



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION
COMMITTEE

ESTIMATES

(Budget Estimates)

TUESDAY, 2 JUNE 2009

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE FOREIGN AFFAIRS, DEFENCE AND TRADE

LEGISLATION COMMITTEE

Tuesday, 2 June 2009

Members: Senator Mark Bishop (*Chair*), Senator Trood (*Deputy Chair*), Senators Farrell, Forshaw, Kroger and Ludlam

Participating members: Senators Abetz, Adams, Back, Barnett, Bernardi, Bilyk, Birmingham, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Eggleston, Feeney, Ferguson, Fielding, Fierravanti-Wells, Fifield, Fisher, Furner, Hanson-Young, Heffernan, Humphries, Hurley, Hutchins, Johnston, Joyce, Lundy, Ian Macdonald, McEwen, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Moore, Nash, O'Brien, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Sterle, Troeth, Williams, Wortley and Xenophon

Senators in attendance: Senators Abetz, Bernardi, Mark Bishop, Boswell, Farrell, Ferguson, Fierravanti-Wells, Forshaw, Hogg, Hutchins, Johnston, Kroger, Ian Macdonald, McEwen, Payne and Trood

Committee met at 9.01 am

FOREIGN AFFAIRS AND TRADE PORTFOLIO

Consideration resumed from 1 June 2009

In Attendance

Senator John Faulkner, Special Minister of State

Senator Ursula Stephens, Parliamentary Secretary for Social Inclusion

Department of Foreign Affairs and Trade

Portfolio overview

Mr David Ritchie, Deputy Secretary

Mr Bruce Gosper, Deputy Secretary

Mr James Wise, First Assistant Secretary, Corporate Management Division

Ms Ann Thorpe, Chief Finance Officer, Corporate Management Division

Mr Bruce Miller, Assistant Secretary, Executive, Planning and Evaluation Branch

Outcome 1: The advancement of Australia's international strategic, security and economic interests including through bilateral, regional and multilateral engagement on Australian Government foreign and trade policies.

Program 1.1: Other departmental

North Asia

[China, Japan, Democratic People's Republic of Korea, Mongolia, Republic of Korea, Taiwan.]

Mr Graham Fletcher, First Assistant Secretary, North Asia Division

South–East Asia

[Brunei, Burma, Cambodia, East Timor, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, Vietnam and ASEAN.]

Mr Peter Woolcott, First Assistant Secretary, South-East Asia Division

Americas

[Canada, USA, the Caribbean, South America (Latin America).]

Mr Bill Tweddell, First Assistant Secretary, Americas Division

Europe

[Western, Eastern and Southern Europe, including Turkey and organisations such as European Union and NATO.]

Mr Richard Maude, First Assistant Secretary, Europe Division

South and West Asia, Middle East and Africa

[South and West Asia: India, Afghanistan, Bangladesh, Sri Lanka, Nepal, Bhutan, Maldives. Middle East: Gulf States, Israel, Palestinian Territories, Iraq, Iran. African countries: South Africa, Sudan, Zimbabwe and all other African countries.]

Ms Deborah Stokes, First Assistant Secretary, South and West Asia, Middle East and Africa Division

Pacific

[New Zealand, Fiji, Solomon Islands, Papua New Guinea, Tonga, Nauru, Samoa, Kiribati, Vanuatu; Pacific Islands Forum.]

Mr Richard Rowe, First Assistant Secretary, Pacific Division

Mr Ravi Kewalram, Assistant Secretary, Pacific Regional and New Zealand Branch

International organisations and legal issues

[International law, sea law, environment law, climate change, treaties, sanctions, transnational crime, domestic and administrative law, United Nations, Commonwealth, human rights, indigenous issues, people smuggling, refugees.]

Mr Michael Potts, First Assistant Secretary and Ambassador for People Smuggling Issues, International Organisations and Legal Division

Ms Penny Richards, Senior Legal Adviser, International Organisations and Legal Division

Mr Bassim Blazey, Head, UN Security Council Task Force

National security, nuclear disarmament and non–proliferation.

[Arms control, counter-proliferation, counter-terrorism, regional and national security.]

Ms Jennifer Rawson, First Assistant Secretary, International Security Division

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

Mr Bill Paterson, Ambassador for Counter-Terrorism

Services to other agencies

[Services to Parliament, attached agencies, business, state governments and other agencies overseas and in Australia.]

Mr Greg Moriarty, First Assistant Secretary, Consular, Public Diplomacy and Parliamentary Affairs Division

Services to diplomatic/consular representatives

[Protocol, privileges and immunities, protection.]

Ms Anne Moores, Chief of Protocol, Protocol Branch

Bilateral, regional and multilateral trade negotiations**[Free trade agreements, agriculture, services and intellectual property, WTO, trade law, trade policy, trade commitments.]**

Mr Dominic Trindade, Acting First Assistant Secretary, Office of Trade Negotiations

Mr James Baxter, Assistant Secretary, WTO Trade Law Branch

Ms Jan Adams, Head, China, Japan and Korea FTA Task Forces

Mr Michael Mugliston, Head, Asia Trade Task Force

Trade development/policy coordination and Asia–Pacific Economic Cooperation**[APEC, international economy and finance, market information, trade advocacy, trade finance, liaison and analysis, OECD, UNCTAD.]**

Mr Paul Tighe, First Assistant Secretary, Trade and Economic Policy Division

Program 1.2: Payment to international organisations (administered)

Mr Michael Potts, First Assistant Secretary and Ambassador for People Smuggling Issues, International Organisations and Legal Division

Program 1.3: Public information services and public diplomacy (administered)**Expositions Special Account—Shanghai Expo**

Mr Peter Tesch, Executive Director, Shanghai World Expo 2010

Australia Network

Mr Greg Moriarty, First Assistant Secretary, Consular, Public Diplomacy and Parliamentary Affairs Division

International Relations Grants Program

Ms Ann Thorpe, Chief Finance Officer, Corporate Management Division

Program 1.4: Other administered items—DFAT**Payments to Commonwealth Authorities and Companies Act, including EFIC**

Mr Paul Tighe, First Assistant Secretary, Trade and Economic Policy Division

Hosting 35th Antarctic Treaty Consultative Meeting

Mr Michael Potts, First Assistant Secretary and Ambassador for People Smuggling Issues, International Organisations and Legal Division

Outcome 2: The protection and welfare of Australians abroad and access to secure international travel documentation through timely and responsive travel advice and consular and passport services overseas.**Program 2.1 and 2.3: Consular services**

Mr Greg Moriarty, First Assistant Secretary, Consular, Public Diplomacy and Parliamentary Affairs Division

Program 2.2 and 2.4: Passport services

Mr Bob Nash, Executive Director, Australian Passport Office

Outcome 3: A secure Australian Government presence overseas through the provision of security services and information and communications technology infrastructure, and the management of the Commonwealth's overseas owned estate.**Program 3.1: Other departmental****Overseas physical security****Overseas IT support**

Mr Peter Rowe, First Assistant Secretary, Diplomatic Security, Information Management and Services Division

Program 3.2: Overseas property.

Mr Peter Davin, Executive Director, Overseas Property Office

Australian Centre for International Agricultural Research (ACIAR)

Outcome 1: Agriculture in developing countries and Australia is more productive and sustainable as a result of better technologies, practices, policies and systems.

Program 1: International agricultural research and development.

Mr Peter Core, Chief Executive Officer.

Australian Agency for International Development (AusAID)

Outcome 1: To assist developing countries to reduce poverty and achieve sustainable development, in line with Australia's national interest.

Program 1.1: Official development assistance—PNG and Pacific**Program 1.2: Official development assistance—East Asia****Program 1.3: Official development assistance—Africa, South and Central Asia, Middle East and other****Program 1.4: Official development assistance—Emergency, humanitarian and refugee programs****Program 1.5: Official development assistance—Multilateral replenishments****Program 1.6: Official development assistance—UN, Commonwealth and other international organisations****Program 1.7: Official development assistance—NGO, volunteer and community programs.****Outcome 2: Australia's national interest advanced by implementing a partnership between Australia and Indonesia for reconstruction and development.****Program 2.1: East Asia.**

Mr Bruce Davis, Director General, AusAID

Ms Annmaree O'Keeffe, Senior Associate

Mr Jamie Clout, Deputy Director General, Corporate Enabling Division

Mr Richard Moore, Deputy Director General, Asia Division

Mr Scott Dawson, Deputy Director General, Pacific and Papua New Guinea Division

Mr Murray Proctor, Deputy Director General, Program Enabling Division

Mr Chris Tinning, Acting Deputy Director General, Global Programs Division

Mr Jamie Isbister, Assistant Director General, Africa, Humanitarian and Peace Building Branch

Mr Alistair Sherwin, Assistant Director General, Middle East and West Asia Branch

Mr Rob Tranter, Assistant Director General, Pacific Branch

Ms Margaret Callan, Assistant Director General, Papua New Guinea Branch

Ms Octavia Borthwick, Assistant Director General, Asia Regional Branch

Mr James Gilling, Assistant Director General, Indonesia and East Timor Branch

Mr Peter Versegi, Assistant Director General, Governance and Service Delivery Branch

Mr Robin Davies, Assistant Director General, Sustainable Development Group

Mr Laurie Dunn, Assistant Director General, Operations Policy and Support Branch

Ms Jacqui De Lacy, Assistant Director General and GFC Coordinator, Sustainable Development Group

Ms Lisa Rauter, Chief Finance Officer, Finance, Property and Security Branch

Australian Trade Commission (Austrade)**Outcome 1: Advance Australia's trade and investment interests through information, advice and services to businesses, industry and governments.****Program 1.1: Trade and investment development****Program 1.2: Trade development schemes (Export Market Development Grants)****Outcome 2: The protection and welfare of Australians abroad through timely and responsive consular and passport services in specific locations overseas.****Program 2.1: Consular, passport services.**

Ms Hazel Bennett, Executive Director, Finance, Information and Planning

Mr Ian Chesterfield, General Manager, Business Policy and Programs

Ms Pat Evans, Executive Director, Export and Investment Services

Ms Elizabeth Gamin, National Operations Manager, Grants

Mr Peter Gunning, Chief Finance Officer

Mr Tim Harcourt, Chief Economist

Ms Marcia Kimball, Executive Director, Human Resources

Mr Mike Moignard, General Manager, Government and Communications

Ms Helen Monro, General Manager, Government, International and Policy Group

Mr Michael Vickers, Manager, Policy and Scheme Development EMDG

Mr Geoff Spears, General Manager, Export and Investment Services

CHAIR (Senator Mark Bishop)—Good morning, everyone. The committee will come to order. I welcome back Senator Faulkner, representing the Minister for Foreign Affairs and the Minister for Trade, Mr David Ritchie, Deputy Secretary, and officers of the Department of Foreign Affairs and Trade. Today the committee will continue to examine the budget estimates for the Foreign Affairs and Trade Portfolio in the following order: Department of Foreign Affairs and Trade general non-trade programs until 12.30 pm, the Australian Centre for International Agricultural Research will follow after lunch until 2.30 pm with AusAID from approximately 2.30 pm until 6.30 pm. Austrade will be examined from approximately 7.30 pm to 8.30 pm and we will conclude with the department's trade programs until 10 pm this evening.

I advise those in the gallery, the minister and those at the table that I have had some discussion with the opposition overnight and, in no particular order, officials need to be available this morning to discuss whaling, China, PNG, consular passports, bilateral trade relationships and the Holy See. We are going to kick off with the Holy See, so if those officials could come forward we will open up the questioning with matters relating to the Holy See.

Senator TROOD—We discussed this matter at the additional estimates in February, as you may recall. At that time there was considerable uncertainty or, at least, an absence of information about the accommodation arrangements for the new ambassador at the Holy See. I think he was searching for both residential and chancellery accommodation. Has there been any resolution of those matters? Has he found somewhere to live and conduct his affairs and, if so, perhaps you can tell me how much that is going to cost and things of that kind? Is that you, Mr Wise?

Mr Wise—No, Peter Davin from the Overseas Property Office is best placed to answer those questions.

Mr Davin—Yes, we have located a residence for our new head of mission in the Holy See.

Senator TROOD—Perhaps you could tell me about that residence?

Mr Davin—It is an apartment. The rent is about €8,000 a month.

Senator TROOD—How much is that in Australian dollars, approximately?

Mr Davin—It is approximately A\$14,000 per month.

Senator TROOD—And how large an apartment is that?

Mr Davin—The new residence is about 350 square metres. It is about five kilometres from where we have located the new offices for the Holy See. It is an apartment. It has four bedrooms and is well-suited to the representational responsibilities of the head of post. There are condominium fees, which are about €900 per month. These are the common services charges that you would find—

Senator TROOD—That is in addition to the rent, right?

Mr Davin—Yes, in addition to the rent. So, it has about 350 square metres of living space, four bedrooms, a lounge and dining room—all of the usual facilities you would expect.

Senator TROOD—And how far is this from the Vatican?

Mr Davin—It is about five kilometres from the new offices, which are just opposite the Vatican across the river. So, it is about six kilometres. It is well-located and in a very good location for a residence.

Senator TROOD—And has Mr Fischer moved into the residence?

Mr Davin—He is expected to move in shortly, on 1 July.

Senator TROOD—Why has he not moved in so far?

Mr Davin—It is just a matter of the commencement of the lease from that date.

Senator TROOD—I see. Has the premises required any refurbishing or anything of that kind?

Mr Davin—No. The place is fine to move in to as it is. It is obviously a leased premises.

Senator TROOD—And how long is the lease for?

Mr Davin—It is a three-year lease.

Senator TROOD—Beginning on 1 July?

Mr Davin—That is correct.

Senator TROOD—Tell me about his office. This is a new office, Mr Davin, is that right?

Mr Davin—That is correct, yes. I think I explained at the last hearing that this is an apartment which is located just across from the Vatican. It will be converted into office space. We do not expect that to be completed until later this year. The new apartment is about 290 square metres. It will be converted into office space. Quite an amount of fit-out will be required to undertake that conversion. We do not actually take possession of that apartment until July, also, and we expect the fit-out works will take somewhere between four and five months.

Senator TROOD—How much have you budgeted for that fit-out?

Mr Davin—That is a little uncertain at this time, but we have a budget of about \$3 million to undertake those works.

Senator TROOD—\$3 million?

Mr Davin—That is right.

Senator TROOD—That is just for the fit-out of the office, is that right?

Mr Davin—Yes. This involves substantial security features, as we have in all of our missions—setting up the communications system and fitting it out.

Senator TROOD—You may have mentioned this on the last occasion. I think you had identified these offices on the last occasion we met.

Mr Davin—That is right.

Senator TROOD—Forgive me, but I have forgotten how much you told us the rent was on that.

Mr Davin—The rent on that is €8,000 per month.

Senator TROOD—So it is the same cost as the residence, more or less?

Mr Davin—Yes. Let me be precise. Yes, it is €8,000 per month.

Senator TROOD—That is €8,000?

Mr Davin—Yes, €8,000, with condominium charges expected to be less than €1,000 per month.

Senator TROOD—Once you have outlaid the \$3 million for the fit-out—and, of course, the rent and the condominium charges are continuing—are there any other charges in relation to either one of these premises that will have to be paid?

Mr Davin—No, there are no other anticipated costs. It is the rent, the establishment costs and then the normal running costs of a chancery office.

Senator TROOD—The office will not be available for some months. Where is Mr Fischer conducting his business at the moment?

Mr Davin—They are working out of the current Holy See offices, which are inadequate, really, for the activities, but on a temporary basis it is workable. They are relying on our main embassy in Rome for a lot of the services that will be available to them in the new office. There are no communication systems and things like that.

Senator TROOD—Is he running back and forth between the embassy and the Holy See?

Mr Davin—Yes, there is a substantial amount of that. By way of comparison, the existing Holy See office, which is an apartment converted to an office, is only about 100 square metres, so it is a very modest office. The new facilities will obviously provide all of the usual services you would have in a fully functioning chancery.

Senator TROOD—Can he take a train between these two offices?

Mr Davin—Yes, the Metro is very convenient.

Mr Ritchie—And he frequently does.

Senator TROOD—I am sure he does.

Senator Faulkner—I think he would take a train if there was not one running between the two offices—he does like train travel.

Senator TROOD—I think he may have had that in mind. What has Mr Fischer been doing since he arrived there?

Senator Faulkner—That would be described as an open-ended question!

Senator TROOD—Apart from the necessity to take trains back and forth.

Mr Davin—I can only comment on some modest involvement in these property issues. Beyond that, I cannot help you.

Senator TROOD—Perhaps another officer can help.

Senator Faulkner—Mr Maude will assist you with that one.

Senator TROOD—He has no doubt been overseeing his property activities, but what has he been doing on behalf of the Australian people?

Mr Maude—I can give you some indication of what Mr Fischer has been doing. He arrived at post on 30 January and he presented his credentials on 12 February. Following the presentation of his credentials, he conducted an extensive round of introductory calls. He has seen six cardinals and other heads of the Vatican ministries. He has seen all the key Secretariat of State officials. He has met 15 or more of his fellow ambassadors and the heads of the key English-speaking seminaries and major religious congregations headquartered in Rome as well as some of the food security agencies. Together with the ambassador to Rome, he helped organise a special mass for the Victorian bushfire victims, which took place on 24 February. The head of mission hosted a reception for Australian Muslims and Catholics on a joint pilgrimage to the sacred sites of each other's religions. He participated in the Anzac Day ceremony. He has hosted a meeting of the Asia group of ambassadors. He participated in a handover of the World Youth Day cross from Sydney Catholic delegations to the next hosts from Madrid. He hosted a visit by Mr McMullan, who met the head of the Catholic overseas agency Caritas Internationalis, and he has participated in a course for Asian and Australasian diplomats organised by an institute associated with the Vatican.

In terms of reporting, since the arrival of the HOM, the post has reported on interfaith dialogue issues generally, interfaith dialogue in the Asia-Pacific, the Middle East peace process, capital punishment issues, Fiji, China and religious freedoms, G20 and the global economic crisis, Earth Hour, Vatican foreign policy issues and the special mass for the Victorian bushfire victims. There are probably more, but we do not track every movement of Mr Fischer.

Senator TROOD—I think all of us who watched his career find that difficult! What contribution has he made to the development of government policy in the areas that you outlined? On the last occasion you were here, you referred to the contributions or the value of Mr Fischer being at the Holy See in relation to Australia's national interest regarding human rights, developmental assistance, food security, arms control, refugees, anti-people-trafficking, climate change and the environment. Can you point to those areas where he has so far made any particular contribution to the development of Australian government policy?

Mr Maude—Like all heads of mission, Mr Fischer's role is to present Australian policy positions on particular issues to his interlocutors and to report back on the positions and views of the people he is speaking to. On particularly the issues on which I have mentioned that he has engaged with the Vatican, he has presented Australian policy positions, for example, on Fiji and religious freedoms in China.

Senator TROOD—He has been speaking to Vatican officials who have responsibility for China issues, Fiji issues or Pacific issues. Is that the situation?

Mr Maude—That is correct. The Vatican has, as I am sure you know, particular interests in particular aspects of these issues and it follows them closely.

Senator TROOD—Since we are not going to meet for a while, are there any events or activities coming up for which he has been specifically tasked that may relate to his duties?

Mr Maude—In terms of his forward agenda, I would have to take it on notice. I would be very happy to come back to you on that.

Senator TROOD—I realise these things may not be settled in any clear fashion, but if you have any indications of any particular events or occasions that are coming up then I would be grateful if you could let me know.

Mr Maude—I would have to come back to you on that, Senator.

Senator TROOD—Mr Maude, what is the story about this *Chaser* incident in the Vatican?

Mr Maude—I am aware of the incident and the media reporting on it.

Senator TROOD—Perhaps you could explain what the incident was because I am a little hazy about it.

Mr Ritchie—We are equally hazy, Senator. We are seeing if we have got somebody who knows about that issue.

Mr Moriarty—We understand that there was an incident in the vicinity.

Senator TROOD—In the vicinity of the Vatican?

Mr Moriarty—It was in the vicinity of the Vatican.

Senator TROOD—So it was not within the boundaries of the Holy See?

Mr Moriarty—I do not have the exact details on where the incident took place in terms of jurisdiction but I can get that for you this morning.

Senator TROOD—Has nobody reported this to you? Has there not been a report of this incident? We have got an embassy in Rome, Mr Fischer in the Holy See and a whole phalanx of officials in Rome looking after our interests. Have we not received a report on this incident, which seems to have captured a certain amount of attention? Has no-one given you an account of it?

Mr Moriarty—There has been an account of it, and I will check the detail of that. I am aware as well that we are offering consular assistance, as is appropriate when Australians get in trouble overseas. I would be happy to get the details for you this morning.

Senator TROOD—If you would not mind. Tell me what you know at the moment. If you know anything about it then I would be grateful to hear it, but if you need take further advice and get more information about it then perhaps we can deal with this matter a little later in the morning.

Mr Moriarty—In the interests of giving you a comprehensive answer, I will get the details and get back to you later in the morning.

Senator TROOD—I want to ask some other questions about it, but if you would seek some further information that would be helpful. Chair, the best thing might be to come back to this issue.

CHAIR—This issue of the Holy See or the issue of *The Chaser*?

Senator TROOD—The Holy See and this matter.

Senator FERGUSON—Did you not expect to get any questions on this issue?

Senator Faulkner—I think there is always an expectation about questions you are going to receive at estimates. Often my expectations are not met.

Senator FERGUSON—That is true, but I would have thought that when an issue like this comes up during estimates and you know questions are going to be asked you would not have to go away—

Senator Faulkner—There is always a chance if someone asks a question about *The Chaser* at a parliamentary committee that they will get a run for it somewhere—like on *The Chaser*.

Senator FERGUSON—You have had a lot of practice.

Senator Faulkner—I do not know that I have had much experience in appearing on *The Chaser*.

Senator FERGUSON—No, that is true. I will concede that.

CHAIR—We are going to return to examination of matters relating to *The Chaser* and the Holy See later in portfolio estimates. At this stage Senator Farrell has indicated to me that he has some questions arising out of not the Holy See but Europe.

Senator FARRELL—My question is to Mr Maude. The foreign minister announced last week that Australia would join the Asia-Europe Meeting at its next leader summit in 2010. Can you tell us about the significance of that meeting?

Mr Maude—Yes, Mr Smith did make that announcement and he spoke about this issue in the House last week, as some of you may be aware. It is a very important and welcome development—joining the Asia-Europe Meeting. ASEM brings 16 Asian countries together with 27 European states. It is primarily a political dialogue. It meets at head-of-government level every two years. The meetings take place in Europe and Asia. They take turns. There is also a meeting of foreign ministers every two years or so rotating between Asia and Europe. So it is a group that brings together the two regions that we have very strong links to. Its aim is to develop and deepen the political dialogue and links between Asia and Europe, and we are very much looking forward to being part of that process.

Senator FARRELL—Can you tell us whether Australia has applied to join this group in the past?

Mr Maude—We have made applications twice previously to join ASEM. Once was when it was first established in 1996 and the second occasion was in 1998.

Senator FARRELL—What were the results of those applications?

Mr Maude—ASEM is a body that conducts its membership on a competitive basis—that is, every member of the organisation has to agree to the prospective candidate. On both of those occasions there was not a consensus on—

Senator FARRELL—So it is like the Adelaide club.

Mr Maude—Australia's application.

Senator FARRELL—So we were rejected previously but we were successful this time?

Mr Maude—That is correct.

Senator TROOD—Are we clear on whose votes changed to allow us to get in?

Mr Maude—There was an article in the press yesterday in which Mr Smith made some remarks on this. I will confine myself to his remarks. He did mention that in the nineties our relationship with Malaysia was not the easiest and that consensus on our application was not able to be achieved on those two occasions.

Senator TROOD—I see. And what continuing obligations will there be as a result of our joining the meeting?

Mr Maude—As I said, it is primarily a political dialogue. It does not have a deep institutional structure. It is not an organisation that undertakes a significant number of projects, although there are some. The main obligations arise from attendance at the major meetings.

Senator TROOD—How often are they held?

Mr Maude—The summit is held every two years, alternating between Asia and Europe. The foreign ministers' meeting is also held every second year, again, alternating between Asia and Europe.

Senator TROOD—You may have mentioned this to Senator Farrell, but where is the next meeting?

Mr Maude—The next meeting will be in Brussels in October next year.

Senator TROOD—And that is a summit, is it?

Mr Maude—That is the summit.

Senator TROOD—Right—and the Prime Minister will be going, presumably?

Mr Maude—Yes.

CHAIR—That is all on this topic. Where do you want to go next—Senator Ferguson?

Senator FERGUSON—Whaling. Minister, you would of course be well aware that Prime Minister Kevin Rudd made a pre-election commitment to take Japan to the International

Court of Justice over the whaling issue. On 4 May this year the *Sydney Morning Herald* reported:

Japan has refused to drop its Antarctic kill below 650 whales at a confidential meeting involving Australia, leaving whaling peace talks at a stand-off.

Minister, do you know why it was considered necessary that meeting be confidential?

Senator Faulkner—Confidential?

Senator FERGUSON—Why was it a confidential meeting?

Senator Faulkner—I am not—

Senator FERGUSON—Maybe the officers might know why.

Senator Faulkner—I am not certain about its status. I will just have to ask an officer on that one. It looks like Mr Potts is raring to go. He can assist you with that.

Senator FERGUSON—He is raring to go again!

Mr Potts—I hope I can assist you; I am not sure I am raring to go. I do not think it is fair to describe it as a confidential meeting. There has been a process in train since the last meeting of the International Whaling Commission in Santiago de Chile in the middle of last year. It is a so-called small working group, which is really not so small, actually: it has got 32 or 33 members. It was tasked by the IWC with discussing the future role of the commission, how the organisation would work and so on. In the latter part of the work of the small working group there was a decision taken that there be a smaller group—I think it has half a dozen members. They met in San Francisco at the end of April to focus on a possible agreement on actions which would go to this year's meeting of the IWC at Madeira in Portugal in June. I think that is the meeting you are referring to.

Senator FERGUSON—Who was in attendance at the confidential meeting?

Mr Potts—There were six countries representing, if you like, the broad range of opinion within the IWC; Australia, Brazil, Japan, New Zealand, Sweden and the United States.

Senator FERGUSON—So which Australian agencies or ministers were represented at that meeting?

Mr Potts—This was done at official's level. I think it was representatives of DEHA and DFAT.

Senator FERGUSON—So the next meeting that is planned is this meeting in Portugal?

Mr Potts—That is correct. That will be in Madeira from 22 until 26 June.

Senator FERGUSON—And was it a confidential meeting? Were the issues that were discussed published or were the results of the discussions published?

Mr Potts—Yes, indeed. The chair of the small working group—this process I mentioned—sent a draft report for comment to the 33 countries that were members of the group. Following that process, the final report was publicly released on 18 May 2009. It is on the IWC's website. It is intended that paper be discussed at the Madeira IWC meeting.

Senator FERGUSON—Bearing in mind the government's commitment to take Japan to the International Court of Justice, did this meeting harden the government's resolve to take Japan to the International Court of Justice?

Mr Potts—I think the government's commitment is to most effectively push Japan to bring to an end the practice of scientific whaling, while at the same time maintaining the moratorium on commercial whaling. Going to the International Court of Justice is an element of a possible strategy.

Senator FERGUSON—It is not a possible strategy; it is a pre-election commitment. I could read them all out one by one, but I do not intend to. But if you read the commitments that were made by the Prime Minister prior to the election, you see that he made a commitment to the Australian people that he would take Japan to the International Court of Justice. Is there a current timetable of taking Japan to the court?

Mr Potts—I think the government is looking to participate actively at Madeira at the IWC meeting. And I think that then it will review the results of the Madeira meeting and decide on its course of action.

Senator FERGUSON—But with respect, Mr Potts, Madeira is not the International Court of Justice. That is another meeting.

Mr Potts—No, it is the meeting of the IWC.

Senator FERGUSON—I am just wondering perhaps, Minister, if you could enlighten us as to whether the resolve of the government is still as strong as it was prior to the election—to take Japan to the court?

Senator Faulkner—I stand to be corrected on this, but my understanding has been that ministers have consistently said in relation to legal action, while that remains under consideration—as you have heard—the government has pursued diplomatic action as a first priority. That has certainly been my understanding of the approach that ministers have taken on this.

Senator FERGUSON—Let me just make a couple of quite clear quotes that have come from the Prime Minister:

Regardless of what happens at the IWC meeting, the Howard Government should take Japan to the International Court of Justice...

And:

We cannot afford another year of complacency. The Howard Government must act immediately to take Japan to the International Court of Justice.

And on Labor's whaling policy in 2007, he says:

... take Japan and any other country necessary, to court in the International Court of Justice, in order to bring a stop to this practice.

It does not say anywhere in these statements 'we will have some more discussions', 'we will have some more meetings' or 'we will go to Portugal' or we will go anywhere else. It is quite clear. And even as far back as 2005, when the Prime Minister was shadow foreign minister, he said:

Take Japan to international courts such as the International Court of Justice or the International Tribunal for the Law of the Sea to end the slaughter of whales.

There could be nothing clearer or more clear-cut than those statements by the Prime Minister—even though at that time he was not prime minister. And we get to the stage where, after the election, we can see the tone starting to change. In January last year he said:

Our approach from beginning has been, what do we need to do in terms of creating evidence for the construction of a possible legal case against Japan to bring a halt to commercial whaling?

So what legal advice has the government received about taking Japan to the International Court of Justice?

Senator Faulkner—Could you rephrase your question so that it would be appropriate for officials to answer? I think you would appreciate that questions about what legal advice the government has received are, as you well know, best described as perhaps a ‘good try’. I am happy for officials to answer any process questions, where they can, about these sorts of issues and, if officials do not know, for them to take those matters on notice. Perhaps if I could just ask you to rephrase your question in a way that gives an opportunity for an official to—

Senator FERGUSON—Perhaps I could do that for you, Minister.

Senator Faulkner—I know you could, Senator.

Senator FERGUSON—Could I perhaps ask the officials if they have been asked to seek legal advice about taking Japan to the International Court of Justice?

Ms Richards—I would refer you to the evidence given by the head of the Office of International Law in the Attorney-General’s Department to an estimates committee last week. Mr Campbell confirmed that the government has sought advice from Professor James Crawford, who is professor of international law at the University of Cambridge.

Senator FERGUSON—It has received advice?

Ms Richards—Yes, it has.

Senator FERGUSON—But we are not to know what that advice is?

Ms Richards—I think it has been a longstanding convention that officials do not reveal the content of legal advice provided to governments.

Senator Faulkner—I think, Senator, you actually know that.

Senator FERGUSON—Is it the intention of the government, Minister, to proceed with its pre-election commitment of taking Japan to the International Court of Justice?

Senator Faulkner—I know that I said to you as the Minister representing the Minister for Foreign Affairs here that legal action certainly remains under consideration. I certainly know that ministers have given, if you like, a first priority to finding a diplomatic solution to these issues. I do not have any specific knowledge on that and it might be best in this instance, if you want further information, for me to ask Mr Smith. But the government certainly has assessed that the best way to take forward the government’s anti-whaling objectives is as I have outlined to you. I do not want you to think for a moment that the strength of the government’s commitment to end scientific whaling is in any way diminished. It is not. As

you know, the foreign affairs minister initiated very serious talks with his Japanese counterparts last year. The minister is very committed to continuing that dialogue in the months ahead. Most recently, I can assure you that Mr Smith raised this issue with his Japanese counterpart, Mr Nakasone, on 1 May. He emphasised the need for a diplomatic solution to end scientific whaling. And, of course, you have heard about the strong action the government is taking through the IWC. So I would not want you to think for one minute that there is any diminution in the government's commitment in relation to this issue. The government is resolute in its opposition to commercial whaling and so-called scientific whaling.

Senator FERGUSON—I think you have been watching too much cricket. That is about the straightest bat I have seen for a long time.

Senator Faulkner—That is the first time I have ever been criticised for playing a straight bat. Normally people suggest that playing a straight bat is complimentary! You ask any opening batsman.

Senator FERGUSON—But, you see, you are wrong. There is a diminution in your resolve, because nowhere prior to the election did Mr Rudd ever say, 'We will seek to exhaust every diplomatic avenue before we take any further action.' He said:

We cannot afford another year of complacency. The ... Government must act immediately to take Japan to the International Court of Justice.

Senator Faulkner—But there is no complacency. That is what I am pointing out to you. You are suggesting there is complacency and I pointed out very clearly that there is none.

Senator FERGUSON—But he said that they must immediately take them to the court of justice. Those were his words.

Senator JOHNSTON—'Immediately' is underlined.

Senator Faulkner—Senator, I can assure you there is no complacency on this issue. I hope I have been able to put that case to you very strongly, given the action that the foreign minister is undertaking—and not only the foreign minister but other ministers in the government also. The commitment in relation to our opposition to commercial whaling and scientific whaling is absolutely resolute.

Senator FERGUSON—But your commitment to take Japan to the International Court of Justice is not so resolute.

Senator Faulkner—I have talked—I do not think I should say it to you again—about the priority that the government is giving to these very serious diplomatic efforts.

Senator FERGUSON—Ms Richards, when did you see the legal advice?

Ms Richards—Legal advice was received from Professor James Crawford on 5 January 2008, and supplementary advice was received from Professor Crawford on 12 March 2008.

Senator FERGUSON—When was the legal advice asked for?

Ms Richards—The legal advice was sought from Professor Crawford on 7 December 2007.

Senator FERGUSON—And you received it on January—

Ms Richards—On 5 January. Actually it was received by the Attorney-General's Department.

Senator FERGUSON—On 5 January?

Ms Richards—Yes.

Senator FERGUSON—And since that time nothing has happened?

Ms Richards—I think, as the minister said, the government has legal action under consideration but it is pursuing diplomatic activities as the first priority.

Mr Ritchie—Senator, can I also point out that the issue with regard to the management of legal action in the ICJ is in fact a matter for the Attorney-General's Department, not us.

Senator FERGUSON—The environment minister, Mr Garrett, appointed Mr Sandy Hollway as special envoy on whaling, which lasted for just five months, as I understand it—am I correct?

Mr Potts—No, I do not think you are. The appointment is ongoing. The current contract expires on 30 June 2009 and the government has decided to extend the contract to 30 September 2009. Mr Hollway has been approached and he is willing to continue in the role. We are expecting this to be finalised between DFAT and Mr Hollway before the expiry of the current contract. It is intended that then the government will review the role of the special envoy in the context of the review I spoke about earlier of the whole antiwhaling effort after the meeting of the IWC in Madeira.

Senator FERGUSON—So where in the May budget is there any additional funding for this office of special envoy for whaling?

Mr Potts—Both DEEWR and DFAT will fund the envoy's work in the period from the beginning of July to 30 September. They will fund the work from their normal appropriations. We have not sought additional funding for that purpose.

Senator FERGUSON—Good work if you can get it. I am just surprised. What so far have been the achievements of the special envoy for whaling?

Mr Potts—The role of the special envoy is to provide an additional layer between the very strong efforts and demarches that the government has been making at the ministerial level and the ongoing work that normal officials have been doing. The government thought that the appointment of a special envoy would add an additional tool to the diplomatic toolbox, if you like. Mr Hollway has travelled to a number of countries, but particularly Japan, and has engaged the Japanese on a number of occasions—

Senator FERGUSON—Preparing them for the International Court of Justice, is he?

Mr Potts—He is doing work which will inform the government's approach to the future direction of antiwhaling. He has also been to a number of other countries generally sympathetic to the Australian position, essentially to liaise with them and to inform them of our current thinking.

Senator FERGUSON—What has been the total cost of Mr Hollway's travel up to date? Is the figure that has been suggested to me of \$300,000 somewhere in the ballpark?

Mr Potts—It is certainly in the ballpark. Let me put it this way. The total cost for Mr Hollway is about \$160,000 to date. The breakdown roughly is half-half between his fees and his travel costs.

Senator FERGUSON—\$160,000, not \$300,000?

Mr Potts—The figure of \$300,000—in fact it is close to \$310,000—includes the travel by departmental officers both from DFAT and DEEWR in support of him.

Senator FERGUSON—So what you are telling me is that the \$310,000 is the total salary and travel associated costs for the Special Envoy on Whaling?

Mr Potts—No, the figure of \$310,000 is the total cost, including travel and fees, incurred by the special envoy and also the travel costs relating to officers accompanying Mr Hollway—the officers coming from DEEWR and DFAT.

Senator FERGUSON—What do you think have been his special achievements in that role?

Mr Potts—I think the government has been able to probe the Japanese on certain points. Mr Hollway has been able both to engage the Japanese and also to report to the government on the results of those discussions. Obviously I am not in a position to give you a sense of the progress to date. That is essentially between Mr Hollway and government.

Senator FERGUSON—So we had a pre-election commitment from Mr Rudd that they are going to take Japan to the International Court of Justice. Since the election we have had an enormous amount of money being spent by a Special Envoy on Whaling by attending conferences and negotiations. It would appear to me as though the government is doing everything it can to break its pre-election commitment.

Mr Potts—I would say simply that the government would believe that the money that it spent on Mr Hollway has been justified. It has been value for money.

Senator FERGUSON—If you are going to take Japan to the International Court of Justice anyway, which was the pre-election commitment, what is the point in spending all of this other money?

Senator Faulkner—I have informed you, Senator, of the priority that the government is giving here to pursuing diplomatic avenues in relation to this and I believe that, certainly from what I understand to be the case, Mr Hollway has certainly deepened our dialogue with leaders in Japan and other countries and has played a critical role in working to find a diplomatic solution on this issue.

Senator FERGUSON—Minister, there was no mention of a diplomatic solution prior to the election. The change in tack from the government has all taken place since the election. Not one mention in any of the public utterances from the Prime Minister mentioned a diplomatic solution. The only solution was to take Japan to the International Criminal Court.

Senator Faulkner—You have asked me on a number of occasions and I can stress again that obviously legal action remains under consideration, but I have said, and I will say again, that pursuing diplomatic action is, as I understand it, the government's first priority. I have tried to be clear in providing that evidence to you, Senator.

Senator FERGUSON—Since the government has changed its priority from taking Japan to the court to one of seeking a diplomatic solution, how many fewer whales have been killed since that decision was taken?

Senator Faulkner—I don't know the answer to that question and I don't know if it is asked in a serious way—

Senator FERGUSON—It is in a serious way.

Senator Faulkner—I do not know if any official at the table can assist you, but I will certainly ask them to do that if they can. But I do not want you to think for a moment that the government's commitment here—as I have said before—in relation to ending commercial and scientific whaling is anything other than absolutely resolute. That is the word that I have used before and I think it is appropriate. As I say, I am not sure that it is core business for the Department of Foreign Affairs and Trade, but let me ask if any officials can assist you with this question you have asked in relation to numbers of whales.

Mr Potts—I think we would need to consult with DEWHA, so we would need to take the question on notice.

Senator FERGUSON—You do understand that the Antarctic kill has been 650? As I understand it, Japan has refused to drop its Antarctic kill below 650. Are you aware of Japan's refusal? Japan has said it will not reduce the number of whales that it kills. Are you aware of that?

Mr Potts—I am aware of that.

Senator FERGUSON—Well, surely that is the answer to my first question.

Mr Potts—I wanted to give you a precise figure. It is about 650, but I would not want to mislead you on it.

Senator FERGUSON—So there has been no diminution at all in the kill of whales in the past 12 months?

Mr Potts—I would need to take it on notice to be sure. I am not a whaling department—

Mr Ritchie—We do not know the answer to that because it is not our—

Senator FERGUSON—Perhaps I could give you that information. I think if you check—

Senator Faulkner—If you have the information, Senator, I do not know why you are asking the question.

Senator FERGUSON—Because some of these things need to be on the public record, Minister—

Senator Faulkner—Well, put them on the public record.

Senator FERGUSON—because you have suggested that your government's position has not changed.

Senator Faulkner—It seems a bit silly to ask a question if you are then going to provide your own answer to it.

Senator JOHNSTON—The government is obviously not interested.

Senator FERGUSON—Minister, I have seen you do it before.

Senator Faulkner—I doubt that, Senator. The point is that, even though it is not core business—and I do not think your expectation would be that officials would necessarily know—we will undertake to get as precise an answer to your question as we can. We will treat your question very seriously. It has been taken on notice and we will ensure that you get as accurate an answer as you can, which will probably mean officials consulting with officials in other departments, particularly Mr Garrett's department, to provide you with the best answer we can.

Senator FERGUSON—Minister, you say to us that the government's resolve has not diminished at all. Can I say there is no evidence to back up your claims—

Senator JOHNSTON—None at all.

Senator FERGUSON—that your resolve has not been diminished, because you have come from a clear-cut position, prior to the election, of taking Japan to the international court, to one now where you will pursue every diplomatic means prior to taking Japan to the international court. We do not know whether the advice you have is that your case is not strong enough to win and that is why you are not taking them to the Court of Justice.

Senator Faulkner—I can only say to you that I do not think that is either fair or true. The government and the relevant ministers, including obviously Mr Smith and Mr Garrett, are pushing very strongly—as strongly as they can—to end commercial and scientific whaling. I have said that to you on a number of occasions. I can assure you that that remains a very strong commitment of the government and the ministers concerned.

Senator FERGUSON—Be that as it may, I remain unconvinced and I think that many Australians would remain unconvinced when they look at the responses that you have given on what was said prior to the election compared to the actions the government has taken since the election. I have not got any more questions.

CHAIR—Are there any further questions on whaling? As there are not, I call Senator Trood, with questions to Mr Moriarty about the Holy See, the Chaser and such matters.

Senator TROOD—My question is: what is all this about, in relation to this incident?

Senator Faulkner—What sort of question is that?

Senator TROOD—The Chaser incident that took place in the Vatican.

Senator Faulkner—Well, that is a more defined question.

Senator TROOD—I was assuming that Mr Moriarty was cognisant of the question I asked previously. But that is the question.

Senator Faulkner—You have asked so many questions that we felt we might define it down—but I appreciate that.

Mr Moriarty—Senator, I am very happy to let the committee know what I can from the consular perspective. Consular officials from the Australian embassy in Rome have confirmed that four Australian men were arrested for flying a hot-air balloon over the Vatican in a no-fly zone. Italian police have recommended that all four be charged. All four have been released without restrictions and the incident is now before the Italian judicial system. The Australian

embassy in Rome will provide consular assistance if requested, and those arrested did not seek consular assistance at the time.

Senator TROOD—So the people involved in this incident have not sought consular attention, is that right?

Mr Moriarty—That is my understanding.

Senator TROOD—One newspaper report that I have seen about this suggests that Mr Fischer has become involved in some way. Is he involved in this incident?

Mr Moriarty—Mr Fischer was aware of it but our embassy in Rome takes consular responsibility for that area so it would be the embassy in Rome.

Senator TROOD—That was part of my anxiety, if you like, about this matter, because I understood Mr Fischer's position does not have consular responsibilities attached to it. That is correct, isn't it?

Mr Moriarty—That is correct.

Senator TROOD—So any consular considerations here are the responsibility of the embassy in Rome. Is that right?

Mr Moriarty—That is correct. That is my understanding.

Senator TROOD—So The Chaser folk have not sought consular participation or support. Is that the situation?

Mr Moriarty—The information I have is that the men who were arrested have not sought consular assistance.

Senator TROOD—I see. So we are awaiting advice about what is going to happen in relation to the incident?

Mr Moriarty—That is correct. We have had some contact with the lawyer representing the men who said there has been no further news on the charges and the lawyer expects this will take some time.

Senator TROOD—I see. So in the meantime they have been charged but they have been released.

Mr Moriarty—That is correct.

Senator TROOD—Am I right in saying that they were for a time held in custody?

Mr Moriarty—I think I would describe it as being detained while the police did their business and then they were released.

Senator TROOD—The report also said that they had some of their property taken from them. Do you know whether that is true?

Mr Moriarty—I do not have any information on that.

Senator TROOD—Can you tell me, as a matter of consular activity, if indeed property has been taken from them whether or not that is consistent with the judicial system that applies in Italy, or in Rome if there is a more specific jurisdiction that is appropriate? Do you know whether or not this is outside the general practices of prosecutorial activity in Rome?

Mr Moriarty—I am not aware of the specifics of Italian law in relation to confiscation of property or evidence.

Senator TROOD—Have The Chaser been allowed to leave the country?

Mr Moriarty—I understand that those arrested have left the country.

Senator FERGUSON—Some would say that is a pity!

Senator TROOD—So they are expected to return on some other occasion to face the charges if they are proceeded with. Is that what you understand?

Mr Moriarty—The Italian legal system will take its course. I am not aware of whether the men are expected to return to face the charges or whether the lawyer might be able to represent them.

