



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION
COMMITTEE

ESTIMATES

(Supplementary Budget Estimates)

THURSDAY, 3 NOVEMBER 2005

CANBERRA

BY AUTHORITY OF THE SENATE

INTERNET

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to:
<http://parlinfoweb.aph.gov.au>

SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE

Thursday, 3 November 2005

Members: Senator Johnston (*Chair*), Senator Hutchins (*Deputy Chair*), Senators Bishop, Ferguson, Payne and Stott Despoja

Senators in attendance: Senators Faulkner, Ferguson, Forshaw, Heffernan, Hogg, Johnston and Trood

Committee met at 9.07 am

FOREIGN AFFAIRS AND TRADE PORTFOLIO

In Attendance

Senator Sandy Macdonald, Parliamentary Secretary for Trade

Department of Foreign Affairs and Trade

Portfolio overview

Ms Gillian Bird, Deputy Secretary

Ms Penny Williams, First Assistant Secretary, Corporate Management Division

Ms Ann Thorpe, Chief Finance Officer

Output 1.1: Protection and advocacy of Australia's international interests through the provision of policy advice to ministers and overseas diplomatic activity.

1.1.1: North Asia

Mr Peter Baxter, First Assistant Secretary, North Asia Division

Mr Michael Mugliston, Head, Asia Trade Task Force

Mr Peter Roggero, Director, China Political and External Section

1.1.2: South and South-East Asia

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

Mr Scott Dawson, Head, Australia-Indonesia Partnership for Reconstruction and Development Secretariat

1.1.4: South Pacific, Middle East and Africa

Mr David Ritchie, First Assistant Secretary, South Pacific, Africa and Middle East Division

Mr Marc Innes-Brown, Head, Iraq Task Force

1.1.5: Bilateral, regional and multi-lateral trade negotiations

Mr Christopher Langman, First Assistant Secretary, Office of Trade Negotiations

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

Mr Jeremy Newman, First Assistant Secretary, Americas and Europe Division

Mr Peter Baxter, First Assistant Secretary, North Asia Division

Mr David Ritchie, First Assistant Secretary, South Pacific, Africa and Middle East Division

Mr Stephen Deady, First Assistant Secretary, Trade Development Division

Mr Nic Brown, Assistant Secretary, Trade and Economic Analysis Branch

Mr Richard Maude, Assistant Secretary, Americas Branch

Mr Michael Mugliston, Head, Asia Trade Task Force

Mr Paul Wojciechowski, Director Thailand, Vietnam, Laos Section

Mr Graeme Lade, Director Malaysia, Brunei, Singapore Section

1.1.6: Trade development/policy coordination and Asia-Pacific Economic Cooperation

Mr Stephen Deady, First Assistant Secretary, Trade Development Division

Mr Nic Brown, Assistant Secretary, Trade and Economic Analysis Branch

Mr Michael Mugliston, Head, Asia Trade Task Force

1.1.7: International organisations, legal and environment

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

Ms Jan Adams, Ambassador for the Environment

Mr James Larsen, Assistant Secretary, Legal Branch

Ms Zena Armstrong, Assistant Secretary, Environment Branch

1.1.8: Security, nuclear disarmament and non-proliferation

Mr Les Luck, Ambassador for Counter-Terrorism

Mr David Stuart, First Assistant Secretary, International Security Division

Mr Andrew Goledzinowski, Assistant Secretary, Counter Terrorism Branch

Mr Andrew Leask, Assistant Secretary, Australian Safeguards and Non-Proliferation Office

Output 2.1: Consular and passport services.

2.1.1: Consular services

2.1.2: Passport services

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

Mr Robert Nash, Assistant Secretary, Passports Branch

Output 4.1: Property management.

Output 4.2: Contract management.

Mr Peter Davin, Executive Director, Overseas Property Office

Enabling services

Ms Penny Williams, First Assistant Secretary, Corporate Management Division

Ms Ann Thorpe, Chief Finance Officer

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

Australian Agency for International Development (AusAID)

Outcome 1: Australia's national interest advanced by assistance to developing countries to reduce poverty and achieve sustainable development.

Outcome 2: Australia's national interest advanced by implementing a partnership between Australia and Indonesia for reconstruction and development.

Ms Annmaree O'Keeffe, Deputy Director General, Global Programs Division

Mr Murray Proctor, Deputy Director General, Asia Division

Mr Alan March, Assistant Director General, Humanitarian Coordination and Public Affairs Branch

Ms Judith Robinson, Assistant Director General, Pacific Branch

Mr Peter Smith, Acting Assistant Director General, Australian Partners Branch

Mr Scott Dawson, Head of AIPRD Secretariat

Mr Peter Versegi, Assistant Director General, White Paper

Australian Trade Commission (Austrade)**Portfolio overview****Outcome 1: Australians succeeding in international business with widespread community support.****1.1: Awareness raising****1.2: Government advice and coordination****1.3: Services and opportunities****1.4: Austrade administered: EMDGs for small to medium sized businesses and ITES loans and advances.**

Mr Hamish McCormick, Executive Director, Government and Corporate Services

Mr Greg Field, Chief Finance and Information Officer

Ms Margaret Ward, General Manager, Export Finance Assistance Programs

Mr Michael Vickers, Manager, TradeStart Partnerships

Mr Tim Harcourt, Senior Economist

Mr Peter Gunning, Group Manager Business Support, Corporate Finance

Ms Hazel Bennett, Group Manager, Analysis and Planning

Ms Helen Monro, eCommerce Manager

CHAIR (Senator Johnston)—I declare open this meeting of the Senate Foreign Affairs, Defence and Trade Legislation Committee. I welcome Senator Sandy Macdonald, Parliamentary Secretary for Trade; Ms Gillian Bird, Deputy Secretary; and officers of the Department of Foreign Affairs and Trade. Today the committee will examine topics nominated by senators of the Department of Foreign Affairs and Trade, beginning with the portfolio overview and followed by the outputs and enabling services. The committee has resolved that Thursday, 15 December 2005 is the return date of answers to questions taken on notice at these hearings.

Please note that Senate standing order 26(1) requires that all evidence taken during estimates hearings shall be public. That includes answers to questions on notice. There is no capacity to receive evidence, including answers to questions on notice, in camera or on a confidential basis. An officer of a department of the Commonwealth shall not be asked to give opinions of matters of policy; however, you may be asked to explain government policy, describe how it differs from alternative policies and provide information on the process by which a particular policy was selected. An officer shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. Minister and Ms Bird, do either of you wish to make an opening statement?

Senator Sandy Macdonald—I do not.

Ms Bird—No, thank you.

CHAIR—No? I thought that might be the case.

Senator FAULKNER—Ms Bird, as I mentioned informally before the start of the hearing, I will ask some questions about the AWB issue. So we are clear about the process, which might save a lot of time in the hearing, you may care to provide a brief overview of the process of approval for the AWB's oil for food contracts. However, as I understand it, it starts with the AWB and the Iraqi grain board negotiating and signing commercial contracts. That is basically the start point. Then the AWB provides those contracts to the Department of Foreign

Affairs and Trade here in Canberra. Could you confirm that or, if I am not correct in that, outline what precisely the process is?

Ms Bird—No, you are correct.

Senator FAULKNER—What does DFAT do when those contracts are provided to it? What activity in relation to those contracts does DFAT undertake?

Ms Bird—The role that we undertook was to examine the paperwork that was provided to us to make sure that it had been properly completed, that all of the information that was required was in there and that the good that was being proposed for export seemed to be within the purview of the oil for food scheme, which allowed the export of certain goods but not others. Once we were satisfied that the paperwork was properly completed, that was then forwarded to the United Nations through our mission in New York.

Senator FAULKNER—Which particular element of the department undertook that process of examination of paperwork?

Ms Bird—At the time that was carried out by our Middle East and Africa Branch. They had responsibility for Iraq.

Senator FAULKNER—What resources go into this sort of work at the branch level?

Ms Bird—There were a number of officers involved in the branch and the section who would have been involved in the oil for food program.

Senator FAULKNER—Was there some sort of departmental sign-off before transmission to New York?

Ms Bird—It was done within that branch.

Senator FAULKNER—But was there a sign-off process? I am trying to understand how it worked.

Ms Bird—In a sense, the sign-off was when the area concerned was satisfied that the paperwork was properly completed, that all the elements were filled out and that it was a good that seemed permissible for export. That paperwork was then forwarded to the UN, and that would have been done through our UN mission.

Senator FAULKNER—So it did not go to a more senior level in the department. It was actually just done at the branch level and then transmitted at the branch level to your officials in New York. Is that what you are saying?

Ms Bird—Yes, that is correct.

Senator FAULKNER—At what level was the official who made this determination about whether it conformed with requirements?

Ms Bird—They were within the branch level. Perhaps I could explain; that might assist the process. The actual approval of the contract—the vetting of the contract to make sure that it was within the oil for food scheme—was done by the United Nations in New York. The role of member states was simply to ensure that that paperwork was, as I said, properly completed so that the UN had all the information that it needed. It obviously would not pass on a

contract that fell outside the purview of the scheme which allowed for humanitarian goods to be supplied, but the UN was the one that actually did the vetting and checking of the contract.

Senator FAULKNER—I do appreciate the distinction, and I hope I did not use the word ‘approval’. Did I use the word ‘approval’?

Ms Bird—I cannot recall.

Senator FAULKNER—If I did, I did not mean to use it in that sense. I appreciate what occurs at the UN. Nevertheless there is a process of checking. I think it is fair to use the word ‘checking’.

Ms Bird—Absolutely.

Senator FAULKNER—There was checking at the DFAT level, and at some level in the Middle East and Africa Branch someone ticked off that that checking was completed.

Ms Bird—That the form had been properly completed, yes.

Senator FAULKNER—And that the contract, in the view of the branch, fitted within the purview of the scheme.

Ms Bird—That is right—that it was not a good that would obviously not have been allowable under the scheme.

Senator FAULKNER—‘That was allowable under the scheme’ are probably good words to use.

Ms Bird—Yes.

Senator FAULKNER—So my question is: at what level in the department did that ticking off occur? I am not asking for the name of the officer; I am just asking what level officer we are talking about. Was it the branch head, in other words, or was it someone more junior?

Ms Bird—Perhaps I could explain that the program went from 1996 to 2003. It went over a number of years, so a number of different officers would have been involved. Generally speaking, I would characterise those involved in the checking process as mid-level officers.

Senator FAULKNER—Fair enough. I am not actually asking you for officers’ names; I am interested in their position. Did it get to the level of branch head, for example?

Ms Bird—There may have been some involvement at the branch head level. It was within the branch, so you would be looking at people in the mid-level range and possibly, occasionally, an SES officer.

Senator FAULKNER—But not always an SES officer?

Ms Bird—No, it could have been a mid-level officer.

Senator FAULKNER—Would there have been reporting about this up the line to branch head, deputy secretary, secretary or minister?

Ms Bird—No. As I said, it was not actually a difficult task to check that all of the boxes were filled in and that the good was not something like a dual-use product.

CHAIR—Was there a form?

Ms Bird—There was a contract. That is what it was.

CHAIR—A standard form was used, and it was used for all manner of goods?

Ms Bird—Yes, that is right—it was used for the goods that were being exported under the oil for food program. There were a range of humanitarian goods.

CHAIR—So there was a standard form, and companies that were providing food to Iraq would submit the form?

Ms Bird—Companies that were providing food and other goods that were permissible.

CHAIR—So the AWB stuff just fitted into the broad range of—

Mr Innes-Brown—Yes. There was a standard application for permission to export, but my understanding is that there was also a contract document that related to the specific contract that would go along with that pro forma UN form.

CHAIR—And that would be sent to the UN for further approval?

Ms Bird—For approval, yes.

CHAIR—So they were the last one to sign off on the whole—

Ms Bird—In fact, the UN was the one to sign off. We did not sign off; it was the UN.

CHAIR—So you just administered the form, presented the documents, and the UN signed off and allowed the trade to go forward?

Ms Bird—That is correct.

Senator FAULKNER—Thank you for that information. Let us take it from the middle-ranking officer in the department—possibly an SES officer. After this checking process, it went to other departmental officers in New York. Is that correct?

Ms Bird—Correct.

Senator FAULKNER—Did those officers then submit the contracts to the UN Office of the Iraq Program? Is that how it works?

Ms Bird—Yes, they were forwarded to the Office of the Iraq Program and the 661 sanctions committee.

Senator FAULKNER—Before we get to the 661 committee, what, if any, role did your officers have in New York? It sounds like they basically had a post box role. I am not sure. Can you tell me if it was anything beyond that? They received the documentation from officials here in Australia. Obviously they passed it to the 661 sanctions committee. Did those DFAT officials have any role before that material was passed on?

Ms Bird—No. I think you correctly characterise it. In terms of the passage of the contract it was essentially a post office role.

Senator FAULKNER—In relation to the contract or contracts which have received some notoriety—I am not actually sure whether it is contracts; I think it is, but you can confirm that for me.

Ms Bird—Yes, there were a number of contracts. It was not just one.

Senator FAULKNER—The contracts then go to the 661 committee. In the case of these contracts, the 661 committee approved them—is that right?

Ms Bird—There was a 661 committee and there was also the Office of the Iraq Program. That was set up specifically to vet the contracts. They had a number of customs and other experts to look at the contracts and look at things such as price and value. They did all of those checks. Then they decided whether or not the contract could be allowed under the oil for food program and they gave the necessary approvals.

Senator FAULKNER—So the approval is actually in the OIP, not the 661 committee. Is that what you are saying?

Ms Bird—It varied a little bit over the course of the program. My colleague could explain that.

Mr Innes-Brown—Would you like a bit more detail on that?

Senator FAULKNER—What I am asking is whether the approval there is in the 661 committee or the OIP. Perhaps it is in the OIP in the name of the 661 committee. You can explain that to me.

Mr Innes-Brown—As Ms Bird has indicated, during the initial phase of the program, it was the 661 committee. However, in 1999, some of those approval functions for certain types of goods, mainly humanitarian goods, were devolved to the Office of the Iraq Program for approval. However, my understanding is that, when they did approve a humanitarian contract, they would still notify the 661 committee. There was the establishment of what was called a ‘green list’. On that were humanitarian products, essentially. Later on, in 2002, there was another change where there was a much narrower group of products that the 661 committee would still be required to approve. They were things that appeared to have a dual use component to them. So it varied over time.

Senator FAULKNER—So it is interchangeable—is that what you are saying?

Mr Innes-Brown—No, not interchangeable; it evolved, I think.

Senator FAULKNER—If, for the sake of the exercise, we say the OIP, that is fair enough, is it?

Ms Bird—You could just say the UN.

Senator FAULKNER—So, you are saying, your officials just basically submit the paperwork to the UN?

Ms Bird—Yes, that was what was required. It had to be done through the missions of the member states. The UN did not deal directly with the companies.

Senator FAULKNER—Is it just paperwork they submit or is it contracts that they submit?

Ms Bird—They submitted the contract with the relevant paperwork.

Senator FAULKNER—Let us follow through on what Senator Johnston was asking. Back here in Australia, before it gets over to the UN, does the department look at the contracts before it completes the paperwork? I assume that it does.

Ms Bird—Only, as I said, to check that everything was properly completed, that it was in order and that it looked like it was a product or good that would be permissible.

Senator FAULKNER—But is there an examination of the contract?

Ms Bird—To that extent, yes.

Senator FAULKNER—I do not know how the paperwork could be completed if the contracts were not looked at. That would seem to be quite remarkable.

Ms Bird—We needed to make sure the contract was there, yes.

Senator FAULKNER—So the contracts are examined and then the paperwork is completed.

Ms Bird—We checked that the paperwork the company supplied us was in order and then forwarded it to the UN to be vetted and approved.

Senator FAULKNER—At the moment I have us parked nicely in the United Nations 661 committee and I will come back to that, but can you provide to the committee the dates of each contract in this case. Have you got that information?

CHAIR—Firstly, how many contracts are there?

Senator FAULKNER—That would be helpful and a very good start.

Ms Bird—There were a number. I am sorry, I do not have with me the exact number or the exact dates, but we could certainly take that on notice for you.

CHAIR—Can you estimate? I think we are talking hundreds, aren't we?

Mr Innes-Brown—Yes. There was a large number because, for instance, with wheat, each shipment was a different contract.

CHAIR—Yes. So we are talking over 200, aren't we?

Mr Innes-Brown—Around that figure, yes.

Senator FAULKNER—Do you have that information with you?

Ms Bird—No, sorry.

Senator FAULKNER—It would be in consolidated form in the department though, obviously, wouldn't it?

Ms Bird—We have all the information in our files but we would have to go through them for you.

Senator FAULKNER—Hang on. I do not pretend to be an expert in this, but aren't the lists of contracts appended to the Volcker report?

Ms Bird—I would have to check on that. If they are, they are available there.

CHAIR—I do not think the Volcker report actually lists the contracts. It lists the parties and a number of the contracts, but I do not think—

Senator FAULKNER—That is why I am asking the question. I thought that the contracts were listed. I thought I had been fairly slack and not looked at the appendix to double check that. I will take your word for it.

CHAIR—I am not sure. There will be some hundreds.

Senator FAULKNER—Yes.

Ms Bird—We can check if there is a list in the Volcker report for you.

Senator FAULKNER—I thought there was a list of contract numbers, but I am just going on memory.

Ms Bird—We have just found the reference. It says 41 AWB contracts.

Senator FAULKNER—It is 41; a bit different to hundreds.

CHAIR—Sorry—41.

Mr Innes-Brown—The number I referred to were other sorts of—

Senator FAULKNER—Do not be defensive, Mr Innes-Brown. It was not a criticism, I can assure you. It is much better to have the precise figure and we appreciate it.

CHAIR—Is that 41 deliveries of wheat?

Ms Bird—Yes, it is 41 AWB contracts for delivery of wheat.

CHAIR—Do any of the contracts incorporate more than one delivery?

Ms Bird—We would have to check on that.

Senator FAULKNER—I think those contract numbers are in the report. That was my understanding.

Ms Bird—Yes, you are correct. We stand corrected; they were in the report.

Senator FAULKNER—I think we are making progress. You may not have this information in your back pocket, Ms Bird, I appreciate that. What I am asking for are the dates of those contracts. We have the contract numbers; can you please provide the dates of those contracts.

Ms Bird—Can we take that on notice? We do not have that with us.

Senator FAULKNER—But if it is able to be provided—

Ms Bird—We will do it as quickly as we can. We just do not have it with us.

Senator FAULKNER—Yes, if it is able to be provided a bit later in the hearing today that would be terrific.

CHAIR—We are talking about 1996 to 2001, aren't we?

Ms Bird—From 1996 to 2003.

CHAIR—As long as we have got that clear.

Senator FAULKNER—I do not have them in front of me but I think the easy way to do it is to go to the list of contract numbers, and I assume the department will be able to match a date to the contract number. However, it is not my task to work that out but I do not think it will be a difficult challenge. We left the process somewhere there in New York, I reckon, Ms Bird, over in the UN and, just for the clarity of the record, it is the UN, be it the Security Council Sanctions Committee—or the 661 committee as it is called, be it the OIP, it is the UN in whatever guise that approves the contracts and grants the permission to export, as far as I understand—is that correct?

Ms Bird—That is correct.

Senator FAULKNER—That was not always the OIP, Mr Innes-Brown, which I think is the import of your evidence to us. The actual approving body, if you like, evolves over time?

Mr Innes-Brown—That is correct, yes.

CHAIR—This is pursuant to a UN resolution, is it not?

Ms Bird—This was all set up by the UN Security Council and is pursuant to the Security Council resolutions, correct.

CHAIR—So the resolution is, in fact, the authorisation for the program and it is administered by the UN?

Ms Bird—Correct.

CHAIR—So you are just an applicant, in other words, on behalf of a citizen corporation of Australia?

Ms Bird—Yes, the UN did not deal directly with companies. It was the member states that had to be the conduit for passing those contracts from companies. That is correct.

CHAIR—Okay.

Senator FAULKNER—What is DFAT's next role after UN approval?

Ms Bird—Once the UN approval is granted then an export permit is issued in Australia under our customs regulations to allow the export of that good.

Senator FAULKNER—Then the next step?

Ms Bird—Then the exporter is free to export the good. At that stage the government role essentially is concluded.

Senator FAULKNER—My understanding was that the UN then sends confirmation of its approval or otherwise—in this case I think it is approval. I think in all cases it was approval, wasn't it?

Ms Bird—Of the AWB contracts?

Senator FAULKNER—Yes.

Ms Bird—Yes, that is correct.

Senator FAULKNER—Isn't it true that the UN gives confirmation to DFAT in New York of the approval of the contracts?

Ms Bird—That is correct and that is passed back to Canberra, which is where the export permit is issued.

Senator FAULKNER—Before we get back to Canberra in this travelogue, does anything happen, other than transmission to Canberra, with your officers in New York after that confirmation of approval comes through?

Ms Bird—No, I do not think so. As I said, you are right, the UN approves it and that advice is passed to the UN mission, the relevant mission. That is reported back to Canberra and it is in Canberra that we issue the export permit.

Senator FAULKNER—By issuing the export permit, that also obviously involves advice to AWB, I assume, does it?

Ms Bird—Yes, the permit goes to the company which was exporting the good. It is their necessary paperwork so that it can actually be transported.

Senator FAULKNER—What I would just like to know to get the full picture is that that confirmation of the approval comes to DFAT in New York that pass this on to Canberra: can you just detail for me what the steps are in Canberra when you get it back? First of all, who handles it?

Ms Bird—The export permits were granted by the head of the Middle East and Africa Branch.

Senator FAULKNER—Right. So that is done at branch head level?

Ms Bird—Yes, that is correct.

Senator FAULKNER—In each case?

Ms Bird—Yes—or the acting branch head if there was not a branch head.

Senator FAULKNER—So the actual issuer of the export permit is the branch head of the Middle East and Africa branch?

Ms Bird—Correct.

Senator FAULKNER—Is an advice developed before that or is it more just a paper trail and the tick comes through—

Ms Bird—Under the scheme, formal approval was a responsibility of the UN so the UN gave the approval. We then gave an export permit to allow that good to be exported.

Senator FAULKNER—And that is done at branch head level?

Ms Bird—Yes.

Senator FAULKNER—Is that reported up through the department to ministerial level? What happens?

Ms Bird—No.

Senator FAULKNER—That is what I am trying to understand. Is it just handled at the branch level?

Ms Bird—Correct, so that the company can export the good.

Senator FAULKNER—Right. Is there some contact with the AWB?

Ms Bird—They would be passed the export permit.

Senator FAULKNER—Sure. Is that the limit of it?

Ms Bird—As far as we know, yes.

Senator FAULKNER—And once the export permit has been issued, it is up to the AWB to then export the goods?

Ms Bird—Correct.

CHAIR—With respect to the other exporters—not AWB—have we ever had an application to the UN rejected under this program?

Ms Bird—There have been some put on hold.

CHAIR—Can you tell me why?

Ms Bird—Yes. There were a number put on hold when the UN had some questions about a particular contract.

CHAIR—Do you mean they actually vetted the contract—burrowed in and dug down into the contract—

Ms Bird—That is correct.

CHAIR—and we had some rejected. Why was that?

Ms Bird—I do not think in our case that any were actually rejected.

Mr Innes-Brown—There were two categories of process.

CHAIR—They were put on hold.

Mr Innes-Brown—Yes. There were two categories. In one, I think the UN used the word ‘block’ and then there was ‘hold’. Hold was a temporary hold while further queries were made in relation to a contract.

CHAIR—So the real scrutiny of these contracts resided with the UN at all times?

Ms Bird—That is correct and, as I said, they did do that. They blocked contracts. They put holds on contracts. They pursued issues.

CHAIR—Why did they do that, do we know?

Ms Bird—There were a variety of reasons. Sometimes it would be whether the good had a dual use and whether they were worried that it had other applications.

Mr Innes-Brown—Yes, they were the main reasons. Basically, they were concerned that bits of machinery, chemicals or other items might have some dual use application and that under the 661 and related subsequent resolutions they were prohibited exports.

CHAIR—So the UN was active in its surveillance of the sanction resolution to the point where it rejected, put on hold or blocked the various export permits applied for through our mission in New York?

Ms Bird—Correct, and other countries’.

Senator FAULKNER—Were these approvals reported by cable?

Ms Bird—Can we just check on that for you? We are not 100 per cent sure. We think they may have been faxed, but let us double-check that for you.

Senator FAULKNER—Do you mean it will take you a few minutes to check it?

Ms Bird—Yes, it will. I am sure we have people back in DFAT watching and we will get you these answers as soon as we can.

CHAIR—I hope they heard that.

Senator FAULKNER—They are probably watching at the moment, but the cricket will be on soon!

Ms Bird—So it was fax or cable, but let us be absolutely sure.

Senator FAULKNER—Could you also find out whether the submissions were reported by cable, too?

Ms Bird—The submission of the contract over to UN New York?

Senator FAULKNER—I am a bit surprised by the suggestion that it might have been done by fax.

Ms Bird—If you think of the paperwork; you have the contracts, which could be a number of pages, and the covering documentation. Fax was probably the best way of making sure it was properly transmitted to UN New York. As I said, there may have been a cable as well. I am not sure; we are checking on that.

Senator FAULKNER—But in DFAT isn't substantive material generally transmitted by cable? Isn't that just standard operating procedure in your neck of the woods?

Ms Bird—You are getting to the issue of cables versus emails. We do have a concern to ensure that official communications are done by cable rather than email. But, as I said, if we have a lengthy document to transmit, fax would be entirely appropriate and normal.

Senator FAULKNER—I have probably been sitting behind the desk here for far too long—I would much prefer being on the other side of the desk but I am afraid that will not happen, for me, but my colleagues will be there soon—but I do recall many years ago that there were standing departmental instructions about these sorts of things.

Ms Bird—Yes definitely for cables versus emails. That is a very important issue. I have just had one of my colleagues who handles our cable system tell me we could not submit a contract like that by cable; it would have to be faxed.

Senator FAULKNER—Even if it was by fax it would strike me that you might need a cable to say there was a fax on the way.

Ms Bird—Let me double check whether there was an accompanying cable.

Senator FAULKNER—Over the years I have certainly heard standing instructions in the department about the importance of this type of communication being undertaken by cable traffic.

Ms Bird—That is as opposed to emails. You are correct.

Senator FAULKNER—The department had correspondence with the AWB in late 2000. Can you confirm that for the committee?

Ms Bird—Yes, that is correct.

Senator FAULKNER—My understanding is that on 30 October that year the AWB wrote to DFAT advising that it wanted to enter into a commercial arrangement with Jordan based trucking companies. Can you confirm whether that is correct?

Ms Bird—That is correct.

Senator FAULKNER—Was a reason given?

Ms Bird—Yes, I think they did give a reason. They said they were having delays in discharging vessels due to a lack of trucks at the discharge ports.

Senator FAULKNER—Knowledge of this letter is in the public arena—I read about it in newspaper articles. Has it been tabled and made public?

Ms Bird—We made it available to the Volcker inquiry, which referred to it in the Volcker report.

Senator FAULKNER—And obviously the media commentary on it has come from there?

Ms Bird—I imagine so.

Senator FAULKNER—Can you table that letter for the benefit of this committee?

Ms Bird—Can I take that on notice?

CHAIR—Or a copy of it.

Senator FAULKNER—I do not mean the original, Senator Johnston. Not even I would suggest that!

Ms Bird—I do not think we have the original. We have no problems with discussing the content of the letters and we made them available to Volcker. I am just conscious that it mentions the names of officers in AWB and DFAT, which we have not put into the public domain. Can I check on releasing those first?

CHAIR—Rather than that, why don't you just blank them out and photocopy it? The names are immaterial to the substance of the letter. Just remove them.

Ms Bird—We should be able to do that. Can I just take that on notice and get back to you. I am just conscious that the names are not in the public domain.

Senator HOGG—What was the nature of the Volcker inquiry? If you tabled it to the Volcker inquiry, was it on the basis that it was confidential or was it an open inquiry?

Ms Bird—We made available to the Volcker inquiry all of our files on the oil for food program, so the Volcker investigators had access to all of the volumes of material. This was one of the pieces of paper on our files.

Senator HOGG—Was that a public inquiry or was it private?

Ms Bird—The Volcker inquiry was a UN inquiry.

Senator HOGG—I accept that, but was it done in the public domain? All I am trying to establish is whether this is already on the public record. It would seem to me that—

Ms Bird—No, it was not a public inquiry.

Senator FAULKNER—But I think it would perhaps be fair to say that to some extent confidentiality is waived once these sorts of submissions are made, to some extent. The alternative for the committee, it strikes me, Ms Bird, is to ask you to basically read the thing into the committee *Hansard*, which would be excruciating for all concerned—

Ms Bird—It is pretty short.

Senator FAULKNER—or table it. If it is pretty short, maybe that is the best way of doing it.

CHAIR—Without the names.

Ms Bird—Can you just give me a few moments on that.

Senator FAULKNER—I think the impression I have from the officer at the table—and perhaps Senator Macdonald might care to confirm this—is that it is likely to be tabled. The think that would suit all interests if that were the case. If we can have that decision relatively quickly we might save time. If that is not the case then we can perhaps come back to this and we can give Ms Bird a mark out of 10 for elocution if she reads it onto the transcript.

CHAIR—But we do not want the names.

Ms Bird—Are we taking a break at 10.30? Is that still the plan?

Senator FAULKNER—I am certainly hoping so.

Ms Bird—I could check on that over the break and get back to you.

Senator FAULKNER—I would hope that if, as you say, they are watching down at DFAT now and they do not have the cricket turned on, which they will not have, we might get a decision before 10 o'clock with a bit of luck.

Ms Bird—If I get a note I will let you know, otherwise I will check.

Senator HOGG—Can I raise one further thing. With the letter from AWB to DFAT, was there a response from DFAT to that letter?

Ms Bird—Yes, there was.

Senator HOGG—Is it possible to get that tabled as well? Otherwise we will end up with just one side of the story being presented.

Ms Bird—Sure—we will look at that at the same time.

Senator HOGG—Whilst we are waiting for you to arrive at a decision on that, my colleague raised that the AWB wrote to DFAT saying that they wanted to enter into commercial arrangements with Jordan based trucking companies. Was it really as broad as that?

Ms Bird—Yes, it was as broad as that.

Senator FAULKNER—In relation to this material going to Mr Volcker, so that I understand, were any conditions placed on cooperation with Mr Volcker at all? Was it unconditional cooperation?

Ms Bird—We cooperated fully with the Volcker inquiry. That included access to all of our relevant files and to officers who had worked on the program during the course of its six or seven years.

Senator FAULKNER—Fair enough. There was the 2 November 2000 departmental reply to the 30 October AWB correspondence, which Senator Hogg has just mentioned. Is that correct?

Ms Bird—Yes.

Senator FAULKNER—As I think everyone in the room understands, we know that because of the Volcker report. What I suppose we do not know about is other correspondence between DFAT and AWB. We know about these two items of correspondence in late 2000. I assume, as a result of some notoriety about this particular matter, that DFAT might have checked what other communications there might have been. Has DFAT checked? I would hope it would have. I would expect it to have exhaustively checked its files in relation to correspondence with AWB. Can you confirm that for us?

