayle—No, that is not entirely accurate, either. The unit does produce some material that is publicly available. It has produced material for the Joint Committee on Foreign Affairs, Defence and Trade. That is publicly available material, as well. It has also produced advice for some of the companies that contact us and it does provide a role in collecting information from the private sector about the actual impact on various companies and industries of what is happening in the region. So there is some publicly available information. It is also there for the private sector to contact with questions and queries from time to time but it also does have the very important role of keeping ministers and officials abreast of what is going on in what is a fairly fast moving situation in the region.

Senator COOK—If the Australian business community, or any Australian for that matter, wanted to get access to the considerations of this unit you are able to provide them with advice. Is that the case or do you have to clear that with your minister first?

Ms Fayle—That advice is currently available to the public. We have been working very closely with Austrade. They have a home page up on the Internet which provides a weekly bulletin of more publicly available information on what is happening in the region. This unit provides substantial input into the information that is put up on the net.

Senator COOK—One of the questions I asked last time was about trade liberalisation and the potential for nations to slip back into more protectionist postures, given the crisis. I cited some increases in tariffs in Malaysia at the time. What is the outcome of your monitoring since? Have there been any further signs of a harking back to any protectionist sentiment in the area of any significance that we should be concerned about?

Mr Potts—Let me answer that in these terms, Senator. I guess the picture is somewhat mixed. Certainly you mentioned last time the situation in Malaysia. There have also been some measures, particularly tariff measures, in Thailand which have disadvantaged us. There is, I think, a substantial plus side in the whole South-East Asian economic situation. That is that the various IMF programs provide substantial openings for Australian business in terms of

market liberalisation. As part of the programs the economies concerned have to undertake particular openings of sectors, certainly in Indonesia and certainly in Thailand.

The Philippines voluntarily has made a substantial focus on tariff liberalisation and has brought many tariff levels down to the order of five to 10 per cent. Malaysia, which in ASEAN terms operates at the lower end of the tariff scale, has also done some limited tariff liberalisation. While I think the picture is mixed, it is certainly not completely doom and gloom for Australian business; quite the contrary.

Senator COOK—Where there is a move back towards greater protection, have we taken any particular initiatives to deal with that?

Mr Potts—Yes, I think we have, particularly with Thailand. I recall that when Mr Fischer visited there last October he specifically engaged the Thais on some recent tariff increases, particularly one on wine which had an obvious effect on our exporters. We are going to continue that sort of engagement with our trading partners in South-East Asia. In all cases they make the point to us that, if the tariffs have gone up, first of all, they need the extra revenue to try to conform to revenue delivery under the IMF packages and, secondly, they are within WTO bindings.

Senator COOK—They are within the bindings still.

Mr Potts—Often in many cases well within the bindings.

Senator COOK—That is the sad outcome of the Uruguay Round. That is the one area we did not get quite right. The ASEAN has got away with leaving their tariff levels so high. There must be plenty of scope within their bindings.

Mr Potts—Certainly in some cases yes.

Senator COOK—All of these economies have suffered fairly massive devaluations against the Australian dollar, meaning that the price of our goods is much higher. If barriers are going up as well, there is a double hurdle. Have we been arguing the proactive case anywhere about accelerating the removal of those barriers, given the exchange rate changes affecting virtually all imports from outside the region in terms of price in those domestic economies?

Ms Fayle—Yes, we have, most recently at the first senior officials meeting for APEC in Penang. In a number of bilateral meetings we made those points. We also have some follow-up activity where we will be substantially drawing on those very arguments that you mentioned to try to encourage some of these economies to take advantage of current circumstances to remove some of the trade barriers in their own best interests.

Senator COOK—In the November estimates the department provided me with tourist arrival figures—and I thank the department for that—which showed some worrying trends, however. For example, there is a considerable reduction for visitors to Australia from Thailand. Those figures concluded in October 1997, which are not as up to date as I would like. Are there any newer figures than those?

Mr Potts—Yes, we have some for October to December last year. On a comparative basis with that corresponding period the previous year there has been a downturn in visitor numbers from Thailand of the order of 39 per cent. So it is quite substantial.

Senator COOK—What about other nations in the area?

Mr Potts—It is a mixed picture overall.

Senator COOK—Can you take me through it fairly quickly, Mr Potts.

Mr Potts—Brunei is down by 12 per cent, Indonesia by 25 per cent and Malaysia by 10 per cent. On the other side of the ledger we have increases of 11 per cent in the case of the Philippines, six per cent in the case of Singapore and 12 per cent in the case of Vietnam.

Senator COOK—Some of those percentages would be off a low base. What is the overall outcome?

Mr Potts—I do not have the raw numbers. I only have trends. I can find them out for you.

Senator COOK—You do not have an aggregate trend?

Ms Fayle—I have an aggregate trend for the 12-month period. The ABS has now compiled its—

Senator COOK—That is 12 months to December?

Ms Fayle—Twelve months up to and including December 1997. The growth in short-term arrivals from South-East Asia slowed from around 15 per cent in 1996 to less than two per cent in calendar 1997. That is the aggregate. There is still a very small element of growth in calendar 1997, but that is relying on stronger growth in the first half of the year.

Senator COOK—What are the actual numbers?

Ms Fayle—I do not have the actual numbers here, but we can provide those.

Senator COOK—Thank you very much. I would like them. In the education sector there has been a severe drop in student enrolments for English courses in the industry. What is the score on student visas? Can you give us a round-up on those?

Mr Potts—I can give you the trends involved. In the case of Brunei there is a decrease of 22 per cent. In the case of Singapore there is a decrease of 36 per cent. In Thailand there is a decrease of 31 per cent. There is an increase of six per cent for Indonesia, of 18 per cent for Malaysia, of 68 per cent for Vietnam and of 86 per cent for the Philippines.

Senator COOK—What does the aggregation of those trends look like?

Mr Potts—Overall last quarter 1997 to last quarter 1998 it looks like a two per cent decline in aggregate students.

Senator COOK—Do you have the actual numbers?

Mr Potts—I do not have the numbers. We can find them out for you.

Senator COOK—I would like to turn to Malaysia for a moment. The Prime Minister cancelled his visit to Malaysia just recently. Are there any plans for that visit to go ahead at some other time?

Mr Potts—Yes, there are. Discussions are under way currently with the Malaysian government on that. When he announced that the postponement was necessary, he made the announcement that he was working towards a later date.

Senator COOK—In the November estimates you took some questions on ASEM on notice. I notice that the Prime Minister did not raise with Prime Minister Mahathir at their last meeting Australia's membership of ASEM. Why was that? Is there some reason why that was not done?

Mr Potts—I am not really able to speak for the Prime Minister on this matter.

Senator COOK—That is fair enough. Do you know whether it is intended that the Prime Minister raise this matter when he next meets Prime Minister Mahathir?

Mr Potts—That will certainly be the subject of discussion in the normal course of interdepartmental discussions.

Senator COOK—This is a burning question for Australia. It is a bit odd that he did not raise it last time, is it not?

Mr Potts—I cannot comment on that.

Senator COOK—You are without a minister so I do not think I should badger you on it, but I will ask the minister why not when he or she comes back. It was Malaysia that increased automotive tariffs, which I was complaining about last time. Have any representations been made to them about automotive tariffs and the need to bring them back into line or bring them down?

Mr Potts—Certainly, there has been. The Malaysians have said to us essentially that this is a very sensitive sector for them and they need to maintain high tariff levels. They hear what we are saying but they are not in a position at this stage to accede to our representations. I think we also made the point at the last estimates hearing that of more particular interest to us is auto components. That is a sector where I think the position is somewhat better for us.

Senator COOK—Has the question of these tariffs been referred to our bilateral negotiating group or unit?

Ms Fayle—Are you talking about the trade facilitator position?

Senator COOK—No. I am never good on remembering the precise technical names of these agencies. The department set up, following the election, a unit to handle bilateral trade negotiations to give credit to the government's policy in this regard and it has a program. Has the issue of Malaysian car tariffs been referred for bilateral negotiation to that body?

Ms Fayle—I think you are talking about the Market Development Task Force, which coordinates bilateral activity and has several priorities that it focuses on in six-month time frames to try to break down barriers. This particular issue of automotive tariffs in Malaysia is not currently on the agenda there because it is perceived as being something that will take a much longer, concerted effort than six months to achieve progress. It is, however, a priority in our bilateral relationships and we continue to make representations about it.

Senator COOK—There has been a representation made about it. Is that where the matter rests at the moment?

Mr Potts—I think you will find that, for instance, when ministers visit Malaysia it will be on the agenda. I think the last visit was by Mr Fischer. He attended the joint trade committee. He made a particular point of focusing on auto tariffs as one of the market access problems that remained on the table. Successive visits by ministers, I am sure, will include focus on this issue.

Ms Fayle—At a much more humble officials level I indeed raised this very issue with my Malaysian counterparts at the recent APEC meeting.

Senator COOK—What is the prognosis? Are we going to break through or are they going to hold their line?

Mr Potts—It is difficult to give a clear answer. You would have to say that the Malaysians hold their auto sector pretty close to their heart. I think it would be heroic to expect an early short-term breakthrough.

Senator COOK—Is this one of the things that perhaps the Prime Minister might take up with Prime Minister Mahathir?

Mr Potts—That is really up to the Prime Minister. I cannot speak for him on that.

Senator COOK—Do you have a view, Minister?

Senator Hill—I am sure it would be something that would concern the Prime Minister and we will refer it back to him for his consideration.

Senator COOK—You were not in the room earlier, Minister, when I mentioned—and the department is not in a position to answer—that at the last meeting between the Prime Minister and Prime Minister Mahathir, I think that was at the Commonwealth Heads of Government Meeting, the Prime Minister did not raise the question of Australia's membership of ASEM. Is there a reason for that?

Senator Hill—Not that I know of. I think it is reasonable to assume that he determined an agenda which he believed would best meet Australia's interests and best progress our bilateral relationship and the wider regional relationships and obviously decided that it would not be productive to discuss that at that time or other matters were of higher priority at that time.

Senator COOK—This is a matter of high priority for Australia. Does this mean that it does not have as high a priority as we thought it did have?

Senator Hill—I do not think it means that at all. As in all of these instances, the Prime Minister has to determine an agenda that he believes can best achieve Australia's national objectives and you do not simply get the opportunity to cover everything and if you do you are probably downgrading the importance of some. You make the assessment and progress accordingly.

Senator COOK—Do you agree that this is a very high priority for Australia?

Senator Hill—I think it is still a high priority of government.

Senator COOK—It is a high priority but we do not talk about it at prime ministerial level?

Senator Hill—No, that is not quite what I said.

Senator COOK—We did not.

Senator Hill—No, we obviously chose that that was not the meeting to progress our interests on that issue.

Senator COOK—I have a few questions about Indonesia. Indonesia is the country which is having the most difficulty in the currency crisis, both socially and internally. Can you give us a summary of the department's view of the situation in Indonesia?

Mr Potts—It is obviously a difficult situation which the Indonesian government and people find themselves in. It is a combination social and economic problem, compounded by the five-yearly presidential election cycle, which means that it is more than ordinarily complicated. The Indonesian government is clearly working its way through the difficulties ahead of them. They know—and everyone else knows—that they have a job of work ahead of them. They are working through it step by step, and there is clearly a long way to go.

Senator COOK—There is social unrest, as I understand it, because of shortages of cooking oil and rice.

Mr Potts—Yes, that is certainly the case. There has been a series of pinprick disturbances in provincial towns, particularly in Java, but also in some of the outlying islands, often related to local problems such as food shortages or other difficulties.

Senator COOK—There have been riots and the looting of some retail stores owned by Indonesians of Chinese extraction as well. These have all been reported in the Australian press. How do you characterise those in terms of their significance?

Mr Potts—In Indonesia, anything that disturbs the social order at times of sensitivity is a worry. At the same time, I think that most of the evidence is that the police, and the armed forces more generally, have tried to use restraint so as to avoid provoking the inflammation of the situation. It is also fair to say that there has been something of a decline in the disturbances over the last week to 10 days, compared with the earlier situation where there was a series of outbreaks, particularly in central and eastern Java.

You would have to say that, while the government—the Indonesian government and also our government in terms of monitoring it—is concerned and is monitoring it very closely, they remain confident that the situation is under control.

Senator COOK—Do you expect it to continue?

Mr Potts—We certainly hope that it would.

Senator COOK—Sorry, I mean the social unrest—do you expect that to continue?

Mr Potts—That is certainly possible. Most observers are worried that food supply problems are looming, and whenever there are food supply difficulties, there is the potential for some form of unrest.

Senator COOK—Is this part of the knock-on effects of the IMF package that has been embraced by Indonesia, or is this part of other problems?

Mr Cox—The rioting tends to reflect more problems to do with food supply related to the drought, the knock-on effects of the currency depreciation in terms of the impact on pricing, and psychological effects like hoarding and other effects like that, rather than the IMF package per se. With the factors of the drought and so forth, and perhaps also disruptions to distribution, given the role of the number of Sino-Indonesians in the distribution process and the effect on them, we have seen price rises in a number of places across the archipelago in the last month.

Senator COOK—You would expect that, as the economy works its way through the measures imposed by the IMF, there will be social strains, wouldn't you?

Mr Potts—Yes.

Senator COOK—What is your analysis of the degree or level of those sorts of strains?

Mr Potts—It is fair to say that there is a challenge ahead for the Indonesian state in terms of coping with unusual stresses. I mentioned the coincidence of the economic situation, coupled with the change in the presidential cycle. That is clearly going to stretch the resources of the state fairly considerably and put a premium on ensuring that any outbreak of unrest is localised and is not allowed to spread.

Senator COOK—The foreign minister was reported just this week as saying that there ought to be a bit more concern about the social effects of the IMF package. Do I understand that to be an accurate report?

Mr Potts—Yes.

Mr Cox—Our view is that it is absolutely paramount to keep the IMF and the Indonesians working together. I think the program offers the best hope for the revival of Indonesia's fortunes over time, and that keeping the two sides together is important, hence we want to

ensure that all the elements within the program that might bear on perceptions of it in the community in Indonesia are relatively benign or positive.

Hence, if the program bears too heavily on social stability or other things there could be some flexibility within the program to allow those effects to be taken account of. After all, the contraction in the economy that is a result of the downturn in Indonesia's situation is more severe than was originally anticipated when the program was designed, and the analysis we have would be that it would be desirable to keep everybody in play by being as flexible as is necessary to keep the program working effectively.

Senator COOK—In essence, those reports are broadly right that we do express a view about this?

Mr Cox—Yes, in those terms.

Senator COOK—Is this the view that we expressed to the IMF? There is a report in today's paper, I think, that the Australian director of the IMF expressed a view about the need to take greater account of the social issues of the application of IMF rescue packages, particularly in the case of Indonesia.

Mr Cox—There is an ongoing dialogue between the IMF and Australia. We have an executive director on the IMF in Washington and there is an ongoing dialogue with the IMF at officials level about our views on the package and its implementation. These are views that are moving back and forth all the time.

Senator COOK—What is our concern here? Do we have a particular view about changing the IMF package in some way?

Mr Cox—No, it is as I described it before. It is about moving the program ahead and flexibly and effectively keeping all sides engaged in implementing the program. It is not necessarily a question of changing the program; it is a question of continually looking at the program settings to make sure that they keep everyone bound in and working on the ultimate program objectives of structural reform and revival of confidence in the Indonesian economy and economic management so that the capital inflow can return and bolster the value of the rupiah.

Senator COOK—So the IMF program, as such, has Australia's blessing.

Mr Cox—The IMF program is the best hope for Indonesia's revival over time, yes.

Senator COOK—We are a contributor to it so we have a say in it. We are saying that this is the right program. What is the issue about? The speed of application? The manner in which it is done? I do not quite understand—we think this is the right program and these fundamental changes ought to be made. Are we talking about the pace with which these changes are made? What specifically are we asking for that gives point to our concern about the social unrest element brought about by the IMF's program?

Mr Potts—Perhaps the best way to address it would be to see any IMF program as one that is not rigid but one that has a number of moving parts. Any IMF program is characterised by dialogue first of all between the government involved and then between the other contributing governments and the IMF. In the case of Thailand, for instance, as you meet various points there are particular discussions and the IMF and the players involved are able to form a view first of all on conformity to the package and then as to whether the program at that stage needs adjustment. In the case of Thailand there was some adjustment to the fiscal targets. I do not want to be precise as to how that relates to the Indonesian situation but the point to bear in mind is that we are talking about a program that is not characterised by rigidity on any side.

There is a lot of fluidity and, especially when you have an economic situation which has taken such a hit as in Indonesia, you have to take stock of the program on a very frequent basis.

Senator COOK—Yes, do not misunderstand me. I am concerned about social unrest and who bears the weight of these changes and how they survive in those circumstances. All that is true. But I have a deep conviction that, unless these changes are made, the future of these economies will always be under question. So the way in which you administer these programs, the speed and style in which you go about them, is one thing but the inviolability of the goals is another. We are committed to those goals, are we not?