Senator TROOD—So if there are any charges they are under the Italian system rather than the Vatican's judicial system, if any? Is that your understanding?

Mr Moriarty—That is my understanding. It would be Italian law I understand.

Senator TROOD—That might actually be easier for them than perhaps facing the cardinals.

Mr Moriarty—The incident is now before the Italian legal system.

Senator TROOD—Yes, the Italian authorities, so we await further developments.

Senator TROOD—Thank you for that, Mr Moriarty. I am much enlightened by that, and I am glad to see that Australian citizens are being—

CHAIR—I cannot resist here. Are they employees of the ABC or are they contracted by the ABC?

Senator Faulkner—I do not know how you could expect Mr Moriarty to be able to answer that question. I am sure that if you wanted to place such a question on notice with our friends at another Senate committee who deal with the estimates of the ABC they might be able to help you. But you really cannot expect any of us to be able to answer that or provide you with employment information about these gentlemen from *The Chaser*. We do not know.

Senator TROOD—But I assume, Mr Moriarty, that they are, at the very least, Australian citizens and therefore entitled to seek the support of the Australian consular services around the world wherever they happen to be if they are in need of them.

Mr Moriarty—The four Australian men are obviously entitled to the standard consular services that we provide Australians who are—

Senator FORSHAW—Not if Alexander Downer was still running the show.

Senator Faulkner—Do not worry, Senator Trood. When you fly into the Vatican in a hot air balloon, we will help you too.

Senator FORSHAW—That would be a miracle.

Senator TROOD—I am very reassured by that. I am grateful for it. It is something I am very likely to be doing!

CHAIR—I think we are done on that issue.

Senator FERGUSON—I want to ask a question on the general issue regarding bilateral treaty negotiations. Minister, what was the explanation made by the foreign affairs minister regarding his release of information on Australia's bilateral treaty negotiations?

Senator Faulkner—The minister, as you know, did make a statement about this. Let me explain the situation to you as I understand it. My understanding is that two documents were tabled in parliament on 13 May. I think you would appreciate that one of those was tabled correctly and one was tabled in error. I know that Mr Smith accepted responsibility for the error. To go to the question that you asked, the first document was, as I understand it, the schedule of multilateral treaties under negotiation, consideration or review. That is a document that, as you may be aware, is tabled regularly in the parliament. I think it is tabled in the parliament on a six-monthly basis. I think this is the third time that Mr Smith has tabled that schedule on multilateral treaties. The second document, as you probably know, was a schedule on bilateral treaties under negotiation, consideration or review. Multilateral treaty negotiations are in the public domain. The second document is one that ordinarily would not be tabled—although I would hasten to add that it was not a classified document. I hope that outlines the situation for you.

Senator FERGUSON—Following the release by Mr Smith of the confidential list of bilateral treaty negotiations, did the department have a recommendation for ways of dealing with this situation?

Senator Faulkner—I will ask the officials to respond to that because you have asked about departmental action. I will ask Mr Ritchie, if he can, to respond to you on that.

Mr Ritchie—Yes. We have instituted a review, which is being conducted by a senior officer of the department to look at what happened, what went wrong, why the error occurred and what can be done in future to fix it.

Senator FERGUSON—How many countries were involved?

Mr Ritchie—I will ask Ms Richards to respond to that one.

Ms Richards—Treaty negotiations related to 106 countries and eight international organisations.

Senator FERGUSON—How many of those countries have been contacted by either the department or the minister?

Mr Ritchie—We have contacted all of them and drawn the erroneous tabling to their attention. We have reported any comments back that they have made on it. Let me move on very quickly to say that, so far, in every case, with one or two minor exceptions, we have been told that they have been very grateful for the advice and did not believe that it would have any effect whatsoever on bilateral relations.

Senator FERGUSON—Has the minister personally apologised either by letter or other means to these countries whose security has been breached by this?

Mr Ritchie—I am not aware of that. I will ask Ms Richards.

Ms Richards—All our relevant posts in overseas countries were asked to notify the host government of the inadvertent tabling and to apologise to them for the error. The advice and

apology has been conveyed by our diplomatic missions overseas. In one or two cases, there are also contacts with embassies in Canberra.

Senator FERGUSON—So why wouldn't the minister personally write to these countries? He was the one who made the breach.

Mr Ritchie—Senator, let me firstly say that, as I mentioned, we have a review underway of how this occurred and we will learn the lessons from it. The minister bears ultimate responsibility, clearly.

Senator FERGUSON—The minister tabled them.

Mr Ritchie—I think it is fair to say that there were a series of errors, which involved errors made by the department, errors made in the minister's offices and then the tabling issue as well. It is entirely possible that the tabling error occurred because of something in our procedures that is wrong, for example, and we bear a part of that blame as well.

Ms Richards—If I can add to what Mr Ritchie said, the origin of the error was indeed in the department and it was the department who put an incorrect recommendation to the minister. The department wrongly recommended to the minister that he table the bilateral schedule as well as the multilateral schedule and so the error originated in the department.

Mr Ritchie—It is as much our fault as the minister's fault.

Senator FERGUSON—I do understand that, but, in our Westminster system of government, the minister bears the ultimate responsibility. Some ministers have suffered for that in the past because of inadvertent things.

Senator Faulkner—Senator, you were keen to ask me some questions, and I am about to get a short break and be replaced by Senator Stephens. I am very happy to deal with any questions you may have.

Senator FERGUSON—I will ask you directly and go back to the others afterwards. Minister, why has the foreign minister himself not become involved in either making phone calls or writing letters to the countries who have been affected by this breach? It is a ministerial responsibility. It is all right to say that this is all under review in the department but it is no good the minister writing a letter three months down the track.

Senator Faulkner—What I understand has occurred, as has been outlined to you by officials, is that an apology has been extended in the affected countries through our posts there. It seems a totally appropriate way of proceeding on this basis. The minister, as I said to you a little earlier, Senator, has accepted responsibility for this. I think he has handled it in a very proper, appropriate and dignified way.

Senator FERGUSON—It is a rather second-hand apology. If the minister responsible inadvertently tables a document, CD or whatever it was, surely then it is not too difficult for a minister to sign off on a letter and apologise to the country involved?

Senator Faulkner—I think in the world of diplomacy, which is at times a weird and wonderful world, sometimes the nature of these responses depends on the level of concern or aggravation that might be caused by such an incident. My understanding on this occasion is that it is not high level and in most countries it has been accepted with equanimity. You used a

cricket analogy before and generously said that I was playing a straight bat so let me use another cricket analogy back and suggest to you—

Senator FERGUSON—It has gone through to the keeper.

Senator Faulkner—Yes, exactly. Most countries have just lifted bat and let it go through to the keeper. It is appropriate for these things to be dealt with and nuanced, given the level of concern that other countries have. I think what I have said to you is a pretty fair assessment of the reaction in the countries that might have been affected by this. Of course, a minister's response is nuanced, judged and considered in the light of the reaction and concerns that are held in the affected countries. This is minor, Senator.

Senator FERGUSON—Minister, I think I can direct the other questions to the officials.

Senator Faulkner—Thank you, and I will come back as soon as I can.

Senator FERGUSON—What safeguards are in place now to ensure that a further embarrassing mishap like this does not occur?

Mr Ritchie—I will ask Ms Richards if she has anything to add but I mentioned to you that we have already started a review of all the procedures relating to the tabling of these treaty documents. Firstly, to establish precisely what went wrong in the department and elsewhere and secondly, to look at ways in which we can make sure that never happens again. I guess we are not quite at the end of that process, but Ms Richards might be able to mention some initial steps we have taken in that regard.

Ms Richards—As Mr Ritchie said, there is a formal review underway but obviously we immediately turned our own minds to what might have gone wrong and had an initial look at our procedures. It is the fact that in the relevant section there are manuals on the procedures which should be followed, and we had a longstanding officer of 15 years' experience, who has recently retired, who has written very detailed handover notes relating to these various procedures, and we do have on files past ministerial submissions with standard wording. Also within the section we already have a system of understudies where each individual action officer has a back-up with whom they can discuss issues about which they are uncertain. The problem on this occasion was not so much that we did not have any procedures but that on this occasion the procedures were not followed.

I would not want to necessarily pre-empt the outcome of the review, however, there are some things we could do to further strengthen those procedures. We can collocate all of our instruction manuals and templates into the one place and make sure that each relevant officer is issued with a set of those procedures and instruction. We can institute additional layers of checking of submissions before they are forwarded to the minister's office. I also have to say that all of us working in the area, of course, are acutely aware of this mistake and none of us will be wishing to repeat it in the future.

Senator FERGUSON—I think that you said that you had contacted all of the countries that were mentioned?

Ms Richards—That is correct.

Mr Ritchie—Yes, Senator.

Senator FERGUSON—Who made the contact? I know you said the post but who actually made the contact?

Mr Ritchie—It probably varied in each case but we asked our heads of mission to do it.

Senator FERGUSON—Do you know whether in each case the heads of mission did do it?

Mr Ritchie—I do not.

Ms Richards—Senator, I think as Senator Faulkner said, we often leave it to the discretion of posts as to what would be the most appropriate way to interact with the host countries or countries to which they are accredited on a non-resident basis. In some cases it was done formally through a third-person note; in other cases it was done through meetings or other contacts. But we generally leave that to the discretion of the posts. And, of course, a number of those posts are not resident in the countries to which they are accredited and they would have had to have done that by long-distance means.

Senator FERGUSON—I am certainly of the view that the minister, if nothing else, should have at least contacted by letter the posts that were involved, and if he was not going to do that I think it should have been the Head of Mission. I am just wondering whether you can find out for me on notice in which countries the information was conveyed by the heads of mission and in which it was done by somebody other than the Head of Mission.

Mr Ritchie—We will certainly do our best to do that. As Ms Richards said, there were 106 countries involved; it involved countries where we do not have missions, so it would have had to have been done through phone calls. Heads of mission might have been away or whatever. So there is a variety of means of doing it and we will do our best to establish what happened.

Senator FERGUSON—But a certain number of those countries are very significant countries in our relationship, and I would be disappointed if it was not the Head of Mission.

Mr Ritchie—In a large number of cases it would have been the Head of Mission.

Senator FERGUSON—If we could find out I would be very pleased.

Mr Richards—I should also add that in the case of a third person note, that is a very formal diplomatic communication which is sent out in the name of the Australian government as a whole.

Senator FERGUSON—Did any countries express concerns about what had happened?

Mr Richards—All of the posts have reported back and we have had no reports of any negative impacts.

Mr Ritchie—As I mentioned earlier on, the reaction has been one of saying ‘Thank you for the notification,’ and ‘Noted.’ That is it.

Senator FERGUSON—I did not ask about negative impact. I am wondering whether any of them expressed any concern.

Mr Ritchie—Not particularly.

Senator FERGUSON—So you do not believe that it has jeopardised any of the negotiations that have taken place?

Mr Ritchie—No, I do not believe so.

Senator FERGUSON—Have any of the affected countries contacted the Australian government since the incident?

Mr Ritchie—No, not in respect of this, as far as I am aware.

Senator FERGUSON—Thank you.

Senator TROOD—I want to ask about West Papua—consular matters; I think it is Mr Moriarty. I want to ask you about the so-called ‘Merauke Five’ in West Papua and the circumstances that pertain to them. My understanding is that they flew in a light plane into West Papua and various things have happened. Could you give us an account of their situation as a preliminary to this matter.

Mr Moriarty—The status of the case involving the five Australians detained on arrival in Merauke is that the five Australians are currently in Merauke. They are not in formal detention but are subject to city detention, which means they are prevented from leaving Indonesia pending the outcome of appeals by the prosecution to the Supreme Court in Jakarta. The district prosecutor determined that the Australians were to remain in city detention pending the finalisation of the appeals process. The five were originally found guilty by the Merauke District Court on 15 January 2009. Four were each sentenced to two years imprisonment and a fine for violating Indonesia’s immigration law and the pilot was sentenced to three years imprisonment, a fine and confiscation of his aircraft for violating Indonesia’s civil aviation law. The five Australians and the prosecution each appealed to the Jayapura High Court, which on 10 March 2009 overturned the Merauke District Court’s decisions and ordered the five to depart Indonesia immediately. The prosecution, however, appealed the Jayapura High Court’s decision to the Supreme Court of Indonesia, as provided for in Indonesia’s judicial system. So at the moment we are waiting for that appeal to be heard.

Senator TROOD—This incident occurred on 12 September last year. Is that correct?

Mr Moriarty—That is correct.

Senator TROOD—My understanding, at least from the press reports, is that this light aeroplane on which these Australians were travelling was given clearance to land in West Papua. Is that correct? Indeed, I think the tapes of the conversation have been released.

Mr Moriarty—That is one of the matters before the courts: what the nature of the instructions given to the pilot as they approached the airfield were. I think that is one of the subjects before—

Senator TROOD—Is it not clear that they were given clearance to land? Is that a matter of contest between the parties?

Mr Moriarty—I do not know whether there is agreement about what was said on the approach. I would need to take that on notice.

Senator TROOD—Perhaps you would do that for me, please. It seems a rather critical matter in the whole incident. The pilot has been charged under civil aviation law, you said, and all five have been charged in relation to immigration offences. Is that right?

Mr Moriarty—Four were sentenced for violating Indonesia's immigration law. The pilot was sentenced to three years imprisonment, a fine and confiscation of his aircraft for violating Indonesia's civil aviation law in addition.

Senator TROOD—So the pilot was not charged in relation to immigration law?

Mr Moriarty—No. Four were charged on immigration offences and the pilot on civil aviation offences.

Senator TROOD—What is the offence, specifically, in relation to immigration law?

Mr Moriarty—I do not have the specific offence. I will take that on notice.

Senator TROOD—That is not very satisfactory, Mr Moriarty. You do not know for sure, obviously, but do you understand it is likely to be for arriving in the country without a visa or something of that character?

Mr Moriarty—Yes, arriving without proper immigration paperwork or a visa was certainly part of it.

Senator TROOD—Do Australians need visas to travel to Indonesia?

Mr Ritchie—Yes, they certainly do.

Senator TROOD—I am sure you have a lot of experience of this, Mr Ritchie. What is the nature of the requirement for Australians travelling to Indonesia in relation to visas?

Mr Ritchie—You require a visa and, indeed—and I stand to be corrected on this—I understand you require permission to actually travel to Papua province as well.

Senator TROOD—I see. So there are specific rules which apply to West Papua?

Mr Ritchie—To Papua province, yes.

Senator TROOD—You also require a visa.

Mr Ritchie—I think Australians all require a visa to enter Indonesia.

Senator TROOD—You are confident about that?

Mr Ritchie—Pretty confident, yes.

Senator TROOD—Is it a visa that needs to be applied for prior to travel?

Mr Ritchie—Most definitely, yes.

Senator TROOD—So it cannot be secured on arrival in the country?

Mr Ritchie—As far as I am aware, no.

Mr Moriarty—In relation to your previous question about the matters before the court, we understand from the group's lawyers that the Jayapura High Court decided that, in the immigration case, the group should have been directed to be interviewed by immigration officials and not to leave the airport. In the aviation case, the pilot landed without security and flight clearances, but he had advised the control tower prior to approaching Merauke and therefore the plane should have been directed not to land but to return to Horn Island. That was the matter considered by the Jayapura High Court when they took their decision.

Mr Ritchie—I will add to that. As Mr Moriarty said, the Jayapura High Court, in March this year, actually overturned the conviction and sentences. In other words, they ordered that they leave the country immediately. It is actually the prosecution that has appealed in this case, which is as provided for under Indonesian law.

Senator TROOD—Why didn't they leave the country immediately after?

Mr Ritchie—It is my understanding that, before they were able to leave, the prosecution submitted an appeal. At that point they were not permitted to until the appeal had been resolved.

Senator TROOD—How quickly after the result of the Jayapura hearing did the prosecution file appeal papers—do you know?

Mr Ritchie—I am not sure. Certainly very quickly.

Senator TROOD—Sufficiently quickly that they had no time to leave the country—

Mr Ritchie—That is correct.

Senator TROOD—in response to the Jayapura case result?

Mr Moriarty—Yes.

Mr Ritchie—I should say, too, that they have been required to be subject to what Indonesians call city detention—that is, they are free to move around but they cannot leave Merauke.

Senator TROOD—Mr Ritchie, does that mean that they are confined to the city limits?

Mr Ritchie—That is correct.

Senator TROOD—Are there any other restrictions on their activities?

Mr Ritchie—Not as far as I am aware. They are free to move around the city.

Senator TROOD—How much freedom of movement does that give them?

Mr Ritchie—Merauke is not one of the largest cities in Indonesia.

Senator TROOD—What size is the population?

Mr Ritchie—I could not hazard a guess. I am notoriously bad with—

Senator TROOD—Forgive my ignorance of geography, but are we talking about a city, a village, a town or—

Mr Ritchie—It is a large town.

Senator TROOD—What sort of accommodation do they have? Where are they living at the moment?

Mr Moriarty—I understand they are in commercial accommodation. I will check that.

Senator TROOD—When do we expect the appeal to be heard?

Mr Moriarty—It is before the court. The legal process in Indonesia does take a long time but we have asked for it to be expedited. We are confident that the Indonesian legal processes are working their way through. We do not have an exact time, but certainly the matters are progressing.

Senator TROOD—Courts everywhere across the planet are rather unpredictable as to when they schedule cases. Do we have any general idea, Mr Moriarty, about when this case might come up? Is it coming up, for example, in the next period of sittings which are due to begin on a certain date? Do you know whether there is a very long list which has to be got through? How much time in general terms is it likely that these Australians will have to wait before this appeal is heard?

Mr Moriarty—As I said, we will need to wait for the Indonesian legal process, but I am aware of—

Senator TROOD—I understand that and I am not suggesting we should not do that, but I am trying to get some sense of how long this process will take to go through.

Mr Ritchie—From my own experience, it can vary very considerably. I would expect it to take somewhere in the vicinity of about two months or thereabouts. It could take longer, it could be shorter.

Senator TROOD—Mr Ritchie, we are looking at the possibility that these Australians will be detained for another two months.

Mr Ritchie—That is right. They are subject to the Indonesian legal system and I am afraid they are stuck with it at the moment.

Mr Moriarty—I am aware of a media report in the *Sydney Morning Herald* on 30 May where Judge Sarwoko, who is the most senior of the three justices examining the case, said he was yet to see submissions but ‘We will decide soon,’ and that a verdict is expected next month. That is a media report. I cannot vouch for its veracity.

Senator TROOD—Next month being which month?

Mr Ritchie—That would be June.

Senator TROOD—So the report was last month.

Mr Moriarty—That is right.

Mr Ritchie—Typically, as I said, it is potentially six to eight weeks. It is a mysterious thing and we do not know when it will happen.

Senator TROOD—Chair, I have noticed the time. I have not concluded this issue, but perhaps we could take a break.

Proceedings suspended from 10.30 am to 10.46 am

CHAIR—The committee will come to order. Senator Trood is going to continue the discussion.

Senator TROOD—I just wanted to clarify the basis upon which this appeal is proceeding in Papua. As I understood your evidence earlier, the Jayapura court essentially allowed the appeal of the five Australians and then they were free to leave but quickly thereafter an appeal was instituted which clearly in the normal course would prevent them from appealing. Mr Ritchie, have you looked closely so that you are confident that the lawful procedures were followed and that that was an appropriate means of detaining them further? In other words,

are you confident that the appeal process was conducted appropriately and in accordance with the local legal requirements?

Mr Ritchie—I do not know whether Mr Moriarty can add anything, but I am not aware of the particular steps that have been taken in this case. It is quite a common thing in Indonesia that the prosecution will be able to appeal a court case to a higher court. It is not common but it is pretty normal. I am not an expert on the Indonesian legal system but in this case they certainly had the right to appeal, under Indonesian law.

Senator TROOD—It is certainly not uncommon for prosecutions to appeal cases when they lose.

Mr Ritchie—Indeed.

Senator TROOD—That is consistent with judicial practice around the world, but jurisdictions have different ways of providing for appeal processes to begin.

Mr Ritchie—Yes.

Senator TROOD—I just want to be confident that the way in which this appeal process began was, in fact, consistent with the locally relevant laws in relation to the jurisdiction.

Mr Ritchie—I will ask Mr Moriarty if he can say something about that. I do not know the answer to that. The so-called Merauke Five have, of course, retained local lawyers. The lawyers are not happy, clearly, but they appear to believe that what has happened is lawful.

Mr Moriarty—I understand that the prosecution's appeal to the Supreme Court is provided for in the Indonesian judicial system. The contact that we have had with the Australians and their lawyer indicates that they understand that this is a process that is available to the prosecution.

Senator TROOD—Let me just explore with you, Mr Moriarty, the support that the Merauke Five have received from Australian consular services. Can you tell me how their plight came to the Australian government's attention? Did they seek support? Did their lawyers seek support? Did someone in Australia seek support on their behalf? How did you become seized of this matter?

Mr Moriarty—I would need to check the details but quite often we are informed through next of kin or perhaps a legal representative. and it is then set up as an active case. In this instance the consular staff from our embassy in Djakarta were aware of it very quickly, and we have provided—

Senator TROOD—Do you have a date? Do you know how quickly they became aware of the situation?

Mr Moriarty—I will try and get an answer to that for you quickly.

Mr Ritchie—I can add to that. As I understand it the incident took place on 12 September 2008—and Mr Moriarty will look at when the Australian embassy was notified, straight away—but I can tell you that we had consular officials in Merauke on 15 September, and they were there until 29 January this year. So for around four months we had consular officials in Merauke assisting the five defendants.

Senator TROOD—But you are not clear, Mr Ritchie, on how they arrived there. Obviously those officials were sent by the embassy but the situation of the Merauke Five was drawn attention to—

Mr Ritchie—I am not sure how it came to our attention but the response was very quick. As I said, we then had one of our consular officials from the embassy there for close to four months. They left at that point, on 19 January 2009, and after that Australian consular officials have visited Merauke many times to check on those people, the last time being on 20 May this year. I understand that the next visit is scheduled to take place sometime this month.

Senator TROOD—The consular officials went specifically to deal with this particular set of circumstances and the plight of the Merauke Five. Is that right?

Mr Ritchie—That is right, and it was a continuous presence. We had people in Merauke from 15 September 2008 until 29 January 2009.

Senator TROOD—Were they initially detained so that the consular officials had to see them in jail or some prison?

Mr Ritchie—That I do not know.

Mr Moriarty—I understand there was an initial period of detention. I can try and get the dates for you.

Senator TROOD—Do you know, Mr Moriarty, how long they were detained at this stage?

Mr Moriarty—No.

Senator TROOD—Can you tell me what their condition is—their psychological condition and their physical condition? What is their state of health?

Mr Moriarty—Clearly, this is very distressing for all of those involved. I am aware that they all wish to see this matter drawn to a conclusion as quickly as possible. I understand that their basic needs are being taken care of but obviously they are not great circumstances that they are in. But the Indonesian authorities are aware that we are very interested in their welfare.

Senator TROOD—What specific assistance have you provided for them? Mr Ritchie has told me that officers of the department went to Merauke to see them. How many officers initially went?

Mr Ritchie—I am not aware of that. We had a continuous presence in Merauke for four months, so I am not sure how many. There was an Australian consular official in Merauke for the whole of the four-month period. In terms of what assistance was provided, I do not know every detail, but I imagine it would have been normal consular assistance—that is, making sure they had proper legal representation, monitoring their case, making sure their welfare was looked after. I should have added that we have kept in very close contact with the families back here. So it would have been normal consular assistance that we would provide in the case of Australians arrested anywhere.

Mr Moriarty—We have a consular services charter which outlines what we do to assist consular clients when they come into difficulties overseas. In fact, beyond that, we produce a

specific brochure which provides advice on what the Australian government can and cannot do to assist you if you are arrested or jailed overseas.

Senator TROOD—I am sure that that is helpful for those who might be travelling and contemplating going to places of danger where they may be at risk. That provides assurance for Australians travelling around the world. What I am interested in is what particular assistance has been provided to these five Australians who are obviously in a very desperate situation—they are feeling isolated and as though they are not being provided with the assistance that they need. In fact, Mr Moriarty, has criticism of the Australian government's support been drawn to your attention? Are you aware of some of the comments that have been made about the consular support that has been provided to these folk?

Mr Moriarty—I am aware of some media comment to that effect. I am also aware that we have provided very extensive consular support to both the members of group and their families. We have very consistently monitored their welfare and we have also monitored the legal proceedings to make sure that they are given equitable treatment under Indonesian law, which is really what the Consular Services Charter and the proper responsibility of the government is.

Mr Ritchie—I am sure the consular officers checked on their welfare and other things. I will not comment on whether they received financial assistance. That is something that might breach their rights under the Privacy Act, so I am not going to mention it. There is a range of things that are quite normal—monitoring their health, providing for their legal representation et cetera. I think you will appreciate, Senator, it is a serious commitment of Australian consular resources to have officials in Merauke continuously for four months at a time and then subsequently. That is a major act of consular assistance to those people.

CHAIR—Have any of the officials or their family members passed any comment to you or the department, Mr Moriarty, about the range of assistance and services that your department has been able to provide?

Mr Moriarty—I am not aware of any specific complaints, other than what I have seen in the media, but—

CHAIR—Not from the individuals or their families?

Mr Moriarty—None that have been brought to my attention, other than what I have seen in the newspaper.

Senator TROOD—Mr Moriarty, there was a comment, which you may have seen, by Mr Mark Bousen, who is a friend of one of the detained, in the *Age* newspaper in January of this year. He said:

I am so angry that the Department of Foreign Affairs and Trade has been so ineffective.

What would have given rise to that comment, do you think?

Mr Ritchie—I will not even begin to speculate what gave rise that comment. I think it is pretty fair to say that we do not agree with that. As I have demonstrated today, we have provided really significant consular assistance to the so-called Merauke Five. Friends or family who are involved in these sorts of situations naturally become quite emotional about it. It is very distressing for them, and we understand that.

It underlines yet again the comment we make frequently that when people travel overseas they are of course subject to local law, which might not always be the same as Australian law. Our ability to influence that law or to spring them from jail or to suddenly get them deported or something is really minimal. I can quite understand that some people associated with them or relatives or friends might find it distressing that they are still subject to Indonesian law, but that is the way it is. I am very confident—and I am not going to speculate about what that man meant—that we have provided, in my experience, very substantial consular assistance to them.

Senator TROOD—I see.

Mr Moriarty—Certainly the government has no authority or capacity to intervene in the judicial processes of a foreign country, just as we would not welcome any attempt by a foreign government to intervene in judicial processes in Australia. The Minister for Foreign Affairs, Mr Smith, recently said that often, for example, he is asked to do things that would be serious criminal offences here. He is often asked to stop a police force of another country prosecuting somebody, and he is often asked to interfere in the court processes of another country. We cannot get involved in the legal processes of Indonesia.

Mr Ritchie—But what we do is make sure that they have appropriate legal representation; we monitor the case; we look after their welfare; we liaise with their families—all of the above. But in the end they are subject to Indonesian law.

Mr Moriarty—And we have made very extensive representations to senior Indonesian officials on their behalf.

Senator TROOD—Representations to whom about what?

Mr Ritchie—As Mr Moriarty said, it would be quite improper for us to interfere in Indonesia's legal system, just as we would regard it as quite improper for Indonesia to interfere in our legal system. But what we have done, both directly through Mr Smith and through the ambassador in Jakarta, is to ask that this matter be dealt with expeditiously and resolved. We have done that on a number of occasions at that sort of level.

Senator TROOD—Have you received any assurance or encouragement, Mr Ritchie, that that will happen?

Mr Ritchie—The Indonesian response has been one of sympathy, but of course the Indonesian foreign ministry or Indonesian authorities say very much the same thing, which is, 'We'll do what we can, but of course it's our legal system, and that has to be gone through.'

Senator TROOD—I understand the point you are making about that, but I think the other dimension to the issue is being confident, and I think Australians overall want to be confident, that if they find themselves in difficulty—and on this particular occasion it would appear, on the evidence that has been made public in relation to this aeroplane landing, that they were given permission to land. It may be a question as to whether they did or did not have a visa; I do not know, but they were given permission to land, and they suddenly found themselves in detention and then prosecuted. They are now in jail, and nine months on they are still there and they are facing another two months of further detention.

Mr Ritchie—I simply will not comment on the facts of the case. The facts of the case would have had a serious airing in the Indonesian court system. Indeed, the High Court in Jayapura decided that their convictions and sentences should be overturned, so I think that is a fair comment on the reasonableness of the Indonesian court system. But there is a provision under Indonesian law that the prosecution has the right to lodge an appeal, and it has exercised that right. I am afraid we will have to wait to see what the Indonesian Supreme Court does with that.

Senator TROOD—Have Australian officials in Jakarta received any advice as to the likelihood that this appeal by the prosecutor might succeed or about the strength of the case on appeal?

Mr Ritchie—Not that I am aware of, and I think that goes beyond our remit. That is a matter for the local lawyers and others. We will just have to wait to see what the Indonesian Supreme Court decides in the end.

Senator TROOD—The critical question here for me is to make sure that they are receiving all of the support that they can justly expect to receive in the circumstances.

Mr Ritchie—We believe that they have received very, very extensive support and are continuing to do so. We are maintaining very close contact with them and their families constantly.

Senator TROOD—You say, Mr Ritchie, that an officer is about to go there again?

Mr Ritchie—Another visit is due from the embassy in June, as I understand it. We no longer have a continuous presence in Merauke. We have kept in touch with them constantly by telephone, and then there are regular visits to Merauke to talk to them as well.

Senator TROOD—Mr Moriarty, have you personally been in touch with the families in Australia or the close friends of those who were detained to provide them with information that they may have requested from the department?

Mr Moriarty—I personally have not, but we have very experienced case officers managing this case and it is getting very senior attention in the division.

Senator TROOD—Is there an officer of yours dedicated to this case?

Mr Moriarty—We do have a dedicated case officer, and also the branch head responsible for Consular Operations Branch is following it very closely.

Mr Ritchie—And I have already mentioned that obviously Mr Smith has taken a very, very close interest in the case.

Senator TROOD—Has Mr Smith been in touch with the relatives and families, do you know?

Mr Ritchie—I am not sure. It is our normal practice that we assign, as I understand it, a consular case officer to particular cases. They follow that case through. They become often very close to the families of those involved. In this case, that is what we have done. I am sure the case officer maintains very, very frequent contact with the families.

Senator TROOD—Do you know, Mr Moriarty, when you last informed the families or relatives of the situation that applies?

Mr Moriarty—I do not have a specific date.

Senator TROOD—If they are allowed to travel around the city, I assume that they have access to telephones and things of that kind, so they can make contact.

Mr Moriarty—Our senior consular staff in Jakarta are in very regular telephone contact with them. They are discussing all of those sorts of matters very frequently.

Senator TROOD—Have the staff in Jakarta been in touch with their lawyers as well?

Mr Moriarty—Yes, we are in touch with the legal team.

Senator TROOD—Do you know who the lawyers are? Do we know anything about the lawyers and their capability et cetera? Are we confident that they know what they are doing, to put it colloquially?

CHAIR—This is the lawyers retained by the people who have been—

Mr Ritchie—That is correct. We are not a recommender of lawyers, but we have a broad consular interest in ensuring that people are properly represented and receive as equitable treatment as they can. Most of our missions abroad, I think, have a panel of lawyers with whom we have had dealings and which we give to consular clients, and they pick a lawyer. It is perfectly open to them to pick another lawyer if they want to.

CHAIR—In fact, on your evidence, the lawyers who appeared for the five men in the relevant High Court won the case.

Mr Ritchie—Absolutely.

CHAIR—What is occurring now, on the evidence, is that the delay has occurred because the prosecution—

Mr Ritchie—That is correct.

CHAIR—has lodged an appeal which has had the effect of a stay under the Indonesian legal system. I would have thought that, if the lawyers had won in the High Court, they had done a pretty good job. They have not done a bad sort of job.

Senator TROOD—Chair, I am not impugning the lawyers' ability; I am just seeking—

CHAIR—You are questioning about it.

Senator TROOD—I am seeking to receive assurance that they are capable and able to do what is required of them; that is all.

Senator FORSHAW—You cannot even give that assurance in this country all the time. You cannot expect the government to give it to you, either.

Senator TROOD—Finally, Mr Moriarty, the aeroplane which was at the centre of this incident has not been removed or anything of that kind? It is still there?

Mr Moriarty—My understanding is that it is in Merauke.

Senator TROOD—So, if indeed they succeed in their appeal and they choose to do so, the aeroplane is available to fly them home, or whatever they wish to do?

Mr Moriarty—I think that would be a matter for the court.

Senator TROOD—Can I just encourage you and your officers to pay close attention to this issue. I think it is a very difficult situation. It has gone on for a long period of time, and I think they clearly would appreciate the continuing close attention to the matter.

Senator FORSHAW—I have followed this discussion with interest. It is something that seems to arise every now and again either in individual cases or in broader situations. It is not unusual, is it, for family members and friends in these sorts of very difficult circumstances to lash out, if you like, or to be critical of consular services? Maybe they feel justified in doing that.

Mr Ritchie—Absolutely, and it is completely understandable. I am not being critical of them at all.

Senator FORSHAW—I know you are not.

Mr Ritchie—If my son were in a similar position overseas and I did not feel he was getting every assistance I would be very critical as well. It is totally understandable; we completely understand the situation of the families concerned. We try to learn lessons from cases where we have failed them and do better next time. But I think overall we provide pretty good consular assistance to Australians.

Senator FORSHAW—I have an interest in this because I chaired this committee back in 1997 when we had an inquiry into consular services. One of the catalysts for that inquiry was the David Wilson case in Cambodia. There was a report in yesterday's paper regarding family members still being very distressed about that and blaming the former Australian government.

Coming to more recent times, during the period of the previous government—and this is not a political point as such—there were Australians affected by Hurricane Katrina in New Orleans who were somewhat critical of the fact that the Australian government could not fly a helicopter in there and get them out straightaway.

Mr Ritchie—Absolutely.

Senator FORSHAW—What about when Lebanon was on?

Mr Ritchie—Lebanon was a terribly messy situation. Although in many ways we were competing with a range of other countries that were also concerned about their nationals, we were able to evacuate a very large number of dual nationals and Australian citizens out of Lebanon.

Senator FORSHAW—But there were complaints made at the time, weren't there?

Mr Ritchie—Certainly.

Senator FORSHAW—What were some of the complaints? Were they too slow in getting ferries to take them out?

Mr Ritchie—People get into desperate situations and expect that the Australian government will be able to assist them and that wherever they are and no matter what happens to them we will be able to spring them from court or evacuate them or whatever. I know that Mr Smith and others have been very keen to point out, as have successive governments, that our capacities are really very limited overseas. If there were five Indonesians who had come here and were going through our court system and the Indonesian government started to jump

up and down and say, 'Why aren't these people being released now?' we would get very annoyed about it as well.

CHAIR—In fact in Western Australia there are a stack of Indonesians going through the—

Mr Ritchie—And they have to go through our court system too. Expectations are very high. The two messages are: wherever you go you are subject to local law and whatever you think of the local law you are subject to it; and, secondly, we will do what we can, but the capacity to assist is somewhat limited.

Senator FORSHAW—Yes. I think it is worth reiterating the point that was made by Mr Moriarty. I have had some personal experience with this from just before Gulf War 1, when a relative of mine was caught up in Kuwait as a human shield hostage. At that time the department made available to any Australians who were caught up in that situation dedicated officers who had regular contact with the families day and night—they were available 24 hours a day if necessary. Is that the normal practice?

Mr Ritchie—That is very often the practice.

Senator FORSHAW—A specific person who is available for the family to contact?

Mr Ritchie—Yes. That is very often the practice. Without wishing to pontificate too much, there are very many dedicated consular officials out there who spend a lot of time doing really difficult work to support Australians. I am not sure whether people are aware, but over 900 Australians die overseas every year, for example.

Senator FORSHAW—That was some of the evidence that we looked at.

Mr Ritchie—Their families have to be dealt with, their remains returned or whatever.

Senator FORSHAW—There are Australians who go missing who do not necessarily want to be found, either? They do not want their families to contact them and that becomes an increasing problem for consular officials?

Mr Ritchie—And it is the consular officials who have to go to the morgues and have to do all that sort of stuff. It is very difficult work.

Senator FORSHAW—That applies in all cases whether or not a person or group of people are detained or get into difficulty either because of their own failure—for example, they are accused of breaking the law—or maybe they get caught up in a civil disturbance or Hurricane Katrina where it is absolutely no fault of their own. It does not matter; the service is provided?

Mr Ritchie—That is correct. It is available to Australians. It is up to them whether they take up that service. We have already heard evidence today, when we were talking about the Holy See earlier on, that some Australians do not wish to have consular assistance.

Senator FORSHAW—You do not cut them loose if it is perhaps their own fault?

Mr Ritchie—We try not to.

Senator FORSHAW—I assume it was a tongue-in-cheek article that former foreign minister Alexander Downer wrote. I think it was published last week. Have you read that article?

Mr Ritchie—I have.

Senator FORSHAW—I appreciate that he was venting frustration about a recent situation where a woman was detained, accused of stealing a bar mat. Even if it were a tongue-in-cheek remark, you would not follow the views or the proposals of the former minister in that article?

Mr Ritchie—We are under instructions from the government to provide assistance to Australians.

Senator FORSHAW—And that happened during Mr Downer's time. Finally, you mentioned in your comments that we cannot interfere in the judicial process of another country, just as we would not take too kindly to some other government trying to interfere in our judicial process in an inappropriate way. A couple of days ago I read an article where the Netherlands government has made a request to Australia in regard to a woman who is on trial here in Australia. Are you aware of that? I am trying to remember the name of the person. She is accused of a very serious offence and it is said that she is suffering from a serious illness.

Mr Ritchie—I am not aware of that case.

Senator FORSHAW—I am interested in whether there has been a request from that government for her to be returned to the Netherlands because of ill-health?

Mr Ritchie—I am not aware. I am not sure whether Mr Moriarty—

Senator FORSHAW—Can you follow that up?

Mr Ritchie—Sure.

Senator FORSHAW—I will try to find the article that I read. As I said, I did not bring it along. I did not realise that we would get into this discussion today but, in the light of your comment, I would be interested to know whether there has been any formal request of that nature or indeed whether it is just a media beat-up.

Mr Ritchie—Sure. I am very happy to do that.

CHAIR—That concludes that issue.

Senator TROOD—I have another issue concerning Mr Moriarty's area of responsibility. I would like to clarify the position with regard to travel advisories for people travelling at sea. Of particular concern is the problem in the Gulf of Aden with the piracy that is taking place around those north-east African shores around Somalia and the fact that a cruise ship was attacked by pirates. On board that ship were, I think, 74 Australians. My understanding is that there was no travel advice available to Australians who might have been cruising in those waters or involved in any way at sea. Can you enlighten the committee on that, please?

Mr Moriarty—Yes, certainly. The department first issued a travel advisory on travelling at sea in September 2005 to highlight the worldwide risk of pirate attacks. The travelling by sea advisory was substantially reviewed and reissued on 12 December 2008 in response to the significant increase in piracy related incidents in the Gulf of Aden and off the coast of Somalia. So this revised advisory alerts Australians to the worldwide risk of attacks and the increased frequency of attacks by pirates against all forms of shippings. Prominence has been given to this advisory on the Smart Traveller home page and this advisory is kept under close review.

Senator TROOD—What is the nature of this advisory? We were talking yesterday about the various categories. Does this advisory have categories attached to it or not in terms of whether or not people should undertake cruises that pass through these waters or whether or not they are advised not to or to proceed with caution. I forget the particular categories you are referring to but is there specific advice about people undertaking cruises or other sea travel in these waters?

Mr Moriarty—It is descriptive advice about the risk from piracy. There is no—

Senator TROOD—So you have not assigned a category to the danger as you have in relation to countries, is that right?

Mr Moriarty—In relation to Somalia, for example?

Senator TROOD—Yes.

Mr Moriarty—No.

Senator TROOD—Why don't you do that in relation to sea advisories?

Mr Moriarty—My understanding is that we are alerting Australians to the risk of piracy, particularly in those locations in relation to the Gulf of Aden, and urging Australians to maintain a high level of vigilance and to exercise extreme caution when anywhere near those waters. So it is really maintaining high levels of vigilance and exercising extreme caution. In my view that is very clear advice.

Senator TROOD—Well, I would personally be cautious about that but perhaps I am not as adventurous as some, Mr Moriarty. Perhaps there is a need to translate the advice that is given with regard to particular countries to waters offshore and perhaps to cruising in general. It might provide a higher degree of consistency in the way in which the information is presented. It might actually make it easier for people to understand the extent of the risk they may be facing.

Mr Ritchie—It certainly would, Senator, if I might just comment. We will certainly take note of that. We obviously keep that advice under very close review. We also expect people to, in a way, keep their eyes open and not just rely on the travel advice. There has obviously been a huge amount of publicity regarding piracy off Somalia and, of course, our travel advice in regard to Somalia is 'do not travel'. We hope that people can build a full picture of the danger.

Mr Moriarty—On 5 December last year the Minister for Foreign Affairs, Mr Smith, issued a joint media release with the Minister for Infrastructure, Transport, Regional Development and Local Government, Mr Albanese, to highlight the increased incidence of piracy in the Gulf of Aden, and in early January this year the department forwarded a copy of the updated travel advice with a covering letter from Mr Smith to domestic and international travel providers and cruise ship operators.

Senator TROOD—Thank you, but you might perhaps consider that point that I just made about translating the consistency of the warnings to travel at sea.

CHAIR—Do you have further issues, Senator Trood?

Senator TROOD—I do have other issues and would like to ask some questions about the International Commission on Nuclear Non-proliferation and Disarmament.

CHAIR—Before you proceed, you gave me a list of matters you wished to pursue and I take it that is now exhausted. We only have an hour left now and I want to work through the program. There are some questions I want to raise with the Passport Office and the progress of Pacific Partnerships for Development that have been foreshadowed to me.

Senator TROOD—I am happy, Chair, to work through that. The things I have I can slot into the program.

CHAIR—I will head off with those two issues and then hand back to you, Senator Trood, for the remaining hour or so. That will then take us to 12.30 and we will be done.

Senator TROOD—Thanks, Chair.

[11.26 am]

Australian Passport Office

CHAIR—Mr Nash, last week Minister Smith put out a press release about Australia's new N series passport. Why was the minister drawing this to our attention and what makes this passport better or have more utility than previous issues?

Mr Nash—The reason for that press release was to essentially bring to the public's attention the fact that the Australian passport continues to be one of the most secure documents in the world. But in making that point, to highlight the fact that in order for it to remain one of the most secure documents in the world, then it has to be constantly updated. In that passport there are a number of security features which did not appear in its predecessor. For fairly obvious reasons I would not want to really outline the nature of most of those except to give the committee an assurance that this is a document which is now even more difficult to forge, virtually impossible in some areas to replicate. It now has included biometric technology at an updated level and includes now even the ability to detect any cloning of the microchip, which is a feature that had not appeared previously.

CHAIR—What additional security measures does it incorporate without going into matters that are clearly and extraordinarily private or secret? What additional security measures does it incorporate?

Mr Nash—It has a brand new laminate to protect the data that is contained underneath. That data is printed onto a paper substrate and then is sealed with the laminate. That laminate contains microbead technology, glass bead technology, which allows the manufacturers, the 3M company, to laser engrave into that substrate images of kangaroos and emus and a wave containing the word 'Australia' in a continuous motion. These things are all detectable to the naked eye if the book is moved up and down. The reason for that sort of overt security is to enable countries that do not have sophisticated technology to determine readily whether or not this is a legitimate Australian document.

CHAIR—Thank you, Mr Nash, for that.

Senator TROOD—On this theme of security, there was a report in a very reputable newspaper of record, the *Daily Telegraph*, in March about forged passports and a trade in passports. Has that been brought to your attention? Do you recollect the article?

Mr Nash—Yes, it has. I am not entirely sure that I have seen that that particular article, but these articles appear from time to time. When they appear, we investigate the claims made in those articles. We have investigated a number of similar claims in relation to articles that have appeared in that particular newspaper. On some occasions they have proven to have some foundation and on others they have not.

Senator TROOD—Have you investigated this particular claim made in March?

Mr Nash—I could take that on notice. Without more detail, I am not entirely sure what that article refers to.

Senator TROOD—It is only relatively short but it is an article alleging that there are websites selling so-called state-of-the-art, fake Australian passports for as little as \$1,250.