Ms Bird—Yes, we have gone through all of our files on this.

Senator FAULKNER—That is good. When was that checking done?

Ms Bird—I suppose it was done in several stages. First of all we had to work out which files to give the Volcker inquiry access to, so we had a comprehensive look at everything then. We went through it all again in recent weeks to make sure we were familiar with all of the material.

Senator FAULKNER—Fair enough. What did that file check turn up in relation to other correspondence or communication with AWB? Let us put aside the two letters that we know about—the original AWB letter to DFAT and DFAT’s response a couple of days later.

Ms Bird—I am advised that we had general liaison with the AWB on a range of issues. I am not sure how much of that would have been by letter. The two letters we have just been talking about were the only exchange that we had with the AWB on this issue of Jordanian based trucking companies.

Senator FAULKNER—But what about on other issues?

Ms Bird—Certainly we had a range of other contacts with them. I do not know how much of that was by letter.

Senator FAULKNER—If you have done a full file search of the contact between the department and AWB, are you able to start off by giving us a broad picture of what that turned up? I appreciate there is only one on Jordanian trucking companies.

Ms Bird—As I said, we are not aware of the details of what we have in terms of contacts with the AWB. We did have contacts with them. I am not sure whether there is another letter or not. We were looking at the files more for the content.

Senator FAULKNER—I understand what ‘looking for the content’ means. What content were you looking for?

Ms Bird—Exactly what happened during the course of the oil for food program.

Senator FAULKNER—Mr Volcker highlights two items of correspondence in his report. Let me define it down and ask: copies of that correspondence were provided to Mr Volcker by DFAT. That is correct, isn’t it?

Ms Bird—Yes, that is correct.

Senator FAULKNER—What other items of correspondence or communications were provided to Mr Volcker? I am now cutting to the chase, if you like, accepting that you might have a lot of other bits and pieces that are floating around the department with AWB that may

not be germane to what we are focusing on here. Are there any other items of correspondence that have gone to Mr Volcker for the preparation of his report?

Ms Bird—Not that we are aware of, but I would like to double check. They took away things like the contracts and those sorts of issues. This is the only letter that we are aware of at this stage but there was a huge volume of material, so I would not want to mislead. I want to have that checked.

Senator FAULKNER—In terms of passing it, the department has done a check. It has tried to identify letters or communications that are germane to the oil for food program. I accept that. It has passed those on Mr Volcker. Two of those—and there may only be two—have been highlighted in Mr Volcker's report.

Ms Bird—That is correct.

Senator FAULKNER—We have established that. It seems reasonable to me—and this is something I expect you to be able to provide me with an answer on: what else was passed on that, for whatever reason, Mr Volcker does not highlight or publish in his report—in other words, those that are seen as being germane by the department to the oil for food program? Can you help me with that?

Ms Bird—To clarify, we did not choose which material to make available to Volcker. We gave access to all of our files to the Volcker investigators. They went through and determined which ones they were interested in and which ones they wanted to take back to New York. That was one of them. There were also contracts and things like that.

Senator FAULKNER—I appreciate that. I am sure that you would have kept copies and records of what was taken. I appreciate the point I think you are making. There is a lot of correspondence; these are large files. But if someone comes over from New York and says, 'We are interested in a range of this correspondence,' you would surely have kept copies of what was taken and would have identified what was taken?

Ms Bird—Yes. We have that. We just do not have it with us here.

Senator FAULKNER—That ought to be able to be fairly quickly identified—at least a list of the material, if nothing else.

Ms Bird—We will get someone on to that.

Senator HOGG—Can I ask a general question in relation to the AWB letter to DFAT. Is it normal for organisations such as AWB to write to DFAT about commercial operations—for example, 'There are insufficient trucks. We need more trucks. We are going to approach XYZ trucking company.' Is that a standard practice?

Ms Bird—I do not think it is a standard commercial practice. This, of course, was not a standard commercial scheme—this was a scheme administered by the UN.

Senator HOGG—I accept that, but is this the sort of correspondence that typically comes across the desk of DFAT in this type of operation? Would the AWB—I just do not want to single out them; it might be other organisations as well—write to you? It might be a problem at the ports, it might be some other difficulty or it might be a Customs difficulty. Do they

write to you about these things? Is there anything in particular about this letter that would have alerted DFAT officers to the fact that there might be something different about it?

Ms Bird—You are right. We had contact from a number of companies asking different questions about aspects of the way the oil for food program worked, whether they could export certain goods and how that was done. So we were in contact with quite a number of companies that had queries.

Senator FAULKNER—How many Volcker investigators came into the department?

Mr Innes-Brown—I believe it was two.

Senator FAULKNER—How long did they stay there?

Mr Innes-Brown—They were there for about two weeks. They were conducting inquiries with DFAT, and I believe they undertook inquiries with a couple of other companies they were interested in.

Senator FAULKNER—How long were the officers at DFAT for?

Mr Innes-Brown—Several days.

Senator FAULKNER—Did they examine email traffic too?

Mr Innes-Brown—They examined what was on the files.

Senator FAULKNER—Is email traffic on the file?

Mr Innes-Brown—Yes.

Senator FAULKNER—Electronic files?

Mr Innes-Brown—I am not sure. I would have to check that.

Senator FAULKNER—You are not sure?

Ms Bird—We certainly checked on the materials. Let us double-check for you. We were not around when this happened, so I would rather talk to someone who was there at the time so as to be absolutely sure.

Senator FAULKNER—Would this include communications—there may not have been any; I do not know—such as email traffic between AWB and officers from the department?

Ms Bird—Yes, I would imagine it would have done.

Senator FAULKNER—It sounds sensible to me and I would imagine so too, but—

Ms Bird—That is why I want to check, because we were not there at the time.

Senator FAULKNER—I appreciate that. I just think we need to be quite clear on that if we can.

Ms Bird—Absolutely.

Senator FAULKNER—It strikes me that the department's own proper administrative processes would ensure that whatever Mr Volcker's investigators took away with them would be identified by DFAT and copies of it would be kept by DFAT. That sounds like good administrative sense. Can I be assured of that?

Ms Bird—Yes. We are going to double-check with those who were involved at the time. As I said, I do not want to speculate or mislead you, so let me double-check exactly what was done and I will let you know.

Senator FAULKNER—Did Mr Volcker or his investigators communicate with DFAT in a formal sense, informing DFAT what documents were used, taken or accessed?

Ms Bird—No. They took material with them. They used it for their investigations. Clearly, they had discussions with some of the officers involved. We were not told what their findings were on this material or given advance copies of their report.

Senator FAULKNER—Would this have included advice? I think Senator Hogg was asking about commercial advice. DFAT was the agency that was responsible for providing advice on what was acceptable and what was not acceptable under the oil for food program, wasn't it?

Ms Bird—Those decisions were taken by the United Nations.

Senator FAULKNER—Yes, but, as far as Australian companies were concerned, DFAT provided the advice in this country to those companies, did it not? I think that is what you were saying earlier.

Ms Bird—We communicated back when the UN had approved a contract.

Senator FAULKNER—But if an Australian company was interested in accessing the program, having more information about the program or the like then advice was sought from DFAT, wasn't it?

Ms Bird—That is correct.

Senator FAULKNER—And DFAT was able to give advice on what may or may not fit the requirements of the oil for food program, surely.

Ms Bird—Yes. Where we could, we did.

Senator FAULKNER—You have confirmed that the letter of 30 October and the response on 2 November was the only correspondence relating to Jordan based trucking companies.

Ms Bird—That is correct.

Senator FAULKNER—Were there any emails?

Ms Bird—No.

Senator FAULKNER—Just for completeness, I was going to say, 'Were there any emails in relation to Jordan based trucking companies?' I suspect the 'no' relates to that.

Ms Bird—The answer is still no.

Senator FAULKNER—Thank you for that quick response. I appreciate you taking those other issues on notice for us, and perhaps as soon as possible we can come back to those things that we have left to one side. The Volcker report—and this has been widely publicised—found that this company, Alia, which is the Jordanian trucking company that is engaged by the AWB, was a front company for the government of Iraq. That is true, isn't it?

Ms Bird—Yes.

Senator FAULKNER—And it is also true, as I understand it and have read, that the payments to that company were not in fact used to pay for the inland transport services that we spoke of earlier but actually were remitted to the Iraqi government.

Ms Bird—That is what Volcker found.

Senator FAULKNER—The report also found that that is, in broad terms, clearly in breach of the UN sanctions regime.

Ms Bird—Yes.

Senator FAULKNER—As I understand it, the Volcker report also found that in June 2000 the Office of the Iraq Program received advice from the UN's legal advisers—I think the UN Office of Legal Affairs—that it would be impermissible for goods suppliers to pay court charges to Alia. Is that right?

Ms Bird—Yes, that is in the Volcker report.

Senator FAULKNER—In fact, the advice was that the payment to Alia without the 661 committee's approval again was a violation of the sanctions regime.

Ms Bird—Yes.

Senator FAULKNER—Given these circumstances, are you able to indicate to the committee what advice DFAT sought before it responded to the AWB?

Ms Bird—The response we gave was developed in Canberra.

Senator FAULKNER—Let us get the timing right here. Your correspondence, which we know about because of the Volcker report, was in late October and early November. The advice of the UN—that any payment to Alia without the 661 committee's approval was a violation—was given in June 2000, which is five months earlier. That is true, isn't it?

Ms Bird—That is correct. It was an internal UN memorandum.

Senator FAULKNER—Yes. I am asking what, if any, advices were sought by DFAT before it responded to the AWB?

Ms Bird—The answer we gave was developed in Canberra.

Senator FAULKNER—I appreciate your response that it was developed in Canberra. But that only tells me it was developed in Canberra. It does not tell me what, if any, advices were sought.

Ms Bird—There was consultation with the legal area of the department about the advice that was sought, and the response was prepared by the Middle East and Africa Branch, which was responsible for the program.

Senator FAULKNER—I appreciate that it was developed in Canberra. Was it developed with the basis of advice from DFAT's legal department?

Ms Bird—Yes.

Senator FAULKNER—And that is Mr Moraitis?

Ms Bird—Yes. Mr Moraitis is our senior legal adviser, but I do not know that he was there at the time.

Senator FAULKNER—But it was the branch that Mr Moraitis now heads up.

Ms Bird—Yes.

Senator FAULKNER—Was a formal advice generated from the legal branch of DFAT?

Ms Bird—No. We are not sure that it was a formal advice. We think it was just consultation.

Senator FAULKNER—You say ‘we are not sure’. There would be a paper trail if there was a formal advice.

Ms Bird—We do not have a formal advice.

Senator FAULKNER—Right. That sounds as though it is unlikely that there was a formal advice, but you cannot be certain. There is certainly no paper trail of a formal advice.

Ms Bird—Correct.

Senator FAULKNER—But the legal branch was consulted?

Ms Bird—Yes.

Senator FAULKNER—Only the legal branch?

Ms Bird—Yes.

Senator FAULKNER—It must have been pretty quick advice, by the sound of it.

Ms Bird—Yes, within a few days.

Senator FAULKNER—It certainly was, because the date of the AWB letter is 30 October and DFAT’s response is 2 November.

Ms Bird—Correct.

Senator FAULKNER—So it has turned around pretty quickly, hasn’t it?

Ms Bird—Yes.

Senator FAULKNER—Was that advice sought at the branch head level of the Middle East and Africa Branch?

Ms Bird—It was a branch head that signed off on the letter, yes.

Senator FAULKNER—Did the branch head seek the advice?

Ms Bird—The branch head signed the letter. It is not clear whether the branch head sought that advice or whether a member of the branch did. I am not sure that we can clarify that. But, certainly, the branch head signed off on the letter.

Senator FAULKNER—Have you tried to establish that in your own internal review and investigation of these important issues?

Ms Bird—We are not aware of that. As I said, the branch head signed it. That branch head is no longer with the department.

Senator FAULKNER—Was the branch head interviewed?

Ms Bird—Yes. The branch head, who is no longer with the department, was interviewed by the Volcker inquiry.

Senator FAULKNER—So you would have established, no doubt—and I am not asking for a name here—who in your legal branch provided advice to your Middle East and Africa Branch?

Ms Bird—No.

Senator FAULKNER—We do not know who?

Ms Bird—No.

Senator FAULKNER—Why don't we know who?

Ms Bird—My understanding is that, as you said, there was nothing in writing. There was consultation, but it is not clear exactly with whom.

Senator FAULKNER—And no investigations have been undertaken to try to establish that?

Ms Bird—No.

Senator FAULKNER—So we do not know at what level this consultation took place within the legal branch?

Ms Bird—No. It was someone within the legal branch, but I do not know who that was.

Senator HOGG—Did that person have international experience?

Ms Bird—The members of our legal branch are all good, qualified, experienced international legal officers.

Senator HOGG—It is just that the letter from DFAT, as I understand it, says '... the Department could see no reason from an international legal perspective'. In other words, were they well versed in international legal practices?

Ms Bird—Yes. We can be confident that those officers would have understood and knew about the application of UN sanctions.

CHAIR—And they knew about the technical basis for the oil for food program and the rules and regulations surrounding it?

Ms Bird—Yes.

Senator FAULKNER—Effectively, DFAT here is providing a form of legal advice, isn't it, to the AWB?

Ms Bird—We were providing advice about the applicability of the sanctions regime. It was a general inquiry about whether Jordanian companies were able to be dealt with, and our advice was, 'Yes, because the resolutions prohibited contact with Iraqi entities, not with non-Iraqi entities.'

Senator FAULKNER—Did Mr Volcker's investigators interview anyone from the legal branch of DFAT?

Ms Bird—Yes, they did.

Senator HOGG—So the legal advice was provided on the basis of not knowing the legal entity—the trucking company—that was being dealt with in Jordan. Is that correct?

Ms Bird—We received from the AWB a general inquiry about whether it was permissible to deal with Jordanian based companies. Our answer was that that was not prohibited by the sanctions.

Senator HOGG—But that did not exclude the possibility that there could be a company operating in Jordan that did not fulfil all the criteria in relation to dealing with companies?

Ms Bird—As I said, we had a general inquiry and we gave the advice back that there was no reason from an international legal perspective why they could not deal with a Jordanian company.

Senator HOGG—Why did DFAT not seek clarification from the AWB as to what company or companies they were wishing to deal with? Would that be a standard practice?

Ms Bird—No. We were answering the inquiry that we received from the AWB.

Senator HOGG—So, even though it was a general inquiry, you were prepared to respond to it in a general sense, rather than to go back to them and say specifically, ‘What companies do you want to deal with?’

Ms Bird—We had a general inquiry to which we gave a general response. Had they come back on specifics, we would have dealt with that.

Senator HOGG—My point, though, is this: from the perspective of your operation, if you get a generalist inquiry in such a sensitive area as this, why would you not go back and say, ‘Tell us what companies you want to deal with,’—so that you are covering your own back, before they might proceed with any deal?

Ms Bird—As I said, the responsibility for vetting and approving these things rested with the UN. We received a general inquiry as to whether Jordanian companies were prohibited under the sanctions regime. Our answer was that they were not.

CHAIR—So the issue was about Jordan and corporations residing in Jordan.

Ms Bird—Yes.

CHAIR—Not specific corporations, but the Jordan connection.

Ms Bird—Jordan based companies.

CHAIR—So the advice was about Jordan and whether something from Jordan was in breach of the sanctions in the program.

Ms Bird—Exactly, dealing with a Jordan company.

CHAIR—Does the department have expertise to search corporations in Jordan and provide specific advice as to the shareholders and equity holders of companies in Jordan? Is that possible?

Ms Bird—I suspect it would be very difficult. Again, the roles as to how these were administered and issues like that were really ones that the UN was dealing with.

CHAIR—Do we have a mission in Jordan?

Ms Bird—We do, yes.

Senator FAULKNER—We also have a mission in the UN, which had decided in June that same year—five months earlier—that any payment to Alia without the 661 committee’s approval would actually violate the sanctions regime.

Ms Bird—Our mission had no knowledge of that internal UN note.

Senator FAULKNER—That is a very interesting point. I suppose some would say it is the nub of the question. I accept the evidence that you give, but the question is: why not? Perhaps a better question is: do we know why DFAT didn’t actually seek advice from the UN OIP? Do we know that?

Ms Bird—On this particular letter?

Senator FAULKNER—Yes.

Ms Bird—The answer was done in Canberra.

Senator FAULKNER—Done in Canberra? That does not stop a cable going off to New York—or, for that matter, directly or indirectly checking these things out. The fact that it was done in Canberra has nothing to do with it.

Ms Bird—As I said, because it was a general inquiry which we felt capable of answering in Canberra, our mission was not aware of it.

Senator FAULKNER—Why wasn’t it standard operating procedure for Canberra to ask the mission? One check with the UN OIP would have found that this was a massive problem—just a simple check. Five months earlier, the UN decided that any payment to this trucking company would violate the sanctions unless it was approved by the 661 committee itself. If you are going to check with the legal branch—it may not have been much of a check but it appears that no other checks were made. That is right, isn’t it?

Ms Bird—That is correct. That internal UN note, though, was not disseminated widely. It was not advised to member states. The 661 committee never advised member states of a problem with Jordanian trucking companies.

CHAIR—Isn’t that the problem with the whole program? That is what the Volcker report is all about. The corruption of this program was because that memo was not published.

Ms Bird—There were a lot of shortcomings and failings in the UN on this, yes.

Senator FAULKNER—Of course. That is unarguable. But here we are talking about a failing and shortcoming at the level of DFAT. Again, if a question had been asked, the answer would have been pretty clear in these circumstances, wouldn’t it? It is just that the question was never asked.

Ms Bird—That is hypothetical. We do not know what response we would have got.

Senator FAULKNER—Fair enough: you do not know what response you would have got. I can accept that. But the point is that the question was not asked. That is the first point. The second point is this: if the question was asked, and you had got an accurate response, you would have been told about what had happened in June in relation to such a process being a violation of the sanctions regime. That is at least fair to say, isn’t it?

Ms Bird—The note was about Alia. The AWB note did not mention a specific company; it talked about dealing with Jordanian entities.

Senator HOGG—How many other such requests were there?

Ms Bird—What sort of requests?

Senator HOGG—In dealing with other Jordanian entities.

Ms Bird—This is the only one that we had.

Senator HOGG—The only one?

Ms Bird—The only one.

Senator FAULKNER—Anyway, no-one was approached here on this matter apart from your own legal branch.

Ms Bird—Yes.

Senator FAULKNER—Has any assessment been done of the legal advice that was provided by the legal branch? Obviously it would be with hindsight; I appreciate that.

Ms Bird—I am not sure about that.

CHAIR—But the answer would still be the same, wouldn't it?

Ms Bird—As I said, from an international legal perspective, exactly.

CHAIR—It is about Jordan.

Ms Bird—It is about 'Can you deal with a Jordanian entity?' and whether that was forbidden under the sanctions regime. And the answer to that is: no.

Senator FAULKNER—So it was not checked with DFAT New York to check with the UN. It was not checked with our mission in Jordan. It was not checked with anyone.

Ms Bird—As I said, the answer was one we felt able to give in Canberra. It was about the purview of the Security Council resolutions and their applicability to a Jordanian company.

Senator HOGG—I know it is easy in hindsight, but actually the advice was not correct. I am not blaming anyone for that.

Ms Bird—The advice was correct: you can deal with—

Senator HOGG—Because, as Senator Faulkner has said, there was already a requirement for the 661 committee's approval in respect of that particular Jordanian company.

Ms Bird—No. The 661 committee never indicated that to anyone. Never.

CHAIR—The presumption is that—

Senator HOGG—No, they never communicated it. That is right.

Senator FAULKNER—That is different.

Ms Bird—But if it was an issue you would have thought they would let member states know.

Senator FAULKNER—It clearly was an issue. I do not think anyone is arguing that it was not an issue. I am sure that in this room and well beyond it we have unanimity that it is a big

issue. Sure, communications are a problem here. But equally we are all now well aware of the timing of the 661 committee's decision in relation to this Jordanian trucking company—one made a long time prior to this communication you had with the AWB and the response to it.

Ms Bird—There was not a 661 committee decision, as we understand it. This was a note from the UN Office of Legal Affairs.

Senator FAULKNER—Let us be precise about it. To provide any such payment would be a violation of the UN sanctions regime unless it had been approved by the 661 committee. That perhaps is an entirely accurate way of putting it. Would that be fair?

Ms Bird—That is what we understand. It was Alia, yes.

Senator FAULKNER—Sorry to use shorthand, but that is the situation.

Ms Bird—Yes.

Senator FAULKNER—Who drafted this letter?

Ms Bird—Which letter?

Senator FAULKNER—The DFAT response to the AWB letter.

Ms Bird—As I said, it was signed by the head of the Middle East and Africa Branch, so it would have been drafted within that branch.

Senator FAULKNER—Has anyone checked where the drafting took place? It took place in the branch, but has anyone checked what level officer drafted the letter.

Ms Bird—I am not sure. It was signed by the branch head. It was done within her branch.

Senator FAULKNER—What is the view of the department now about the contents of the letter?

Ms Bird—As I said, the advice on the UN sanctions is correct. Obviously, as we have all said, what has happened is a matter of deep regret, but we were not aware of the role of Alia in this context.

Senator FAULKNER—A matter of deep regret. It sure is. Anyway, I know you want to have a break, Chair.

Proceedings suspended from 10.30 am to 10.53 am

CHAIR—I call the committee to order.

Ms Bird—We will table the two letters with the names deleted as we discussed.

CHAIR—Thank you. The committee accepts those letters as tabled.

Senator TROOD—Ms Bird, do you or your officers know much about trucking companies in Jordan?

Ms Bird—No.

Senator TROOD—So we could suppose that the department does not have a great deal of expertise in this area?

Ms Bird—That is correct.

Senator TROOD—Even though we have a limited knowledge, do you suppose there is more than one trucking company in Jordan?

Ms Bird—I would imagine that is the case, yes.

Senator TROOD—So there is likely to be many?

Ms Bird—I would imagine so, yes.

Senator TROOD—Is it a reasonable proposition also that perhaps not all of these trucking companies were necessarily tied up with the old Saddam regime?

Ms Bird—Certainly, the Volcker report found that this one trucking company, Alia, was the one that was tied up with—

Senator TROOD—The Volcker report did indeed find that this particular trucking company had links back to the Saddam regime. But it is a reasonable proposition perhaps that there were other trucking companies in Jordan which did not necessarily have links back to the Saddam regime.

Ms Bird—I imagine so.

CHAIR—Australia is not a member of the 661 committee, as I understand it.

Ms Bird—That is correct. The 661 committee is composed of Security Council members. We were not on the Security Council during the course of the oil for food program.

CHAIR—This memo that nominated Alia as a prohibited beneficiary of contracts was an internal memo. Why do you say it was an internal memo?

Ms Bird—Volcker characterised it, as I understand, as a memorandum that went from the Office of Legal Affairs, which is part of the United Nations, within the UN. It was not ever made public.

CHAIR—It was not a published public document.

Ms Bird—It was not a published public document; nor was it referred to in any of the 661 committee reports.

CHAIR—Notwithstanding that internal document, all of these AWB contracts to Iraq for wheat sales from 1996 to 2003 were approved by the United Nations.

Ms Bird—That is correct.

CHAIR—On the one hand an internal memo existed that nominated Alia as a prohibited beneficiary or contract partner and yet they approved the contracts.

Ms Bird—All the AWB contracts were approved.

CHAIR—I take it that is why we had the Volcker inquiry.

Ms Bird—A lot of things were uncovered at the Volcker inquiry.

CHAIR—The UN actively surveilled all the Australian applications under the program such that a number were put on hold and a number were in fact blocked.

Ms Bird—Yes.

CHAIR—But the AWB contracts were neither put on hold nor blocked.

Ms Bird—That is correct. They were neither put on hold nor blocked.

Senator HEFFERNAN—I have only just turned my radar on. What does the Iraq Task Force do?

Ms Bird—The Iraq Task Force within the department is the area that is responsible for dealing with all issues to do with Iraq.

Senator HEFFERNAN—So is Mr Marc Innes-Brown where the buck stops?

Ms Bird—He is the head of the Iraq Task Force.

Senator HEFFERNAN—How long has that been in existence?

Mr Innes-Brown—Since 2002.

Senator HEFFERNAN—What is your background? Are you an expert on trade, wool classing, welding or what?

Mr Innes-Brown—I have worked on a range of foreign policy issues in my career.

Senator HEFFERNAN—Have you been to Iraq?

Mr Innes-Brown—Not yet.

Ms Bird—I should perhaps mention that Marc Innes-Brown took up the position quite recently.

Senator HEFFERNAN—Okay. You have not dealt with the culture of these businesses? This question is just from two minutes of listening: has anyone looked to see whether anyone in the UN had their palm greased to allow those documents, against the advice of a letter, to get signed off as a go-ahead? If I were thinking like the fox, there is a possibility that if the money ended up with Saddam Hussein or wherever it ended up that a few other people might have got a dividend on the way through to get it there. Have they looked at that? Or are the UN sort of stainless steel themselves? Have the UN looked to see?

Ms Bird—No. There were definitely problems in the administration of the program within the UN and a number of cases are pending. I am not clear how directly linked they might have been or otherwise to what happened in terms of this transportation arrangement.

Senator HEFFERNAN—It seems to me there is a culture—a subculture probably—in the UN where palms get greased. Is that going to come out in this inquiry?

Ms Bird—The Volcker inquiry, previous volumes, have looked at how the UN administered the program.

CHAIR—This was the third volume, wasn't it?

Ms Bird—That is right. It found quite a number of shortcomings and failings in what the UN did.

Senator HEFFERNAN—Bribes?

Ms Bird—You might be aware that there is at least one UN official who is currently being prosecuted in the US. And there are attempts being made to have another UN official brought before a court.

Senator HEFFERNAN—Usually what happens is that you create the secret and then you create a whole lot of compromises. Keeping the secret becomes a bigger problem than the secret. Thank you, Ms Bird. I am tuned in.

Ms Bird—Thanks, Senator.

Senator HOGG—Following on from Senator Heffernan's question, when the legal advice that was finally passed on to AWB from DFAT was sought, was there a consultation with the Iraq Task Force within DFAT?

Mr Innes-Brown—No.

Ms Bird—This was before the Iraq Task Force was established. The Iraq Task Force was set up, we believe, in 2002. That was after this exchange of letters.

Senator HOGG—Was there anything comparable to the Iraq Task Force?

Ms Bird—Yes. It was handled within the Middle East and Africa Branch. That branch had responsibility for Iraq.

Senator HOGG—Where would they source their information?

Ms Bird—They discussed with the legal area of the department the sanctions that applied. That was how the advice came forward that, from an international legal perspective, there was no impediment.

Senator HOGG—Would they have spoken to the post in Jordan?

Ms Bird—No. It was about the applicability of the UN sanctions, so they spoke to our legal area.

Senator HOGG—Was the Iraq Task Force set up with the purpose of gaining specialised information about issues such as this?

Ms Bird—No. The Iraq Task Force was after this phase of Iraq. We would have to check on the exact circumstances but, as I said, it was in 2002.

Senator HOGG—Would it have provided advice, in any case, on an issue such as was raised in the AWB letter to DFAT?

Ms Bird—Only for the final year that the oil for food program was still operating. The tail end of it would probably have been managed by the Iraq Task Force. The program wound up in 2003.

Senator HOGG—I accept that. But, if the Iraq Task Force had been in operation at that stage, would it have been asked for advice on matters such as this?

Ms Bird—It may have been. In a sense, the officers in the Middle East and Africa Branch who were dealing with Iraq were moved into what became the Iraq Task Force.

Senator HOGG—One other matter that I want to clear up is about the operation of the 661 committee and the memorandum that existed. Was the memorandum formally adopted at any stage by the 661 committee in respect of this?

Ms Bird—No, not that we are aware of.

Senator HOGG—So it had the capacity to generate these memorandums without them becoming formally part of the business of the committee. Is that the case?

Ms Bird—It was not the 661 committee which generated the memorandum. It was the UN's Office of Legal Affairs.

Senator HOGG—Would the UN Office of Legal Affairs have circulated its memorandum to the 661 committee?

Ms Bird—We do not know. That is one of the things that the Volcker report found. There were a lot of shortcomings in information flows and the action that was taken by the various UN committees.

Senator HOGG—All right. Thanks.

Senator FAULKNER—Did the legal branch seek any outside assistance in determining its advice to the Middle East and Africa branch of the department? We now have the letters. The letter that the department sent back to AWB Ltd contains the very bald assertion that:

... this would not contravene the current sanctions regime on Iraq.

We know that has been based on internal legal advice in the department. What I wanted to cover at the moment is whether anyone in the legal affairs branch of DFAT sought advice elsewhere, from outside legal sources such as AGS, or was it just a completely in-house, internally generated response?

Ms Bird—As far as I am aware, it was done in-house. That would be normal because advising on the applicability of UN sanctions is something that our legal branch does regularly.

Senator FAULKNER—The letter says that:

International Legal Division has been consulted in the preparation of this response.

Here is a response that goes back to the AWB, says that what they are doing in relation to this Jordanian based trucking company would not contravene the current sanctions regime in Iraq and then says the International Legal Division has been consulted in the preparation of this response.

Ms Bird—Can I clarify one point. The letter was not in response to what the AWB was actually doing. The letter from the AWB indicated that they proposed to enter into discussions with Jordanian companies and we were answering it. That was a general inquiry of whether they could do that and we said we could see no reason why they should not, from an international legal perspective.

Senator FAULKNER—But we have never been able to nail down what this advice was, from what we now know is the International Legal Division. I may have used the wrong terminology. I was not aware that it was the International Legal Division. Is there more than one legal division in DFAT?

Ms Bird—What we have now is a legal branch which is within the International Organisations and Legal Division which is now headed by a senior legal adviser.

Senator FAULKNER—We know that this response to in the AWB was prepared in consultation with the International Legal Division, but we do not know who in the International Legal Division provided the advice. Is that right?

Ms Bird—No, we do not.

Senator FAULKNER—We do not have any written or electronic record of any such advice being provided?

Ms Bird—No.

Senator FAULKNER—We do not, in fact, have any physical copy or record of the advice itself?

Ms Bird—No. As I said, the advice would have been about the applicability of the UN sanctions. The sanctions did not prohibit dealing with non-Iraqi entities.

Senator FAULKNER—We do not know who the advice was provided to in the Middle East and Africa branch?

Ms Bird—Either to the branch head or one of her officers.

Senator FAULKNER—We do not know who, do we? We do not know who provided it and we do not know to whom they provided it.

Ms Bird—No, we do not.

Senator FAULKNER—We do not. That is right.

Ms Bird—As I said, the advice was based on the applicability of sanctions.

Senator FAULKNER—But in answer to that question you told me it was someone in the branch, but we do not know who.

Ms Bird—No, we do not know exactly who. That is correct.

Senator FAULKNER—We know absolutely nothing about this at all. The only thing I think I can say that we know is that it must have been provided, if it was provided, sometime between 30 October 2000 and 2 November 2000. That is really all we know, isn't it?

Ms Bird—And we know what the advice was, yes. The advice is contained in the letter.

Senator FAULKNER—I am not sure that we know that. That is a conclusion I cannot jump to. You can explain that to me. We know that the International Legal Division has been consulted in the preparation of the advice.