Mr Potts—Very much so. That was one of the reasons why we were anxious to subscribe to the package.

Senator COOK—The publicity has been about the ‘harshness’ or the ‘stringency’ or the ‘rigidity’—they are quotes I have seen—of the IMF package. And the criticism has tended to be directed at the IMF, as I read the media. On the other hand, are we rightfully to interpret some of this criticism as a coded message—or as a direct message—to the Indonesian government about the nature of its democracy and the ability of its people to have some control over their own affairs? Are we delivering that message, as well?

Mr Cox—The message is mainly about the implementation of the programs and keeping them on track. I do not think it has any implication. Our major concern is to see a revival of confidence in the Indonesian economy and to promote a return to capital inflow. That is our predominant and priority concern. Those other factors are not in our predominant equation at the present time. Certainly institutional strengthening and an improvement in governance and the overall management of the economy in as much as that is linked to governance is very much part of the program. A return to the program and to the disciplines and ideas of transparency and good governance that underpin the program follow on from that commitment to the program’s long-term objectives. So in as much as we are saying to the Indonesian government that we want to see a continuation of the reforms that are set out in the program, we want to see an improvement in governance in Indonesia. In that sense, yes, but it is through that mechanism of reform that we are pursuing that.

Ms Fayle—The IMF itself realises that some of its prescriptions do cause hardship and problems at individual and social levels. For that very reason they have more recently sought to work very closely with the World Bank and other aid agencies to ensure that there is more coordination of a program in support of the elements of the packages that they have in place that may cause those sorts of problems. This is something that we have encouraged.

Senator COOK—When I saw what the foreign minister said, I sympathised with it and thought it was a sensible statement. The criticism of the IMF is criticism of the agency that is coming to remedy a mess that was created by someone else. That is not to say that the sole responsibility for that mess is necessarily the government of the particular country. There are other outside contributing factors as well. But to criticise the rescuer and not deal in a balanced way—appreciating the complexity of it and the sensitive nature of the relationship—with the other issues too is a bit unbalanced, don’t you think?

Mr Potts—I do not think it is fair to characterise the minister as criticising the rescuer. Quite the contrary.

Senator COOK—I agree with that. It was written that way but what he said was, ‘Let’s take a more sensitive approach to it.’ That is what I agree with him about. But that is a bit of a one-sided message because it is directed at the IMF.

Mr Potts—It is fair to say the Indonesian government knows our commitment to the implementation of the program. We were among the first contributors in relation to Indonesia. We have very good national interest reasons for participating in the IMF package and among them are positive measures that are going to help our trading interests with Indonesia: market access questions and so on.

Mr Cox—I think that when Mr Downer visited Jakarta on 26 and 27 January he made it quite clear to his interlocutors, including President Suharto and others, that we were committed to the reform program and to the reforms within it. It was quite clear that we were looking to the Indonesian government to stick to the program.

Senator COOK—But did we go any further by offering kindly advice about the nature of the democracy and other elements of wider political reform that would help speed the economic ones? The IMF package is, straight and simple, an economic package. It has widespread political effects. The ways of dealing with those are not just economic; they are political as well. Did we offer any advice on any of those issues?

Mr Potts—We have certainly made the point to Indonesia that political uncertainty has an impact on the market. That is obvious, but nonetheless the point has to be made. It has been made to the Indonesians and they understand where we are coming from on that.

Senator COOK—Have we been requested to provide food aid to Indonesia?

Mr Potts—Yes, we have, I think.

Mr Cox—At this stage we are still discussing with a range of donors and others who might be asked to contribute to a package, but there has been no formal request. Certainly there is an understanding in liaison with a range of donors that this is an emerging issue in the next little while and it is something that we are consulting closely on to coordinate an effective response when the call does come.

Mr Potts—The director-general of AusAID is in Jakarta this week. Ms Stokes from AusAID may be able to update us on the situation.

Ms Stokes—We have already provided some food and emergency relief assistance to Indonesia this financial year. That has been focused on Irian Jaya—\$3.3 million—so in a sense we already have responded. We have also received a further request in relation to NTT province. Bappenas, the planning agency, is talking with us about the possibility of responding more broadly in eastern Indonesia.

As Mr Potts said, the director-general is in Jakarta this week having—indeed today—our annual, high-level consultations with the Indonesians, and the food security situation is certainly being discussed.

Senator COOK—The Irian Jaya food aid is related to the El Nino effect, isn't it?

Ms Stokes—That is right.

Senator COOK—Climatic change is not related to anything else. Are we now asked about food aid for other reasons? East Indonesia is a very depressed region. Is food aid being talked about in the context of economic hardship or is it still climatic?

Ms Stokes—Generally climatic; the drought has been very severe and there does not seem to be an end in sight. The current crop is due in in a couple of months and it is not clear what that is going to look like, so life looks a bit grim in large parts of Indonesia as a result of the drought.

Senator COOK—Would we take a sympathetic view of their requests for food aid?

Ms Stokes—Certainly. I should also say that, as Mr Potts said, we are talking with other donors in Jakarta and in other capitals. The World Bank has taken on something of a leadership role in discussing food security issues. They are talking to donors about preparing a comprehensive package of assistance to meet humanitarian need in Indonesia. We are very actively part of that process of discussion.

Mr Potts—We are also looking in a sense to try to shore up Indonesia's institutional capacity to cope with the current economic crisis. We are looking at putting expert advisers into Bappenas, the national planning authority, and those discussions on the placement of appropriate people are under way now.

Senator COOK—Are you alert to any possibility that there may be a request for food aid because of economic hardship factors, not climatic ones?

Ms Stokes—It is hard to distinguish between them. The climatic ones are causing economic hardship, for sure.

Senator COOK—The root cause of the food shortage in Irian Jaya is the same as in Papua New Guinea—the old El Nino effect. It has, of course, an economic dimension. But I am looking at hardship created purely by economic factors.

Ms Stokes—We have a complex interplay of factors in Indonesia in relation to food at the moment. There is the drought and that is a fairly major underlying factor. Then, of course, there is the ability to afford food. Unemployment has increased quite significantly so it is a question of purchasing power for food and we have already heard about the price increases for various commodities, so you have this very complex interconnection of factors. Generally, we would be sympathetic to any request for helping with the food situation no matter what its cause is.

Senator COOK—My understanding is that you run your emergency aid reserve program down according to need. How close to the bottom are you? Have you run through the program? Are you in need of supplementation?

Ms Stokes—This year has been a bad one because of El Nino. Papua New Guinea, of course, has been a major focus of our attention, as you would probably be aware. So the facts are that funding is tight. We draw on the country program to the extent that we can. That is what has happened in relation to the Irian Jaya funding. That was a contribution from our emergency area but also from the Indonesia country program.

Senator COOK—So we are not near the bottom of our sink?

Ms Stokes—It is tight.

Senator COOK—We have got a debate coming along; I am sure Senator Hill will help you fix it up.

Mr Potts—We were talking a minute ago about the IMF and the application of the program to Indonesia. My attention has just been drawn to comments made last night by Mr Hubert Neiss, a senior official of the IMF, on *Lateline*. He indicated a degree of flexibility would be exercised in the case of the Indonesian program. He said the IMF was studying ways and means of preserving subsidies which benefit the very poor sections of society, particularly those that are used for cooking oil and rice. That has been the sort of focus that, in fact, the minister has been encouraging. I just wanted to draw that to your attention.

Senator COOK—I will come back to AusAID later. My next questions are about the projected currency board in Indonesia. Do we have a view about the efficacy of such a proposal?

Mr Cox—I think our view is that, given the work on the program, the currency board is perhaps somewhat premature at this stage. I think that the Indonesian revival of confidence requires continued work on the program and commitment to the program and the time for the currency board has not yet come.

Senator COOK—I am just a layman in these things but I would not have thought there would be sufficient US dollar reserves in Indonesia to have anything like an effective currency board.

Mr Potts—It rather depends on what sort of currency board model we adopt. There are several on offer. The classical currency board model might well lead to that sort of situation.

Senator COOK—Has the idea been ditched officially now or is it still alive?

Mr Potts—It is still on the table. It has by no means been formally abandoned. The indication is that it has been given deeper thought.

Senator COOK—You talked earlier about providing some assistance to Bappenas in terms of helping meet their needs for assistance across the board as well as in aid areas. Have we designated individuals yet to go to work in Indonesia or has that been just an offer by us not yet accepted? Where are we up to on taking that forward?

Ms Stokes—It is probably in various stages. We have already assisted the World Bank with someone to assist with the food assessment. We have also provided an economist to assist with some other economic assessment work. In relation to Bappenas, I do not believe we have placed anyone there yet. We are just talking through the details of those assignments with Bappenas at this stage.

Senator COOK—Who is funding the people that we have provided so far?

Ms Stokes—AusAID.

Senator COOK—How many of them are there?

Ms Stokes—I am not sure I can give you a precise figure. We have also hired someone from ANU who is working with Bappenas right now. He is helping Bappenas to clarify their priorities in relation to employment strategies.

Senator COOK—How many people did you say?

Ms Stokes—It is just one person.

Senator COOK—The IMF reform package does involve the ditching of the Indonesian people's car. There was the project that the president's son was involved in—that is, rebadging a Kia vehicle as the Timor and so forth—and there was the project that the now vice-president designate, the current Minister for Research and Technology, Habibie, was involved in in creating a people's car, which had some Australian companies involved. Is that project—the Habibie project—over too and have those Australian companies lost their contracts?

Mr Cox—The program involved removal of public subsidy for those programs and special tax privileges. The question now really is back to Dr Habibie to see whether he can find other investors for those programs and any private sector support for them or perhaps foreign equity participation in them. While one could say that public sector support for them will be overall substantially curtailed, I think it is probably too early to say that those projects are over forever. I am sure that the proponents of the projects—in the one case, Mr Suharto's son, and the other case, Dr Habibie—will be looking for ways and means to keep those projects alive through alternative sources of funding if they can find them.

Senator COOK—So those projects are on hold?

Mr Cox—I suppose it has to be said at the moment that they are on hold.

Senator COOK—In view of the social developments in Indonesia, I saw a report somewhere on television recently that there is a plan registered at the Australian embassy in Jakarta for emergency evacuation of Australian expatriates. Is that so? Do we have a plan in case things get worse?

Mr Cox—I think every embassy has contingency arrangements for certain circumstances, and certainly we have a network of communication with the Australian community in Jakarta through Australian community organisations. At this stage media reports were somewhat overstating the case.

Senator COOK—How would you describe it?

Mr Cox—I would describe it as a range of prudent preparations and a communications network of people in case the situation deteriorates further than it has. I certainly do not think it has gone anywhere near the situation as perhaps some media reports suggested.

Senator COOK—And this would be known to Australian expatriates in the particular country?

Mr Cox—I think the Australian embassy has effectively been in touch with the community through community organisations over some months and I think it is well known.

Senator COOK—My last question on Indonesia relates to the food aid issue. There have been reports recently that some of Australia's food aid has been held up by intermediaries and not got to the people to whom it was directed and then was being sold off at profits to those individuals. Are we absolutely sure that this is not happening in Indonesia?

Ms Stokes—I am not sure what country you are referring to in relation to the reports you mentioned.

Senator COOK—I thought it was our food aid to North Korea.

Ms Stokes—Would you like to pursue North Korea in particular?

Senator COOK—No, we will do that under your program. I just want an assurance that we are absolutely certain this is not the case in Indonesia.

Ms Stokes—In the case of the \$3.3 million for Irian Jaya, we are working through Australian NGOs and also the ICRC. We are reliant on their monitoring of the food. It is not only food; other humanitarian services are also being provided through that package. So we rely on their reporting, and that is fairly standard practice. It may be the case that the embassy will be doing some monitoring visits itself, but that would be the general approach.

Senator COOK—Is that a categorical assurance that it is not happening?

Ms Stokes—I do not think I could give you a categorical assurance about food aid always reaching the intended beneficiaries. The reality is that a lot of food aid operations are high risk activities; so often things have to be done quickly. In the case of Irian Jaya, most of our people who are working on Indonesia are actually in Indonesia this week, so I myself am not that close to the actual detail of the operation. I could never give you a cast-iron guarantee. I think that would be just unrealistic, but to the best of our ability, we set systems in place.

Senator COOK—I accept the point that where food aid is necessary the place is in extremis. In those circumstances, malpractice can arise—even with the best will of the deliverer. But do we do any assessment after the event to make sure that we have got the best possible outcome or that it was not diverted?

Ms Stokes—I might ask the Director of our Humanitarian and Emergency Section to elaborate on these issues.

Mr Munro—The large bulk of our food aid is provided through the United Nations World Food Program. They set in place standard distribution and monitoring procedures, depending on the sort of situation in which they find themselves involved. In North Korea, the situation you referred to—in which there has been recently been publicity about a diversion taking place—they have increasingly stringent monitoring procedures. They have managed, in recent weeks, to double the number of international staff in their office in Pyongyang to 46. So they do have quite substantive monitoring procedures in place in North Korea. Nevertheless, as Ms Stokes said, it is very difficult to provide a cast-iron guarantee that food aid will always end up where it is intended to. The World Food Program did report this incident to us immediately. They indicated that a local official took it upon himself to decide that the vegetable oil which had been provided was excess to requirements and that what was required instead was more rice. So he would sell the vegetable oil in order to buy more rice. That is the report we have had.

Senator COOK—And he did not make a profit?

Mr Munro—I am not aware of whether he made a profit or not. He obviously made money from the vegetable oil, or was hoping to, in order to buy rice.

Senator COOK—As to the food aid which we have been providing to the Highlands in PNG, are we absolutely as sure as we can possibly be that it reaches the people in need?

Mr Munro—In that case, of course, we are not providing it through the World Food Program. We have instituted our own monitoring arrangements. I am not across the precise details of those, but I know that they have been very stringent—in fact much more comprehensive than the World Food Program has been able to institute in North Korea.

CHAIR—We had some questions, but because of the breadth of your questioning and the detailed answers from the departmental officers, we have no further questions. We move on to 1.3.

[6.13 p.m.]

Subprogram 1.3—Interests in Americas & Europe

Senator COOK—I have just got a couple of questions on the United States. The first question relates to presidential fast-track approval—is there any sign at this stage that the administration will be re-presenting its bill for the approval of fast-track negotiating for the President?

Mr Pierce—There are certainly commitments to push the issue again during the course of this year. In his State of the Union address, which I suppose is the definitive statement of the administration agenda, President Clinton said that passage of fast-track was necessary ‘to open new markets and to create more new jobs’. That commitment, in those sorts of terms, is reiterated regularly—most recently by USTR Barshevsky on 24 February at the House of Representatives Ways and Means committee, when she said that fast-track would be a continuing administration priority. The first issue, though, for the administration will be passage of the IMF funding legislation, which is to be given a higher priority than fast-track. After that there are still likely to be problems—essentially, the same problems as last year: that is to say, the opposition is well-organised and well-funded.

There is scepticism within the Democrat Party as evidenced in the likely voting intentions in the House of Representatives last time. The third point is that other issues—in this case,

the IMF funding bill—are given higher priority. It therefore becomes particularly important for us to keep on reiterating—and you would have seen regular statements by our ministers, including by Mr Downer this morning—the importance of quick passage of clean, fast-track legislation as an essential demonstration and confirmation of American economic leadership in the international trade community.

Senator COOK—I think at the last estimates—and it was not you, Mr Pierce; as I recall, it was Mr Grey, who has flown, or shortly will fly, the coop for higher things in Tokyo, and congratulations to him.

Senator Hill—Not just to avoid estimates.

Senator COOK—No, not even. He made some remark that he thought fast-track was still obtainable and that the President would want it achieved. These are my words; I cannot vouch for their accuracy. He may put them differently than I am putting them. It is not a direct quote, that is what I am saying, and he would put it differently. What I understood him to be saying was that the last point at which the President of the United States would want to obtain fast-track was to go to the trade conference for the Americas—the name of that has escaped me.

Mr Pierce—You are talking about the summit for the free trade area of the Americas on 17-18 April.

Senator COOK—Yes. Is that in April?

Mr Pierce—Yes.

Senator COOK—And that President Clinton would want to rock up to that meeting with fast-track in his hip pocket. That was the benchmark because it involves the discussion of the extension of NAFTA and so on. Is that now not likely to be the case, that he will not have time between now and then to present the bill, to get approval?

Mr Pierce—I suppose there are a lot of deadlines you could set. That would be one, the FTAA. Another one would be the 50th anniversary of the GATT, the WTO ministerial. Senator Lott, the majority leader in the Senate, suggests that it is a good idea to put fast-track up in March-April before the Congress becomes preoccupied with the budget, with the appropriations bills, bearing in mind that it is mid-term election year in the States.