Mr Nash—Now I am aware of the article concerned and I can give you an assurance that we have looked at that, as you would expect. We have looked at it very carefully and, to the very best of our ability, we have not been able to confirm that that is a possibility. We are aware of the sites. They do exist. They pop up from time to time. They are not dissimilar to other sites that sell or pretend to sell all sorts of products. Our experience of these websites is that if you send your money you will get absolutely nothing in return.

Senator TROOD—I certainly hope you would not get an Australian passport by sending any money.

Mr Nash—We have investigated a number of these. We talk to the AFP about these websites on an ongoing basis. At this point in time we have not detected a website that is able to provide anything that even pretends to be an Australian passport.

Senator TROOD—So it is a scam?

Mr Nash—That is how it would appear.

Senator TROOD—I see. Do we have any capacity to close down these websites?

Mr Nash—That is really an issue for the AFP. It is very difficult when they are located offshore. I am told by the AFP that in cases where these sorts of websites have their origins in Australia it is difficult enough to track them down and deal with them. When they are offshore it is close to impossible.

Senator TROOD—Just finally, how many passports have been issued in this financial year? Can you tell us?

Mr Nash—So far this financial year it is about 1.4 million.

Senator TROOD—How does that compare with previous years? That is up until 1 June or something like that, isn't it?

Mr Nash—It would be to the end of May. I could get you an accurate figure. I do not have that with me.

Senator TROOD—Perhaps you could do that. How does it compare?

Mr Nash—At this point in time we are about three per cent below where we were at this time last year.

Senator TROOD—Is that a decline in the longer term or does that just happen to be a blip for the 2008-09 year?

Mr Nash—This year has been unusual. We started off quite a significant degree below our original projections. But we have now got ourselves pretty much back on track as far as our original projections are concerned.

Senator TROOD—Have you made projections for the 2009-10 year?

Mr Nash—Yes, we have.

Senator TROOD—What are your expectations for the 2009-10 year?

Mr Nash—We expect next year to be about 1.6 million.

Mr Ritchie—You might find this interesting to know. We were talking earlier on about the work of the consular services and the amount of work they have to do. Just to mention the Passport Office, so far this year 1.4 million passports have been issued. There are roughly, as I understand it from Mr Nash, 9.8 million passports out there in Australia at the moment. So you can imagine the workload that is involved in that.

CHAIR—I just have some questions under the Pacific heading in the agenda on the progress of Pacific Partnerships for Development. Welcome, Mr Rowe. Can you give us a status report on the Pacific Partnerships for Development, particularly which ones have been signed and which ones are underway? For those that are underway could you give us timelines leading to fruition? Having answered those questions could you then just give me a picture of the current architecture that we are building in this area with the PPDs?

Mr R Rowe—The Pacific Partnerships for Development are a central element of the government's Pacific engagement strategy as enunciated by Prime Minister Rudd in the Port Moresby declaration of 6 March last year. Agencies led by AusAID in particular have been very active in pursuing partnerships with countries in the Pacific region. To date, five partnerships for development have been concluded in the sense that framework documents have been signed. The countries with which they have been signed are Papua New Guinea, Samoa, Solomon Islands, Kiribati and Vanuatu. In addition, there are ongoing negotiations with Tuvalu, Tonga and Nauru, with the aim of completing the framework document by the time of the Pacific Islands Forum to be held in Cairns in August.

CHAIR—Is that still our timeline?

Mr R Rowe—Yes, that is the intent. I should also just mention that the partnerships for development are, as indicated in the title, partnerships. So they are developed jointly with the individual countries with which they are being negotiated, and they reflect very clearly the priorities in national development strategies of those countries. Once the framework document has been concluded officials continue to engage with the individual countries in developing the implementation strategies to give effect to the broad umbrella agreement in the different priority sectors that have been identified in the head instrument.

CHAIR—We might stop you there. So the framework documents have been signed for the five countries you identified at the outset and we are now at the stage of officials having implementation strategy discussions.

Mr R Rowe—Correct.

CHAIR—Where are they at? Are they virtually concluded in those five countries or is there still some way to go?

Mr R Rowe—They are very advanced, actually. It differs with each individual country and perhaps I would defer to my AusAID colleagues as to the actual stage of the development of implement strategies, but in all cases they are being work on very assiduously and are well advanced.

CHAIR—I take that point. They are well advanced and coming to a conclusion. Do we have in our own minds a timeline for the conclusion of relevant implementation strategies and moving to actual implementation in those five identified countries?

Mr R Rowe—Well, basically I could answer that by saying, ‘As quickly as possible.’ That is the intent: to move very actively. The key is the implementation in the sense of getting the detail worked out and proceeding to give effect on the ground—

CHAIR—I was just wondering when we are going to get the boots on the ground, to use an analogy.

Mr R Rowe—Unfortunately, I do not have any specific indications of any particular timeline for each individual partnership agreement. The best I can say at the moment—AusAID might be able to provide some further clarification—is that the intent is to get those boots on the ground as quickly as possible.

CHAIR—When do the Pacific Partnership for Development people meet again? Did you say that was in Cains in August?

Mr R Rowe—Well, the intent is to sign the three partnership agreements that I referred to—with Tuvalu, Nauru and Tonga.

CHAIR—Sign those?

Mr R Rowe—They will be signed by Prime Minister Rudd and the leaders of the three countries I referred to.

CHAIR—At that meeting, was there any suggestion that there be any further signing of documents relating to the implementation strategies of the first group of five countries?

Mr R Rowe—The implementation strategies do not need any further signing. It all flows from the framework agreement, which has already been signed by leaders.

CHAIR—And your response to me is, ‘We are moving as quickly as we can and, if you want further specifics, talk to AusAID.’

Mr R Rowe—Correct.

CHAIR—I will do that.

Senator TROOD—I have some questions about the Shanghai Expo and I think my colleague has some questions more generally about some China issues. Mr Tesch, as I understand it there is a project commitment for about \$83 million in relation to the Shanghai Expo. Is that correct?

Mr Tesch—That is the approved project value.

Senator TROOD—But a large component of this, \$22 million in fact, is from outside sponsorship. Is that also correct?

Mr Tesch—The government, in committing to the project with that total value, also directed that up to \$22 million be sought through sponsorship from the private sector and states and territories.

Senator TROOD—How are we going with securing that \$22 million?

Mr Tesch—It is a work in progress but thus far we have achieved some pretty good results. The Minister for Trade announced in Shanghai on 8 May the commitment at the platinum corporate sponsorship level of the ANZ, BlueScope Steel and Rio Tinto. There are negotiations underway with a number of other companies that we are close to finalising. We have also signed contracts with the Northern Territory and ACT governments and expect in the near future to conclude partnership agreements with a number of other jurisdictions. It is always potentially risky to try to comment on what is still a work in evolution but we have signed a number of the corporate platinum agreements. They have a dollar value of \$3 million cash sponsorship. In broad terms, I would say at the moment we are edging towards around \$10 million in cash sponsorship.

Senator TROOD—Have any of the state governments ponied up any funding as yet?

Mr Tesch—Yes. As I mentioned, ACT and the Northern Territory have both concluded partnership agreements. You may recall that a few years ago both Victoria and Queensland made early commitments to support participation in the expo, but we have not yet reached contract stage with them. However, we think we are very close certainly in the case of Queensland, and negotiations are continuing with the other jurisdictions.

Senator TROOD—That is Queensland and Victoria. By the other jurisdictions, do you mean the other states?

Mr Tesch—That is correct, yes.

Senator TROOD—Do you have some expectation that they will eventually make a commitment to the project?

Mr Tesch—Indeed, Senator. Our discussions to date show that we can be very confident of having a substantive whole-of-nation presence there under the broad banner of an Australian national pavilion with an active involvement of all of the states and territories, at differing levels, of course. They are not all going to be signing up as coequal partners in the project.

Senator TROOD—What prospects do you have of attracting other private sector commitments?

Mr Tesch—It is speculative. As I mentioned, we have got a few more indications of a pretty clear intention to commit on the part of leading Australian companies and we, of course, will be continuing not only to pursue those but a range of others as well. This also includes a number of smaller denomination in-kind sponsorships that will enhance our ability, for example, to draw on Australian suppliers and producers to showcase Australian products in the pavilion in areas like lighting, flooring, construction and so forth.

Senator TROOD—What is the status of the actual pavilion or the site that we have available in relation to its building and development et cetera?

Mr Tesch—Again, it is a comparative thing that is a little subjective. From my observations, particularly when we were up there with Mr Crean on 8 May, of the 49 countries that are building their own pavilions other than the host country—

Senator TROOD—We are one of those.

Mr Tesch—we are one of those—other than the host country, China, we are clearly ahead of the pack. We completed our foundation works in February, the first international participant to reach that milestone. Mr Crean presided over the topping-out ceremony on 8 May, marking the achievement of the highest point of construction of the pavilion. We are on schedule, broadly, on construction and we expect to be at the point of having the pavilion at dust-free and lock-up stage by around September-October this year, as scheduled.

Senator TROOD—I see. Can you briefly inform the committee as to how we are going with the other activities surrounding it, besides the construction of the pavilion, with regard to the cultural program and the staffing.

Mr Tesch—With pleasure. We have let all of the major contracts for the provision of the core components of this project, with the exception of the decommissioning of the pavilion—and that is in contract negotiation stage at the moment. The cultural program is under development. We have been presented by the contractor, George P Johnson, with the draft overview of that program, and that has three elements. First, there will be a resident group of performers, who will be providing daily entertainment in the pavilion; the second element is a program of a rolling series of touring performers and artists who will be coming to the Expo over the six months; and the third is the headland, as it were, concerts and performances that will take place on Australia's designated national day, on 8 June next year. So that broad concept has been presented to an interdepartmental committee, it has been endorsed and the contractor is in the process of sourcing the potential performers for and components of that and will be seeking to refine that over the next couple of months.

The communications and public affairs program has been in train. On 8 May, again, Mr Crean launched the pavilion's bilingual website and a competition running in China to name the pavilion mascot, which is a kookaburra. So that is designed to attract a great deal of Chinese attention to our website and to position ourselves as a leading participant.

The business program is now well in train, with a working group that is being driven by us, DFAT, and Austrade, working with other interested federal agencies and gradually expanding to bring in other stakeholders, looking at scheduling the 200-plus events we will be holding in the VIP facility over the life of the Expo, focusing on trade and investment promotion and associated policy activities.

Senator TROOD—Is 'kookaburra' easy to translate into Mandarin, Mr Tesch?

Mr Tesch—There is a word for it. There is a name for it which, with my very embryonic Mandarin skills, I am not going to embarrass myself or offend anybody here by trying to pronounce! But one of the ideas—

Senator TROOD—Mr Fletcher over there can help you!

Mr Tesch—He very probably could, I think. But one of the ideas was to pick something that was perhaps a little novel that would help challenge people's perceptions and advance them beyond the standard images of Australia. I think the competition, which has now attracted, from memory, over 1,400 entries, is doing its job in helping draw people's attention to our website, and that will help position that for us to subsequently use it to promote and amplify messages about Australian capabilities beyond the confines of the pavilion.

Senator TROOD—I see. Just remind me: when does the event open?

Mr Tesch—It opens on 1 May next year and runs for six months, to 31 October.

Senator TROOD—Right. Thank you, Chair; that is all I have on that.

CHAIR—Any further questions on Shanghai? No—next topic?

Senator KROGER—China?

CHAIR—Senator Kroger.

Senator KROGER—Firstly, to our Mandarin-speaking Mr Fletcher—this is more of a general question to open things—how does the department judge the Australia-China relationship at the moment?

CHAIR—That might be a question, I think, for Senator Stephens, representing the minister. That is really a question about government policy. I am sure Senator Stephens has a brief, if you are asking for a comment on government policy.

Senator KROGER—It was not on government policy; it was actually how the department sees the relationship between Australia and China at the moment—

CHAIR—That is the point, I think, Senator.

Senator Stephens—Senator Kroger, that would be perceived as a question about government policy.

Senator KROGER—Thank you, Senator.

Senator Stephens—In responding to that question I think it is very important that we all recognise that the government has been very successful in building a balanced and productive relationship with China. The Prime Minister and the foreign minister are on the record speaking about the issues of recognising China as an important economic power in the region, looking at the capacity for growing economic interdependency and the mutual benefit of that; and, certainly, acknowledging that China continues to be a large export market for us and that we of course have a strong trade relationship with China based on resources but also students—our international education bid is very strong in China. We are certainly building up our tourism market there and we have a growing migration relationship with China. So it is a very important and significant long-term relationship with Australia that is definitely in the national interest.

Senator KROGER—In relation to the students, what proportion of overseas students who reside here are Chinese?

Senator Stephens—I think Mr Fletcher can answer that question for you.

Mr Fletcher—The last figure I saw was about 24 per cent, so roughly a quarter.

Senator KROGER—What would that equate to in numbers?

Mr Fletcher—It is a bit over 100,000. Again, it is bit hard to define precisely because, when you say ‘student’, the immigration department will say, ‘Well, that’s everyone from high school through vocational courses to university and postgraduate,’ and not all people who come to Australia on a student visa stay for a full year. So the figure of 100,000 is for the number of Chinese who were studying in Australia in the last year. That is the figure we use.

Senator KROGER—Thanks, Mr Fletcher. I want to turn to Mr Rudd’s statement earlier in the year when he referred to support for increasing China’s quota in the IMF. I just wanted to get your thoughts on that.

Mr Fletcher—I think that is probably better answered by one of the economic divisions.

CHAIR—When you say ‘quota’, do you mean its contribution to—

Senator KROGER—Voting quota.

CHAIR—Okay.

Mr Ritchie—I do not think we have got the necessary expertise here at the moment. Perhaps we could, if you do not mind, try to seek that out and answer it when we do the Trade section this evening.

Senator KROGER—That is fine. I am happy to leave those questions till then, Mr Ritchie. I did want to explore whether the department were asked for input into the defence white paper, given that China felt like they were public enemy No. 1 with its release.

Ms Rawson—Yes, Senator, the department was involved in what was essentially a whole-of-government process in regard to the defence white paper.

Senator KROGER—Can you expand on that a little bit. What sorts of areas were taken into account in terms of the input into that?

Ms Rawson—I think I can say that we were involved throughout the process—from about the middle of last year, I think, would be the timing when work began. We were involved in a range of meetings on the white paper on the various aspects that would go into it. We were involved in looking at various papers that were done in consideration of the white paper. We were involved in having input into some of the drafting. So it was not specific to one issue et cetera; it was across the board—although, obviously, in regard to particular chapters, defence capabilities et cetera, they were much more issues for the Department of Defence than for us. But there was close involvement throughout the process.

Senator KROGER—Has there been an official response so far from China in relation to the white paper?

Mr Fletcher—The author of the white paper visited Beijing prior to its release and briefed Foreign Affairs and Defence officials on it. The Chinese now have a copy of the white paper. They have not given us a considered authoritative response, but then it was not actually addressed to them, either. It is out there. There have been various stray comments in the media and elsewhere about their reaction to it but, at this stage, we have not had a considered authoritative response from China.

Senator KROGER—The question is more whether they have actually given a strong response since the publication of it, whether solicited or otherwise?

Mr Fletcher—No. Mind you, we have not had an occasion, at a very senior level—neither the foreign minister nor the Prime Minister have met their counterparts in the intervening period between the release of the white paper and today.

Senator TROOD—Are there any opportunities coming up? Are there any ministerial talks scheduled or security talks—

Mr Fletcher—I am sure, in the next couple of months, perhaps in the margins of another meeting. In the middle of the year there are the ASEAN regional forum meetings which bring people together.

Senator JOHNSTON—With respect to your commentary that there is no considered authoritative response, there has been a commentary in the media as to a response from senior officials within the Chinese administration, albeit not formal, has there not, or is the department unaware of that?

Mr Fletcher—We are certainly aware of comments in the media.

Senator JOHNSTON—Which particular comments are you aware of? I think there have been several. I am interested to know what comments you are aware of.

Mr Fletcher—There were several articles immediately after the release of the white paper quoting unnamed academics in the Chinese system. There are any number of views which one can gain from the Chinese, whether they be officials or academics. What I said was we have not had a proper considered response or a view from the government. But if you ask me what do I think they think about it I could then answer that question.

Senator JOHNSTON—What do you think they think about it?

Mr Fletcher—That is a different question. The Chinese government does not like the idea that somehow they are considered to be a problem in regional security terms. So they have responded to the perception in our media that the white paper is about them. So the foreign ministry spokesman, very soon after the white paper was issued, said, without referring to Australia, that China did not present a threat to the region.

Senator JOHNSTON—I think there were a few other, stronger comments from various senior military officers and others, weren't there?

Mr Fletcher—As I said, there are a range of views at any one time on these subjects, and it is very easy for a journalist to find someone to express a critical comment, as it is in Canberra. If the Chinese journalists want to find someone to say something about the paper, it is very easily done. But I do not consider that to be the view of the government of China.

Senator JOHNSTON—Do you think it is normal for there to be a range of views about political matters coming from China?

Mr Fletcher—These days, yes, it is.

Senator JOHNSTON—We have had some positive comments about the white paper that you can perceive as coming from the government of China?

Mr Fletcher—No. I said we have not received an authoritative response from the Chinese government.

Senator JOHNSTON—We are just grappling with the issue of sovereign corporations which are, effectively, government instrumentalities taking shares in our national resources. Is it not the case that any commentary from China that is official and authorised in the media is, in fact, the words of the government?

Mr Fletcher—If it is in the Chinese media then I would look closely to see who was writing it. If it was in the Communist Party's main mouthpiece newspaper, then certainly I would regard that as China's view. But there has not been that kind of commentary. What we have seen are international media, particularly Australian media, reports about views within China about our white paper. It is very easy to obtain a range of viewpoints. We have not gone out seeking those views but journalists have.

Senator JOHNSTON—How many of our DFAT personnel were involved in contributing or participating in the construction of the white paper?

Ms Rawson—I could not give you an exact figure on that. Certainly there were staff within the International Security Division, which I head—I would put a round figure on it of half-a-dozen but it may, indeed, be closer to a dozen when taking into account the various aspects. We then talked to other areas of the division, with Mr Fletcher and with those from other geographic areas. The strategic outlook covers a great part of the world. I will not even say that I would take it on notice in the sense that I do not think we could come up with an exact figure for you, but certainly a significant number of staff within the department were involved in one way or another to a greater or lesser extent.

Senator JOHNSTON—Was your point of contact the Defence Department?

Ms Rawson—Certainly the Defence Department was the lead agency in regard to the development of the white paper, but a number of other government departments were similarly involved. We would have discussions involving Defence, PM&C and AGD from time to time, and with Finance and Treasury about budgetary aspects. So it was a broad range within the overall framework, but Defence clearly was the lead agency.

Senator JOHNSTON—Was there an interdepartmental committee?

Ms Rawson—Not one set up specifically for that. The government's national security architecture, if I could put it that way—the Strategic Policy Coordination Group, for example, which I think you would be aware is a Deputy Secretary-level grouping—discussed aspects of the white paper on a pretty regular basis over the year before it was issued. That was certainly one. Then going up to cabinet, or NSC consideration obviously, heads of agencies were also involved in that.

Senator JOHNSTON—Were you the lead officer, with respect to DFAT, in terms of your department's involvement?

Ms Rawson—Yes, at a working level.

Senator JOHNSTON—How many meetings with other departments did you attend during the preparation of the white paper?

Ms Rawson—I do not have that figure off the top of my head. I hope my calendar would be sufficiently accurate to think that I could take that on notice. It might be more helpful to say—

Senator JOHNSTON—Approximately?

Ms Rawson—I attend SPCG meetings with the relevant deputy secretaries, and probably 10 to 12 of those would have dealt with white paper issues. We had some bilateral meetings with Defence officials involved in the team. There were maybe half-a-dozen or more that I was involved in and then other officers were involved in more meetings. Really, it is difficult to put an exact figure on it, but as I said at the outset there was involvement throughout the process.

Senator JOHNSTON—Was it always anticipated that a representative of the government would travel to various countries in our region and brief them on the white paper prior to its formal release?

Ms Rawson—I cannot put an exact time, but for many months I think it had been the understanding that certainly a number of governments, including in our region, would be briefed prior to the release of the defence white paper. And, as you would know, Senator, that did occur.

Senator JOHNSTON—Are you aware of which countries were in fact personally briefed by a representative of the Australian government?

Ms Rawson—Yes, I am.

Senator JOHNSTON—Could you tell us which ones?

Ms Rawson—Yes, I think I can tell you.

Senator JOHNSTON—And, if you can tell us when they were briefed, I would be obliged.

Ms Rawson—I do not have those figures.

Senator JOHNSTON—Can you take that on notice?

Ms Rawson—I suggest that perhaps, because the officials who went were defence department officials, it is probably more sensible to get the timings from them. My understanding is that there were briefings in China, Indonesia, the United States, Japan, the Republic of Korea, India and Singapore. I think that there also were briefings provided to New Zealand and the United Kingdom. But you may wish to check the accuracy of my understanding with defence officials tomorrow.

Senator JOHNSTON—Did the defence department officials use our missions in those various places to facilitate their briefings?

Ms Rawson—Yes. As far as I am aware, there would have been DFAT officials—or an official—from the relevant missions involved in the briefings. I am not sure if that applied universally, but I think certainly in the majority there would have been involvement from the embassy.

Senator JOHNSTON—The point I am seeking to ascertain is that the various missions in each of the countries that you have named would have been given some considerable notice that there would be defence department officials who required appointments with their respective counterparts at some point prior to the release of the white paper.

Ms Rawson—Yes, certainly. Our missions would have arranged the programs.

Senator JOHNSTON—What I am interested in is: when was your department or departmental officials given notice of a requirement to attend—for example, in Singapore, China, the United States et cetera—and that there would need to be a facilitation of the respective cordiality between our defence officials and that country's defence officials?

Ms Rawson—I think in most cases it was about a week or less. Again, I could not be exact. But that was approximately the timing.

Senator JOHNSTON—So you were giving a week's notice saying that, 'Not in this coming week but the one after, defence officials will be in London and would like to brief the MoD about our white paper'?

Ms Rawson—As I said, I think it was a week in some cases and in others it might have been less than that. I cannot exactly recollect the timing. I think one of the factors was that it was not possible to do the briefings until government had made its final decisions on the paper. There was then a relatively short time between those final decisions being taken and the release of the white paper. So there was not a great deal of time, but certainly the defence officials, accompanied by embassy staff, had very comprehensive programs in each of the countries.

Mr Ritchie—You might wish to pursue this further with the Department of Defence too, because these were not one-off contacts. I am sure there were pretty extensive consultations with some colleagues in New Zealand and elsewhere, for example, involving the military-to-military links and other things of which we are not necessarily aware.

Senator JOHNSTON—What I am interested in is the mobilisation of our diplomatic effort, albeit a military based one, to brief the various countries that you have nominated and the timing of that briefing. How many defence personnel would have gone in each instance, are you aware of that?

Ms Rawson—I ask that you refer that question to defence, please.

Senator JOHNSTON—Did any department officials accompany the defence personnel on their briefings?

Ms Rawson—From our missions, yes.

Senator JOHNSTON—There would have been one or two officers go with them?

Ms Rawson—I think it would have varied from mission to mission. I do not have the exact figures of that.

Senator JOHNSTON—We do have a defence attache in most of those missions, don't we?

Ms Rawson—I think we would in most if not all.

Senator JOHNSTON—Logically we would expect that attache would have attended with the departmental officials.

Ms Rawson—Yes.

Senator JOHNSTON—Was it the same personnel who visited each of the missions or was there a different person? The department must have been aware that it was either probably, I suspect, Mr Pezzullo who was doing the briefing. Did he do all of the briefings?

Ms Rawson—No. I think there will be an opportunity to ask senior defence officials these questions.

CHAIR—Senator Johnston, can I just interrupt here. A lot of these questions were initially directed at the role of the Department of Foreign Affairs and Trade and their responsibilities and requests made to them of government and are entirely proper to be asked and answered by that department. I am somewhat concerned that the questions are now straying into areas of direct action and direct responsibility of officials of the Department of Defence, which is of course the parent agency of the document. I do not want to unnecessarily limit your questions but we will be here on Wednesday and I am aware that there is going to be a major discussion on the white paper. I would just draw to the attention of the officials that matters relating to operational activities of defence, their officials and their responsibilities are properly asked and answered by that department and I do not believe this department. That is guidance to you, Ms Rawson and Mr Ritchie, and might be of assistance.

Senator JOHNSTON—Can I go back to Mr Fletcher then? Thank you, Ms Rawson, for your assistance. Have there been any other responses to the white paper diplomatically from any of the countries upon which briefings have been given that the department is aware of?

Mr Fletcher—I can just say in relation to Japan and Korea that they have thanked us for the briefing.

Senator JOHNSTON—Thank you.

Mr Fletcher—I am sorry, I only cover that area of the world.

Senator JOHNSTON—I am interested in that. How did they do that? Was it a formal communique?

Mr Fletcher—No. At the time of the visit according to the record that we have, the response was, ‘Thank you very much for this briefing’. They expressed interest in it.

Senator JOHNSTON—The department actually took a record of what transpired at each briefing?

Mr Fletcher—The posts have sent back a record of the discussions that took place when the defence officials visited. Those reports came in following the release of the white paper.

Mr Ritchie—Can I just add, Senator, that in most cases they would have been prepared by the defence officials who were there.

Senator JOHNSTON—Japan and the Republic of Korea. Are you aware whether there was a briefing for Taiwan?

Mr Fletcher—No.

Senator JOHNSTON—No briefing for Taiwan. Were you aware whether there was a briefing for the Philippines?

Mr Fletcher—I think Ms Rawson has specified the countries which were given an advance briefing.

Senator JOHNSTON—And you are sure that there are no others?

Mr Fletcher—That is correct.

Ms Rawson—I should have mentioned before, Senator, that in addition to the direct briefings by officials a number of additional missions were provided, at the time of or just prior to the release, information on the white paper to be communicated to their host governments. I answered your question in terms of the personal briefings but a much broader range of countries were briefed in terms of the main points of the white paper at the time of its release and after its release. The information certainly has not been confined to those countries.

Senator JOHNSTON—Thank you for that. Were those briefings carried out by your department or by Defence personnel?

Ms Rawson—It would be a mixture. Where a mission has a defence attache, my expectation is that in most cases it would have been done by the defence attache. Where there are not defence representatives at the post, it would have been done by DFAT.

Senator JOHNSTON—Did we do any briefings here in Canberra?

Ms Rawson—Yes. On 6 May our department hosted a briefing for the diplomatic corps and defence attaches in Canberra. The briefing was conducted by Mr Pezzullo. There were approximately 110 representatives from 65 of the missions. It was a packed house.

Senator JOHNSTON—Very good. Where was that held?

Ms Rawson—At the department.

Senator JOHNSTON—At DFAT?

Ms Rawson—Yes.

Senator JOHNSTON—And invitations were sent out for that meeting?

Ms Rawson—Yes.

Senator JOHNSTON—Can you tell me when the invitations were sent out?

Ms Rawson—My recollection is that they were sent out on the Friday before the white paper was released. I think that would make it 1 May.

Senator JOHNSTON—Very good. Thank you very much indeed.

Senator TROOD—I have some questions for Ms Rawson.

CHAIR—On this topic or on another topic?

Senator FERGUSON—I have some on the same topic as the questions that were originally asked by Senator Kroger.

Senator TROOD—So do I.

CHAIR—On the white paper or China?

Senator FERGUSON—On China.

Senator TROOD—I have questions on the white paper.

Senator FERGUSON—Sorry, you go on the white paper, then, Russell.

Senator TROOD—Thank you. Something strikes me as curious. There are many things in the white paper but this seems to be a policy conundrum at the very centre of the white paper's arguments, as I understand it. Perhaps you can assist me with this. The white paper asserts in a couple of paragraphs—for example, in paragraphs 4.16 and 4.59—the importance of nuclear weapons and nuclear deterrents as a manifestation of America's presence in the Asia-Pacific region. And yet the department and Mr Rudd are pursuing, and in fact have established, the International Commission on Nuclear Non-proliferation and Disarmament. On the one hand the white paper seems to be seeking refuge and security in America's nuclear deterrents and on the other hand we have set up an institution, which is costing the taxpayers approximately \$9.1 million, which is dedicated, in part at least, to nuclear disarmament. Can you explain the confusion that is at the centre of this issue?

CHAIR—I might just step in here. Just because there is an international nuclear disarmament agency and it properly comes under the heading of this portfolio does not mean that all questions relating to nuclear activity go to that agency and hence this portfolio. In particular, the content of the white paper reflects the view of the government of Australia, and the lead agency for that is Defence. Questions as to policy matters, real or apparent contradictions within the white paper, are properly directed to and commentary asked from officials of Defence and not, in my view, officials of this agency. There is not sufficient linkage apparent to me.

Senator TROOD—Chair, Ms Rawson has just spent some time explaining to the committee that her department, and she in particular, has contributed to the development of the white paper. They have made a contribution of various kinds.

CHAIR—Yes.

Senator TROOD—And we have not sought to explore the detail of that. So this seems to me to be very much in the purview of the department's interests and more particularly in relation to Ms Rawson's division of the department, so it seems to me to be a perfectly reasonable question to be asking.

CHAIR—It might appear to you to be a reasonable question and if I were the opposition I would probably ask a similar question. But in the earlier stages of the discussion we had the prelude to a document—that is, the policy development process—and the department was asked questions. We now have a concluded document which reflects the government's view and, as I said before, the lead agency for that is Defence. If there are, as you have identified, apparent or perhaps even real inconsistencies, questions on the policy content behind those inconsistencies should be directed to Defence and that can be done tomorrow. But it is certainly not within the purview at this stage—subject to alternative guidance from the minister—of this department.

Senator FERGUSON—In my experience of estimates, which is some 17 years now, there has been a certain amount of latitude shown by the chair and, should the officials at the desk so choose, they can say that this should be better directed to another office or another department. In the case of Ms Rawson, who has been busily talking about a lot of these issues, where there has been a joint role between the Department of Foreign Affairs and Trade and the Department of Defence I think that it is unwise to restrict questioning if the officials are prepared to answer. If they are not prepared to answer then they will say that it should be directed to another section, as happened to me yesterday on numerous occasions in relation to questions that were best answered by AusAID. I think that in stopping Senator Trood from asking this question, while not wishing to question your ruling, it is unwise to try to make a decision for the departmental officials, particularly one who has been as actively involved as Ms Rawson has been.

CHAIR—Mr Ritchie, do you have a view?

Mr Ritchie—I agree that we do not believe that we are the appropriate agency to talk about the role of nuclear deterrence in the wider international security scene. It is after all a Defence white paper. It contains judgments about the role of nuclear deterrence and other issues that have been put forward and issued by the Prime Minister and the Minister for Defence. I do believe that those questions are better answered by them. I am sure that Ms Rawson would be more than happy to answer questions from the committee on the International Commission on Nuclear Non-proliferation and Disarmament, for which she and we have responsibility.

Senator TROOD—Chair, I would be grateful if you would give me an assurance that you will allow me to ask that question tomorrow of the Defence officials.

CHAIR—I can tell you that I took the trouble to have a lengthy briefing from the government on the Defence white paper because, one, I was interested in it and, two, I anticipated that the opposition would have a range of questions. I could not comprehend a situation at this stage where the opposition would not be asking a set of questions on the white paper and I would look forward to that discussion tomorrow. I certainly could not anticipate at this stage that I would be restricting that.

Senator TROOD—Thank you, Chair. I would like Ms Rawson to clarify something. I assume that the international commission comes under your area of responsibility, does it?

Ms Rawson—Yes.

Senator TROOD—The international commission on nuclear non-proliferation is also a commission on nuclear disarmament, is it not?

Ms Rawson—Yes, it is.

Senator TROOD—Part of its agenda is focussed on nuclear disarmament.

Ms Rawson—Yes, Senator.

Senator TROOD—Am I right in saying that the activities of the commission are involved in looking for ways and exploring the complex policy issues which surround the possibility of nuclear disarmament?

Ms Rawson—Yes, Senator. One of the co-chairs of the commission—and of course it is an independent commission—Mr Evans, has said publicly, including when he appeared before JSCOT earlier this year, that the commission is seeking to focus on, if you like, the three pillars—nonproliferation, disarmament and the peaceful uses of nuclear energy.

Senator TROOD—There is in fact an American official; in fact, there are people on the commission who come from nuclear weapons states—several of them.

Ms Rawson—Yes, and the commissioners certainly include the five from the five nuclear weapons states under the NPT and the nuclear arms states of Pakistan and India.

Senator TROOD—And am I right in saying that part of the inspiration for setting up the commission is the views from people like Mr Schultz and Dr Kissinger et cetera about the possibility of a nuclear disarmed world?

Ms Rawson—Certainly the four horsemen, as they are sometimes called, were important in terms of the opinion piece that they did a couple of years ago in starting initiating the greater momentum that we have seen in the last year or so on nonproliferation and disarmament issues. I think it would be fair to say that the commission that is co-chaired by Mr Evans and Japan's former foreign minister, Ms Kawaguchi, is one of the ways of increasing that momentum.

Senator TROOD—I am not sure whether or not your responsibilities extend to the budget for the commission. Is that your responsibility or Mr Wise's?

Mr Ritchie—Jointly, Senator.

Senator TROOD—I just wanted to clarify something. The forward estimates this year and next year and in the next budget period commit something in the vicinity of \$9 million to the commission, as I read the papers. What is a taxpayer going to get for the \$9 million that is going to be spent on this commission?

Mr Ritchie—That I think is something that Mrs Rawson could comment on.

Ms Rawson—Over that period we would expect that there would be further plenary and regional meetings of the commission. There have been two full meetings so far—one in Sydney last year and one in Washington earlier this year—and there will be another meeting in Moscow later this month and we would expect that there will be a meeting in Japan in around about October I think and then further full meetings next year. There will be regional meetings in the second half of this year in Cairo and New Delhi. The expenses will cover, obviously, the travel involved in those meetings. It is expected that the commission will produce its major report toward the end of the year and I suppose that will be one of the main outcomes of the commission. There has already been substantial work done on the outline of that and there will be a further discussion at the Moscow meeting of that outline with a view to expanding on it over the coming months.

There has been a great deal of research produced, as tasked by the commission. That research is available on the website that has been established to convey the work that the commission is doing. I think one of the valuable aspects of that will be the very high-quality research papers that have been produced to support the commission's work. Those are a very useful educational and advocacy tool.

There is also advocacy by the commission itself as well as the meetings of the commission. The co-chairs and a number of other commissioners have participated in bilateral meetings. For example, when they had the commission meeting in Washington in February, the co-chairs had meetings with Vice President Biden, the National Security Adviser and senior congressional people and when they were in Beijing a week or so ago they had meetings with the Chinese foreign minister. Those provide opportunities to discuss all the issues on the non-proliferation, disarmament and peaceful uses agenda and, in particular, to advocate the need for progress to be made in those areas. The work that is already being done we would expect to see built on over the coming year with further meetings of the commission and, as I said, the production of a major report that will leading into the non-proliferation treaty review conference to be held in New York in May next year.

CHAIR—Thank you, Ms Rawson. The time for questioning has now passed. Before we adjourn, do you have something you wish to say, Senator Stephens?

Senator STEPHENS—Thank you, Chair. Mr Ritchie has the answers to some questions on notice to put on the record.

Mr Ritchie—Without wishing to detain you, Senator Trood asked a number of questions about the Merauke Five, so I will just run through the answers. Senator Trood asked whether the pilot had clearance to land in Merauke. The Jayapura High Court which, as you recall, overturned the convictions, decided on appeal that the pilot had landed without security and flight clearances. But he had advised the control tower prior to approaching Merauke. So, in other words, the plane should have been directed by the Indonesian authorities not to land and instead to return to Horn Island. That was one of the bases on which his appeal was successful.

I will provide answers to the following questions from Senator Trood. What is the precise immigration offence of which the four were convicted? The four were convicted of the criminal act of having entered Indonesia illegally—that is, without a visa, in accordance with sections 53 and 61 of the Indonesian immigration statute dating from September 1992, which I have not read, I am sorry. What is the nature of their accommodation? They live in a rented house in Merauke. How and when was DFAT first alerted? The Australian embassy in Jakarta was first alerted by Indonesian media reports, very late on 12 September 2008, that five Australians has been detained on arrival at Merauke's airport. The following day, the Jakarta embassy contacted the group in Merauke to offer consular assistance.

How many consular officials were initially sent to Merauke and on what dates? After gaining Indonesian government approval, an Australian embassy consular official—and I mentioned earlier on that you do, in fact, have to get approval to travel to Papua province—travelled to Merauke on 15 September 2008. The following day, the Australian embassy air attache travelled there to provide additional assistance in liaising with the Indonesian military authorities. The air attache returned to Jakarta on 19 September, but the embassy maintained a constant consular presence in Merauke until 29 January 2009. Senator Trood also asked when the next visit would be. An embassy consular official arrived in Merauke today for a further visit.

What is the state of the group's physical and psychological health? There are no significant health concerns. Consular staff at the Australian Embassy in Jakarta are in frequent communi-

cation with the group, including about their health and welfare. When was the last contact with the families? Yesterday, on 1 June, 2009. Consular staff in Canberra are obviously very closely engaged with those families.

Just on one other issue, Senator Ferguson, we mentioned earlier that there were 106 countries mentioned in the treaties list, erroneously tabled. We said they had all been notified. In fact, only 105 were notified. We did not notify Madagascar because, in fact, there has been a coup there.

Senator FERGUSON—The post did not know who to ring!

Mr Ritchie—And the treaty involved was an air services agreement, for which, of course, the department of transport have responsibility, not us.

CHAIR—Thank you, Mr Ritchie, for those detailed responses. I thank the officials from DFAT for their attendance yesterday and today.

Proceedings suspended from 12.35 pm to 1.35 pm

Australian Centre for International Agricultural Research

CHAIR—I welcome Senator Stephens, representing the Minister for Foreign Affairs and the Minister for Trade, and Mr Peter Core, Chief Executive Officer for the Australian Centre for International Agricultural Research. The committee must report to the Senate on 23 June 2009; 30 July 2009 has been set as the date by which answers to questions on notice are to be returned. Senators should provide their written questions on notice to the secretariat by close of business Thursday, 11 June. Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance, the secretariat has copies of the rules. I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised, which I now incorporate into *Hansard*.

The document read as follows—

Order of the Senate—Public interest immunity claims That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose

the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

CHAIR—Minister, do you or an officer wish to make an opening statement?

Senator Stephens—No, I do not, but Mr Core may.

CHAIR—Before we turn to you, Mr Core, Senator Forshaw wants to put something on the record.

Senator FORSHAW—I just wanted to correct something that I raised this morning prior to the luncheon suspension, when we were asking questions regarding consular support and consular services. I asked a question of the department at the time, which they took on notice, about what I recalled from reading a newspaper article involving a request to transfer a prisoner, who was ill, back to the Netherlands. I probably committed the cardinal sin in that I should have had the article in front of me, rather than going on memory. I raised the issue in the context of the other discussion we were having. I have since checked the newspaper. The report I was referring to was in the *Daily Telegraph* this morning. Without going into all the details, it actually relates to a prisoner who is in jail, having been convicted, and who is apparently seriously ill. This article was related to the transfer of the prisoner back to her homeland of Sweden, not the Netherlands. As I said, I have since checked the article. If the

department is intending to pursue my question on notice, because I did not have the details at the time there is probably no need to do that now. I will just leave it at that.

CHAIR—Thank you, Senator Forshaw. We will now turn to Senator Payne.

Senator PAYNE—I wanted to start with some questions to ACIAR which follow from some of the discussions that we had on the previous occasion. Mr Core, you might recall that it had been a while since ACIAR had attended estimates before the previous occasion, but you were able to fill us in on some of your upcoming activities. One of those was in relation to a development of a food security strategy statement that ACIAR was working on with AusAID and other related agencies which would then be under development for consideration by government. Would you provide an update on the development of the statement, please.

Mr Core—Yes. It is true that when I appeared before additional Senate estimates late last year I made reference to a food security strategy statement. That strategy has been led by AusAID but contributed to by ACIAR and its staff. The government, in the budget context, considered matters related to this food security issue, and, on budget night, the Minister for Foreign Affairs announced a number of initiatives related to the ODA portfolio. One of the key ones was an announcement of \$464.3 million over four years for a food security through rural development initiative. Some of the detail of that announcement by the foreign affairs minister was set out in the ODA statement that accompanied the budget papers—in the so-called blue book. There is a reference there to a number of initiatives that relate to lifting agricultural productivity, improving rural livelihoods and building community resilience. It is a program that is spread across four years and is the basis of additional resourcing coming to ACIAR in the 2009-10 budget, which you have before you for consideration.

Senator PAYNE—I understand that and I was going to come to questions on those areas of the budget. Specifically, though, is the food security strategy statement that you referred to now a discontinued program?

Mr Core—Would you repeat that question, please?

Senator PAYNE—Specifically, is the food security strategy statement that you referred to on the previous occasion now a discontinued project? Or is a separate food security strategy statement to be produced between AusAID and ACIAR?

Mr Core—No. If you want to use those words, the public expression of the food security strategy statement that I referred to in my previous attendance here is as expressed in the budget documents.

Senator PAYNE—You indicated at the time of the last estimates that there was a joint mission between ACIAR and AusAID. From memory, this was travelling to South Africa, Kenya and Senegal to explore the inclusion of Africa in the food security strategy. Would you tell us the specific outcomes of that particular mission, reflecting on that from the perspective of the budget, please.

Mr Core—There was a mission to Africa earlier this year, and there was an officer of my agency on the mission: Dr Simon Hearn. There has been a mission report developed, and that report is currently before government, as the shape of some of the detail of the food security initiative is developed and decisions taken thereon.

Senator PAYNE—Perhaps you would like to take this on notice. Would you provide information to the committee about the costs of Dr Hearn's participation in that mission?

Mr Core—I will take it on notice.

Senator PAYNE—Travel costs, staff hours and so on?

Mr Core—Yes. I will not guess at it.

Senator PAYNE—No, I do not expect you to.

Mr Core—I have a fair idea about it, but I will not guess at it. I will take that on notice.

Senator PAYNE—Okay. You said that there is a report from the mission before government which is being considered. I do not want to try and paraphrase because I will get it wrong, but you said it is being considered in the 'refinement detail'—I am not sure what word you used—of the food security strategy. What point is that refinement of the detail up to?

Mr Core—I need to just make a general comment and then I will try to answer the specifics. It is important to recognise—in my mind, anyway—that the food security initiative that the foreign affairs minister announced on budget night is a whole-of-government initiative of which ACIAR is a component part. It is—correctly, in my view—not the majority part of the food security statement. There are other agencies, principally AusAID, who will have carriage for the implementation of that statement.

I am cognizant of the detail as it affects ACIAR and I am less familiar about the detail of implementation as it relates to other agencies of the Commonwealth. As a general proposition, I would say to you that the detail is something that needs to go to ministers and the foreign minister needs to be comfortable with the component parts. In ACIAR we will be doing that, and I am sure that other elements of the government agencies will be doing that as well.

Senator PAYNE—I am sure they will. But, luckily for you, you are the person who is here right now in terms of the food security initiative, so you are the person I get to talk to to get the perspective of ACIAR. I see in the budget papers that your organisation receives a not inconsiderable amount of funding for the part that you play in this process.

Mr Core—Yes.

Senator PAYNE—In fact, where the budget is providing over \$464 million over four years to 'support increases in food production globally and strengthen the ability of countries in the Asia-Pacific region and Africa to address food'—and financial—'insecurity', your organisation plays a key role. The PBS says that one of the key elements listed for your expenditure this financial year is:

- delivering key elements of the *Overseas Development Assistance - Food Security Through Rural Development* initiative which includes a strong focus on Africa ...

Can you tell the committee what 'a strong focus on Africa' means and, specifically, what countries in Africa that would include?

Mr Core—Let me contextualise, and I will then respond to your question, if that is okay with you. If you look at our budget for 2009-10 and the out years, the increase in resources that have been allocated to ACIAR is just over \$66 million over that four-year period.

Senator PAYNE—I am sure you are very happy about that.

Mr Core—Yes, I am. Of the \$66 million, \$44 million will go to the cluster of international agricultural research centres and another nearly \$22 million will go into programs in the Asian and Pacific regions.

I come to your specific question now about Africa. ACIAR, in this budget, has not been appropriated any additional funds for Africa. There is a reference to Africa, but the appropriation of funds for Africa will be post the Minister's decisions on the nature of ACIAR's involvement with Africa. That is the first point. Secondly, that appropriation of funds will come back either through the additional estimates process later in the year, here, or in the next budget cycle. But no funds have been specifically set aside for ACIAR in fiscal year 2009-10 coming out of this budget, per se.