Ms Bird—Yes.

Senator FAULKNER—We know that the Middle East and Africa Branch has examined the AWB proposed course of action and can see no reason, from an international legal perspective, why you should not proceed. I cannot jump to the conclusion that I know what the International Legal Division's advice was.

Ms Bird—The advice was that it could proceed.

Senator FAULKNER—How do you know that?

Ms Bird—They would not have cleared off on that letter if that were not—

Senator FAULKNER—I am sorry, but how do you know that? I do not want to be unreasonable, but there is a massive assumption there that I am certainly not willing to make. It might be a fair assumption—I do not know—but it is only an assumption. I am often told, particularly by Minister Hill at the table: ‘These things are only advice. We don’t have to accept the advice.’ Senator Hill tells me that all the time. So we do not know whether or not the advice was accepted. We do not know what the advice of the International Legal Division was, do we?

Ms Bird—I am confident that this response was consistent with the advice that would have been obtained from the legal area.

Senator FAULKNER—Do we normally have a situation where the International Legal Division of the Department of Foreign Affairs and Trade gives advice on something as incredibly sensitive and important as this, of which there is absolutely no record, no-one knows who gives it, no-one knows who they give it to, no-one knows what it is and there is no record of it at all? That is just abysmal. But, apparently, that is the way that the International Legal Division of the Department of Foreign Affairs and Trade works. It is probably pretty handy when we find out that the advice—if it was given—is absolutely wrong.

Ms Bird—With respect, the query was: could discussions be entered into with Jordanian based companies? The reply was that because sanctions did not prohibit dealing with non-Iraqi entities the advice was that from an international legal perspective we saw no reason why those discussions as proposed could not proceed.

Senator FAULKNER—When the letter says, ‘International Legal Division has been consulted in the preparation of this response,’ what does that mean? Was the letter shown to or cleared by the International Legal Division.

Ms Bird—It was clearly discussed with the international legal area because it related to sanctions, so the Middle East Branch, who were not the legal experts, quite rightly spoke to the legal branch to ask them about the applicability of sanctions.

CHAIR—I think the letter speaks for itself.

Senator FAULKNER—What I have heard so far is that we do not know who provided the legal advice, we do not know who the legal advice was provided to and we do not know what the legal advice was. There is no record of its provision, its request or what it was. It sounds to me, I must say, as if this is an administrative nightmare. Of course it has been exposed because it is an absolutely horrible fiasco.

CHAIR—Do you have a question?

Senator FAULKNER—No, I am just responding to you.

Senator HEFFERNAN—When, with great respect, the department or whoever they are—the International Legal Division—give consideration to the response to a letter taken at face value, like the one from AWB, would there be enough cunning foxes in the department to understand what you are dealing with in the subculture of the UN, which is a pretty corrupt regime? In other words, there would be lots of people there that would want to play jiggery-pokery. The most obvious thing to a wool classer and welder would be that the first thing you

would do is make sure the bloody trucking company, wherever it is, is not a front for someone else, whether it is a drug lord or a football team. Do they think like that? We poor old cattle rustlers of the bush do.

Ms Bird—The department and the legal branch were asked: were UN sanctions going to be contravened by this? Was this within the Security Council resolution framework?

Senator HEFFERNAN—But you would not issue anything overbearing. I would because most cattle thieves think they are not thieving when they take cleanskins. You have got to think like the devil a bit in this stuff, instead of playing tootsies through the roses. They did not offer any side advice and say, ‘Be careful’? This is the long and the short and the extent of it?

Ms Bird—This was the legal advice, yes.

Senator HEFFERNAN—That is the difficulty with it.

CHAIR—About Jordan based companies.

Ms Bird—Yes.

CHAIR—It was generic.

Ms Bird—Yes. ‘Could enter into discussions with Jordan based companies.’

Senator HOGG—Following on from the cattle rustlers and the need for them in your legal division, I think that is probably right. But can I go to the AWB letter. What knowledge, prior to the receipt of the AWB letter, was there in the Middle East and Africa section or the legal division of problems that AWB were being confronted with?

Ms Bird—In terms of transport and discharge?

Senator HOGG—Yes.

Ms Bird—I would like to double-check. We were not on the ground in Iraq, so we are really not in a position—

Senator HOGG—No, I will tell you why. It is not a trick question. Look at the opening part of their letter. It says:

As you are aware, AWB is experiencing problems managing its Iraq business efficiently. The first problem concerns ...

The inference that I take out of that is that departmental officers were aware of the problems prior to the receipt of the letter. That is what I want to establish. Were they? What did they know? If they were aware of the problems, why hadn’t they taken action to pursue the difficulties raised in a verbal manner? Obviously this was formal correspondence.

Ms Bird—Can I take that on notice? I really need to double-check that.

Senator HOGG—Yes.

CHAIR—Given that we have established that this is probably the only correspondence relating to this—

Ms Bird—To the issue of Jordanian trucking companies, yes.

CHAIR—it strikes me that the tenor of the letter is that this is a problem being aired for the first time. But take it on notice.

Senator HOGG—That is why I have asked the question. If they had not opened with the statement ‘as you are aware’, that might be so. That is why I want that to be checked with the officers as to what their prior knowledge was.

Ms Bird—Yes, we will check that.

Senator HEFFERNAN—Given that legal thinking is always very sterile and uninteresting, was this letter written, back in 2000, before or after the UN Secretary-General’s son was suspected of playing jiggery-pokery?

Ms Bird—That is the Cotecna issue.

Senator HEFFERNAN—You are looking into a forest of information. Did they know there was a fair bit of skulduggery on at the time? What you need is a couple of old reformed cattle rustlers in the department to think for you.

Senator HOGG—I have advocated that as well, following your advice. It seems pretty good to me.

Ms Bird—That company, Cotecna, operated through most of the program. I am not sure of the exact dates.

Senator HEFFERNAN—So it was in existence when this letter was written.

Mr Innes-Brown—I believe Cotecna was confirming whether or not shipments had arrived in Iraq during this period, but I will just double-check that.

Senator HEFFERNAN—Are the money trails—how do they politely put it?— or the ‘facilitation fees’ that flow from every event that happens over there traceable transactions? Would it be possible to track all this money around the place?

Ms Bird—I do not know. It is the sort of thing that the Volcker people were looking at very closely, and they found a lot of the material that was useful for them in their final report. It was actually in Iraq itself, some of the stuff.

Senator HEFFERNAN—Would it be fair to say that they found plenty of corruption?

Ms Bird—A lot of the information that allowed them to find what they did, they got from people in Iraq about how it operated.

Senator HEFFERNAN—But it would be fair to say that they found plenty of corruption?

Ms Bird—There is certainly plenty of wrongdoing.

Senator HEFFERNAN—Come on, you can do better than that. Corruption! There would be plenty of corruption.

Ms Bird—Indeed.

Senator FAULKNER—Has there been any action taken against any departmental officers as a result of what has been established in relation to these matters?

Ms Bird—No.

Senator FAULKNER—There is no reporting up the chain at all in the department—to deputy secretary, secretary, minister? This all just occurs within the branch, does it?

Ms Bird—This issue was dealt with within the branch, yes.

Senator FAULKNER—What are the requirements? Depending on the value of a contract, is it reported up the chain?

Ms Bird—No.

Senator FAULKNER—The same procedures are still in place, are they?

Ms Bird—The oil for food program no longer exists, so there is no such process now.

Senator FAULKNER—The department is still providing advice to commercial interests, isn't it, from time to time in a range of areas?

Ms Bird—Yes, we do.

Senator FAULKNER—Is that all handled at the branch head level?

Ms Bird—It depends on the query; it depends on the issue. It would be dealt with in the appropriate areas at the appropriate level.

Senator FAULKNER—What are the protocols for this?

Ms Bird—I do not think there is a specific protocol for handling commercial inquiries. It is part of the normal work of the department on a regular basis.

Senator HEFFERNAN—With the wheat that is being trucked now—and I do not even know whose contracts they are—what trucks are they using? If the trucks were not available before and suddenly, if you flick a bit of money to some bloke down a back alley, you get a heap of trucks, that is the sort of facilitation that is quite common in a lot of places. It is not part of Australia's way of doing business. Are the trucks that are being used now for, for example, US wheat, owned by a US company?

Ms Bird—I don't know.

Senator HEFFERNAN—Perhaps we better find out.

Mr Innes-Brown—Okay.

Senator HEFFERNAN—Maybe someone else is playing jiggery-pokery with someone else's money, because that is the culture. If it is unloading stock or whatever it is, the gate does not open unless money is involved. So I would be interested to know whose trucks they were and how they suddenly turned up when they would not turn up before.

Ms Bird—I am not sure what we know, but we will see what we can find out.

Senator HEFFERNAN—As I say, the radar has only just turned on.

Senator FAULKNER—You can confirm for us, Ms Bird, can't you, that Mr Volcker reported that AWB paid kickbacks of \$US221.7 million?

CHAIR—Did he use the word 'kickbacks'?

Ms Bird—In his conclusions he says:

In summary, based on the available evidence, AWB paid to Alia over \$221.7 million for what it termed inland transport or trucking fees.

Senator FAULKNER—Senator Johnston thought that I might be using colourful language. Can you confirm for him that I am not? The report uses the term ‘kickbacks’, doesn’t it?

Ms Bird—It then says:

These payments were channelled to the Government of Iraq by Alia.

Senator FAULKNER—But the report, in other places, uses the term ‘kickbacks’, doesn’t it?

Ms Bird—I am looking at the summary about the AWB and I cannot see that term, but you may be right, Senator.

Senator HEFFERNAN—Does it say, when the money was channelled back wherever it was—Bullamakanka in Iraq—how much left the trucking company, how much made it to the bank account of whoever it was and how much disappeared on the way through? I would be interested to know who got a sling on the side on the way.

Mr Innes-Brown—The Volcker people did some analysis of some of the contracts and tried to apportion what money was paid to Alia and then transferred to the Iraqi government. It tried to work that out based on internal Iraqi procedures, which were uncovered after the end of the Saddam Hussein regime. There were various allocations for various instrumentalities—

Senator HEFFERNAN—I bet there were.

Mr Innes-Brown—within Iraq between different agencies and so on and so forth.

Senator HEFFERNAN—Everyone from the bellhop to the boss.

Mr Innes-Brown—It was more along the lines of parts of the government, rather than individuals.

Senator HEFFERNAN—That is part of the government. You have to pay the bellhop or you do not get to the government over there.

CHAIR—Can we clarify the kickback issue? Kickbacks are referred to in the report, but is the AWB accused of being involved in kickbacks?

Senator FAULKNER—All through the report. Have you read the report, by the way, Ms Bird?

Ms Bird—I have read the bits that relate to the AWB, and Mr Innes-Brown has read everything.

Senator FAULKNER—One of you ought to be able to confirm for me then that the word ‘kickbacks’ is used pretty regularly.

Mr Innes-Brown—It is.

Senator FAULKNER—It sure is. I just wanted to clear that one up.

CHAIR—With reference to AWB?

Mr Innes-Brown—No, in the report.

CHAIR—With reference to AWB?

Mr Innes-Brown—I am talking about the 623-page report.

Senator FAULKNER—So am I.

Ms Bird—In the AWB section it does talk about Iraqi demands for kickbacks generally. I am looking at the summary about AWB at the end.

Senator HOGG—Can I quote for record page 313 of the report? It says:

This steep increase in inland transportation fees coincided with the expansion of Iraq's humanitarian kickback policies in the second half of 2000. For example, AWB paid a rate of ...

And so on. It goes on to state:

Iraq increased its demands for kickbacks from suppliers in accordance with official ...

And so on. It is not a term that is not mentioned.

Senator FAULKNER—As I said, I was not using colourful language, Chair. They are called kickbacks because they are kickbacks. Ms Bird, you have confirmed that figure of over \$US221 million.

Ms Bird—Yes.

Senator FAULKNER—Could you also confirm that that figure of \$US221.7 million is five times greater than the next largest source of kickbacks? It is an absolute motser, isn't it?

Ms Bird—I have not compared it to the others, Senator. You have obviously got those figures, though.

Senator FAULKNER—I do. Mr Innes-Brown has read the report so he should be able to confirm that.

Mr Innes-Brown—I have, Senator, but I do not recall. As I indicated a few minutes ago it is a very large report; the annexes run, in addition to the report, for many hundreds of pages. I cannot recall off the top of my head that reference.

Ms Bird—I do not think we have done that comparison.

Senator FAULKNER—I think the next largest is \$US42.8 million.

Senator HEFFERNAN—It is a fair bit of money. I am curious as to how much of it got lost along the way. Whether you like to hear it or not, the UN has a lot of people in there who probably should be in jail. Does the report indicate that on the way through a few UN officials might have got a bit of a free lunch or a tip on a horse?

Mr Innes-Brown—Not in that context. The report does have findings against certain UN officials who, in other contexts, have received benefits like oil vouchers and so forth but not in the context of these.

Senator HEFFERNAN—In the context of the trucking, they did not get the fuel contract or something?

Mr Innes-Brown—Not that I am aware of.

Senator HEFFERNAN—Nothing that you could point to?

Mr Innes-Brown—Not that was reported in this report so far as I am aware.

CHAIR—The AWB is probably the largest supplier of food in the program, I would say.

Ms Bird—It was by far the largest supplier of humanitarian goods under the program, yes.

Senator HEFFERNAN—Where did the trucking company buy the trucks?

Ms Bird—It was over \$2 billion worth of wheat that was exported by the AWB during the course of the program.

Senator HEFFERNAN—Where did the trucking company buy the trucks from? What sort of trucks were they? Were they Internationals or Fords?

Ms Bird—We do not know that. What Volcker found was that Alia was a front company—

Senator HEFFERNAN—Were they new or old?

Ms Bird—Trucks were clearly being used, but I do not know the details of whose trucks or how.

Senator HEFFERNAN—Or how many?

Ms Bird—Or how many, no.

Senator FAULKNER—What you have to do, Senator Heffernan, is read the report. It will not answer some of those questions but I—

Senator HEFFERNAN—My difficulty is that I usually just look at the pictures.

Senator FAULKNER—I think you are going to find that there are not too many pictures in this one, so you may struggle. Anyway, I commend it to you. In fact, I think there is an interesting point about this. The point made about the AWB being the largest contributor is right. The figure is effectively 10 per cent of the total contract. Can you confirm that?

Ms Bird—The amount of wheat over the course of the program amounted to \$2.3 billion.

Senator FAULKNER—Yes, and \$2.3 billion—

Mr Innes-Brown—Over seven years.

Senator FAULKNER—Yes, and then you have to take the AWB figure of \$US221.7 million—not perfect maths, but it pretty well runs out at 10 per cent.

Senator HEFFERNAN—For the purpose of the exercise, was there other wheat being imported into Iraq at the same time?

Mr Innes-Brown—There was wheat from several other countries imported.

Senator HEFFERNAN—Who were they?

Mr Innes-Brown—Russia, Ukraine and India, I believe.

Senator HEFFERNAN—Did they have trouble getting trucks to unload too?

Mr Innes-Brown—I do not know.

Senator HEFFERNAN—Could we find that out?

Mr Innes-Brown—We will attempt to.

Ms Bird—We will try.

Senator HEFFERNAN—I think it would be rash to prejudge anything in this issue. You are dealing with a professional bunch of crooks in the UN. I would be interested to know who else was involved, how much it was and where other wheat into Iraq came from at the same time. Obviously there is a bit of competition in the market and people who do not get a contract either get the shits or wonder why they did not get the contract. I would be interested in all of that. This is probably not the time or the place for it, but you need to get it out of your fox department instead of your legal department.

Ms Bird—We will see what we can find.

CHAIR—Do you have any further questions?

Senator FAULKNER—Yes. I have some sensible questions.

Senator HEFFERNAN—Is that a reflection on me?

Senator FAULKNER—A quite mild reflection in the circumstances.

CHAIR—Let us just have the questions.

Senator FAULKNER—I thought the chair was very generous. The chair has established a very interesting precedent as a result of that questioning, Senator Heffernan. Anyway, being a small 'l' liberal—

Senator HEFFERNAN—What have I done? What does that mean?

Senator FAULKNER—Being a small 'l' liberal in my attitudes to these things, I will just let it go through to the keeper and try to get on with it.

CHAIR—Do not worry about it.

Senator FAULKNER—In this situation, is the department aware of whether other nation states or industry associations or the like had raised with Australia concerns about AWB's dealings in Iraq?

Ms Bird—There was one query from the UN during the course of the program, which we understand was prompted by another country.

Senator FAULKNER—Can you outline the circumstances and detail of that, please?

Mr Innes-Brown—In January 2000, a third country informed the UN Office of the Iraq Program that they had some concerns about some demands that were made on one of their companies. Apparently in the correspondence with another entity, the AWB and another country supplier was mentioned as having entered into certain arrangements. The UN raised it with our mission in 2000.

Ms Bird—I should add that that was satisfactorily resolved. The UN asked to see the AWB contracts, and they were satisfied with the terms and conditions.

Senator FAULKNER—Thank you for that. I would have to say that that answer, Mr Innes-Brown, was to me—and I do not claim to be expert in these things—absolutely as clear as mud.

Mr Innes-Brown—I will try again.

Senator FAULKNER—No, please do not.

Mr Innes-Brown—It was my recollection.

Senator FAULKNER—I appreciate that. First of all, what is the other entity? By that, do we mean another country? If so, what was the country?

Ms Bird—I understand it is in the Volcker report.

Mr Innes-Brown—It was Canada.

Senator FAULKNER—This occurred when? I believe it was December 1999.

Ms Bird—It was January 2000.

Senator FAULKNER—It was January 2000, was it?

Ms Bird—When the UN approached us about it, yes.

Senator FAULKNER—Isn't it true that, in December 1999 the Canadian permanent mission in New York went to the UN OIP about a problem or an aspect of a contract between the Iraq grain board and the Canadian Wheat Board?

Ms Bird—Yes, that is correct.

Senator FAULKNER—What do we know about that concern?

Ms Bird—We have seen it reported in the Volcker report. What we know is that, in January 2000, as a result of that issue, the UN approached our mission. There was further discussion with our mission and, once the UN got the AWB's contract terms and conditions, which is what they had sought, they were satisfied that the matter had been resolved.

Senator FAULKNER—Isn't it true that the concern that the Canadians raised was that Iraq was asking the Canadian Wheat Board to deposit \$700,000 into a Jordanian bank account to cover transportation costs in Iraq?

Ms Bird—Yes, that is correct.

Senator FAULKNER—Can you tell the committee what the OIP did as a result of this being drawn to their attention by the Canadian permanent mission in New York?

Ms Bird—An approach was made to our mission in New York to ask about this. Our mission talked to the AWB. The UN asked for information on the AWB's contract terms and conditions. That information was provided, and the UN was satisfied.

Senator FAULKNER—Didn't the OIP's chief customs expert write an internal memorandum about this?

Ms Bird—We were not aware of that at the time, but we are of it because of the Volcker report.

Senator FAULKNER—So on 13 January 2000, the OIP chief customs expert—a Ms Felicity Johnston—writes an internal memo which notes her advice to the Canadian mission that money for transport costs in Iraq should not be paid into the Jordanian bank account. I think that sums it up, doesn't it?

Ms Bird—No—should not be paid to a government of Iraq bank account in Jordan.

Senator FAULKNER—A government of Iraq account bank account held in Jordan. And didn't that same chief customs expert of the UNOIP note that the Canadian mission—and this is the link here—had reported that similar arrangements had been made by the Iraqi government with the AWB?

Ms Bird—That is what the Canadians alleged, yes.

Senator FAULKNER—Is it true that it was Ms Felicity Johnston, the UNOIP chief customs expert, who contacted the Australian mission?

Ms Bird—Yes, that is right.

Senator FAULKNER—Can you say on what date Ms Felicity Johnston contacted the Australian mission?

Ms Bird—We think it was 13 January—it was definitely in January. I can double-check that for you.

Senator HEFFERNAN—What year?

Ms Bird—It was 2000.

Senator FAULKNER—13 January, also?

Ms Bird—Let us double-check that.

Senator FAULKNER—I am not doubting it. I must say that I am not sure, but we do know—and I appreciate your letting us know—that, according to Mr Volcker's report, she spoke to the Australian permanent mission 'on the issue of irregular payments to the Iraq regime'. We can say that we know that, can't we?

Ms Bird—Yes.

Senator HOGG—Do we know the level of the officer she spoke to?

Ms Bird—It was one of the officers in our mission who was dealing regularly with those issues. It would have been around first secretary or counsellor level, I imagine.

Senator HOGG—Can you check that for us?

Ms Bird—Yes.

Senator FAULKNER—Doesn't this UNOIP chief customs expert actually say, according to the Volcker report, that they might have stumbled across a case of evasion of sanctions, which is the AWB case?

Ms Bird—At the time of this, in January, Ms Johnston approached our mission and asked about this issue, and we then made further inquiries of the AWB at the UN's request. The UN asked for some information on contract terms and arrangements. The case was closed. They did not pursue it with us. They were satisfied.

Senator FAULKNER—Ms Johnston asked the Australian mission to check with the AWB, I assume, as to whether it had agreed to financial arrangements outside the agreed arrangements.

Ms Bird—Yes, the query was made.

Senator FAULKNER—At what level did this go through? Senator Hogg was asking about this. Did this end up with the head of mission? It is a pretty unusual thing, isn't it?

Ms Bird—It was up to the UN to approach whoever they thought was the most appropriate officer in the mission. I will find out for you who they approached.

Senator FAULKNER—Was the ambassador informed?

Ms Bird—I do not know. I will have to check.

Senator FAULKNER—I think it is pretty important.

Ms Bird—Yes.

Senator HEFFERNAN—Did Canada get a contract?

Mr Innes-Brown—They claimed in this context that they did not follow through.

Ms Bird—They did not get a contract, as far as we are aware.

Senator HEFFERNAN—Have they had a contract since?

Ms Bird—We would have to check. We just do not know off hand.

Senator HOGG—Did DFAT examine the contracts at that point?

Ms Bird—These were allegations about things happening outside the contract.

Senator FAULKNER—Something as important as this would be reported in cable traffic, wouldn't it?

Ms Bird—Yes, that is why we know about this issue. It was duly reported by cable and responded to by cable, and the UN was satisfied. They did not pursue the matter.

Senator FAULKNER—We will get to that. Where did the cable go?

Ms Bird—It came to Canberra.

Senator FAULKNER—It only came to Canberra?

Ms Bird—I would have to double check. Canberra would have been the action post; if it went somewhere else I will have to double check.

Senator FAULKNER—When you say Canberra, did it go to the minister?

Ms Bird—Our cables routinely go to our ministers—all of them.

Senator FAULKNER—Yes. So it went to the minister. So Minister Downer—

CHAIR—Hang on. Do you know if it went to the minister?

Senator FAULKNER—We have just been told it does routinely.

Ms Bird—But, Senator, it is an important point. We have hundreds of cables coming in on a daily basis. They routinely have ministers on the distribution. That does not mean that the ministers actually see them. Not that in this case, as I said, there is an issue, but we cannot draw that assumption.

CHAIR—Thank you.

Senator FAULKNER—There is no need to be so defensive, Chair, just because we know this information went to Minister Downer. Of course it would have gone there. We have not yet established whether he did anything about it.

CHAIR—Well, ask the question: did it go to the minister? Do you know if it went to the minister?

Ms Bird—We do not know, Senator.

CHAIR—There is the answer.

Senator FAULKNER—I am sorry, Ms Bird said a moment ago that these cables routinely go to the minister. We know that from all the bitter experience—

CHAIR—But the question surely, Senator, if you are going to be fair, must be: do you know if it went to the minister? The answer is, clearly, she does not know. So I would appreciate it if you did not verbal her.

Senator FAULKNER—What the answer is is that these cables routinely go to the minister. That was the answer.

Ms Bird—Sorry—

CHAIR—But this one, we do not know.

Ms Bird—I am sorry, Senator. The minister's office is on the distribution for these cables.

Senator FAULKNER—Yes.

Ms Bird—That does not mean that they go through to the minister. Only a handful would go through to the minister.

CHAIR—Thank you.

Senator FAULKNER—Go through to the secretary and senior officers too?

Ms Bird—They would all have been on the distribution.

Senator FAULKNER—Yes, that is the point. This is something that could easily be checked: who was on the distribution list of this cable? We could check that easily, couldn't we?

Ms Bird—Yes.

Senator FAULKNER—Fair enough—Senator Johnston makes a point: let's be fair about it. Well, let us have the list of addressees on the cable. That will satisfy us all. Nevertheless, I think I can say, through the chair, that we often have asked questions like this at this estimates committee and it is routine for these things to go through to the minister's office. It would be quite exceptional in fact if it did not, I would think. And you have made that point—that is routinely how it works. Perhaps as a matter of urgency, because I had asked a question on notice before about cables, you could let us know that one as quickly as possible. We would appreciate that.

Ms Bird—We will do it as quickly as we can.

Senator FAULKNER—Thank you. The UN OIP's chief customs expert approaches the Australian mission to check whether the AWB had agreed to any financial arrangements that were outside the normal procedures—is that a fair way of explaining it?

Ms Bird—Yes.

Senator FAULKNER—The Volcker report indicates, really quite definitively here, that DFAT informed the UN OIP—I do not know whether this is Ms Johnston here or not but I assume it is, or someone in that office; you can let me know—that AWB had—and I will use a direct quote, to be fair—‘categorically denied’ the Canadian report. Can you confirm that that is a fair reflection of what happened?

Ms Bird—Yes, that is.

Senator FAULKNER—What I would like to understand is, first of all, at what level that DFAT assurance was passed to the UN OIP. Can you say that to us? Who gave this assurance?

Ms Bird—The assurance would have been passed back through the UN officer at the mission that Ms Johnson was dealing with.

Senator FAULKNER—We are sure of that?

Ms Bird—I could double-check, but there was normally one officer in the mission who was dealing with oil for food program issues.

Senator FAULKNER—On advice from?

Ms Bird—The advice came back from Canberra. It was checked with the AWB, who gave the categorical denial.

Senator FAULKNER—Let us look behind that for a moment. The advice comes back from Canberra. That is fair enough; that is what we would all expect. Was that advice generated at the branch head level?

Ms Bird—It was sent as a cable.

Senator FAULKNER—At what level?

Ms Bird—We would have to check exactly who authorised the cable. I just do not know offhand.

Senator FAULKNER—That would be good. If you could take that on notice and let us know, I would appreciate it. Obviously DFAT has contact with the AWB in order for such a categorical denial to be provided.

Ms Bird—Yes.

Senator FAULKNER—You do not say to the UN OIP that AWB categorically denies any wrongdoing without, I think it is fair to assume, someone being confident in saying that that reflected the view of AWB. That would be right, wouldn't it?

Ms Bird—Yes.

CHAIR—You would hope so.

Senator FAULKNER—Yes, you would hope so. Our hopes spring eternal. Let us see how this was actually established. What did DFAT do to be able to find officials in a position to provide AWB's categorical denial to the UN OIP?

Ms Bird—I will have to check exactly who they spoke to. I do not have that information with me.

Senator FAULKNER—But this is obviously very crucial. I am surprised on this matter. I acknowledge that you have been helpful in answering questions from committee members today, but I do think this is a very crucial point. If a categorical denial goes to the UN from DFAT saying that AWB reject the allegations—which, I might say, subsequently turn out to be absolutely true—it is pretty embarrassing for DFAT that it communicated this categorical denial. Hasn't somebody actually done a bit of background work to find out how on earth we got ourselves into this situation?

Ms Bird—We have looked over exactly what we did during the course of the program. We have gone through the files and we are confident that we implemented our security council resolutions thoroughly.

Senator HEFFERNAN—So what steps have been taken—which is the bleedingly obvious question—to make sure that this never happens again?

Ms Bird—I can be confident that the UN will never again set up a program like the oil for food program. We will not be dealing with such a program again.

Senator HEFFERNAN—I was really wondering what steps we have taken.

Ms Bird—As we were discussing a little bit earlier on, the actual vetting and approval of all of these contracts was the responsibility of the United Nations. The way the scheme was set up by the Security Council, by the way of a chapter 7 binding resolution on all member states, gave that responsibility to the UN. They set up quite an elaborate structure so that they could indeed vet and approve the contracts. That was not the role of member states. That was not what member states were required to do.

Senator FAULKNER—It is too easy to say that. In the situation here, a government, another country, approaches the UN OIP with concerns about a request of that government to deposit an awful lot of money into an Iraqi account held in Jordan, saying basically—effectively, if you like—that this is the result of a precedent established by the AWB. That is the concern. The key point surely is that we are asked to establish whether there is any truth to the Canadians' concerns. That is right, isn't it? We are asked to establish that. We go back and say, 'The AWB has categorically denied the Canadian report.' Why didn't that approach from the Canadians and then the OIP chief customs expert ring, very loudly, alarm bells in DFAT? Here is a direct contact from another government and the responsible UN agency asking whether there is something wrong. I would have thought that would ring enormous alarm bells, but it apparently does not ring any alarm bells and, even worse, DFAT then goes back and says that the AWB had categorically denied the Canadian report—in other words, that DFAT's advice was claptrap.

Ms Bird—With respect, what the United Nations asked of us—and it is recorded in the Volcker report—what Ms Johnston asked is, 'Inquire from AWB whether it had agreed to any

financial arrangements with the Iraqi regime outside the UN escrow account.’ We put that query to the AWB. The AWB categorically denied it. That was passed on to the UN.

Senator FAULKNER—And no alarm bells were rung? How did we establish this from the AWB? Who went to the AWB and said, ‘This is the allegation; what is the truth?’?

Ms Bird—I will get you the details on who spoke to whom.

Senator FAULKNER—Isn’t it binding on all member states to ensure that nationals are not making such payments? Isn’t that binding on all member states?

Ms Bird—It was binding on all member states to ensure that there were no exports to Iraq or financial transfers that were not approved by the UN.

Senator FAULKNER—That is right, and that is contained within the UN Security Council resolution 661, which—

Ms Bird—Which is the foundation.

Senator FAULKNER—Yes, the foundation. It provides the overarching guidance on this whole issue.

Ms Bird—That is right. We never permitted any exports that did not have explicit UN approval.

Senator HEFFERNAN—Have we gone to the trouble of finding out if the trucking company, whoever it is, were doing business for other countries as well?

Ms Bird—We are not sure.

Senator HEFFERNAN—Or like trucking companies? How do they get their stuff? Everybody else gets their stuff.

Ms Bird—Volcker has found that this was one of the ways the regime got some of the money—it was through all of the inland transportation arrangements.

Senator HEFFERNAN—How many other bunnies were in the operation?

Ms Bird—On the transportation side?

CHAIR—It is in the report.

Ms Bird—There would be a fair number.

Senator HEFFERNAN—So there are lots of other countries that had the same treatment?

Ms Bird—There were lots of other companies where this was the means by which the regime took money.

Senator HEFFERNAN—From other countries besides Australia?

Ms Bird—Yes, absolutely. There were 2,200 companies mentioned in the Volcker report.

Senator HEFFERNAN—So would it be fair to say that whatever the body is in the UN—Chair, what is the name of the body?

CHAIR—It is the OIP.

Ms Bird—Yes, the Office of the Iraq Program.