I cannot predict the deadline. I would be guided by the administration comment that the IMF funding bill will have priority. We do, as I mentioned before, continue to reiterate the fundamental importance of fast-track to a series of negotiations in which we have vital interests and, more generally, as a confirmation of determination on the part of the Americans to pursue trade liberalisation.

Senator COOK—My Western Australian obsession is to ask you the question about the US accession to the shipping agreement by the OECD that involves reducing protection for the American shipbuilding industry—for shipbuilding industry in OECD nations. It springs from my concern that the fast ferries that we manufacture in this country—which are the only complex, sophisticated manufacture in which we lead the world—cannot get entry into the US market for commercial purposes; and the US has knocked back the OECD agreement signed by North Asia and Europe. If they do not sign it, the possibility is that that agreement will fold and we will be back to the old ‘each nation subsidising the shipbuilding industry to the hilt’ again.

I think it is an important agreement, from an industry point of view in Australia. It was knocked back previously by the Congress before the presidential election. The administration

always said that it would bring it forward again and re-present it. Is there any sign that that will happen?

Mr Pierce—There are suggestions that there will be a bill to reform the Jones Act brought before the Congress this year. The first item on the agenda, I suppose, would be the implementing bill for the OECD shipbuilding agreement. There our judgment is that, in order to secure passage of that bill, it is important to separate it from consideration of Jones Act issues, to talk about the OECD enabling legislation as a way of promoting international disciplines on shipbuilding subsidies.

There are suggestions, particularly from the Jones Act Reform Coalition, that, after the OECD shipbuilding legislation is passed through the Congress, another bill, perhaps a smaller bill than had been planned in 1996, might be presented. Further suggestions, which are a bit encouraging, I suppose, for Tasmania and Western Australia, are that that bill could focus on the build provisions, as they put it in the Jones Act, that is to say, there might be proposals for relaxation of the right to acquire foreign built vessels, focusing on the build provisions as distinct from the operating and crewing regulations, which are other components of the Jones Act.

We do not yet have a clear idea of what the prospects for passage of any such legislation would be. We keep on asking, and we keep on lobbying, including with the group of American senators who were here last month and through the embassy in Washington all the time. Again and, I suppose, in this sense comparable with fast-track, the opposition is focused and is well funded—you know that, I think, probably better than me—the opposition, shipbuilding industries and labour unions as well, whereas the supporters of reform tend to be more diverse and more diffuse. But we certainly pursue lobbying vigorously continually on that issue.

Senator COOK—The embassy position of Congressional Liaison Officer is now permanently terminated, is it not?

Mr Pierce—There is an embassy officer who works for much of his time in congressional liaison. I think the level of that position has changed rather than the position being terminated.

Senator COOK—I thought we heard at earlier estimates that it was to be terminated, and I know that a number of us, on a bi-party basis, objected to that because we believed it did serve a good function. But I understood that the new ambassador, Mr Peacock, would roll some of those functions in himself. What is the nature of the position we now have? Is it a downgraded position? Is that what you are saying?

Mr Pierce—We decided to fill the position with an experienced, very capable SOG B rather than at SES level. As you rightly say, it is an extremely important function of the ambassador and other senior staff at the embassy to conduct congressional liaison. That is something you do with networks of contacts at different levels. We do have a great deal of confidence in the officer who has gone to do the job; and, properly, the ambassador and his senior staff will be taking a key role in lobbying Congress as well.

Senator COOK—The Prime Minister, as I read recently, was critical of the US for the use of export credit guarantees aimed at not just securing existing markets but also expanding markets in the context of the Asian currency crisis and other developments. The American reaction to those remarks, as I read them, has been to reject them. What is the current position on export credit guarantees by the US? What are they in fact doing?

Mr Pierce—The current position is that we have had a number of discussions with the United States authorities about the application of GSM102, their export credit guarantee

scheme. The Prime Minister expressed concern that this might be a device to take some of our market share in traditional established markets in Asia. That concern has been made emphatically clear to the American authorities. Mr Downer in his speech this morning reinforced that point. He said that we do not want the US credit guarantee program GSM102 to be abused as a mechanism for increasing American market share at the expense of traditional established suppliers. That would be to distort the aims of the program, to divert attention from our shared interests and our common objectives and to damage Australian producers in an unfair manner. That is really our point of view in a nutshell.

Senator COOK—The Americans reject that this is what they are doing, don't they?

Mr Pierce—The American response first of all has been that we share the same objective—to promote the economic stability and restoration of confidence in the economies concerned. Second, they say that, as with our provision of national interest cover under EFIC, the provision of credit guarantees helps to sustain employment, consumption and production levels. For instance, there is GSM102 for cotton, and that sustains production levels in some textile mills. That is the answer at the level of theory in principle, if you like. We are having further discussions. The Prime Minister and ministers have indicated that the question of our market share is of fundamental importance.

Senator COOK—Which areas of our market share are we concerned that US use of export credits will take?

Mr Pierce—If I might answer that question from a different angle—

Senator COOK—I hope you do, because it was not a very well phrased question.

Mr Pierce—For Indonesia, the major commodities where allocations have already been made are oilseeds and cotton. For Korea, the range of commodities and also the value of the credit extended much more extensively covers meat, corn, cotton, soya beans and wheat. For Malaysia and the Philippines, so far there have been no allocations under the program recently. For Thailand, there are oilseeds, cotton and protein meals. I think, at the risk of asking Ms Fayle to come back again, she is closer to tapping industry reaction to those particular allocations. You would have seen expressions of concern from some industry associations and comment on those from the Minister for Primary Industries and Energy.

Senator COOK—I am happy to leave it at that point. They are the areas, and the market is Indonesia?

Mr Pierce—They are the allocations so far made against the overall ceiling for credit cover in the recent round of GSM102 offers. For instance, a little bit under half the provision for Korea has so far been picked up. For Indonesia, the figure is much smaller—it is \$26 million out of \$400 million. So the list of commodities I read out is by no means an exhaustive one.

Senator COOK—What part of what we would regard as our market share is likely to be lost by the use of those credits?

Mr Pierce—I will really have to pass that one on to Pam Fayle.

Ms Fayle—In answer to that question, it is impossible to say. The sorts of information that we are picking up from industry indicate that there are some concerns, as Mr Pierce has said, in areas such as cotton. There is also concern in beef and in wheat. However, it is not always that straightforward. For example, we have information that a lot of American private sector individuals are using the existence of those US guarantees as leverage in trying to sell wheat into Indonesia. What in reality is happening, however, is that their wheat is of a different

quality from Australian wheat and that is actually posing much more of a market share threat to Canadian wheat than it is to Australian wheat. So it is not straightforward.

Similar things are happening with beef into Korea. Some of the things that the US guarantee is supporting are products that the US would supply anyway. I think what we are facing in all of these markets at the moment is an understanding by exporters into those markets that they will have to work that much harder in order to compete because of restrictions on purchasing power there. So, regardless of whether it is via the trade cover export credits provided by the US or Japan or other countries, there will be an increase in the level of competition that Australian products will have to face.

In terms of the overall impact on our market share, as I said, it is very complex. It is very hard to assess that. But a countervailing factor is that, in the composition of our exports to these markets, there is a greater share of intermediate products and a smaller share of final consumer items. One of the strange effects from what is happening in the region is that we are likely to increase our market share. Other suppliers to the market are likely to be harder hit than Australia is overall.

Senator COOK—I wonder, Mr Pierce, whether I could get a full list of all those commodity areas that you were referring to.

Mr Pierce—Of course.

CHAIR—Thank you.

Proceedings suspended from 6.30 p.m. to 7.30 p.m.

[7.36 p.m.]

Subprogram 1.4—Interests in the South Pacific, Africa and the Middle East

CHAIR—I would like to know what role Australia has played in negotiating the peace on Bougainville.

Mr Ritchie—The answer is that we have played a very substantial role in facilitating the peace process on Bougainville. The New Zealand government broke a deadlock in negotiations which had been going on for a couple of years by instituting a round of talks in Burnham Military Camp near Christchurch in the middle of last year. That resulted in agreement to keep talking, which we welcomed very much.

The second round of talks took place in Burnham later in the year and, at that point, Australia took over the role of transporting delegates to and from the Burnham 2 talks, and we also had people assisting at the talks. That meeting resulted in a truce on Bougainville. We, at the request of the parties, not only transported people to and from the next meeting but also hosted the next meeting which was held in Cairns in late November last year. We, including Mr Downer, participated in the Cairns meeting. In January of this year, Mr Downer and we participated in a further meeting of the parties in Lincoln University which is near Christchurch in New Zealand, and we transported people to and from those talks as well. In addition, we have been asked by the parties to host a further meeting of the peace process. That will take place from 9 March to about 11 or 12 March here in Canberra.

We have played a very significant role both in transporting and in assisting with those talks. In addition, we have done two other things. The Minister for Foreign Affairs, other ministers and the Prime Minister have been heavily engaged in talking with the Papua New Guinea government and the other parties about aspects of the peace, and we have already started the process of delivering reconstruction assistance to Bougainville to help rebuild the island.

In short, we have played a very significant role in trying to bring about a peace on Bougainville. We have, of course, contributed a substantial number of people to the truce monitoring group, which has been in Bougainville since November or so of last year. We have played a central role in the peace process, and the parties have recognised that by asking us not only to assist with the transportation and other arrangements for the meetings but also to host two meetings in the process, to participate in the truce monitoring group and to undertake reconstruction work on Bougainville.

CHAIR—What is the ongoing commitment with the truce monitoring group?

Mr Ritchie—Originally, the truce monitoring group was due to finish on 31 January this year. Australia had 19 civilian truce monitors. The truce monitoring group is made up of about 85 truce monitors and a support and logistics element. We have provided the deputy leader of the truce monitoring group as a whole—that is James Batley who is our High Commissioner in Honiara—with 19 truce monitors and a very substantial ADF element, which has mainly provided the logistics and support along with the New Zealanders.

The parties, when they met in Lincoln in late January, decided that they would like us to roll over the truce monitoring group, and I think it has done a very good job on Bougainville. We have now rolled over our people in that group. We, again, have about 19 truce monitors. The deputy leader has rotated. The deputy leader is now Rhys Puddicombe from the Australian High Commission in Port Moresby. And we have an ADF element of about 80 at the moment providing logistic support on Bougainville for that.

CHAIR—What sort of mood would you say that the peace process is in?

Mr Ritchie—I was in Bougainville about two weeks ago and visited the truce monitoring group. Mr Downer and I also visited on 2 January. The mood is very good on the island. For the first time, the parties are all talking. They have agreed that the next meeting should be on Bougainville. They have reached quite a substantial agreement: that they will have a Bougainville reconciliation government, a full and permanent cease-fire from 30 April this year, and they have started talking about handing in weapons and other things like that. All of that is very positive.

Having said that, it has been a nine-year civil war on Bougainville. I remember the Bougainville Affairs Minister telling us that there was barely a family on Bougainville who had not suffered in some way or other—with loved ones killed or family hurt or displaced or whatever—and it is going to take a very long period of reconciliation to try to get that going. The peace is still quite fragile. At any time, an incident on the island could disrupt that. I think we all agree, and the parties certainly agree, that this is the best chance we have had for peace for many a long year.

CHAIR—I have a final question before I pass to Senator Cook. Have we any estimate of the amount Australia will be expected to pay for reconstruction when the peace is finally brokered?

Mr Ritchie—It is fair to say that the island is completely destroyed. If you look at the townships and the villages, there are very few schools operating, roads have been overgrown, bridges have collapsed. Almost anything you can think of is in a terrible state. To rebuild the island over a long period of time is going to take a lot of money. The Australian government has committed about \$134 million over the next five years or so for the reconstruction work on Bougainville.

A key issue there has been, amongst this vast set of priorities, to try to get the parties to agree on what should be the things they do first. Should we build this road first or that health centre? That is a political issue as well on Bougainville, because it depends on how the parties react and their particular areas and projects in their bit of the world. But that process is now under way. We have already started doing quite a lot of work on Bougainville, including rebuilding Buka Hospital and various other things.

Senator COOK—I have some questions on Iraq. Has Australia been briefed on the outcome of the talks between the Secretary-General of the UN and the President of Iraq?

Mr Ritchie—Yes. We have had quite a number of contacts with the US administration, the UK and other colleagues in the coalition. We have not yet been formally briefed by the Secretary-General of the Security Council, but we have certainly been briefed by our colleagues in the coalition.

Senator COOK—Is it intended that at some point the terms of this agreement will be made public, or is it to be held between governments?

Mr Ritchie—The agreement of Kofi Annan?

Senator COOK—Yes.

Mr Ritchie—As far as I am aware, Senator, it is already publicly available. I thought Reuters was holding it.

Senator COOK—Have we formed an opinion about it?

Mr Ritchie—I think at this stage we very much welcome the agreement. The question is implementation of the agreement. The agreement itself, in our view, represents a fairly substantial backdown on some points on the part of the Iraqi government. I think it includes some of the aspects that we and the other members of the coalition were very keen to get in, such as free and unfettered access to all sites without time limits. So, overall, we welcome it for two reasons: one, because it conforms very much with Security Council resolutions and what the Security Council has wanted; and, second, because it represents a diplomatic solution, which is something we have said is always our top priority.

As I said, the question is whether it will be complied with. As President Clinton said the other day, it is not what Saddam Hussein says; it is what he does. Over the next while, we will need to look at the verification of that agreement through UNSCOM inspections of sites in Iraq. Overall, we certainly welcome the fact that the Secretary-General has been able to reach an agreement.

Senator COOK—Do we support the view that I have heard ascribed to the US President: we should test it by inspecting soon or weekly?

Mr Ritchie—We believe that it should be tested very soon by inspections. Having said that, I have no idea when the first inspection will be. That is a matter for the Secretary-General and UNSCOM to decide. It is very important that the Iraqi government's commitment to the agreement is tested through a series of inspections pretty soon.

Senator COOK—There has been some newspaper commentary about whether or not the agreement demotes or reduces the role of Richard Butler as head of the inspection team. What is your understanding on that point?

Mr Ritchie—Our understanding—I think the Secretary-General and other people have made this clear—is that Richard Butler, as head of UNSCOM, will still have a very substantial role

in the whole exercise. UNSCOM will still undertake all the inspections—pretty well all the inspections.

On some of the inspections, as we understand it, UNSCOM will be accompanied by diplomats from the Security Council or from other countries. As far as we are aware, UNSCOM will still undertake those inspections, both of the presidential palaces and other sensitive sites. More generally, the Iraqis have agreed to continue the inspection program to all other areas without limitation. Richard Butler, as head of UNSCOM, will be responsible for all of that.

I should note that the special arrangements for the presidential sites will go ahead in consultation with Richard Butler. He is to report the outcome of those visits to the Security Council as well. So he still occupies a very important role in the whole exercise.

Senator COOK—Is there any bar on Richard Butler, as head of that mission, proceeding to look at these places himself? Is he in any way blackballed or reduced?

Mr Ritchie—Not that I am aware of, Senator. I think he could go whenever he liked.

Senator COOK—So it is fair to say that he remains very much as he was before.

Mr Ritchie—Indeed. That is our view.

Senator COOK—One ought to see what happens from here.

Mr Ritchie—The inspections will be the next key thing. It will be very interesting to see whether the Iraqis comply with the terms of the agreement over the next few months.

Senator COOK—I turn to the trade site. I notice there was a report today in the *Courier-Mail* that some extreme Muslim elements are calling for a fatwa against the United States and its allies. Do you have any comment on that?

Mr Ritchie—I saw the report, too. I do not know whether there is any truth to it at all. People who have commented on it have suggested that it is actually an extremely small group. I notice that one of the reports we saw pointed out something like 60,000 Muslims in the US army, apart from anything else. We do not know the details of that, but we feel that, if anything, it is a very small splinter group.

Senator COOK—Has the department picked up any disapproval by Arab states of Australia's prompt action in joining the US for military action in the Gulf?

Mr Ritchie—The situation is that we and at least some of the Arab states would not necessarily agree on the essentiality of going ahead with military action against Iraq. The feedback that we have had—Joe might wish to add to this—has been very much that all the Arabs feel that Saddam Hussein must abide by the Security Council resolutions. My own feeling is that any slight disagreement between us and some of the Arabs, or between the coalition partners and some of the Arabs, is really quite a transitory thing. I do not know that it will have any permanent effect, or even a lasting effect, on our relations with the Gulf, which, in fact, are very strong.

Mr Thwaites—Clearly, many of the Arab governments have to deal not only with their own assessments but also with the emotions of their own populations and electorates who have not welcomed the prospect of military action—indeed, nobody has, but they have had particularly strong feelings about that. So what is expressed by Arab governments is responding to that as well as, in most cases, to their very clear desire to see Saddam Hussein prevented from proceeding with the sorts of policies he has been pursuing.

Senator COOK—Can you therefore assure Australian business people that they can expect to get the same reception in Gulf states now as they would have got before?