Senator PAYNE—That is very interesting. One could be forgiven for reading the black and white of the papers, where it says quite clearly in the statement:

Key elements of ACIAR expenditure in 2009-10 will be investment in the following new programs that address food security, climate change and improved market engagement of smallholder agriculture:

And the second dot point is:

- delivering key elements of the *Overseas Development Assistance - Food Security Through Rural Development* initiative which includes a strong focus on Africa ...

But you are telling us, Mr Core, that you are not funded, at this point, to do that in the 2009-10 financial year.

Mr Core—No, your statement is correct. All I can say is that, subject to ministers' considerations and decisions, it may eventuate that funds will be appropriated in the additional estimates later in the fiscal year 2009-10—maybe. It is subject to ministers.

Senator PAYNE—One would hope that the, I am sure, eager potential recipients of the strong focus on Africa have not read it in black and white as I and I am sure a number of other people have, and expected that the budget papers might reflect budget funding—my mistake. When do you expect that you might be able to tell us what 'a strong focus on Africa' actually means in dollar terms, what countries it includes and what proportion of funding under the program is going to go to those countries?

Mr Core—With respect to ACIAR?

Senator PAYNE—Yes.

Mr Core—With respect to ACIAR, the budget was brought down three weeks ago, and under the governance framework for ACIAR, we have an oversight commission. There is a commission meeting on 12 June, and the commission is responsible—as an obligation, a carriage—to provide strategic advice to the minister on the balance of ACIAR's programs. The agenda and the papers for the commission meeting are in the process of going out, and one of those is building up the options for ACIAR's engagement in Africa. I believe that the commission will provide some advice to the minister coming out of that commission meeting.

Senator PAYNE—Who comprises the membership of the oversight commission?

Mr Core—The commission is chaired by Dr Meryl Williams. The members of the commission are Mr David Crombie, who is the current President of the National Farmers Federation; the Hon. Neil Andrew, who is the current chairman of the ATSE Crawford Fund and a previous parliamentarian—

Senator PAYNE—He was the Speaker, in fact.

Mr Core—the Director-General of AusAID, Mr Bruce Davis; a departmental head from New South Wales, a Mr Barry Buffier—

Senator PAYNE—From Agriculture?

Mr Core—He was from Agriculture. He has moved to another department now, but he was the head of Primary Industries in New South Wales. The other two members are Dr John Williams, who was the head of the CSIRO Division of Land and Water before he left that agency and is now the Natural Resource Commissioner from New South Wales and me, as the Chief Executive of ACIAR. I have also been appointed as a commissioner of the oversight commission.

Senator PAYNE—Thanks for that detail. Can you tell me whether, in the process of the joint mission or in other communications, discussions have taken place with governments in Africa about the food security strategy statement?

Mr Core—If you define governments to include public officials, the answer to that question is yes, but if you are thinking that of governments in a ministerial context, I am pretty sure the answer to that question is no. There was a mission, but it was my interpretation that the people who were met were people more of a technical character, with technical competencies rather than representational competencies.

Senator PAYNE—Were those discussions limited to the countries that you mentioned in the previous estimates hearings—South Africa, Kenya and Senegal—or are there other countries with whom official-to-official discussions have taken place in relation to the initiative, from ACIAR's perspective?

Mr Core—I will answer that question to say yes, and if I am not right I will come back to you, because I was not on the mission.

Senator PAYNE—I understand that.

Mr Core—There were a number of discussions that occurred with regional organisations as well, some of which are headquartered in Nairobi and elsewhere.

Senator PAYNE—Would you take on notice, please, a question in relation to those official-to-official discussions that were part of that mission and any discussions in addition to that that have taken place with officials from African nations? Could you indicate to the committee which nations have been involved in those discussions and which of your officials have been involved in those discussions—whether they were part of the mission or in addition to the mission?

Mr Core—Let me clarify. You are not asking the question of who they met when they were there—the names of the people, or are you?

Senator PAYNE—If you wish to be that comprehensive in the information that you supply, that would be very helpful, but I am interested specifically in the countries with which the discussions have been held at this point.

Mr Core—In the countries, okay.

Senator PAYNE—Thank you. Can we go to one other area in relation to your funding in the budget, which is in fact is classified as a redirect funding. There is an indication of a redirection, and that is a program with in excess of \$1½ million in agricultural research development projects in Thailand. I understand from the budget papers that the intention is that those funds will be redirected to other priority activities within Australia's ODA program. Are you aware whether those other priority activities will be within the purview of ACIAR?

Mr Core—Yes. The general stance with respect to the bilateral relationship between ACIAR and Thailand is that we do not want to initiate any new engagements with Thailand. We have come to the on-balanced judgment that they have reached a point in their development cycle where there are higher priorities in the Asia-Pacific region. So over a period of time there has been a downsizing of the level of resources that go into the bilateral relationship. Now, with respect to 2009-10, we are saying that no new resources will go to Thailand and there will be a tilting of the program. Some additional funding will shift to the Pacific region.

Senator PAYNE—Can you identify which countries in the Pacific you expect to be the recipients of that funding? Do you mean the redirected funding or additional funding?

Mr Core—No, the redirected funding. That is why I hesitated, because there are two component parts. We have been asked as an agency to look seriously at expanding our engagement in the Pacific, and so that expansion in engagement has come from us seeking to redirect some funds from our existing program and then in the context of the budget there are new funds, some of which will be moved towards the Pacific. These are not large funds but a re-tilting, a redirection of funds towards the Pacific in accordance with directions that have been put to us.

Senator PAYNE—But including that \$1.6 million?

Mr Core—Yes.

Senator PAYNE—Were any of the projects underway?

Mr Core—No. I will do what I am told but I would never—

Senator PAYNE—Don't we all.

Mr Core—This is about projects that have come to a conclusion and us not replacing those projects and moving away from the relationship that we have historically had with Thailand.

Senator PAYNE—Does ACIAR have any other current projects underway in Thailand?

Mr Core—We have three current projects, according to my reference here. The first is an enhancement to vaccine manufacture in Thailand and Laos. The second is improving the reliability of rain-fed rice and livestock production systems in north-east Thailand. The third is a biosecurity joint project to improve the molecular identification tools for both Thailand and Australia. That is a joint project. I am pretty sure that the other two projects are fairly

small scale and very much at the adaptive end and coming to a conclusion over the next short period of time.

Senator PAYNE—Thank you. I am sorry, as you were saying the second one I think I missed making a proper note. Can you repeat that please?

Mr Core—The second one is, according to the current project portfolio data that I have before me for Thailand, improving the reliability of rain-fed rice and livestock based farming systems in north-east Thailand.

Senator PAYNE—Thank you. Finally, you mentioned in your earlier remarks concerning the funding increase to ACIAR in this budget that the bulk of it—if I am not mistaken, about two-thirds—will be as part of your investment in the Consultative Group on International Agricultural Research?

Mr Core—That is correct.

Senator PAYNE—Can you indicate what ACIAR's engagement is with the consultative group, who currently chairs the consultative group and what you expect the outcomes of this increased investment in the consultative group to be?

Mr Core—I know the answer to this question, Senator, so I will take a touch of time.

Senator PAYNE—I am glad you know the answer. That was the whole idea actually.

Mr Core—There is a bit of a question about the other ones, but this one is okay! The Consultative Group on International Agricultural Research is an umbrella group which oversees the 15 international agricultural research centres around the world, centres like the International Rice Research Institute in the Philippines, that you may have heard of.

Senator PAYNE—Yes.

Mr Core—There are 15 of these centres. It has an aggregate annual vote of around US\$500 million a year. The chair of the Consultative Group on International Agricultural Research is a vice-president of the World Bank, Katherine Sierra, and I am the Australian representative on the Consultative Group on International Agricultural Research. It is not exclusive, but the predominant funding source from Australia to these centres comes from ACIAR.

It varies a little bit between financial periods, but roughly in the order of \$11 million each year goes into the international agricultural research centres. The government's decision was to, in aggregate, double the Australian investment in the CGIAR centres over the next four years, so that, if you look at it from the current policy position, before this budget was brought down, in which ACIAR was resourced to provide around \$11 million a year, the government has decided to expand this level of investment by \$44 million over the next four years, \$7 million in the first year—that is 2009-10—\$10 million in 2010-2011, \$13 million in the following year and \$14 million in the out year, so there is a ramping-up of engagement.

The CGIAR in its international centres has a prestigious record in contributing to agricultural development in developing countries, but no organisation is immune from change and continuous improvement. There has been a reform dialogue, a reform agenda, in discussions between the 64 members of the CGIAR over the last 18 months, of which I have been part. At

the annual general meeting of the CGIAR last December a framework for reform was put in place.

Calendar 2009 is a year of implementation, to build the detail of the new building blocks for the new CGIAR, and the government's commitment to significantly increase the investment in the CGIAR is premised on a reformed CGIAR, and that will emerge through the remainder of calendar year 2009. The new structures, which will be in place in early calendar 2010, are about a multidonor trust fund framework with coordinated investments by the donor community on one side and the establishment of a separate, new legal entity, representative and reflective of the competencies of the 15 separate agricultural international research centres, being joined by an agreed funded program of work between the donor cluster group and the aggregated group of international centres.

We are halfway through the calendar year and I think progress has been significant. We operate in this international environment with people with different aspirations and hopes, but I would articulate the case that there have been significant developments and implementation on the detail of the framework which was agreed last December.

Senator PAYNE—You said the funding from Australia was premised on the reform program. Do you mean 'premiered' or is it actually contingent? If the reforms did not take place, would the funding be in doubt?

Mr Core—That is a matter for ministers. I do not really hide from the proposition that the case that I put to the foreign minister acknowledged that this reform process was underway, that we could have a better CGIAR—a more focused CGIAR, a more integrated CGIAR—and that it was an appropriate vehicle for an expanded investment to meet those development goals. Your question is really a question that the minister will make an on-balance view about in the September to November period this year. He will come to a view about the quality of the reform process and where Australia would place its priorities within that multidonor framework. There is facility there for specific earmarking to particular programs and I would articulate the case to the minister that there are specific programs which I think have higher priorities than others and I think they are the ones that Australia should earmark particular funds to.

Senator, I just want to also say that these are very vital international assets particularly with respect to the breeding programs and the gene banks that are held by 10 of these centres and there are very significant flowback benefits to Australian agriculture that come from our membership and engagement in this international area.

Senator PAYNE—I appreciate that. Certainly over a number of years of engagement in this committee process the work of ACR in that regard and the international regard has come to our attention on more than one occasion. Just to conclude to give me a better understanding of the consultative group, can you tell me who—I assume they are member nations, are they?

Mr Core—Yes, member nations. There are 64 members of the Consultative Group on International Agricultural Research.

Senator PAYNE—Maybe you will not want to tell me all 63 of the others right now but could you provide us with that information on notice?

Mr Core—Yes, I can.

Senator PAYNE—Thank you. I have one other question in relation to food security more broadly. It seems to me from your earlier observations, Mr Core, that not even your organisation has a lot of detail at this stage around what is planned in this considerable funding in the food security area. But if, for example, we were to contemplate your engagement as to farmers with small holdings or women in farming in particular, what particular initiatives or responses might you be supporting or pursuing in relation to those two examples which are reasonably pertinent in this region in particular?

Mr Core—I think that if you look at ACR—just ACR—in this budget cycle the additional funding over four years is \$66 million: \$44 million to the CGIR and \$22 million for other programs. We have spoken in some little detail about the CGIR investment. With respect to the other \$22 million we have got detail on the strengthening food security issues for rice based farming systems that the additional funding will go to. We will also put additional funding into some crop adaptation work with respect to climate change. The third area is we will seek to exploit research opportunities in the high-value end of horticulture, forestry and fisheries in the Pacific Islands. So if I summarise the additional funding that is going to ACR in this budget cycle—the additional funding—there is \$11 million for 2009-10: \$7 million going to the CGIR mechanism and an additional \$4 million whereby we will sow the seeds for strengthening our current work programs on basic staples in the region with special reference to rice. We will strengthen our current engagement with respect to crop adaptation in the context of a changing climate and we will strengthen our presence and our engagement in the Pacific through focusing on higher value agriculture with respect to horticulture, forestry and fisheries.

Senator PAYNE—I am sure you meant to use the pun about planting the seeds; I thought that was very good. Can you specify which specific Pacific nations you are talking about in relation to the last initiative?

Mr Core—Six countries are covered by the Pacific Program: the Solomon Islands, Vanuatu, Samoa, Tonga, Kiribati and Fiji. With respect to the additional funding, I cannot tell you which of those countries will be the primary focus at the moment.

Senator PAYNE—Can you tell me what the focus in Fiji is?

Mr Core—I would rather take that on notice. Sitting here, I just do not know and I would prefer to take that on notice. Let me clarify: it is about the extra monies that go to the Pacific and in which countries they will be primarily engaged.

Senator PAYNE—All right; that is fine. If you are going to take that on notice why don't you then take on notice the nature of the programs and the expected funding amounts for each of the six countries in the Pacific that you mentioned.

Mr Core—I will take that on notice. But it may very well be—in fact I am pretty sure—that the additional funding may not go to all the six. It is not a lot of money. I do try to maintain the programs in a focussed way. I will come back to you with that detail because I just do not have it to hand.

Senator PAYNE—Thank you, Mr Core. Chair, that deals with questions specifically for ACIAR.

CHAIR—Are there any further questions on ACIAR? Mr Core, thank you for your attendance this afternoon. It has been most useful, as always.

[2.17 pm]

Australian Agency for International Development (AusAID)

CHAIR—I welcome to the table Mr Bruce Davis, Director General, and officers from AusAID. The committee will now examine the budget estimates for AusAID.

Senator PAYNE—I will take you to the table Composition of Australian ODA on page 16 of the blue book. It seems to me that in the 2008-09 budget the out years were quite specifically included in the table. We had four years of forward estimates on ODA to 2011-12, yet this year in that table and in other tables reflecting the same figures the same structure is not provided. Can you indicate why that is the case? I can see what is listed in the text, but can you indicate why that is the case? That would seem unusual.

Mr Dawson—The composition and format of the tables is almost identical to last year's budget paper and to the budget papers of previous years. Perhaps I need to know which areas you believe are different.

Senator PAYNE—Except for the note under the table in relation to ODA levels across to 2012-13, isn't it usually the case that the official tables themselves include an estimate across the out years of expected ODA levels? Perhaps I am misreading it. I am happy to be corrected, but it just seemed unusual to me to express it in the way it is in these documents.

Mr Dawson—I think table 1 is the same format as in previous years, but I think elsewhere in other budget documentation there is a break-up of estimates over the years of the forward estimates period.

Senator PAYNE—If you point me to that, then that is fine, we will just deal with that in the normal way. You want to take me to the PBS?

Mr Dawson—It is in the PBS, but it is also in Budget Paper No. 1. There is a division in table 4.1 of Budget Paper No. 1 of projections across the forward estimates.

Senator PAYNE—The amounts which the then opposition, now the government, committed to of \$4 billion by 2010—I believe that was the commitment made by the now parliamentary secretary in his pre-election remarks—are figures that we still expect to achieve, are they?

Mr Dawson—I think the amounts that will be achieved in subsequent years obviously depend upon the rate of growth of the economy.

Senator PAYNE—That is a very interesting interpretation of what I think was described by Mr McMullan as a rock-solid \$4 billion commitment.

Mr Davis—The main commitment has been around reaching an ODA/GNI ratio rather than a dollar figure.

Senator PAYNE—Unfortunately there is a dollar figure on the table. There was previously a dollar figure put on the table by the parliamentary secretary. It was called 'rock-solid' at the time, I think, which is why I am asking these questions. But you cannot tell me—

CHAIR—I am a bit confused. I thought the commitment of the government was to move over time to 0.5 per cent—

Mr Davis—To 0.5 ODA/GNI by 2015.

Senator PAYNE—As I understand it, when Mr McMullan addressed, I think, an ACFID forum, he indicated a rock-solid commitment of \$4 billion by 2010. It was an ACFID CEO forum, I think. Are you not familiar with that commitment, Mr Davis?

Mr Davis—As I said, the key commitment has always been expressed by the government in terms of ODA/GNI ratio rather than a dollar figure.

Senator PAYNE—Let me get you that quote so that we will both have it. We will come back to it. I have some questions around the development of the policy statement. I am particularly interested in the aspect of the statement about responding to the global recession in the first instance, and there is a reference in the first response part of the statement referring to a global economic crisis task force established in AusAID. Who comprises the task force?

Mr Davis—The task force is led by an assistant director-general, Jacqui De Lacy, and comprises a small number of staff dedicated within that task force but also includes a larger cross-section of people from the agency—for example, from our economics area—and representation as required from our various geographic branches. There is a core group—engaged full-time as members of the task force—looking at issues around the global recession and then an extended group who are brought in to work on particular aspects of our response to the crisis.

Senator PAYNE—What would be the nature of those particular aspects of AusAID's response to the crisis?

Mr Davis—This covers many different areas of response. Clearly, a major area of response is the engagement that we have at an individual country and regional basis and looking at where our country and regional programs are heading and where there needs to be some variations to existing program priorities and the like, so that is one big area of work. I can get Mr Dawson and Mr Moore, in particular, to comment more about those as to the two major geographic areas of engagement. Beyond that, clearly a lot of the priorities identified for additional funding in this and latter years within the budget—whether it be food security, whether it be support for infrastructure or whatever—relate as well to looking at new ways to engage to make a meaningful response to the crisis. Clearly, there is also a significant amount of engagement as part of a whole-of-government response as well as a broader Australian international response to crisis issues, whether it be as a participant in discussions around G20 or whatever. So there are global areas of engagement, there are very specific program areas of engagement and there are new areas of program development that are in large measure reflected in the 2009-10 budget. If you would wish, perhaps I could get an update on country and geographic engagement, which clearly is a big bit of our core business, from relevant DDGs.

Senator PAYNE—Before we do that, I will ask you when the task force was set up.

Mr Davis—It would have been about two to three months ago.

Senator PAYNE—If you do not know now, that is fine, but can you identify that more precisely for us on notice?

Mr Davis—Sure.

Senator PAYNE—Has it required you to take the staff who are full-time members of the task force from their regular duties?

Mr Davis—In part. We have had a couple of people taken from other areas of work, including one from my own office, to work full-time on this. In other cases it has been possible to do a mix and match between working there and continuing to engage on some of the other broader but related issues—for example, food security.

Senator PAYNE—It certainly says that in here and I think you made a reference to that in the document. Can you explain how the task force fits into the broader whole-of-government efforts with regard to the global economic situation?

Mr Davis—It does this in a number of ways. We participate as a member of various whole-of-government groups—for example, the International Economic Policy Group. In other cases we lead work that is being done on specific aspects of response. For example, in terms of the Pacific, AusAID leads a group looking at that response so it is a range of responses.

Senator PAYNE—I think you said Mr Dawson and Mr Moore could give me some more specific information. What I would really like to know is: what identified partner government needs have been discovered, if you like, by the taskforce—specifically, what identified partner government needs arising from the recession have been identified?

Mr Dawson—In the Pacific the drivers of poor and negative growth that we talked about at the last estimates hearing are still very much the ones to watch—around tourism, remittances, commodity, exports, fisheries, logging, mining, et cetera and income from national trust funds. These continue to be impacted in different ways country by country. So, in looking at a response to the impact of the crisis across the region, it is important that we continue to make sure that that is well grounded in country circumstances and good dialogue with individual country partners. That is going on all the time because we have, obviously, our posted officers in those countries and we have local dialogue processes, in some cases involving other donors where they are represented in country, and otherwise through headquarters and other means. It is an approach to the region which is highly consultative with our other key donor partners, particularly New Zealand, but also the World Bank and the Asian Development Bank. Since we last spoke there has not been what you would call a dramatic change in circumstances which has translated through to urgent requests for assistance from any of our country partners, but we are beginning to see signs in different areas that obviously will be important to keep watching and to react to sensibly with the agreement of country partners and other donors.

In the Solomon Islands, for example, it is clear that logging revenues have fallen quite substantially because of reduced demand and therefore reduced exports of logs. That impacts directly upon the Solomon Islands economy and certainly on its reserves. We have had discussions in the Solomon Islands about means of shoring up the reserves position. The government informally approached owners to ask them if they would channel funds that they were not already channelling through the central bank if there was a way to increase local payments

and interest in local projects which could generate local labour impacts. The Solomon Islands government at the same time has undertaken a range of measures associated with the management of its own budget. It has put a freeze on recurrent expenditure. It has frozen new hiring to the public service. It has implemented a range of revenue measures to raise extra revenue itself.

In the Solomons we have a dialogue which is ongoing with the government about how it is managing the impacts of the crisis, and we are looking for all sensible ways in which we can redirect and reprioritise our existing funding to put, for example, more funds into local labour generation activities. We have an existing program of road maintenance. We are looking to increase the level of our resourcing for that from within our existing program. We are also in discussion with a range of other donors about some possible form of budget support that might be linked to a reform program from the government. These are still at a relatively early stage, but certainly we are reprioritising, particularly road maintenance assistance in the Solomon Islands.

Senator PAYNE—Mr Dawson, before you go on, could I ask you whether that means—and I will come to the PPDs later—specific changes to the partnership for development with the Solomon Islands?

Mr Dawson—No, I do not think it does mean a specific change at the moment. These discussions, particularly the discussions with other donors, around the Solomon Island government's management of their expenditure, revenue et cetera, fit in very comfortably underneath the partnership for development, particularly the outcome that is related to economic management.

Senator PAYNE—I think you had said previously that there may need to be some flexibility around the partnerships in terms of the effects of the economic crisis. I think we had this discussion before.

Mr Dawson—That is correct.

Senator PAYNE—In this case you do not think there will need to be?

Mr Dawson—I think it is a question of showing flexibility as we continue to develop those detailed schedules to the partnership.

Senator PAYNE—I did not mean to interrupt. I just wanted to check on that.

Mr Dawson—In terms of other countries, I think we mentioned previously that we had an approach from Tuvalu associated with budget support funding. That set of discussions around the reforms to their own budgetary management is something that is ongoing. We are still in a position to provide some additional support, but the commitments and the actions on the part of the Tuvalu government that we identified before are still in the process of discussions with the government about their taking actions on those issues.

In the case of Tonga, I think I mentioned before that we were expecting some discussions again around local labour generation associated with the change to their contracting arrangements for road maintenance activity. That was certainly discussed during partnerships discussions that we had earlier this year and remains an option that we are talking with the government and with other donor partners—the World Bank and ADB—about.

In Samoa, again there have been informal indications that the government would like to discuss the possibility of some relief from school fees, and that is another area that clearly sits underneath the partnership for development and we feel that we can deal with that adequately within the context of the partnership.

Senator PAYNE—Thank you. Mr Moore, in terms of your area and specific needs of the partner governments, can you indicate similarly to Mr Dawson?

Mr Moore—Certainly. I would firstly note that the way in which the crisis has been transmitted to Asian countries is principally through a collapse in export volumes and prices being exacerbated, of course, by some very big changes in international capital flows. In the medium term, the multilateral development institutions are mobilising finance in order to try to address the second of those two, and Australia has joined with other countries to support a 200 per cent capital increase for the Asian Development Bank with the idea of mobilising large amounts of additional finance. Clearly the collapse in export volumes is highly problematic for those countries that are most integrated into the international economy. It is expected that exports will decline by about nine per cent during 2009 and that has to be set against export growth averaging about 16 per cent since 2004, so it is a very dramatic shift in fortunes.

Nevertheless, growth in East Asia is expected to be about just over five per cent this year and, in South Asia, a little over four per cent. Globally, these are very respectable rates of growth but, because they are much less than these economies have been used to, there are major adjustment issues for them, particularly in continuing to generate jobs for the large numbers of young people who require them.

We are seeing some significant adjustments and job losses, particularly in the export industries. These are having a major effect on urban centres in particular, although that is having a flow-on consequence in terms of displacing people who, in many cases, are returning to rural areas and putting a strain on local coping mechanisms.

There are three large areas of response that we have endeavoured to make, through reviewing our programs, talking to our partner countries and working with others in the international community. We are looking to help countries re-establish growth, because clearly that is the best way for them to generate jobs and to reduce poverty. Another major area we are also working on is ensuring that basic services do not get cut which, unfortunately, in the past has been a problem, such as the reduction in expenditure on education and health services by governments whose revenues are under stress but also the individual pressure on communities which results in children being taken out of school and families being unable to afford health treatment. The third area is directly protecting the vulnerable and seeking to generate employment and income-earning opportunities.

Perhaps I can give you a few examples at a country level. For example, in Cambodia—which we talked about last time, which has been very hard hit because of its narrow economic base dependent on garment manufacturing, on construction and on tourism, all of which have been affected very badly—our programs are centred on rural development. Recently, in Phnom Penh, we had a dialogue with the government that I led, where we agreed that we would fast track irrigation development, which is not only of direct benefit to farmers but also labour intensive, so that was one of the very practical ways in which we could assist them.

Likewise in the Philippines, we are embarking on a major provincial roads management project, and we have worked with our partners to ensure that there is a very high use of labour on road maintenance, and this will have a stimulatory effect on local economies. In terms of supporting the delivery of basic services, again in the Philippines, we are expanding our assistance in the health sector and, in particular, we are targeting maternal and child health and trying to extend access to family planning which, again, has been an area traditionally which has been squeezed out in times of economic difficulty. In Cambodia, we are also ramping up in the health sector and tackling very, very high rates of maternal and child mortality.

In terms of protecting the vulnerable, in our biggest program in Indonesia, we have got more closely involved with the national program, the Indonesian National Program for Community Empowerment. This aims to provide community-driven development spending across the whole archipelago. It is currently in about 60,000 villages, hopefully extending to 80,000 by about 2010. The Indonesian government itself aims, by 2010, to put about \$US1.7 billion into that program.

To date, we have been a small player. We have worked on some of the systems to make sure that these grants get right down to the village level, but we are also looking at putting more financing through these means, because we are confident that the assistance is having a very direct impact on people's welfare at the grassroots.

Throughout all of these activities, we have also devoted discretionary resources that we have had in our programs to improving monitoring of both our own programs and those of country partners and regional groupings such as ASEAN. For example, we have donated \$1 million to a program of assistance with the World Bank, helping the ASEAN secretariat to keep track of what is happening in the region and to develop options for ASEAN members for the best sorts of responses.

Senator PAYNE—Thanks, Mr Moore. Mr Davis, I have two other questions in relation to this area of the statement. How would you characterise the degree of urgency that is attached to the work of the task force and the sorts of work that Mr Dawson and Mr Moore have talked about? I do not imagine it is particularly simple to manage this process between Australia and partner countries, but, given the severity of the impact of the economic crisis in a number of these countries, I am interested in what degree of urgency AusAID is attaching to its work.

Mr Davis—Senator, AusAID is certainly attaching a lot of urgency to this. While we might have a central task force, this has been a key part of the work of all parts of the agency. We have done a lot of work in identifying, through our posts, particularly in the Asia-Pacific areas, where we should engaged or where we should make variations to our existing programs and priorities. That has been quite a comprehensive approach, which has involved all parts of the agency. So it is an issue that we are treating with a great deal of urgency and as a major priority in ensuring that what we are actually engaged in is delivering those things that are most important at this time for individual countries.

I guess at some stage we will talk more about the food security measure in this year's budget. There is a lot of evidence and a lot of examples in that, which we can go in to, which show areas in which there is now a much stronger emphasis on meeting those particular needs of our partner countries, right down to the social protection level.

Senator PAYNE—For my part, I think one of the most devastating statistics or headlines to come out of recent discussion in relation to the economic crisis is the World Bank statistic which referred to the potential for an increase of between 200,000 and 400,000 infant deaths per annum, if the current recession persists. If I were a newspaper editor, that would be the one matter I would have on the front page most days at the moment. There is reference made in the minister's statement to that. I am interested in what engagement there is with our partner countries on that particular aspect, which I regard as beyond urgent, to which not a great deal of public attention has been paid, as far as I can ascertain, in the to and fro of commentary. Mr Moore referred to a number of programs in countries in his area of responsibility, but it just seems to me that some emphasis on that is a very important part of our response as an advantaged developed nation.

Mr Proctor—As an overall response to that figure, you are quite right that the World Bank did make that projection between 2009 and 2015 if the crisis persists, which is a very large figure. Obviously, it is driven by a number of things. It is partly increasing poverty leading to lower nutrition, as well as lower direct health services, of course. Also there will indirect effects on the mothers, on women, because of a loss of jobs, greater stress, withdrawal of girls from education et cetera. So all these factors will come into it.

I cannot talk to individual country programs, but I would just point out that there is a very large increase in the amounts of money going to health spending in the coming budget for the next financial year, most of which is, of course, applied through country programs. The government also has already underway a number of endeavours to improve health programming with other donors, particularly through the International Health Partnerships arrangement that is aiming to streamline health and coordinate donor inputs better.

Senator PAYNE—In specific countries, Mr Dawson, in the Pacific, any engagement on these issues with Australia?

Mr Dawson—A very strong engagement. As part of our dialogue with all countries, we are talking about their own capacity to maintain public sector expenditure in priority areas, particularly in basic health and basic education. It is undoubtedly true that in many countries in the immediate region there are structural weaknesses in budget and there is considerable leakage of resources from government's own budget through, for example, inefficient state-owned enterprises et cetera. Part of our dialogue with countries is around what we can do to help improve the efficiency of public sector expenditure and a strong urging at all times, and offers of assistance to help, to make sure that budgetary allocations for basic education, for basic health and particularly for maternal and child health are maintained through country budgets. That sort of dialogue and the practical assistance we can provide in that area is one of the most useful ways we can continue to raise the profile of this issue.

Senator PAYNE—In the section of the statement in relation to priorities for Australia's development assistance, there is, as you right predicted, Mr Davis, a reference to food security budget initiative. We have had some discussions with Mr Core, of ACIAR, about aspects of that. The budget papers record an investment over four years of just over \$464 million in this area, and the text in the ministerial statement says:

Consistent with Australia's increased attention to development needs in Africa, support for increased agricultural productivity and social protection programs in Africa will be a focus of increased of Australian assistance.

Can you indicate specifically where in Africa those programs will be located?

Ms De Lacy—I am Assistant Director General of the Sustainable Development Group.

Senator PAYNE—That is when you are not running the task force, Ms De Lacy.

Ms De Lacy—That is right. You have got a good memory. I have got two titles, I am also the global recession coordinator in AusAID.

Senator PAYNE—Hopefully the response coordinator! I hope you are not coordinating the global recession; it's going really well!

Ms De Lacy—Yes. I would not want that on my CV. In terms of your question about the details of the food security program in Africa, as part of that \$464 million, the government has set aside \$100 million over four years to deal with food security issues within Africa. In 2009-10, it is quite a low amount at the beginning of that—there is only \$2.25 million available for food security issues in the 2009-10 budget for Africa—but it will scale up, and there will be \$100 million allocated over those four years. As Mr Core was indicating this morning, we strongly anticipate that a proportion of that funding would be used to fund ACIAR's programs towards food security in Africa, and some of that funding will be used for AusAID managed food security programs in Africa. We are at the stage of designing those programs, so we do not have a lot of detail.

There was the mission that went to Africa that Mr Core talked about with you and there was a report from that mission, which is currently before the government, which really just gave a set of ideas to the government to see if these were the sorts of things that we would like to pursue in relation to food security. Generally, though, I can say they follow the three pillars of the food security measure that are articulated in the budget blue book with a strong focus on agriculture productivity—how can we increase the productivity of crops and live-stock in Africa? There is another pillar on how do we improve rural livelihoods by enhancing markets? There we are looking at really enhancing regional agriculture markets and input markets—that is, markets for things like seeds and fertiliser that have an important impact on food productivity in Africa. The third component, which again reflects the three pillars of the food security budget measure, is around social protection. That has only become more important, I think, as we have seen the combined effect of the global recession and food security problems in Africa. Some of that \$100 million will be used for assisting African countries in social protection areas. We are currently looking at those ideas. We would hope to have more detail available over the next couple of months, but we are just going through the process of design now.

Senator PAYNE—I have got a map here. Africa is a very big place.

Ms De Lacy—Yes, it is a very big place.

Senator PAYNE—And you just told me you are going to spend \$100 million over four years in Africa, yet as far as I can see neither the budget papers, the PBS or the ministerial statement on aid provide any specificity at all, except in relation to Zimbabwe—which I treat

as a separate case because we are talking about different circumstances—about where the aid funding to Africa will go. So when we say ‘the Pacific’ you are very careful to identify Papua New Guinea, the Solomons, Vanuatu, Fiji, Tonga, Samoa, Kiribati, Tuvalu, Nauru, Micronesia, the Cook Islands, Niue and Tokelau in that list. When I say ‘Africa, South and Central Asia and the Middle East’ you identify Bangladesh, Sri Lanka, India, Nepal, the Maldives, Bhutan, Pakistan, Afghanistan, Iraq, the Palestinian territories and Africa. You must have some more specificity that you can give the committee, Ms De Lacy or Mr Davis?

Ms De Lacy—I am happy to give you a little bit more. Basically, we are looking primarily—

Senator PAYNE—That is very generous of you. What I am looking for is the names of countries for a start.

Ms De Lacy—If I could answer the question: because obviously Africa is a very big continent—and, as you say, the amount of money, while it is significant, is not very large in the context of the needs and the numbers of countries and the numbers of poor people in Africa—we anticipate that most of that money will go through regional institutions in Africa or regional programs in Africa that are already in existence. So it will not be a series of bilateral programs such as the ones we might do in the Pacific and in East Asia where we have long-established programs with people on the ground able to design and develop very country-specific programs. In Africa, because we are trying to maximise development effectiveness in an environment where we do not have a large presence, we are looking to try and use regional—for example, there is a very strong Africa-wide process to bring coherence to agricultural efforts under the CAADP framework. So we are looking at CAADP regional institutions such as ASARECA, which focuses on East and Central Africa. We are looking at how we might support CORAF, which is focused on West Africa. We are also looking at some Africa-wide initiatives that might be done, for example, through supporting African universities—the title is BASIC; I cannot remember what it stands for exactly. It is an African union initiative to try and strengthen the capacity of agriculture departments at African universities.

Senator PAYNE—Where are they located, those African universities?

Ms De Lacy—It is all African universities.

Senator PAYNE—So every African university is one which Australia intends to support?

Ms De Lacy—No. There is a BASIC program—it is called BASIC, which is working in—

Senator PAYNE—A basic BASIC program, then?

Ms De Lacy—Yes. Its title is B-A-S-I-C. I cannot remember exactly what the words are.

Senator PAYNE—I understand that.

Ms De Lacy—It focuses on strengthening the capacity of all African universities that have agriculture and natural resource departments. We are currently in discussions with BASIC about where Australian investment would best make sense. I cannot be more specific at the moment, but we expect over the coming months to have the level of detail that you are looking for. But I think what is different in the context of Africa compared to our investments in Asia and the Pacific is that we are starting virtually off a zero base. We do not have a

longstanding history of engagement that we can build on. So the designs are taking a little bit more time and they need to be done a bit more carefully.

Senator PAYNE—Please, then, can you explain to me how you identified and came to the amount of \$100 million over four years.

Ms De Lacy—When the government needed to make allocations, it seemed like a reasonable amount. But that is a process for the government to decide.

Senator PAYNE—Surely they receive advice from AusAID.

Mr Davis—We had a measure that obviously had a finite level of support available. Within that, clearly there were some significant interests for continuing engagement in this area in the Asia-Pacific. It was then a case for government to work through how much beyond the existing priority countries would also be available to meet an interest in building on the government's interest in greater engagement in Africa as well. It is a judgment about the relativities between regions, taking account of the fact that obviously there are some pretty significant demands in the Asia-Pacific region as well.

Senator PAYNE—I understand that, and the more I read the budget papers the keener I am to know where this expenditure is going. For example, in the text attached to table 5, Assistance to Africa in 2009-10, the first heading is 'Assistance to Africa will support Africa's achievement of the MDGs'. There would not be a single person, I would have thought, who would be quibbling with that particular focus. Then it goes on to say 'through an enhanced development program of assistance in selected countries and sectors'. All I want to know is what the selected countries are.

Mr Davis—The response will be a mix of support in some elements of the program for engagement at the country level and in other cases support, as Ms De Lacy indicated, through regional frameworks. Clearly one issue that Australia is keen to pursue is that we add value. We do not get into individual small activity if that is going to crowd already significant numbers of donors in a sector in a particular country. There are times when it will make more sense to do things through a regional frame.

There will be other instances where, building on some existing engagements and opportunities, we can do more at the country level. For example, in maternal and child health, doing more through support for the fistula hospital in Ethiopia is going to be a pretty obvious starting point for us to work on within that country. So there will be specific country-led engagements like that. There will be others where, to ensure that we add value and we are able to draw on some specific Australian expertise—for example, in agriculture on dry land farming—we will do it with a regional framework rather than a country framework.

Senator PAYNE—What time frame are we looking at to have some more detail around the spending in this area?

Mr Davis—It will unfold during the next six months or so. A lot of the funding for food security is not, as indicated in terms of food security, going to be available during 2009-10. There will be some areas where that is quicker. For example, the build-up in the number of scholarships from 100 to 200 during the course of 2009-10 will be an area where we could now give you the anticipated list of countries to where those scholarships will be provided. It

will unfold in that sense. It will not be at the same speed in each sector. In broad terms, it will unfold within the next six months.

Senator PAYNE—Is it the same answer if I ask you a question in relation to the contributions for humanitarian assistance? The next dot point in that table, which refers to linking humanitarian aid to Africa to broader development efforts, refers specifically to the area of sub-Saharan Africa. Which countries in sub-Saharan Africa would be recipients of our support in that regard?

Mr Davis—Of all sectors or themes, humanitarian support is always going to be the one that is hardest to predict.

Senator PAYNE—I would agree with you, Mr Davis, except that the text here refers to protracted humanitarian needs, disaster risk reduction and linking to broader development efforts to achieve long-term gains and meeting the MDGs. I am not talking about disaster by disaster or emergency by emergency, nor is this text. These are long-term engagements as I read it—or I may be completely misunderstanding the text. Which particular countries in sub-Saharan Africa would be specifically included in that?

Mr Isbister—The figure you are looking at particularly relates to crises such as Zimbabwe, where there is clearly not only an ongoing protracted humanitarian crisis but also a window of opportunity to look at what support can be provided to assist the country to get its basic services back up and running for the people in Zimbabwe.

Senator PAYNE—I understood Zimbabwe to be another dot point.

Mr Isbister—It is, but there is a link. In a place like Zimbabwe you have a humanitarian crisis and, one would hope, an opportunity to move into more developmental initiatives. That is the linkage that this humanitarian funding is also to provide. Another example is the Democratic Republic of Congo—

Senator PAYNE—Thank you.

Mr Isbister—where there is a significant humanitarian crisis. It is a situation which is, unfortunately, unlikely to resolve itself quickly, and this gives us the flexibility and capacity into the year to look at targeted assistance and support into an area like that.

Senator PAYNE—What is our current contribution into the DRC?

Mr Isbister—We made a commitment in December of \$5 million.

Senator PAYNE—How much would you see that increasing by in this increase in allocation to Africa?

Mr Isbister—Predicting exactly what is going to unfold in the DRC is a difficult question to answer. One would think that it would be approximately around that figure again this year and, obviously, if the situation needed it and based on advice, it may exceed that.

Senator PAYNE—I will put some further questions on notice in relation to Africa. It is worth noting that in estimates in February, in reference to a media release by the minister in September last year, questions were asked in relation to increased support for Africa, in particular in relation to AusAid's work in this area both in relation to the 'new partnership' and separately in relation to the increase in ODA contributions. I must say, I did expect to see

more detail and specificity in the budget papers given that this is a—to use a tired phrase—much vaunted commitment of this government.

Can we keep going in relation to the priorities? There is a reference there on page 21 to microfinance and financial services, which indicates that, from 2009-10, Australia will facilitate economic growth through expanded support for microfinance activities in both urban and rural areas. It may be that I have been unable to identify the dollar value attached to this in the budget papers—and I am very happy to be corrected—but I cannot find it and if someone could point me to the dollar value of the expanded support for microfinance activities I would be very grateful.

Ms De Lacy—There is no dollar figure, but the government is committed to increasing its expenditure on microfinance, so, over the last probably five years, we have been on average spending about \$10 million a year on microfinance. We now have a clear target from the minister to try and increase that expenditure to around \$20 million over the next few years.

Senator PAYNE—Where can I read about that?

Ms De Lacy—I do not think we have issued a statement about that.

Senator PAYNE—That makes it hard for me and the general public to understand the commitment to microfinance then.

Ms De Lacy—We are committed to trying to increase it. We have an objective of trying to get to double the current expenditure by about 2013.

Senator PAYNE—So we write about it in the budget papers and we flag it as expanded support and new assistance increasingly supporting activities in a range of countries but we do not indicate what we are spending?

Ms De Lacy—I can give you some estimates now. One of the challenges—

Senator PAYNE—Ms De Lacy, Mr Davis, with respect, we the committee, members of the Senate, need to be able to work with, preferably, numbers to some degree. I am not the most numerate person in this building by any stretch of the imagination, but I knew I was not able to find those amounts. To tell us in ministerial statements that we are expanding support and giving new assistance and then not provide that information to the parliament for it to appropriately examine through the estimates process does put us, the committee, in an invidious position. Is there any formal information you can give the committee in relation to this expenditure?

Ms De Lacy—I know there have been a series of questions on notice about microfinance expenditure and, over the years, we have been consistently providing information on estimated expenditure on microfinance through those questions on notice. It is not in the budget blue book, it is not a specific budget measure and there is not a target around the 2009-10 budget, so most of the scaling-up in microfinance, or financial inclusion more generally, is being done through a whole series of decisions being taken by individual country programs. We are happy to continue to answer questions about the level of microfinance expenditure that we have through these processes.

Senator PAYNE—I am not sure that you actually are, Ms De Lacy. Do you want me to read back to you the responses that you have been giving to questions on notice on

microfinance? There was this one: 'No commitments were made at the Asia-Pacific microcredit summit in Bali in July 2008. That summit, however, was a useful forum for discussions of issues relating to microfinance, including industry trends et cetera.' And there was this one: 'Does AusAID envisage an increase in funding for microfinance programs in coming budgets?' Answer: 'The parliamentary secretary has indicated that an increase in funding for microfinance programs is being considered by government and is subject to budgetary outcomes,' which made me assume that 'subject to budgetary outcomes' meant that I could look at the budget and work out what the spending was. You said in your remarks then—and I do not wish to misquote you if I am incorrect—that it was not in the blue book. I assume you were talking about this book?

Ms De Lacy—Sorry, yes.

Senator PAYNE—Well, the whole point is that it is in the blue book: a whole paragraph headed 'Microfinance and financial services', with no dollar value attached anywhere in the budget to the spending, which, in my view, is most unhelpful to those people in the community—and there are a lot of them—who are very interested in Australia's engagement in microfinance issues.

Can I go on to the education statements in the blue book, Mr Davis, in relation to our 2009-10 commitments to national education systems and to education assistance, and then to scholarships? Given the emphasis placed in other aspects of these documents on achieving the Millennium Development Goals including, fittingly, the reproduction of the goals in diagram 1, I am surprised that when we talk about education assistance there we do not particularly talk about gender—about increasing the number of girls—in relation to MDG2 in particular. Also, in the scholarships section, there is a lack of reference to MDG3 in terms of empowerment and eliminating gender disparity in all levels of education. So, can you answer two questions for me: first, is there any particular emphasis on ensuring an increased number of girls into education systems in the region; secondly, what approach is being taken by government to the participation of women in the scholarship processes here, in Africa and so on?

Mr Davis—I can start then Ms O'Keefe may perhaps want to add something further. There is a strong emphasis in a lot of our programs on support for girls' education. We clearly understand and have given prominence to the notion that there is nothing more important for longer term development than girls' education. That is reflected in a number of specific programs in specific countries as well as ensuring that anything we do in terms of broader primary or secondary education opportunities puts equal emphasis on the role of girls.

We have had an objective for a long time for ensuring that scholarships are equally available to boys and girls and in fact in some countries the numbers for girls exceed those of boys. I might get Ms O'Keefe to add to that. It clearly is an area that we have a strong interest in continuing to have as a central element of our engagement. It is something that we have given a lot of emphasis to in terms of our broader education strategy and it is certainly something that plays out as well in scholarships.

Senator PAYNE—Thank you. I am very keen to know about the scholarships aspect of it.