Senator HEFFERNAN—Would it be fair to say that they failed?

Ms Bird—Yes.

Senator HEFFERNAN—Have there been any findings of jiggery-pokery within that office?

Ms Bird—Yes. The head of the office has been sought.

Senator HEFFERNAN—There you go.

CHAIR—I want to come back to this issue that Senator Faulkner has raised. The communication arising from Ms Johnston's request for an inquiry, do we know what form that took?

Ms Bird—She contacted a member of the mission and that member of the mission reported it back to Canberra in a cable. So it was an oral exchange reported in a cable.

CHAIR—But my question was actually directed towards the communication between Canberra and the company, AWB Ltd.

Ms Bird—We do not have with us exactly how that took place; we will find that out.

CHAIR—Was this related to an extra contractual payment which was different from the Alia structure?

Ms Bird—It is not clear.

CHAIR—Does Volcker talk about AWB with respect to extra contractual payments?

Ms Bird—The AWB had to do with the inland transportation costs. That was the area that was found to have led to the money being siphoned off.

CHAIR—This is different to that. This is about a payment that is outside the terms of the authorisation, given that the Alia payments were authorised.

Ms Bird—It certainly seems so, but exactly what the Canadians were alleging is not 100 per cent clear.

CHAIR—But all of the Alia payments were authorised.

Ms Bird—All of the AWB contracts were authorised. That did not always include inland transportation costs.

CHAIR—Sometimes it did and sometimes it did not.

Ms Bird—Exactly.

CHAIR—It evolved to include those.

Senator HEFFERNAN—And when it did, was that approved by this glorious office in the UN?

Ms Bird—Yes.

Senator HEFFERNAN—And that glorious office was subsequently found to be corrupt?

Ms Bird—The head of it is certainly wanted for charges.

Senator HEFFERNAN—Is he hiding somewhere?

Ms Bird—He is not in the United States at the moment.

Senator FAULKNER—If something as serious as this happens, surely the ambassador to the UN would be involved. In this sort of approach, wouldn't the ambassador be informed and involved?

Ms Bird—Not necessarily. As I said, it seems to have been that there was an oral inquiry from the UN officer to whoever she dealt with within the UN mission. That was duly and properly reported back by cable, and the response went back by cable as well.

Senator FAULKNER—Can you tell the committee the detail of this—in other words, the fact that it involved transport and payments in Jordan. DFAT was aware of that element of the Canadian complaint, was it?

Mr Innes-Brown—I am sorry, can you say that again? The Jordanian element of this?

Senator FAULKNER—Yes.

Ms Bird—We were aware there were allegations that irregular payments were being made. I am not sure of the exact detail of what Ms Johnston put to our mission.

Senator FAULKNER—I am asking about the detail, because that was the substance of the Canadian concern, wasn't it?

Ms Bird—That is what Volcker has found. I do not know exactly what Ms Johnston put to our officer. My recollection was that the Canadians had alleged that payments were being made outside the framework of the program. And she asked us to go back to the AWB and ask them about the allegation.

Senator FAULKNER—Was this communication from Ms Johnston—let us put it on a less personal level, let us say from the UNOIP: were the Canadian concerns included in cable traffic back to Canberra?

Ms Bird—Ms Johnston's request, yes, was in a cable back to Canberra.

Senator FAULKNER—Wouldn't that cable have to have been approved by our ambassador in the UN, or not necessarily?

Ms Bird—No, we do not require heads of mission to approve all cables.

Senator FAULKNER—Not all.

Ms Bird—No.

Senator FAULKNER—Can we have a look at this cable please? Could you table it?

Ms Bird—Let me take that on notice. We do not normally provide cables. We obviously gave them to the Volcker inquiry, so let me take that on notice.

Senator FAULKNER—I do not normally ask for cables either.

Ms Bird—Let me take it on notice, and I will check.

Senator FAULKNER—Can you explain this to the committee. It seems to me that the Canadians have taken a pretty careful approach here—approach the OIP with issues of concern. That sounds like a cautious and careful approach. Would you agree with that?

Ms Bird—You can characterise it that way. I have no problem with that.

Senator FAULKNER—Australia and the Department of Foreign Affairs and Trade did not take a similarly cautious or careful approach, did it?

Ms Bird—We were not aware of these concerns. They were not issues that we had to raise.

Senator FAULKNER—You were aware of the concerns once the UN OIP raised it with you.

Ms Bird—They asked us to check them the AWB, which we did.

Senator FAULKNER—That is what I was saying before. Surely that would set the alarm bells ringing for most people.

Ms Bird—When the UN told us it was satisfied, the UN did not pursue this. The information we provided or the AWB provided satisfied them that this was not an ongoing issue—put it that way—not for the UN, and it was the UN responsibility to approve these contracts.

Senator HEFFERNAN—Would it be fair to say that, where that was responded to in the UN was the OIP?

Ms Bird—Sorry?

Senator HEFFERNAN—Is that who it went back to and who ticked it off—the OIP?

Ms Bird—It is the OIP in conjunction with the 661 sanctions committee.

Senator HEFFERNAN—So we would have sent something back to the OIP and said, ‘Yeah, everything’s hunky-dory here as far as we know.’

Ms Bird—We actually passed it back through this Ms Johnston, who passed on the request, but she would have been dealing with the OIP.

Senator HEFFERNAN—And the OIP said, ‘Thank you very much’ and that was the end of it?

Ms Bird—They had a few queries, which we answered, and that was the end of it.

Senator HEFFERNAN—But it could be fair to say that they would like to see the end of it very quickly if there was corruption within that department.

Senator FAULKNER—What were the few queries you answered?

Ms Bird—My recollection is that they asked about some contract terms and conditions, which were supplied.

Mr Innes-Brown—They suggested that they had examined a contract and there was a reference in a contract that they had looked at. It seemed to suggest there was some other information that was not in it. They asked us to inquire of the AWB whether that information could be provided. We went back to the AWB. They provided that information. We went to the UN and they said that clarified the matter and it removed any grounds for misperception.

Senator FAULKNER—You went back to the AWB, but we do not know who went back to the AWB, do we?

Ms Bird—Not at this stage.

Senator FAULKNER—How do we know what the AWB said?

Ms Bird—We reported back. They asked for some information. That information was provided. The UN said that clarified their concerns.

Senator FAULKNER—I have heard that a number of times, and I appreciate that evidence, but I am going beyond that. I want to understand how DFAT could get it so wrong. What I am trying to hear is evidence about who in DFAT checked these Canadian and OIP concerns with AWB.

Ms Bird—As I have said, we will have to get back to you on that.

Senator FAULKNER—I want to know—

Senator HEFFERNAN—Can I ask—

Senator FAULKNER—Can I just follow this through and then we will go back to you. Given that we gave such a categorical denial, which turned out to be—

CHAIR—We did not give the categorical denial. The company did.

Senator FAULKNER—We gave a categorical denial on behalf of the AWB. That is exactly what happened.

CHAIR—That is not the evidence.

Senator FAULKNER—But DFAT—

CHAIR—That is not the evidence. The evidence is that we relayed a categorical denial. That is the evidence. That is quite different.

Senator FAULKNER—Given that such a categorical denial was given, can we now establish the basis of it? We do not know who contacted the AWB, but for it to be a categorical denial I assume there is some sort of paper trail, is there?

Ms Bird—We will have to get back to you on that. We do not have the details here.

Senator FAULKNER—Can we do that after the lunch break, please.

Ms Bird—We will do it as quickly as we can.

Senator HEFFERNAN—Can I just ask a very simple question. As part of that business, did anybody talk to the Wheat Export Authority?

Ms Bird—Not that we are aware of.

Senator HEFFERNAN—Do you understand what their role is?

Ms Bird—In general terms, yes.

Senator HEFFERNAN—What does that mean? What do you understand they do?

Ms Bird—They—

Senator HEFFERNAN—I do not think you know.

Mr Innes-Brown—My understanding is that they have some oversight role for the AWB, but it is not an area—

Ms Bird—I should mention that WEA has also been asked the same sorts of questions. We have been in touch with them during the course of the Volcker inquiry.

Senator FAULKNER—Were the Canadian concerns well founded? We can now look at that with the benefit of hindsight. Were the Canadian concerns well founded?

Ms Bird—The general concern about money being paid for transport costs ending up with the Iraqis is certainly one that Volcker has found. I do not know the specifics of this Canadian one.

Senator FAULKNER—Given all we know now, because of Mr Volcker's report, I think a reasonable person can say that the Canadian concerns were very well founded. They were an awful lot closer to being on the ball than we were, obviously. As a result of this, was more effort put into the way AWB contracts would be examined and considered after January 2000—after these concerns had been raised—or was the same slapdash approach that we had before continued on?

Ms Bird—As I said, these concerns were resolved to the satisfaction of the UN.

CHAIR—With AWB documentation.

Ms Bird—Yes. That put the matter to rest as far as the UN was concerned, and it was for the UN to approve these arrangements and these contracts.

CHAIR—We were simply the post office.

Senator HEFFERNAN—The difficulty with that, of course, is that the UN might not have wanted to look too hard if they were in on the act—if they were getting a sling, in other words.

Senator FAULKNER—But documentation was not provided in relation to the concerns raised by the Canadians, was it?

Ms Bird—Some further information was sought and provided, yes.

Senator FAULKNER—In what form?

Mr Innes-Brown—Additional information was sought and there was a question, as I suggested, in relation to reference standard terms and conditions that were not immediately in the contract. They asked to see those standard terms and conditions, and they were provided in documentary form.

Senator FAULKNER—AWB asked for advice on 30 October 2000. We now have the tabled correspondence; thank you for that. This request or letter from AWB—the date has been scrubbed out, but I think we know that it is 30 October: that is right, isn't it?

Ms Bird—Yes, that is correct.

Senator FAULKNER—I can appreciate why it has been taken out, and that is fine. The 30 October letter asked about these very similar matters—very similar concerns. Was what the Canadians were on about at the beginning of that same calendar year taken into account or did DFAT just say 'Ho, hum' and not take any account of it? What is building here, it seems to me, is a clear evidentiary base that a great deal more effort ought to have gone in at the departmental and ministerial levels here in Australia. These concerns of Canada are raised first with Australia on 13 January 2000—about transport costs in Iraq not being paid into an Iraqi government Jordanian bank account. Nearly a year later you get a letter about similar matters, but no-one seems to twig.

Ms Bird—The concerns that were raised in January 2000 were resolved to the satisfaction of the UN. That matter was resolved. Later in the year we were asked a general question about whether there could be discussions with Jordanian based companies. Our answer to that was that that was not prohibited by the sanctions. I should also add that all of this material—all of our dealings and all of our involvement—was given to the Volcker inquiry. Their investigators went through it thoroughly. There is no suggestion from Volcker that there was anything that we did that was incorrect.

Senator FAULKNER—Who is ‘we’ in this instance?

Ms Bird—The government.

Senator Sandy Macdonald—Senator Faulkner, can I say something.

Senator FAULKNER—I would like to respond to that.

Senator Sandy Macdonald—I would like to make a comment too.

Senator FAULKNER—Good.

Senator Sandy Macdonald—This is the first comment I have made. You have sat here this morning making assertions. You have continually made assertions.

Senator FAULKNER—No, I haven’t; I have asked questions.

Senator Sandy Macdonald—You have made assertions, as is your wont. You are entitled to do that, as long as everyone understands what you do. I think the questions have been adequately addressed. You can seek further explanation, but you have had it. If you think that assertions are a way of making your case, proceed, but the questions have been fully explained.

Senator FAULKNER—I am actually asking questions. I want to come back to Ms Bird’s last comment. When I read the terms of reference of the Volcker inquiry—and I do not have them in front of me—I can assure you, and you can assure the committee, that whatever the activities of nation states are in the United Nations the terms of reference certainly do not go to that. Whatever the Department of Foreign Affairs and Trade and ministers of the government of Australia do is right outside the terms of reference of the Volcker report. Although I do not actually have the terms of reference with me, I know that to be the case. When I read them, I looked at that matter very carefully. Let me just say that in response. The Canadian government seemed to me to be very careful. They went to the OIP for advice on this. Did Australia go for advice to the OIP on this?

Ms Bird—Sorry, I missed that.

Senator FAULKNER—The Canadians have concerns.

Ms Bird—The Canadians have concerns.

Senator FAULKNER—We agree with that. So they go to the OIP for advice in early 2000.

CHAIR—No, they reported it to the OIP.

Ms Bird—The Canadian Wheat Board raised some concerns with the Canadian government. The Canadian government duly took them up with the UN. If we had had concerns raised with us, we would have done the same.

Senator FAULKNER—That is the point. They are being a lot more careful than Australia—much more careful.

CHAIR—No, they are not.

Senator FAULKNER—It is a very prudent and cautious course of action. They are going to the OIP. They are checking these matters out. The Canadian concerns happened in 2000. Then a letter shot off from the AWB. A couple of days later, inadequate legal advice—no records, no nothing, no copy, no-one knows who gave it and no-one knows who it was given to. But oh, no, the Department of Foreign Affairs and Trade is quite comfortable in writing back to the AWB saying full speed ahead even though we know it was disastrous advice and a disastrous course of action. That is very different from the approach of at least one other government, the Canadian government, which obviously acted far more cautiously and prudently.

Ms Bird—A Canadian company raised concerns with the Canadian government. They took them up with the UN. We would do the same with concerns raised by an Australian company, I can assure you.

Senator FAULKNER—It was not done. The point is—

CHAIR—Because no concerns were raised.

Ms Bird—No.

Senator FAULKNER—But the point here is that there is a very different approach—

CHAIR—No, it is not.

Senator FAULKNER—by one government—

CHAIR—It is apples and oranges, and you well know it.

Senator FAULKNER—It is not. It is actually comparing apples and apples—one government, the Canadian government—

CHAIR—Let us ask a question.

Senator FAULKNER—expresses its concerns in this way and the Department of Foreign Affairs and Trade gives advice to a company, AWB—

CHAIR—Senator, these gratuitous observations mean nothing.

Senator FAULKNER—They are not gratuitous observations.

CHAIR—They are. They are gratuitous observations—

Senator FAULKNER—Only in your view.

CHAIR—that are a commentary from your political perspective. They are all very good for you, but they are wasting the committee's time. I welcome a delegation from Ghana, which is sitting at the back of the room. It is a great pleasure to have you in Australia. Sadly, the proceedings are not as entertaining as we might like.

Senator HEFFERNAN—Senator Faulkner might do a bit of karaoke for you, though. Just to get this clear, the Canadian Wheat Board went over there in good faith to try and sell some wheat to whoever they tried to sell it to in Iraq and were told, ‘You can’t do business with us unless you give us a sling.’ They duly reported that to the government and the government duly reported that to a body that was later found to have corruption in it. In our case, the Australian Wheat Board went over there and got a contract and they did business. It will be up to an inquiry in another place, not us here today, to find out whether they were offered any inducements on the way. But that is not something we should look at today.

Ms Bird—That is right, yes.

Senator HEFFERNAN—Today, we are looking at the fact that they did not complain. Whether they had reason to complain is something for another day.

Senator FAULKNER—I thought a question was coming.

CHAIR—I think Ms Bird agreed with that proposition.

Ms Bird—Yes. The Prime Minister has announced an inquiry and it will no doubt look into that.

Senator HEFFERNAN—There will be no-one looking at that more keenly than me.

Senator FAULKNER—Just in relation to any other international criticism of AWB, I know that it is true that the US wheat industry—this does not make it right, of course—has been highly critical of the AWB.

Ms Bird—That is correct.

Senator FAULKNER—A US senator, Senator Murray, has raised concerns that the AWB tender price was almost twice the US price and yet AWB won the contract to supply wheat. Senator Murray wrote an open letter to the US President raising concerns. At some stage I had a copy of that; I do not have a copy of it now. My colleague does have a copy of it. This effectively goes, in the broad, to AWB dealings in Iraq. This is one example. You have told me about the Canadian example. Are there many others of these? Some of them have been raised by politicians and the like, and I accept that we would treat something from another country differently than something from an individual politician—in this case, a US senator. Has the department recorded any other complaints or concerns about AWB dealings in Iraq that you are able to inform the committee of?

Ms Bird—No. The ones we are aware of are the Canadian one and the US ones that you mentioned.

Senator FAULKNER—I appreciate that we are very short of time and the chair is going to conclude this hearing in a couple of seconds. They are much later, aren’t they? Most of those concerns were raised in 2003.

Ms Bird—Yes, they were in 2003.

Senator FAULKNER—We might come back to that.

CHAIR—We will reconvene after lunch. Thank you, Ms Bird and Mr Innes-Brown.

Proceedings suspended from 12.25 pm to 2.07 pm

CHAIR—I call the committee to order. Ms Bird, I would like to go to the information relating to the denials by the company.

Ms Bird—Certainly. As we discussed before lunch, we got in touch with the officer whom we think spoke to the Australian Wheat Board about the issues raised by the Canadian Wheat Board in 2000. That officer is now overseas. We gave him a call—we woke him up at four in the morning. Not surprisingly, he did not have any immediate recollection. We will have to follow that up later today.

Senator HOGG—That is understandable. I would not want to be woken up at 4 o'clock in the morning, either.

Ms Bird—We were trying to follow up promptly.

Senator HOGG—Very good.

CHAIR—Is there anything arising from that, Senator Faulkner, that you want to take up before you go back to the chamber?

Senator FAULKNER—No, only to express my commiserations to the officer who was woken up at 4 am.

Senator HOGG—The issue of the letter from the AWB to DFAT was also raised with you. It started, 'As you were aware'. I asked you if one of the officers in the department had been spoken to prior to the letter because it seemed to indicate that.

Ms Bird—We will have to follow that up with the people at the time. They are not in the department now.

Senator HOGG—How many people were involved at the time in that department? Are we looking at a large number?

Ms Bird—No, that section would have had four or five people. I am not sure how exactly how many.

Senator HOGG—All right. I just wanted to get some idea of the numbers.

CHAIR—I am going to ask a few more questions in a moment, but I think we will go to Senator Hogg and he is going to ask questions on the area of—

Senator HOGG—I will ask questions on the avian influenza.

CHAIR—Okay, we will come to that in a moment. I just want to clarify one issue. What did the correspondence, or was it a cable—I am not quite sure with retrospect—from the OIP concerning the Canadians' complaint actually speak of? I think it was the Canadian Wheat Board complaining about—

Ms Bird—It was the Canadian Wheat Board, yes, through the Canadian mission to the United Nations.

CHAIR—What were they actually complaining about?

Ms Bird—They were complaining of the allegation that was made concerned money being paid to a government of Iraq bank account in Jordan.

CHAIR—To a government of Iraq bank account in Jordan?

Ms Bird—That is correct.

CHAIR—So they were not complaining about an Iraqi owned Jordanian trucking company?

Ms Bird—No, it was money being paid to a government of Iraq bank account in Jordan for transport costs.

CHAIR—Okay. For transport costs. Is there any mention of the name of the company?

Ms Bird—No, not in the material that we have seen.

CHAIR—All right.

Senator HOGG—Just following on from that: is there any indication of how many payments were made to the account that they were querying?

Mr Innes-Brown—It seemed like it was an initial proposition that the Canadians were interested in trading and, as part of that negotiation process, this arrangement was proposed as the way things had to be done. That is my reading of this.

Senator HOGG—So it was not a transaction that was in place. The Canadians had in effect been told, ‘This is the way we want to do business.’

Ms Bird—Yes.

Senator HOGG—‘And the way we want to do business is we want an upfront payment in this account and it’s for the transportation costs.’ I might be paraphrasing, but that is basically—

Ms Bird—That is correct, from what we understand—and, of course, our knowledge is based on the Volcker report.

CHAIR—So it is a clearly identified Iraqi government bank account in the period of 1996 to 2003.

Senator HOGG—Do we know if that was with a Jordanian based transport company? I have read the pages but I just cannot recollect.

Ms Bird—We only know what is in the Volcker report.

Senator HOGG—So do I and that is why I asked. I thought you might have a little bit more knowledge.

CHAIR—Unless there any other questions on this—

Senator HOGG—Just on that point: there is no knowledge as to whether or not that was a Jordanian trucking account. Is there any way we can find out what it related to? Obviously it related to transportation, but where? If not in Jordan, then in one of the neighbouring countries?

Ms Bird—It is just for transportation within Iraq. Our knowledge, like yours, is really limited to what is in Volcker.

Senator HOGG—I accept that. I just thought there might be some knowledge there.

Ms Bird—No.

CHAIR—On avian influenza, I think North Asia is the area we are talking about.

Ms Bird—It is actually handled by a number of different divisions, depending on the aspect you are interested in. If you ask your questions we will make sure we have got the right people here.

CHAIR—I am obliged to you.

Senator HOGG—Firstly, I understand there was an APEC senior officials meeting held in Brisbane, 31 October to 1 November. Who issued the invitations to that meeting?

Mr Deady—It was an Australian hosted meeting, chaired by Australia. Invitations were issued by Australia for that.

Senator HOGG—When you say ‘by Australia’, do you mean by the department?

Mr Deady—I would have to check the precise details.

Senator HOGG—I am not trying to be overly precise, but it was Australian run and organised. I understand that.

Mr Deady—It was. We chaired that meeting.

Senator HOGG—Was it the minister?

Ms Bird—Our Ambassador for APEC, Doug Chester, deputy secretary, chaired the meeting.

Senator HOGG—I understand that. Did he issue the invitation, or did the minister?

Mr Deady—I would have to check on that.

Senator HOGG—To whom were invitations sent?

Mr Deady—All the APEC economies were invited. They were also observers from a number of the other ASEAN countries which are not APEC members. There were also international organisations. Observer delegations were from Cambodia, Burma and Laos and the Pacific Islands Forum. The APEC Business Advisory Council attended, as did international organisations including the WHO, the FAO, the OIE and the World Bank.

Senator HOGG—As I understand it, it was announced by the minister. We are not sure who issued the invitations at this stage, but there was wide representation at that meeting. Can I assume that all of those who were invited attended?

Mr Deady—My understanding is that each of the APEC economies attended. It was a high-level meeting of these principal pandemic and disaster management coordinators from each of the APEC economies, together with health experts and quarantine experts. There was attendance by all of the economies.

Senator HOGG—What was the purpose of the meeting?

Mr Deady—The purpose of the meeting was to identify ways the APEC economies could strengthen cooperation on avian influenza and to prepare for possible human pandemic and particularly to involve the principal disaster management coordinators.

Senator HOGG—Was a set of conclusions expected from the meeting?

Mr Deady—Outcomes were certainly discussed at the meeting, with a view to the results of the meeting being reported to ministers and then onto the leaders at the APEC Leaders Summit in November.

Senator HOGG—Was this meeting seen as an end in itself, or was it seen as a meeting which would transmit its determinations to a higher level in the APEC organisation?

Mr Deady—It was certainly seen not as a means in itself. It was to discuss and to reach consensus on certain ways of strengthening cooperation amongst the APEC economies and for that strengthened cooperation to be communicated to ministers and then to leaders at the APEC summit in November, later this month.

Senator HOGG—From what you said, it would seem to me to be reasonable to assume that there would be some definitive statement made by the meeting of ministers later this month.

Mr Deady—That is certainly the expectation.

Senator HOGG—I presume there were some aims for the meeting in the first instance. Just broadly, can you apprise the committee of those aims?

Mr Deady—As I said, the principal aim was to bring together these disaster management coordinators and to look at ways in which the APEC economies could strengthen their cooperation. Of course, Australia is working bilaterally, regionally and multilaterally to prepare for and respond to this threat. Discussion on some of the ways of improving this coordination included the establishment of an expert rapid response capability, to do a live test of avian pandemic influenza management plans at the regional levels. That would be through paper simulation exercises and the effective and transparent regional communication systems, including a register of disaster pandemic coordinators. So I think very practical things were identified there.

Senator HOGG—So those were the aims?

Mr Deady—They were the outcomes of the APEC meeting.

Senator HOGG—I was going to come to the outcomes because I was going to find out if the outcomes matched the aims, because sometimes you have meetings and the outcomes bear no relation to the aims of the meeting.

Mr Deady—The aims of the meeting were certainly to have these experts come together from these countries. Over 100 participants attended the meeting in Brisbane. The aims were to look at very practical ways in which the APEC economies could improve their coordination. The value-add of this exercise was very much the identification and bringing together of these pandemic and disaster management experts. That was the broad objective and I certainly think it was a successful meeting.

Senator HOGG—Is there a list of the official outcomes of that meeting?

Mr Deady—There was no formal communique released of that meeting as amongst officials. What have been identified are these various ways of improving coordination, as I mentioned. They are being communicated and taken forward to APEC ministers and leaders

in mid-November. The outcomes will be considered by the leaders in November. There is no communique as such.

Senator HOGG—There is no formal communique as such.

Mr Deady—No.

Senator HOGG—There are no formal outcomes as such.

Mr Deady—No. Other than—

Senator HOGG—What about informal outcomes?

Mr Deady—The outcomes were, as I mentioned, the identification of, and a consensus around, these ways of improving the coordination amongst the economies and the establishment of the expert rapid response capability. That was certainly a very significant result and there was a strong consensus around the establishment of such a response capability. Officials will now report those to ministers.

Senator HOGG—Who represented DFAT at the meeting?

Mr Deady—As Australia chaired the meeting, Mr Chester was the chair.

Senator HOGG—Is he here today?

Mr Deady—No, he is not here today. He was the chair and he was supported by colleagues from the APEC branch of my division. The Australian delegation to the meeting—again, I do not have the precise details—included experts from Quarantine, the health department, the Prime Minister's department, as well as from DFAT.

Senator HOGG—Who was responsible for compiling the outcomes for communications through to the leaders meeting on 18 and 19 November?

Mr Deady—I have to take that on notice. I believe that Australia, as host, would be taking this report forward, but I have to take that on notice to be precise.

Senator HOGG—We now have to await the outcome of the leaders meeting on 18 and 19 November. What will happen at that meeting in terms of the outcomes that came out of the senior officials meeting? Will the leaders be adopting a program or a communique which outlines how they will respond to this possible pandemic?

Mr Deady—The outcome of the meeting earlier this week in Brisbane will be considered by APEC ministers and then by leaders in Korea. It is the ministers and the leaders that will determine how to, in the end, take forward these proposals that the officials have worked up.

Senator HOGG—How will this alter the way in which we as a nation were going to respond to a possible outbreak, if it occurred? Will it commit more of our resources?

Mr Deady—It fits into Australia's overall possible response to the threat by being very much just part of what is a very broad effort by Australia, regionally, bilaterally and multilaterally, in a number of different areas, to consider and respond to this possible threat. I am only precisely familiar with the APEC element of that, but I know there are colleagues who are well across the vast range of various meetings and other activities that the government is involved in with the avian flu issue.

Senator HOGG—Did it tend to focus more on a response particularly in the Asia and South-East Asia region, rather than a broader response? There is a diverse range of membership of APEC economies—the US, Chile and Russia are there, and so on.

Mr Deady—It certainly focused on the region and APEC's response to that. As you say, that involves Australia, the United States, a number of developed economies as well as the developing economies of the region, of which several of those countries have already had deaths from the avian flu and outbreaks of the disease amongst birds. Certainly, the focus is on the APEC region.

Senator HOGG—In your view, did the senior officials meeting achieve its aims and goals?

Mr Deady—It did achieve the aims. I think it was a very successful meeting. As I said, we were able to bring together a large group of experts and disaster management coordinators from the region, and it was able to reach a consensus about a number of ways in which the APEC economies could strengthen their cooperation. They are very positive, practical ways. It was very timely that this meeting was held and called together and has come to these results, which will now be fed to ministers and leaders within the next few weeks.

Senator HOGG—I am not being critical and I am not, hopefully, being overly picky about this, but you mention 'region' in the same sentence as you do 'APEC'. I have a broader view of APEC, and that is why I asked you about that before. Is this more regionally focused than more broadly APEC focused? Is this seeking a response based on what will happen in our region as opposed to what might happen with a broader response on a worldwide basis? Am I getting confused there, or can you help me out?

Mr Deady—We are talking about the APEC economies, most of which are based on the western Pacific—

Senator HOGG—Yes, I accept that.

Mr Deady—where, as I said, a number of cases have already been identified. The Australian government through the aid program and in other ways has already committed significant resources to help combat the threat in Australia and elsewhere, so I think there is clearly a focus on this part of the world. As you say, the potential here is for a pandemic, but these practical means are aimed at those APEC economies working very closely together—the identification of these quarantine experts, talking about how these things could be handled and what sorts of additional technical assistance might be able to be provided by APEC members to other APEC members. So I do see it as very much the whole of the APEC region responding or setting up mechanisms to assist in the response to any outbreak of this influenza. So I think it certainly complements what NGOs and other organisations are doing, but the practicality is that it has helped very much improve the communication and the identification of these experts amongst the APEC countries, getting them together and talking about these things.

Senator HOGG—I hear what you say. I am not being critical, but again I come back to the point that I made. I think even the minister made a reference in his statement to the setting up of the process, when he said:

... and perhaps set up some region-wide, APEC-wide response mechanism if that's really called for.

I think the outcome was a good outcome indeed, looking at a rapid response. I would assume that we would be looking at our capacity and our ability as part of the South-East Asia region and considering our south-west Pacific neighbours, looking at a rapid response within that specific region—and I am not excluding the other areas. It seems to me that there are two levels in this. There is one where there is a broader, worldwide response to those who may unfortunately be afflicted by the avian flu, but then there is a more regionally focused response. That is why I am asking the specific questions. It is not a trick question—

Mr Deady—No.

Senator HOGG—I am just trying to get—

Ms Bird—I might just add to what Mr Deady was saying. It is my understanding that, as you suggest, there was a strong regional focus at this APEC meeting. It was one of the reasons that we wanted to make sure that all of the ASEANs came along to the meeting. Normally APEC does not include all ASEAN member states. We made sure that the three non-APEC ASEANs—Cambodia, Burma and Laos—were invited so that they could take part in this process. It was the first time, in fact, that disaster pandemic coordinators had ever been brought together. That in itself was a real value-adding. My understanding was that the discussion over the couple of days did have a strong focus on the region, which is what you would expect, as you suggest.

Senator HOGG—That is why I am querying this, because I am just wondering if there will be an action plan, as such, that comes out of the leaders meeting, because they are well known for their action plans—some of which do not find too much action happening, I might add, but in this instance I would imagine that there will be an action plan. I am just wondering what the focus of the action plan will be. Will the focus of the action plan be APEC wide? Will the focus of the action plan be more based on our near neighbours, so to speak?

Mr Deady—As you identified, APEC is an organisation that encompasses a large number of countries at different stages of development, so it is about how all of those economies can contribute in an unfortunate outbreak of this disease. The issue, as Ms Bird has said, is the fact that we have included all the ASEAN countries. I think the expectation is that any technical assistance and other things that the developed economies, the developed members of APEC, can provide will be put towards assisting in outbreaks amongst those members in this western Pacific region.

When we talk about coordination and cooperation in the region, it is APEC wide. Obviously the response will be focused on where the need is greatest when the time arrives. When you talk about action plans, I think the great strength of the outcomes of the officials level discussion is that they are very practical ways of improving and strengthening this coordination. I think that is the real value which, as I said, will be taken forward and considered by ministers.