Mr Ritchie—I think we could assure them of that. Like all these things, it is difficult to predict whether that is going to be the case in individual cases, but overall I believe that is the case.

Senator COOK—Finally on this subject, when the question of military action came up there was a need—was there not—to make a decision as to what the legal situation was in terms of UN resolutions sanctioning such an action. Did DFAT provide advice to the government on that subject?

Mr Ritchie—Yes we did. I will ask Gillian Bird to comment on that.

Ms Bird—Certainly advice was given to ministers concerning the interpretation of the Security Council resolutions involved, and the government's position has been clearly enunciated on that issue in terms of the breaches of relevant Security Council resolutions adopted under chapter 7, most particularly resolution 687 which declared the cease-fire at the end of the Gulf War whose conditions are not being met by Iraq.

Senator COOK—What was your advice on the basis of that?

Ms Bird—The advice that we gave to ministers has been very clearly reflected in that position which has been enunciated by the Prime Minister, the foreign minister and others.

Senator COOK—Minister, is it appropriate for me to ask—

Senator Hill—I am having trouble hearing you with your pencil in your mouth.

Senator COOK—Sorry, Minister. Is it appropriate for me to ask you whether we can see a copy of that advice?

Senator Hill—You can ask. I would in turn take advice on that. I would think we probably would not make it public, but if you want me to ask I will ask.

Senator COOK—Please.

Senator Hill—The government obviously sought advice from Foreign Affairs and from others and satisfied itself—

Senator COOK—I do not think it is a complicated matter, but I do think it is an important matter. If the advice were public, it might reassure people.

Senator Hill—I hear what you are saying, but it does create a precedent in terms of advice within government. Advice of such a sensitive nature is not normally put on the public record.

Senator COOK—I have no further questions on Iraq, but I do have some questions on Dubai.

CHAIR—You have a choice to ask questions now or under program 2—Passport services. Would you like to ask them now?

Senator COOK—Yes. Has the Australian government had any contact with the government of the United Arab Emirates or its representatives regarding Australian persons training in Dubai for stevedoring skills?

Mr Ritchie—Yes. We have spoken to the UAE embassy here on a number of occasions about it.

Senator COOK—What did you put to them?

Mr Ritchie—We didn't. I should have said that they spoke to us. They approached us on a number of occasions because they were alarmed by the press reports that had been appearing in Australia about threats to their commercial interests.

Senator COOK—What did you advise them on that?

Mr Ritchie—We advised them that there were legal remedies available under the law in Australia if they wished to avail themselves of those if there were a threat to any of their commercial interests in Australia.

Senator COOK—Assuming that a threat was being made by Australians, I imagine.

Mr Ritchie—Indeed.

Senator COOK—Did you receive any other representations?

Mr Ritchie—No.

Senator COOK—Did you make any other representations?

Mr Ritchie—No.

Senator COOK—Have you received any inquiries from any other international organisations about this matter?

Mr Ritchie—Not to my knowledge.

Senator COOK—I am happy to move to subprogram 1.6.

[7.58 p.m.]

Subprogram 1.6—Trade strategy development and business liaison

Senator COOK—I think I have covered a lot of these questions when I dealt with them under the North Asia Division and the South and South-East Asia Division regarding the impact of the Asian financial crisis. So I do not think I need to trouble you any more with those. Has this division or some other division of the department been involved—albeit not as the action department but in an advisory capacity—with the negotiations on the multilateral agreement on investment?

Mr Hussin—As you correctly anticipated, Senator, we are not the lead department in this area but the question of investment is one that is important to us. There is a parallel set of discussions going on in the WTO in relation to investment. As you would know, the investment and the links to trade are already partly covered in the trade related investment measures agreement from the Uruguay Round. In relation to this portfolio, that is our main area of activity. Certainly in the OECD-MAI negotiations the government is supporting those negotiations and the idea of clear and transparent rules for international trade and investment that are reflected there, because we believe this will help to ensure better and secure access for Australian goods, services and investors.

The agreement does cover areas such as transparency, non-discrimination—some of the areas that will be familiar to you from the WTO or the GATT system—national treatment and the impost that might be made in markets on investors. From that perspective, it has complementarity with the work in the WTO. The actual carriage of the negotiations and elements that relate to it are really the responsibility of Treasury.

Senator COOK—The negotiations are not completed yet, are they?

Mr Hussin—They are still proceeding. I think the intention was to try to conclude them by April.

Senator COOK—Are they on track for conclusion by April?

Mr Hussin—I am not aware of the specifics of that. I would need to take advice on that. My opinion would be that they probably will not be finished in that time frame, but I am not close to those negotiations.

Senator COOK—Who is keeping liaison with the Australian finance or business community on this—this department or Treasury?

Mr Hussin—It would be Treasury.

Senator COOK—Can you describe what your role is in these talks?

Mr Hussin—We are an interested party in them because the sorts of rules that are being looked at in the MAI are similar to the sorts of discussions that we are having on investment in the WTO but there we are looking specifically at the links between trade and investment. Some of the principles are the same. There is also work that has gone on in APEC on investment principles. So there is a wide agenda in that area. Our interest is parallel to that. It is pursued in the OECD.

Senator COOK—Are you advisers or observers in these talks?

Mr Hussin—We are involved in the broad area, but we are not the negotiators in this case.

Senator COOK—Assuming completion, what steps will then be taken in Australia?

Mr Hussin—Again, I would need to take advice on the precise steps, but I presume if the negotiations are successfully concluded then it would be a question of going through the normal treaty process. As you may be aware, that involves consultations with all stakeholders and the state governments as well.

Senator COOK—Is it true that government departments are being charged a fee of about \$125,000 to buy a speaking spot at the National Trade and Investment Outlook Conference, or what is now called the Australia Summit?

Ms Fayle—I cannot confirm that. The International Herald Tribune is the organisation that is running the Australia Summit. The department is a contributor with sponsorship funds as are some other government departments, including DIST and Austrade. I am not aware of any request for departments to provide money in order to secure a speaking spot, but, again, that would be a matter for the International Herald Tribune. They are running this conference on a commercial basis.

Senator COOK—But we do have representatives that sit with them on the planning committee, do we not?

Ms Fayle—We do. That is mostly to advise them on possible themes, to advise them on what was done in the previous NTIOC conferences and to advise and assist them with speakers from overseas, particularly through our network of posts.

Senator COOK—Last time you gave some details about what financial contribution is being made by the Australian government both in direct payments and in the availability of resources and staff. Have any of those figures that you gave us changed?

Ms Fayle—No, not that I am aware of.

Senator COOK—Have there been no further requests from the International Herald Tribune about renegotiating a part or the whole of that agreement?

Ms Fayle—Not that I am aware of. The amount of money that we are contributing for the Australia Summits is \$150,000 this year and next year. Austrade is contributing \$100,000 in each of those years. I believe that the Victorian government is also contributing \$200,000 in each of the years. I am not aware of any changes to those amounts.

Senator COOK—Does our contribution secure speaking spots for Australian government ministers?

Ms Fayle—As far as I am aware, it is not connected to that. The seed money was provided. The International Herald Tribune was always aware that there would be government seed money. It is not, as far as I am aware, connected to whether we have ministers as speakers or how many we have.

Senator COOK—Given the significant financial contribution we are making to this, would it surprise you that they are asking for \$125,000 gold sponsorship in order that ministers of departments other than your own can speak?

Ms Fayle—As I said, I think it is a commercial decision for the International Herald Tribune as to how they run the conference in that regard. They are seeking sponsorship from other departments, from other state governments and from private sector companies. They have received a high level of sponsorship from the ANZ, for example. I think they are still approaching other companies. I am sure they are still approaching government departments. But I am not aware that it is directly connected to whether or not departments have their ministers speak at the conference.

Senator COOK—What was our financial contribution meant to buy?

Ms Fayle—It was not meant to buy anything specifically. It was set up as seed funding when a decision was taken for this conference to be gradually privatised. The seed money was put there for two years only, with the expectation that the private sector would gradually pick up more of the costs. It was not tied to any specific speaking spots or related issues. In practice, it bought us a position on the advisory committee in assisting them with some decisions about the structure of the conference and the speakers.

Senator Hill—How does it compare with the cost of NTIOC?

Ms Fayle—I think I have those figures. The previous contribution spent on NTIOC 96 by DFAT and Austrade—by this portfolio—was \$1.2 million. It is a substantial saving to the portfolio in terms of the cost.

Senator COOK—Whether it is a substantial advantage to the Australian business community is the real question, and the jury is out until we see this conference, I guess.

Senator Hill—That is a fair comment.

Senator COOK—Is there a date now?

Ms Fayle—Yes, 15 to 17 June is the date for the Australia Summit.

Senator COOK—Do you know to what extent people have enrolled? It is pretty early to talk about that.

Ms Fayle—I am not aware of any numbers for enrolments yet.

Senator COOK—What is the location? Let's complete the commercial.

Ms Fayle—It is on from 15 to 17 June at the Melbourne Convention Centre.

Senator COOK—How much does it cost to get a ticket?

Ms Fayle—I can provide that information. I am not sure that I have it here with me. I am not sure that direct approaches have been made at this stage, but I can get that information for you.

Senator COOK—Is the Minister for Trade being charged to speak?

Ms Fayle—Not that I am aware of, but I believe that he has been invited to speak.

Senator COOK—So only ministers of other portfolios would be charged.

Ms Fayle—As I said earlier, I am not aware that they are directly charging ministers for the right to speak. I am sure they are approaching other portfolios for sponsorship, but I am not aware that such conditions are tied to the sponsorship.

Senator COOK—To be fair to you, Ms Fayle, I have a copy of an internal minute of another portfolio—DIST—which reports that they are being charged a gold sponsorship of \$125,000, and that a number of benefits can be received, including a speaking spot. It says that the minister is very interested, so the issue has progressed and the question then is where the money is going to come from. It then says, ‘No gains to fund at any higher level. IP can provide some funding but need views from others.’ It is an internal minute of DIST.

Ms Fayle—My understanding is that the International Herald-Tribune did not put conditions on the sponsorship. I am aware that they approached DIST and I am aware that DIST has indicated that they wish to provide sponsorship. DIST may be talking internally about what they can gain from that sponsorship, but there is not a direct tie that I am aware of between paying the funding and then having your minister speak.

Senator COOK—Can you just check that point, because this minute directly says that they can get a speaking spot if they pay. It is a reasonable thing to say that the minister could charge them to attend.

Ms Fayle—I will check it.

Senator Hill—It sounds a bit odd, I must say.

Ms Fayle—My understanding was that they had decided to become a sponsor anyway. It may be for their own internal justification purposes that they are indicating that that is most likely to secure them a speaking spot for their minister, but I do not think there is a conditionality involved.

Senator COOK—It is a pity we did the DIST estimates last night; we could have tried that one on them and seen. Has this division had anything to do with the current review of dumping and anti-dumping procedures undertaken by the government?

Ms Fayle—No. I think that is a matter for the DIST portfolio.

Senator COOK—You do not have any interdepartmental interest in that?

Ms Fayle—We provide comments on those issues from time to time.

Mr Hussin—We certainly have an interest in the WTO perspective. There is an agreement on anti-dumping and countervailing, and we would have an involvement from that perspective to ensure that the regulations and changes are consistent with the WTO.

Senator COOK—I presume they are.

Mr Hussin—We believe they will be, yes.

Senator COOK—Has the department been involved in the around-Australia briefings by Austrade, EFIC and Westpac on briefing the Australian business community about changes in Asia?

Ms Fayle—Yes, we were involved in some of the planning for that and some DFAT officers were present for some of those briefings.

Senator COOK—I went to the one in Perth and it went extremely well. You volunteered information earlier about market access facilitators; they are in the process of being appointed. I do not have any further questions on this division.

CHAIR—Thank you. We will now move to subprogram 1.8.

[8.13 p.m.]

Subprogram 1.8—International legal interests

Senator COOK—My question concerns a matter of considerable interest to the minister as well. It is the question of patagonian toothfish poachers. I see that we arrested a vessel yesterday in our territorial waters in the Southern Ocean. What has happened in terms of the legal action being taken against the ships that we apprehended previously?

Mr Rowe—A Honduran registered vessel called the *Big Star* was apprehended on 21 February in the Heard and McDonald EEZ. It is currently being escorted to Fremantle where we expect that charges will be laid against the vessel under the Fisheries Management Act. In relation to the two vessels that were apprehended in October last year, legal proceedings are currently under way in Perth. One of the vessels has paid a bond and left—the *Salvora*, registered in Belize. The other, the *Eliza Glacial*, registered in Panama, is still in Perth because the bond has not been agreed on.

The court proceedings are currently under way. I am not exactly sure when they will be concluded but there is no doubt that the full weight of the Fisheries Management Act is being brought to bear against both vessels and their owners. We think that that will result in a satisfactory outcome.

Senator COOK—Some fishing companies in Western Australia have put to me that these people responsible for incursions into our territorial waters are being thrashed with a feather. By paying a bond rather than having their vessel confiscated, their captain charged and their catch confiscated, they are getting away with lesser penalties which can easily be absorbed into the commercial operation. What is the situation with the penalties?

Senator Hill—I think the bond is the value of the vessel. As I recall, the objective of the government is to bring the full weight of the law against them. That is the whole purpose. The responses that I have had from the fishing industry in Perth—and there is only one Australian fisher who services that area—has been very supportive.

Senator COOK—I had representations that were very concerned. As you say, there is only one fisher. Is the bond the value of the vessel?

Mr Rowe—I cannot confirm that. I know the bond for one vessel is \$1.5 million but whether that represents the value of the vessel, I am not sure. This portfolio does not have the responsibility for the actual prosecution of the vessels. That is taken under the Fisheries Management Act, which is the responsibility of another minister. But on the general question of combating illegal fishing, I agree entirely with what you say, Senator. The Minister for Foreign Affairs has seized this issue and we in the Department of Foreign Affairs and Trade are very actively involved with other departments in the whole of government approach to try to combat that and to increase the measures and the international approach to restrict such activities, particularly in our EEZ.

Senator COOK—The other issue put to me was that it would be useful if the Australian government, the South African government and the New Zealand government were to pool their resources in this. When you are in hot pursuit you cannot go into the territorial waters of other nations. If you pooled the resources, all three nations which are being exploited or encroached on here could work together to apprehend these rogue fishers. Is there any such agreement or is it possible for our vessels to apprehend in, say, South African waters?

Mr Rowe—As we mentioned at the last Senate estimates committee hearing, we are very interested in working with other countries that share our similar concerns in developing collective arrangements to tackle this problem. In fact, there will be a meeting in South Africa in March of the eastern Antarctic coastal states group, which comprises Australia, New Zealand, France, Norway and South Africa, with the specific aim of discussing what type of measures we might collectively take—exactly along the lines you have been outlining. We see that as an important next step amongst that group of states most directly concerned. We will be looking for a substantive outcome from those consultations.

Senator COOK—I hope you get it; it seems to be a sensible thing to do. Irrespective of their point of registration, by working back through the system the actual ownership of the two vessels apprehended can be ascertained: one is owned in Scandinavia and one in Spain. Under European Union arrangements, companies caught fishing illegally lose their European licences. Have we had any discussions with the governments of those countries about this sort of activity amongst their fishing industry?

Mr Rowe—We have not, to my knowledge, had any in the Department of Foreign Affairs and Trade.

Senator COOK—The point that was being made was that we should at least draw to the attention of those governments the fact that their nationals may be involved internationally in illegal activity and ask them to monitor the proceedings. One has to allow the court proceedings to flow but we could draw the attention of those governments to those court proceedings.

Mr Rowe—Certainly under the provisions of the law of the sea convention we are obliged to get in touch and let the registered owners and the countries where they are located know of the fact that their vessel has been apprehended. We have done that very promptly, for example, in relation to *Big Star*, the Honduran vessel. We have sent instructions to our embassy in Mexico to take the matter up. Mexico is accredited to Honduras.

We do act very much in the full vigour of implementing the law of the sea convention provisions. We can certainly look to make sure that we are adequately following through on all those particular aspects.

Senator COOK—The point that was put to me is that these vessels are registered often in flag of convenience or Third World countries. Their point of registration does not necessarily indicate who owns them. Even if it is a vessel registered in those countries, it does not go necessarily to the point of who owns them. You have to work back through a series of blind companies to finally come to the real owners—in this case one group of owners is Scandinavian and the other group is Spanish. The real owners are therefore caught by European Union regulations on this. If they were convicted they would have a penalty metered out to them within the European Union.

Senator Hill—I think that we should take that on board and ascertain the law and the facts and see whether it is a useful avenue to pursue. I will also follow up the bond issue again. I indicated to you, although I may not have made it very clear, that when I heard that a bond was to be posted I asked the same question and I received an assurance that the cost of the bond would be the value of the vessel and that, therefore, there is nothing lost in releasing the vessel. I think that the vessels were also attached with some sort of monitoring unit that the proprietor agreed to have fitted so that their travels could be followed.