Ms O'Keefe—In terms of the approach to ensuring that the Australian Development Scholarship program does have the appropriate gender balance we have, as Mr Davies has

said, a long-standing policy of ensuring 50-50. To achieve 50-50 we simply ensure that if, for example, 80 male candidates are put forward and 40 female candidates are put forward the overarching policy is to reduce the number of male candidates that are actually accepted so we eventually reach the equitable stage. This is not always achieved to the absolute 50-50 but in all cases we do make every effort to achieve that.

The other approach to ensuring gender equity is not just simply a case of numbers. It is also looking at the type of scholarships that we can actually achieve. If you are going to be doing a serious gender analysis for scholarships you have to be conscious of the fact that for many women who come from the countries where we operate the acceptance of a full-time scholarship to spend 2, 3 or more years in Australia is simply out of the question. So, some of our short-term scholarships, particularly through the Australian Leadership Awards - Fellowships, provide women an alternative opportunity to undertake short-term study in Australia that may be more appropriate for them because of their family responsibilities and, in some cases, cultural expectations.

Similarly, we have in the Pacific, where gender issues are particularly acute, the regional scholarship program, which enables women in the Pacific to undertake study at institutions in the Pacific itself. What I am saying is that, to sum up, it is not just simply a case of reaching a magic target. We understand that, while that is always a good goal, there are times when it is just not going to be possible because of certain circumstances, but what is absolutely fundamental and something which guides us at all times in how we ensure women are getting the opportunity for higher studies is examining the way in which the scholarship program is delivered to meet those very real constraints that many women in the developing world have to deal with.

Senator PAYNE—Thank you.

Senator BOSWELL—I want to ask some questions about abortion funding through AusAID. Who should I direct those to?

Senator Stephens—We are all here.

Senator BOSWELL—In his media release on 10 March, Minister Stephen Smith said:

Since the introduction of the Family Planning Guidelines in 1996, there has been a significant decline in funding from the aid program across the range of family planning activities from 0.44% (\$6.9m) in 1995-96 to only 0.07% (\$2.3m) in 2006/07 ...

The Government is committed to reversing this trend ...

What percentage of aid funding is to be spent on family planning activities for each year or each of the next four years and what is this in dollars for each year?

Mr Proctor—I cannot give you such precise figures over four years. You will have noted from the minister's press statement that he made an initial commitment to spend an additional \$15 million over four years on family planning. There is also a broader commitment to have a much bigger amount overall on maternal and child health. The government is also increasing its spending on the building up of health systems in general. All of these things will influence the amount that is actually provided in the end to improve access to reproductive health and family planning.

Senator BOSWELL—Thank you. My question is specific to this abortion aid. The minister is committed to upping the ante by \$15 million, which will be spent on abortion funding. Is that correct?

Mr Proctor—No, that is not correct.

Senator BOSWELL—Tell me what is correct.

Mr Proctor—The statement was to provide additional assistance to family planning, which in fact will be a broad range of integrated services, including counselling, provision of contraception and family related health issues. What the minister has said is that, unlike under the past guidelines, NGOs and others can counsel on abortion, they can train and it is possible to do terminations, but the point I think I should make—

Senator BOSWELL—NGOs can do abortions—is that what you are saying?

Mr Proctor—The point the minister was making is that the assistance program will support the same range of family planning services that women in developing countries as are supported for women in Australia, subject, of course, to the laws of the individual countries that are being operated within.

Senator BOSWELL—I might have misheard you. In your last statement you said, ‘NGOs could do abortions?’ Is that what you said?

Mr Proctor—As part of integrated health and family planning services, it is possible for them to seek funding for that. I must say to you, though, that the point of the minister’s announcement was that a wider and more comprehensive range of family planning is aimed at reducing abortions in developing countries.

Senator BOSWELL—Thank you, but I am just trying to get to the bottom of that statement, ‘NGOs can do abortions.’ That means they can offer abortions or they physically do the abortions? What does that statement mean?

Mr Proctor—Where NGOs are offering health services in developing countries they are able to, within certain limitations, offer a full suite of services in reproductive health.

Senator BOSWELL—So AusAID could approach someone and offer an abortion?

Mr Proctor—I am sorry—who would approach someone, Senator?

Senator BOSWELL—An NGO, and I would presume an NGO is AusAID. Which other NGOs are there?

Mr Proctor—The NGOs are non-government organisations that receive public funding, a contribution; they are not part of AusAID as such.

Senator BOSWELL—What about Marie Stopes International? Are they an NGO?

Mr Proctor—They are, along with many others, including CARE, World Vision et cetera.

Senator BOSWELL—AusAID funds Marie Stopes International?

Mr Proctor—Marie Stopes does provide some project assistance that we provide funding for, particularly in Myanmar, which is providing increased access to contraception.

Senator BOSWELL—How much of the aid funding to be spent each year over the next four years on family planning activities is to be spent on activities for which funding was prohibited under the family planning guidelines from 1996 to 10 March 2009?

Mr Proctor—I cannot give you a specific answer. The point is that most of the money spent by NGOs is actually on counselling.

Senator BOSWELL—I am asking specific questions. If you cannot answer them, you may be able to take on notice, but I do want an answer.

Mr Proctor—I will take that on notice, but I think it is impossible to predict the precise percentage. The point I was making is that I think there will be a small amount of change but not much.

Senator BOSWELL—I will have to come back to that. In which countries will such activities be funded? How much will be expended on such activities in each of these countries?

Mr Proctor—There is a range of countries that Australian NGOs work in. Depending on the size, the NGOs come under different funding arrangements.

Senator BOSWELL—Can you nominate them, please?

Mr Proctor—Particularly the Asia-Pacific.

Senator BOSWELL—Can you tell me who they are, please?

Mr Proctor—I am sorry—which NGOs?

Senator BOSWELL—Which countries.

Mr Proctor—The larger NGOs operate across the Pacific and East Asia and—

Senator BOSWELL—Can you tell me the countries, please? Is it Burma, Tuvalu, Tokelau, New Zealand, East Timor? Which countries?

Mr Proctor—Certainly all those but New Zealand. NGOs operate in the countries they choose to operate in. They will seek funding from the Australian government at various levels because, as you will recall, most of the money comes from public donations. Where we would assist NGOs directly would be where we have objectives to assist countries. They are all the developing countries of the South Pacific—the francophone ones particularly.

Senator BOSWELL—What about East Timor?

Mr Proctor—Certainly. Most of the countries of East Asia except, of course, the rich ones—Singapore, Malaysia—and they have moved out of Thailand.

Senator BOSWELL—How can you offer abortion funding in East Timor? I would imagine it would be illegal.

Mr Proctor—No-one would offer abortion funding in East Timor. It is very strictly controlled by the law. There are only a small number of countries in the region where the abortion is in fact legal.

Senator BOSWELL—Can you nominate those countries, please, where abortion is legal?

Mr Proctor—Yes. Can I just say, Senator: the grant processes for NGOs, which you may want to hear about in more detail, really do not allow us to make specific projections about which countries will receive funding. The countries that do allow abortion in this region—

Senator BOSWELL—Just before you go there, what did you just say—you cannot—

Mr Proctor—Coming back to your earlier point, Senator, it is not possible to give precise figures on future years because the grant processes do not specify necessarily particular countries especially with bigger NGOs who get a block grant for their activities.

Senator BOSWELL—What are you saying: they do not specify where the money is going? Is that what you are saying? You just give them a block grant.

Mr Proctor—Yes, Senator, in a small number of the biggest ones, which have gone through all sorts of assessment processes to that point. I return to your original question. When talking about abortions being legal, it rather depends on the category. Almost every country will allow an abortion to save the life of the mother. The countries where we have programs and without specific restriction are Cambodia, Mongolia, Nepal—some of these clearly have restrictions against sex-selective abortion—Vietnam and China.

Senator BOSWELL—What you are saying is that you do not know or you do not want to know to what countries this abortion funding is going? Is that what you are telling me? You do not know and you do not want to know? You are just giving it out in a block.

Mr Proctor—What I am saying is that different countries have different laws. NGOs that operate inside those countries have to comply with the laws of the countries.

Senator BOSWELL—But surely we must know as a country what we are giving money for. Isn't that a reasonable proposition that we must know, as a country, that we are giving so much for abortion, so much for water, so much for medicine and so much for health? Or do we just say, 'Here is a big bundle of money. Spend it the way you want to'?

Mr Proctor—In general we do know sometimes.

Senator BOSWELL—Well then, can you tell me. Do not go around the mulberry bush for the next hour, but can you tell me what it is, please?

Mr Proctor—Those components are not necessarily specified in all our relationships with NGOs. We fund NGOs because they have proven to provide good assistance.

Senator BOSWELL—An NGO comes to you and says, 'I want some money.' So you just say, 'What do you want?' sign a cheque and give it to them, do you? Or do you ask them what the money is for?

Mr Proctor—There is an annual process and what they can use the money for is quite clear across a range of development activities.

Senator BOSWELL—You must know what your expenditure is on abortion. I am asking you that.

Mr Proctor—Senator, we know what our expenditure is on family planning and reproductive health.

Senator BOSWELL—If you know what your expenditure is, then you must know who you are expending it to.

Mr Proctor—In cases reported at the end of the year, but as I am saying to you, that is a statistical reporting process at the end of the calendar year.

Senator BOSWELL—When will those figures be available?

Mr Proctor—They are aggregated every year and released in a statistical report.

Senator BOSWELL—When is that available?

Mr Proctor—After the end of the financial year. Probably some months after 30 June.

Senator BOSWELL—What measures have been or will be put in place to ensure that any funding for family planning activities comply with the national laws of the relevant nation concerned?

Mr Proctor—That is one of the clear bases on which funding is provided.

Senator BOSWELL—How do you assess that?

Mr Proctor—There is more detailed guidance coming soon on this issue, and clearly from the minister's statement, that will be one of the key aspects.

Senator BOSWELL—Are we funding abortion now, as of this minute?

Mr Proctor—No, Senator.

Senator BOSWELL—When will we start?

Mr Proctor—When the detailed revised guidelines are issued, then I anticipate that non-government entities will operate on those.

Senator BOSWELL—Have we had many demands for abortion funding?

Mr Proctor—Not to my knowledge nor would I expect to have had them, given the clearly stated policy by Australia not to provide that. Frankly those sorts of requests would not come to us at a donor level.

Senator BOSWELL—What was your last statement? You clearly would not provide them?

Mr Proctor—We have public guidelines that Australia did not provide counselling and other services related to abortion. I was just making the point that countries would not have asked us therefore.

Senator BOSWELL—Well, we have had three months between now and March. Have we had people knocking on our door asking for abortion funding?

Mr Proctor—No, we have not, not to my knowledge.

Senator BOSWELL—Has AusAID been involved in activities aimed at changing the national laws regarding family planning or reproductive health in any country?

Mr Proctor—I am not sure. There are certainly projects—

Senator BOSWELL—That is one thing you have got to be sure of. I asked you a pretty specific question and one you cannot avoid. You cannot say you do not know whether you

have aimed at activating, changing the national laws regarding family planning. Everyone on that table would know, yes or no.

Mr Proctor—We have a relationship with the UNFPA, which is the UN agency concerned with population matters in general. I am sure as part of their remit they do recommend appropriate approaches to family planning and other reproductive health services. In some cases, AusAID may well have been doing some activities in conjunction with them. That would be the instance, I would imagine, where this would happen.

Senator BOSWELL—I am asking you again: has AusAID gone out and promoted abortions?

Mr Proctor—No, it certainly has not promoted abortions.

Senator BOSWELL—Family planning of any description?

Mr Proctor—There certainly have been cases of promoting access to family planning.

Senator BOSWELL—Which is shorthand for all provisions, including abortion?

Mr Proctor—Not really. It is promoting access to contraceptive services and related health services for women.

Senator BOSWELL—Including abortion?

Mr Proctor—Not to this point, no. Can I refer you again to the statement by the minister that his intention is to reduce the level of abortion that occurs in developing countries.

Senator BOSWELL—Well, you cannot reduce it beyond nothing, and that is what we had before. We were not supplying money for it. Now you cannot reduce it—

Mr Proctor—Can I just explain—

Senator BOSWELL—Yes, I understand where you are coming from.

Mr Proctor—There are huge numbers of illegal abortions in the developing world. A significant percentage can lead to the death or maiming of the mother. That is the figure that the minister is focused upon. Somewhere between 10 and 13 per cent of deaths in developing countries are from botched abortions. So there is a really significant improvement in maternal health figures if you can improve people's access to the reproductive health services they want in order not to end up in illegal abortions.

Senator BOSWELL—I am still concerned about AusAID taking an active role in promoting what we have never supported before. You are saying, 'Well, we're not doing that; we are promoting contraception,' or something like that.

Mr Proctor—Yes.

Senator BOSWELL—A news report from *Manila Bulletin* indicated an AusAID representative expressed support for the passage of a reproductive healthcare bill 2008 in the Philippines legislature at a forum held in Pasig City, in the Philippines, on 7 May 2009, sponsored by the United Nations Fund for Population Activities. Is this the case, and could the text of the remarks made by the AusAID representative to this forum be supplied?

Mr Moore—I am broadly aware of the event you mention and that an AusAID officer, our head of post, was there. We can furnish you with his remarks. I would hark back to your

earlier questioning about what role we play in promoting particular policies. I would say that, across the full range of policies in the health area—and other areas, as well—we are involved in dialogue with governments, but it is absolutely critical that governments take the decisions themselves about what policies they want to enact. There should never be instances of Australia or AusAID officials foisting policies on governments that those governments do not want to adopt.

Senator BOSWELL—I am pleased to hear that. Ary Laufer, a spokesman for Marie Stopes International told ABC Radio Australia in an interview on 11 March 2009 that his organisation hopes:

... to provide training for doctors throughout the country—

Papua New Guinea—

... to determine what is a life-threatening situation for women, particularly if they are presenting themselves with an unwanted pregnancy and it may affect mentally or physically the woman who is presenting.

Would AusAID consider funding a program designed to promote a liberal application of Papua New Guinea's law on application?

Mr Dawson—Can you repeat the question—at least the last part of it?

Senator BOSWELL—Would AusAID consider funding a program designed to promote a liberal application of Papua New Guinea's law on application?

Mr Dawson—We will only work in accordance with the laws of the country and in accordance with Australian government policy. Whatever is proposed will always be considered against those two criteria.

Senator BOSWELL—In the same interview with Ary Laufer, journalist Lisa Mottram suggested that:

... in countries where abortion is legal, like Vietnam, aid groups funded by the Australian government will quickly be able to begin providing safe abortion, abortion advice and training.

The ABC also recently reported that Vietnam's gender imbalance concerns Vietnamese officials:

... if the current gender imbalance continues about three million men will have difficulty finding wives by 2030. Deputy Prime Minister Nguyen Thien Nhan believes Vietnam should learn the lessons about gender imbalance from China, Japan and South Korea. He has asked people's committees to raise awareness about the consequences of prenatal gender selection through the mass media. Although Vietnam in 2003 banned foetal sex selection, many doctors tell parents-to-be if they are expecting a boy or girl. Currently in Ho Chi Minh City, there are 113 boys for every 100 girls.

Given the ready availability of abortion in Vietnam and its use in eliminating girl babies, is AusAID intending to fund abortion provisions or training in Vietnam?

Mr Proctor—I am not aware of any such plans. Are you talking about AusAID projects in this regard or are you talking about non-government organisations?

Senator BOSWELL—I am talking about both. Is AusAID intending to fund abortion provision or training in Vietnam through Marie Stopes? Or anyone else, for that matter?

Mr Proctor—I am certainly not aware of any; there are certainly no plans.

Senator BOSWELL—What measures will be in place to ensure that Australian overseas aid is not used to fund sex-selection abortions in Vietnam or any other place?

Mr Proctor—In detail guidance that would be very explicit.

Senator BOSWELL—So if Marie Stopes asked you for some money to fund abortions or whatever for other family planning issues you would specifically say, ‘This is not to be used for sex selection of babies.’ Have you got any criteria and what are they?

Mr Proctor—In many regards gender issues in the aid program clearly have been in place for many years. There would be no occasion under which Australian aid would ever consider providing assistance for such a purpose.

Senator BOSWELL—I know you would not consider it, but what provisions have you got to stop other people that you give money to from considering it? Is there a written agreement with these NGOs?

Mr Proctor—This would be under the guidelines in which the NGOs receive funding.

CHAIR—When will the drafting of the guidelines be concluded?

Mr Proctor—I would imagine very shortly.

CHAIR—I presume when drafting has concluded and signed off by the relevant authorities they will be released for public use?

Mr Davis—After they have been agreed with the minister.

CHAIR—After they have been approved by the minister they will be released and then go forward. Understood—and that is going to be fairly soon?

Senator Stephens—Yes.

Senator BOSWELL—I may have some more questions on notice.

Proceedings suspended from 3.44 pm to 3.59 pm

CHAIR—The committee will come to order and we will continue the examination of budget estimates for AusAID.

Senator BERNARDI—I have some questions on the Public-Private Infrastructure Advisory Facility. To whom should I address those?

Mr Proctor—You can address them to me and I might call on expert colleagues as well.

Senator BERNARDI—Australia is a member of the—we will find a most appropriate acronym for this—PPIAF. Is that right?

Mr Proctor—I am not quite sure on that acronym. Mr Robin Davies might be more involved in that.

Mr Davies—Yes, we are a member of PPIAF, which is the acronym you are looking for.

Senator BERNARDI—And we joined in 2007, is that correct?

Mr Davies—That is correct.

Senator BERNARDI—How much money will Australia, through AusAID, be contributing to PPIAF in the 2009-10 financial year and the 2010-11 financial year?

Mr Davies—Our contribution in 2007-08, I believe, was \$3 million. I will check that figure in a moment. We do not have allocations to PPIAF for the next two financial years. That \$3 million is intended to extend over a number of years. But we will certainly be looking at the possibility of a further contribution through the life of the economic infrastructure facility and, in particular, through the global component of that facility.

Senator BERNARDI—As to that figure of \$3 million, looking at the PPIAF annual report for July 2007 to June 2008, it says receipts from Australia are \$1.17 million. Where would the remainder of the sum, the \$1.83 million, be?

Mr Davies—I am just checking the figure now. The figures I have indicate that our total commitment is \$3.29 million over the period 2006-07 to 2008-09—so, over three financial years. I do not have a year-by-year breakdown in front of me, but it may be that that figure is being paid in several tranches and we may have an outstanding tranche to pay under the existing budget measure—the Infrastructure For Growth Initiative.

Senator BERNARDI—Okay. I just want to come back to this. We have paid \$3.29 million, subject to the provisos in this.

Mr Davies—We have agreed to pay \$3.29 million.

Senator BERNARDI—An agreement to pay that. And you cannot tell me how much is in each year?

Mr Davies—Not at this stage, but I can get that information for you.

Senator BERNARDI—I question then whether we are members in good standing, if we have not made any contributions for a year or two years.

Mr Davies—We certainly are. This is a very typical contribution pattern. Most members will make payments in every second or third financial year, and those payments will be drawn down for specific activities. There is not an annual funding cycle or an annual payment obligation.

Senator BERNARDI—But, in order to be a member, there is an annual minimum contribution to PPIAF?

Mr Davies—It is not an annual minimum, as is my understanding. I would need to check on the detail, but—

Senator BERNARDI—I will help you out here. It says, 'Membership in the Program Council remains open to eligible organisations contributing a minimum of \$250,000 a year to PPIAF's Core Fund.'

Mr Davies—And we have already paid over \$1 million, so that would be spread over the three years.

Senator BERNARDI—But we have given it all in one year? It is like pre-paying our entry, is it?

Mr Davies—Yes, that would discharge our obligations as a member.

Senator BERNARDI—Okay, so it is not necessarily an annual contribution and you can make one lump sum contribution.

Mr Davies—That is correct.

Senator BERNARDI—What does the government hope to achieve by membership of PPIAF?

Mr Davies—Our membership, I believe, was largely funded from the first year of the Infrastructure For Growth Initiative—a budget measure of the previous government. PPIAF is one of a small number of World Bank administered trust funds and facilities supported through that measure. Its particular focus is on catalysing private sector investment in infrastructure and improving policy and regulatory environments for infrastructure financing. Our geographic interests are primarily in East Asia and the Pacific—or at least that was the way in which the original funding agreement was framed—but PPIAF also works on a wider geographic basis and supports a range of studies, policy advisory exercises and program preparation work leading to larger scale investments by the World Bank.

Senator BERNARDI—Could you detail some of the countries in which Australia's investment is working?

Mr Davies—I think I would need to seek further detail and get that back to you on that. PPIAF works in most of the countries of East Asia—certainly in Indonesia, the Philippines, Vietnam, Cambodia and Laos—but I would need to take your question on notice if you would like a lot of detail on activities in individual countries.

Senator BERNARDI—Sure. You might be able to answer this now—do we have any aid going into China through this project?

Mr Davies—I cannot answer that at the moment; I am sorry. It is possible. I do not think any significant amount would be flowing to China through PPIAF, but I would need to check on that.

Senator BERNARDI—If you could; thank you. If any amount is, I would be interested in it. Are you able to detail any of the projects or measures that Australia's funds have had an active role in supporting over the last year?

Mr Davies—I am not familiar with the detail of this facility. I would need to get that information to you on notice.

Senator BERNARDI—Thank you. I have a more general question regarding economic infrastructure through AusAID. The government has promised \$454.2 million over four years, and yet in 2009-10 less than three per cent of this is expected to be drawn down—a sum of \$11.9 million. Could you explain how that figure was arrived at in the context of a four-year—

Mr Davies—I think the key point to make is that our infrastructure spending is coming from several budget measures simultaneously, so the level of infrastructure financing in 2009-10 is quite significant at \$560 million in total.

Senator BERNARDI—I am interested in AusAID's, though.

Mr Davies—That is what I am referring to.

Senator BERNARDI—That is not what it says under ‘Overseas Development Assistance—Economic Infrastructure’.

Mr Davies—That is for the economic infrastructure budget measure—

Senator BERNARDI—That is what I am interested in.

Mr Davies—but the point I am making is that that is in addition to substantial spending under the pre-existing Infrastructure for Growth Initiative, which will be \$139 million in the 2009-10 budget year; substantial spending under the government’s water and sanitation initiative, which was a budget measure from 2008-09, which will spend \$97.4 million in 2009-10; and spending through the Pacific Region Infrastructure Facility, for which I do not have the 2009-10 amount in front of me. One of my colleagues may have that amount.

Senator BERNARDI—I appreciate that information—

Mr Proctor—Sorry, Senator—could I just direct you to page 18 in the budget document.

Senator BERNARDI—I do not have the blue book, but—

Mr Proctor—Shown in a graph is the continuing growth in the total amount to infrastructure over the coming year and the—

Senator BERNARDI—I appreciate that information, but my question was specifically about the \$454.2 million in the economic infrastructure package. I want to know why \$11.9 million of that is drawn down in the first year—it seems like a very small sum.

Mr Davies—Because of the availability of very substantial sums through the range of other measures that I have described. Essentially the new measure will cut in with a thin end as the others, particularly the Infrastructure for Growth Initiative, phase down.

Senator BERNARDI—So this program is replacing the previous programs?

Mr Davies—It is coming in over the top. There is an overlap of two years but, yes, essentially it is adding to—

Senator BERNARDI—That is what I wanted to know. I appreciate that.

Senator PAYNE—Chair, I have almost finished dealing with the areas I wanted to address in the ministerial budget statement on the International Development Assistance Program. Notwithstanding the fact that the officers might not appreciate it, in the interests of balance I do want to note how very important I think the awarding of the five annual Asia-Pacific leadership awards in the name of Greg Urwin is. It is very good to see that recorded in his honour and I was very pleased to see them. I am also interested in the level of support to UNIFEM.

I want to ask a question under the community engagement heading, Mr Davies. There is a reference to the 2009-10 volunteer programs providing further opportunity for adult Australians to contribute to development in partner countries, and we all know the value of the programs that have been undertaken thus far. Can you tell the committee whether there has been any thought given to doing that in reverse, some sort of exchange arrangement from some of our partner countries not just in the scholarship context but also in reverse in the form of an ambassador for development type program?

Mr Davies—Not under our program.

Senator PAYNE—There is one more question on Africa, broadly speaking, which flows from the legal and constitutional estimates hearings last week. There is allocation of \$7 million over four years to AUSTRAC to assist African countries in developing effective law and justice frameworks. In questioning in AUSTRAC estimates by one of my colleagues, four countries were specifically named as likely recipients of this program: Botswana, Kenya, Tanzania and Namibia. Can you tell us whether AusAID will have any involvement in the law and justice capacity building aid projects?

Mr Davies—This is a program under the Attorney-General's Department and it will be pursued by them, so it will principally be their engagement but as with any such activity which has an aid element to it we will be in ongoing consultation with them about it.

Senator PAYNE—Were you consulted in the development of the initiative?

Mr Davies—It was included in a broader set of whole-of-government interests, so in that sense we were aware of it, but we were not specifically consulted beyond that.

Senator PAYNE—So you were not consulted about the specific countries?

Mr Davies—No.

Mr Dawson—I think that we were asked about the ODA eligibility of it, and we gave a view on that, which was that the program as described appeared to be 100 per cent ODA eligible.

Senator PAYNE—It is interesting that AUSTRAC can name Botswana, Kenya, Tanzania and Namibia as recipients of this program but I do not have quite so much luck getting specific country names for ODA.

Mr Davies—I can give you the full list of country names for the scholarships, if you want it.

Senator PAYNE—To follow up on a question on notice, in answer to a question about microfinance from February 2009 it was indicated that AusAID expects to release a draft of a microfinance framework later this year for public comment. Can you tell me how far advanced it is and when we can expect to see it?

Ms De Lacy—We have two priorities in relation to microfinance. One is the scaling up, so identifying new opportunities to invest money in well-designed microfinance activities. The other thing which we are doing in parallel to that is the development of a new policy framework which will guide our longer-term investments and explain the priority the government puts on microfinance. We have a very early internal draft we are working with within AusAID at the moment. We would hope to have a version out for comment with, for example, particularly the partner governments in the Pacific and Asia that we would be working with, but also key microfinance institutions both in the region and Australian microfinance organisations. So I cannot be exactly sure, but hopefully by about July we would have a version that we would want to put out for comment. We would then try to seek feedback on that policy document before releasing it as a final document by the end of the year.

Senator PAYNE—What is the objective of the framework?

Ms De Lacy—It would explain the priorities. Obviously it is a very broad area, so it would seek to explain the Australian government's priorities within the area of financial inclusion.

CHAIR—It is being done through the PPDs? Is the microfinancing initiative and the framework that Ms De Lacy is referring to that is going to come out by the end of the year, for the provision of the capital in due course—the upscaling from \$10 million to \$20 million—part of the Pacific Partnerships for Development process that is being extensively negotiated through the Pacific countries?

Mr Dawson—It is not currently a specific part of it, but I think we are quite conscious that economic growth issues require us to look at access to financial services in a range of countries and to work with partners on that. It would I think be our intention to return to this issue in subsequent iterations of the partnership, but it so far does not feature prominently I think in any of the individual partnership work.

CHAIR—The reason I raise it is that another inquiry is being conducted by this particular committee on economic and security matters in the South Pacific. We have received extensive evidence as to the utility of microfinancing. A lot of the submissions we have received went to the facilitation of credit availability in small amounts, not so much the other problems. I am just bringing it to your attention. A range of users and the user countries highlight the fact that the availability of credit in small amounts through appropriate institutions in their countries was, they thought, the critical issue in terms of small sums of money being used by consumers in those countries.

Mr Dawson—I think that is quite right. The issue usually turns on how to do this in a sustainable fashion and in a fashion that establishes arrangements for wider access to financial services which are then backed up by appropriate institutions that you can expect will be there for a period of time. We have over the last few years already been doing some work with the Asian Development Bank and with the World Bank Group on this issue. It is not as if there is no activity on it in the Pacific; I was just responding that it had not featured specifically so far in the partnerships for development discussions.

CHAIR—But in terms of the guidelines that Ms De Lacy is referring to, you think subsequent iterations might refer to that?

Mr Dawson—I am sure we will be working within the scope of those guidelines, yes.

Mr Proctor—In looking at these guidelines there are groups that will need to be considered. One example is the growing issue of women who have lost their partners to AIDS who need a livelihood. That is one that comes immediately to mind. That is where microfinance is being applied at in various parts of the world to provide them with the opportunity to earn an enduring income. When you look at the policy on microfinance, there are a lot of aspects to it.

CHAIR—It is not just the regulations attached to the institutions that provide the finance; it is the objectives of the government and the social conditions that apply that people would come within. I have got you. So that is a big job.

Mr Dawson—I should have mentioned as well that this issue has some prominence in the Prime Minister's Port Moresby declaration of 2008. That is the basis for us then taking it forward in Pacific development partnership discussions in the future.

CHAIR—In the future?

Mr Dawson—That is right.

CHAIR—So in those four or five countries where the PPD has been signed, it is not included, but it is going to be an item for future PPDs?

Mr Dawson—We are in discussions with the government of PNG specifically about including a reference to it in the development partnership that was discussed between the prime ministers when they signed the document. We will come back to it in the context of broader dialogue around economic growth and private-sector development in all those countries.

CHAIR—Understood. Thank you, Mr Dawson.

Senator PAYNE—I think it might be a useful time to talk about the PPDs now that we have started, if that is a right, Mr Davis.

Mr Davis—Yes. Would you like me to just add a couple of things from earlier on that you were asking about?

Senator PAYNE—If you have information, certainly, thank you.

Mr Davis—2 March was the date of the establishment of the task force.

Senator PAYNE—Thanks.

Mr Davis—Thank you for the copy of the address by the parliamentary secretary in 2007. The current estimates for year 2010-11 would certainly have us well beyond \$4 billion. And, as contained in the budget documentation, the expected level for 2010-11 would be 0.35. So I guess in that sense what he was saying then is consistent with what would be available in 2010-11.

Senator PAYNE—Thank you for finding out that.

Mr Davis—Maybe I should say just a word, Chair, on one of the issues that came through in the discussion just before afternoon tea on NGOs. One of the aspects of our funding of NGOs is for the major organisations. We do provide block grants to those agencies—from example, to World Vision, Care, Caritas, Oxfam and others. That is done on the basis of their reputation. It is based on detailed accreditation processes that we go through with them on a periodic basis. Under that arrangement we do not know every element of how their funding from us is used upfront. We certainly get reports and have accountability trails for that. That is just to emphasise the fact that there are elements of our program which are funded on the block-grant basis to NGOs, and that has been done for many years. It is really after the end of the fiscal year that we then have the details of how that money was used.

CHAIR—Thank you for that.

Senator PAYNE—Thank you for that, Mr Davis, on all of those points. On the PPDs negotiations, which we were discussing on the last occasion, I think it was indicated that there

were four further negotiations underway or expected to begin imminently for signing by August of this year—Tonga, Vanuatu, Tuvalu and Nauru. I have read about Vanuatu being signed at the end of May.

Mr Dawson—Yes, last week.

Mr Davis—Last Wednesday.

Senator PAYNE—Can we have an update, please on the progression of the other three countries and whether they will all be ready to be signed by August—or earlier or later?

Mr Dawson—We would certainly expect that all three of those countries that you mentioned, that the partnership arrangements will be ready to be signed at the Pacific Island Forum leaders meeting, if not before.

Senator PAYNE—Thank you. Are there any others under negotiation or likely to begin negotiation soon?

Mr Dawson—We have not started country to country discussions on partnerships with any other countries at this stage, but we are certainly doing some thinking around the kind of shape of partnership arrangements that might be appropriate for countries in Micronesia and for the countries in association with New Zealand.

Senator PAYNE—Countries in association with New Zealand?

Mr Dawson—This is for the Cook Islands and Nauru.

Senator PAYNE—Okay. Thanks. In relation to the negotiations with Nauru, as I read the budget papers, it indicates that there will be additional but unspecified funding at this stage provided to Nauru which will be determined during the PPDs negotiations. Is that correct?

Mr Dawson—As with all of these partnership discussions we would expect that, once the head document is determined, we would then look at the individual, specific priority areas and work out some kind of resourcing arrangements around that, which involve commitments from Australia and the partner government. Those things would be progressively identified in the schedules to the partnership document and expressed through the annual budget process. I am aware that in the budget measures there is a continuation of funding for Nauru which was previously under the MOU arrangements. I think there are some annotations in there that say ‘not for publication’. That is not there to indicate any particular secrecy; it was an instruction from our department of finance that the same arrangements that existed under the MOU were to be continued in the way the information is presented in the budget papers.

Senator PAYNE—I understand. So that would explain why the same qualifications—or annotations, as you call them—are not made in the case of Tonga, Vanuatu or Tuvalu?

Mr Dawson—Well, there are no specific budget measures relating to those countries.

Senator PAYNE—Even though you are doing the Pacific Partnerships for Development negotiations?

Mr Dawson—After a couple of sessions of discussion, we have got well down the track with Nauru and, similarly, with Tonga. We are very close to settled text in those two countries and I will be going to Tuvalu later this month to start the discussions there.

Senator PAYNE—From AusAID’s perspective, does the Vanuatu partnership represent any particular changes in the direction of our aid relationship with that country?

Mr Dawson—I will get Mr Tranter, who has been more actively involved in the discussion of the partnership, to respond to that.

Mr Tranter—The partnership with Vanuatu builds on the very strong development relationship we have had with that country over the last few years. The areas of focus within the partnership that you will see in the priority outcomes are around improved education, health, infrastructure and economic governance, which are all areas that feature within the current scope of the relationship.

The most recent development there is around infrastructure—this commitment to a transport sector strategy with two years of financing, which is indicated in the implementation strategy attached to the partnership. This is essentially a new program of work around recurrent operations for road maintenance on three islands, seeking to extend coverage of improved roads in the outer islands and also using a community labour model for the hire of local workers in the completion of that maintenance.

Senator PAYNE—Does this partnership with Vanuatu represent a larger funding commitment from Australia now and into the future or is it keeping the funding relationships at around the same levels?

Mr Dawson—As I think you will see in the minister’s statement, the country allocation for Vanuatu has seen some increase budget to budget, as is the case for 2009-10. We would expect that in subsequent years we would again be looking in the budget process at the capacity to make further increases in support of the partnership. That would obviously be dependent upon the budgetary situation and the progress in implementing the partnership. The intention with these arrangements is always that they be long term and substantial and that there be some predictability around that, and this case will be no different.

Senator PAYNE—I refer to the provisions around performance-linked aid and the funding in that regard and, in particular, the words ‘incentive based elements’ in the PPDs. Can you indicate how that funding is administered and how it is distributed?

Mr Dawson—Those arrangements will be incorporated in the partnership discussions and they will be administered as part of the same dialogue process that we have for the other elements of the partnership.

Senator PAYNE—I am really interested in the way it is loaded into the out years. The funding in the 2011, 2012 or 2013 years is much higher. What does that say about your expectations with regard to the performances under the PPDs in the early years?

Mr Dawson—I think the funding under that particular budget measure in the first couple of years is likely to be heavily concentrated, if not confined to the Pacific region and devoted to the Pacific development partnerships. But, in the later years, I think the intention is that we would, again, look at supporting performance-linked aid arrangements in other countries in Asia. As you may be aware, Senator, there was a previous two-year budget measure around performance-incentive funding, which has provided a lot of learnings to us as we try to work with this particular form of assistance. We have had a deal of experience working on that in Vanuatu, in the Philippines and increasingly in Indonesia. We certainly expect that, for some

of the larger Asian countries, some of that funding in the latter years of the initiative would be devoted to Asia.

Senator PAYNE—I had, perhaps mistakenly, therefore assumed that that was almost entirely targeted at the PPDs, but it has a broader application than that?

Mr Dawson—It is broader than that but, I think in the first couple of years, it is likely to be targeted at the Pacific countries and through the Pacific partnerships.

Senator PAYNE—Referring to the PPDs which were signed earlier in the process, the first was our PNG one, I think, and then Samoa, Solomons and then Kiribati.

Mr Dawson—That is correct.

Senator PAYNE—Are you in a position to comment on progress made so far on the implementation of the partnerships in those countries?

Mr Dawson—Certainly. As you would know, the next step after the agreement on the header document is to start to work out more detailed implementation strategies for the priority outcomes that have been identified. That work is going ahead very strongly. We would expect that there would be a number of those implementation strategies agreed to and made publicly available over the next couple of months.

Where we have some discussions at ministerial level planned next week with Papua New Guinea—that ministerial forum meeting—one of the items on the agenda for that we would anticipate will be the status of the Partnership for Development, and work is very well advanced with all of the five schedules under that document. So—we will obviously need to see what the ministers decide—but it is very close to finalising those implementation strategies. A similar situation exists with the other countries—perhaps not quite so advanced in all cases, but there has been a lot of work done. With the implementation strategies in Samoa, for example, that document was signed at the same time as the Papua New Guinea document. That process of developing those strategies has been strongly led by the government of Samoa and there have been working groups established for each of those priority outcomes. Preliminary documents from those have been circulated. They are looked at by officials from both sides and it is hoped that at least some of those would be ready for endorsement by officials when we have some annual partnership talks, probably in early July. Similarly, with the Solomon Islands, I think work is well advanced on a number of the partnership arrangements there. And certainly one in Kiribati.

Senator PAYNE—When did you say you thought the implementation schedules would be made public?

Mr Dawson—As soon as they are agreed to by both sides at the appropriate level, which will usually be ministerial level.

Senator PAYNE—By ‘made public’ do you mean they will be on the AusAID website or something like that?

Mr Dawson—That is right.

Senator PAYNE—In terms of the measurement processes attached to the priority outcomes, when do you realistically expect that an objective observer could say, ‘Ok, here is what we see down for Samoa in relation to education,’ or health or whatever the priority was.

Say it is the non-communicable disease priority—their outcome 2 category—when do you think we could reasonably say, ‘Yes, you can look at progress; you can look at advances in this area,’ and see some measurable benefit of the partnership, not just in Samoa but in any of them for that matter.

Mr Dawson—We will do this on an annual basis so when we have implementation strategies in place for all of the agreed priority outcomes, we will come back to those on an annual basis to check performance. Some of the measures in those cases may be administrative or easily verifiable, like numbers of attended births or whether there is a procurement plan in place in the infrastructure sector—something like that. So it will often be a question of just ticking a box. But obviously on development outcomes, it is whether there is an increase in or a decrease in child or maternal mortality. With those things I do not think we can expect that we are going to be able to measure improvements in one or two years. These are obviously long-term changes. But they will be contributed to by a range of contributory actions: whether aid posts are established, whether they are staffed, whether they have got up-to-date pharmaceuticals, whether nurses are properly trained, whether the budgets for health services get down to where services are delivered and those sorts of things.

The purpose of the implementation strategies in all cases is to try to articulate what those key steps are towards an ultimate development outcome, along the lines of the Millennium Development Goals; to measure progress against all of those contributory functions; and then to be measuring progress in terms of the actual development outcome as well. But realistically, I think, the contributory actions need to happen first and the improvement in actual development outcomes happens later and probably with some time lag.

Senator PAYNE—I appreciate that. It is clearly not something you would describe as a speedy process even establishing these, let alone getting the follow-up implementation schedules and so on and so forth finalised and dealt. Are you learning from the first iteration of this—from the PNG and Samoa ones, for example—to make it easier, more efficient or speedier to deal with the next lot? Are there any efficiencies to be gained in that process?

Mr Dawson—I think, obviously, going through the process with one country has some lessons and things that you can take to a similar discussion with other countries. But it is a partnership and every country has to move at its own pace through this process. So it is important to ensure: that there is good local ownership of the kinds of measures that we are putting in place; that commitments are genuinely joint commitments; that, if it involves a commitment from a partner to allocate a particular proportion of their budget to the health sector or the education sector, that commitment is something which is worked through with the central agencies; and that ministers are aware of it.

So I do not think it is ever going to be a speedy process. But I think one of the big lessons from it for us is that it can be an extraordinarily rewarding process in terms of the dialogue on development issues that we are able to have with partners, which often you cannot have when you are dealing simply with a project form of aid that involves a limited number of inputs and outputs.

Senator PAYNE—I wanted to ask about that, Mr Davis, and how would you characterise the balance between the focus that AusAID now has on the development of the Pacific Partnerships for Development—the aims and objectives under those and putting together the

subsequent pieces of the puzzle, which we have just been discussing—versus what has been your long-term core business. I assume that continues in parallel. In fact I have been reminded of that by officers of AusAID at previous estimates—that the other core business continues in parallel. How would you characterise the balance as you are achieving it at the moment?

Mr Davis—I think the general trend, well beyond the partnerships, is to look at how we can engage with partner governments in working with and through their own government systems and with and through discussions around their own priorities. There is a reference in the statement to that and it is very consistent with the approach that has come out of the suite of high-level forums on aid effectiveness—that more and more the emphasis is on how we engage over a longer period of time through broader programmatic and sectoral activity. That is very consistent with the approach of the partnerships.

That is not to say that there are not times and places for very specific interventions, specific projects, to meet particular demands, particularly if they are the priorities of the partner country. It is a balance between those two things but the trend, in line with broader international development effectiveness principles, is towards longer term, more programmatic approaches that very much work within partner governments' own systems.

Senator PAYNE—In the last discussions, and then when following up with the items in this budget, I think I was told that discussion on including HIV-AIDS as a priority item in the partnership with PNG would begin soon. Have those discussions begun?

Mr Dawson—The issue has been discussed between the Parliamentary Secretary for International Development Assistance, Mr McMullan, and the PNG Minister for National Planning & Rural Development, Mr Tiensten. They agreed that HIV should be included as a priority area for the partnership. That has been duly recorded in discussions between officials in the preparation for the PNG-Australia ministerial forum. We expect that that will formally be on the agenda for discussion and for endorsement at that meeting. That is next week.

Senator PAYNE—That is next week?

Mr Dawson—That is right.

Senator PAYNE—That is good to hear. Thank you for that. Could you provide for me on notice, for this financial year and the last—both in dollar terms and in percentage terms—what proportion of aid funding to PNG goes towards HIV AIDS related programs and activities, both as a proportion of total ODA and of country program funding.

Mr Dawson—Certainly.

Senator PAYNE—I have a final question on the PPDs. There is some funding—which goes to DFAT, as I understand it, not to AusAID—to continue to develop enhanced relations with Pacific Island countries which provides inter alia for the negotiation of further PPDs. Can you explain to us, Mr Davis, the relationship between the work that you do in relation to the PPDs and DFAT's work?

Mr Davis—We take the lead on preparation of the PPDs. But in those discussions we would typically have a member from DFAT accompanying us to the discussions. DFAT has the role of keeping an overview of the broader engagement with countries in the region. PPDs

are obviously part of that. We do the work around the preparation of the PPDs. We take the lead in terms of negotiating them. We do that in a collaborative way with the department.

Senator PAYNE—Thank you. I want to go to specific country funding questions, if I may and move off PPDs.

CHAIR—Are you talking about specific funding issues related to PPDs?

Senator PAYNE—No, outside that.

CHAIR—So you want to return to program under outcome 1?

Senator PAYNE—If I may. Let me start with Fiji.

CHAIR—Okay.

Senator PAYNE—Can I get an explanation of any changes that have been made in funding for the Fiji country program and total Australia ODA to Fiji in this budget round?

Mr Dawson—Country program allocations are all presented in table 13 to the minister's budget statement. That shows that the budget estimate for the country program for 2009-10 for Fiji is \$18 million. That is the same level as in 2007-08 and down on the estimated outcome for 2008-09, which was just over \$21 million.

Senator PAYNE—And what about total ODA?

Mr Dawson—The total ODA figures are presented in an earlier table in the minister's statement, table 2. There is an additional column in that table so that you are able to compare budget estimate with budget estimate. There is some explanation that I need to make around this line of figures. Just to recap how the picture of total ODA flows are established for each individual country, it is a combination of the country program, which is presented in table 13—which we were just talking about—and flows through a range of global and regional programs and other government departments.

The main difference between the 2008-09 budget estimate and the 2009-10 budget estimate is that at the time the budget for 2008-09 was being put together there were some significant items that we were not able to make an estimate of in terms of flows to individual countries. The main one was the Australia-Pacific Technical College. We now have a better set of information about the countries from which students are coming to the college and the sorts of courses that they are doing, and so are better able to estimate what the attribution of the total funding for that institution is in terms of benefits to people from individual countries. No estimate of that was possible for all of the Pacific countries in 2008-09. Now we have an estimate of that, and that is about \$7 million. That is a significant item which is not in reality an increase in ODA; it is just that we better know where the funding for that Pacific Technical College in terms of individual students. We have a similar—

Senator PAYNE—Does that mean that there are more from Fiji? Is that what you are saying, Mr Dawson?