Senator HOGG—So it did not establish any actual mechanism for meeting the pandemic if and when it strikes?

Mr Deady—It talked about and identified a number of things, but particularly the establishment of this expert rapid response capability. It has talked about the value, and

members recognise the value of such a response capability within the region. That is something that ministers will now consider.

Senator HOGG—But that seems fairly muddled to me. It does not exactly get down to the nuts and bolts of meeting it. Again, I am not being critical; I am just trying to look at the fact that that is something that can be expected to come out of the leaders meeting, more so than at the senior officials meeting or even the ministerial meetings.

Mr Deady—The officials meeting, in getting together this large group of experts—in particular, disaster management coordinators—and trying to identify that sort of person within each of these economies is a significant step forward. The identification of ways that that group believes were sensible and practical ways of addressing any outbreak was a very positive result that complemented the various activities and other developments going on, including with the World Health Organisation and others. This very much complements that. I think it is valuable that officials have done this work preparing for this discussion at the ministerial and leaders level.

Senator HOGG—Would it be reasonable to assume that, when this reaches the ministerial and leaders level, there will be an element of sponsorship on the part of our government to push forward the outcomes?

Mr Deady—Yes, the outcomes will certainly be considered by the leaders and by ministers. As I said earlier, I would have to check precisely whether it is Australia that takes that forward directly. As you know, Korea is the chair of the meetings this year. I am afraid I cannot respond with that the level of detail.

Senator HOGG—All right. It does not matter who—

Mr Deady—I think that is right—

Senator HOGG—takes it forward, because there is a crisis there—a potential crisis.

Ms Bird—It will be a key focus for Australian ministers and the Prime Minister. In Pusan, the issue of avian flu will certainly be taken forward strongly, and this is one of the elements thereof.

Senator HOGG—If we take into consideration some of the statements that were made at the conference, such as rapid response management plans and so on, and if they are translated into an action plan by the leaders, do you think that will lead to a greater use of resources from DFAT and other Australian sources? If so, where will the resources come from?

Mr Deady—I think that there certainly would be some resource implications of these things but, as Ms Bird has said, the government is already working in a raft of different arenas to respond to this threat. This would be part of that. There are already very substantial amounts committed to Australia combating this threat in Australia and the region. It certainly reflects the great concern of the Australian government about this potential threat. It is very much an additional and important initiative, and a way of advancing and protecting Australia and doing what we can to combat this threat within Australia and in the region. It is very much a part of a very significant coordinated approach in different places and by different means to do what we can to combat this threat.

Senator HOGG—Thanks very much for that, Mr Deady.

Senator FAULKNER—I saw an article in the newspaper entitled ‘Hill refuses to be shown the door’. The substance of the article was about Senator Hill and possible appointments. I am not going to ask about those matters; I just want to identify the source of this. You can tell me, Ms Bird, who I should direct this question to. I want to quote a paragraph from it. You will understand the import of the paragraph when I quote it. It says:

Spy agency, ASIO, boss Dennis Richardson went to Washington. Former communications minister Richard Alston took London, where one of his first acts was to demand the replacement of the floorboards in the official residence, Stoke Lodge. The old ones creaked.

Is there any truth to that?

CHAIR—Is that that the floorboards creak?

Senator FAULKNER—Creaked.

CHAIR—Do we know if the floorboards creaked?

Senator FAULKNER—That would be interesting to know. I wanted to know if it is true that he demanded that they be replaced and whether they got replaced.

Ms Bird—We have the head of our Overseas Property Office here. He looks after all of our properties overseas, so I am sure he can help.

Senator FAULKNER—It is only a newspaper article, Senator Johnston, so I would not get too worried about it. It is possible that it is not entirely accurate.

Mr Davin—That article is not accurate. There were no floorboards replaced at Stoke Lodge.

Senator FAULKNER—Were there any changes, removals, repairs or refurbishment or the like?

Mr Davin—Before the High Commissioner arrived at the post there was routine maintenance activity at the residence which involved the replacement of some floor coverings but not floorboards.

Senator FAULKNER—When did that take place?

Mr Davin—That would have taken place prior to his arrival, so at about this time last year.

Senator FAULKNER—Was this article drawn to your attention?

Mr Davin—I noticed it in the rounds and I made inquiries of our property service provider. They confirmed that there had been no floorboards replaced.

Senator FAULKNER—Did you seek to correct the record or did you let it go through to the keeper?

Mr Davin—I let it go through.

Senator FAULKNER—How much was spent on the maintenance? You may not have the detail here. You can take it on notice.

Mr Davin—I can provide that quite readily for you, but it is probably better to take it on notice.

Senator FAULKNER—Could you tell us what the value of the renovations in the past 24 months has been at Stoke Lodge? You might detail for us what expenditure we have had.

Mr Davin—I will take that on notice.

Senator HEFFERNAN—Do they have any white ants?

Senator FAULKNER—Did you say white ants?

Senator HEFFERNAN—Do they have a white ant problem?

Senator FAULKNER—No. They are elsewhere.

Senator HEFFERNAN—Are the floorboards cyprus pine or oregon? I just wondered if they might have white ants.

Mr Davin—No. There are no white ants in the residence. It is a very fine but very old—

Senator HEFFERNAN—It does have floorboards, though, not concrete?

Mr Davin—It certainly has floorboards. It is an old residence and maintenance is an ongoing requirement there.

Senator FAULKNER—Could you also give us the figure for the total property management budget in London so that I can get a feel for how much Stoke Lodge is setting us back. I am pleased to see that we have been able to correct the record.

Senator HOGG—I want to ask about a break-in at the Currawong Child Care Centre, DFAT's child care centre. Firstly, when did it occur?

Mr McKinnon—About three weeks ago.

Senator HOGG—Have you got a precise date you are able to tell me?

Mr McKinnon—I do not have a precise date with me but it would be quite a simple matter to get that, and I will.

Senator HOGG—Do we know what hour of the day it took place?

Mr McKinnon—I believe it was about 11 pm.

Senator HEFFERNAN—Did someone forget to take one of theirs home?

Mr McKinnon—It was a break-in, not a break-out.

Ms Bird—We hope our staff do not work quite that late.

Senator HOGG—Who responded to the break-in?

Mr McKinnon—There was no immediate response. The break-in was discovered the next morning with the arrival of staff.

Senator HOGG—Are the premises protected by an alarm system?

Mr McKinnon—Yes.

Senator HOGG—How do you know the alarm went off at about 11 pm?

Mr McKinnon—Because there are electronic logs attached to the alarm system.

Senator HOGG—So the electronic log shows 11 pm.

CHAIR—What is the form of the alarm?

Senator HEFFERNAN—Does it return to a centre? Was the bloke there asleep?

Mr McKinnon—It returns to a centre, and it is monitored live. It is not an alarm as in a klaxon going off, or anything like that, but an electronic signal back to the desk.

Senator HOGG—If it is monitored live, the person monitoring it must have been dead. How come they did not respond?

Mr McKinnon—We asked the same question ourselves and subsequently wrote expressing our displeasure to Protective Service.

Senator HOGG—Who does the monitoring? I should have asked that.

Mr McKinnon—AFP Protective Service.

Senator HEFFERNAN—Does the bloke still work for them?

Mr McKinnon—I think so.

Senator HOGG—On what basis do AFP Protective Service do the monitoring?

Mr McKinnon—There is a unit placed within the department, and we have staff there 24 hours a day.

Senator HOGG—I understand that. I mean the monitoring of the centre itself, for the alarm to go off. What hours is the centre itself monitored?

Mr McKinnon—The centre itself is not directly monitored. There is a combination of the electronic monitoring—and if there is a forced entry that brings up an electronic signal, as I indicated—and walk around patrols on a regular basis.

CHAIR—How regular?

Mr McKinnon—I cannot answer that exactly off the top of my head, but I will get the answer.

CHAIR—It was not a false alarm? It was actually a forced entry, was it?

Mr McKinnon—It was definitely a forced entry, and there was a certain small amount of goods taken—I think maybe a laptop computer and a few smaller things.

Senator HEFFERNAN—How old are the kids in this child care centre?

Mr McKinnon—They range from a couple of months old to five years old.

Senator HEFFERNAN—So it was not one of the kids.

Mr McKinnon—No, we do not think it was one of the children. It was not an inside job.

Senator HOGG—Not at 11 o'clock at night. I hope their parents would have them at home in bed. If the AFP Protective Services are looking after this unit, and you are trying to tell me that there is no separate setting of the alarms for the unit as opposed to other parts of the property—

Mr McKinnon—No, I did not mean to convey that impression. It is clear where the alarm was going off. It is clear that it was that area.

Senator HOGG—Is it clear externally that there is a blue light flashing—

Mr McKinnon—No.

Senator HOGG—So there is nothing to show from an external view that the premises have been broken into?

Mr McKinnon—There is nothing to show from an external view that the premises have been broken into. There is also closed-circuit television.

Senator HOGG—I was coming to that. I thought there might have been.

Mr McKinnon—But driving past you would not see a blue flashing light or anything like that to indicate—

Senator HOGG—So the external foot patrols would not have seen the break and enter at that stage?

Mr McKinnon—No.

Senator HOGG—What was picked up on the CCTV?

Mr McKinnon—Two cars arrive, stop and depart. They came back 10 minutes later, pick up—

Senator HOGG—Is this CCTV live to the AFP Protective Services monitoring centre?

Mr McKinnon—I believe so.

Senator HOGG—So whoever was on duty did not get to see that either?

Mr McKinnon—It was apparent on an examination of the tapes the following day when we were backtracking through all this but at the time—it was late at night and very quick—it was missed. There was a range of cameras.

CHAIR—How many?

Mr McKinnon—I do not know exactly how many but the whole external area of the building is covered. I can check to see exactly how many.

Senator HOGG—This raises the prospect of the rest of the building being exposed, surely.

Mr McKinnon—We took it very seriously, as we do any security incident in the department, but the implant of the AFP Protective Services officers is within the core of the building and the child care is to the outside wing of the building and faces externally with its entrances external. So in a sense it does not directly open up into our building at all.

Senator HOGG—The point really is, though, that you said that these two cars could pull up, they could unload whoever was in the cars and they could then undertake whatever mischief they wanted to get up to. They not only did it once, as I understand it, they did it twice. They came, went away and came back again. Is that correct?

Mr McKinnon—They came, dropped off—we assume—and came back and picked up. The date has just been handed to me. It was 15 September at 10 pm.

Senator HEFFERNAN—When the signal went back to headquarters where the bloke was having a cup of tea or whatever he was doing—

Senator HOGG—He wasn't watching TV.

Senator HEFFERNAN—Does the alarm that goes back to headquarters keep going until someone turns it off?

Mr McKinnon—I do not know about that.

Senator HEFFERNAN—That would be a good question, if the bloke cancelled it. Otherwise, how does it indicate that there is a problem? Is it a light or a buzzer?

Mr McKinnon—The next day we ran through the whole thing. The police were called and did attend, and that included our own protective services officers. We ran through the whole thing to try to determine exactly how it happened. As far as we could see it was a forced door. Procedures for responding to alarms have been tightened up. We wrote to Commissioner Keelty and expressed displeasure with the way the whole thing had been handled and they have assured us that, if an alarm goes off, next time it will be handled in a thoroughly more professional and an instantly reactive fashion.

Senator HEFFERNAN—But how do you cancel the alarm?

Senator HOGG—That is a good question.

Senator HEFFERNAN—I have had the embarrassment of not knowing the bloody code in my setup and the fire brigade arrived outside after I was burning the chops! How do you cancel this alarm? It should not be able to be cancelled.

Mr McKinnon—I am not sure how they—

Senator HEFFERNAN—That is the key to dobbing the bloke who was on the job.

Mr McKinnon—We had police come in and investigate. We have our own security staff, and many of them have been drawn from the police forces, so the whole thing—

Senator HEFFERNAN—Can we find out whether you had to cancel the alarm? Would it still be going a week later if no-one bothered to respond to it? If it is self-cancelling it is not much of a system.

Mr McKinnon—I will find out whether you have to cancel the alarm.

Senator HOGG—Who discovered—I do not want their name, necessarily—and when that there had been a break-in?

Mr McKinnon—To my knowledge it was either the cleaner, who comes very early in the morning, or some of the early arriving staff. My impression was that the cleaner had opened the doors without noticing that there had been a break-in and had started on his rounds vacuuming through the place. The first people to notice it were some of the early arriving staff. The centre itself opens at 7:30 am so there are staff there from 7 am or so.

Senator HOGG—This went unnoticed from 10 in the evening when it allegedly happened through to 7.30 in the morning?

Mr McKinnon—Yes, that is right.

CHAIR—What was the nature of the forced entry? It must have been fairly subtle?

Senator HEFFERNAN—It wasn't a key, was it?

Mr McKinnon—There are two doors in a row and they appeared to have just been forced—the locks have subsequently been changed. As far as we can see, it was just forcing the doors with pressure from the outside.

CHAIR—When the doors were reclosed they did not reveal that there had been any violence or force applied?

Senator HEFFERNAN—But they wouldn't close. If you forced the door and the lock was still locked, how could you shut the thing again?

Mr McKinnon—I cannot answer how you could shut the thing again.

Senator HEFFERNAN—I would like to get a job done there!

CHAIR—Did you actually see it?

Mr McKinnon—By the time I got there in the morning the police were already there and were examining—the position of the doors had been changed and the locks had been moved by the professional investigators.

Senator HEFFERNAN—Are you sure they had not used a key? If the cleaner turned up and didn't notice, would you have noticed? If you came up to a door and it was supposed to be locked and it was open, wouldn't you notice?

Mr McKinnon—Again, I left all those questions to the professional police because I thought they had more experience in these things.

Senator HEFFERNAN—That is what worries me. If it were a forced entry with jemmy bar and not a key—and I will bet down to peanuts that if the doors were neatly shut again it was a key—you would not be able to shut the doors again, would you?

Mr McKinnon—According to the police there was some evidence that the doors had been forced. That was the best they could do to resolve it.

Senator HEFFERNAN—How did they force them shut again? The door would not have been shut.

Mr McKinnon—I really do not know.

Senator HOGG—This does raise some serious concerns. Do we know who were responsible?

Mr McKinnon—No, we do not know who were responsible.

Senator HOGG—From the CCTV there could not be picked even up a hint as to who was responsible?

Mr McKinnon—We could tell only roughly the model of the cars. They were out of the range of the effective definition of the television, and the people who, we assume, came in through those doors skulked around the side of the building so as to avoid the range of the cameras.

CHAIR—How many cameras were there?

Mr McKinnon—I should say 'camera'. There are cameras outside the building but the one that was focused on that area did not pick up anything apart from the two cars pulling up at a

distance. There was not enough definition to do anything such as you might see on television, focusing on plates and all that sort of thing. It is worthwhile emphasising the outside nature of the child-care centre, and after hours, the fact that it is a remote. It does not open into the main building. If you come into the main building on the weekend and activate one of the security doors even with a pass, you will generally find very soon one of the AFP personnel will follow you up to that area and check to see who is in the place, even if you are using the tag that we walk through DFAT with. Their approach, I think, was conditioned by the fact that this is in their mind just an outside child-care centre with no internal doors into the building, and they did not take a rigorous enough approach to it. That was still not satisfactory to us so we wrote to the commissioner at deputy secretary level within a day after we had heard all the results and they have promised us that this will never happen again.

Senator HEFFERNAN—Who was in charge of the investigation? Did the police report back to you?

Mr McKinnon—Ultimately it is my division. It was the assistant secretary in charge of the diplomatic security branch who received the report.

Senator HEFFERNAN—The most basic thinking would be the door.

Mr McKinnon—Again, we left the thinking about investigative techniques to the police.

Senator HEFFERNAN—You cannot force a locked door and then close it again.

Senator HOGG—I think you and I are in agreement.

Senator HEFFERNAN—Unless you open both doors, put a wedge in and shut them, you cannot do it. I mean, I am a wool classer and a bloody welder and I can work that out.

Mr McKinnon—The alarm was reset by the Australian Protective Services officer. He thought it was the cleaner going in there, even at that hour of the night.

CHAIR—He is always going to say that, isn't he? Let us face it, he is always going to say that after a break-in: 'I thought it was the cleaner.'

Mr McKinnon—That is what he did say. The report in the first instance went to Tony Negus, the national manager of AFP services. Again, I think a clear distinction can be drawn between the approach that they took, unsatisfactory as it was, to that part of the outside of the building and the approach they take to the inside of the building. We followed that up within a day, and they have assured us that the approach they took is not the same approach that they will take if it ever happens again.

CHAIR—But the foot patrol that you mentioned obviously either did not look this door or did not access the area where the break-in occurred. So the next question is: what is the point of the foot patrol? Do you know what the foot patrol encompasses and involves?

Mr McKinnon—There is a path that skirts the whole perimeter of the building. They do a visual inspection of the building.

Senator HEFFERNAN—They do not try the door?

Senator HOGG—No, they obviously do not.

Senator HEFFERNAN—Obviously. I am mystified about this door. You see security firms when they come around and try the thing and put a little card in the door.

Senator HOGG—They will at least give the door a little push.

Ms Bird—They might in future.

Senator HOGG—I know they will in future. How much is spent on the protection of the building itself and the child-care centre per annum?

Mr McKinnon—I do not have that figure on me but I will get that.

CHAIR—There an individual contract? Is it a separate contract for security? You pay and retain the AFP and Protective Services to maintain the security of these premises?

Mr McKinnon—That is right.

Senator HOGG—You mentioned that you think they took a laptop and some other unidentified incidental items. Was anything else interfered with in the premises? Is there any indication that they tampered with anything?

Mr McKinnon—There was one internal roof tile dislodged, which made us wonder if they came in through the roof, and that was investigated as well. Other than that, the only things that seem to have been moved around were in the administrative office for the centre. There was basically a mess on the floor of things swept off the desk. We were concerned whether any records were taken, but there did not appear to have been any interest in those. It appears to have been just a few small items that were taken, and then they quickly left.

Senator HEFFERNAN—I have read a lot of comics in my day—*The Phantom* and all those—and I wonder whether someone wasn't going in through the preschool to put a bug into DFAT.

Mr McKinnon—They will hear a lot of children gambolling around during the day—that is all.

Senator HEFFERNAN—They cannot get into the main building from there?

Mr McKinnon—No. Just to reassure you on that point, all of the wings of the building are closed off with separate security systems. They are the ones that I referred to. If they activate during the weekends or out of hours, a guard will pretty quickly appear to see who you are and what you are doing there.

CHAIR—Was this laptop networked into the mainframe of the building or was it a stand-alone unit?

Mr McKinnon—The centre is a separate commercial enterprise, tendered out and won by a private service provider. It has nothing to do with our computer systems.

Senator HEFFERNAN—Whose computer did they take home?

Mr McKinnon—I am not sure. I think a laptop was missing. That was the first report. I do not want to make too much of that. I will come back to you on that point when I find out whose computer it was and whether it was indeed a laptop.

Senator HEFFERNAN—And, indeed, whether they used a key to get in.

Mr McKinnon—Again, that was not able to be determined at the time. I do not think the police are going to come back and investigate it any further for us.

Senator HOGG—There is no ongoing investigation?

Mr McKinnon—No, there is not.

Senator HOGG—Why?

Mr McKinnon—We referred it to them; they attended quickly; it was a break-in. We do not think it had anything to do with the fact that it was DFAT. I mean, they certainly chose the child-care centre on the side of it, so that was it. They might have had other crimes to attend to on the day.

Senator HEFFERNAN—It would not have been someone who went back after hours because they had forgotten something?

Mr McKinnon—Because it was at 10 pm and because of the mess they made in the office, it does not appear to be that.

Senator HOGG—What was the reaction of the operators of the centre?

Mr McKinnon—They were horrified, like us. They have their own procedures on who has keys and who attends when. I think they have talked to the cleaner about the way he must enter and leave the place, so they have rethought access just as we have pushed on the security services to do better next time.

Senator HOGG—What about the foot patrol? Is that still operating?

Mr McKinnon—Yes, that operates day and night.

Senator HOGG—Has something been done to alter the way in which the foot patrol is being done? Obviously these people have established the pattern of the foot patrol and used that pattern to their own advantage.

Mr McKinnon—I will check to see whether there have been any alterations to the way the foot patrol is conducted as a result of the break-in at the centre.

Senator HEFFERNAN—If it was a forced entry, why would they change the locks?

Mr McKinnon—Lack of certainty about the way the entry was achieved.

Senator HOGG—They could have had a key.

Senator HEFFERNAN—Oh, the key theory is looking better.

Senator HOGG—You hit the nail on the head there.

CHAIR—All right, enough. Can we go to AusAID? How are we travelling?

Senator HOGG—We are going to go to AusAID.

CHAIR—Thank you, Mr McKinnon, for that entertaining and enlightening sojourn into the wonderful world of crime at DFAT.

Senator HOGG—Any other matters will go on notice.

CHAIR—Other matters on that outcome will go on notice.

[3.06 pm]

Australian Agency for International Development

CHAIR—I welcome the Deputy Director-General, Ms O’Keeffe, and Assistant Director-General, Mr March.

Senator HOGG—The first issue I want to raise is the white paper. Could you provide us with an update on the white paper process and where it is at? It is a couple of months since we last saw you.

Ms O’Keeffe—The white paper process is towards the end of the initial process. We have had a series of consultations throughout Australia, as well as internationally. We have had four analytical papers developed focusing on specific geographic areas that include the Pacific, PNG, Indonesia and Asia. We have also had two thematic papers developed, one dealing with HIV-AIDS in the Asia-Pacific and one dealing with community engagement.

Around Australia we have had, as I said, a series of consultative processes. Some have been major ones that we call town hall meetings. We have had town hall meetings in Melbourne, Sydney, Brisbane and Perth. We have also had smaller meetings with a variety of different groups, such as the various think tank institutes, the NGO community, the media and also academia—so a variety of different, smaller groups—and also, very importantly, within parliament with a number of parliamentarians.

Senator HOGG—Could I stop you there for a moment and ask you to clarify this for me. The meetings that you had in Melbourne, Sydney and Perth and the smaller meetings: were they by invitation?

Ms O’Keeffe—It was a mixture. The town hall meetings were very much precisely what that sounds like—they were very public meetings. The fact that they were going to occur was advertised publicly and we also made sure that people who we thought might be interested in the process were informed personally about them taking place.

Senator HOGG—Roughly what was the level of attendance at those?

Ms O’Keeffe—I do not have the numbers for each meeting before me but I know somebody in the room does, so I will be able to get them.

Senator HOGG—I just want a ballpark figure.

Ms O’Keeffe—It varied from state to state, as you would imagine. For example, in Perth it was only 50 but in Sydney it was several hundred.

Senator HOGG—That is fine.

Ms O’Keeffe—The next stage is that the core group will produce a paper for consideration by the minister and that should occur in December, the paper going forward to the minister. As a result of that the final white paper itself will be developed in the first couple of months of 2006. We are aiming to have the white paper ready for presentation in March.

Senator HOGG—Just take me through that process again from here. You have got the core group. How many in the core group?

Ms O’Keeffe—There are three people in the core group.

Senator HOGG—Who are they?

Ms O’Keefe—They are: Professor Ron Duncan, who is head of the governance centre at the University of South Pacific and also emeritus professor of economics at the ANU; Professor Meryl Williams, who is chair of the board of ACIAR; and Dr Stephen Howes, who is the principal economic adviser at AusAID and former principal economist for the World Bank.

Senator HOGG—That is due to be completed in December or for consideration by the minister in December?

Ms O’Keefe—The paper itself will be completed in December and presented to the minister in December for his consideration.

Senator HOGG—Does that then go off to cabinet for consideration?

Ms O’Keefe—Not at that stage.

Senator HOGG—So the minister gets, in effect, a first draft.

Ms O’Keefe—That is not the white paper. That is the paper that address the issues that have been identified through both the development of the geographic analytical papers and the theme papers.

Senator HOGG—All right, I am with you. So that goes to the minister and, from there, we get into the drafting of the white paper?

Ms O’Keefe—That is right.

Senator HOGG—So the minister will make a decision as to the basic template of the white paper in December after the consideration of this paper?

Ms O’Keefe—That is right. The core paper is not just the findings of the papers that I have pointed out. It also takes into consideration the results of the different consultations that we have had and also, within government and the Australian bureaucracy itself, ongoing consultations with other key agencies such as the department of foreign affairs, Treasury, Finance, AFP and Defence.

Senator HOGG—That will be in January and February. I do not know who is going to be around in January!

Ms O’Keefe—Some of us will continue to work.

Senator HOGG—I know some are dedicated to duty. Best of luck! January and February therefore are the production months, with presentation to cabinet when?

Ms O’Keefe—The presentation to cabinet has not yet been timed.

Senator HOGG—You are talking about release in March. Is that the projected release?

Ms O’Keefe—It is the projected release date, yes.

Senator HOGG—So sometime in late February or early March, one would expect this to go to cabinet. Is that a fair assumption?

Ms O’Keefe—That is my understanding.

Senator HOGG—In the period that the paper is being drafted, you said you would consult with a number of agencies. Will there be any consultation with those who were in the core group that produced the paper that the minister will consider in December? Will any other people or organisations be consulted in the drafting of the white paper?

Ms O’Keeffe—The consultation process for all the papers that have led to the development of the core paper—and eventually to the development of the white paper—is very wide-reaching. We will certainly continue to talk not only with the core group as the white paper is developed but also with other parts of government as well.

Senator HOGG—Can you give me some idea of the cost involved to date?

Mr Versegi—The cost to date has just reached around \$600,000. We expect the total cost at the end to be about \$800,000. It is a bit less than we originally thought, which was around \$1 million.

Senator HOGG—I will put this in broad terms, so please correct me if I am wrong. The sum of \$600,000 will take us to the stage where the minister will have this paper on his desk in December and, there will be roughly another \$200,000 in costs?

Mr Versegi—There will be a few more costs leading up to the \$800,000. The core group will be spending a lot of time on the paper over the next month, because it is an intense time. That core group report will be made public on the web site.

Senator HOGG—It will be made public?

Mr Versegi—Absolutely. That has always been the intention. The core group report will be made public just before Christmas.

Senator HOGG—You expect the costs to come in at \$800,000. Does that include all departmental costs?

Mr Versegi—Not all departmental costs, no.

Senator HOGG—So there are additional departmental costs?

Mr Versegi—My salary, for instance, would be a departmental cost and also the salaries of some support staff.

Senator HOGG—I am not asking you to put your salary out here—I am not that insensitive—but can we get some idea of what the departmental costs might be, given that they will add on, so we can get a fair flavour of how much this is going to cost? Once the paper is released, what will be the process then? Will it be subject to scrutiny and comment? Will it be subject to amendment?

Mr Versegi—We anticipate that the white paper will be tabled in parliament in March or April, depending on the time we get it to cabinet. Beyond that, there has not been any formal thinking about what the process would be. We accept that as being the medium-term framework for the aid program. Then there is the job of translating those directions into implementation into future aid programs and budgets.

Senator HOGG—But the white paper as it comes out will be the plan’s final program?

Mr Versegi—That is correct.

Senator HOGG—Which is what I expected. Have any groups been left out of the process thus far? Sometimes people are inadvertently left out. I was wondering whether this has occurred and will they have a chance to make a submission to you.

Ms O’Keeffe—We have not made the provision of submissions the modus operandi because of the wide-ranging consultation that has taken place. That has included widespread consultation just in the development of each of the six initial analytical papers to begin with. Every effort has been made by the different authors of those papers to incorporate widespread consultation. Then, of course, as I mentioned before, state by state consultations and smaller interest group by interest group consultations, including community groups, has also been part of the process. Also very important is the use of the internet in ensuring that people have access to the papers as they are developed. At each step of the whole process it has become very public in terms of access to the key documents and relevant papers on the site that has been dedicated to the aid program’s white paper development.

Senator HOGG—On the last occasion when I asked a question in relation to a statement by the minister that he said it would look at key development partnerships, namely PNG, Pacific, Indonesia and Asia, Mr Davis responded:

The white paper in the end will also include, for example, an examination of the best means for our engagement in Africa. Yes, it will go beyond that as well.

In other words, I was trying to seek the scope. Is it the case that we are going down that path?

Mr Versegi—Yes, obviously the main focus is still the Asia-Pacific, although there has been some consideration by the core group of what engagement, if any, should be made in Africa and South Asia.

Senator HOGG—Good. All right. I will leave that. I will now ask questions about Pacific 2020. I understand that AusAID is engaged in the development of the Pacific 2020 report. That is mentioned at page 5 of your annual report. Is that the case?

Ms Robinson—That is right.

Senator HOGG—Given that a number of Pacific leaders have endorsed the idea of a Pacific community in coming decades—and this was actually the subject of an inquiry by the references committee a number of years ago—have you been looking at that sort of idea at all?

Ms Robinson—Looking at the idea of a Pacific community?

Senator HOGG—Yes.

Ms Robinson—The focus of the 2020 study is fairly specific. It is looking at ways of promoting economic growth in the Pacific. It has confined itself to a fairly narrow set of issues in that regard. It has not gone wider than that.

Senator HOGG—What sort of issues has it confined itself to?

Ms Robinson—It has been looking at a range of key productive sectors, including fisheries, forestry, agriculture and tourism. As well as that it has been looking at some slightly wider issues relating to political governance, land and involvement of the private sector.

Senator HOGG—So not looking specifically, say, at issues such as immigration and the movement of labour in the Pacific region?

Ms Robinson—Not specifically, no.

Senator HOGG—And not looking at things like a common currency?

Ms Robinson—No. There is a paper that looks at employment in the broad—ways of promoting employment.

Senator HOGG—I know that Senator Macdonald at least and I were on an inquiry which visited the South Pacific three years ago I think it was. Senator Macdonald will correct me if I am wrong.

Senator Sandy Macdonald—It was April 2003.

Senator HOGG—So it was just over 2½ years ago. I know that the report of the Senate committee did look at issues such as this, many of which, when government responded to them, they more or less pushed to one side. We understood that. But these seemed to be ideas that had been floated. It seemed to me that, if you are going down the path of this, whilst one did not have to embrace them—and seeing we are looking at Pacific 2020, which is a fair way down the track—that might be looked at. So where does the process go to from here?

Ms Robinson—Where the process goes from here is that at the moment we have had a process rather similar to that described for the white paper. We have had consultations with key people from the Pacific at a series of roundtables. From here a paper is being written that brings together the findings of some of the outputs of those roundtables.

Senator HOGG—Who is responsible for putting that together?

Ms Robinson—We have contracted somebody who will report to the secretariat within the Pacific branch.

Senator HOGG—Who has been contracted?

Ms Robinson—It is a person by the name of Lynn Pieper. She is writing the paper, bringing together the findings from the roundtables.

Senator HOGG—Was she involved in the roundtables themselves?

Ms Robinson—No, she was not.

Senator HOGG—She is relying on the reports that have come out of those roundtables?

Ms Robinson—Yes.

Senator HOGG—Did the roundtables produce a communique of some form?

Ms Robinson—Yes, there is a series of output papers. They will become public documents. They have not been put on our internet site yet, but they will be.

Senator HOGG—When will they become public documents?

Ms Robinson—We expect within the next month or six weeks.

Senator HOGG—How many of these papers will there be?