But certainly the attitude of the Australian government is that we should bring the full force of the law to bear. As you would imagine, this has been a major investment by Australia in

this exercise. It has been logistically very difficult and very costly. It has really been quite a superb exercise by the Defence Force and all other parties who have contributed to it, whether it has been Foreign Affairs, the Antarctic Division of my department or others. It does demonstrate the extent to which Australia is prepared to go to protect our resources, be they commercial resources or our environmental assets. Of course, some other states have also been quite successful in arrests. One would hope that the word will get around soon that it is not worth the risk down there.

Senator COOK—It's not worth a candle.

Senator Hill—If that occurs—if we get to that situation—it will be a very successful outcome.

Senator COOK—I am just working through the list of things put to me by my interlocutors. The next question they raise is that in the event of conviction these penalties are imposed as infractions against fishing law on fish but there is an environmental dimension too: they damage the environmental resource. Should Australia raise that question with the countries from which the owners come? Should we have a provision in our law for environmental, not just fishing, reparations? I am not sure what sort of law it is, whether it is a state or a federal law. It must be a federal law. Has the government given any thought to that?

Senator Hill—I do not know of any right of action that we have of that type. Do you, Mr Rowe?

Mr Rowe—No.

Senator Hill—It would be fine if it existed.

Senator COOK—The point was that there do not seem to be any heads of power operating in this area, and maybe that is something that we should look at because the damage is to the fish stocks—that is a fisheries infraction—and is also, in another way, to the environment.

Senator Hill—I stand to be corrected, but I do not think the CCALMR treaty gives any third party rights of action.

Senator COOK—I put it to the government for its consideration. It is a view that has been put to me that I am just knocking on to you.

Senator Hill—Yes, thank you.

[8.25 p.m.]

Program 2—Passport and consular services

Subprogram 2.1—Passport services

Senator COOK—I have a series of questions for Passport Services concerning Dubai. Is it true that DFAT facilitated the urgent issue of passports to persons employed by Fynwest Pty Ltd to travel to Dubai in December last year?

Mr Buckley—That is quite possible. We facilitate passports to a large number of people, and I believe that there were people who were travelling to the Middle East with this company who sought the early issue of passports—that is, the same day or the next day—and they were issued to them. But there was no instruction that they were particularly to be favoured; that is just a normal procedure.

Senator COOK—Do you know when you were first contacted to facilitate the urgent issue of passports for Fynwest employees?

Mr Buckley—I have got to make it clear that we were not contacted to facilitate passports for Fynwest employees. We were contacted some time in November with an inquiry about two passports which we believe are probably Fynwest employees', in view of the subsequent publicity. But certainly at the time we did not know that they were Fynwest employees. We were simply responding to a request to check on a couple of passport applications which had been made and the director of passports, as he would normally do in these circumstances, checked on those passports. But we were not facilitating anything, except in the sense that when a person comes in and asks for an urgent passport we facilitate it if we possibly can.

Senator COOK—Who made the inquiry?

Mr Buckley—The original inquiry, I understand, was made by a Ms Wells, who asked the director of passports office for about two passports. We are not sure of the names of those people.

Senator COOK—Do you know in what capacity Ms Wells sought that information?

Mr Buckley—I am not quite sure I understand the question. She simply said that she was inquiring after a couple of passports. I have to stress again and again that this is a perfectly normal procedure and that the director of passports would get many inquiries like this. So there was nothing out of the ordinary in this. I do not know in what capacity; I do not know that the director of passports would know in what capacity she was acting.

Senator COOK—At what level was the inquiry received?

Mr Buckley—At SOG B level, which is the director of passports operation, Mr Graeme Middleweek. He is the normal contact for that. Sometimes it would go to him; sometimes it would go to the head of the Passports Branch, Mr Tyson, but that is the normal place it would go.

Senator COOK—What procedures are involved in processing urgent passport applications for persons travelling in groups?

Mr Buckley—I do not think there are any particular ones; perhaps Mr Tyson can add to this in a second. In general, the procedure is as follows: we issue about one million passports a year. About 500 are issued urgently—that is, the same day or the next day—per week, so it is quite a large number. These people who are basically asking us to issue urgent passports usually give us a plausible reason for doing so—for example, there is a family sickness or whatever else or their company wants them to go on a particular trip.

Normally for a person to jump the queue from all the other people who are waiting, we would like some proof that they are going to travel. That is usually an airline ticket—sometimes we contact the airlines about it—or we get a letter from their company or both of those things. These are not legal accountable documents. The important thing is that they are asking us to facilitate their passport issue. I do not think, to answer your specific question, we do anything out of the ordinary for groups. If a group of business people came and asked us, we would follow those same procedures.

Mr Tyson—I think Mr Buckley has covered it. I would make the point that anybody who has the necessary documentation, which is essentially the proof of identity that we require, and citizenship, and is therefore entitled to a passport, gets a passport. We do, as Mr Buckley says, issue 500 urgent ones—urgent ones being same day passports—a week. We actually issue 1,500 passports a week within a period of two or three days—that is, there are about 1,500 accelerated passport issues during the course of a normal week. Provided they have the necessary documentation, they get a passport.

Senator COOK—What documentation did Ms Wells, on behalf of Fynwest, provide to you to convince you that this was a genuinely urgent matter?

Mr Buckley—To my understanding, she did not provide any documentation. This was simply a telephone inquiry. Mr Middleweek would then ring the passport office where the person was. This would be the normal procedure, which was followed. The person would come in with their documentation to get the passport. That would usually include a letter from the company they were going with. Presumably if they were going for Fynwest, they would come in with a letter from Fynwest, but we have no idea about that. The important thing is that we are giving the passports to the correct people, not that we necessarily keep all the documents which allowed us to make an urgent issue.

Senator COOK—The image I have in my mind, Mr Buckley, from what you have given evidence on thus far is a queue of people who are going through the normal ordinary routine. While the department endeavours to keep the lag time between application and issue as tight as possible, there is nonetheless a lag time.

Mr Buckley—About seven to 10 days.

Senator COOK—And there is this queue standing there. For those who want to jump, they ring up and then produce some evidence to justify why someone in DFAT should give them preference above all those who have been dutifully waiting. My question is: what evidence was given in the case of these two people—if two is the number—that they had urgent business to attend a commando school in Dubai?

Mr Buckley—I do not know about the last part of the question. As to the first part of the question, we do not know what evidence they gave, if they gave any, because the evidence given in the passport office would be seen—sometimes it is only just seen and the person ticks off that they have seen it—in the particular passport office that they are in. It is not done centrally and it is not done as a special case. This was a totally normal case. It is the same as all of them—a dossier is set up on the particular person and in that dossier would be either the information that they provided or there would be some advice on the piece of paper that someone had seen that documentation. We do not know what these people may have offered.

Senator COOK—Someone who would see the piece of paper is one of your staff, isn't it?

Mr Buckley—Yes.

Senator COOK—In that sense, the knowledge is in your house. Someone within your department knows what was on that document. They would have seen it.

Mr Buckley—Yes, that is right.

Senator Hill—I think I heard an officer say that they do not keep a record of it; they just need to be shown evidence to give the delivery of the passport.

Mr Buckley—There were some individuals. There will be documentation somewhere in the department. We do not know who those individuals are. To identify those individuals who sought the passports, we would need their full name and date of birth. If we had that, we could find the documentation. But we do not have that because this was a telephone call to Mr Middleweek. He then rings up the relevant passport office and asks about it, but he gets a number of these every day, so he has no record of who these people were.

Senator COOK—One presumes that if you had their names, you could locate the letters expressing the reason for urgency but also if you knew that the company was Fynwest, you could check letters from Fynwest.

Mr Buckley—We do not keep them that way. We keep them by person. We show that ‘person A sought accelerated passport issue’, not ‘Fynwest sought accelerated passport issue’, if they did. We do not know whether they did or not.

Senator COOK—Do you keep them according to date?

Mr Buckley—No, we keep them according to name.

Senator COOK—So if I went to your files I could look up all the Cooks or Hills or Buckleys in Australia who applied for urgent issue, irrespective of what date we made the application?

Mr Buckley—You could look up a particular person by name but you could not look up ‘parliamentarians’—

Senator COOK—No. If you do not keep your records by date, you have got no idea how contemporaneous the names in front of you on your records are. You have got no date reference.

Mr Buckley—I am not totally familiar with it, but you would go into a file for a particular person and in that file on that particular person would be the information on that person by date, when a letter was received. But we do not have a computer system which cross-references all letters we receive and relates them to the file. These are not accountable documents. All these are doing is saying that this person should get a higher priority in the queue. If it is an accountable document, then we are required by the legislation to make sure that we are absolutely clear that it is the accountable document—and that is birth certificates, citizenship, those sorts of things, but not letters from companies. As I said before, sometimes we do not even keep those letters. The person issuing the passport would just say, ‘I have seen a particular letter.’

Senator COOK—Have you conducted any inquiries as to whether any of your staff received letters from Fynwest for urgent issue of passports?

Mr Buckley—I am not sure.

Mr Tyson—If we have a full name and a date of birth, we can look up that person, we can find their dossier and any documents that are attached to that dossier will be there. We will have also on the computer record their date of application, the number of the passport, the date the passport was issued and so on and so forth. That is the only way in which we can find those documents. If we had all the names of the group in question, and their dates of birth, then we could track those documents; but without that information, we cannot. I suppose we could, in theory, look through a very large number of dossiers for letters from Fynwest, but at the rate of one million passports a year it could take some time to do that. It could be done.

Senator COOK—My question was, really, did you just ask your staff, ‘Does anyone remember any letters from Fynwest for urgent issue?’

Mr Tyson—We have done a ring around to our state offices and we are unable to establish any particular pattern. People do not remember. There were enquiries in relation to a number of individuals who had sought urgent issue of passports for travel to the Middle East. After it became an issue of public interest—after Mr Brereton’s question, essentially—we assumed that there may have been some connection amongst these individuals; but to that point, there was no reason for us to think so, and our staff do not have recollections of Fynwest letters.

Senator COOK—Just to satisfy my own curiosity about this procedure for getting urgent passports—say a decision is made to fast track the issue of a passport which is at the request

of someone over the phone. Is that a sufficient basis for making a decision that this individual who has inquired will get precedence in the list over those that are waiting?

Mr Buckley—No, sorry Senator, maybe I was not clear. This original phone call was from Ms Wells who was inquiring about an application that had been made. We would not fast track a particular case unless there was some documentary reason for doing it, like seeing—not just hearing about on the phone, but actually seeing—an airline ticket or a letter from an employer. So it is not done over the phone. The person goes in—

Senator COOK—Those seeking urgency have to come in, produce a letter which sets out reasonable grounds for the request, and some evidence to satisfy you that they intend to travel fairly soon and are genuinely caught, before you will act.

Mr Buckley—Yes.

Senator COOK—But the only way you keep their records is by name? I suppose you have records of all those who have requested early preferment—urgent issue of passports?

Mr Tyson—No, Senator.

Senator COOK—Not separate from everyone who has a passport?

Mr Tyson—No. In the course of the queue, on those days on which the passport is to be issued—whether it be issued today or tomorrow or in the normal course of events—we are aware that an urgent request has been made. But once the passport has been issued it is just another passport.

Senator COOK—Is it not a fact that Fynwest wrote to DFAT on 9 December, setting out the terms of a three-year renewable contract for its employees and specifying the purpose of travel to Dubai as ‘three months full-time course of technical training’?

Mr Buckley—That is what was in the paper; that was in the article of 12 January. But we could not tell; we do not know. If we knew the name of the person who was identified in there as ‘K’, we might be able to say, ‘Yes, we have received a letter on behalf of this person.’

But that says that a letter was faxed to the department at 4.49 p.m. or something on the 9th—and that is perfectly possible, but we cannot tell. If we knew the name of the person, we could say straightaway. But there is no way. If we asked all the staff in the passports office, it is very unlikely that they could tell us either.

Senator COOK—That leads me to a question about your record keeping. When someone writes to the department or the department receives letters, does it not register a log of letters received on a particular day and from whom, before allocating them to particular officers?

Mr Buckley—Certainly with letters that are addressed to the department. From the newspaper report, this was not a letter addressed to the department. It was a fax of a copy of a letter written to this person ‘K’. If someone writes to the department, it is logged into the department.

Senator COOK—Then it is possible to look at your log and see whether on 9 December you received a letter from Fynwest.

Mr Buckley—But it says there that it was faxed. It could have been faxed to any office of the department anywhere in Australia.

Senator COOK—I have this problem in my own office, I have to say. Letters that come by fax are a pain, if they are not properly logged. At the end of the day, you have to be sure that you have all the letters that are sent to you by whatever means—and most of them do not come through the post any more.

Mr Buckley—But we do not keep a central log of faxes that we receive.

Mr Tyson—We assume that, looking at the newspaper report, it is quite likely that what we are talking about here is the piece of paper from the employer to justify the issue of an urgent passport. If that is a correct assumption—and it is only an assumption—then that piece of paper will have been attached to that individual's dossier in the passport office in question; and it will be in the dossier still and it will be extractable, if need be. But we would need for that purpose, as Mr Buckley says, full name and date of birth. It is not a letter in the conventional sense.

Senator COOK—If you get a letter related to a passport, it is not logged?

Mr Tyson—In this case, as Mr Buckley says, it is justification for an urgent issue. Instead of being a note from an employer, it may well be an airline ticket or a note from the airline confirming that so-and-so is on a particular flight. In some cases, we give our state managers discretion; if they believe that there is a very good reason for someone to be given an urgent passport—they have an ill relative and need to travel urgently, or some such reason—we do not require any confirmation at all; we simply issue an urgent passport.

Our assumption is that, on this occasion, what we are talking about is the employer's confirmation that such a person needs an urgent passport. That would be sufficient for our purposes, and it would go on the dossier.

Senator COOK—So how do you protect yourself against people who say, 'We've written to the department, and they've so far ignored us; we've sent you a letter, and you've not replied'? I do not know about you but, for me, that is a hell of a problem because they are usually a constituent.

Mr Jones—But normally they would tell us their name, and we would know it.

Mr Buckley—And the other thing is—and we are talking about a hypothetical situation here because we have no information—if that letter came and the passport were issued, there would be no concern about them writing back to us because the action would have been taken; the passport would have been issued, so there would be no need for them to write back to us. But as to whether we keep a central log of all the letters we receive on behalf of passport applicants, the answer is no.

Senator COOK—If I asked you whether you could tell me who had received urgent passports between date X and date Y, could you do that?

Mr Tyson—I do not believe so, no.

Senator COOK—That is to say, you do not know to whom you issued a passport between those dates?

Mr Tyson—Yes; but we do not know which of those passports were issued urgently. As far as we are concerned, the passport is issued and, once it is issued, it is issued. We have the full record clearly of date of application and date of issue. I suppose that we could deduce from that which ones were issued urgently, yes. But we do not make a particular point of recording which passports were issued urgently.

Senator COOK—If I were to say in what cities, that would make the task easier?

Mr Tyson—Yes.

Mr Buckley—But it would be really easy with the names and dates of birth.

Senator COOK—I appreciate that. I am trying to refine your task down to being very easy indeed, Mr Buckley, but I am not sure how I would do it. The issuing points for passports are set out in your annual report, or somewhere, are they not?

Mr Tyson—Yes.

Mr Buckley—Yes.

Senator COOK—Are there multiple issue points in capital cities?

Mr Tyson—No.

Mr Buckley—I was just thinking of Sydney—no. There is one in Sydney, Melbourne—in all the capitals plus Newcastle.

Senator COOK—There is one in Sydney. So, if you lived at Parramatta, you would go to the Sydney one; there is not one in Parramatta.

Mr Tyson—Yes.

Mr Buckley—A lot of passports are done through post offices, so that the application is made through a post office.

Mr Tyson—Just to add to that: of the order of 85 per cent of applications actually do go through post offices rather than through the passport offices themselves. But they are physically issued in the passport offices and then either sent out by mail or the applicant is able to come and collect the passport if he or she wishes. So the only points of issue in New South Wales, for example, are Sydney and Newcastle.

Senator COOK—You say that you cannot differentiate between urgently issued passports and ordinarily issued passports; yet someone makes a decision that this passport shall be granted urgent status.

Mr Buckley—Yes.

Senator COOK—That decision is made in your department.

Mr Buckley—Yes. The heads of the passports office have some discretionary powers. That is one of them—that they can decide whether a passport can be issued urgently. As there is quite a large number, you can imagine that they are made for all sorts of reasons.

Senator COOK—It is unlikely though that someone who wanted an urgent passport would resort to Australia Post, is it not?

Mr Buckley—Yes. No, they would come to the passport office.

Senator COOK—Is there or is there not a record kept of statistics of how many urgently issued passports there are in a given period, as opposed to ordinarily issued passports?

Mr Tyson—Yes, there is. In 1996-97, for example, there were 24,646 same-day passports issued. That figure progressively rises out to five days. If we assume that any passport issued in five days or less is an urgent passport, in the sense that it is issued in less than the normal period, the figure is 80,050.