Mr Dawson—No. What I am saying is that we had no estimate for how to break that expenditure by individual countries when we did the budget in 2008-09. We now have information which allows us to make an attribution and an estimate for how the cost of that

institution will be divided between individual countries. We have an estimated figure of close to \$7 million against Fiji in this year's total flows that we did not have before.

Senator PAYNE—How do you make that assessment between the countries?

Mr Dawson—We look at the numbers of students attending the college. We note which countries they come from. We try to look at what little historical perspective that we have to make some judgment about whether this is a realistic estimate.

Senator PAYNE—So is it almost on a per head basis or does it also reflect the courses that people are studying?

Mr Dawson—We will get more sophisticated with this over a period of time. Mostly, the basis for our estimate this time has been a per capita basis.

Senator PAYNE—Could you tell us on notice what the breakdown is for the other countries in the region in relation to the college.

Mr Dawson—Certainly.

Senator PAYNE—Thank you. Can you tell us what other programs, projects or activities are being funded under this year's ODA budget for Fiji?

Mr Dawson—Among the ODA flows which are attributed to Fiji, there is: funding through the AusAID NGO cooperation program; funding for volunteer organisations; funding through the Australian Youth Ambassadors for Development program; funding for the Australian leadership awards; funding for the direct assistance program, which is administered by DFAT; funding for the Australia-Pacific Technical College, as I indicated; funding through ACR; and funding attributed to the individual country from the Pacific regional program. Again, we need to do an estimate of how much of the funds through regional programs might end up in Fiji. That was one area where when we did the estimates in 2008-09 we did not have as good a sense for a number of the programs that we now have. There is a higher estimate there than there was in 2008/09; an increase of about \$3 million.

Senator PAYNE—Thank you. I was going to ask how much that was. What about the funding that was previously being provided for assistance with the holding of elections?

Mr Dawson—We had paid some funds associated with a number of functions. With regards to the funding of the position of an election supervisor, no more funding has been allocated since we last spoke. There have been some other developments associated with that, and I will get Mr Tranter to—

Senator PAYNE—Allocated or reallocated?

Mr Dawson—There was funding which had already been allocated to the government of Fiji to support salary supplementation for that position. There has been no further funding. As to the arrangements for that position, I can get Mr Tranter to talk in more detail.

Senator PAYNE—Okay, thank you.

Mr Tranter—Senator, you recall that we were providing salary supplementation for the supervisor of the Office of Elections in a direct funding agreement between the Australian government and the Fiji Public Service Commission, who actually employed that individual.

With the abrogation of the constitution by the regime on 10 April, all constitutional appointments were effectively revoked. The constitutional office-holders—

Senator PAYNE—Including that one?

Mr Tranter—Including that one, yes. The individual received a letter from the interim government on 16 April revoking her position. That effectively made our funding agreement null and void. We formally terminated that funding agreement through correspondence with the Fiji Public Service Commission on 13 May. We had made two quarterly tranche payments, which were for reimbursement of expenditure under that contract, in arrears. That was done on an acquittals basis, and the two payments totalled \$73,000. There is a third quarter payment due, which we have not paid—we have not been presented with acquittals. We will need to make an assessment, if we are presented with a request for payment for that tranche. Part of the funding agreement was satisfactory progress towards elections and, clearly, it is difficult to point to progress there in the current circumstances.

Senator PAYNE—Was the nature of the acquittals, Mr Tranter, in relation to work carried out by the supervisor, though?

Mr Tranter—That is right—for salary supplementations to that individual.

Senator PAYNE—Is there an expectation of the appointment of a new so-called supervisor of elections?

Mr Tranter—We do not have an expectation in the current circumstances. Obviously, we stand ready to support an election in Fiji. There is no prospect of that position being reappointed in the near future. The regime has said it will hold elections in 2014. We stand ready to support the preparations of an election once there is a credible and genuine election timetable.

Senator PAYNE—Do you have an expectation of receiving an application for the payment of the third tranche?

Mr Tranter—We may do. We have had informal indications that we may be approached, but, to date, we have not.

Senator PAYNE—Do you know what the potential sum of that payment will be?

Mr Tranter—It would be a payment of \$36,000—Fiji dollars.

Senator ABETZ—I just have a brief bracket of questions. I am interested in our engagement in the region, with specific interest in the Solomon Islands, China and Vietnam. I understand that my colleague, Senator Payne, has gone through some countries—

Senator PAYNE—None of those.

Senator ABETZ—Excellent. Could I be provided with an indication of our aid budget to each of these countries for this year and for the forward estimates? And, as I am somebody who does not come into these estimates committees on a regular basis, could you assist me with the page numbers where I might find these things?

Mr Dawson—As for the 2008-09 and the 2009-10 financial years, table 13 at page 71 of the minister's statement sets out the country program allocations including to the Solomon Islands. That figure also includes that part of the Regional Assistance Mission to the Solomon

Islands. That is funded through AusAID appropriations. Table No. 2 earlier in the document at page 17 has the figures for total ODA flows to the Solomon Islands.

Senator ABETZ—On page 71, Solomon Islands is two down from the top. Is that right?

Mr Dawson—That is correct.

Senator ABETZ—Do I find Vietnam on that as well?

Mr Dawson—Further down.

Senator ABETZ—I can find Vietnam and China as well. Then on page 17 they find themselves in about the same place again. This is where we are engaged with partner countries on page 17—is that right—or we are partnering.

Mr Dawson—Page 17 is a picture of the total official development assistance flows to individual countries and regions.

Senator ABETZ—From Australia?

Mr Dawson—From Australia, yes.

Senator ABETZ—So the Solomon Islands is getting an increase in our aid budget. Is that correct?

Mr Dawson—The figures there represent, as I said, total official development assistance from all sources from Australia. The largest individual contributor to that is the assistance to the Solomon Islands Police Force through the participating police force through Australian Federal Police and the Attorney-General's Department.

Senator ABETZ—We have a budget estimate, an estimated outcome and then the final column is the budget estimate for the following year.

Mr Dawson—That is right. If you want me to run through that or if you want us to take it on notice, we can give a detailed breakdown of those figures.

Senator ABETZ—Yes, if I could, as to what sorts of things we are concentrating on. You have just told us in relation to the Solomon Islands in relation to our funding. But I would be interested in Vietnam, the next one of the three countries that I was interested in, going down that column. Is that mainly on developmental aid or is it in the health area? Are you able to classify the bulk of the assistance we provide?

Mr Moore—Maybe I can help you there by giving you a sectoral breakdown of our assistance to Vietnam for 2009-10. The largest sector will be infrastructure. That comprises about a third of our assistance.

Senator ABETZ—Is there a specific project there? I remember visiting Vietnam once and the newly elected Howard government had cancelled—was it the Friendship Bridge?

Mr Moore—In Vietnam it was the My Thuan Bridge.

Senator ABETZ—That is the one; that is the bridge. Then I had the happy news of being able to tell them when I went over there that we were reinstating the funding. Is there a special project?

Senator PAYNE—You are probably a national hero, Senator Abetz.

Senator ABETZ—I doubt it. I think they knew I was just a humble messenger.

Mr Moore—There are several projects in both the transport and energy sectors. We are working strongly with the Asian Development Bank in the Mekong region. It has got plans to join up the various countries of the region. We are working with them on what is called the Greater Mekong Subregion Southern Coastal Corridor—about \$11 million will be spent. We are using our grant assistance to complement loans from the Asian Development Bank to enhance the quality of the infrastructure. Likewise we are working with the World Bank on the Mekong Transport Infrastructure Development Project and on rural power distribution.

Senator ABETZ—What about China?

Mr Moore—There are a couple of different dimensions to our assistance in China. We are working with China as a partner in order to help it grapple with some of the residual development problems it still has itself—still 200 million absolutely poor people in China—and also because what happens to China impacts on the rest of the region, obviously. Restoring growth in China is tremendously important to developing countries in the region as well as to ourselves. We are working with China on health, environment and governance issues. For example, we are currently working with them to extend health insurance to the 300 million people who are currently uncovered by health insurance and can face—

Senator ABETZ—Not private health insurance? That is a flippant comment—we will canvass health insurance issues elsewhere, the parliamentary secretary will be pleased to know. I could not help myself.

CHAIR—Stop that, we will stop that!

Senator ABETZ—Thank you, Chair. I stand disciplined.

Mr Moore—We have also been working with relevant Chinese agencies on policies to counteract social security fraud and in the environmental area to deal with the pollution of waterways and to improve integrated river basin management because of the pressure on resources not only in China but throughout the region.

Senator ABETZ—The largest area—is it health? Environment? Governance issues?

Mr Moore—The largest area at present is health—

Senator ABETZ—Health. Can you just take me through that insurance? On reflection, I might want to ask some questions about it. How does this work? Are we trying to assist them to set up a health insurance scheme?

Mr Moore—Yes. The relevant body has had several visits to Australia and dialogue with relevant authorities here. It is quite interested in Australian models of medical provision and regulatory models of health insurance management. As I said, they are currently trying to develop systems that will work in the Chinese context. That has not yet come to fruition but they do have a target of trying to close that 300 million person gap over the course of the next 5 years.

Senator ABETZ—That is quite a task, isn't it?

Mr Moore—Quite a task. If I might also add that the other dimension of our work with China is to work on its international efforts. Everybody is aware that China is a very

significant international player and so we are having an extensive dialogue with them about our development programs and about the way they approach international development issues. We have hosted visits from relevant agencies in China, designed to influence each other's work to enhance the quality and effectiveness of it.

Senator ABETZ—Thank you very much for that. Just so I understand these columns that I was kindly referred to earlier on pages 17 and 71—assist me, I am a novice in this area—are those contributions on page 71 to be read in conjunction with the contributions on page 17? Do we add them together—

Mr Dawson—No.

Senator ABETZ—Or is page 71 a subset of page 17?

Mr Dawson—That is correct.

Senator ABETZ—For example, with the Solomon Islands, the \$246.2 million estimate for the budget 2009-10; is the \$109.3 million on page 71 part of that \$246.2 million?

Mr Dawson—That is correct.

Senator ABETZ—Thank you very much for that explanation. If I could prevail on Mr Moore in relation to these three countries if you could provide me with about a one-page detail on what our aid projects entail, what they are designed to do and achieve and how much is allocated; that would be very helpful. Can I just ask: in relation to the allocations to these three countries, is it planned to engage in any new projects or is it all ongoing? Are there any exciting new projects that you can tell us about that we might become involved in as a nation?

Mr Dawson—Senator, for the Solomon Islands, you may not have heard the earlier discussion about Pacific development partnerships. I think the most significant development in relation to our cooperation with the Solomon Islands involves the partnership arrangement that was signed between prime ministers earlier this year, which has a focus on a number of initial priority areas: improved service delivery, particularly health and later we also expect education; improved economic livelihoods, especially in relation to rural households; and improved economic infrastructure—transport, energy, telecommunication services et cetera.

Senator ABETZ—It is covering the field pretty well.

Mr Dawson—That is correct. It is a big program in the Solomons and it is widespread across a number of areas. I think the discussions around the content of the bilateral Pacific Partnerships for Development is probably the change which is most notable in relation to that program. You also see in the other budget documents a provision for the extension of funding for the Regional Assistance Mission to the Solomon Islands, which is a multicountry mission that involves contributions from a range of Australian agencies. The fact that it has now been extended for another four years and a partnership arrangement has been agreed between the Regional Assistance Mission and the Solomon Islands government is also a significant development recently.

Senator ABETZ—That is in relation to the Solomon Islands. Is there anything in China of particular note that you would seek to draw to our attention?

Mr Moore—I think I would note our health work in Tibet. We have done one phase of the assistance there. You would appreciate the health indicators are very much worse than in other parts of the country. We have had one phase of health system strengthening in Tibet and I am looking forward to a second phase where we can build on the achievements to date, which have included work to reduce maternal mortality.

Senator ABETZ—When you say a second phase that would be a new phase?

Mr Moore—It would, yes. In regard to Vietnam, I would note that there have been discussions between our two governments and Parliamentary Secretary McMullan and counterparts in Vietnam have agreed to strengthen further the scholarship cooperation between us, which is already extensive but Vietnam is very hungry for knowledge. I envisage that our scholarship programs will grow and likewise infrastructure is a major priority, so although it is already a third of our program I envisage that it will grow further.

Senator ABETZ—Thank you very much. My colleagues have been very gracious.

CHAIR—Thank you, Senator Abetz. Senator Payne.

Senator PAYNE—Thank you very much, Chair. I wanted to go to east Asia, I think it would be—questions on Indonesia and Burma respectively?

CHAIR—Yes.

Senator PAYNE—Let me start with Burma. As I read the figures, in this year's budget we are showing a decrease of about \$15 million in total ODA to Burma but an almost \$10 million increase in the country program. Is that a correct interpretation? And can you explain that to me, please.

Mr Moore—Probably the best way to look at this is pre Nargis and post Nargis. Obviously, when the cyclone hit last year, that elicited a very significant additional response above our normal operations in Burma. The total quantum of assistance for Nargis efforts is \$55 million, but that has been spread over two years to date, and there is another \$5 million provisioned for 2009-10. So that is why you see this hump and the decline from there in the coming year. If you compare 2009-10 with 2007-08, you will see an increase. Obviously, we are still in the recovery phase from Nargis. The relief phase has finished, but there is still an awful lot to be done to assist people to completely restore their livelihoods after the cyclone.

Senator PAYNE—Thanks, Mr Moore. I do have some questions relating to the funding for Cyclone Nargis and I appreciate that explanation. Can you, on notice, I assume, give us a breakdown of our total ODA and country program aid funding to Burma for 2009-10, please—or can you do that now?

Mr Moore—I hope I can help you with that now, Senator. Health is a major area of focus. We are a significant partner in the Three Diseases Fund—that is a multidonor mechanism which is used to tackle HIV, tuberculosis and malaria. We are putting a lot of effort into livelihood restoration. Obviously, the cyclone in particular destroyed crops, equipment, boats and fishing gear, and so a lot of work has gone into re-establishing livelihoods. Part of that—the first port of call—has been to provide food aid assistance through the World Food Program. We envisage that continuing at a similar level to last year, so I am envisaging it will

be about \$4.5 million. We have longstanding programs to assist the Rohingya people in Northern Rakhine State, and that is through Care Australia but also work with UNHCR.

In the protection area, we have been working with UNICEF on programs of juvenile justice for some time, and I envisage that that will continue. That is a small but very valuable program of about \$422,000. As you would also be aware, we have been long-term supporters of the camps on the Thai-Burma border. That funding is still to be determined, but I would envisage that we would be providing levels of funding similar to those we have provided in the past, which is about \$1 million.

Senator PAYNE—Thank you. As for the administration of those programs, Mr Moore, from part of what you said I understand some of it is administered by NGOs, some of it by multilateral agencies, obviously; are any directed by AusAID?

Mr Moore—We obviously oversight all of the delivery both in terms of making the decision about who is best placed in-country to deliver the assistance and then facilitating the agreements that govern the expenditure of Australian money, and in terms of following that money through the channels to make sure it is used for the purposes for which it is intended. We only work with very reputable partners of good standing and experience in-country; it is not a place for newcomers to come in and pioneer programs. Fortunately, although the range of players is more limited than in other places, there are many who can deliver within the constrained environments in Burma—I would commend in particular WFP for its efforts over many years, particularly in regard to Cyclone Nargis.

Senator PAYNE—That leads me to a question about a relatively recent media report, which I think appeared in the *Age* at the end of April. It included reports from UN sources that donors to the recovery effort were in fact holding back funds because of a wish not to be seen to be supporting the regime in Burma. Is AusAID aware of those reports, and has that been your experience? Is that an accurate reflection of what we have seen happening on the ground?

Mr Moore—Our key objective is to make sure that the suffering of the people is alleviated, that their ability to earn income is restored and that the basic, essential services are available. Obviously that was hard before Cyclone Nargis and it has been made harder still by the cyclone. This is a difficult operating environment and one has to take special measures to make sure that funds are being fully utilised for the purposes for which they have been allocated. But, as I said, it is possible to do that; we think we have got the measures in place. So we think it is possible to operate and indeed to increase our operations in ways which do not confer legitimacy to or otherwise resource the regime.

Senator PAYNE—I appreciate that from our perspective, but I wonder if you can advise whether we have any experience of seeing other donors—

Mr Moore—Senator, I obviously cannot speak for others—

Senator PAYNE—No, I do not want you to.

Mr Moore—but I would observe that PONRREP, which is the Post-Nargis Relief and Recovery Plan—

Senator PAYNE—That is not an acronym I have heard before.

Mr Moore—I think I am right in recalling that the funding requested for delivery of that plan was in the order about half a billion dollars. Well, the amount that has been raised is nowhere near that. I can find out the exact amount, but I know it is very, very underfunded, and I think you can draw your own conclusions about the reluctance of partners to meet those needs.

Senator PAYNE—I appreciate that, Mr Moore. I want to ask you about the debt-to-health swap—you knew that.

Mr Moore—Yes.

Senator PAYNE—If I am not mistaken, we—specifically, you and I—have had exchanges on this in at least two of the past couple of estimates, and you have said that a series of discussions had been held and were continuing to be held on the debt-to-health swap with Indonesia. But, when I read the budget papers, they say:

The Government will enter into negotiations with the Government of Indonesia to forgive \$75.0 million in debt ...

I am interested what ‘enter into’ means in this context, when I had understood from you that this process was in fact well underway.

Mr Moore—We have certainly been talking about the debt-for-health swap. Now that it has been formalised and monies have been appropriated it is the correct time to put the agreements in place to give effect to this agreement. So when we talk about moving to that negotiation phase I think it is just recognition of the fact that we have now got to codify this and reach formal agreement between all of the parties.

Senator PAYNE—How long will that take in your estimation?

Mr Moore—It is hard to say but I think you can tell that by appropriating monies this year the Australian government has made it possible for us to reach agreement and proceed quickly. I envisage it will take several more months but the money has been appropriated now so the measure can proceed. It is slated to be drawn down over a six-year period at the rate of \$12.5 million per annum starting next year but my advice is that because the appropriation is in this year’s budget we are not constrained to that timetable.

Senator PAYNE—Are you saying that you could do it in a shorter time?

Mr Moore—I am saying that commencement could conceivably occur before then.

Senator PAYNE—Is it conceivable there might be a degree of disappointment in Indonesia? I think they were expecting a range of perhaps one or two years rather than a six-year process weren’t they?

Mr Moore—I cannot speak for the Indonesian government but I think that this is a more manageable arrangement.

Senator PAYNE—More manageable for whom?

Mr Moore—I think it is more manageable for both sides because part of the deal is that the Indonesian government must take \$37½ million in total from its own budget and put that into global fund programs for TB.

Senator PAYNE—Does Indonesia already make any contribution to the global fund?

Mr Moore—My understanding is this will put them in a different position. They will become essentially a donor to the fund, and that is part of the attraction. But of course as you know they have already negotiated an agreement with Germany so I assume they may simply go over a threshold, but Mr Proctor knows more about the global fund than me and might be able to supplement that answer.

Mr Proctor—No, I think the answer is correct. Indonesia certainly has not been any significant donor in the past; clearly mainly a recipient of a number of rounds of grants. I am also not quite sure how much of the German monies have actually flowed from Indonesia to the fund yet.

Senator PAYNE—Thank you. I do not have any further specific questions on East Asia, Chair.

[5.28 pm]

CHAIR—Let us move to program 1.3.

Senator JOHNSTON—I want to raise the issue of what is happening in Afghanistan. First of all, I would like to deal with how much money we have got at our disposal this year and what we anticipate we can do with it. Then we will talk about the election.

Mr Sherwin—The country program is, I think, \$53.6 million for this financial year. We would also expect some humanitarian expenditure on top of that.

Senator JOHNSTON—And what is the difference between the \$53.6 million and humanitarian expenditure?

Mr Sherwin—The \$53.6 million would be spent on development programs—perhaps activities that complement the ADF's reconstruction activities. Humanitarian funds would be for things like food, if there are food shortages this year.

Senator JOHNSTON—Right, so we have, as a natural contingency, a humanitarian quotient but we do not know what it is. We have it there just in case.

Mr Sherwin—We have a planned figure, which brings the total expected expenditure to just over \$70 million.

Senator JOHNSTON—So we have a planned figure of \$20 million?

Mr Sherwin—Yes, a little under.

Senator JOHNSTON—What are we going to do with our \$53 million? What are these projects?

Mr Sherwin—A large part of our expenditure goes to national programs which are run through a World Bank trust fund, and there are a range of activities that those programs support.

Senator JOHNSTON—Just step me through the process of how we get the Australian taxpayer dollar onto the ground in Afghanistan.

Mr Sherwin—In terms of the World Bank trust fund, it has a number of components. For example, there is a program called EQUIP, which funds school construction. So the World

Bank reports to us on national figures for construction of schools and we also have Oruzgan-specific figures for construction of schools.

Senator JOHNSTON—That is good. How do we get the money to the World Bank trust fund?

Mr Sherwin—We have an agreement with them and we release money to the fund.

Senator JOHNSTON—Which is located where?

Mr Sherwin—They have staff in Afghanistan who are implementing the program.

Senator JOHNSTON—We do not pay the money in Afghanistan, surely?

Mr Sherwin—I do not know where the physical bank account sits but the money does find its way to Afghanistan and is implemented in Afghanistan.

Senator JOHNSTON—But the trust fund must have an office somewhere that is available for us to make a transaction.

Mr Sherwin—The World Bank has an office in Kabul.

Mr Dawson—I think you will find that all World Bank trust funds are located in Washington.

Senator JOHNSTON—That is what I was thinking. In Washington we give the World Bank trust fund \$53 million at some point during the next year.

Mr Sherwin—The whole amount would not go there, but that would be one of the activities that we would likely fund during the course of the year—and have funded before, over a number of years.

Senator JOHNSTON—Does the trust fund take any fee off the top of what we put into it, to administer the money?

Mr Sherwin—I am not aware of that, Senator. I can give you some examples of some activities that are funded through the program. The program supports basic services delivered by the Afghan government, such as health and education services. It also has a program called the National Solidarity Program, which promotes development of rural villages and empowers communities to construct their own projects. These are small scale projects—it might be a bridge, some road refurbishment or construction. There is the Education Quality Improvement Program, which provides teachers and school facilities and supports communities to better manage their teaching activities, and the National Rural Access Program, which connects villages to basic rural infrastructure and services such as markets, health care and schools and generates employment opportunities for rural communities. There is a basic package of health services, and this is linked with the Afghan Ministry of Public Health's plans for Afghanistan, but the money is channelled through our trusted partner in the World Bank. There is also some microfinance investment support.

Senator JOHNSTON—Tell me how I can be assured that the money that we give to the World Bank trust fund is being properly disbursed on the ground to those very laudable projects that you have mentioned such that it does not end up in some politician's bank account in Switzerland.

Mr Sherwin—We have an legal agreement with them, obviously.

Mr JOHNSON—With the World Bank trust fund?

Mr Sherwin—Yes, with the World Bank.

Senator JOHNSTON—They are probably very reliable. I am sure they are, but I am rather more concerned about the next couple of steps.

Mr Sherwin—Our assessment of their activities comes from reports which they would provide to all donors, but we also do some assessment of the quality of their activities.

Senator JOHNSTON—Tell me exactly.

Mr Sherwin—There was an independent review done, which was released in 2008 to all donors.

Senator JOHNSTON—By whom?

Mr Sherwin—It was done by an organisation called Scanteam, a Norwegian company. Also, the World Bank trust fund has engaged PricewaterhouseCoopers to oversee financial issues.

Senator JOHNSTON—How many of the Scanteam team and the Pricewaterhouse team actually went into country?

Mr Sherwin—I am not sure that Pricewaterhouse and Scanteam were linked in that activity. I would have to take on notice how many people from Scanteam went in country.

Senator JOHNSTON—We are told by our partner that things are going well and I take it we have no reason to doubt that?

Mr Sherwin—That is right.

Senator JOHNSTON—That is why we keep giving them money. But other than their reports, descriptions, verbal and written assurances, what do we have to ensure that the medical supplies are in fact being delivered and that the school, which has a person who is being supported by our money, is actually benefiting?

Mr Sherwin—They are a trusted partner, so I think we can rely on their reports pretty significantly.

Senator JOHNSTON—We have been down this track before in a sort of an arms length manner with respect to wheat and other products. People have been given to understand that things were happening when they really were not. All I am asking for is the smoking gun of assurance that the money is actually going to where we think it is going.

Mr Sherwin—We do have some limited capacity, given the security constraints, with staff who are under ADF protection in Oruzgan who can, with the ADF, either visit and eyeball activities or talk with partners about things that have been completed. So within Oruzgan province we do have some specific capacity to see and check that what we are hearing about numbers of schools constructed, teachers being trained and provided to schools et cetera is actually happening.

Senator JOHNSTON—How many personnel do we have in Oruzgan?

Mr Sherwin—We have two development adviser positions in Oruzgan.

Senator JOHNSTON—Are they filled?

Mr Sherwin—They are filled.

Senator JOHNSTON—I am told that they can very rarely get out of Tarin Kowt.

Mr Sherwin—They can get out of Tarin Kowt when the ADF is able to provide the force protection to take them around. I have been around with one of our development advisers to look at ADF reconstruction activities on the ground, so it is possible.

Senator JOHNSTON—But the reconstruction activities are not through the World Bank trust fund, are they?

Mr Sherwin—No.

Senator JOHNSTON—I am looking for the assurance that our third-party partner is doing what we think it is doing.

Mr Sherwin—There is another activity that I can give an example of that is not the World Bank trust fund but a local activity which links with the ADF reconstruction activities, and that is that we have recently concluded an agreement with the Ministry of Rural Rehabilitation and Development, and the UN on rehabilitating some roads. These are roads which link, in this case, with an ADF reconstructed bridge, so those roads will help provide better access to basic services for the people in that part of Oruzgan. There is a direct link between ADF reconstruction and what we are trying to do through our partners. That would be an activity that I would imagine our development advisers would be able to see in the course of time.

Senator JOHNSTON—And because our senior military commanders are there they can tell us how it is going and we can get a report. There are 400,000 people in Oruzgan province in a country of 33 million. Is that correct?

Mr Sherwin—Approximately. Accurate population measures are hard to come by.

Senator JOHNSTON—But give or take.

Mr Sherwin—Yes.

Senator JOHNSTON—In a country of 33 million. And our principal partner is the World Bank trust fund.

Mr Sherwin—They are one partner, but we have other partners too.

Senator JOHNSTON—How much do we give them—all of the \$53 million or just part of it?

Mr Sherwin—No, not all of the \$53 million. The amount is determined each year and people go to the minister to determine what we think is an appropriate amount given the whole program.

Senator JOHNSTON—So I come back to the original question. The issue is that I need you to give me the assurance and confidence that what we give to the trust fund actually gets to where we want it to go and is not absorbed in some other way that we would be very unhappy about.

Mr Tinning—I am the assistant director-general to the development partnerships branch in AusAID. That includes responsibility for our overall engagement with the World Bank.

Senator JOHNSTON—The World Bank trust fund or the World Bank?

Mr Tinning—The World Bank relationship generally. The World Bank has some very rigorous accountability mechanisms in place that apply to all its programs. That includes an independent evaluation office that goes in and assesses the effectiveness of all of its programs. That is entirely independent of World Bank management. They also have a board that is overseen—

Senator JOHNSTON—Does it do Afghanistan?

Mr Tinning—It is across every World Bank program globally, including Afghanistan.

Senator JOHNSTON—The reason I raise Afghanistan is because it is not like going into East Timor—

Mr Tinning—That is right.

Senator JOHNSTON—or Vanuatu. We have 100 war fighters deployed to protect people trying to vote in August. All I am saying is that these assurances are fine but we are talking about Afghanistan, where people are dying in large numbers every day.

Mr Tinning—That is right. The World Bank does operate in Afghanistan and the evaluations and accountability processes that apply to the World Bank's activities include very rigorous requirements around operating in difficult environments, including Afghanistan.

Senator JOHNSTON—What do we hold up and take comfort from? What do you show the minister to satisfy him and the audit office, the ANAO, that this money is finding its way to where we want it?

Mr Tinning—That includes the reports from this independent evaluation office that is independent of World Bank management. There is also regular reporting to the World Bank board, which is overseen by shareholders of all the World Bank's member countries, which is basically the entire globe. And there are obviously a lot of donor partners for the World Bank in Afghanistan, including most of the other major donors who are there. They also partner with the World Bank in -country and help to provide that reassurance for us.

Senator JOHNSTON—Firstly, who is the independent body of the World Bank and what do we know of them? What experience have we had with them? And what makes us confident that what they tell us is 100 per cent?

Mr Tinning—We know a lot of them from our engagement with the World Bank. They deal regularly with the World Bank board, of which we have a member. They basically report directly to the World Bank board. We have a representative there at the moment from our Treasury department and he has a lot to do with the independent evaluation group. They have a great deal of credibility amongst the donor community and I think their reports and judgments are seen as genuinely independent and trustworthy.

Senator JOHNSTON—Who established that office?

Mr Tinning—It was established by the World Bank board in conjunction with the then President of the World Bank. I believe it was under President Wolfensohn.

Senator JOHNSTON—So President Wolfensohn established an independent review mechanism to review the functions of the board and the bank of which he was the chairman?

Mr Tinning—It was established basically at the direction of the World Bank shareholders as represented by the World Bank board.

Senator JOHNSTON—Of which we are one.

Mr Tinning—Of which we are one.

Senator JOHNSTON—How many of the audit office offices that you have spoken of actually go into Afghanistan on a regular basis?

Mr Tinning—I would have to take that on notice, but we can certainly get that information from the World Bank.

Senator JOHNSTON—I think that is the important question to answer, so that we know we are not taking hearsay as gospel and we can be confident that the \$53 million or whatever we give to the World Bank trust fund is in fact spent as they tell us it is. I thank you for those answers. Can we go on to the election?

Mr Sherwin—Certainly.

Senator JOHNSTON—What are we spending on the election? Are we spending anything on voter registration?

Mr Sherwin—We are. There is \$8 million that Australia has committed to date. There has been \$6 million to the United Nations Development Program. About half of that has supported voter registration, which saw about 4½ million new voters register. Approximately 40 per cent of those were women.

Senator JOHNSTON—Very good.

Mr Sherwin—The other \$3 million was used by the UNDP to support the establishment of the electoral complaints commission, or to assist the Afghan government establish an electoral complaints commission. That is obviously about maximising the credibility of the electoral process. There was \$2 million to the Asia Foundation for voter education and public outreach activities. That is about promoting broad participation of all Afghans, including women and displaced people. That is all at this point.

Senator JOHNSTON—I am impressed with that and I undying thank you for those answers. I think that is very good. What does that convert to in practical terms for my mind's eye picture on the ground? Are we paying for people to go round putting up advertisements, putting things in letterboxes or whatever they have to communicate to tell them to register, or advertising on billboards? What are we actually doing?

Mr Sherwin—There may be some of that, but from talking to UNDP one of the major forms of communicating with voters has been using SMS services. Many people have mobile phones and they have found that a very effective means of outreach. There is written material I have seen from them as well and pictures and things like that, but also people are using modern technology which has a reasonably widespread reach.

Senator JOHNSTON—Are we having any particular relevance to any particular province?

Mr Sherwin—Our support is national.

Senator JOHNSTON—So the United Nations Organisation is broadly spread across the whole country and we are just giving them the money to do what what they want.

Mr Sherwin—Yes, they are assisting the government of Afghanistan, and there is a very strong intention and actual situation where the Afghan government is in the lead in the organisation of the election. They are getting fairly significant support too, but it is very much the government of Afghanistan in the lead and these organisations like UNDP and the Asia Foundation are assisting the running of the election according to a detailed operational plan which has been sent out to all donors.

Senator JOHNSTON—That is the current expenditure with respect to registration and electoral promotion, if you like. What are we spending on monitoring?

Mr Sherwin—The government has a commitment, which the Prime Minister referred to, to get some observers or monitors in country. I think the Department of Foreign Affairs and Trade talked about this last night. We are in discussion with them—

Senator JOHNSTON—They largely told us to ask you.

Mr Sherwin—I think on that one they have a lead role. AusAID has a history of funding electoral observers as a development activity—

Senator JOHNSTON—Maybe that is why they told us to ask you.

Mr Sherwin—Yes. It might have been more on the funding line. They have, I think, a lead role in terms of how we might approach this in terms of talking with other donors and what they are doing. There are obviously a number of issues to work through which they mention, such as security of anyone who went there, and also the Afghanistan government itself is putting in place monitors and observers. There might be more that Australia can do on that front but I cannot say anything more at this stage other than we are working on the observer issue and there might also be some other things we can do.

Senator JOHNSTON—It strikes me that there is great difficulty concerning civilian observers in the current circumstances particularly in the south-eastern and south-western provinces.

Mr Sherwin—The security situation is obviously very difficult for development generally. The voter registration went quite well in terms of there being a relative absence of security incidents. Whether the election process itself goes as well is to be tested on 20 August. With the government of Afghanistan in the lead and I think a desire that in and around polling stations both the electoral officials and the security, such as are needed, will be provided by the Afghan government, that presents issues which all international donors who want to put observers in will have to work through. There are a fair few discussions going on, as DFAT indicated, about how observers will be put into place and what the arrangements will be.

Senator JOHNSTON—Thank you for that. It sounds like there is quite a considered plan being worked up with respect to authenticating the process. Off the top, can you tell me what the voter turnout was as a percentage at the last election? Do you know that figure? If you don't, that is fine.

Mr Sherwin—We can get that for you. I think it was something like 30 per cent but we will obviously check and get back to you. We will take it on notice.

Senator JOHNSTON—Thank you very much.

Senator PAYNE—I do not think that Senator Johnston went to the budget item of \$352.8 million over four years, which has increased assistance to Afghanistan and Pakistan. Can you give us a breakdown of that funding between the two countries and a breakdown of the programs that will be provided under it?

Mr Sherwin—The \$350.8 million is composed of an existing Afghanistan-Pakistan budget measure which commenced in 2007-2008.

Senator PAYNE—What proportion of it is—

Mr Sherwin—That is a little over \$200 million over four years. There is the Afghanistan-Pakistan assistance 2009-10 budget measure, which is a new budget measure, about \$70 million—and I am sorry that I do not have subtotals in the columns—and then there is around \$65 million of departmental. All the previous figures I mentioned, sorry, were administered funds.

Senator PAYNE—Can you tell us how it divides between the countries?

Mr Sherwin—Yes. There is around \$266 million for Afghanistan—that is in the administered side—and I just cannot read the Pakistan figure, sorry. So \$266 million in the Afghanistan country program and \$65 million in departmental, and I think that the balance would be for Pakistan.

Mr Davis—We can get a more detailed break-up of the total for you.

Senator PAYNE—I think that that would be very helpful, Mr Davis.

Senator JOHNSTON—I am told that there were 12 for Pakistan—

Senator PAYNE—If we can get a breakdown of the programs that are provided under that funding between the two countries as well, that would be good. Before we move off this program 1.3 area, I would just like to ask a question about Somalia.

CHAIR—Yes, Senator Payne.

Senator PAYNE—There is no total ODA to Somalia specified in the budget paper, but we have the odd press release from the minister announcing new funding since the budget, which, as I understand it, is \$1½ million to the UN's humanitarian appeal and half a million dollars to the African Union Mission in Somalia, AMISOM. Is that correct?

Mr Isbister—Yes. The \$2 million was a commitment that was made in response to the situation in Somalia. As you have identified, \$1½ million went to the UN humanitarian appeal and half a million dollars to the peacekeeping AMISOM initiative.

Senator PAYNE—Does that arise out of discussions between the government and the Somali interim government or UN representatives or African Union representatives? How have we come to this amount and this assessment?

Mr Isbister—It has arisen out of conversations within the international community about the current humanitarian situation in Somalia. It has particularly arisen out of concerns about

the deteriorating security situation and the need for the African Union peacekeeping efforts there to try and provide some level of security so that humanitarian assistance can be provided. Hence, the decision came about to provide half a million dollars for the AMISOM, and in addition to that \$1½ million-odd to provide assistance in humanitarian efforts.

Senator PAYNE—Is it just those discussions in the international community you have referred to there, Mr Isbister, or are there any direct requests received by Australia from the interim government or the UN or the African Union?

Mr Isbister—There was a Somalia donors conference held in Brussels. I cannot recall the exact date; it was a month or two ago.

Senator PAYNE—Could you check that and come to us on notice, please?

Mr Isbister—I could. At that meeting there were requests jointly by the Secretary-General and by the African Union for assistance to the situation in Somalia.

Senator PAYNE—Thank you. In the broad of the ODA funding that is allocated to Africa for 2009-10, is it possible to tell us whether it is anticipated that any more funding will go to Somalia?

Mr Isbister—At this stage, there is no decision. Clearly, the situation in Somalia remains very volatile and there is no doubt there is a huge humanitarian crisis there. AusAID is continuing to monitor the situation within Somalia and also the flow-on effects to neighbouring countries as a result of displacement of people. At this stage, I could simply say that we will continue to monitor it and, if need be, may make a recommendation for further assistance.

Senator PAYNE—Would that assistance be in the form of funding for humanitarian programs? Would it also include programmed aid?

Mr Isbister—It would be humanitarian assistance.

Senator PAYNE—I think in terms of Africa, South and Central Asia and Middle East and other areas, those are my questions.

Senator JOHNSTON—With respect to the budget papers, I note that under the heading 'Africa, South-Central Asia and Middle East' we have got Africa. I do not know whether somebody has already raised this because I was called away, but I note that for the Africa line item we have got more than \$100 million and yet when we work down we have got Bhutan getting \$3 million and 4.6. Wouldn't it be appropriate if we actually saw in this particular table the countries anticipated to be receiving the money? Has that question already been answered?

Senator PAYNE—I think that would be in the eye of the beholder!

Senator JOHNSTON—So there was a satisfactory answer.

Ms Davis—The discussion earlier was as much around the split between the amount that is provided on a country basis and what is provided on a regional basis within Africa. We can provide further detail though around the likely general flows between key recipients, key-country recipients and the likely regional flows.

Senator JOHNSTON—You can see my logic there. When you talk about \$3 million last year for Bhutan and \$101 billion last year for Africa, I would have thought we should break it up so that we can see in the list who has got what, no matter how many pages it takes up. But let's move on.

With Palestine, I would like to talk about the \$31.3 million going into Gaza this year. The \$31.3 million is going to where? And what is break-up between the West Bank and Gaza?

Mr Sherwin—This is \$31.3 million? We do not have a split between Gaza and the West Bank at this point. And some of our funding goes to organisations which operate in both places. I am not quite sure about the \$31.3 million figure. Where are you referencing that from?

Senator JOHNSTON—It is \$32.3 million in 2009-10 and, sorry, it was \$31.3 in 2008-09. The figures are roughly the same give or take \$1 million. What do we anticipate we have received for our previous \$30 million and what are we looking to get with the current \$30-odd million?

Mr Sherwin—In broad terms assistance into the Palestinian territories supports basic services like health and education. It does that through the Palestinian Authority, but using a mechanism, which is a trust fund mechanism. That supports health—

Senator JOHNSTON—Is it a different health fund to the World Bank trust fund?

Mr Sherwin—It is a World Bank trust fund. That is under the Palestinian Reform Development Plan; that is the people who come under the jurisdiction of the Palestinian Authority. Then, for refugees who come under the jurisdiction of UNRRA's specific mandate, there would be resources going through them that would assist again with the provision of basic services: health, education, sanitation.

Senator JOHNSTON—What do we do to ensure that our money, in Gaza particularly, is getting to where it should, given that it is controlled by Hamas?

Mr Sherwin—In terms of specific monitoring and reporting, I can give you some information on that. We obviously get reports on our assistance that goes into that part of the world and that has gone, for example, in relation to the conflict earlier this year and the support that was provided. We use a number of UN agencies and trusted international partners like the International Committee of the Red Cross, who have experience operating in conflict environments, and also reporting out of them on the circumstances, the assessment of the issues, what the needs are as well as what they deliver. We are obviously interested in all of that, but in terms of monitoring and reporting we are able to look at, and have to rely on, their reports. More broadly in the Palestinian territories we do have an officer based in Ramallah, who works—

Senator JOHNSTON—Mr Scott?

Mr Sherwin—No. We have a locally engaged staff member who reports to Canberra, to AusAID, but who works under the day-to-day supervision of the DFAT senior representative. That person, as well as Mr Scott at times, goes to various forums and donor meetings and provides reporting to us on what is happening. Our locally engaged staff person is able to get access to and look at some of the activities we fund on the ground.

Senator JOHNSTON—He does not get an opportunity to have a look at what we fund on the ground in Gaza, though, does he?

Mr Sherwin—No, he does not. I understand no Australian officials are going to Gaza at this point.

Senator JOHNSTON—Are there any reliable sources going into Gaza to give us an accurate account of what is happening?

Mr Sherwin—Those trusted partners I referred to earlier, although access is at a premium, if I can put it that way.

Senator JOHNSTON—You said the Red Cross. I do not think it is the Red Cross; it is the Red Crescent or the Red Crystal, isn't it?

Mr Sherwin—They are different. There is the International Committee of the Red Cross, which has specific roles and activities, but there would also be a local Red Cross-Red Crescent Society. They are different organisations, but they link up.

Senator JOHNSTON—You can see the problem that I have with us giving a sizeable amount of money, I think—probably \$10 million or \$20 million, and I am not sure how much Gaza itself is getting—in just tracking it through. From a taxpayer's perspective, I think it is highly problematic. I would just like you to take some time to assure me that we have got some mechanisms and some safeguards that ensure that this money is not being used for weapons, not being used to manufacture or purchase rocket-manufacturing equipment and so on—or funding television stations that promote jihad.

Mr Sherwin—In terms of the humanitarian response, which was \$10 million provided earlier this year, we have gone into some detail before in the committee about the shape of that response and the organisations that provided assistance and were in receipt of Australian funding, including Australian non-government organisations. But I am happy to return to that detail if you want. But we would trust all those people to report to us on what they have done and achieved and trust that we are able to rely on their reports. Those organisations include organisations that the Australian public donate to, in terms of the non-government organisations.

You mentioned weapons. In terms of the specific clauses, we have our agreements again. That has been gone into in this committee before, and some written answers were given to questions on notice or questions in writing. We have specific counterterrorism clauses in our agreements. Also, in relation to what the World Bank funds through the Palestinian Reform and Development Plan trust fund, we have a donor agreement with them, which has counterterrorism clauses, and they have a specific agreement with the Palestinian Authority with respect to resources that they provide so that those resources are used for the purposes for which they are provided.

Senator JOHNSTON—The Palestinian Authority, I think, is fine. I am really not too concerned about the Palestinian Authority because I think there is an element of transparency there. We have got officials actually living on the West Bank. I think people can come and go to some extent into those various towns and villages. But Gaza is the issue. We have given a sizeable amount of money—well, I think it is sizeable, for the size and dimension of Gaza and its population. All I am saying is: what mechanisms precisely do we have, save for our trusted

relationships and a few contractual terms, to assure the taxpayer that we know that the money is getting to where we want it to go?

Mr Sherwin—The reporting that we get would include audits by organisations who receive funding from us. We would have contractual agreements with them about providing reports, which we would obviously have to rely on because we cannot go into Gaza ourselves. Also, they would have to provide audit reports or financial statements to say that they have spent the money for the purpose for which it has been given.

Senator JOHNSTON—The bottom line is that you are saying that, because of the circumstances, we have to go forward on faith.

Mr Sherwin—I think it is a bit more than faith, Senator.

Senator JOHNSTON—At the end of the day, in terms of evidence, in terms of what we know is happening inside Gaza, we have to rely on what we are told by the Red Cross and other organisations which have integrity and which we think we can trust.

Mr Sherwin—We have no choice in terms of being able to go in and eyeball things. We just cannot do that at this point in time.

Senator JOHNSTON—Thank you, Chair. I do not think I can take it much further.

CHAIR—Are there any further questions on 1.3? No. Are there any questions on 1.4?

Senator PAYNE—I am not sure where my next two sets of questions fall, Chair. I seek some advice on that.

CHAIR—What are they?

Senator PAYNE—One set is in relation to the funding for what is designated as ‘responsiveness and accountability’ and the other is in relation to the R2P fund and associated matters. I am happy to be told where they fit in.

CHAIR—I do not think either of them fit under 1.4. We could probably do R2P.

Senator PAYNE—I was hoping Mr Davies was going to jump in and help me.

Mr Davies—The first one you mentioned is largely a Pacific related program, so we could go back to that if you wish.

CHAIR—Why don’t we go back to that and then we will go to R2P.