Ms Robinson—There will be nine of those papers.

Senator HOGG—Just give me an idea of the source of those nine papers. Obviously, they are from nine different regions.

Ms Robinson—No, they are on those topics that I mentioned.

Senator HOGG—Nine different topics—right.

Ms Robinson—There are five sectoral papers and then four that deal with some of those issues that cut across sectors.

Senator HOGG—So will there be subregional views, if I can term it that, on each of those nine topics that will be manifest?

Ms Robinson—Yes, there will be. Those papers that have come from those roundtables are the product of the discussions that took place around the roundtables, which were made up of people from across the Pacific and within Australia—people with expertise in those particular sectors and areas.

Senator HOGG—Who is meeting the cost of this?

Ms Robinson—This is being met through the Pacific regional program.

Senator HOGG—And the funding allocation?

Ms Robinson—I would have to get back to you with the precise allocation. I am not sure. I think it is \$1 million.

Senator HOGG—Over what period of time?

Ms Robinson—It really covers the period of the development of the papers. That is this year—

Senator HOGG—When you say \$1 million, is it \$1 million for the 2005-06 period?

Ms Robinson—No, it is \$1 million in total. That covers some from—

Senator HOGG—So that covers a number of financial years?

Ms Robinson—Yes, two financial years. It is not only the production of the paper. It will also be to provide some follow-up, particularly at meetings at the FEMM—the Forum Economic Ministers Meeting—and some other venues yet to be decided.

Senator HOGG—So then these papers are drawn together. What is the name of the person who is putting them together?

Ms Robinson—Lynn Pieper.

Senator HOGG—Ms Pieper then produces a report?

Ms Robinson—That is correct.

Senator HOGG—And that is the Pacific 2020 report?

Ms Robinson—That is correct.

Senator HOGG—From there what happens to the report?

Ms Robinson—The process then is that we would be taking opportunities to promote the findings of the report to leaders and decision makers within the Pacific at the political level, and also at the business community level as well.

Senator HOGG—Does it go to the South Pacific Forum?

Ms Robinson—It is going to the forum economic ministers meeting in June. It is one of three key agenda items for that meeting in June next year.

CHAIR—Thank you, Ms Robinson.

Proceedings suspended from 3.30 pm to 3.47 pm

CHAIR—I call the committee to order. We will continue with questions from Senator Hogg.

Senator HOGG—I want to ask a number of general questions. Firstly, I notice that in the annual report all AusAID contracts over \$10,000 are reported in the *Commonwealth Gazette*. That is in your annual report on page 120. For ease of reference, could you provide a full list of all the current AusAID contracts over \$10,000. I realise this will be taken on notice. One of the things that I found useful from your answer to questions on notice last time, when I asked a similar question, was the way you broke down the funding for other government departments in 2004-05 and 2005-06 into its individual programs. If you are wondering what I am specifically talking about, if you look at pages 87 and 88 of *Hansard* you will see the response. That was a response to questions on notice. I can give you a copy of it if you—

Ms O’Keeffe—We will have that.

Senator HOGG—You are familiar with what I asked for last time?

Ms O’Keeffe—Of course we are.

Senator HOGG—That was helpful.

Ms O’Keeffe—We will take that on notice.

Senator HOGG—Yes. So that the parliament can get a better idea of where Australia’s money is going, could you provide this sort of breakdown across the full aid budget, and then break it down further into the individual contracts that make up each program component? We are looking for a bit more detail.

Ms O’Keeffe—Certainly.

Senator HOGG—I noticed from your answers to questions on notice that you cannot provide a very detailed account of how much of the aid budget is coming back to Australia. That was in response to a detailed question from me and Senator Nettle last time. You claim that the resource costs involved in gathering the information outweigh the benefits. I accept that. However, I will simplify it by asking: of the approximate 2,000 current AusAID contracts, how many are going to Australian companies or consultants? Of the \$3.4 billion worth of current AusAID contracts, how much is going or will go to Australian companies or consultants? I know you have figures in your annual report. I am looking forward to next year. How many Papua New Guinean companies have received contracts since the change in the aid program on 14 December 2004, which allowed local companies to bid for contracts directly from AusAID? Is it possible for you to answer that now?

Ms O’Keeffe—We will take it on notice.

Senator HOGG—Can you also tell me the approximate value of those contracts? I also note from the annual report at page 121 that AusAID has adopted an in-principle policy of allowing companies and individuals in recipient countries to bid for work. How many contracts have been given to companies or individuals in developing countries other than PNG this year?

Ms O’Keeffe—We will take that one on notice.

Senator HOGG—I suspected you might. Can you also tell me the approximate values of those contracts? Also at page 121, the annual report notes that there may be occasions when tendering is restricted to Australian and New Zealand suppliers. Can you explain to us what these occasions would be, please?

Ms O’Keeffe—We will take that on notice.

Senator HOGG—You will take that on notice as well. You are not even able to give us a hint as to that?

Mr Smith—In terms of guidelines on procurement, the program eligibility criteria are that tenders are open to Australian and New Zealand firms and firms of partner countries. In respect of the least developed countries, our tenders are unrestricted. The circumstances in which we might restrict tenders to Australian suppliers only would be in areas of particular sensitivity. I do not have any details with me on where we have done that.

Senator HOGG—All right. Can you take that on notice?

Mr Smith—Certainly. If we have done so, we can give you the detail.

Senator HOGG—And can you tell me what the sensitivities are? Thanks very much for that. I see from the annual report at page 17 that the goal of Australia’s aid program is assisting developing countries to reduce poverty. Why do aid contracts need to go to Australian companies and consultants to fulfil this goal? That is a question that is often asked. If that is the objective of our aid program, why then do aid contracts need to go to Australian companies?

Ms O’Keeffe—In terms of that question, that is far more broad ranging than a simple issue of who is eligible for contracts and who is not. It has been part of the way in which Australia has approached the aid program for some time. Clearly, that is in the process of changing as we open the opportunities for partner countries to have their companies, in various circumstances, tender for contracts. The issue at the heart of all of this is ensuring that Australia’s taxpayers actually get the best value for the dollars that are being invested in the aid program.

It has been cumulative wisdom backed by pretty strong evidence that, when we are looking at supporting countries improving capacity or taking them out of poverty, there is a large element that involves skills transfer. The companies in a number of the partner countries that we operate in do not have those skills. It is the role of the Australian or New Zealand companies, if they are contracted as Australian managing contractors or other aspects of the program, to actually deliver that capacity building aspect.

In the last two to three years we have seen a further expansion of the way in which we assist countries to emerge from poverty through that capacity building by expanding the type

of skills transfer more to Australian Public Service expertise as well. We have seen that in the Solomons, in PNG and in other countries, including Indonesia. The sorts of skills are, for example, specific to Treasury, to Finance or to the AFP, and we deliver that skills transfer through the sort of expertise that Australia has access to. The whole point of the aid program is to improve capacity and so take countries out of poverty.

Senator HOGG—I concur wholeheartedly with what you are saying. That is one of the concerns I was going to raise in another part of my questioning. Whilst that is the goal, I do not know if that is always achieved. Is there anything you can point me to to show that that outcome is being achieved? A company might manage a contract very well but it might not achieve the capacity building that should necessarily be there in the longer term. I looked at page 17 of your report and it says:

In relation to quality attributes, management rated the highest and sustainability the lowest.

I do not know whether I am now on a different track from you but it seems to me that no-one is questioning the management of the projects. What is being raised is the issue of that transfer of skills and the capacity building that should go with it. What do we have to measure to indicate that that is being achieved rather than saying that it has been achieved? In my travels in more recent times I ran into that very problem.

Ms O’Keeffe—I will start with an overview. If you look at other parts of the annual report you will see in the summary of performance the indicators that demonstrate that we have satisfactory ratings. By and large we are finding that at least 75 per cent of our activities are receiving quality ratings of satisfactory overall or higher and that significant outputs are being achieved within the guiding themes. Overall, we are finding that if we are delivering our activities either through contactors or through other delivery mechanisms we are largely achieving the sorts of results that we want to achieve. That lends itself and leads to the achievement of the overall objective. I know my colleague Mr Proctor has some specific comments that he wants to make.

Senator HOGG—I accept what you are saying but some of these are not just achieved in the life of one simple contract. Some of them take several contracts to achieve. Mr Proctor, when you are addressing this perhaps you could take that into consideration to apprise me of how some of these contracts may well tick off on it in the first phase of the contract, if we can call it that. But there really needs to be subsequent phases before there is a true skills transfer that enables some measure of independence on the part of the people receiving the aid.

Mr Proctor—I agree with you very much. A lot of these longer-term capacity-building objectives are not within the life of a three-year project. You started talking about the use of Australian contactors. The question you are asking is a much broader one and, in a sense, comes down to a whole range of things that we endeavour to get right and to reform and improve over time. Clearly, up front, the design of what you are doing is very important, no matter who does it in the end. There is the issue of are you addressing a development problem in the right way. We have a process of having formalised designs, logical frameworks for why you are doing what you do, separate appraisal of that proposed project before it is ever approved. It is not all projects. Capacity building occurs through scholarships, co-financing with international bodies, placement of Australian officials into entities. I would not want you to feel that it is all about Australian contractors doing projects. Increasingly, in fact, it is about

programs that run over many years that will fit in very closely with the objectives of the national agencies concerned.

I also want to say, briefly, in the last few years AusAID has implemented a range of measures to strengthen the designs, particularly some strong peer-review arrangements. We reformed the monitoring arrangements a few years ago, and that leads to the reporting to parliament that Ms O’Keeffe was just mentioning to you. There is also a requirement for anything significant to have an independent project completion report. The project completion report is not done just by the contractor, but by a separate entity. There is a process of widening the number of evaluations that are done, which is the evaluation of the project well after it is completed to see what benefits are left behind.

Senator HOGG—Having said all of that, how significant then is the move away from Australian contractors and trying to pass some of those contracts into the local community? Is there some demonstrable shift that can be measured? Is there some way in which progress can be seen being made there—and I am not doubting the integrity of yourselves, but it is sometimes very helpful if you can get a picture; a picture is worth a thousand words sometimes—as to how this is being translated out there in the real world?

Ms O’Keeffe—If I understand you well enough, you are asking: can we see an improvement in the quality of the program by us moving out and broadening the range of options we have for delivery of the program? Is that right?

Senator HOGG—Yes, by transferring it into more regionally based hands rather than being Australian based contractors. Is there some way we can get a measure of this? Is there a benchmark which said in 1998, ‘This is where we’re at,’ in 2000, ‘This is where we’re at,’ and in 2002—I do not know.

Ms O’Keeffe—Certainly we can and do track how we are going with the expansion, and we look at how we can further expand the mechanisms for delivery of the program. One of the motivating factors behind that is to ensure that we are accessing all of the best expertise that we possibly can to ensure the most effective program is being delivered. In some cases it will be partner countries that will be accessing that extra expertise. Eventually we will be looking further than the partner countries to ensure that we can access, as best we can, the sort of expertise that is required.

Mr Proctor—Senator, can I add something. There is a broader international community of thinking on this which has led, for instance, to the untying of contracting for the poorest countries, and a general belief that a move to broader forms of aid, which is what we are talking about here, is a beneficial thing. In fact, my colleague has just reminded me that there is a thing called the Paris declaration about harmonisation and alignment. All of these are moves to try and achieve the sorts of objectives you are talking about.

Senator HOGG—Thank you for that. In your annual report—just moving on—you say:

AusAID achieved its overall quality target with more than 75 per cent of activities receiving a quality rating of ‘satisfactory overall or higher’.

What happened to the other 25 per cent?

Ms O’Keeffe—This is a minimum 75 per cent. Seventy-five per cent is the benchmark which AusAID uses because it is a benchmark which matches that used by the World Bank. Clearly there are different ways in which we could approach benchmarking, but in the assessment of the best way to determine and measure the quality and effectiveness of the program, it was determined that the sort of approach that the World Bank uses—the World Bank is recognised as the leading expert in terms of the variety of ways in which one could monitor and evaluate—was the best approach for AusAID to adopt.

Senator HOGG—I accept that, but you are saying that more than 75 per cent of activities achieved the overall rating of satisfactory or higher. What about the 25 per cent? All I am trying to find out is what happened to the 25 per cent. Does that mean that those projects failed completely? How is one to interpret those?

Ms O’Keeffe—For a start, it is not necessarily 25 per cent; it could be significantly less than 25 per cent—and in some cases it is.

Senator HOGG—Why don’t you stick a figure in there that more reflects what happened? You can see how I have taken that.

Ms O’Keeffe—Certainly. Perhaps the wording needs to be clearer so that one who is not involved on a daily basis can understand better what we are trying to do with that overall performance benchmark. However, can I say that in any case we will constantly be confronted by enormous difficulties and challenges in implementing the program. There are times when we will not get it completely right. It would be extremely surprising if that were the case, and you would not believe me if I said it was the case, because it could not be the case. We are dealing with very difficult, complex situations. What we do with that very small percentage which may not be performing to a standard that we find satisfactory is that we use that experience to inform future design. We take on board the lessons that are learnt from those particular experiences and apply them to future work—or existing work if it is appropriate.

Senator HOGG—How do you test that the program has achieved its outcome at the local level?

Mr Proctor—The monitoring arrangements that feed into this 75 per cent and other measures are actually much more broad based. You monitor each activity in terms of its proposed outputs and outcomes. You will have a six-monthly or annual process of reporting by the project management that is looked at by our people at a relevant embassy and assessed and moderated as accurate or not. That is based primarily upon where it is a project. Project coordination meetings are normally held in the area concerned, with all the relevant government agencies of the country plus our contractors, and are attended by our staff.

Senator HOGG—Given the time constraints that I am faced with, I am going to skip through a couple of other areas. One I want to look at briefly is East Timor. There was an article in the *Sydney Morning Herald* of Saturday, 15 October this year which ran the heading ‘Timorese rights group loses funds: Criticism of Australia blamed’. This was the East Timorese human rights group FTM. Are you familiar with the article?

Mr Proctor—Yes, I am.

Senator HOGG—What aid did this group get? Over what period of time? When was the aid withdrawn?

Mr Proctor—I am not sure what other aid it had, but there was a proposal for some activities, and it was agreed to fund a grant of around \$65,000.

Senator HOGG—Did they ever actually receive the funding?

Mr Proctor—They received some of the funding. They received around, in the end, some \$10,000.

Senator HOGG—What happened to the rest of the funding?

Mr Proctor—It was decided to not continue with the full grant for the activity, based primarily on that organisation's criticism of the Australian government in an advertisement related to the—

Senator HOGG—Let me get this straight. There was a determination that they would get a grant of \$65,000 or thereabouts, according to you, Mr Proctor.

Mr Proctor—That is correct.

Senator HOGG—When was that given?

Mr Proctor—I think the grant was announced in December 2004.

Senator HOGG—For what project?

Mr Proctor—There was an expansion of some human rights training they were doing in East Timor.

Senator HOGG—You say they received \$10,000 of that and their funding was withdrawn because they were critical of the government.

Mr Proctor—They were critical of Australia, more to the point. We had a review of the funding of the project after various comments that were made about Australia.

Senator HOGG—I am sorry to interrupt. I am just trying to piece this together. All I have got is the newspaper article. The criticism occurred where? In an Australian paper or in an East Timorese paper?

Mr Proctor—There were a number of statements in East Timorese papers.

Senator HOGG—But these statements were not made in the Australian press.

Mr Proctor—No, I do not believe so.

Senator HOGG—So it was on the basis, then, that someone from our embassy in East Timor drew it to your attention.

Mr Proctor—That is right.

Senator HOGG—Who would have done that? Not the person's name, but their position.

Mr Proctor—Our embassy advisers.

Senator HOGG—So the embassy advised you. Who did the advice go to?

Mr Proctor—The advice came to AusAID in Canberra.

Senator HOGG—Who in particular? You?

Mr Proctor—It is my division.

Senator HOGG—So it came to you. What happened then?

Mr Proctor—It was reviewed, and it was considered, in the end, that it was not appropriate to continue funding an organisation that was openly critical of Australia.

Senator HOGG—Who made that determination?

Mr Proctor—That was an internal process.

Senator HOGG—Was it referred to the minister? You are saying it is an internal process.

Mr Proctor—I am not really in a position to discuss our advice to and dealings with the minister.

Senator HOGG—That is the first time you have said that to me. You did say it was an internal decision.

Mr Proctor—It was a decision, yes, by the government in terms of AusAID's management of the program.

Senator HOGG—So it was a decision by the government. I must say, when you first mentioned your response to me, I took it that you personally or a number of people collectively within AusAID had taken the decision. That is not the case. It was a government decision to stop any further aid going to this human rights group.

Mr Proctor—That is correct. We advised the group on 7 June that we were not going to continue with the project. We had a discussion about what their committed costs were, and we agreed to meet those. The funding has ceased.

Senator HOGG—At 7 June were there any outstanding debts that they had incurred based on the fact that they believed funding was coming forward?

Mr Proctor—There were some.

Senator HOGG—You did not de-fund those?

Mr Proctor—No. That is why we have paid almost \$10,000.

Senator HOGG—Ten thousand dollars. Whose decision was it not to proceed to fund the rest of the grant to \$65,000?

Mr Proctor—We looked at the budget for the project and what seemed to be genuine costs that they had incurred. We indicated what we felt we should meet and we came to an agreed figure.

Senator HOGG—Yes, but whose decision was it not to continue the funding?

Mr Proctor—It was a government decision.

Senator HOGG—A government decision. Who in the government made the decision?

Mr Proctor—I am not sure in this process that I can discuss internal policy discussions.

Senator HOGG—I am not asking a policy question. I am just asking who made the decision. I think that is a reasonable question.

Mr Proctor—It was taken up to ministerial level and the decision was taken—

Senator HOGG—At ministerial level? I do not want to go into the substance of this if you are saying there was a policy discussion. So there was a decision made at the ministerial level. What was the substance or the nature of the complaint against the group?

Mr Proctor—There was a range of issues that were related—as you will not be surprised to know—to negotiations between the two countries. There were statements about Australia not negotiating as an equal partner, about belittling East Timor and about interference and involvement in the nation's politics—the notion that there was a process of stealing natural resources belonging to the Timor-Leste people. As a whole it was a fairly strong statement.

Senator HOGG—How many such groups have their funding withdrawn by the Australian government in any one year?

Mr Proctor—Across the world?

Senator HOGG—Yes.

Mr Proctor—I am not sure. That would be a hard question to answer. We do a lot of grants in a lot of countries.

Senator HOGG—All right, what about with our near neighbours?

Mr Proctor—This is the only one in East Timor that I am aware of, but across the world there are a whole range of areas where we would withdraw funding on a range of issues.

Senator HOGG—Can you take on notice—I do not expect you to be able to answer me here, obviously—the number of instances in the last full financial year where funding was stopped, the reason for the funding being stopped, how much the original funding was worth and how much of the funding had actually been paid?

Mr Proctor—We will do that.

Senator HOGG—Thanks very much. I will just ask a question about the Australian Wheat Board—and it is not the one that you might be anticipating that I will ask. A recent OECD study, *The development effectiveness of food aid: does tying matter?*—published in September 2005—demonstrates that food aid in kind carries substantial efficiency costs, conservatively estimated at at least 30 per cent on average. In contrast, most local purchases or regionally sourced imports are relatively efficient ways of providing food aid. Is the recent contract awarded to the Australian Wheat Board for the supply of 58,000 metric tonnes of Australian wheat to Bangladesh as economic food aid in 2005-06 the most efficient use of the limited aid budget, or is it just a way to prop up AWB sales?

Mr March—Thank you for the question. The contract let to the Australian Wheat Board for the supply of wheat to Bangladesh fulfils a request from Bangladesh for the wheat product. What we looked at were the opportunities to purchase in the region and the opportunities to purchase from Australia. Where there are significant quantities, as in this case—you mentioned it was 58,000 tonnes; that is a large amount—the costs of shipping from Australia are feasible within the amount of product you are supplying. More recently, in the case of the Pakistani earthquake, we supplied cash to WFP for the procurement of items

within the region, so we do mix and match. We look at what the request is and what the economics of it are and we take a decision at the time.

Senator HOGG—Given that that is the case—and I accept the explanation that you have given—could you therefore take on notice to give me an analysis of the mix and match, as you have described it, over the last financial year. Could you tell me where you have given money to WFP, each particular instance where you have done it, and also where you have gone down the path of contracting to Australian contractors.

Mr March—To clarify: do you mean for the 2004-05 financial year?

Senator HOGG—Yes.

Mr March—Where we have shipped commodity and where we have provided funds?

Senator HOGG—Yes, please. And also for what you have done this year.

Mr March—Certainly.

Senator HOGG—I have a question about Nauru. In response to a question on notice I previously submitted, DFAT provided details of the enhanced development assistance to Nauru for the period September 2001 to 30 June 2005. The response went on to add:

Cabinet has authorised Australian officials to negotiate a new two year MOU with Nauru on the OPCs—

that is, the offshore processing centres—

and associated Australian assistance. The MOU negotiations are expected to take place in July and will determine the scale of Australia's package of assistance beyond June 2005.

I would imagine that under those circumstances the MOU has now been finalised.

Ms Robinson—That is correct. It was finalised and signed on 20 September.

Senator HOGG—Particularly in light of the news that there will be only two people at the Nauru centre, can AusAID provide details of the new MOU on the OPCs which will determine the scale of Australia's package of assistance over the next two years?

Ms Robinson—Yes. I have details of the development assistance. The MOU covers both assistance for the OPCs and development assistance to assist the island of Nauru to develop and enhance its viability. We have negotiated an MOU package that covers a range of activities to assist Nauru to increase its economic performance and to reform its public sector management and economic management over the next two years.

Senator HOGG—So what precise details can you give us?

Ms Robinson—There is a package for economic development and reform and public sector management which amounts to \$6.8 million. It covers activities focused on economic development and reform, including such things as the continued deployment of a finance team and an audit program of Nauruan government accounts.

Senator HOGG—Can you give the breakdown of the individual items within that program?

Ms Robinson—I can provide that to you, yes.

Senator HOGG—Do you have it in a readily provided form now?

Ms Robinson—Yes. It is attached as a schedule to the MOU.

Senator HOGG—Can you give me that before you leave this afternoon? I do not want any sensitive or private data; I just want the public data for it. If you can provide that to me that will save you reading it out and my having to ask you to do so. Are you happy with that?

Ms Robinson—Yes. I am able to provide the MOU.

Senator HOGG—Thanks. Tabling that would be an even better way for it to be handled. It then becomes part of the *Hansard* record.

Ms Robinson—Yes, that is fine.

Senator HOGG—All right. We will do it that way.

CHAIR—So tabled.

Senator HOGG—Can I move now to the tsunami aid for a moment. I have about five minutes left. What is the value of the aid allocated to date under the Australia Indonesia Partnership for Reconstruction and Development?

Mr Dawson—To date, ministers from Australia and Indonesia have announced commitments totalling just over \$280 million from the \$1 billion package.

Senator HOGG—\$280 million from the \$1 billion?

Mr Dawson—That is correct.

Senator HOGG—That \$280 million is spread over what period of time?

Mr Dawson—The period which has been agreed to for the implementation of the program as a whole is five years.

Senator HOGG—So there is not any one specific year that you can give me a breakdown for; it is just over the five-year period?

Mr Dawson—That is right. As I am sure you would be aware, the funding for the program is provided through special accounts—one for grants, the other for concessional loans. Those special accounts are simply drawn down over the period of implementation up to June 2009.

Senator HOGG—So is that the value that has been tendered for thus far?

Mr Dawson—No, not tendered. That is the value that has been—

Senator HOGG—Agreed on.

Mr Dawson—That is the value of the total commitments which have been announced by ministers.

Senator HOGG—How much of that has been tendered for?

Mr Dawson—I cannot give you that answer off the top of my head. We could take that on notice.

Senator HOGG—Can you give me a ballpark figure? I will get you to take it on notice but I am just trying to get a feel for how far advanced it is. The commitment is there. There is no doubting the commitment. I am just trying to get some sense of how fast this is unfolding.

Mr Dawson—If I might say a couple of things. The expenditure to date is in the order of \$24 million or \$25 million. A number of commitments have been announced which have got multiyear implementation timetables associated with them. For example, there is a very large scholarship program. The arrangements for that scholarship program have been set in place, including a managing contractor and students being selected for the program.

Senator HOGG—Is that part of the \$280 million?

Mr Dawson—That is part of it.

Senator HOGG—All right.

Mr Dawson—Our estimate for the cost of that was close to \$80 million, for example. Similarly, there are a number of programs related to Aceh construction and contracts for health and education rehabilitation and work, and general construction contracts have been let or are being let.

Senator HOGG—So are moneys for Aceh contained within that \$280 million?

Mr Dawson—That is right.

Senator HOGG—They are not separated out?

Mr Dawson—No, they are not. They are part of the \$1 billion package, because the package was for reconstruction and development work both in and beyond tsunami affected areas of Indonesia.

Senator HOGG—It seems to me that there is still a fair amount of that \$280 million to go out to contract. Is that a fair assessment?

Mr Dawson—I am not sure that it is a fair assessment. There are a number of elements to that and many of them are well advanced. I simply do not have the details of contracts.

Senator HOGG—Can you take that on notice and give us some idea as to just how this is progressing? I am sure this will be something that we will revisit at each time of estimates.

Mr Dawson—Certainly.

CHAIR—What is the mechanism for accessing each of those two accounts? How do we go about the practical disbursement of funds?

Mr Dawson—As I indicated, activities are agreed between Australian and Indonesian ministers. They are announced through a joint process called the joint commission, on which Australian and Indonesian economic and foreign ministers are represented. When ministers have made decisions about the packages of commitments of funds to particular activities—for example, to a scholarship program—

CHAIR—Let us say it is the building of a hospital.

Mr Dawson—That is a good example. There is significant work being done on the refurbishment of the main hospital in Banda Aceh. That work is then contracted under AusAID's normal contracting procedures and the funds pass through AusAID's accounts. AusAID is accountable for them in the same way as for funds which are drawn down through annual appropriations.

CHAIR—So there is a joint agreement as to the viability and appropriateness of the project?

Mr Dawson—That is correct. There is a lot of work behind the scenes with officials from both sides to determine that an activity is something which is high priority and that it can be effectively implemented et cetera before ministers make decisions.

CHAIR—That gets ticked off. Then, in this instance, AusAID goes to the builder—

Mr Dawson—We will go to the market—

CHAIR—Of course, for tenders to do the refurbishment.

Mr Dawson—and, on a competitive basis, find somebody to conduct the work.

CHAIR—On the basis of the tender, a contract is signed. Is that contract the subject of our legal framework or the Indonesian legal framework?

Mr Dawson—All of the work which has been done so far has been under the \$500 million grant program. The contracts under the \$500 million grant program are let under AusAID's normal contracting procedures and are subject to Australian law.

CHAIR—Then we pay progress payments as and when we see the work being done, in accordance with normal government practice here in Australia?

Mr Dawson—That is correct.

Senator HOGG—Is the \$280 million all in grants or is some of that in concessional loans?

Mr Dawson—All of that is in grants.

Senator HOGG—Has any money been paid in concessional loans at this stage?

Mr Dawson—Not at the moment, no. We are in the process of discussing different potential areas of financing that might be carried out through the concessional loan program. In due course, I am sure ministers from both sides will have something to say about that.

Senator HOGG—What sort of time frame?

Mr Dawson—It is difficult to say at this stage.

Senator HOGG—Is it six months?

Mr Dawson—Discussions on some things at officials level are quite well advanced, and I would expect that within the next few months there would at least be some announcements in relation to that program.

Senator HOGG—Out of the \$1 billion, at this stage nothing has really been spent as concessional loans?

Mr Dawson—That is right. The reason for that is that the sorts of projects which are anticipated under the program are generally rather large infrastructure-type projects. There is a considerable lead time for the design and tendering processes for those projects and, because they are concessional loan projects, the funding needs to go through the Indonesian national budget. Indonesia will be borrowing those funds and we expect to see those funds reflected in their national accounts.

CHAIR—What would an example of such a project be?

Mr Dawson—There has been some work which has already been tendered—for some design work in association with a program for national road improvement in Indonesia. That might be the sort of work which could be funded through a concessional loan program.

Senator HOGG—When you say ‘in Indonesia’, do you mean in Aceh in particular?

Mr Dawson—The \$1 billion package is for all of Indonesia, including Aceh.

Senator HOGG—The reason I ask is that a World Bank manager stated that, if I can paraphrase what he said, there is concern that Aceh might be short-changed in some sense—that it might only receive an eighth of the initial pledge that they thought would go to Aceh. Is that a reasonable statement?

Mr Dawson—There were news reports to that effect. In a letter subsequently sent to the ABC by the World Bank official who was quoted, he said that the news feed was an inaccurate depiction of information presented and he asked for a retraction. He said that the headline in the article implied that he was criticising the Australian government for failing to live up to its pledge to the people, which was far from the truth. He said that what he had said was that the division of funding was a sensible joint decision by the governments of Australia and Indonesia and, as there was adequate financing for the recovery in Aceh and Nias from other sources, it was wise for the two countries to reorient their priorities and to put the remainder of Australia’s assistance towards Indonesia’s overall development. He went on to say that what he said was praise, not criticism.

Senator HOGG—How was his statement misinterpreted in the first instance? Do we know?

Mr Dawson—I am not sure I can answer that. How the media present things is a matter for them.

Senator HOGG—I just thought, as an observer, you might have come across some information.

CHAIR—What was the program? An ABC program?

Mr Dawson—I think it was.

CHAIR—Do you know which one? *Four Corners*? *Lateline*?

Mr Dawson—I do not have that information. I think it was a radio program.

CHAIR—I want to ask you about these drawdown loans. At any time does money go into Indonesian government general revenue?

Mr Dawson—Indonesia borrows the funds. The funds therefore pass into Indonesian government bank accounts and are utilised through Indonesian government systems.

CHAIR—Are those bank accounts segregated and divorced from general Indonesian revenue such that there is a paper trail of expenditure so that we can follow that the money went through to road construction, for example?

Mr Dawson—These are details which we are discussing at the moment in the context of an umbrella agreement to cover the loan program, but what you describe is the way in which we intend the program to work.

CHAIR—And nothing has been lent yet on any basis other than the one we are outlining and discussing there?

Mr Dawson—No. We are modelling the arrangements for the loan program on international best practice for development financing, and there has been a lot of work in recent years to make sure that the issues of transparency and accountability are right up in front in terms of the arrangements for the use of loan funds.

Senator HOGG—You said that thus far \$280 million has been given out of the \$500 million committed. When will the rest of the \$500 million be taken up? Is there an expectation that it is something that is likely to be taken up in the shorter term and, if so, on what sorts of projects?

Mr Dawson—Again, that is going to be a matter for the ministers on both sides to decide, but there is a lot of work going on between officials to identify suitable projects for funding. My expectation is that there will be an announcement of further funding commitments, and substantial commitments at that, within a relatively short space of time.

Senator HOGG—Unfortunately we have only had a little over an hour to speak with the officials of AusAID. I will put a number of questions to AusAID on notice. Thank you for your frankness and cooperation today. I look forward to the answers.

[4.45 pm]

Australian Trade Commission (Austrade)

CHAIR—I call the committee to order. Mr McCormick, would you like to make an opening statement?