Senator COOK—How do you compile those statistics?

Mr Tyson—I guess a record is taken when the application is made that an urgent request has been made. We can tell how many days it takes to issue a passport. This is a compilation of those figures.

Mr Buckley—We are continually trying to get the time that it takes to issue a passport down. So, for our own benchmarking purposes, we need to know how long it takes on average and how long it takes for numbers of passports.

Senator COOK—But you do not need to look at the issuing dates, which seems to be laborious in itself, to know whether it was issued urgently, because someone in your department has made a decision at a particular point that this particular passport will be urgent.

Mr Buckley—Yes.

Senator COOK—It would be very easy to compile your statistics by just getting your officer to say what was urgent and what was not, rather than looking at the issuing date of all passports, wouldn't it?

Mr Tyson—There is a field on the screen which gives application date and there is a field on the screen which gives issue date. These figures are based on the difference between those dates.

Mr Buckley—We know so many passports took so many days and so many passports took Y number of days. It is done from what we need to have on our computer as to when the application was received and when it was completed. From that we get our statistics, not the other way around.

Senator COOK—You say that 85 per cent of your passports are issued through Australia Post?

Mr Tyson—Are applied for through post offices. The applications then come to the passport officers and the passport officers issue the passports. We have subcontracted it out. We have outsourced most of the application process.

Senator COOK—Eighty-five per cent of applications—

Mr Buckley—Are received, yes.

Senator COOK—In relation to the 15 per cent of applications that come to your counter, on those statistics you just gave us about the ratio of urgent versus ordinary, how does that match applications by Australia Post and applications at the counter? It would seem that almost all of the applications at the counter would be urgent.

Mr Tyson—I am not a mathematician. Eighty thousand in the course of a year is roughly eight per cent, I guess.

Senator COOK—Half of those applications at the counter are urgent.

Mr Tyson—Yes, it could well be. I do not know, but that would seem logical.

Senator COOK—Your records are able to distinguish between which applications were made by post and which were made at the counter?

Mr Tyson—After the issue, yes.

Senator COOK—And your records are able to distinguish which were ordinary and which were urgent?

Mr Tyson—Yes. By looking at each case we can tell how many days it took to issue. We can make an assumption that a decision was taken to issue that passport urgently.

Senator COOK—It seems to me that, while it would be a task, you are capable of finding the Fynwest letters.

Mr Tyson—Yes. As I said before, we could do that by ploughing through large piles of dossiers. It could be done, yes. But it would be much simpler, clearly, if we had the names.

With names and dates of birth we could do it quite quickly—in the matter of a morning, I would imagine.

Mr Buckley—But I do not think the fax which is mentioned in that newspaper article says which passport office it was issued at. So that would have to be all passport offices.

Senator COOK—Why?

Mr Buckley—It does not say which one of them it was. So it could have been any one of the passport offices that that fax was sent to.

Senator COOK—But, if my advice was that the place to start looking would be Melbourne, where these people were based, that would modify the list even further—where Fynwest is registered as a company.

Mr Buckley—Yes.

Senator COOK—So can you find for me the letters?

Mr Buckley—The honest answer is that I do not know, but we can take it on notice to try.

Senator COOK—Thank you very much. Have you received any FOI requests on this matter?

Mr Buckley—Yes, we have received one from the *Sydney Morning Herald*.

Senator COOK—Have they been provided with any documentation?

Mr Buckley—I do not think so. I am not sure. I did not handle the FOI request, so I do not know whether they received any or not.

Senator COOK—It is because you do not know?

Mr Buckley—Yes.

Senator COOK—Could you take it on notice to find out whether it is because the request has been refused or it is because it is just simply being processed?

Mr Buckley—Yes, I will take that on notice. As far as I am aware, it is not because the request has not been refused. I am not sure whether we have or not. If we have, then those documents would have gone to the *Sydney Morning Herald*. If we have not, I think it is because we did not have any documents. You have just pointed out through this last line of questioning that we probably have a letter from someone, but we are not aware of that letter.

Senator COOK—Did any minister or ministerial office contact you on this subject?

Mr Buckley—No.

Senator COOK—Did you have any contact from the office or the Minister for Workplace Relations and Small Business with respect to this matter?

Mr Buckley—I am informed, no. I have asked the Director of Passports Operations and he has confirmed that he has had no contact with officers or ministers. We checked again this morning whether anyone had any recollection or any knowledge of an approach from a minister or a minister's office. We checked around the passport offices as well as in Canberra and we were informed that that is not the case.

Senator COOK—Thank you very much.

Senator LIGHTFOOT—I have some questions.

CHAIR—Thank you, Senator Lightfoot. I have too. The first follows on from Senator Cook's questions: can you confirm that Graeme Middleweek, the Director of Passports

Operations, did not at any stage give any instructions within the department to facilitate the issue of passports to Fynwest's staff or employees or anyone involved in related projects?

Mr Buckley—Yes, I can confirm that.

CHAIR—Also following on from what Senator Cook said, and you referred to this at the end of the questioning, did any other minister or their office make any approach to the department relating to the issue of passports for urgent travel to Dubai or the Middle East or in relation to the Fynwest operation?

Mr Buckley—No.

CHAIR—Thank you, Mr Buckley.

Senator LIGHTFOOT—I have a couple of innocuous and relatively short questions for Mr Buckley. I have been informed that there are about 40 per cent of visitors to this country who go missing, as it were, at any one time. Could you confirm that? If the figure—it is a generic figure—is somewhat less than that or somewhat more, you might be kind enough to say what sort of trace is possible to put on people who come to this country.

Mr Buckley—We issue the passports for the people leaving the country. The people you are talking about are visitors to Australia. They receive visas which are the responsibility of the Department of Immigration and Multicultural Affairs so I cannot confirm those figures at all. We simply know how many passports we issue to Australian citizens, not how many people come into the country or what happens to them after that.

Senator LIGHTFOOT—How many people who come to this country apply for passports where they do not have documentation that demonstrates clearly that they came in legally?

Mr Buckley—We have very clear instructions as to how to issue passports and what documentation we receive. I do not know—I will ask Mr Tyson—whether we keep any records of people who apply for passports and are rejected because they do not have the documentation. If they do not have the documentation, and that involves the person seeing a primary document like citizenship or a birth certificate and signing photographs and all of those sorts of things, they do not get a passport.

Senator LIGHTFOOT—Mr Tyson, do we know how many are rejected?

Mr Tyson—No, I do not believe we have statistics on those rejected. There would be, I am sure, many informal approaches as well as formal approaches. As Mr Buckley says, unless someone can demonstrate beyond doubt that they are entitled to a passport—that is, that they are Australian citizens and have the documentation to support that—they do not get a passport.

Senator LIGHTFOOT—But you acknowledge that there are applications made where there is no supporting documentation?

Mr Tyson—Indeed.

Senator LIGHTFOOT—Have you any idea of the figure?

Mr Tyson—No, I have not.

Senator LIGHTFOOT—A rough figure?

Mr Tyson—No, I do not know. I think there would be some people about whom there is genuine doubt as to whether they are Australian citizens and others where there is probably no genuine doubt, but I do not believe we have such figures.

Mr Buckley—There is a process whereby they come along and seek a passport and they are told what documents they will need. They may then go away or they may come back with

part of the documents. We basically send them away again to come back with all of the documents that are required. We do not keep statistics on that, because they are not actually entered into the machine. We do not accept an application until all the documentation is there and the money is paid. Is that correct?

Mr Tyson—That is correct.

Mr Buckley—That is when they go into our machine. That is when we keep our records but, up until that stage, there are various levels of people coming in seeking further information or providing partial documentation.

Senator LIGHTFOOT—Do you refer anyone who applies for a passport and does not have sufficient documentation to another department or that name to another department?

Mr Tyson—In cases where, for example, they are unable to produce a naturalisation certificate, we advise them to go to the Department of Immigration and Multicultural Affairs to pursue the necessary documents. In the case of people who were born in Australia, we suggest that if they do not have a valid birth certificate they should get an original birth certificate from the births, deaths and marriages bureau in their particular state of birth. So, yes, we certainly suggest to people that they go and obtain the necessary documentation to establish their citizenship.

Senator LIGHTFOOT—With respect to people who are not born in Australia who apply with insufficient documentation, you do not refer their names as a matter of course to the immigration department for investigation?

Mr Tyson—We do not. We advise the applicant to seek the necessary documentation himself or herself.

Senator LIGHTFOOT—You do not think that it would be appropriate to do that?

Mr Tyson—Our purpose is to establish Australian citizenship and to issue passports to those who are eligible. That is how we define our role and we require applicants to produce the necessary documentation. If they produce it, we issue a passport.

Senator LIGHTFOOT—Where there is an anomaly with respect to the applicant's documentation and your department is the first point of contact, you do not think that it would be appropriate to refer that to the immigration department?

Mr Tyson—We are required to sight the correct documentation. If there happened to be a reason why we were particularly concerned at the possibility of fraud, we would take account of the documents that had been presented. But it is our task, essentially, to establish citizenship and to issue documents accordingly.

Senator LIGHTFOOT—Yes, you have made that point, but I was trying to draw you out as to whether or not you thought it appropriate, seeing that you often are the first point of contact for people who want travel documents to get a passport, that you should refer that on to the Department of Immigration and Multicultural Affairs for further investigation, and you say that you do not do that.

Mr Tyson—I do not believe that is the role of a passport office.

Mr Buckley—There are a range of applications which we receive. If we thought there was a fraud involved, we would refer that to the relevant authorities—be they the police, immigration or whoever it was. As I understand it, there is contact between those various agencies. But that would not be the first thing we did. We would have to have a view that

there was some sort of fraud involved before we would do that because we have a range of applications which come in.

Senator LIGHTFOOT—Yes. I thought I had implied that, where there was an anomaly and there was insufficient documentation from someone who was not born in Australia and it was almost clear that there could be some kind of fraud or some other reason, you should take it further.

Mr Tyson—I think in most cases that is probably not the case. In most cases, applicants simply do not have the correct documentation, for whatever reason—the documentation is incomplete, they have not read the instructions clearly or whatever—and, in such cases, we would simply advise applicants to go away and obtain the correct documentation—and they do.

Senator LIGHTFOOT—I do not want to labour the point, but perhaps I could put it another way. If someone came to you and said that they were not born in Australia, they did not have the documentation and they wanted to get travel documents in Australia—a passport document primarily, if not exclusively—there must be a fair chance that they are illegal immigrants. Where you have that suspicion that they may be, you do not take it any further.

Mr Buckley—But there is another group. All the permanent residents would not be. There are a large number of those who are here totally legally and were not born in the country, and some of them might come to us seeking a passport and we would say that they are not eligible. If there was something suspicious about a particular application, then I am sure we would liaise with other agencies.

Senator LIGHTFOOT—That was really the answer I wanted, Mr Buckley. I am sorry it took so long to extract.

CHAIR—We will now move on to program 5, subprogram 5.1
[9.10 p.m.]

Program 5—Executive and DFAT Corporate Service

Subprogram 5.1—Executive Direction

Senator HOGG—My first question relates to a document which was supplied by Ms Hewitt on the occasion of a previous estimates—The departmental resource management action plan, dated September 1997. I refer specifically to recommendation 1.3. The second dot point of that recommendation refers to the withdrawal of one officer from both the UN New York and the UN Geneva, in light of the government's priority on bilateral relations at the expense of multilateralism. I certainly hope that no reductions in our WTO mission have occurred or will occur. Can you confirm that this is so and, if it is not the case, what is the case?

Mr Robilliard—I would actually have to defer to my colleagues from our staffing area on that question.

Mr Chester—I think your question was: have those positions been withdrawn from New York and Geneva?

Senator HOGG—Yes.

Mr Chester—The positions have now been withdrawn.

Senator HOGG—From when?

Mr Chester—I do not know precisely when the positions were withdrawn, but they were withdrawn around October of last year.

Senator HOGG—What about our WTO mission?

Mr Chester—No, there have been no withdrawals of A-base positions from there.

Senator HOGG—It just seemed that that particular recommendation, whilst it mentioned the UN and New York and Geneva, went to focus on a heightened approach by the government for a priority for bilateral relations and its preference for a more selective approach on multilateral issues. Hence the concern about what might be happening at the WTO. The second question relates to recommendation 2.15. Recommendation 2.15 outlines a plan to restructure the department's trade division and states:

The trade elements of DFAT's work continues to expand both absolutely and as a relative share of the portfolio's activities.

Given the cuts to DFAT, how many trade related positions have been lost over the last year?

Mr Chester—Senator, I do not know the answer to that question. Maybe one of my colleagues does.

Ms Marginson—Most of the policy positions in the department are mixed positions. To describe any one officer as a trade policy position exclusively does not fit, except in very singular circumstances, the description of most officers in the department. We can do some research on that and see whether we can come up with an answer for you.

Mr Jones—Frankly, Senator, I do not think you would get any meaningful answer from that. The geographical divisions do a lot of trade work; people in posts do a lot of trade work. That is beyond the two divisions which have major economic focus. So it is really not possible to break out from the rest of the organisation positions that are involved in trade work.

Senator HOGG—Are we able to isolate the increasing impost trade work is placing upon those positions? That is basically what we are trying to seek out of this. As you and I know, trade work is continuing to increase, and there have been cuts within the department. Our concern is that the added responsibilities that have been placed upon the shoulders of these people is somehow affecting the quality of the work that is being output. So we are trying to get some tangible assessment of the shift that is taking place.

Mr Jones—It is very difficult to quantify it.

Senator HOGG—There must be some way in which you assess what the various officers are doing so as you have an appreciation of whether their workload is too much or too light, or whatever the case might be. Maybe you can make us aware of your measurement standards.

Mr Jones—As I say, it is not quantified in any way in relation to individual officers. What you find is that the nature of the workload evolves at any particular time, depending on what is going on in a particular country or area of the world. For example, sometimes people in geographical areas or in posts might be doing more trade work or less of something else. Or, if there is a political crisis of some kind that blows up, they grapple with that and have to make judgments about priorities on a day-to-day and week-to-week basis. It is very difficult to separate the workload into different categories and regard that as anything quantifiable.

Senator HOGG—It is part of the recommendation arising out of the department's own management action plan. It would seem to me that there must be some way in which these things can be quantified. It is an impact on a fairly important division and is therefore undoubtedly impacting on other officers. If you can give us a reasonable appreciation of that, it would be welcomed.

Mr Jones—I appreciate the conditional tense in which you made that last request. We will certainly look at what you have asked for, but I have to say that we are not talking about just

one division or two divisions of the organisation; we are talking about the workload right across the spectrum of the department.

Senator HOGG—The next recommendation I turn to in the document is recommendation 221. How do the trade divisions fare in relation to recommendation 221, which says that a graduated level of savings should be implemented on the basis of where the work of a division sits in relation to the current government priorities, with the suggested cut for any division being from 2.5 per cent to seven per cent in 1997-98?

Mr Jones—I will first of all address the issue involved in your question when you said ‘trade divisions’. As I said earlier, many of the divisions in the department substantially focus on trade related work. All the geographical divisions, for example, of which there are four, find that a very substantial part of their work is bilateral trade market access type issues. It is not correct to believe that the only places where trade work is done in the department is in either the Trade Negotiations Division or the Market Development Division.

Senator HOGG—I do not simply believe that. That is not the point we are putting to you. What we are seeing are substantial cuts being made in this area. It really raises the question of what the government’s priorities are.

Mr Jones—In a sense, the answer to that is they are set out in the white paper. That acts as the broad framework within which the department makes its judgments on priorities.

Senator HOGG—The next question relates to SNAP. How many officers of a trade background are offered up in the SNAP program?

Mr Chester—Senator, let me first explain the SNAP program. In essence, it covers all officers who are unplaced at a particular point in time. It includes officers who are in transit to posts, coming back from posts, or on special duties within the department. There are also a number of officers who are at any particular time unplaced in the department. I think your question is really at that last element—the number of officers who are unplaced.

Senator HOGG—Yes, with a trade background.

Mr Chester—At present there are around 25 officers—

Senator HOGG—Out of a total of?

Mr Chester—There are around 25 officers on SNAP in the sense that—

Senator HOGG—How many of those have a trade background?

Mr Chester—I am not sure of the precise breakdown of what you would call officers with a trade background or a non-trade background. The level of the officers varies across the whole range of classifications. The majority of officers unplaced are at the lower level—ASO 1s to 4s and ASO 5s. There are potentially 10 to 15 policy officers, some of whom would have a strong trade background.

Mr Jones—It is not always easy to establish that an officer is regarded as having a trade background or not having a trade background. In relation to officers who were in the old foreign affairs department and the old department of trade prior to 1987, you can perhaps put that label on, but anyone who has joined the Department of Foreign Affairs and Trade in the last decade may well do trade work at a certain time and do other work at other times. So there is no label attached.