Senator PAYNE—All right. My apologies for that. I was thinking of it in terms of a global program. When I thought the other money was Pacific it turned out to be global, so I decided that it must be global in its own way. There is a component in the budget of about \$138 million or so over four years relating to improving responsibility and accountability in government. It has four components, as I read it. When I look at the funding stream, it starts with quite small amounts in 2009-10 and 2010-11 and goes on to significantly larger amounts. Why is it structured that way?

Mr Dawson—I think the picture is the same with this measure as with a number of others where you have raised this issue. We have consciously tried, not just through this budget process but in previous budget processes, to ensure that there are good periods of time available to do proper planning and programming for these significant multiyear initiatives. If

you look back through the 2007-08 budget process, the 2008-09 budget process and the current budget process you will find that it is a very familiar profile—measures start small and become larger in the out years. This is certainly no different to that.

Obviously, as well there are a number of budget measures which have begun in this budget process. There are commitments for four-year periods, but the sizes of individual measures take into account the funding which is available, the economic circumstances and the impact on the budget. Those things are elements in the allocation of particular funding to particular years.

Senator PAYNE—Thank you for that. Can I now ask a few specific funding questions about some of the initiatives which are listed in this area. The first of those I have already made passing reference to—that is, the five annual Pacific leadership awards. Will these awards commence in this financial year?

Mr Dawson—That is the intention. We have a process where we have been talking with the secretariat of the Pacific Islands Forum around the nomination and selection of individuals for those awards. The forum secretariat is closely involved in that process, and it is our expectation that the announcement of those awards will be made at the time of the Pacific Islands Forum leaders meeting in Cairns in August.

Senator PAYNE—Okay, so what does ‘closely involved’ mean? Are you kind of outsourcing it to them?

Mr Dawson—No, we have used Australia’s existing scholarship processes and leadership award processes in the Pacific to identify our broader field, and identify the number of particular criteria associated with Pacific leadership in association with the forum secretariat, and the decisions relating to that have been ones taken with the forum secretariat.

Senator PAYNE—How much funding is provided to the five awards each year?

Mr Dawson—I would need to take that on notice. It is essentially the equivalent of a postgraduate scholarship with an add-on training component or an add-on placements component.

Senator PAYNE—Can you take the detail on notice.

Mr Dawson—Sure.

Senator PAYNE—Can you list for us the other specific projects which I assume exist which will be funded this financial year under the program, and what specific projects will be funded in the remaining three years?

Mr Dawson—This financial year the funding stream which you identify it is quite small. We would expect that in the current financial year under this initiative, apart from the leadership awards that you have identified, work on the Pacific leadership program which has been commenced in previous years will continue, and funding would also be used to support work to strength and statistical services in the region. In future years we would expect that in the Pacific there would be funding to continue these streams, also around partnerships with regional tertiary institutions, and in future years there will be the other areas of activity that are identified in the budget measure descriptions particularly around work leadership issues

more broadly—anticorruption efforts, public sector improvement, community based accountability measures.

Senator PAYNE—There is also a reference in the papers to a component which is intended to strengthen engagement between citizens and government, and there is some brief information there. Beyond the information that is in the ministerial statement, can you indicate to the committee how that is intended to be done?

Mr Dawson—This will be done through a range of individual country programs and activities identified that pick up on this sort of broad theme in a particular country context. It may be to support initiatives, everything from citizen report cards to work with media organisations around transparency issues, work to improve the information on government services and how those are delivered at the community level—all those sorts of initiatives, which are really social accountability measures.

Senator PAYNE—In reference to the third component, which is the anticorruption efforts you have also adverted to, it refers to selected partner countries in the Asia-Pacific region. Can you tell the committee which those partner countries are?

Mr Dawson—Again, the work on this is more likely to have substantive funding associated with it in years two, three and four of the initiative but, as you would be aware, in a previous budget under a previous government there was I think a one-year budget measure around support for anticorruption efforts.

That did a number of things, including establish anticorruption plans in seven countries. I might be pressed to remember all seven but Indonesia, Philippines, East Timor, Papua New Guinea, Solomon Islands and Vanuatu were some of them. That work spawned a number of ideas which were definitely worth following up, including work around support for improved procurement processes associated with infrastructure work—for example, in some of the larger Asian countries—and, contracting guidelines et cetera in Papua New Guinea. There has been a range of work that has been done under that previous initiative, which has been continued through existing programs over the last year and will continue to be maintained. Where more funding is available in the subsequent years of this initiative we can expect that those programs will also be more significantly funded.

Senator PAYNE—Can you tell me briefly, Mr Dawson, whether any of this funding is part of current or future Pacific Partnerships for Development or whether it is separate from those?

Mr Dawson—The work associated with statistical services, I think, is something that is going to be particularly relevant to the implementation of a number of Pacific Development Partnerships. It is an area identified specifically in the case of Papua New Guinea. It obviously goes to the heart of how you measure development success and development outcomes. So across the region we are working with national organisations and with regional organisations around better data on development impact and development results. We would certainly expect that the work done with regional organisations like the SPC will be something which will be drawn into the implementation of Pacific Development Partnerships.

Senator PAYNE—I realise we are rapidly coming closer to half past six—

CHAIR—We are, indeed.

Senator PAYNE—which I understand is the time at which I turn into a pumpkin—

CHAIR—You do.

Senator PAYNE—in estimates terms, at least! Can I go to the questions I have on R2P in the time available?

CHAIR—You may.

Senator PAYNE—As far as I can see on your web site, Mr Davis, there is nothing except the minister's press release of September last year about the R2P fund, although there was a speech given last week—I think it was on Friday—which gave us some new detail about that. Can you tell us when the agreement was reached with the Asia-Pacific Centre for Responsibility to Protect for the joint initiative with the government on the R2P fund?

Mr Isbister—I will have to take on notice the actual date that the agreement was signed with the centre, but I can say that on 2 May there was an advertisement in the *Australian* for organisations to apply for the R2P fund that is going to be administered by the centre.

Senator PAYNE—On 2 May, an advertisement in the *Australian*?

Mr Isbister—Yes.

Senator PAYNE—So you would have to be pretty sharp eyed. Did it appear anywhere else?

Mr Isbister—I am not sure. I would assume that it is on their website. I cannot confirm whether it is on ours, but I will take that on notice and get back to you.

Senator PAYNE—Why can't you tell me whether it is on yours?

Mr Isbister—I am not regularly across everything on our website but I can certainly assure you that it is advertised publicly through the *Australian* and I can confirm, hopefully before the end of the hearing, whether it is also on our website.

Senator PAYNE—What is the deadline for applications?

Mr Isbister—The deadline for applications is 5 June.

Senator PAYNE—You do not know whether that information is on the AusAID website?

Mr Isbister—In terms of the closing date of applications?

Senator PAYNE—Yes.

Mr Isbister—No, I am not sure. It was certainly part of the advertisement in the *Australian*.

Senator PAYNE—Can you provide me with a copy of the advertisement in the *Australian*?

Mr Isbister—Yes, I can.

Senator PAYNE—Thank you. I am not sure if I asked this before—it is all running together a little. Did I ask you whether advertisements appeared in any other media other than the *Australian*?

Mr Isbister—No, but I can confirm that for you.

Senator PAYNE—They did not?

Mr Isbister—No—I will confirm whether or not there were any other advertisements in addition to the *Australian*.

Senator PAYNE—At the last hearing, when I discussed this with, I think, Ms Walker we talked about the \$2 million allocated to the fund—\$1 million from AusAID's 2008-09 funding and the other \$1 million to come from, as I was advised at that stage, the 2009-10 funding. Is that still the case? Can you tell me where in the 2009-10 budget papers I can find that?

Mr Isbister—It is correct that it will come out of 2009-10 budget and it will come as part of the commitment on the humanitarian line, as part of our broader building of capacity around the R2P and linkage to our humanitarian capacity in response of partners.

Senator PAYNE—Is the \$1.8 million which the minister referred to in his speech on Friday for the Asia-Pacific Centre for the R2P additional to the other \$2 million we have been discussing?

Mr Isbister—That is in addition to the \$2 million—yes.

Senator PAYNE—So we are up to \$3.8 million.

Mr Isbister—Yes.

Senator PAYNE—Can you tell me where that additional funding appears in the budget papers?

Mr Isbister—It comes out of the humanitarian allocation in the blue book.

Senator PAYNE—That \$1.8 million, I think, is over four years. Can you tell me when they will start?

Mr Isbister—It will start the coming financial year.

Senator PAYNE—The minister also said in his remarks that the government will extend support to the Global Centre for the R2P.

Mr Isbister—Yes.

Senator PAYNE—What does that support mean in practical terms? Are we talking about money or staff? What are we talking about?

Mr Isbister—It is money; it is—

Senator PAYNE—How much?

Mr Isbister—It is \$300,000 over two years.

Senator PAYNE—Is that the total support that he means?

Mr Isbister—Yes, for the global centre. There is an additional \$470,000 for the global coalition for a civil society, making a total of \$4.58 million.

Senator PAYNE—Anything else?

Mr Isbister—No, that is it.

Senator PAYNE—The money for the Global Centre for the R2P and the money of the global coalition for a civil society is funded from where?

Mr Isbister—It is funded from the humanitarian budget.

Senator PAYNE—Thank you, chair. In light of the time frame, I will indicate that I have further questions in a number of areas which I will place on notice. That concludes my questions this evening.

CHAIR—That concludes our questioning of AusAID at this stage.

Senator Stephens—Chair, just before you dismiss the AusAID officials, could I provide some information to the committee, just for completeness of the record. I understand that there are a few additional matters that could be addressed very quickly.

CHAIR—Yes.

Senator Stephens—I go to program 1.7, which is on NGOs, volunteers and community programs. I go to the issue that was raised by Senator Boswell earlier in the afternoon. For completeness of the record, the guidelines for reproductive health and family planning services are with the minister for consideration at the moment. Just to ensure that committee members understand, from Senator Boswell's questioning it could have been construed that AusAID officers would not know in advance whether and where money would be spent on reproductive health and family planning services. However, to be quite specific, those details of the additional money that is being provided by the government—the \$15 million into the pool—would be outlined in detail in the annual development plans. The NGOs would then be required to report annually on the achievements, including any variations to those annual plans. So there would be a sense in which the government would know where family planning and reproductive health expenditure was going to be spent and delivered.

In terms of that issue, I just want to reiterate for the record that the government is committed to the provisions of the 1994 Cairo declaration on population and development, which states:

Governments should take appropriate steps to help women avoid abortion, which in no case should be promoted as a method of family planning ...

And it is the government's intention to avoid terminations through family planning services as an advice as it continued focus of Australian funded services.

CHAIR—Thank you. Senator Stephens.

Mr Davis—I would like to make a couple of points. The Somalia conference was on 22 and 23 April in Brussels. Senator Johnston, on the Scanteam, the composition included three international people and three Afghans, backed by a team in Oslo. They were in country twice, in 2005 and 2008.

Senator JOHNSTON—Twice in each of those years or once in each of those years?

Mr Davis—They were in twice, once in 2005 and once in 2008.

Senator JOHNSTON—Thank you.

CHAIR—I thank the officers from AusAID for attending this afternoon and being of assistance to the committee.

Proceedings suspended from 6.32 pm to 7.32 pm

Austrade

CHAIR—I welcome to the table Mr Peter Yuile, Deputy Chief Executive Officer, Austrade and officers from Austrade. The committee will now examine the budget estimates for Austrade.

Senator TROOD—I will begin by asking you about the portfolio statement and in particular this reduction in promotional activities, which is signalled, of \$270,000. Is that right? Perhaps you could just tell me first of all, that is a reduction from how much money? What is the actual budget or does this wipe out the promotional activities of Austrade?

Mr Yuile—There were measures in terms of the Clean Energy and Trade Investment Strategy, measures in terms of the EMDG scheme for this financial year and a savings proposal of \$270,000, which goes out over the forward estimates. That is part of the government's savings requirement as a part of the usual budget processes. Austrade was asked to find \$270,000 as part contribution to savings measures. It does not wipe out our promotional activity. It was particularly related to general awareness type expenditure as it particularly benefited potential and new exporters. Austrade is continuing its support for those exporters through a new program called Getting into Export. Apart from that, it is just a savings measure on our budget for this coming financial year and the out years.

Senator TROOD—So this is a figure that is generically coming out of the Austrade budget. Has it been applied to promotional activities specifically or is it coming out of the budget across the range of programs that you are running?

Mr Yuile—I can invite my colleague Hazel Bennett to speak on this in a bit more detail, but it is coming out of a specific area around awareness raising and promotional activity, particularly in relation to new exports. We have replaced that with some other activity but we have had to find savings.

Ms Bennett—As my colleague has said, Austrade runs a number of publicity and promotion campaigns in market and onshore to try and encourage the Australian business community to move into export and to work offshore obviously with international buyers and prospective buyers. Our total budget for publicity and promotions is some \$12 million per annum. That is spread across our international network, so this represents a very small part of that. Particularly this was focused on work with new exporters, which is an area that we are relatively giving slightly emphasis to and we felt this was possible to accommodate the savings required.

Senator TROOD—What does this mean in relation to the new exporters? For this kind of money, which is in some respects a modest figure compared to \$12 million if that is what you are spending on promotional activity, does it mean fewer brochures advertising the Austrade capacity to assist? Have you identified how you are going to make these savings specifically?

Ms Bennett—We have been moving in the last year or so to try and put a series of training modules, for example, on our website. We are trying to do and in fact do more work with corporate partners in Australia. So it has been a move by Austrade to try and share the work that we do through other avenues to reach more of the business community. As a result of that we feel it is possible to do just slightly less upfront and to use other avenues to reach the export community.

Senator TROOD—Mr Yuile, perhaps I should have asked you this question at the very outset. Could you give me a brief appraisal of the challenges that you are now facing in light of the global financial situation, whether or not you have discovered over the last six months or so that the export market has become that much more difficult not or not or patchy. Are you able to give me a brief account of the kinds of circumstances we are now facing in the international market?

Mr Yuile—I think it is true to say that obviously it has got more difficult, particularly in some traditional markets such as the United States and Europe. On the other hand, we are seeing continuing growth taking place in China, in ASEAN, in India, albeit at lower levels. It is certainly true that exporters tell us of tightened credit circumstances. I think what we expect to see is that there will be fewer exporters that we will have been working with this financial year compared to last year. Although the final numbers are not in on that yet, that is what you would expect in the current environment. But it is not universal by any means. I was talking to an industry leader only today who are saying that in fact their markets have held up better than last year in certain areas. So I think you have got to be very careful about making broad generalisations.

I guess our strategy in the circumstances has been to look at this in three levels. One has been around information sharing, getting information out to prospective and current exporters with respect to opportunities that are taking place in markets notwithstanding the downturn. We did a series of seminars last year in that regard. We are also looking at how we can give practical support to exporters at the second level in things like using our videoconferencing facilities to cut down on costs, getting buyers into our offices and talking to prospective sellers in Australia, and continuing to help with e-business activities.

The third level of support has really been around strategic positioning and working on those priority areas and priority markets, whether it be financial services or in the clean energy and environment area, where we are seeing a lot of expenditure worldwide with the various recovery packages for infrastructure support, transport and those sorts of areas. We are looking to build market strategies for the medium term so that we are addressing not just current circumstances but making sure that we are as well positioned as we can be and that our exporters and investors are for the longer term. It is interesting that the figures I saw briefly that are just out today are that investment into Australia is holding up. That is a good sign.

Senator TROOD—Do you keep a register or a note of the number of inquiries you get from potential exporters? Are you able to tell me whether or not there has been a significant or any decline in interest in using Austrade services? Is this the kind of climate where more people come to see you than they would otherwise have done because it is becoming much more difficult in the international arena?

Mr Yuile—Again, I think there are a range of answers to that. I will invite other colleagues to chip in. In some instances, part of the work we are doing is to raise awareness of those opportunities—for example, those seminars I spoke about. We had record attendances, which was very interesting for us because we were not quite sure what to expect. What we found was that many of those exporters or potential exporters were pleased to hear that there was another side to what was otherwise a pretty dull and dismal story occurring in the press. We

do keep records obviously of the inquiries that come in through our website and also through Austrade Connect. I do not have the latest figures with me but Hazel may have those.

Ms Bennett—No, we do not have figures. We tend to look at those at the end of the year. But it would be fair to say that we are seeing low levels of interest. I think the feeling in the business community is just to be slightly more cautious and perhaps delay plans to go offshore if it is their first time. For companies that are currently in one market, we are certainly seeing a higher degree of reflection before they try and move into another market. So in general the business community is slowing down, tightening its belt and just trying to stay in there as a priority rather than going with expressive expansion plans either from one market to another or from a domestic agenda to an international agenda. As my colleague says, certainly what we are observing is in some sense not as bad as some forecasts predicted in terms of the attitude of the business community.

Mr Yuile—The other thing I was going to say, without wanting to be completely pharisaical about it, is that you do try in these circumstances to make sure you are consolidating with those exporters who are already in market places who have expended the money to position themselves. Our experience is that if you pull out after maybe several years it could take you a long time to catch up. Whereas for a new exporter when things might be more difficult you might not encourage them in quite the same way as you might in more buoyant circumstances. I think that is the experience of our trade commissioners as well.

Senator TROOD—You mentioned the clean energy sector, but are there other sectors of activity that are holding up reasonably well in the circumstances?

Ms Bennett—Clearly one of the sectors, as reflected in Australia, is infrastructure. Many of the government's own stimulus packages have been in the area of infrastructure. Notwithstanding that, it can be quite difficult to ultimately go into infrastructure contracts offshore. That is clearly globally quite a buoyant area. And there are other areas. There are some of the basic things like food. Again, the market has tightened across the world but there are certainly still some strong opportunities for Australian food suppliers. As my colleague said, in Austrade we really try to be very careful and circumspect about keeping businesses in the markets they are in and choosing the right markets for their next plays where we know the market is more resilient—for example, some of the free trade markets where we know there is an element of market access that is protected by the trade agreements. We are trying to help them take advantage of those markets.

Mr Yuile—And I think that is an important prospective area, Senator, both in terms of, for example, the Chile FTA and the ASEAN-Australia-New Zealand FTA, which has been announced and which will shortly be coming into place. In a formal sense, one of the areas our teams in ASEAN as well as in Australia are looking at is how we promote that in terms of the supply side as well as the demand side—raising awareness in-market of opportunities presented by the FTA as well as making sure that our capability is understood and making sure that our exporters and suppliers are in a position and able to position themselves to take advantage of those opportunities.

Senator TROOD—Good. I want to look at some of your programs in a moment, but just before I do that—I see that, even though you were required to find these savings, your staffing level remains much the same. It is pretty constant over the budget year; is that correct?

Mr Yuile—That is our expectation, Senator, yes.

Senator TROOD—I am looking at the portfolio budget statement, page 79, and I see that 952 is your average staff number for 2008-09 and, similarly, for next year.

Mr Yuile—That is our expectation, yes. Perhaps I can invite Marcia Kimball to speak to that.

Ms Kimball—Yes, 952 for outcome 1 and 49 for outcome 2, which is around consular—so just over 1,000 staff.

Senator TROOD—Right, and that is constant across both of these years—last year and next year?

Ms Kimball—Yes.

Senator TROOD—So you are planning to retain the same numbers of people overseas; is that right?

Ms Kimball—Yes. We are still doing some planning around that. As we were saying before, the new measures around clean energy, the Clean Energy Trade and Investment Strategy, and the Automotive Market Access Program, mean we have gained funding which will allow us to bring on some 23 new staff—16 in clean energy and seven in the Automotive Market Access Program—and they will be, predominantly, overseas.

Senator TROOD—Do you know where they are going at this stage?

Ms Kimball—We have not settled finally, but I can give you a sense. In clean energy resources, we are anticipating two into Europe, the Middle East and Africa, with West Europe and London; two into the Americas; three into South-East Asia and India; and five into north-east Asia—that is across China, Japan and Taiwan; and we are looking to place four in our onshore area. Then, in the auto area, there are five new business development managers located predominantly in Asia, with one industry adviser in Melbourne.

Senator TROOD—Where are you placing them in Asia?

Ms Kimball—The automotive people?

Senator TROOD—Yes.

Ms Kimball—At this stage we are looking at Chennai, Guangzhou, Bangkok, Shanghai, Beijing and Seoul.

Senator TROOD—Thank you for that. I want to turn to the auto market—

Senator FERGUSON—Sorry, Senator Trood; could I just follow up on that automotive issue.

Senator TROOD—Yes.

Senator FERGUSON—I noticed in the portfolio budget statement, on page 74, it says:

- the Automotive Market Access Program ... will focus resources on assisting the automotive sector to access key markets in the United States, China, Republic of Korea and Thailand

But you have named a number of other places.

Ms Kimball—They are really about supplementing our network. So we would be—

Senator FERGUSON—It might be about complementing your network but—so you are going to have people in the United States, are you?

Ms Kimball—Senator, we already have.

Mr Yuile—We already have.

Senator FERGUSON—But it says you are going to focus your resources on the United States, China, the Republic of Korea and Thailand, and you are now talking about Mumbai and—what was the other one?

Ms Bennett—No, Senator; to clarify, when Ms Kimball mentioned Mumbai, that was to do with clean energy. For the auto sector, Ms Kimball was talking about Chennai—

Senator FERGUSON—Chennai? Yes, okay; that is India.

Ms Bennett—yes, India; and Guangzhou, Shanghai, Beijing in China; Bangkok, Thailand; and Seoul, Korea. So in terms of the development, it is at Chennai that we believe there is an opportunity in India. And we already have a strong auto sector in the US. Sorry, Russell.

Senator TROOD—I wanted to ask you about the Automotive Market Access Program, which begins this year; is that right?

Mr Yuile—This coming financial year, that is right.

Senator TROOD—I would like some clarification as to how this program is intended to operate. I assume from those placements you have made that that reflects what you regard as the priorities for the program. Is that a fair observation, or is that not accurate at all?

Mr Yuile—It reflects where we think there are new opportunities emerging. Clearly the auto sector in China is a massive new opportunity. We see that it is important. Indeed there are Australian companies already in China in the component area and we have seen Chinese investment in Australia. It is clearly one of those where we expect new opportunities will be emerging. Similarly—although it is not explicitly mentioned, as you say, on page 74—because of opportunities in India it was thought worth while to put a locally engaged staff member in Chennai to explore the opportunities in that market.

The Seoul, Korean auto sector is of course already well established. We have seen an Australian steering company, Kirby Engineering, setting up a joint venture in Korea. Again, we see evidence of significant investment in that market. Hence we thought it was valuable to put a consultant in Seoul to give advice on opportunities in that market. It is not a measure that appears in the documents for these estimates. It appeared in the portfolio of additional estimates from February.

Senator TROOD—That is from additional budget. How much was it?

Mr Yuile—\$6.3 million over four years.

Senator TROOD—That is essentially for personnel. Is that right?

Mr Yuile—That is correct.

Senator TROOD—Their costs of people being in these markets.

Mr Yuile—That is correct. It is \$6.3 million over four years, so it is \$1.6 million per annum. We stretched that envelope as far as we could in terms of trying to get coverage. As my colleague said, there is a well-established team auto in the US where Australian manufacturers and suppliers have been concentrating effort and will continue to concentrate that effort.

Senator TROOD—What are the opportunities in the United States in relation to automotive? In light of recent announcements it seems an unlikely market.

Mr Yuile—I think that is what we are all watching. Restructuring always brings new opportunities, particularly if they are moving into a different class of vehicle, if there is an opportunity to match the kind of emphasis that we have given in this country to fuel-efficient engines and to some of the component parts that might be part of a green car push. We have seen the Obama administration, for example, clearly single out the whole green economy as an area for particular investment, not only at a government level. We will see in the next 60 to 90 days in respect of GM just how that restructuring plays out.

Ford, as far as I understand, relatively speaking, in the US sector maintains some strength and will also be looking to restructure. I think it would be not prudent to pull out the focus and investment we have made there, modest though it is. In terms of supporting Australian suppliers and manufacturers we should keep our eye squarely on the opportunities that might emerge from that restructure, and of course what it means to the global supply chain both from the US and also from these other markets in Asia in particular.

Senator TROOD—But it is not a case of pulling out; it is a case of you expanding your resources in these places.

Mr Yuile—In the Asian markets. That is correct.

Senator TROOD—So I take it that you have come to a conclusion that the existing personnel that you have on the ground in these places is insufficient to take advantage of the opportunities that exist in the automotive field.

Mr Yuile—It is certainly an area where we have not had the opportunity that this funding presents to give some specific focus and to get dedicated individuals with the kind of in-market knowledge and contact with manufacturers and suppliers into those markets to give it a particular emphasis. That is certainly the case, and the additional money will enable us to do that. What we have done in the United States we have done in conjunction with our colleagues in the department of industry. It has been a particular program that we have been using. I cannot remember the acronym.

Senator TROOD—I think we are all grateful for that!

Ms Bennett—To correct one point: the program was \$3.7 million over three years.

Senator TROOD—Thank you. Is the appointment in Washington in the United States?

Mr Yuile—No. These funds will not put a supplementary person in the United States, but we retain a focus on the US out of Chicago.

Senator TROOD—Okay. Mr Kimball, you have given me the figures about the clean energy strategy, which is more or less \$15 million over the forward estimates. It is \$4.2 million—

Ms Bennett—\$14.9 million over three years.

Senator TROOD—I rounded it off. So it is \$4.2 million for next year?

Ms Bennett—Yes.

Senator TROOD—And that funds those individuals you mentioned? That is my understanding of the situation.

Ms Bennett—Yes.

Senator TROOD—This is a bit more broad, but I have a general question about the Pacific with regard to some other committee activities. Has Austrade made any progress in relation to Australia's Pacific Investment Commissioner, which has been discussed as a proposal from around the Pacific on occasions. Has this budget had any impact on a decision that you intended to make about that particular position?

Mr Yuile—We had a Pacific Investment Commissioner. The term of that appointment ended and there has been an evaluation of the program by AusAID. It is AusAID funding this particular position. There has been an evaluation of that program but, as I understand it, no final decision made about the future of that position, though we have obviously been in consultation with AusAID about Pacific trade and aid strategy.

Senator TROETH—But you are sympathetic to this position. Am I right in saying that you see value in this appointment?

Mr Yuile—The short answer is yes. As in many markets, it takes time to build, particularly in the Pacific. We had the experience of a Pacific Investment Commissioner for two years and I think they were able to do some very good basic groundwork. There did seem to be a range of opportunities that were possible, so we do see value in that continuing. We see the possibility of an integrated approach with our colleagues in AusAID, and that is a matter that is under consideration.

Senator TROOD—Thank you.

Senator FERGUSON—You may remember that at additional estimates we had a fairly lengthy discussion about certain export market development grants. I notice that the government has provided in this year's budget an additional \$50 million for the claims lodged in 2008-09. Can you tell me if there is still a shortfall in paying the full entitlements for the EMDG applications in 2007-08? There was, and that was established here in February.

Mr Chesterfield—I look after the EMDG scheme. The 2007-08 grants year is the year that is being paid at the moment—we are assessing the grants at the moment. The money that has been committed in this budget for this financial year will pay the full entitlements for that grant year.

Senator FERGUSON—For that year?

Mr Chesterfield—Yes.

Senator FERGUSON—Is it likely that the \$50 million that has been allocated will be sufficient for all the claims in 2008-09 to be paid in full?

Mr Chesterfield—For the 2008-09 grant year, which is the year that people are currently spending money in now to be paid next year, we do anticipate that there will be a shortfall. We are unable to say at this point how much that shortfall might be.

Senator FERGUSON—So you had a shortfall in 2007-08, which looked like it was going to remain a shortfall when you answered the questions in February—

Mr Chesterfield—Indeed.

Senator FERGUSON—There has now been \$50 million allocated which will fund 2007-08, but there is no forward estimate to cover—

Mr Yuile—Yes, there is. You might recall in the last budget that there was \$50 million allocated for 2009-10, which was in anticipation of payments against the changes to the scheme which the government had introduced. That still left the question of the changes in 2006, which were not funded in the subsequent years and which have been fixed in this budget with the payment of \$50 million to cover any shortfall.

Senator IAN MACDONALD—Which year did you say?

Mr Yuile—For this current financial year.

Senator IAN MACDONALD—Did you say 2006?

Mr Yuile—Yes. There were legislative changes in 2006.

Senator IAN MACDONALD—When you extended the eligibility but did not provide any extra funding?

Senator FERGUSON—The situation is that for the budget of 2009-10 you allocated \$50 million to cover the shortfall in 2008-09?

Mr Yuile—No. I will let colleagues who are more expert than me speak, but there was \$50 million allocated against the changes that the government introduced in June of last year which would then apply for the current year and therefore be payable next year.

Senator FERGUSON—But you do not believe it will be enough to cover it?

Mr Yuile—There is still the question of the changes that were made back in 2006 which, of course, continue to flow through the system. This is the appropriation which has been put forward for this budget to cover this current financial year. Obviously, one of the issues we will not know until we start getting the claims is what the claims will be for 2009-10 and therefore what the final payment might look like. That is the unknown that we are dealing with.

Senator FERGUSON—Forgive me for being a bit thick, but there seems to be one year that is not covered. You have got money that was put into the budget to pay for the shortfalls of 2007-08, I think it was. That is what we were asking about in the initial stages.

Mr Yuile—That is right—2007-08 grant year, which is what we are currently assessing now.

Senator FERGUSON—Which you are currently assessing—although the year is finished. We are nearly at the end of 2009 but you are still assessing the grants for 2007-08.

Mr Yuile—The 2007-08 expenditure is claimed in 2008-09. That is what we are currently—

Senator FERGUSON—For the projected budget, where there is \$50 million for 2009-10, do you think there will still be a shortfall in the payments made for the claims in 2008-09? Are you anticipating a shortfall?

Mr Chesterfield—Yes. The current government made changes to the scheme. It committed a further \$50 million for it but, as Mr Yuile said, the changes from 2006 carry forward. So that is part of the shortfall that we are expecting to carry forward into that year. In terms of how much shortfall, it is difficult to estimate because the world environment has changed dramatically and the demand on grants has changed dramatically. We are quite uncertain about the level of shortfall that we would expect there. But there is a carry forward.

Senator FERGUSON—But it may be another \$50 million?

Mr Chesterfield—Possibly—

Mr Yuile—Wouldn't want to speculate.

Senator FERGUSON—If we run true to form, there has been a \$50 million shortfall in the last couple of years, so it is quite possible that it could be \$50 million again, isn't it? It is quite possible.

Mr Chesterfield—I think \$50 million would be the outside.

Senator FERGUSON—One of the difficulties of course is that exporters really need to know whether they are going to be paid in full or only in part. Otherwise it is impossible for them. We heard the minister today carrying on about how successful our balance of payments is, with exporters providing a considerable amount of that surplus in our balance of payments. Of course there are a lot less imports in the current climate as well, which helped. So I guess the real question is that when I asked these questions in February, I asked about the Mortimer report and the Mortimer report's recommendations and you said it was still under consideration by the government.

Mr Yuile—That is right, Senator.

Senator FERGUSON—It is still under consideration by the government?

Mr Yuile—Yes, it is. I think the minister in fact spoke about that at the time of the budget when he indicated that the government had made available the \$50 million in this financial year to cover the shortfall and therefore to pay exporters their full entitlements. He indicated then that of course he has also provided for \$50 million additionally for next year for the changes which the government introduced and paid for. But the question of the future of this scheme and the question of addressing Mortimer is something that will be addressed in the next budget. I think he indicated that, given the preoccupation of all governments with the global economic downturn, the government has been making responses as it can to the Mortimer report but, as I think the minister said, it has not been able to make the

comprehensive response that he might have liked and that is what he is looking to work on for the next budget.

Senator FERGUSON—It is quite possible that it could be still under consideration the next time we have estimates.

Mr Yuile—As I said, the minister said that it would be an issue that will be addressed in the processes towards the next budget.

Senator FERGUSON—As I recollect the Mortimer report, one of its recommendations was that the number of grants be reduced to five and that the threshold be increased to 30,000, and it would appear in the current economic climate that it might be a pretty good recommendation to take hold of. If we have to wait until after the next estimates and we are asking the same questions, exporters are still going to be in the dark, aren't they?

Mr Yuile—Certainly everyone wants as much certainty as possible and I think that is what the minister has endeavoured to do to this point. The question of the recommendations in the Mortimer report went to either varying the eligibility criteria to fit a particular level of budget or increasing the level of budget to fit the eligibility criteria. That is the issue which I think the government will need to grapple with.

Senator FERGUSON—On page 83 of your budget statements we have the revised budget for 2008-09, 2009-10 and then a forward estimate for the next three years, which is at a reduced figure, presumably because there is no \$50 million of extra additional funding.

Mr Yuile—I think that is what the minister said at the time, on 14 May when he did a press conference. I think he made it quite clear he secured \$50 million to pay the shortfall in this financial year. He has provided, and the government undertook to provide, \$50 million for next financial year, but the out years are subject to the considerations in the context of the Mortimer report.

Senator FERGUSON—But putting the Mortimer report aside, we have been waiting a fair while for a response to that. Exporters are probably going to have to make their decisions without the benefit of a decision on the Mortimer report and, judging by the forward estimates, exporters are still left in the dark as to whether there is going to be enough money to cover the claims that might be put in by exporters because there is no \$50 million in those forward estimates and it would seem as though the amount of applications for grants are running at the same rate.

Mr Yuile—I think, as Mr Chesterfield indicated, the question of what happens next year in terms of the response by the exporting community in the context of the international economic circumstances and in terms of their own forward plans are things that it is difficult to estimate just at this point in time. I think the minister has made it quite clear that it is his desire to see that predictability into the out years, and that will be the subject of the focus in the next budget context.

Senator FERGUSON—This may be my fault, because I did ask you a question which you took on notice last time and I have not seen the answer to that question. It was: do you know how many winemakers or wine export agents are registered for export market development

grants in South Australia? You were going to come back on that. Have you got those numbers?

Mr Yuile—Yes, we did respond, and I will just see if I have it with me, in this folder or in another one. The answer was that in 2008-09—that is, for the 2007-08 grant year—there were a total of 140 export market development grant applicants who were involved in the wine industry in South Australia.

Senator FERGUSON—It would be pretty safe to assume, if there is not going to be any increase in the forward estimates for extra funding, that there are going to be a number of winemakers or wine export agents who are registered for EMDG grants who might be disappointed.

Mr Yuile—Not this financial year, I don't think.

Senator FERGUSON—Not this financial year, but next financial year.

Mr Yuile—I cannot—

Senator FERGUSON—They are going through a pretty tough time right now.

Mr Yuile—Certainly.

Senator Stephens—Chair, I have to say that the government, in providing an additional \$50 million to ensure that those people who are already in the system receive the grants that they were expecting, was working on the basis, from the previous estimates questions around this, that people would only be expecting to get between 30c and 50c in the dollar. So I think the \$50 million that has been brought forward into this year is providing a little bit of certainty to those people.

Senator FERGUSON—For last year?

Senator Stephens—For last year. It allows them to go forward with a bit more certainty about how the system will work in the future that they did not have until that adjustment was made.

Senator FERGUSON—I imagine they will be hoping for similar adjustments in the future. One of the other questions I asked was about the Cairns Group and the regularity of meetings of that group.

Mr Yuile—I might interrupt you, I am sorry. That is really a question for our colleagues in the Department of Foreign Affairs and Trade, who are coming on straight after us and who have policy responsibility for that.

Senator FERGUSON—Fair enough. I think I asked them at the same time last year, but I can leave those questions.

Senator IAN MACDONALD—Just remind me when the Mortimer report was delivered.

Mr Yuile—It was in September 2008.

Ms Bennett—It was 1 September 2008.

Senator IAN MACDONALD—The minister had committed to responding to that by the end of 2008, and you have just been indicating that, because of changed circumstances, he is not intending to respond until the next budget. Is that what I understood you to say?

Mr Yuile—Yes. He certainly has indicated that. If I can read from his comments:

I don't think we've deferred Mortimer as such. What we haven't done is give the comprehensive response to Mortimer. I think what you're seeing is us acting on a number of different parts of Mortimer and ... there may be the opportunity to pull that together in a comprehensive way. But EMDG is part of that, the focus in terms of the FTAs, the ministerial dialogue I'm having in Europe in June. What we're doing commencing the FTA with Korea this coming Monday. We've got the Trade Minister coming down, so we're commencing the FTA negotiations that were announced—

when the President was here. So there is a lot of activity, if you look at the clean energy focus, the job opportunities—the green jobs that Mortimer talked about—and the clean energy initiative in this budget. It would have been nicer to have announced it as a big package responding to Mortimer but, given that we cannot actually do that at this stage, I would far prefer to be getting on with the elements or the bits that we can announce and for which we can develop a strategic way forward more comprehensively. They were his comments and he indicated that, in respect of the Mortimer processes, that would be an issue to be addressed in the coming budget.

Senator IAN MACDONALD—I do not want you to tell me what it was, but I just make the inquiry as to whether the department has provided the minister with a draft response to Mortimer at any stage since the last estimates.

Mr Yuile—Certainly we have provided the minister with advice, as you would expect, and with some elements in response to two points made in Mortimer, but that is, of course—as you would understand—advice that we have given to the minister. He is considering that, and the government is considering it, obviously, in the context of what has been a very difficult set of economic circumstances that they have been dealing with.

Senator IAN MACDONALD—Mr Chesterfield said—I think I wrote it down correctly—that demand has changed dramatically. Could you just elaborate on that.

Mr Chesterfield—I would have to clarify that. I am not absolutely sure that demand has changed dramatically, but we are anticipating that we will see a drop-off in demand. We had a 26 per cent increase in the dollar amount of grants claimed in the 2007-08 financial year. This financial year we have had a 2.1 per cent increase in the dollar amount. The question of what will happen next financial year remains, but that is the sort of difference in figures that we have experienced and the reason that I made the comment.

Senator IAN MACDONALD—One government leader has indicated that Australia will get out of its current woes by increasing exports—in addition to exports at the top level, with minerals and that sort of thing—with the sorts of exports for which EMDG is always popular. Are you not anticipating that there would be a renewed push for exports of the type that would claim EMDG?

Mr Chesterfield—It is very difficult to answer that question. We certainly are expecting an increase in demand as a result of the government's election commitment and the changes to the scheme, increasing the number of grants to eight and increasing the maximum grant. With all of those changes that were made by the government, we are expecting an increase in the dollar amount and, indeed, in the number of claimants. For example, dropping the expenditure threshold will also bring in more claimants. But it is very difficult to predict the total demand

because some people are suggesting that the amount claimed by exporters will be down because they have wound back their expenditure. Other people are claiming that people are looking to substitute international exploration for slowdowns in domestic sales.

Senator IAN MACDONALD—When do the applications start coming in.

Mr Chesterfield—The applications for this financial year?

Senator IAN MACDONALD—Yes.

Mr Chesterfield—The applications start on 1 July every year and they close on 30 November.

Senator IAN MACDONALD—Do you get a lot of them in July or are they more towards November?

Mr Chesterfield—We get half of them in the last week or week and a half of November.

Senator IAN MACDONALD—Does your intelligence tell you that the tourist industry is looking at increasing its export spend or decreasing it?

Mr Chesterfield—We are having quite a bit of difficulty in projecting forward. We have done surveys of the consultants who work on EMDG and lodge about 56 per cent of all claims in the scheme, and we have also talked extensively to our own staff about the likely forward estimates for numbers of claimants and dollars. We are getting very mixed messages about the answer to that.

Senator IAN MACDONALD—So you have come to no conclusion.

Mr Chesterfield—No.

Mr Yuile—The changes that were made in 2008 leave the opportunity there for peak Aboriginal tourism bodies, as you know. I know that is of particular interest to you and your constituency. But as Mr Chesterfield said, the reports from various sources do not add up to a singular and clear picture, so we are looking to see what happens.

Senator IAN MACDONALD—I have some questions on the free trade agreements. Are they relevant to you?

Mr Yuile—If they are the policy elements of FTAs, they would be for our colleagues in foreign affairs and trade.

Senator IAN MACDONALD—At Austrade you would monitor very carefully statements which may impact upon the volume and worth of Australian exports. I understand that last week the United States government made a major announcement about issues that could impact upon Australian exports. Are you conscious of that?

Mr Yuile—I am. But if you are talking about EU or US policy decisions in respect of their WTO or other commitments or their policy position on subsidies, that is a question that my colleagues in foreign affairs and trade are better equipped to answer.

Senator IAN MACDONALD—I appreciate that, but it would impact upon the work that Austrade does, wouldn't it?

Mr Yuile—Depending on what the announcement might be you are conscious of what it might mean for competition in particular markets.

Senator IAN MACDONALD—When you say ‘what the announcement might be’, I understand that it was what the announcement was.

Mr Yuile—Sorry, you have not specified which one. I was speaking in general.

Senator IAN MACDONALD—The one I was particularly interested in was the announcement about dairying.

Mr Yuile—In respect of dairy subsidies?

Senator IAN MACDONALD—Yes.

Mr Yuile—I am saying that it depends whether it could have an impact in restricting market access or increasing or stimulating export competition. Depending on that, with our colleagues in foreign affairs and trade we would be looking at supporting representations which the government would make if those announcements in our view were outside either the spirit or the letter of bilateral or multilateral undertakings and clearly we would be working on what the impact might be and how we mitigate those at a commercial level.

Senator IAN MACDONALD—Are you?

Mr Yuile—In particular with the dairy announcement, I think those representations are still going on with the US government and I am not aware of any specific work that our team in the US has done, but I can check for you.

Senator IAN MACDONALD—Could you remind me: we do have a free trade agreement with the United States, don't we?

Mr Yuile—We do. As I say, the responsibility for that resides with our colleagues in foreign affairs and trade.

Senator IAN MACDONALD—I appreciate that, but it must have an impact on the work Austrade does in promoting the sales of Australian product into markets generally, including the United States. On that basis have you made an assessment of the impact of that announcement on export sales to the United States?

Mr Yuile—I am not aware of any that we have made explicitly. That is why I said I would need to check for you whether we have done that, in conjunction with our colleagues in the US.

Senator IAN MACDONALD—I was particularly alerted to dairying by a colleague who is very passionate in her support for the dairy industry in her area. But are there other areas where announcements by the US government to date could impact upon the work of Austrade?

Mr Yuile—The government made representations following the ‘Buy American’ campaign which would have been of concern, but that seems to have been addressed and so far as I am aware from any reporting I have seen there has not been a direct impact on our exports.

Senator IAN MACDONALD—So you do not think anything that the United States government has said to date would impact upon Australian exports to North America?

Mr Yuile—Certainly in regard to the Buy American specific announcement, I am not aware of announcements where there have been particular restrictions announced in respect of the US market apart from that recent discussion around dairy.

Senator IAN MACDONALD—In your view—and I will ask more of these questions shortly—has the announcement of the Buy American provisions led you to have some confidence that Australian industry would be protected?

Mr Yuile—I think that in the current circumstances internationally the government has made it clear that it is vigilant and being vigilant in respect of all markets, not just the United States one, and to that extent clearly we would be working with our colleagues in Foreign Affairs and Trade if there were an announcement or a measure which was of concern to us. I think the point is that all governments are under pressure and it is important that we maintain our representations on those issues of particular importance to us.

Senator IAN MACDONALD—What else would I expect of Austrade? You certainly do that. I will save the rest of my questions for the next section.

CHAIR—As there are no further questions for Austrade, I thank Mr Yuile and his officers for attending this evening.

[8.29 pm]

Department of Foreign Affairs and Trade

CHAIR—We have headed back to DFAT. We will deal with the trade aspects of the DFAT budget estimates. We will deal with program 1.1, Bilateral, regional and multilateral trade negotiations.

Senator TROOD—I have some questions about the Chinese free-trade negotiations.

CHAIR—Welcome, Ms Adams.

Ms Adams—Thank you.

CHAIR—Senator Trood.

Senator TROOD—Ms Adams, I wonder if you can provide us with an account of where we are in these proceedings. I confess to be somewhat confused by the ministerial statements that have been made on the subject. In, I think, September last year the Prime Minister was telling us how the negotiations were being unfrozen—I beg your pardon; it was Mr Crean who said that. Early this year, in February, I think, he was saying that China needs to come back to the table, so it would seem that we were not quite as thawed as he indicated in September. Now he is saying in May, a couple of weeks ago, that program negotiations have actually stalled at a technical level. Perhaps you could provide us with some account of what the status is of the negotiations and what the problems are which seem to be causing such an unsatisfactory state of affairs.