Mr McCormick—No, thank you.

CHAIR—We will go straight to Senator Hogg, who has some questions for you.

Senator HOGG—Thank you, Mr Chairman. The first question I want to raise is in relation to a topical issue from earlier today—that is, the Australian Wheat Board's involvement in the oil for food program. Was Austrade or its officials involved in any way with the setting up of any contracts for the AWB in Iraq?

Mr McCormick—I will ask my colleague Helen Munro to answer that.

Ms Monro—Austrade was involved with the AWB in providing a range of services and advice of a general nature—such things as briefings and updates on the oil for food program and general market advice.

Senator HOGG—Can I just stop you there because I will be able to short-circuit this pretty quickly. When you say that you provided a range of services to them, from where was that range of services provided? Was it provided in Australia or at source, overseas, somewhere?

Ms Monro—It was a combination. Some information was provided in Australia and some in market services.

Senator HOGG—I presume the Australian advice would have been provided through your Sydney office?

Ms Monro—I think so, but I do not have that information. I expect that would have been the case.

Senator HOGG—Where would the advice that was provided by the overseas posts provided from?

Ms Monro—I would have to get the detail on notice, but a number of locations were involved. We had someone in Amman, but other posts such as Washington have also been involved in activities of that kind.

Senator HOGG—But I am talking now about being deliberately involved in giving advice to the AWB. Where would that have come from? Probably Amman?

Ms Monro—Yes, but the information that we have looked at suggests that there were a number of locations.

Senator HOGG—Could you could take that on notice and let us know what those locations were, the nature of the advice that was sought and when that advice was sought.

Ms Monro—Okay.

CHAIR—You cannot tell us broadly what the nature of the advice was?

Ms Monro—We do not have that degree of detail in the records that we have.

Senator HOGG—I accept that. I am just trying to find out what sort of involvement you had in the process. Do you know when that advice would have been given, in a broad time frame? From evidence today, the particular period in question was the year 2000. I think, broadly speaking, that is a safe time frame. I think we went from about 13 January 2000 to the end of October, November or December 2000. So, looking at the year 2000, what sort of advice was given?

Ms Monro—I could not tell you specifically. Our records indicate that we have worked with AWB over an extended period. In this case, we looked at the period of the oil for food program, and there have been interactions with Austrade over that period. But, again, we could come back with some specific times.

Senator HOGG—In a more general sense, what sort of role would Austrade have played with not just AWB but other parties interested in participating in the oil for food program?

Ms Monro—Our primary role was in promoting the program to Australian companies and briefing them on the operation of the program, so we provided briefings and updates via business seminars, roundtable meetings, one-on-one meetings with specific companies and, in some cases, fax-outs of information. A key part of that work was explaining the operation of the program itself, including the role of the UN in evaluating and approving contracts.

Senator HOGG—Did you get to the detail of pointing out the exclusions in terms of sales—in other words, that you could not sell to Iraqi government companies or, as we found out today, deal with trucking companies that were in effect fronts for the Iraqi government?

Ms Monro—I am not able to say that, and I would not be confident that we would have that information.

Senator HOGG—Would you have copies of any of the information that you disseminated at these meetings, whether they were one-on-one or group meetings, on how the program operated?

Ms Monro—Yes, we would certainly have some of that information. Again, we can supply that.

Senator HOGG—If you would supply that, that would be interesting, so that we can get an idea. Can we also have an understanding of what time frame that was distributed within? It may well be that some information was more relevant at an earlier period but bore no relevance towards the end of the program.

Ms Monro—Yes, certainly.

Senator HOGG—How many contacts in respect of the oil for food program would have been made by other clients?

Mr McCormick—We simply do not have any of the details. Certainly, if you would like, we can take that on notice.

Senator HOGG—All right, you can take that on notice. Again, I just want to get some idea of how the operation went. Did it operate any differently in, say, your posts overseas? I understand—I think you mentioned—that there was a post in Oman. I presume that post is still operating?

Ms Monro—It is operating, yes.

Senator HOGG—What particular relationship did you have with the Oman post on these issues? Did you refer clients directly to the Oman post where they had an expressed need?

Ms Monro—As I understand it, the Oman post would have operated in the same way as any other post. In that case, the companies would be referred there from Austrade in Australia. We can verify that that is the case and add that to the information we supply.

Senator HOGG—The issue that was raised between AWB and DFAT in the correspondence that we saw this morning was the fact that they claimed they could not get suitable transportation of their product once it was landed in Jordan. Is that the sort of intervention that you would do to help promote their business—seek out these providers?

Ms Monro—Our normal role would be to provide advice to the companies rather than getting involved in the specifics.

Senator HOGG—If the AWB came to you and said: ‘We do not know what we can do about our transportation problems with our wheat as part of the oil for food program. We want to know what you can do for us by way of assistance in finding transportation in Jordan.’ Is that the sort of thing that you would do?

Ms Monro—It is possible that we would do it, but I could not say either way. I certainly do not now have the information—

Senator HOGG—You do not carry a list of suppliers of transportation in Jordan, for example? I am using that as an example because it is probably the most relevant example I can use.

Ms Monro—It is likely that we would have information in an office about local suppliers. So it is possible. What I am saying is that we do not have any information as to whether that was the case or not.

Senator HOGG—Do you keep a list of suppliers?

Mr McCormick—Unfortunately, we do not have any details that could answer your question.

Senator HOGG—I am trying to be a bit specific but I am also trying to be general. I am trying to work out whether you have a list, for example, of suppliers that can provide that service to your client in Australia in a place such as—and I keep using the phrase ‘such as’—if it were in Oman.

Mr McCormick—Generally, it would depend on the specifics of the market and the client. Some clients are very involved in markets and do all of the details themselves and do not need any of that sort of advice. Others are very new and we might provide more detailed services. It depends very much on the client and the market and whether they have been in the market for a long time or not.

Senator HOGG—Let me get away from the more contentious side of it just for the moment. If someone wants to do business in that part of the world and they want legal advice, do you have a list of legal practitioners, just as an example, not so that you can recommend a particular one but so you can say: ‘This is a band of legal practitioners that you might use. They have local knowledge and can assist you in getting through the hoops and whatever else in the customs and legal systems in the Middle East’? Do you provide that sort of service?

Mr McCormick—Again, we are often driven by what our clients want from us. If they ask for certain things then we would see whether we can do them or not. It depends on what the client wants and what the situation in the market is like. As you have noted, we would not necessarily recommend a particular one, but we might say, ‘Here are some possible ones that you might like to consider.’ But again, that depends on what the client wants. If the client is already in the market and is very aware of how to operate there then we might provide other sorts of services that do not go to those sorts of deals. We do not usually get in between what we call the client and a business deal. We are basically behind them trying to help them in whatever way they might wish us to help them.

Senator HOGG—I accept that, and that is why I am trying to be careful. I am not trying to see you as the intermediary in this. I am trying to see what role you might play in assisting the various clients that you have to access the marketplace. That does not mean that I am attributing any proactivity to your part. I am just trying to find out what is going on. One of the things that I could probably do myself is go and look up the internet, but it might not necessarily provide that information. I could go to a service provider who has the expertise, and that is why I am asking you. Specifically, could you take on notice whether there were any requests from the AWB in respect of service providers—I will put it in as broad terms as that so it is not limiting—whether it be legal services or transport services. Wherever they may have felt that there were deficiencies, were there any such requests for Austrade assistance in the oil for food program that operated under UN auspices?

Mr McCormick—We will do our best to find an answer to that.

Senator HOGG—I am looking at that period around 2000. It may well be that the request was received in late 1999. The actual correspondence that we considered today looked as if there may have been a bit of activity prior to the early part of January 2000. We did not get too many specifics out of that discussion, but I think you can understand where I am coming from. There has been a fair deal of speculation about the AWB's engagement of transport operators in Jordan, but I do not want to traverse that. Do you have any current engagement with the AWB in seeking out export markets?

Ms Monro—That is a question that we did not look for the answer for. I will have to take that on notice.

Senator HOGG—I am sorry I have asked you questions that you have not looked for!

Ms Monro—I will have to follow that up; I am not sure.

Senator HOGG—You are not sure?

Ms Monro—No.

Senator HOGG—In respect of other providers, for example, did you provide any assistance to a company called Alkaloids of Australia, which supplied drugs to Iraq, or Rhine Ruhr, which supplied pipes to Iraq, as part of the oil for food program? Are you able to answer that?

Ms Monro—Yes. We have looked at the details of involvement with those companies and have not found any link between any services provided and any of the issues that have been raised.

Senator HOGG—Spell that out for me.

Ms Monro—We presume that we provided general advice to those companies, but we do not have any specific record of Australian involvement in actual sales.

Senator HOGG—What was the nature of their inquiry?

Ms Monro—It was probably a general inquiry about business in the market. The services we provided would have been general advice on the market.

Senator HOGG—But once they pursued the contracts you did not hear back from them?

Ms Monro—No, not according to our records.

Senator HOGG—So you do not know if any of these people get charged, for example, a service fee or any—

Ms Monro—By us?

Senator HOGG—No, not by—

Ms Monro—Subsequently, no, we do not have any information.

Senator HOGG—I will leave it at that. I do not think there is much more there. Can I go to export promotion. I have a couple of general questions to start off with. What are the underlying principles of Austrade's approach to export promotion?

Ms Bennett—In its broader sense, Austrade operates export promotion in a number of ways. We run specific marketing based campaigns within the Australian and overseas

communities in order to both inform Australian companies and create demand in overseas markets. We operate very broad community based education and awareness in the media. We operate a program in schools: Exporting for the Future. We work specifically with companies that have expressed an interest in exporting, and essentially work much more closely with them, from promoting awareness through to giving assistance, to hopefully help them achieve export success. We have a very broad base of export awareness.

Senator HOGG—That is the way I have always looked on the organisation, and I think it has lived up to that fairly well. What are currently the key planks of Austrade's export promotion activities?

Ms Bennett—As I said, it is really all of the above. From our market's perspective, we would plan at the beginning of the year to do a combination of events. For instance, with the aim of raising awareness around export opportunities to China, America or England, we work out how we are going to deliver some of that marketing within Australia. So a business development manager from one of our offshore posts might come back and specifically for this, be part of our engagement with the Australian exporting community and talk about the opportunities in those markets. On some occasions we invite customers from those overseas markets to come back with our business development managers to meet Australian exporters, which will hopefully get a much closer engagement between the Australian exporter and the customer.

Senator HOGG—What do you think is the most successful way to promote our exports? Where do you get the best result for the money that you spend?

Ms Bennett—It is very market specific. Clearly it is very important for us to maintain a broad based profile within Australia, as I have said, through the media, our community contact with schools, allies, particular industry associations, and business commerce groups. It varies tremendously within markets. For example, some markets are of a maturity such that a major trade event is often the best way in which we can take an Australian exporter through to export success with an overseas buyer. In other markets, perhaps it is face-to-face contact that is needed. The need is for the relationship with the buyer, almost through a one-on-one introduction with an Australian exporter. To be able to determine what is the most effective way to contribute to export success, our experience is that we need to understand our local and offshore markets.

Mr Harcourt—On Ms Bennett's points about raising awareness, particularly with small and medium sized businesses, when surveys are done—for instance, the Sensis survey on small to medium sized enterprises—just under 50 per cent of small and medium sized enterprises go to Austrade for specific advice about exporting, compared with about 10 per cent for federal and state government and less than that to industry associations and so on.

Senator HOGG—So how is that achieved? I accept that there is a very good record of the organisation out there in the community, but I am just trying to get a feel for how you see it happening. Does it happen through media profiles? I am not talking about direct advertising now. Do you get treated well by the media such that that brings back the positive result that you have in the SME recognition there? That is a high recognition level. Most politicians

would like to have a 50 per cent recognition level—generally, the mad, bad and the indecent get that level. How you achieve that in the marketplace? What assists you?

Mr Harcourt—It is partially the media, and that is tied up with raising community awareness of the importance of trade.

Senator HOGG—How important is word of mouth?

Ms Bennett—It is very important. One of our platforms is clearly the general media. Because we understand the markets and we understand the nature of opportunities, some of our most significant work is around trying to determine which particular industry sectors or market sectors we should try and apply. I can give an example. We have run a China series. We have been around some of the major states and territories in the last 12 months specifically talking about opportunities in China, for example. That means that we can be very specific. We can work with the business and commerce sectors and within the states. We can give very focused advice on how to export into China. We do that for a number of other markets.

It is a mixture of general awareness, of being able, through our insight and experience—and for instance, through TradeStart—to particularly target rural and regional Australia and new and prospective exporters from an established base. We can then work with companies who we know from our own database and from other available information are already exporting and talk to them, perhaps, about expanding to a second market or a further market. Our approach to market awareness is multifaceted.

Senator HOGG—You mentioned that you ran a China series. Senator Johnston and I would be interested in that. We had the pleasure of visiting China in early August. That would be a case of a specific export promotion activity by you.

Ms Bennett—Indeed.

Senator HOGG—How do you measure the results of that example? You go round and see a number of people. We are aware of the opportunities that are there. Obviously, not all Australian business are. How do you then measure the cost-effectiveness of the outlay that you put into running that specific promotion campaign vis-a-vis what will ultimately be done by way of export by Australian manufacturers and service providers?

Ms Bennett—We would keep very basic information at first on literally the numbers of respondents we had to our invitations. As we move through, we obviously try and keep in touch with the companies. We can see the numbers who work with us. In the fullness of time, as we assist them we can hopefully see their export success. We track that, but obviously it does take time between us first engaging with a company through some general awareness program, then perhaps their making a commercial decision about whether it is the right time to move into export and us remaining involved with them hopefully through to successful completion of export. We keep those numbers. We now have the ability to do that. Therefore, we can relate that to try and determine—as you asked earlier—the effectiveness of different types of touch with our exporter community.

Senator HOGG—Using that China series as an example, what specific opportunities would you have identified for the Australian marketplace in breaking into that China market?

Ms Bennett—I would like to take that on notice for a detailed response. My understanding of the China market is that we would have talked according to the state we were in, because obviously we try and understand and talk to the natural supply capability in different states. For instance, some of the prime opportunities in China would include mining opportunities, so in those states and territories we would perhaps be focusing more on those. Some of the other opportunities, particularly as we consider our posts in some of the major cities in China, are very attractive for the commercial products you would see in some of the major stores, and so perhaps in other states and territories we would have talked more about the wellbeing products that we might now be seeing able to be moved into China. We try to be specific according to the state that we are in within Australia and the opportunities that are most relevant, but I can get further detail to you, if you desire.

Senator HOGG—Yes, I think we would both be interested in that because we heard so much about it.

Mr Harcourt—One thing that is important is that a lot of these inland cities are having incredible economic and population growths. People think of Shanghai and Beijing and Guangzhou on the coast, but a lot of Australian architects and construction people are doing very well in all the inland cities too and that is the reason for us expanding our network into the next wave of Chinese growth.

Senator HOGG—The other thing we have been involved in with the reference committee, which mirrors this committee, is an inquiry into China. We have heard of the difficulties of Australian businesses establishing themselves in the Chinese market. Some of them are legal difficulties, some of them are infrastructure difficulties and some of them are cultural difficulties. So there is a range of difficulties in establishing into that market, but it seems to us—and I do not think I am speaking out of turn here—that there are great opportunities for Australian producers, Australian manufacturers, Australian service providers and so on in that particular market. I thought it was opportune that you raised China. I did not have anything specific in mind, but I think that is good. How then, therefore, would you assist sectors of the marketplace, such as the manufacturing sector, given that they produce almost everything that winks, blinks and nods in a market like China? Obviously it might be difficult to steer a manufacturer in the direction of China, but what do you do to foster the export sales of manufactured goods—in particular, elaborately transformed manufactures?

Ms Bennett—There are some things that I can refer to. We have secured Australian participation in some of the major Chinese trade exhibitions, and that includes automotive and some of the mining and mining technology services. Equally, we try and encourage Chinese buyers to come back into Australia. For example, Chinese buyers came back to major Australian trade events including a mine and coal summit and some others. We try and facilitate the exchange of buyers and sellers.

Senator HOGG—And how successful are you?

Ms Bennett—I do not have any information specifically about the success arising from those specific activities.

Senator HOGG—Is it possible to get some sort of feedback on that?

Ms Bennett—Yes, indeed it is.

Senator HOGG—Is there any empirical data? I am not concerned just about manufacturing. What about agriculture, services exports; how do you test what is happening there?

Ms Bennett—Again, our starting point is to fundamentally understand the market in China. For example, in the year coming, 2005-06, our program of activities in China includes activities around key sectors with strong opportunity—including mining, biotechnology, ICT, health, automotive market. Some of the examples I have already given, but some of the others included in Australian business missions—that is, where we take Australian companies to China—range across education, mining, food, sports, building, equine and health centres. Our starting point is deep insight into the Chinese market and to try and establish the demand side and the opportunity, and then to be able to come back and match it with Australian exporters with the appropriate skills and product and service to be able to take advantage of the opportunity.

Mr Harcourt—We have actually seen pretty strong manufacturing export growth to China, albeit from a low base. One of the reports I saw by the UBS Warburg economics group said that China's share of manufactured goods has doubled over the past five years in areas such as road vehicles, pharmaceuticals, beverages and a lot of electrical machinery—basically, components that are inputs into China's large-scale manufacturing process. So there has been some good news on that front. Also, the total number of companies that export to China has grown pretty steadily over the last couple of years and certainly a lot over the last decade.

Senator HOGG—In a general sense, do you run specific promotions in terms of manufacturing, commodities, agriculture and services? If so, what sort of expenditure do you allocate to those?

Ms Bennett—We would run specific promotions where we feel that it is to the advantage of the Australian exporter. I would have to take on notice the type of expenditure that that would incur.

Senator HOGG—If you could. I gave those four broad categories to get some sort of general idea of what can be done. Where is our major focus in our promotion for exporters? Is it focused in the Asian region or is it still fairly diversified in two places such as the United States and the EU? Can you give us some sort of balance as to how that is apportioned?

Ms Bennett—It would certainly be balanced.

Senator HOGG—Sorry, I was not suggesting that it was not balanced. I am just trying to get some idea of how it is balanced.

Ms Bennett—To give you quantitative data, we would have to take that on notice.

Senator HOGG—I accept that.

Ms Bennett—We sit across 58 countries. We clearly have a focus on supporting and enabling Australian exporters to maximise their trade opportunities. To that extent, the government's trade policy has provided the Australian exporter with new opportunities in certain markets. Austrade have accordingly also ensured that we have an appropriate focus on those markets such as the United States, Thailand and Singapore and now some of the new,

emerging markets such as China. We are also very cognisant of growth markets such as India. And, if we look to Europe, Russia is also a growth market.

Austrade work closely with Mr Harcourt, who gives us, if you like, the macroeconomic and forward-looking positions. We look to where the market demand is starting to appear. We are very cognisant then of the interests of the Australian exporter and the industry groups as they also start to give indications as to their levels of interest in particular markets. So it is a multifaceted view to try to determine where and how to best focus.

Senator HOGG—I have already asked questions about China specifically. What about the Indian market? It seems to me that that is a market that is just waiting for someone to knock on the door and walk into.

Ms Bennett—It certainly is a growth market. For Australia there is significant opportunity. India has been Australia's fastest growing merchandise export market in the last five years. It has overtaken the UK to become our sixth-largest export market. From Austrade's perspective, we have a growing network of offices. We now have 23 staff positioned to take advantage, currently across six locations.

Senator HOGG—Twenty three across six locations?

Ms Bennett—We have 23 staff across six locations. But in addition we have also started to engage local businesspeople with a strong commercial network to assist us in identifying new customers and new export opportunities for the Australian businesses.

Senator HOGG—That is 23 now. Can you give me some idea of what the base might have been 12 months ago?

Ms Bennett—I would say we have added about four or five new staff, but I can confirm that.

Senator HOGG—Thank you. That is a significant increase, and I presume that is adding to the resources that you are using. Are there extra resources?

Ms Bennett—It is about moving the resources to where—

Senator HOGG—It is about moving the resources around, rather than being given additional resources?

Ms Bennett—In some instances we receive additional funds from government, such as for some of the additional resources into America to support the American-Australian FTA. In the case of India we are refocusing our current resources to take advantage of what we see as the growing opportunities in India.

Mr Harcourt—Certainly, to the degree that people tend to look at China and India, there has been a fair bit of catching up on India's part. When you look at the number of exporters going to China relative to India, there would be around 1,500 exporters interested in India or selling to India now and about twice that for China. So there is still a bit of catching up to do.

Senator HOGG—Is there a natural resistance in the Australian psyche to getting into that market, for some reason? Is it just seen to be a little bit too far away? I am wondering what has been the reluctance. In terms of population and the growth of the economy, everything seems to be there.

Mr Harcourt—There is no doubt that the numbers have improved in recent years, as Ms Bennett mentioned. Part of that is resources and gold. I think the good news about India's reforms has taken a while to come through globally, let alone just to Australia. But that is starting to change. We have all sorts of links, with a large Indian community in Australia—and there are cricket and Bollywood to help as well. A number of companies are doing quite well there. The Snowy Mountains company SMEC does a lot of infrastructure programs in Uttar Pradesh and there are a large number of Australian engineers and other people involved in construction because of the infrastructure needs of India.

Senator HOGG—Are there business opportunities in Pakistan as well?

Ms Bennett—I believe that there are. Austrade have offices that cover Pakistan.

Senator HOGG—Again, Pakistan is a near neighbour. It seems to me that there is an economy there that really has not moved where it should have moved over the years.

Mr Harcourt—I think South Asia as a whole is picking up, if you include Pakistan, India, Bangladesh and Sri Lanka.

Senator HOGG—We have had a wide-ranging discussion about where we are going with our export markets and so on. I want have a bit of a discussion now about an article that appeared on 2 November in the *Age*. You may well have seen it under the heading 'Australia falling far behind in exports'.

Mr Harcourt—Tim Colebatch, was it?

Senator HOGG—Tim Colebatch, yes. You are aware that article?

Mr Harcourt—It is a good paper, the *Age*.

Senator HOGG—The headline is not terribly flattering.

Mr Harcourt—Most headlines aren't, are they?

Senator HOGG—No, that is part of the price you pay with the media.

Mr Harcourt—I wrote an article on the Argentine economy one time and the headline writer wrote 'Don't buy from me, Argentina' even though the article was quite positive about the Argentine economy.

Senator HOGG—This article—and I would be interested in your comments about it—refers to a number of things, such as the fact that, despite a boost last year from higher commodity prices, Australia ranks just 46th in the top 50 exporting nations in export growth. Is that correct?

Mr Harcourt—I think you are getting that from the table derived by Tim Colebatch in the article, where he has the sprinters, the stayers and the lagers.

Senator HOGG—No, I was actually taking this from the second paragraph of the article. He says, 'Australia ranks just 46th'. He obviously has it in the table as well. Is that correct?

Mr Harcourt—In terms of share in world trade as an aggregate, it is factual. Whether you say that that means you are a top exporter, a good exporter or a bad one is another question.

Senator HOGG—That is a fair comment. I accept that. But, relatively speaking, has our position slipped or have we gained? The inference that I take from that is that our ranking has been going backwards, relatively speaking. Is that a correct assumption?

Mr Harcourt—There are a few things you could say about the rankings in this article. The first thing you could say is that because the report is done for the World Trade Organisation it takes some time to get out, so, firstly, there would not be any inclusion of any 2005 data, which has been pretty positive for Australia. Secondly, the report undertakes a number of cuts of data over five years and an extended time series, while Tim Colebatch's article talks about 1996 to 2004 in particular. Thirdly, look at export growth. The story in the report is mostly about developing countries like China.

Senator HOGG—Which have come from low bases. I accept that. I am not trying to distort the figures; I am just trying to get an assessment of the relative position. It is very easy to say that Vietnam has increased by 253 per cent, but it has come from a very low base.

Mr Harcourt—It is a developing country.

Senator HOGG—I accept that. I am not seeking a distortion; I am just trying to work out, relatively speaking, whether we are slipping back, as this tends to imply to me.

Mr Harcourt—It is a question of whether we are slipping back or whether we are being locked out of markets. One thing the WTO report mentions which is not in the *Age* article is that a number of countries, despite their very good economic growth, are not having the same effect on trade. Given the fact that a lot of Australia's key commodity exports, particularly in agriculture, get held out of world markets because of protection, perhaps it is not surprising that we do not have a level of world trade that would be commensurate with our economic performance. The other important thing to note is that some of the economies that are down the list in terms of export growth—the US, Britain and Australia—are quite well-performing economies in the sense that they have pretty good domestic conditions as well.

Senator HOGG—Yes, and that is why I say I am not trying to leap to wrong conclusions from these figures. As they say: 'Lies, damned lies and statistics!'

Mr Harcourt—And economists.

Senator HOGG—I was not going to be so rude to the economists, but if you want to be so I will take that and put it in the *Hansard* record.

Mr Harcourt—Go on!

Senator HOGG—For example, the period used in this analysis was 1996 to 2004. Why pick that period, to start off with? Secondly, if we were ranked 46th out of 50th recently, what were we ranked in 1996, for example? Were we 46th or were we 42nd?

Mr Harcourt—I think Tim Colebatch has picked that date himself—I would imagine for domestic reasons. The WTO report does not do the calculation in the same way. I imagine, Senator, that you would know much better than I why he picked 1996.

Senator HOGG—Can you tell me what our ranking was back in 1996?

Mr Harcourt—I cannot tell from this article, and I am not sure—

Senator HOGG—Or 2000. Can you tell us what the ranking was then?

Mr Harcourt—I would have to find that for you.

Senator HOGG—Can you find that for me?

Mr Harcourt—Yes, sure. I will take it on notice if it is not there.

Senator HOGG—In the next paragraph he goes on to say that the WTO's annual trade statistics for that period show that exports grew in value by 70 per cent but that in Australia they grew by 43 per cent. Is that again correct?

Mr Harcourt—Again, when we had our last discussion we made comments about the relative slowness of export growth from 2001 to 2004, so it is quite possible that that would be the case. Again, they are calculations that he has done on the data. Given that we would accept the calculations at face value, that would not be surprising. However, if, for instance, you looked at comparisons of 2000 onwards and the 1990s, you might find a different story in the sense that Australia would have been reasonably successful in terms of export growth over the 1990s but probably less so in the current decade. For instance, in manufacturing our average annual growth would have been around 12.9 per cent in the 1990s, but now it would be around 2.7 per cent. Given that you would be cutting into part of a decade where you had that sort of growth, that would not be surprising.

Senator HOGG—That dramatic reduction in manufacturing, for example, is because of the transfer of manufacturing offshore. Is that the sole reason?

Mr Harcourt—There are a couple of things that have occurred with manufacturing. One is that we are quite in a strong reform decade. Twenty years ago manufacturing mainly looked after the local market. When you get a one-off big boost in reform, it is quite hard to maintain that. Secondly, with the time period that is included here you would have some effects of exchange rates and some other external effects. For instance, if you picked the period from 1996 onwards, that would include the Asian financial crisis and some of the external shocks we have had to the world economy. Finally, to some extent, I think there would be structural change. In the last session we had, we discussed the fact that a lot of OECD economies had also had a smaller share in manufacturing and exports than the developing economies, partially—as you point out correctly—because of the rise of China and some of the developing economies.

Senator HOGG—Where is our strength? Where is the growth coming from? It seems to me that our commodities are things such as iron ore and coal. I know if Senator Johnston were here—

Senator Sandy Macdonald—You are on your own, Senator Hogg.

Senator HOGG—I have all my friends with me, Senator Macdonald, and you know how many they are! It would seem to me that there is a huge demand, particularly with the burgeoning economy in China, for those natural resource products. I am just wondering: is that our only growth? Senator Johnston, I was just mentioning you in good stead here! Where do we go? Where is the real plus? Is it services? Have we peaked in the services area? Is there still a role for manufacturing?

Mr Harcourt—Sure. I think you are right in pointing out the strong performance of the resource sector, and that is quite a well-known tool of ours. Partially, we have had very strong

commodity prices, and that is why we have record levels in the terms of trade, partly because of the price effects. But in the last Reserve Bank statement they mentioned the growth in volumes in manufacturing as well. I think there are two things going on. One is that we have had some improvement in manufacturing exports in volumes now as well as values.

Senator HOGG—Didn't the *Financial Review* recently state that our manufacturing industry was in a pretty bad way?

Mr Harcourt—In which place?

Senator HOGG—I just believe there is something I saw recently in the *Financial Review*.

Mr Harcourt—Quite possibly. But I think there are two things that are important for us. I remember that, at the time of the Olympics, people said we should just get out of mining and farming and become the next Taiwan. People said we were too 'old economy'. But, when you look at a lot of the detail, a lot of services and manufactured goods come out of our strength in mining. If you talk to Senior Trade Commissioner Gregory Klumov, one of our Austrade people in Moscow, he will tell you of the number of small mining software companies from Perth and Queensland that are in Russia. Similarly, with China, a lot of the strengths of our resource sector actually give us spin-offs in knowledge based services in advanced manufacturing. For instance, we sell large proportions of wine technology and wine software and services in South America and Europe. So I think it is not a matter of 'old economy' or 'new economy'; it is a matter of basically forging a lot of additional strengths in services and manufacturing onto our comparative advantage in agriculture and mining.

Senator HOGG—If you look at the Colebatch article again, you will see that right at the very end of it he says:

The WTO figures show much of Australia's fall in the export rankings has been in manufactures. From a high of 0.39 per cent of global manufacturing exports in 1996, the nation's share slid to 0.3—

Mr Harcourt—From 0.39 to 0.3.

Senator HOGG—Again, is that a fair representation, and how can that be interpreted?

Mr Harcourt—I guess, when you look at shares in manufacturing but also growth in manufacturing exports, we are not Robinson Crusoe. If you look at manufacturing export growth in this decade compared to the nineties, Canada's growth is negative—it is minus 0.7. Finland's is 3.2 per cent, even with Nokia. The figure for Italy, which was once the darling of the manufacturing export sector, is 4.7, and for the US it is 2.1. So in many instances we are finding that our experience is quite similar to that of other industrialised economies. When you compare our manufacturing trade performance relative to other countries in the OECD, we stack up a lot better than it would seem from the WTO's report.

Senator HOGG—So does this mean that we are going to have to get into more niche markets in manufacturing—more highly specialised, highly skilled areas? Do we have the capacity to do that?

Mr Harcourt—I think so. We have been quite successful in niche manufacturing. I do not think anyone thinks that we are going to have a manufacturing sector the size of the US's or China's. But certainly we can have a very successful one. One thing I noticed the last time we had the Austrade DHL export barometer was that there was pretty strong demand for

manufacturing. Seventy per cent of manufacturing exporters in the survey were pretty confident about the coming 12 months. So there is a bit of confidence, and there is certainly demand. So the issue is really: have we got capacity and does it relate to things such as the scale of plant, appropriate infrastructure, labour issues and so on? Certainly the demand is there. Certainly a lot of opportunities have been identified.

Senator HOGG—I will leave off that issue now. I want to turn to the EMDG scheme. Can I go to the review of the EMDG program. Can I get some background on the process that was involved, who worked on it and what were the outcomes.