Senator HOGG—The next recommendation I wish to look at is 3.1. Recommendation 3.1 downgrades the business liaison officer positions in Sydney and Melbourne. Is this in response to lower demands being placed on DFAT from business?

Mr Jones—I think it is essentially a question of establishing the most economic way of managing that particular workload of the state offices.

Senator HOGG—So it is no reflection of a change in business attitude or business demands.

Mr Jones—I would not think so. Business liaison is a major activity of the directors of the state offices. What you are talking about there in addition to that are other officers within the state office who assist the state director on business liaison work.

Senator HOGG—That situation has changed as of what date in respect of—

Mr Jones—The implementation of the recommendation was completed in December last year.

Senator HOGG—So the recommendation would have gone to the government and the government would have endorsed that particular recommendation.

Mr Jones—It was not put to the government in a formal way. It is part of a departmental implementation of this action plan, which is a departmental management plan.

Senator HOGG—How has this weakened the position for the business community in these areas? I know you said the directors have taken over part of the responsibility, but I presume they have not taken over the whole responsibility.

Mr Jones—The point I was trying to make was that the directors have always played the major role in liaison with the business community and the states. The positions we are talking about here are people who assist with that role. What we have done is some rejigging of the levels at which that work is done.

Senator HOGG—Part 4 of the document sets out in some detail the downsizing strategies for DFAT to remove an additional 225 officers over 1997-98. Senator Cook would have taken this issue on at the last estimates. During the November estimates Ms Hewitt reported that the downsizing and voluntary redundancy program was almost at an end. Is it now at an end?

Mr Chester—Yes. The program is at an end in the sense that the line has been drawn and no more voluntary redundancies are being accepted. Some of the number who have been approved for this financial year are still to leave the department.

Senator HOGG—Do you know how many are left to leave?

Mr Chester—The total number of officers leaving this financial year is 253. As of early this month, 5 February, I think there were still 114 officers who had been approved to leave.

Senator HOGG—And are still to go?

Mr Chester—Yes.

Senator HOGG—So that means you will exceed that figure of 225?

Mr Chester—That is right.

Senator HOGG—So there are no compulsory redundancies necessary.

Mr Chester—No.

Senator HOGG—This fully satisfies the downsizing requirements which were outlined.

Mr Jones—Yes, that is correct.

Senator HOGG—I have one question reverting back to the issue of SNAP. How long do people stay on that program?

Mr Chester—In what sense?

Senator HOGG—You said that there are 25 on the program currently. What is the maximum stay for people in that area before they are placed?

Mr Chester—It varies from officer to officer. Some may well only be on SNAP for the day that they arrive back in the department. Others will be on SNAP for a longer period. There are some officers who are technically unplaced officers and they have been like that for a period of time—several months—but they are essentially employed on special projects in that time.

Senator HOGG—As a result of the downsizing that has taken place, I presume there would now be fewer and fewer people on the SNAP program as you are able to place these people better in the department.

Mr Chester—That is right.

Mr Jones—Yes.

Senator HOGG—So we should almost be seeing the end of the SNAP program.

Mr Chester—That is correct. As I describe it, the point of equilibrium has now been reached.

Mr Jones—Part of the SNAP program of which we are seeing the end is people who are unplaced. There are still people in transit and for some other reason not attached to a particular division who would still be not attributed to programs, which is what SNAP—

Senator HOGG—That is right, but those people not attributed will be very short term indeed as opposed to the situation that we have seen where some people can spend some time on the SNAP program.

Mr Jones—They will be short term because they are between Canberra and a post or something like that. They will not be unplaced.

Senator HOGG—I understand that. That has not been the concern. The concern has been that there have been people left there for inordinate periods of time.

Mr Jones—Yes.

Senator HOGG—The only other question I have refers to recommendation 1.2. It sets up a trial program for one-person posts. Have the trials commenced yet?

Mr Baxter—The trials commence in three posts on 1 April this year.

Senator HOGG—Do we know which posts they are going to be trialled at?

Mr Baxter—Yes, they will be Malta, Nicosia, Tarawa.

Senator HOGG—Who will be doing the monitoring of those trials?

Mr Baxter—We will be doing the monitoring from Canberra. We have already done a lot of preparations to move to this one-person trial in terms of devising better systems, more simple systems, et cetera. We will also be setting in place arrangements where there will be a supervising mission which will lend support to those one-person operations.

Senator HOGG—If those one-person operations have difficulties, whom do they contact?

Mr Baxter—They will have the nearest largest mission. In the case of Malta it will be Rome. In the case of Nicosia it will probably be Athens. Those two posts will have a role, if you like, acting as a hub for a smaller mission.

Senator HOGG—How long is the trial destined to last?

Mr Baxter—We plan to run it for six months and then evaluate the results after that and make some judgments about whether the one-person operation is viable or not in the longer term.

Senator HOGG—That is all I have for program 5.

CHAIR—I have a couple of questions on program 5. How many heads of mission do we have?

Mr Jones—I assume, Senator, you are talking here about heads of mission overall or heads of mission managed by the Department of Foreign Affairs and Trade. We have a number of missions managed by Austrade.

CHAIR—Yes, heads of mission managed by DFAT.

Mr Jones—We have 80 posts managed by DFAT and those all have heads of mission or heads of post.

CHAIR—How many are headed by a woman?

Mr Jones—Ten.

CHAIR—Is that a record number of women heads of mission?

Mr Jones—Yes, that is correct.

CHAIR—In the last 12 months how many heads of mission have been appointed and how many of them have been women?

Mr Jones—I have not got a figure like that available for you. We will have to take that on notice.

[9.34 p.m.]

Program 8—Australian Secret Intelligence Service

Mr Jones—I think we answer the questions we can on that subject, Mr Chairman.

CHAIR—That is the understanding, Mr Jones.

Senator COOK—I have a question for the government. I note the rather sizeable budget cuts to ASIS since the Howard government came to office from the 1996-97 estimated actual outlay of \$37,237,000 to the 1997-98 budget figure of \$33,027,000. That is a 13 per cent reduction. That is a quite big cutback for an agency. I assume a lot of the staff went as well. Given that we are now gripped in this region with economic crisis and we have troops in the Gulf, one could argue easily that this is a time at which reliance on good quality intelligence is important. Will the government restore that cut?

Senator Vanstone—I will take your question on notice and ask Mr Downer to give such an answer as he chooses to give you, as is appropriate. Every member and senator can make all sorts of assumptions about what they think is appropriate and what is not, but, in the end, the government of the day has to make decisions. When you come into government facing a \$10 billion deficit those decisions are particularly difficult. Unless one were prepared to admit that the previous government had enormous areas of largess, waste and profligate spending, limited to one or two portfolios, one would have to make decisions across a range of portfolios, regrettable as that would be. But, of course, one looks back and is grateful that they have been made. That is why the economy is in such a good position.

Senator COOK—You are sitting on a \$1 billion Federation Fund, Minister. Perhaps you could find a bit to protect the security of the country.

Senator Vanstone—I would not be so brash if I were you to suggest that the security of the country is not in very good hands.

Senator COOK—I have not suggested that.

Senator Vanstone—The suggestion that one needs to find a few dollars in order to make it secure implies that that is the case.

Senator COOK—You have certainly downgraded one of the agencies.

CHAIR—There are no further questions on program 8.

[9.37 p.m.]

Program 6—Development cooperation

Senator COOK—We picked up a lot of questions on AusAID earlier today when we were talking about the Asian currency issues.

CHAIR—Where is the minister?

Senator COOK—If it is all right with you, can we proceed? I have one area which may be regarded as quasi-political, but I will hold that back until she comes.

CHAIR—Please proceed.

Senator COOK—Earlier today, you answered questions on Indonesia and food aid to Indonesia—and I thank you very much for that. I think I covered all of the points then on Indonesia but, in the case of Papua New Guinea, what is our commitment in terms of food aid at the moment?

Mr Proctor—The government has committed some \$30 million for food aid relief to Papua New Guinea this year.

Senator COOK—Have we drawn all that down in the aid that we have been providing?

Mr Proctor—No, it is still very much under delivery. Some of that is logistics costs, some of that is the costs of foodstuff itself, plus some other matters such as grants to non-government organisations to assist in some areas.

Senator COOK—Are we pressing up against the budgetary limits or are we not?

Mr Proctor—We are not pressing up against the limits. That funding is there and it should take us well through to the end of April. The drought conditions are improving quite rapidly in PNG at this stage.

Senator COOK—How much more demand will there be for food aid?

Mr Proctor—The prognosis is quite good. We fund assessments on behalf of the PNG government. It was expected at this stage to be needing to be feeding some 60,000 people. It is more like 54,000 at this point, and there have been substantial rains. It is planned to do the third and final assessment some time in the next few weeks to see what remaining areas of great need remain in PNG. But the prognosis, just from the observers on the ground, is that things are going very well.

Senator COOK—Are there any other areas where we can see that there will be unanticipated claims on our aid budget?

Ms Stokes—In Papua New Guinea—no.

Senator COOK—Anywhere?

Ms Stokes—In relation to El Nino, or—

Senator COOK—For whatever reason—it still has a price.

Ms Stokes—I said earlier this evening that the budget is tight. This year we have had quite exceptional demands on us as a result of the El Nino effect in the region—which is having an effect in an area much broader than the region. It is very true to say that we have quite strong demands on our emergency humanitarian funding. That is just a fact of life.

Senator COOK—That is current demand.

Ms Stokes—That is right.

Senator COOK—Are there any other areas of demand building up out there that we can foresee at the moment?

Ms Stokes—Perhaps in relation to the economic crisis in the region it is certainly the case that that is also generating demands. For example, in relation to Thailand, that is a program where we have had a process agreed with the Thai government of phasing out over time. We have basically agreed with the Thai government to increase the funding levels in the next couple of years in recognition of their particular urgent needs at the moment. That is just another example. Obviously, Indonesia is an area where we already have a substantial aid program, and the pressures on us and demands for activities there will grow.

Senator COOK—It was recently announced by the government that Mr Stephen Baker, a former Treasurer in the South Australian government, is to be appointed as a co-director of the Asian Development Bank. Was AusAID consulted about that appointment?

Mr Proctor—No, those arrangements are matters for the Treasury portfolio. AusAID was not involved in that selection.

Senator COOK—Would you normally be consulted?

Mr Proctor—In general, government policy is that these international representative positions are selected on merit. It is not automatic that AusAID is consulted.

Senator COOK—It is not automatic, but have you been consulted in the past?

Mr Proctor—On occasions in the past they have been part of the selection process, but it has not been a consistent arrangement.

Senator COOK—The current incumbent, soon to be retiring from that position, was formally from AusAID, was he not?

Mr Proctor—He still is. He has returned to AusAID.

Senator COOK—So he comes back to AusAID?

Mr Proctor—That is correct.

Senator COOK—The role of the Asian Development Bank is to provide aid and support for economies in the region.

Mr Proctor—Yes.

Senator COOK—Okay. Has AusAID consulted with the Australian business community, following the Simons review, about a mixed credit scheme?

Ms Stokes—I am not aware that we have since the government's response to the Simons review, which was tabled in parliament in November. I am aware that we have been having consultations with the business community about the aid program very recently. I am not aware whether mixed credit issues were covered. I do not know whether any of my colleagues can help. I think it may have been covered, but our focus there was on contracting issues, as well as informing them broadly about the government's policy framework.

Mr Proctor—In the process of the government considering its response to the Simons committee there were seminars and discussions on a range of the recommendations, which certainly included soft loan schemes in the aid program.

Senator COOK—In the consultations?

Mr Proctor—That is correct.

Senator COOK—Are you in the process of coming to a conclusion, following those consultations, about what you might do in that area?

Mr Proctor—When Mr Downer announced the response to the Simons report recommendations he noted that the government had no in principle objection to having a soft loan facility but there were considerable funding implications and any such facility would be considered in the budget context.

Senator COOK—Are you considering something in the budget context?

Ms Stokes—All will be revealed when the budget is revealed in May.

CHAIR—Thank you. That is the end of program 6.

[9.46 p.m.]

Program 7—Austrade

CHAIR—I welcome the officials from Austrade.

Senator COOK—I had the pleasure of attending the Austrade seminar on the Asian currency crisis in Perth on Friday. The way that seminar was conducted is a credit to Austrade. I thought it was very useful. I am sure that the business community that were in attendance thought so too. There was a very strong attendance—some 350 to 400 people were there. How many of those seminars have you held around Australia?

Mr Langhorne—In all we have held five: independently in Sydney, Melbourne and Brisbane and jointly with the states in Adelaide and Perth.

Senator COOK—You were flying solo in those first cities? You were not working with the state governments?

Mr Langhorne—In Melbourne, Sydney and Brisbane we naturally consulted with the state governments but the seminars were run entirely by Austrade.

Senator COOK—Was there some reason for that?

Mr Langhorne—Not really. In Western Australia and South Australia the two state governments had taken the initiative and Austrade took the opportunity to join with them.

Senator COOK—The attendance in Perth was quite strong. My understanding is that attendances at some of the other centres were not as strong. Is that so?

Mr Crawford—The overall attendance for Sydney, Melbourne and Brisbane was about 550, which is about 50 more than we had scheduled. Sydney was particularly strong; there were over 200 people. It was more than we planned for.

Senator COOK—How do you rate the whole thing? It worked very well.

Mr Crawford—It was very successful. We are still finalising the evaluation reports. We got a 50 per cent rate of return, which is quite high for an on-the-seat evaluation. We are very positive.

Senator HOGG—Some of us did not have the opportunity to attend. Is there any material you can supply us with?

Mr Crawford—Yes. There is a pack which we are condensing down for members of parliament because it is very thick.

Senator HOGG—I do not know whether I should take that statement kindly at this hour of the night.

Mr Crawford—Let me correct that impression: it is only because of the amount of material you have to read.

Senator HOGG—I appreciate that. When will that be available to us?

Mr Crawford—I think it will take us a couple of weeks to edit it and produce a package we would like to send to people.

Mr Langhorne—Perhaps we should mention here that Austrade does have an Internet site which is specific to the Asia situation. It carries a weekly update of the situation in Asia on a country by country basis as well as information on some of the broader issues.

Senator COOK—So you can get a regular update from there. Is it your intention to repeat the seminar series at a later time?

Mr Langhorne—Not at this stage, Senator. We intend to have some follow-up seminars which will be related more to opportunities in other markets. For example, we are running seminars on South America and the Middle East-Indian Ocean over the next couple of months. There will also be one follow-up seminar run by the North-East Asia Area on outward investment opportunities in the market. I understand that that will be in early April. In addition to that, the seminars are being followed up. In some cases the activity was simultaneous with visits from senior trade commissioners and trade commissioners from the markets. In the context of market diversification, which is one of the issues Australian business is interested in at the moment, we are looking to update Australian businesses on the opportunities in other markets. Obviously we are looking at providing services that provide a defensive mechanism for businesses that are in the Asian market because the last thing we want is to see a mass withdrawal from that market.

Senator COOK—That message came through loud and clear. Did you get any customers out of your seminar series—any new takers for your services?

Mr Langhorne—From the seminars themselves? In other words, did we sign anyone up?

Senator COOK—Yes.

Mr Langhorne—That is difficult to tell. In fact, it is interesting that the number of services that Austrade is delivering is remaining about the same. As we said at the seminars, the structure of those services is changing.

One thing I would say in regard to, if you like, new customers is that, following the seminar and a recent meeting of the executive and the Austrade board, an Asia crisis unit was established within the Australian operations area here in Australia. The purpose of that unit—and I mentioned the words ‘market defence’ and ‘market diversification’—is to cater for Australian businesses’ needs and inquiries in regard to those two activities.

It is also to take a proactive stance; in other words, to contact companies that our field officers know are having difficulties in the market at the present time and to offer those companies our services that are available through the government’s international network.

Senator COOK—I see. We heard earlier today from DFAT that the replacement national conference to NTIOC is the Australian summit, or a name such as that. Have you been invited to participate in that?

Mr Langhorne—Yes, we have. We have been involved right from the start. We were involved heavily in NTIOC, as you well know, and when the decision was taken to review NTIOC we were actually involved in that process. We were involved in the selection of the successful program deliverer, or service deliverer, and we continue to be involved in the development of the program. We are naturally providing the support to that program through our international network and through our services here jointly with the department.

Senator COOK—Are you being charged to participate or are you a sponsor?

Mr Langhorne—I think in answer to a previous question we indicated that we provided \$100,000 towards the conference. We are providing in-kind support, and I imagine for all that service we will get a number of places at the conference. If we do not, I will be asking why.

Senator COOK—But the deal is not yet done with the new owners of the franchise for you to have those places. Is that true?

Mr Langhorne—I am just looking at the briefing note.

Mr Crawford—I think the deal is not yet fully done but, as Mr Langhorne says, we are on very strong ground.

Senator COOK—I think you are on extremely strong ground.