Ms Adams—The negotiations with China are ongoing. As you know, we have held 13 rounds of negotiations so far. The last round was in December last year in Beijing. You referred to Mr Crean's comments after his visit to Beijing in March. They reflect the fact that we are having political-level discussions with the Chinese to seek to gain a better shared understanding of what the final agreement could contain. There have been several ministerial-

level conversations of that type. The status is ongoing. There are discussions between the two governments at a political level and the negotiations are continuing.

Senator TROOD—Are you saying that the actual formal negotiations are essentially suspended until such time as there is a more general political understanding of the direction in which the whole negotiation should be moving? I am not quite clear. When you say that there are some political discussions, from what you are saying, they seem to be separate to the actual negotiation of the agreement. Is that right?

Ms Adams—No, I would not say ‘separate’. The negotiations, as you would appreciate, at a technical level cover an enormous amount of detailed subject matter. What we would say is that those negotiations have got to a point where further political-level direction about the overall mandate for the negotiations needs clarification. So it is not at all the case that the technical, official negotiations are suspended. They are not suspended; they are not disrupted in any way. But we think those negotiations have got to the point where further political direction is required to give a mandate to get to a conclusion on the negotiations.

CHAIR—Ms Adams, in that context, what are the circumstances whereby the government might proceed to a 14th round of negotiations with the representatives of the PRC?

Ms Adams—We are not setting any preconditions or benchmarks that we would put out there to be met or not met for a 14th round. We are discussing with the Chinese what we would productively do at a 14th round in the context of an overall shared objective of where we would be trying to get in terms of a final agreement.

CHAIR—In terms of the circumstances, I do not quite understand what that means. We have had 13 rounds so far. They have not delivered as the successive governments might have desired. You say back in Australia there needs to be political direction as to where the negotiators might proceed. I am really asking you: what are the circumstances in which we would re-enter or revive negotiations for a 14th round? I did not quite hear a response.

Ms Adams—What I attempted to say was that I cannot give you a set of criteria. We are not setting criteria for a 14th round, we are having broader discussions about where the negotiations are up to and what would each side need to see in a final package. In that context it is about what could usefully be done as the next area of work at a 14th round so that the overall political discussion of what would be required in an end package is of course linked to the next phases of the negotiations.

CHAIR—Is that what Mr Crean means when he refers to a two-track strategy for pursuing Australia’s trade and investment interests in China? If not, what does Mr Crean mean when he refers to the two-track strategy?

Mr Gosper—When Mr Crean talks about a two-track strategy, he means that in addition to the important negotiations we have with China courtesy of the FTA and in other fora such as the Doha Round on market liberalisation, improvements in trade facilitation and so forth, we have an important track of work in building linkages between businesses in our two countries. It is sometimes referred to as commercial diplomacy, but it is certainly taking advantage of the fact that there is a mutual relationship between the two economies. Particularly given how strongly China is growing, including away from the coastal areas, in areas of interest to Australia such as automotive, there is much to be achieved through enhanced business to

business linkages facilitated by government to further build the economic relationship. So we have one track, which is about trade liberalisation, and another track which is about building the business to business linkages which will deepen the trading relationships.

CHAIR—Thank you.

Senator TROOD—Does this political direction require head of government intervention or is it a direction that is going to be established through ministerial discussions and negotiations? Whichever one it may or may not be, can you tell me whether or not a date for these discussions is nearby or being suggested as something that might be taking place in the near future?

Ms Adams—The responsible minister in the Chinese system is Mr Crean's counterpart the commerce minister, Mr Chen. Mr Crean and Mr Chen have had several discussions along these lines already. The most recent and quite extensive discussions were during the minister's visit to Beijing on 30 and 31 March where he had detailed discussions across the FTA areas with various ministers in the Chinese system. These discussions were primarily at ministerial level I would say but the respective leaders have also discussed the FTA negotiations in their bilateral meetings in the past and could be expected to again as part of their overall agenda.

Senator TROOD—The discussions that Mr Crean held in China in March did not yield the political direction that is required so that we can advance this negotiation?

Ms Adams—There is not a single direction that I guess we are—

Senator TROOD—Even if you could assure us or encourage us to believe that we have taken one step in that direction, I suppose it would be encouraging.

Ms Adams—I think the minister's discussions in Beijing were encouraging in that he met with the range of ministers with sectoral interests across education, legal, agriculture, financial services as well as the lead commerce ministry and had very open discussions about what we would like to see in broad terms in a final agreement—and seeking political commitment from the Chinese side that their negotiators would be able to come with mandates to negotiate towards packages of outcomes along the lines that we would like to see.

Senator TROOD—Mr Crean and the Prime Minister continually give us reason to believe that these negotiations are proceeding in a way that would lead us to reach the conclusion that it is not going to be forever that there is an agreement in prospect, but we seem to be running into these roadblocks along the way. There is a positive statement, which some ungenerously might say, 'There is a bit of government spent here,' and then we are immediately on the back foot again. We seem to be going forward and back almost simultaneously rather than the trajectory being with forward momentum. Perhaps that is an inaccurate assessment of the state of the negotiations. Perhaps it is a reflection of the complexity of all of these negotiations, but that is certainly the perception I have of these China negotiations.

Mr Gosper—Can I this point make the point that of course it is not unusual in these sorts of negotiations for the need for occasional periodic ministerial and leader discussion about the progress of the negotiations. It happens in all these negotiations and it has happened in China, of course. The important thing I think that has come out of these sorts of discussions, most recently with Mr Crean, is that there has been an expression of political commitment from

both sides to see the negotiations advance and conclude. No-one pretends it is easy, because as negotiations proceed they come to the hard issues—crunch issues. For our part we are obviously looking for a package that involves substantial reform not just in agriculture but in some of the difficult services and investment areas. The Chinese are looking for things as well. There has been plenty of expression of political commitment. Turning that into the progress that will move us closer to resolution is what we are grappling with now. We are hopeful that at some point soon we can find the conditions to move forward to the next round.

Senator TROOD—I take that point, Mr Gosper. These seem to be negotiations where political intervention is required more often than would normally be the case.

Mr Gosper—The negotiations are proceeding in various forms. Just last week discussions were held in Beijing. I was in Beijing to meet with the assistant minister, and there were meetings held with other parts of the relevant ministry to talk about these negotiations and how we can push them forward. I cannot report any particular progress, but both sides are working quite hard at this.

Senator TROOD—I am not surprised about that. Ms Adams, has a 14th round been scheduled or is it premature to think about a 14th round at this juncture?

Ms Adams—No dates have been set, but it is not premature to be talking about a 14th round. What we are seeking to do is agree on what the objectives for that round would be in the context of the broader objectives.

Senator TROOD—Am I right in saying that the political discussions have yielded at least some light and there is a foundation upon which a 14th round could be scheduled, or at least discussions about the content of a 14th round could be scheduled?

Ms Adams—Yes. As Mr Gosper said, the political discussions are reiterating the political will on both sides to keep working towards a mutually beneficial outcome. It is a question of identifying what would usefully be tackled in the next round that we would see to be consistent with the kind of trajectory that we would like to see towards the end.

Senator TROOD—So you have not at this stage got an idea of when the next round might be—is that right?

Ms Adams—No dates have been set.

Senator TROOD—No, but do you have an idea that it might be July, September? Do you have any notional idea of when it might be appropriate to look at a round?

Ms Adams—We would like to have the next round—

Senator TROOD—Tomorrow, I am sure.

Ms Adams—as soon as possible, but we do want to make sure that we have got an agreed basis for productive discussions. You do not hold the meeting just so you can say you have held it. We want to make sure we have got an agreed productive basis for the next discussions. We would hope that would happen soon.

Senator TROOD—You have not got that basis and you have not therefore scheduled a round for the moment?

Ms Adams—We are discussing the basis and no dates have been set yet.

Senator TROOD—But can you answer my question? I am not seeking specific dates; I am seeking some general indication about whether it might be in the next few months or the latter part of the year, or are we looking into 2010 here perhaps? Are they so fluid that there may be some development which will cause a flurry and fury of action that might bring them on rather quickly?

Ms Adams—I do not think that is the situation we are in. We are really in the situation of discussing between us what we would set as objectives for the next round and therefore the timing would follow from that, depending on how much preparation or work we would agree would need to be done to come to those rounds prepared for productive session.

Senator TROOD—Perhaps we will come back to this in the next series of estimates.

CHAIR—Have we done China?

Senator TROOD—I am finished, but I think Senator Fierravanti-Wells had some China questions, and Senator Farrell.

CHAIR—On China FTA or otherwise China?

Senator FIERRAVANTI-WELLS—China FTA.

CHAIR—We will finish that then.

Senator FIERRAVANTI-WELLS—I have some questions generally about the free trade agreement and what we are doing in relation to wool, in particular whether wool will be part of the negotiations for the agreement, as well as how textile and apparel will be treated under the agreement. There have been some issues in the press about that. I am asking in general about textile and apparel and in particular about wool.

Ms Adams—I could speak to the wool issue first. Of course Australia has expressed very clearly our interest in improving market access on wool. That has been a very longstanding interest for Australia and we are certainly pushing for that in the FTA negotiations. The negotiations are not at the point where I could tell you what we thought we might be able to achieve. All I can say is that we are very consistently insisting that access on wool is a strong priority for Australia.

Senator FIERRAVANTI-WELLS—What is the nature of the access? Are we just talking wool processing, raw wool, greasy wool? What aspects of the industry are we looking at?

Ms Adams—As I am sure you are aware, Australian exports are primarily at the high-quality end. We are arguing that the Australian wool exports are direct inputs into the textile industry in China and do not actually compete directly with the Chinese wool. There are tariffs and TRQs that are involved, so we are talking about all of those trade barriers and looking at ways they can be reduced.

Senator FIERRAVANTI-WELLS—What about some of the contractual difficulties that some of our wool exporters face in terms of non-financial barriers? Are those the sorts of issues that are covered? Ms Adams, perhaps you would like to take that on notice. I am really interested to know in a lot more detail what it is in particular that you are doing and contemplating in relation to wool. How much has been discussed? In 13 rounds, has it been raised? What aspects have been raised, considering the amount of wool that we sell to China,

as I understood, at all levels—not just at the fine end, but coarser wools as well? Could you also take on notice the question of what other current trade issues regarding wool are in the department generally in other areas.

Mr Gosper—Yes. That is a rather wide-ranging question, but we can certainly look into that for you.

Senator FIERRAVANTI-WELLS—Thank you. I also have some questions in relation to EFIC, and I think Senator Abetz does as well, but I am not sure if now is the appropriate time.

CHAIR—Are you done on the China FTA?

Senator FIERRAVANTI-WELLS—Yes, but I do not know if somebody else has questions.

CHAIR—I think we will try and do the China FTA to death and then move on.

Senator IAN MACDONALD—You explained to Senator Trood what was meant by the ‘technical level’ where the stalling that Minister Crean spoke about on 14 May was. Would you just remind me what that meant?

Ms Adams—I am sorry, Senator, I think I have lost the germ of the question.

Senator IAN MACDONALD—On 14 May, Mr Crean said that the China FTA was ‘stalled at the technical level’. I am just wondering what he actually meant by ‘the technical level’?

Ms Adams—Yes, I think I did speak about that, but to recap: at the officials’ negotiating level we are not making enough progress in terms of meeting our market access or other requests.

Senator IAN MACDONALD—So ‘technical’ means that there is no-one to talk to.

Ms Adams—At officials’ level.

Senator IAN MACDONALD—So technical means official, does it? Is that what Mr Crean—

Ms Adams—Roughly, I think, yes.

Senator IAN MACDONALD—Technical sounds a lot more grandiose than official. I thought that there was some technical reason why it was not going ahead.

Ms Adams—No, I think that we are talking about the official negotiator level as opposed to ministerial level.

Senator IAN MACDONALD—Should we look like getting to a free trade agreement with China, that would involve huge resources in your department, would it not?

Ms Adams—We have an FTA task force that is managing the negotiations and of course we work with the suite of departments across the Public Service, as you would appreciate, so there are a lot of people already working—

Senator IAN MACDONALD—Sure, but with things stalled at ‘technical level’, if we were three or four weeks away from a major conference to sign up to a free trade agreement,

that would require an enormous amount of resources in your department to pursue that. Is that not correct?

Ms Adams—I think we have teams working on that and they would be extremely busy, and I would expect the senior levels of the department would be well engaged, as would other departments as well.

Senator IAN MACDONALD—That begs the question: what are they doing now the talks are stalled at a technical level. Are they playing noughts and crosses or something?

Ms Adams—I can assure you there are still a lot of discussions going on. ‘Stalled’ does not mean we are not doing anything; it means that the progress on making market access concessions that would be sufficient to conclude an agreement are not there yet.

Senator IAN MACDONALD—When we were doing the free trade agreement with the United States there was an enormous amount of activity in the couple of months before dotting the final i’s and crossing the t’s. But to do that, you would need extra resources, wouldn’t you?

Mr Gosper—Yes, although the FTA task force is fully staffed. We have negotiating rounds where there are 50 or 60 from each side, just as there were in the US FTA. If we get, and when we get, to the concluding stages of the negotiations, if more resources are required for the final stages then I am sure they will be provided. Of course the nature of the resource changes because then we are talking not so much about the negotiation of concessions but about more detailed legal drafting, for instance. So it is a different sort of resource in part that is required at that point. But as we move on we will make those adjustments.

Senator IAN MACDONALD—What I am really getting at—and I was not going to ask you for an opinion—is when have you allocated the resources to a final conclusion? It is another way of saying: when do you expect—but I know that I cannot ask you for an opinion—

Mr Gosper—Well, you can, but I cannot give it.

Senator IAN MACDONALD—Have you allocated resources in the current financial year or in the next financial year or in the further financial year? When do you think you will need the resources?

CHAIR—At an appropriate time—

Mr Gosper—I think that is the only answer I can give.

Senator IAN MACDONALD—Sorry, I was listening to the witness for the answer and so I did not hear what was said at the end of the table.

Mr Gosper—We have not allocated resources for concluding negotiations this financial year, but beyond that I do not think that I can speculate about exactly when we will need to make those assessments or those adjustments.

Senator IAN MACDONALD—It does not need me to tell you that it is all very, very great significant to Australian traders to get some idea of when we might be getting close to a conclusion. Is there nothing that you can indicate apart from the Prime Minister saying that he

was confident that we can get real progress in the period ahead—whatever the period ahead is? I thought a period was a full stop.

Mr Gosper—I do not believe that there is much we can add at this point, Senator, other than to say of course that we do regularly consult with industry groups to keep them apprised of progress in the negotiations.

Senator IAN MACDONALD—I know that my colleague Senator Trood has a number of questions about Japan, Vietnam and the Gulf Cooperation Council FTAs. Would your resources be more directed towards China or to those others, or are they all directed to all of them?

Mr Gosper—We have a structure which allocates some specific resources to individual FTA negotiations. For instance, we have resources allocated to the FTA negotiations that we have underway at the moment with China, Japan and Korea. The concluding implementation issues associated with the ASEAN FTA were agreed and signed a number of months ago. Of course there is ongoing work associated with the FTAs that have been negotiated. They all have established work programs that require constant attention. So with New Zealand, United States, Singapore, Thailand and Chile we have work associated with them as well.

Of course we are also involved in negotiations with the Gulf Cooperation Council. In fact negotiators are currently in the Middle East in the latest round of negotiations on that front. And there is work on other possible FTAs. All of these negotiating areas have their specific allocated teams. There is also of course work across the department, for instance, with the Multilateral Division which supports a number of these FTAs in specialised areas such as intellectual property.

Senator IAN MACDONALD—Mr Gosper, you say that there is a work program for all of these. Are there discoverable documents? Can we have a look at the work program from the department for the China FTA?

Mr Gosper—I said finalised FTAs, Senator. So, for instance, these work programs are embedded in the documents themselves, which are—

Senator IAN MACDONALD—I do not think you said that; perhaps you meant that, but that is not what you said.

Mr Gosper—Maybe I meant that; maybe I did not say what I meant to say. I am talking about the work—

Senator IAN MACDONALD—When you were talking about China you said that there were the work programs—

Mr Gosper—The work programs associated with agreements that have been negotiated and implemented.

Senator IAN MACDONALD—But there are no work programs for agreements that are being negotiated?

Mr Gosper—No, not as such.

Senator IAN MACDONALD—Well, if there are none we cannot ask to have a look at them, can we?

CHAIR—Mr Gosper, can you just outline the significance of the Australia-New Zealand-ASEAN free trade agreement relative to others, China, Japan, the US?

Mr Gosper—I will ask Mr Mugliston, the head of our ASEAN FTA negotiating team, to join us.

Mr Mugliston—Let me try and give it to you in a nutshell, Senator. This is the largest FTA that Australia has concluded. ASEAN and New Zealand collectively account for just over 20 per cent of our total two-way trade in goods and services. It is also the first multicountry or plurilateral FTA that we have concluded. What is very important and significant about that is the fact, therefore, that we are talking about regional rules of origin that give our industry, particularly the manufacturing sector, the scope and ability to link in with global supply chains. It is the most comprehensive FTA that ASEAN has concluded to date.

By way of a very brief overview of some of the significant outcomes, I would highlight the fact that this agreement binds current low tariffs where a lot of trade already takes place, at the zero to five per cent range. We have actually locked that in, so there is not the possibility for those bound tariffs to be increased in the future.

CHAIR—Was that zero to five per cent only across the Tasman before or was it also with ASEAN?

Mr Mugliston—I am looking at ASEAN now. I can come back to that question about New Zealand, if you like. But it is also the case there.

CHAIR—It is the same?

Mr Mugliston—Yes. There is this issue of the relationship between the regional and the bilateral agreements, but the key message is that you are binding those tariffs and also delivering, over time, tariff elimination from the more developed ASEAN member countries and Vietnam on between 90 and 100 per cent of tariff lines, covering 96 per cent of current Australian exports to the region. So it is an extremely significant tariff outcome. This is further than ASEAN has gone with any other negotiating party.

The second point that I would highlight is the regional rules of origin that enable tapping into global supply chains. It gives us a baseline for that. There are some commercially meaningful improvements to existing World Trade Organisation commitments across a range of services sectors, including professional services, financial services, telecommunications and education, and that is country by country.

It contains a significant regime of investment protections—an investment protection regime. That covers matters such as transfer of funds—we are talking about post-establishment here—and the normal things that you would find in investor protection-type agreements. It contains a substantial economic cooperation component to assist countries to implement the FTA.

There were also so-called built-in agendas, review mechanisms or work programs. Senator Macdonald asked a question earlier about some of these work programs. You can actually go to the text of the agreement and find relevant provisions in the FTA where there is ongoing work that will be done in areas such as services, investment, rules of origin and non-tariff measures. Is that perhaps sufficient, Mr Chairman?

CHAIR—I asked you to describe the significance of it and you have outlined the five or six key aspects, both in an access sense and in a rule sense. So, yes, it was most useful. Can I ask you to put on the record—in a more mundane area, I suppose—what the principle market access gains are that flow from a free trade agreement with ASEAN and New Zealand.

Mr Mugliston—We have, in fact, got a lot of very detailed sectoral fact sheets on the DFAT website that detail the outcomes. I will highlight, if you like, some of the tariff outcomes.

CHAIR—Yes—the tariff outcomes that readily convert to market access gains.

Mr Mugliston—We are talking about the bindings of either the existing low tariffs or further tariff reductions and eventual elimination. There is a time frame there. It would just provide an opportunity to the Australian industry to see if they can actually take advantage of the opportunities presented.

CHAIR—I understand the point you are making. You have identified the playing field; it is for others to kick the goals. In that context, what sectors does the government currently anticipate would take advantage of easier access and, hence, be able to kick goals?

Mr Mugliston—There are good outcomes in the dairy sector, for example. You have tariffs on all tariff lines bound at zero per cent on entry into force or that phase to zero within a relatively short time frame. The exception is 11 tariff lines in the case of Indonesia that will be phased to four per cent, two lines in the Philippines that will be phased to five per cent, and three lines—liquid milk—in Malaysia that are subject to improved quota access. So that is the dairy outcome.

CHAIR—So dairy is a good outcome?

Mr Mugliston—I am happy to go into the detail of all this. This document is available on the website.

CHAIR—I am sure it is. Could you highlight the five or six key sectors that you and your officials in the government think might result in trade gains to Australian exporters? That would be sufficient.

Mr Mugliston—I can certainly highlight the meat and livestock sector and also grains. Horticulture is a little bit mixed, and I can explain that to you, if you wish. Overall, it is a good outcome, although it is disappointing on a couple of products. This was the subject of extensive questioning last Friday in the Joint Standing Committee on Treaties.

CHAIR—If it has been the subject of extensive questioning, I do not need to do it again; it is on the record.

Mr Mugliston—In the minerals sector, there is a very significant outcome in terms of the bindings of the tariffs—iron, steel, copper, lead and zinc. There is a very significant outcome in the automotive sector, but we did not quite get all that we were seeking by way of complete and early tariff elimination on passenger motor vehicles from our most key markets of interest. It was a good outcome with the Philippines and disappointing with respect to Indonesia, Malaysia and Thailand. We are basically delaying the elimination of our tariffs to those countries until we get reciprocal commitments from those countries. So it is a phasing.

Senator ABETZ—On the automotive sector, in relation to the ASEAN free trade agreement, our tariff protection in relation to those countries is currently, what, 10 per cent, five per cent?

Mr Mugliston—Yes.

Senator ABETZ—Is it 10 per cent to be reduced by five per cent by 2010? Is that correct?

Mr Mugliston—Yes.

Senator ABETZ—Can you tell us what the Thai tariff rate is against our motor vehicles at the moment? I would also be interested to know what it is for Malaysia.

Mr Mugliston—Under the ASEAN Australia-New Zealand FTA we have agreed to go to zero duties on entry into force of the agreement in respect of passenger motor vehicles for all the ASEAN countries except for those three that I mentioned: Indonesia, Malaysia and Thailand. To focus specifically on your question, Senator, in the case of Thailand what we have under the bilateral agreement with Thailand is that, on entry into force of the Thailand-Australia FTA on 1 January 2005, Thailand eliminated its 80 per cent tariff on large passenger motor vehicles, and for smaller vehicles the Thai tariff rate was cut from 80 per cent to 30 per cent and will be phased to zero by 2010, by 1 January next year, under the bilateral agreement. We were very much seeking and hoping to achieve the same outcome in the regional FTA, but unfortunately Thailand was not prepared to do that in the regional FTA. In fact, its commitment under the ASEAN Australia-New Zealand FTA is to eliminate all of its passenger motor vehicle tariffs in the year 2020.

Senator ABETZ—Have they backfilled, if I can use that term, in relation to tariffs with other taxes that in effect have the same market impact in relation to Australian made motor vehicles that we seek to export to Thailand?

Mr Mugliston—That was certainly an issue that arose in the context of the entry into force of the bilateral FTA with Thailand—the differential excise tax that was imposed—

Senator ABETZ—That is the one: the differential tax.

Mr Mugliston—That is the one that we have been seeking to address for a number of years with Thailand.

Senator ABETZ—Have we learnt a lesson in our negotiations to ensure that a country—and I am sure I am not using diplomatic terms here—cannot pull that sort of stunt on us again: that we enter into a free trade agreement in good faith and do not anticipate that the partner with whom we have made this agreement will then enter into a differential excise regime, or something of another obscure name, to in effect get around the tariff arrangements?

Mr Mugliston—This is the issue that we are all very conscious of in terms of market access. The tariff side of the equation is only part of the equation. You have also got other measures that are relevant in terms of providing for effective market access. It is difficult to discipline all those non-tariff measures. The lesson learnt is that we have to address those issues in terms of seeking to ensure that we have effective market access in these countries.

The approach taken in the ASEAN-Australia-New Zealand FTA was that essentially our time was fully occupied in addressing tariffs and getting that tariff outcome. But we recog-

nised, as did the ASEANs, that there were other measures that we also needed to address, monitor and keep engaged on. So what we have agreed is a work program on non-tariff measures whereby we are required to come forward and identify the sorts of problems by way of possible non-tariff measures. The committee is required to make a report within two years of entry into force of the agreement on such problems and also to make recommendations on how that can be tackled and addressed in the future. I guess, in terms of lesson learnt, one of the important things about the regional FTA—the ASEAN-ANZ FTA—is that it provides a platform for our ongoing engagement with ASEAN countries and working with New Zealand in terms of our ongoing dialogue.

CHAIR—When will the Australia-ASEAN-New Zealand FTA come into force?

Mr Mugliston—It is expected to enter into force later this year, and by 1 January 2010 at the latest. The basic entry into force requirement requires Australia, New Zealand and at least four ASEAN member countries to have completed their domestic procedures, and clearly we have not completed ours.

CHAIR—I understand the process.

Senator ABETZ—Just briefly in relation to Malaysia, could you take on notice, given the time constraints, a situation in relation to Malaysia. In my capacity as shadow minister for industry, I receive emails and letters from time to time. One of them is from an Australian company, which has been very successful, and its proprietor tells me: ‘The feedback we are receiving is that our submissions made all criteria in terms of technical specifications, laboratory testing, lead times and price, but we are missing out when it comes to import duties and taxes imposed by South-East Asian governments. For example, we were unsuccessful with a recent submission to a Malaysian construction company, primarily due to a 25 per cent customs duty, plus 10 per cent sales tax, imposed by the Malaysian government.’ This is a company that has recently undergone independent international benchmarking auditing. It seems to be very competitive and is just having huge problems breaking into the South-East Asian markets because of the reasons outlined. Can you confirm that Malaysia does have 25 per cent customs duties on some items?

Mr Mugliston—We have to be more specific than ‘some items’. Of course, it has some 25 per cent duties, and it also has 40 per cent duties et cetera.

Senator ABETZ—How are we going in trying to assist our ever depleted manufacturing sector in Australia from being able to find markets overseas? They compete on every basis other than the domestic taxation regime, which knocks them out of the field for competitiveness.

Mr Mugliston—We would need to look at the specifics of this particular product that you are referring to in terms of the tariff.

Senator ABETZ—I do not have permission to disclose somebody’s name and trawl it through *Hansard* at this stage. I want to get a general flavour of the issues that we are facing in relation to Malaysia. Are we anticipating, for example, that Malaysia might be one of the countries that will be signing up? Did you say Australia, New Zealand, plus another four?

Mr Mugliston—Yes. Malaysia is a member of ASEAN. We would clearly expect Malaysia to become a party, to complete its domestic procedures and to join the FTA—

Senator ABETZ—So we have every confidence in that?

Mr Mugliston—Yes, we do. It was signed by 12 governments, and now everyone is doing their domestic procedures. Just very briefly on Malaysia, in terms of the regional FTA, Malaysia has committed to eliminate tariffs on 96 per cent of its tariff lines by 2020.

Senator ABETZ—96 per cent?

Mr Mugliston—Yes. We were also negotiating bilaterally with Malaysia for a bilateral free trade agreement, but it was agreed at the end of 2006 to put those negotiations on hold so that we could concentrate on concluding the ASEAN-Australia-New Zealand FTA. Last October, Mr Crean met with his Malaysian counterpart and they agreed to resume the bilateral FTA negotiations. We met in November last year at officials' level to discuss the process and the program for resuming those formal negotiations. There has been some slippage in terms of our preparations due to preoccupation on both sides with finalisation, signing and tabling of the regional FTA. There have also been some recent ministerial changes in Malaysia, including the appointment of a new minister for international trade and industry. We are involved in bilateral discussions with the Malaysians regarding next steps and the approach we would be seeking to achieve AANZFTA-Plus outcomes in a bilateral FTA with Malaysia.

Senator ABETZ—Without delaying any further, can I wish you every strength for your arm as you pursue this further. Thank you.

Senator TROOD—I would like to ask a couple of questions about the Japan FTA, Mr Gosper.

Mr Gosper—I will ask Ms Adams to rejoin us.

Senator TROOD—Ms Adams, could you give us a brief account of the progress we are making on the Japan FTA, and also whether or not there is another round of negotiations scheduled some time in the near future.

Ms Adams—The next round, which will be the ninth round, is scheduled for late July; it is the week beginning 28 July. So work continues across the board on the services, investment, text and market access elements of that agreement. I can speak a little bit about the elements, if you wish, but it is an ongoing negotiation.

Senator TROOD—Could you give us just a little more detail about some of the key matters that are involved and also the particular issues that are required to be resolved. That would probably be the most helpful course.

Ms Adams—Certainly. On the services and investment front, we formally exchanged services and investment offers at the fifth round in April 2008, and both sides exchanged initial market access requests on services and investment at the eighth round in Tokyo, in March this year. So, on the services and investment side, there has been an exchange of both offers and requests in very detailed terms of what each side would be seeking by way of market access and also quite detailed and advanced work on the texts of the agreements that would cover those areas. We have very clearly reiterated our interest in sectors, including education and training, financial services, professional services and telecommunications. So there is a lot of work there that is proceeding. On the market access negotiations for goods,

Japan has registered sensitivities in relation to a number of agricultural products, including dairy, beef, wheat, barley, sugar and rice.

Senator TROOD—Is there anything left?

Ms Adams—Clearly that covers a large amount of agricultural exports of interest to Australia. Unsurprisingly, Australia is making it quite clear that it will not be acceptable in terms of a final FTA package for those products to be excluded or for Australia to not gain market access gains.

Senator TROOD—When the term ‘sensitivity’ is declared in these negotiations, does that mean that the side that declares sensitivity regards this as an area where there can be no negotiations, or is it flagging the issue as one that is going to be difficult to resolve? Or is it both?

Ms Adams—That tends to be a matter of discussion in terms of how sensitivities are to be dealt with. We would certainly say that sensitivities should be dealt with through means other than exclusions. That is a question of negotiating terms that could be acceptable to both sides. In fact, in this negotiation there has been a very intensive and extensive discussion of what do these sensitivities mean and how are they manifest and what could potentially be done about each or any of the components of the protection or the barriers, if you like. So we have had a very detailed, long, ongoing discussion of sensitivities and how they could be managed, and that continues.

Senator TROOD—Before I interrupted you, did you complete the list of areas that you wanted to mention? You mentioned goods in sensitive areas—

Ms Adams—I mentioned goods and services and investment, and really just to say that there is very detailed work advancing on the chapter texts of the agreement as well as the market access components.

Senator TROOD—Is there any sign that these negotiations are going to require political direction in the near future?

Ms Adams—I think it is true to say that you inevitably need political direction or political decisions to be made to get to a final conclusion in any of the agreements. That was certainly the case in the US agreement that was referred to earlier and also in ASEAN—any negotiation that is going to require changes in domestic policy will need political level involvement and direction.

Senator TROOD—Are you concerned about the difficulties that are occurring within the body politic or within the context of Japanese electoral politics at the moment? Are they causing any alarm or are they creating any reasons to slow down the progress of these negotiations? Do you have any reason to be troubled by those events?

Ms Adams—I think it is fair to say that the domestic political circumstances in any country can have a bearing on how prepared that government is to make decisions to change domestic arrangements. I do not know about concern—

Senator TROOD—I suppose the question is simple. Instability is too strong a word to explain the difficulties that exist in Japanese politics at the moment, but are you concerned that the political difficulties that are occurring between the government and the opposition et

cetera and the prospect of elections later in the year have in any material way slowed down the progress of the negotiations? That is what I want to know.

Ms Adams—I think it is fair to say that we do not have a high expectation of decisions being taken by the government of Japan to make significant changes in its negotiating positions this side of the election.

Senator TROOD—So we are going to have to await political events to some extent.

Ms Adams—To some extent; I think that is right. There is some work as is and that can continue on the large body of work that is entailed in agreeing to a free trade agreement. But on the big political issues it is fair to say that we do not—

Senator TROOD—Such as agriculture?

Ms Adams—Such as agriculture.

Senator TROOD—I have nothing further on Japan. I want to ask a question about the Gulf Cooperation Council FTA. Mr Gosper, I think it was, mentioned earlier that there is a further round of negotiations taking place in relation to GCC free trade—today is it?

Mr Trindade—That is correct. The fourth round of negotiations with the Gulf Cooperation Council is taking place currently. They have been scheduled over the last three days—31 May until today—in Muscat in Oman.

Senator TROOD—How are they proceeding?

Mr Trindade—I regret that I do not have a report of today's or yesterday's discussions.

Senator TROOD—I would be delighted if you could provide us with a detailed account of how we are going in the last couple of days. But I was really seeking a more general account of the progress of the negotiations.

Mr Trindade—I understand. We have had three negotiating rounds up until now. There was a fairly long pause in the negotiations between the second and third rounds. The third round was held in February of this year. There were a range of factors—I may have explained that—principally on the side of the Gulf Cooperation Council countries; as you would be aware it is a number of different countries with their own constituent governments, and coordination of their policy positions is complicated at times. The resumption of the negotiations is, I think, attributable to perhaps some of those political engagements that were referred to just recently because it came about after high-level representations and engagement by Minister Crean as well as Minister Smith and indeed the Prime Minister at different opportunities when they were meeting their counterparts from the constituent members of the Gulf Cooperation Council.

The negotiations are at the stage at the moment still where we have not exchanged formal offers, so it is still very much in scoping-out and discussion. Different elements are progressing faster than others. Obviously in those negotiations we are looking for an outcome that will be of benefit to our key export interests in those countries, which includes the automotive sector. We have at this stage still to exchange offers.

Senator TROOD—The automotive sector is obviously very important to us in this negotiation. Has there been any particular discussion about that sector in the earlier rounds?

Mr Trindade—It is certainly the case that the Gulf Cooperation Council negotiators are aware of our interests and of our position. As I said, we have not exchanged offers in the goods sector yet.

Senator TROOD—Is the GCC negotiating any free trade agreements with any other parties?

Mr Trindade—Yes.

Senator TROOD—Could you give me an idea who they are and how well advanced their negotiations are.

Mr Trindade—The GCC have concluded one FTA: with Singapore in December 2008. That is expected to enter into force in the first half of this year. We understand that the GCC is currently engaged in FTA negotiations with the European Union; the European Free Trade Association, which comprises Iceland, Liechtenstein, Norway and Switzerland; and with Japan, China, New Zealand, Korea, India and Pakistan. These negotiations are at different stages of advancement. I am afraid I do not have detail for all of them of where they are at.

Obviously, one of the key goals that we will have in looking to secure our market access to these important markets in the Gulf Cooperation Council countries will be to ensure that none of our competitors with whom they are negotiating will be getting better treatment than us. In other words, we would be seeking MFN treatment.

Senator TROOD—I realise you do not have a detailed understanding of the progress of all of these negotiations, but are you aware of any of those you have mentioned that may be near to conclusion?

Mr Trindade—Not at this stage. I think this is just a guess with some of them. Obviously negotiations between parties are confidential to the parties. So what we might hear informally from others is not something that we would necessarily see published or recorded.

Senator TROOD—No. So our concern is perhaps not so much that there may be a trade agreement concluded with one of these parties but that, if there were to be an agreement concluded, the basis of access that is represented in the agreement would be the same as the one we would secure—or better, of course.

Mr Trindade—Certainly not better, and certainly not where the other party was one who had similar or competing export interests to our own.

Senator TROOD—I see. Thank you.

Senator ABETZ—What would happen with these agreements if, for example—and this is one that I am concerned about—the GCC were to then negotiate one that is not on the horizon as yet? Say we had locked ours away, and they then did a deal with, for example, Thailand. With Toyota plants et cetera around the world and Toyota investing heavily in Thailand, the Thailand component of Toyota could well be a competitor to our sector in the GCC. What would happen in those circumstances?

Mr Trindade—I was going to answer that with a general observation on FTAs. It is possible in FTAs to negotiate—

Senator ABETZ—Could you just bear with me for a moment; I am sorry about this. Mr Trindade, with no disrespect—and I would have been very interested in your answer—would you be so kind as to provide me with a written answer on notice, given the time constraints we have this evening?

Mr Trindade—Certainly.

Senator ABETZ—I am a bit of an interloper in this committee, and I do not want to cause the ire of any of my colleagues by taking up too much time. Thank you.

Senator TROOD—My question is about the recognition of Vietnam's market economy status and the basis upon which we reach that decision, in light of the criticisms the former government received in relation to extending that to China. There seems to be an absence of reciprocity here. What is the foundation upon which you based your conclusion that Vietnam has reached this status?

Mr Mugliston—Let me answer your question, Senator. Australia agreed to recognise Vietnam's market economy status in the context of the commitments made by Vietnam under the ASEAN-Australia-New Zealand FTA. This was regarded by Vietnam as an integral part of the overall package and outcome. A key component and an essential element for Vietnam was recognition of that market economy status for it. The nature of the negotiations essentially revolved around, on our side, our key market access interest on goods and services as well as other characteristics that you would expect from a market economy. That was the nature of the negotiations. We made the point throughout the negotiations; I should mention that this was a point made at ministerial level as well and was identified as a key priority. The discussion between ministers was along the lines of making it very clear that Australia looked to Vietnam to make commitments in AANZFTA that were consistent with what would be expected of a market economy. It was the overall assessment that the outcome we got in terms of tariffs—where Vietnam is going from current tariff-free treatment of about 29 per cent of its tariff lines to 90 per cent, including on products of major export interest to us—met the requirements. I should note as well that we did consult with industry on this.

Senator TROOD—So it was Vietnam's position that these negotiations, so far as they were concerned, would not be proceeding very far if that recognition was not extended—is that right?

Mr Mugliston—They made it clear that one of their key objectives was to secure this outcome as part of the overall outcome.

Senator TROOD—I see. Chair, I have a couple more questions with regard to this matter, but in light of the time and my colleague's need to ask some questions I will put them on notice.

CHAIR—Thank you for that, Senator Trood.

Senator FIERRAVANTI-WELLS—I would just like to ask a couple of general questions, if I can, on EFIC. First of all, in view of some of the difficulties that our exporters are now facing, are you looking at EFIC with a view to lending assistance? Have you given any consideration to that effect or is that something you are just keeping an eye on?

Mr Tighe—You are right to say that the financial crisis has caused some consequences in financial markets and credit markets of all types, and that would include the trade finance market. We are very conscious of some of the developments that have happened in that market. For example, we have noted that there has been some tightening of conditions on the provision of trade finance, some increase in premiums and some withdrawal of limits in some areas, particularly in the short-term credit markets. With EFIC, the government is monitoring those developments very closely.

Senator FIERRAVANTI-WELLS—Have you become aware of QBE making any decisions recently in relation to, basically, changing its attitude, particularly in the wool and textile area?

Mr Tighe—The wool and textile area is one of considerable risk both at the retail level and at levels lower down in the production chain, and we are certainly aware that QBE has been withdrawing some of its limits in those areas. That is the sort of response you would expect when people are reassessing the credit conditions and re-examining their exposures.

Senator FIERRAVANTI-WELLS—I am not sure if you are aware of an article which appeared in the *Australian* on 11 May, which starts:

VULNERABLE retailers and suppliers across a raft of industries face a potential cash-flow crisis as trade insurance underwriters, most notably industry leader QBE, curtail their exposure to the sector.

The reason I read this article is that it makes reference to the British government last month introducing a \$10 billion trade credit insurance scheme available to 14,000 mid-sized businesses to mitigate against disruption to the supply chain and cash flow of a quarter of a million companies they do business with. That is obviously what is happening in Britain; is that something that we might be looking at, contemplating or exploring options about?

Mr Tighe—Yes, we are indeed exploring options about it. As I said, EFIC has been monitoring the trade finance market very closely since the onset of the financial crisis. The situation in Britain and other countries is quite different to the situation in Australia because the respective export credit agencies have different mandates and operate in different parts of the market. In the Australian context, for example, the Export Finance Insurance Corporation does not have a short-term business. That business was sold off by the then government in, I think, 2002 or 2003. I am not certain of the date.

Senator ABETZ—I think it was a bit later.

Mr Tighe—It was thereabouts. It was before 2007—put it that way.

Senator ABETZ—Yes.

Senator FIERRAVANTI-WELLS—Senator Abetz was telling me about that before.

Mr Tighe—It is a matter that we are considering. We do not have exactly the same tools available to us as, for example, as the British export credit agency has, but it is an area that we are reviewing and actively considering. We will continue to do that and take action if the consequences dictate that.

Senator FIERRAVANTI-WELLS—Can I just ask one question. On page 36 of the portfolio budget statement there is a reference to EFIC national interest account expenses and

it lists the expenses related to the account. How much is actually in that account? I would assume there would be a—

Mr Tighe—You will forgive me if I do not have the actual figures in front of me, but perhaps I can explain. The national interest account is an account which EFIC operates on behalf of the Commonwealth. EFIC operates on a commercial basis. It has its own board, its own capital and it undertakes most of its transactions on what it calls its commercial account, which it operates itself. However, if there is a transaction which the EFIC board thinks the Commonwealth may want to take up in the national interest which EFIC has made the judgment is too risky, too large or somehow or other distorts EFIC's portfolios such that it is not prepared to do it on its own account it will refer it to the Commonwealth for consideration on the national interest account. So the account is not something that has money in it. It is more along the lines of contingent liability where, for example, EFIC will undertake a transaction on the Commonwealth's part. The Commonwealth wears the liability of that transaction but it is actually EFIC which raises the money to finance export transactions. Most of the exposure on the national interest account dates back quite some years to a facility that was called the development import finance facility. It was a mixed credit facility where concessional loan money was mixed with commercially raised money to provide finance for large-scale infrastructure projects overseas.

Senator FIERRAVANTI-WELLS—I have one last comment and I guess I direct it to you, Minister. We have heard in estimates of figures of over half a million people, nonresidents, who potentially may have got \$900 going overseas, with perhaps some of these moneys running into hundreds of millions which could well have gone into some other sort of fund to help some of our exporters who are in very dire circumstances. Senator Abetz has got some questions on that.

Senator ABETZ—Yes. For want of a better term—and you may correct the terminology—the 'insurance arm' of EFIC was sold. The marketplace at the time appeared to be giving relatively competitive insurance quotes. I just have a specific example in Tasmania of a small business that salvages some specialty timbers from timber coops and is then able to export it. It has a turnover of about \$450,000 per annum. The insurance premium on these exports used to be about \$3,000. This year it was told there was a basic entry level to get this type of insurance of \$15,000 flat. For a small business, as you might imagine, a fivefold increase is a fair hit. I am wondering whether EFIC is exploring the opportunities to provide some assistance or to guarantee some of these insurance premiums so that the actual amount charged to the small businesses can be limited.

Mr Tighe—As I said before, EFIC and the government are very alert to the changes in the market which have flowed from the financial crisis. Some of them are perfectly normal reactions that you would expect in a market when risk is being re-assessed and people are re-examining their portfolios and their exposures. But we are also very conscious of what export credit agencies in other countries are doing and what potentially competitive effect that may have on the capacity of Australian exporters to compete in foreign markets if they are competing against more favourable conditions from other countries' export credit agencies. So I can say to you that, yes, the government is alert to it and, yes, it is watching it very closely.

Senator ABETZ—Is the fact that you are alert to it because there have been a number of representations to you about the problem that Senator Fierravanti-Wells and I have raised this evening?

Mr Tighe—A relatively small number, I have to say, given how dramatically the conditions in the market have changed. We have certainly had some representations in the wool sector in particular. I have to say it is a little bit difficult also to disassemble the impacts of what is happening in the market as between, for example, the impact of the availability of finance on the one hand and the impact of a reduction in demand on the other. Certainly in some of these areas trade volumes have fallen quite sharply, but it is a little bit hard to discern whether that is because the demand is no longer there or whether it is because the exporters are struggling to get the finance they need to pursue their export activities.

Senator ABETZ—I do not dispute what you say to me, but can I say that I find it surprising that only a few, or not many, representations have been made in relation to that. Can I recommend to you and to you, Parliamentary Secretary, that, even if it is only a few, they are still worthy of consideration in the total scheme of things and it is important to assist them in these insurance matters which are very much outside their control and can potentially be crippling to the small and medium enterprise business sector. Parliamentary Secretary, could I ask you to take on notice to the minister what he intends to do in this space. Could you also take on notice to get a time line as to when we might be able to anticipate some action in this area, just so that we keep this issue alive and do not let it slip again until next estimates, because there is some urgency associated with this matter for at least a couple of sectors in the Australian economy.

Senator FIERRAVANTI-WELLS—In relation to that question from Senator Abetz, and given the representations that have been made by the wool industry, can you also take on notice what specifically you will be looking at or contemplating in the wool industry?

Mr Tighe—Sure.

CHAIR—As there are no further questions, thank you very much, Mr Gosper and your officials, for attending this evening. Your assistance has been much appreciated. Any final comments, Senator Stephens?

Senator Stephens—No, thank you, Chair.

CHAIR—Thank you very much. The committee will adjourn until 9 am tomorrow.

Committee adjourned at 9.54 pm