Mr Langhorne—I might add that we will, as with previous conferences, have our trade and investment commissioners involved to some extent in the summit itself, naturally.

Senator COOK—Does the 100 grand that you have put in cover the cost of your putting on any displays on the conference floor? The previous NTIOC used to have a whole roomful of country booths and things. I am not sure whether Austrade was there but I think they were. Does that 100 grand cover your rights for that type of position?

Mr Langhorne—I do not know the full answer to that question. I imagine that we would not be charged for floor space but that we would be providing our own materials and staffing arrangements for that conference.

Senator COOK—Are any of Austrade's senior staff or regional representatives going to speak at this conference?

Mr Langhorne—I would have to check that for you. I am not aware whether or not we will actually be speaking and, if we are, whether we will be speaking at the main sessions or at some of the other workshops. I could find that out for you. I am not personally aware of the situation at this point in time.

Senator COOK—I would be happy to sit through another Greg Dodds' presentation on the Asian currency crisis as a freeway pile-up, as he gave in Perth. It was a very good address. Will we be represented with a stall at this year's CeBIT trade fair?

Mr Langhorne—Yes, we will be. We expect a total of 50 companies to exhibit at CeBIT 98 on the Austrade stand. I understand that a further 10 will exhibit on a Queensland stand and there is likely to be another 15 to 20 exhibitors in their own right.

Senator COOK—Last year there was a bit of an outcry in the media about the Australian government not participating in the International Trade Fair in Europe, which the government later changed its mind over. It decided that it would proceed to participate.

Mr Crawford—Is this Expo 2000?

Senator COOK—Yes. Were you consulted on that at any stage?

Mr Langhorne—I am not aware that we were actually consulted in the early stages. Obviously, we knew that the matter was under consideration. I can assure you that now that the decision has been made to proceed, we are certainly involved in that process.

Senator COOK—I understand that this is a trade expo that rotates between various centres, and Australia has a bid in for one to come to the Gold Coast in the year 2000. Are you involved in supporting that bid?

Mr Crawford—I think it is 2002. Because of the nature of the expo, it is primarily a DIST function. As Mr Langhorne said, we were not consulted early in the piece. However, we have since written to Russell Higgins offering as much assistance as possible for Expo 2000. I am not aware that we are actively involved in the bid for 2002.

Senator COOK—Would that be something you would consider?

Mr Langhorne—It depends on the focus of the expo. Obviously, the objectives of Expo cover a wide range of activities. Expo 2000, as I understand it, is obviously looking to promote Australian tourism, trade and investment, commitment to the culture of sustainability and our capacity to contribute to global solutions to particular problems, an awareness of Australian society and culture and so on. Naturally, if there is a focus on trade and trade promotion and investment, yes, we would look at it.

Senator COOK—If I can just turn your attention to Dubai for a moment. Has Austrade had any contact with the government of the United Arab Emirates, its representatives or any other persons concerning the training of Australian nationals in stevedoring operations in the United Arab Emirates prior to the public disclosure of the Dubai industrial mercenaries operation on 3 December last year?

Mr Langhorne—The answer with regard to Austrade is no. I would make the point that the Dubai consulate is run by Austrade. The consul-general is also the senior trade commissioner. However, on diplomatic and political issues or on issues relating to consular services and matters relating to Australians within the United Arab Emirates, the consul-general reports through the ambassador in Riyadh and back here to the Department of Foreign Affairs and Trade and to the consular area within the Department of Foreign Affairs and Trade. That would be the reporting line, not necessarily on that issue through to the executive general manager for Austrade, for example.

Senator COOK—So you are politely telling me I should have asked those questions of DFAT?

Mr Langhorne—I think it is appropriate to put those questions to DFAT. Austrade as Austrade has had no contact, certainly to my knowledge, on this matter. The issue of the role of the consul-general was covered with the Department of Foreign Affairs and Trade earlier on, and that is where I believe it is appropriate to put those questions.

Senator COOK—Has a company called Fynwest sought assistance from Austrade in Dubai in any way?

Mr Langhorne—I would have to take that question on notice; I am not aware of that.

Senator COOK—You might take it on notice with respect to Austrade in Dubai or any Austrade officers in the Pacific Basin area. I think they are reported as saying that they were training stevedores for operations in the Pacific Basin area and they may have therefore had contact with your officers somewhere else and whatever is the Pacific Basin area.

Mr Langhorne—I will take that on notice and get back to the committee.

Senator COOK—Is there a Business Victoria office in Dubai?

Mr Langhorne—Yes, there is.

Senator COOK—Do you know whether that office had contact with Fynwest personnel in the UAE?

Mr Langhorne—No, I do not.

Senator COOK—Do Austrade and the state agencies like Business Victoria, where they are promoting Australia's business interests in posts such as Dubai, coordinate their activities or work together?

Mr Langhorne—Yes, we do. The Business Victoria office is in fact located adjacent to the Austrade office. It is staffed by the ex-senior trade commissioner and consul-general, who is employed by the Victorian government for that task. There is ongoing liaison between those officers. More generally around the world we have situations, as we do in Japan—for example, in Tokyo—where in the Australian business centre we are collocated with a number of state business offices and we maintain close contact with them.

In Australia, through the national trade consultation process, the state and Commonwealth ministers and officials meet on an annual basis to discuss issues affecting the state and Commonwealth in trade and overseas promotion.

Senator COOK—So the Australian Trade Commissioner in Dubai is also the consul-general for that region—for the UAE—reporting through Riyadh, and is also wearing another hat, that of the Victorian trade representative. Is that correct?

Mr Langhorne—The senior trade commissioner and consul-general is employed by Austrade. Naturally, there is the dual reporting role to the Department of Foreign Affairs and Trade. The Business Victoria office is separate from Austrade and the head of that office is an ex-Austrade employee.

Senator COOK—I see; I must have misheard you.

Mr Langhorne—But the offices are located adjacent to each other on the same floor.

Senator COOK—Do you know if Business Victoria had any consultations with Austrade in Dubai about Fynwest Pty Ltd?

Mr Langhorne—No, I do not. I would have to take that on notice.

Senator COOK—Please do. My next questions are about the export market development grants scheme. In business consultations has Austrade had any requests from the Australian business community to re-examine or re-jig the EMDG scheme in view of the Asian currency crisis?

Mr Langhorne—I would ask Mr Tindall, the general manager of the export finance assistance programs, to answer that, Senator.

Mr Tindall—I think the only broad representations we have had from the business community have been from the Inbound Tourism Organisation of Australia, which has asked for some assistance over and above the current EMDG scheme for this year. Apart from that, we have had some requests to make earlier final balance payments under the scheme in the way it now operates under the capping mechanism. We will make those payments as early as we can, when we are in a position that will not breach the \$150 million cap for this year's funding. Apart from that we have not had any other specific requests.

Senator COOK—You are aware that in the case of Western Australia, for example, the state government has used the occasion of a Perth seminar to announce some liberalisation and

widening of eligibility for exporters to use what their rough equivalent of state level is to EMDG?

Mr Tindall—I was not aware of that.

Senator COOK—It is my understanding that, at a ministerial round table on 6 February, proposals were put to the minister from the business community that the cap of \$150 million on the EMDG scheme should be removed, and that the criteria that placed restrictions on eligibility should also be eased, is that true?

Mr Langhorne—Yes, that is true.

Senator COOK—What is the response to those heart-felt pleadings by the business community?

Mr Langhorne—I believe the minister's view was that the present arrangements should stand.

Senator COOK—In view of the currency crisis, is there any intention to bring forward the scheduled review, for August this year, of the EMDG scheme?

Mr Langhorne—The situation now is that in *Going for Growth*, the government's industry policy statement, the scheme was extended for another two years and the government has provided another \$300 million for that purpose, which would mean that the review of the scheme will probably now take place in the year 2000.

Senator COOK—Was the *Going for Growth* decision based on any review or re-examination of the scheme?

Mr Langhorne—Yes, the decision came about following the Mortimer Review of Industry Assistance Programs and the government's industry policy statement was as a result of that particular review. In that review, there was specific reference to EMDG, to its benefits, and—if my memory serves me correctly—there was a proposal for continued funding for that scheme.

Senator COOK—I have here a copy of the exchange rate variations from January 1997 to January 1998. According to this table, the Australian dollar weakened against the yen by 7.61 per cent in that period, and the yen weakened against the US dollar by 12.82 per cent in that period. This would suggest that, where we compete with American manufactures into the Japanese market on price, the advantage has swung massively our way. Has Austrade taken any initiative to encourage Australian companies to focus on the opportunity that those exchange rate variations offer?

Mr Langhorne—Yes, in fact it is part of a suite of advice that we are providing to companies, not only in Japan of course but in other parts of Asia, where there is now a dollar-competitive advantage. In the case of Japan, we are naturally actively marketing opportunities in that market, because they are still available. At the moment the overall effect on Japan is not, in fact, noticeable from the Australian end. Some of the areas we are targeting, which you may be interested in, are housing and building materials, food—particularly high quality value added foods for hotels and restaurants—and financial, banking and insurance services, an area where the opportunities will increase through the Japanese government's deregulation program. There would be a range of other activities, too, that the post would be promoting at this point in time, particularly as our competitiveness against the United States improves.

Senator COOK—Are you promoting automotive component parts in Japan as an important manufacturing output from Australia?

Mr Langhorne—Yes, we are.

Senator COOK—What are you doing with respect to automotive component parts?

Mr Langhorne—In Japan or across the world?

Senator COOK—In Japan.

Mr Juratowitch—One of the key initiatives that we have taken is that we have located an office in Nagoya, which is the head of Toyota's operations world wide. That post is particularly undertaking a targeted program of promoting automotive parts and components to Toyota, for example. Similarly, we have a number of other programs run through our Tokyo office also aimed at getting automotive parts and components into the various companies there; they are headquartered in Tokyo.

Senator COOK—Can you report any breakthroughs for us?

Mr Juratowitch—It is an ongoing process. Breakthroughs? No, I cannot.

Senator COOK—I rang around to a number of automotive component part manufacturers earlier in the week. Their response was that it is still very hard in Japan. I was pointing out to them the exchange rate variations, which they of course knew. But they still find great difficulty in lifting their penetration of the Japanese market. I think the last time we had a discussion about this was probably last year. In that discussion we looked at the change in trade statistics for automotive component parts in Japan, and we found that the Australian penetration of that market was falling off—that, in fact, our exports were dropping. Is that still the case?

Mr Juratowitch—Yes, it is, although there have to be taken into account a number of significant investments by Japanese car manufacturers in Australia; you have, for example, the Mitsubishi Magna marketed in Japan as the Mitsubishi Diamante car—and sales of that are increasing. So, in a sense, it is swings and roundabouts. We may not necessarily be exporting more automotive components into Japan, but we are exporting more fully built-up cars.

Senator COOK—That is if we take car manufacture as being the benchmark.

Mr Juratowitch—That is correct.

Senator COOK—I always prefer to take component parts manufacture to be the benchmark, because those are the companies that tend to be Australian owned and will remain here, irrespective of what happens, and employ Australians. Anyway, my interest is to see what we are doing about that. What is Austrade's role in the national car plan that has been announced by the government?

Mr Langhorne—We would be looking to provide automotive trade commissioners. The final decision from government on that relating to the location and so on is imminent. Those trade commissioners will complement the work being done already at key posts in the Austrade network. Perhaps I might just give you some idea of where they are. In Korea and Seoul, we are focusing on automotive components; in Detroit, magnesium casting and smelting; in Frankfurt, on components. As to Jakarta and Bangkok, we are still pushing very hard in those markets, and certainly we would be looking for market maintenance there. We do not intend to let up in those markets.

In Australia we have two people engaged in working with the automotive industry—that is, two industry specialists. We have an automotive industry advisory panel, which is advising the Austrade executive. We are active this year, and will be next year, in a number of trade shows around the world. So we will be playing a major role in moving forward with the government's plans for the automotive industry.

Senator COOK—Can you give us a quick summary of a couple of other sectors? Tourism: what are you doing in that area? This is an area of complaint at the moment.

Mr Langhorne—In the context of trade promotion, we do provide some services to the Australian Tourist Commission in places like South America. But our main involvement with tourism—because naturally the ATC is in place and has that broad responsibility—is through the export market development grants scheme. If you want some details, perhaps Mr Tindall could provide those.

Senator COOK—No, that is fine. On education services—another area that has been hit by the crisis—what is your involvement in that?

Mr Langhorne—I am not right across the situation. But I know that we are involved in the promotion of services, particularly in Europe, on a purchaser-provider arrangement with DEETYA. I am not too sure about other parts of the world.

Mr Crawford—Tokyo, Japan, for example: we are heavily involved in the Australian International Education Foundation, which is currently subject to review or close to finality of the review.

Senator COOK—Have you any special initiatives in hand, because of the turn down in student intakes because of the currency crisis?

Mr Langhorne—I would say—and I am now just quoting from my recollection of comments made at the Asia crisis seminars—that we would be looking to capitalise on changes in currency rates—in other words, the advantage of the Australian dollar—to attract more people from Asia obviously into Australia but, more importantly, from Europe and the United States, and so on. That is where the rates are quite competitive.

Senator COOK—To compensate for the loss in some of the Asian markets?

Mr Langhorne—I cannot comment on what the situation is with Asia. I do not have the figures in front of me, so I am not too sure whether in fact we are talking about an overall loss of students or whether we are talking about a reduction in the growth rate. My understanding—it might be incorrect—with that is that, on the tertiary education side, things were holding up reasonably well, although I know universities are looking for more joint ventures. On the other side, with English education and so on, I believe there has been a downturn. But, as I said, I am not too sure whether we are talking about a decrease in the growth rate or a decrease in the total overall rates.

Senator COOK—If you do not have the figures in front of you, it is unfair for me to pressure you. Earlier today DFAT gave some figures on student visas issued which showed that the growth rate had dropped dramatically but there was a growth rate still of two per cent. That is down from about 30 per cent or something. In relation to English language, there was an actual negative; there was a fall in the intake figures. I cannot recall the actual figures, but DFAT have them. One other industry sector hit by the crisis is the food sector. Is Austrade doing anything to assist exporters in this area to find alternative markets or are there any particular protective mechanisms you have in place to help Australian food exporters?

Mr Langhorne—Again, I would have to come back to the fact that, as part of our market defence programs and our market diversification programs, we would be looking at all sectors. We would be looking at opportunities not just outside Asia for sectors such as the food sector but also within Asia. Only one or two companies that I am personally aware of have actually redirected their food exports from one part of Asia to another part of Asia quite successfully. There are in our list of opportunities a number of areas where food is mentioned. In some

cases that relates to exports. In other cases it relates to strategic acquisitions—in other words, investment within the market either in food businesses or obviously in distribution systems.

Also, I notice that there are opportunities being identified in the Philippines in the area of agribusiness and food services, and we mentioned Japan. So we would certainly be looking to assist companies to redirect their efforts out of those particular markets that are at this point in time depressed and into other markets, either in Asia or in other parts of the world. I must say that we are seeing some pretty innovative ideas coming out of Australian business now. I think there are a number of areas. One that comes to mind is the live cattle exports which have been hit pretty hard in Indonesia, as you are well aware—in fact very hard.

Senator COOK—Indonesia and the Philippines.

Mr Langhorne—There are a number of companies there looking at opportunities for barter trade and in fact are trialling some barter trade arrangements whereby they are looking, for example, to swap or trade live cattle for cement and other goods. Australian companies are certainly active in the market in their own right looking for ways to continue to trade.

Senator COOK—The live cattle trade is an area, though, that has been particularly hard hit, isn't it?

Mr Langhorne—Yes.

Mr Crawford—I think it is worth emphasising one point. There is a range of initiatives that Mr Langhorne touched on previously. One of the key ones is the establishment of a 1300 number for direct assistance to companies in Australia who are experiencing problems in Asia. The two key elements of advice that they get when they contact that number centre around market diversification strategies and market defence strategies. So we are actively saying where there are alternative markets both within Asia and outside Asia. But we are also saying, 'Don't give away the market easily. Maintain contacts. Try to keep in there if you can.' That is being pushed quite strongly across all sectors.

Senator COOK—Try to hang in there and keep your toehold until the crisis passes.

Mr Crawford—Yes. You may have seen Mr Jamison refer to an example where a business contact was quickly given up in Saudi Arabia during the Gulf War. It was never regained because it was seen as lack of faith by this Saudi company.

Senator COOK—Thank you, Mr Chairman. I have no further questions to Austrade.

Mr Langhorne—Mr Chairman, may I just correct one thing to save us coming back to the committee. Earlier on, in response to a question from Senator Cook, I indicated that the export market development scheme would be reviewed in the year 2000. I note that in fact it is in the year 2001 and the year 2002.

CHAIR—Thank you, Mr Langhorne. Thank you, Minister. Thank you, Austrade, for coming and waiting for so long. Thank you colleagues.

Committee adjourned at 10.28 p.m.