Ms Ward—The review was a legislative requirement; it is written into the act of parliament. The Minister for Trade is required to ask Austrade to conduct that review. There were specific times and dates in the legislation. The minister did request that and Austrade was required to deliver a report to him by 30 June of this year, which Austrade did. You asked about the process. The process had various prongs to it. One was to call for public submissions—and indeed the legislation requires that that is done—which we did. We received 394 public submissions. Austrade also contracted Mr Peter Jollie to be a review facilitator. His role was to undertake group consultations around the country, which he did. I think in total he did something in the order of 70 consultations around Australia. We also had a contract with an independent company to do research and an economic analysis of the scheme. Finally Austrade, as the administrator of the scheme, took into account its own experience as that administrator in terms of the legislation and the rules and criteria of the scheme.

Senator HOGG—So there were 394 public submissions. Could you characterise for the record whether they were from corporations, individuals, academics or business organisations.

Ms Ward—The actual review report has a listing in an appendix at the back of all of those.

Senator HOGG—Yes, I know. I am just trying to get something simple for the *Hansard*.

Ms Ward—While I have not got percentages, a very large proportion were indeed from individuals, many of whom were either current or past EMDG recipients. They were also from groups such as industry associations, state governments and other groups who have an interest in trade. In fact 341 were from businesses, 43 were from industry associations and 10 were from government departments and agencies.

Senator HOGG—Mr Jollie, as part of the program, consulted widely with those people who made submissions. What was the outcome of those consultations, broadly?

Ms Ward—The outcomes from his consultations were in many ways very similar to the public submissions that were received, which were summarised in the review report. The report also includes a summary of the report of Mr Jollie's consultations. The thing that characterises all consultations and public submissions is the huge support for the continuation of the scheme. The prime thing that Austrade was required to do was to report to the government on whether the scheme should be continued. There was indeed overwhelming support for that.

Senator HOGG—Was there any hint of people expressing any dissatisfaction with changes that have been made to the scheme over time?

Ms Ward—There was. Again, if you look at the review report you will find that all issues which were commented on significantly have been summarised. There were areas where changes to the scheme were criticised, particularly from perhaps those who had been affected by the changes.

Senator HOGG—Did the review bring out any new ideas for the scheme or improvements that could be made?

Ms Ward—Yes. Austrade was required to make a recommendation about the continuation of the scheme. That it has done. It has made a recommendation that the scheme should be continued.

Senator HOGG—That was, in effect, the only recommendation that came out of the review, wasn't it? There were a number of findings; that was the only recommendation.

Ms Ward—Exactly. There is a recommendation about the continuation of the scheme, the time it should be continued and when the scheme should be further reviewed. There is also a series of findings for consideration.

Senator HOGG—What was the view of Austrade on the new ideas that came forward, or on the findings? Has Austrade formed a view?

Ms Ward—Austrade's findings are the findings that are summarised in the report.

Senator HOGG—I am sorry, I might be confusing you. I am trying to find out Austrade's view of the suggestions that were made in the submissions to improve the scheme? Did you make a comment on those?

Ms Ward—Yes, all of the major comments received are summarised in the report.

Senator HOGG—I have the report—it is part of a weight-lifting exercise that I am involved in!

Ms Ward—Austrade's comments are summarised in the report with a finding attached to each of those major items. In some cases those findings are that there could be change and in others the finding is for no change.

Senator HOGG—I am trying to get this on the *Hansard* record. The unfortunate part about a lot of these things, Ms Ward, is that they are good reports but they tend to get lost in the sheer volume of paper that has been used to print them. That is not a criticism of Austrade. It is an opportunity for me to get a couple of things on the public record and for you to put them there. When the findings were made, what was the mechanism for those findings going to government? Were they as part of the report and the government accepted the report?

Ms Ward—The report that you are referring to is Austrade's report, which went to the minister on 30 June. The minister then tabled that in parliament and it therefore became a public document. Austrade has mailed that out to everybody who made a public submission and it is distributed in other ways quite widely. The minister, in his media release when he tabled it, invited interested persons, if they wished, to write to him by 13 October to enable him to consider views on the report.

Senator HOGG—So that was views on the findings? Was that the purpose of that statement?

Ms Ward—Yes. He requested that they, if they wished to, write to him to provide their views on the report and its recommendation and findings.

Senator HOGG—How many people have taken up that opportunity?

Ms Ward—The last figure I have is that 27 persons have submitted comments on the review report. Ten of those were signed copies of an identical letter.

Senator HOGG—Ah—a serial writer out there! I start to worry about serial writers. So, in effect, there are really about 16 different people who took up the offer to comment on the findings and the recommendation.

Ms Ward—That is correct.

Senator HOGG—What will happen with the findings?

Ms Ward—It is my understanding that the government will take into account the findings that Austrade put forward in its report and its recommendation—and also all the views that have been put forward, both during the review and following the release of the report—in considering its response to Austrade’s findings and recommendation.

Senator HOGG—So those findings, if adopted by the government—and I presume that will be a decision for somewhere down the track—could then be translated into legislation if there were a legislative requirement there. Is that fair?

Ms Ward—That is correct. The current legislation has a sunset clause which means that it will expire at 30 June 2006. If the government wish to accept the recommendation to continue the scheme, legislation will be required to do that. If they wish to accept any of Austrade’s findings or, indeed, any of the other views put forward, those could also be adopted through that package of legislative change.

Senator HOGG—There were 11 findings, as I understand it. I think that is correct. As I put to you, those are still the subject of consideration by government and, if they were to be implemented, they would be implemented as part of the future legislation for the continuation of the scheme. Is that the right way to characterise that?

Ms Ward—That is correct, yes.

Senator HOGG—In respect of each of those findings, there would be a cost associated with some of those findings if they were to be implemented. Does Austrade have a cost figure that would be associated with those findings if they were to be implemented?

Ms Ward—We have looked at costings but only in relation to the cost had they been in place at the time of applications received in the past. It is not possible—

Senator HOGG—It is not possible to do it prospectively. I understand why that cannot be done in respect of that scheme. But, if you have that costing, is that costing available?

Mr McCormick—Sorry, Senator; are you asking whether we can make the cost—

Senator HOGG—I asked the question: if the findings were to be implemented, would the costings be available as to what the impact of those would be? I think that is a fairly reasonable question. I do not want to have to take my shoes and socks off and start to do the

calculations, because that is a bit challenging. But it seems to me that it is not rocket science, and if you people have done it—

Ms Ward—At this stage we have provided that as part of advice to the minister. I believe, therefore, that this is a request that would have to be directed to the minister.

Senator HOGG—All right. Would you direct that to the minister? I was not aware of that. I took it in a different vein when you were saying it. Could you raise that with the minister and get back to us to let us know whether that can be made available?

Ms Ward—I will come back to you on that.

Senator HOGG—If not, can we get some ballpark idea? Without that, understanding the implications of those findings becomes difficult indeed and you will not have a reasonable and robust debate about what the implications of the findings are. If you have taken that on notice, that is good indeed. I move now to the issue of the costs involved in the review. Can you tell me what the costs were?

Ms Ward—The total final cost of the review was \$549,294.

Senator HOGG—Can you give me a breakdown of those costs? I do not want an overly prescriptive breakdown. I just want a broad breakdown and if I need to go any further I will let you know.

Ms Ward—They were broken down into the major costs. There was the research and analysis that was done, which included our survey of the EMDG recipients—the consultancy advice and so on for that research.

Senator HOGG—How much was that?

Ms Ward—It was of the order of 45 per cent. Does it help if I give you the percentages?

Senator HOGG—Do you have a dollar figure?

Ms Ward—Rounded?

Senator HOGG—Rounded will be fine.

Ms Ward—It was \$250,000. There was the review facilitator whom I referred to, Mr Peter Jollie. His contract, including travel all around Australia et cetera, was of the order of \$115,000.

Senator HOGG—That included his remuneration and travel?

Ms Ward—That is correct.

Senator HOGG—What period of time did that cover, just roughly?

Ms Ward—From just after the beginning of the financial year—about August 2004—and it was completed substantially by the end of the calendar year 2004. There is a little bit going into this current year.

Senator HOGG—So that is \$365,000, roughly.

Ms Ward—We had staff secondments who worked on the project team which supported the review. That was of the order of \$78,000.

Senator HOGG—That was Austrade staff?

Ms Ward—There was a secondee from the Department of Industry, Tourism and Resources and we seconded someone from elsewhere within Austrade to work on the review team.

Senator HOGG—How many were on that review team?

Ms Ward—It was led by a manager who was on it throughout the period of time. There was also the secondee from the Department of Industry, Tourism and Resources. I do not have exact dates but it was for some months. We seconded for different periods of time some more junior support staff from other parts of Austrade to work in the team. The costing I gave you for staff is the explicit costing for those who were seconded rather than the ongoing manager who was part of the normal EMDG team.

The other major cost of some significance was the actual review report. We had printing and design costs. We employed a writer to help turn it into clearer English and there was a large print run. I think it was 2,000 copies but I can correct that if it is incorrect. That was of the order of just over \$60,000.

Senator HOGG—Were there any Austrade staff who were not seconded to the review team but worked otherwise on the project? Were there any costs there?

Ms Ward—There was the ongoing cost of the senior manager. He is normally the senior manager of the group that I manage, who runs the policy and scheme development area. He went off line to manage this project, so his staffing costs are also relevant but are not in those figures I gave you. Plus, as I mentioned, we did have some junior support, from time to time, from elsewhere and indeed various people may have given some short bits of assistance, although what I referred to have been the major staffing costs.

Senator HOGG—So that \$549,000 does not really reflect any internal costs that might have been borne by Austrade as a result of the review. Is that a fair way to characterise that?

Ms Ward—Yes, there would be additional costs.

Senator HOGG—There would have been additional costs.

Ms Ward—For example, at times some significant part of my own time would have been taken up on review matters along with many other matters that I manage. That is not in those figures I have given you. It would be difficult to give you a break down.

Senator HOGG—To disaggregate it

Ms Ward—To disaggregate it would require a time analysis, which is—

Senator HOGG—Which I do not think is worthwhile. I am just trying to get some feel for the overall cost of this project. For what sort of time was Mr Jollie involved in his part of the process? I know we have said roughly August 2004 to December 2004. Did he have a set contract of 100 hours for 1,000 hours?

Ms Ward—There was an upper limit set on his contract which I do not have the details of with me. From memory I think it was an upper limit of 70 days. I will correct that if it is not right. In fact, the outcome was not as much as that.

Senator HOGG—So the full 70 days were not utilised?

Ms Ward—Yes.

Senator HOGG—When the review commenced, was it always anticipated that you would end up with a format where there was a single recommendation and a number of findings? Was that the path that you went down? You were not going to have a series of recommendations. It just seems to me that for conducting a review for one recommendation and a number of findings, which are still yet to be considered, \$550,000 in round figures is a lot of money to spend.

Ms Ward—As I explained earlier, what is required under the act is that the review makes recommendations about the continuation of the scheme and the period of time for which that should be, which is the main recommendation. In the terms of reference the minister gave to Austrade in conducting the review, he asked Austrade to examine and provide a report to him on whether the scheme, as currently structured, is effective in increasing the number of SMEs that develop into new exporters, that achieve sustainability in export markets and generate additional exports and in further developing an export culture in Australia. That is reflected in the way the report is written, in terms of findings. He asked us, having looked at that, to take into account various aspects, which I can read out if you wish. At the end, the terms of reference said

Having regard to these issues, whether the ... scheme should be extended, and if so: the period for extension; and the options for improved performance of the scheme.

Austrade was asked for any options; they were not asked to recommend changes for improved performance. That is why it is worded as it is. But they are findings which, in some cases, are proposed as options which could be considered in Austrade's view in consideration of the review to improve the performance.

Senator HOGG—Are all of the findings options therefore? If I am understanding the language that you are using—and I am not trying to put words into your mouth; I just want to understand—some of the findings seem to have been characterised, in my mind by what you said, as being options.

Ms Ward—Indeed. The review report in the summary at the front following those terms of reference firstly has a recommendation, strictly, and then the heading is 'Options for improved performance'. There are the findings—

Senator HOGG—That is right; there are 11 findings there. I am just trying to work whether the words 'options' and 'findings' are interchangeable.

Ms Ward—Not entirely. The findings that are listed in the front are those findings which in Austrade's view after this review would be options for improved performance. There are other findings throughout the report in discussion of various issues that were raised in the submissions or the consultation program which are discussed with a finding for no change. So there are other findings in the report, but they are not under the heading of options.

Senator HOGG—Yes, but the ones at the front are the ones that, if I can put it this way, are sanctioned by Austrade? Is that a fair way to characterise it?

Ms Ward—That is correct.

Senator HOGG—Where does the process go to from here?

Ms Ward—That is for government consideration. To be quite explicit, you would need to ask the minister. It will be his timetable for him to take his recommendations forward for the government to consider. I cannot give you any answer on that.

Senator HOGG—Parliamentary Secretary, can I ask you whether there is a program that you know of in the mind of the minister for this? The reason I ask is that I have had a look at the legislative timetable for next year, which was released today. There do not seem to be a great number of sitting weeks in the first half of the year. Given that this scheme, if the government accepts the recommendation, needs to be up and running for 1 July next year—I think that is correct, isn't it?

Ms Ward—That is correct.

Senator HOGG—Can you give us some idea? I am not asking for a minute-by-minute account of what is going to happen, but can you give us some broad time frame in which this will happen?

Senator Sandy Macdonald—I cannot give a timetable, but I can certainly undertake to take it on notice and to get back to you as soon as we know.

Senator HOGG—It would be helpful if we could know the likely time frame within which the minister will make a decision to make a recommendation to cabinet, the likely time by which cabinet will make the decision and when legislation will be before the parliament. I say that for no other reason than we all know the pressures that build in this place from time to time. If this scheme has the support that I believe it has then it would be unfortunate if we got forced down to the wire and did it in five minutes, because I think it is the sort of issue that deserves debate in the parliament.

Senator Sandy Macdonald—I undertake to take the question on notice and expedite an answer in the spirit in which the question was asked.

Senator HOGG—Thank you.

Senator FORSHAW—Coming back to the issue that was just discussed, if the decision was made to continue with the scheme, that would need to be implemented prior to the end of the current financial year—is that correct?

Ms Ward—That is correct.

Senator FORSHAW—As I understand it, this scheme operates on the basis of reimbursement of expenses incurred, so what is happening with the funds that are allocated for this financial year is in relation to expenses occurred in the previous financial year. Am I correct there?

Ms Ward—That is correct. Perhaps it might help if I clarify the position. While the legislation would expire on 30 June 2006 if no decision were made to legislate anew, there would still be another year beyond that in which applicants could apply and Austrade will continue to process applications for grants, because the expiry of the legislation is the expiry of the date of eligibility of export promotion expenditure, and as it is a reimbursement process, that is paid the year after.

Senator FORSHAW—I understood that to be the case. I just wanted to get it clarified on the record. I should confess that it is a little while since I have looked in depth at the operation of the EMDG Scheme, but I am aware of some issues that have been raised by people within the industry and by companies involved in making applications arising out of the review. Funds have been allocated in the budgets. Essentially the funding was \$150 million a year until a year ago, when it was increased by another \$30 million. Is that right? Can you just refresh my memory on that?

Ms Ward—For several years the budget was \$150.4 million. The budget for 2004-05 was appropriated at \$150.4 million. Towards the end of calendar year 2004 the government made a commitment of an additional \$30 million funding to the scheme over three years. That was originally said to be \$10 million for each of three years, the first of which would have been 2004-05. Austrade was able to advise the government in the additional estimates process in early 2005 that the full original appropriation of \$150.4 would not be spent. Therefore the additional \$10 million which had been committed to be allocated for 2004-05 year was not appropriated. In the subsequent portfolio budget statements for 2005-06 the \$10 million which it had already been said would be allocated to 2005-06 was allocated. As well, \$10 million was moved forward from 2004-05 into 2005-06. As a result of that, we have in fact an additional \$20 million this year.

Senator FORSHAW—I apologise if you have dealt with this in earlier estimates hearings. What we are talking about is \$170.4 million for 2005-06.

Ms Ward—Correct.

Senator FORSHAW—And then \$160.4 million for 2006-07.

Ms Ward—Correct.

Senator FORSHAW—It has been pointed out, and I think it has been acknowledged, that not all of the moneys have been allocated—that there is a shortfall in the allocation of the funds appropriated in previous years. Is that correct—let us say in recent years.

Ms Ward—Can you clarify that. Last year, 2004-05, as I explained earlier, the full appropriation was not called upon.

Senator FORSHAW—How much was called upon? As we talked about earlier, this is a scheme which reimburses companies for promotional expenses and so on. It is possible that you do not end up handing out all of the money that you may otherwise have been able to, because the applications do not total that requisite amount. How much was it?

Ms Ward—The total cash expenditure for 2004-05 was \$131.02 million.

Senator FORSHAW—Does that include Austrade's costs?

Ms Ward—It does. It includes administration expenditure and the grants that were paid.

Senator FORSHAW—Austrade's rate of expenditure is five per cent, isn't it?

Ms Ward—Under the legislation, there is a cap of up to five per cent. In fact, the total amount Austrade spent on administration last year was \$7.15 million.

Senator FORSHAW—What is that amount as a percentage?

Ms Ward—4.75 per cent last year.

Senator FORSHAW—What happens with that extra money that is available? It is not appropriated, is it? Is it carried over, or is it retained in consolidated revenue?

Ms Ward—It was not drawn down from appropriation, therefore it remains in consolidated revenue.

Senator HOGG—So the money is not available in an underspend year—if I can use that broad term—to go out and beat the drum to try and get more exporters taking part in the scheme? If the money is allocated, it makes commonsense that it is not taken up under the usage of the scheme because there are insufficient exporters to use the scheme. Is it reasonable, therefore, to put the proposition that that money should be made available for purposes such as promoting the scheme to more exporters such that they will take part in the scheme?

Ms Ward—Are you asking me for a personal opinion?

Senator HOGG—No, I am just asking whether that is a reasonable proposition. There is an underspend; is that correct?

Ms Ward—As I said, last year the full appropriation was not drawn down; that is correct. As the legislation stands at the moment, there is no facility for that money to be used in another year.

Senator FORSHAW—But you have been given an extra \$30 million. So what is going to happen—

Ms Ward—This year we do have an additional \$20 million, yes. As I explained earlier, there is a cap of up to five per cent that can be spent on administration—marketing and promotion are part of administration of the scheme. This year, knowing that it has a capability of spending more if required, Austrade has engaged in a campaign of activities to promote the scheme and to educate eligible and potentially eligible companies on their entitlements under the scheme. We are doing this in the form of an enhanced client development strategy supporting the wider work of Austrade, which was talked about at some length earlier. We are also doing this in response to the increased focus of the scheme on smaller businesses and less experienced exporters who may be less aware of the scheme and, particularly, less aware of their entitlements and how to maximise the use of the scheme. We have done additional things in promotion and awareness raising, from additional advertising through to a lot more additional targeted emails and so on.

Senator HOGG—What is the extra allocation that you are using to do this?

Ms Ward—At the current time, the total amount that we have allocated for all client development activities, of which a substantial part is additional, short-term, 12-month contract staff, is \$850,000. I stress that a large amount of that is for staff assistance, if you want to break down into other components. This is not all additional, but the staff components are additional.

Senator HOGG—What about additional advertising? You mentioned that.

Ms Ward—Yes. There is some additional advertising being done this year. The total amount budgeted for advertising this year is of the order of \$105,000. That compares with something of the order of \$65,000 last year.

Senator HOGG—Is all that being spent in the first half of the year?

Ms Ward—No, not necessarily; although, a significant amount will have been spent. We have a campaign of informational advertising about the date of opening of applications, we have a campaign at mid term to remind people and we have a campaign about to go into the press to remind people of the closing date. A lot of that advertising money will have been spent. However, I should touch on the fact that in this half of the year we have been running additional workshops with potential applicants to try to assist them to maximise their use of the scheme in applying this year. After the application period closes, we intend to continue in the second half of the financial year to run workshops, which we have not done in previous years, partly to try to assist applicants to plan their promotional expenditure in a way that will maximise their entitlements in future years. We will do some advertising around that to inform people of the workshops. So there will be some advertising in the second half of the year but, yes, the majority of it would be in the first half.

Senator HOGG—Where are the additional workshops going to be held? Will they be held right throughout Australia?

Ms Ward—Yes. We have not yet planned in any detail for the second half. The workshops we are doing currently, through this half, have been Australia wide. We refer to them as coaching sessions in the sense that we have traditionally run new applicant workshops from about late June through July and August, which are very much informational sessions. We refer to them as coaching sessions because we are encouraging people to come along to get more individualised, personalised advice in terms of their eligibility and how to ensure that they maximise their entitlements by using the scheme well.

In particular, one of the aims of the workshops is to try to help improve the accuracy of applications so that to the maximum extent we can therefore speed up the grant payment. Time is spent in auditing when we have to ask people, for example, for substantiation because they do not have good business records. Part of the coaching is to explain to people the requirements that Austrade might ask of them. We have held 35 coaching sessions to date, with 412 clients attending. Approximately one-third of those have been in regional areas, so they have been held throughout Australia. We wanted to maximise our reach to individuals and companies who are more remote from Austrade offices and who therefore have less access to information about the EMDG scheme, notwithstanding the fact that there is clearly a lot of information on our web site.

Senator HOGG—Will you be doing some sort of assessment of that approach?

Ms Ward—Yes, indeed. We are keeping detailed records of the workshops and the attendees. To the maximum extent possible, we hope to be able to track the program through from attendees' lodgements of applications. It is our expectation that some of its success, if indeed it is a successful program, will be seen next year as much as this year, because of the reimbursement nature of the scheme, which we referred to earlier. We are trying to track it so

that at the end of the program, which is a new one for Austrade, we can get some indicative cost-benefit analysis in terms of whether it is an important way in which to allocate resources.

Senator HOGG—When will we in the committee be able to see those results?

Ms Ward—It certainly will not be until at least the end of this financial year and possibly the next. It will not be until we have been through a full cycle.

Senator HOGG—That is handy for us to know, otherwise we would ask questions of you and find that they are useless questions.

Senator FORSHAW—I go back to the amount that Austrade uses of the total appropriation. Did you say that the figure last year was \$7.5 million and it represented 4.7 per cent?

Ms Ward—Last year Austrade spent \$7.15 million, and that represented 4.75 per cent.

Senator FORSHAW—To clarify: that is 4.75 per cent of what?

Ms Ward—Of \$150.4 million.

Senator FORSHAW—Is the amount that Austrade accesses calculated on the total appropriation available from the budget, even though there is an underspend on the actual amount of money given out in grants—because the amount of money given out in grants was about \$123 million, wasn't it?

Ms Ward—There is actually a section of the act which specifies that the amount that can be used for administration is limited to not more than five per cent. So Austrade may call on up to five per cent.

Senator FORSHAW—My point is that you are using the calculation there which is based upon the total amount available.

Ms Ward—Of the total program?

Senator FORSHAW—Yes. So, with an increase of \$30 million over the next two years, Austrade can get five per cent of that additional money?

Ms Ward—That is correct.

Senator FORSHAW—And that can apply notwithstanding that you may not spend on grant applications all of the total appropriation that is available? There could be a shortfall or underspend this year or next year, couldn't there?

Ms Ward—Austrade could call on up to five per cent of the appropriation. As I have been explaining, we are in fact using more money this year on promotion. At this stage, our budget does not show us using the full five per cent of the appropriation this year either.

Senator FORSHAW—You might take this question on notice. I am interested in getting from Austrade some more explanation about the proposals and suggestions, that came through the review from those who made submissions and participated in it, that relate to ways in which you can increase the number of applications and about what Austrade's reaction to those proposals were. If you have an underspend in one year of \$20-something million and over the next two years—it was originally three years, but it is now two years—you are being given an extra \$30 million for this scheme, I assume there would have been proposals from

industry about how you can actually spend more of the money that is being allocated in the budget. As you said, there was only one recommendation and 11 findings. So could you take that on notice and tell me what Austrade's response is to those propositions that came through the review relating to how you can increase the number of applications and therefore spend more of the money that is available through the budget?

Ms Ward—By all means we can take it on notice.

Senator FORSHAW—I think that involves a longer explanation than we have time for here.

Senator HOGG—I flag that there are some areas in the EMDG and the general areas that I did not get a chance to get to. I will put those questions on notice in accordance with the normal practice. I thank the officers from Austrade.

Proceedings suspended from 6.34 pm to 7.30 pm

CHAIR—I call the committee to order. We will continue with 1.1.5 and 1.1.6.

Senator HOGG—Firstly, can you give us an overview of how you see Australia's export performance over the past 12 months, including today?

Mr Deady—Australia's exports over the 12 months to June 2005 grew very strongly to a record level. They rose 13 per cent in dollar terms, with volumes also increasing by around 2.5 per cent. There was strong growth in all the major export categories, particularly in the resource sector. I think it is well understood that robust global demand, particularly from China, is underpinning that.

Senator HOGG—What was the growth in the resource sector?

Mr Deady—Resource exports grew by 39 per cent to \$48 billion in 2004.

Senator HOGG—Is that growth by volume?

Mr Deady—That is the value increase. Resource volumes also increased in two-thirds of the resource categories and total resource export volumes were up six per cent. So volume is up six per cent and value up 39 per cent, reflecting the very strong prices associated with coal.

Senator HOGG—What areas had the major growth?

Mr Deady—Coal and iron ore. On the rural side we had a 4.5 per cent value growth to \$25.7 billion. That was supported by a better winter grains crop, and we have also seen strong demand from North Asia for Australia's beef exports. There has certainly been some recovery from the drought of the earlier few years. Rural export volumes were up by 4.3 per cent in 2004-05 over the previous year. Manufactured exports also showed solid growth—in value terms, 6.4 per cent to \$35 billion. Simply transformed manufactures grew seven per cent to \$10 billion and elaborately transformed manufactures grew 6.7 per cent to \$24.8 billion.

Senator HOGG—Why was the growth in the STMs only marginally greater than the growth in the ETMs? It seems to me that ETMs is an area where we should be excelling.

Mr Deady—The growth in the ETMs is from a bigger base. The 6.7 per cent growth was to \$25 billion; the 6.9 per cent growth in STMs was to \$10.4 billion. You are growing from a bigger base so in dollar terms there would have been stronger growth. Overall manufacturing

volumes were 1.6 per cent higher in 2004-05. Finally, services exports rose 3.8 per cent. There was quite a strong growth in short-term overseas visitor arrivals, which were at 6.5 per cent in 2004-05. Tourism was important there.

Senator HOGG—It was 3.8 per cent? Is that again because it was coming off a larger base?

Mr Deady—The total value of services exports in 2004-05 was \$36.5 billion so that is slightly higher than ETMs. That growth is less than the growth in manufactures. Services volumes overall were flat compared to the previous year. It is fair to say in the services area the data is probably overall not quite as robust as some of the hard data on goods trade, but nonetheless that is the growth rate that we had there.

Senator HOGG—Our exports went up in the 12 months to June by 13 per cent. How does that compare with our major trading partners?

Mr Deady—You would appreciate that is a fiscal year figure for Australia. We do not have direct comparisons for 2004-05.

Senator HOGG—Is there a world figure?

Mr Deady—There are world trade figures. In fact, the latest data we have for a full fiscal year in exports of goods—these are in US dollars—for Australia was a growth of 15.5 per cent in 2003-04. Some of the key trading economies figures were: China, 35.5 per cent; Germany, which was very strong, 21.7 per cent; the United States, 9.8 per cent—so we did better than the United States; and the UK, 10.4 per cent.

Senator HOGG—What did we do?

Mr Deady—We did 15.5 per cent in 2003-04 in US dollars, and we have had stronger growth in 2004-05.

Senator HOGG—So there is nothing on the 2004-05 comparisons at this stage?

Mr Deady—No, not for the full year. The latest data on that world basis, as you would imagine, is slow in coming. This publication just has the first quarter of 2005, the March quarter.

Senator HOGG—What about the calendar year? Is there any comparison? It is just to get some idea of where we are sitting in the spectrum.

Mr Deady—No, the latest data we have there is 2003-04.

Senator HOGG—So exports grew by 13 per cent to 30 June 2005. What happened to imports in the same period?

Mr Deady—In 2004-05 imports rose by 13 per cent.

Senator HOGG—Imports rose by 13 per cent?

Mr Deady—Yes.

Senator HOGG—So we had exports grow by 13 per cent—

Mr Deady—We had exports grow by 13 per cent to \$164 billion and imports grew by a similar percentage to \$189 billion.

Senator HOGG—So it was \$189 billion, and—

Mr Deady—That is total imports in 2004-05. So there was 13 per cent growth.

Senator HOGG—And the exports were—

Mr Deady—They were \$164 billion.

Senator HOGG—So we had a deficit?

Mr Deady—We had a deficit of around \$25 million.

Senator HOGG—Whilst I have been locked up here pretty much all day, I think I saw that we have turned in another deficit this month. Is that right?

Mr Deady—The data for the month of September was released today. Exports declined very slightly. Exports fell one per cent in seasonally adjusted terms. They were still at a record level for September. Exports for the first three months of this year are, again, almost 13 per cent higher than in the same period last year, but they were down slightly on seasonally adjusted terms for the month of September. Imports, I think, remained fairly stable in September. The deficit increased by \$157 million to \$1.6 billion in September.

Senator HOGG—Does this mean that we have got an export growth of roughly 13 per cent trending for the last 18 months? Is that a reasonable way to look at it?

Mr Deady—I think it is a reasonable way to look at it. If you look at the full-year figures for 2004-05 growth, one full year over the previous year, then you have got 13 per cent growth, as we said. If you look at the end period, the first three months of this year compared to the same period last year, you have got growth of 13 per cent continuing through that. Certainly there has been a significant pick-up in exports over the last 12 to 18 months. That has been sustained at these record levels now into 2005-06. There would clearly be some Treasury estimates of the growth figure for 2005-06, which I am sure we have here, if you are interested.

Senator HOGG—How does that go for the five-year period? I am just trying to get a feel for where we are headed.

Mr Deady—I have got a number of figures here. The trend growth is against slightly different bases. That is the issue with these stats, as I am sure you understand. In US dollars, between 2001 and 2004, Australia's exports grew by 14.6 per cent. That is the average annual rate. Total OECD growth, for example, in that same period was 12.5 per cent. In the league of industrialised countries, Australia's export performance is on a par with the average, certainly, in that particular five years. Obviously, as you would know, start and end points are important in determining these things. That is from 2001 to 2004 in US dollars, which takes out some of the fluctuations in the Australian dollar in that period. Nonetheless, our average annual growth rate was 14.6 per cent against an OECD average of 12.5 per cent. China would of course be much stronger in that period.

Senator HOGG—I understand why they would be stronger. They are coming from a lower base and their economy is growing rapidly.

Mr Deady—And that growth is heavily driven by the export sector in that country, whereas a lot of Australia's growth in this period has been reflecting the very strong domestic demand in Australia.

Senator HOGG—How do you describe then the rate of growth of our exports—steady?

Mr Deady—There has been a lot spoken and written about this. If you look at the export performance over the past four or five years, you have to take into account a number of special factors that influenced exports in that period early in 2001-02, such as the effect of the droughts and the fact that we had very strong domestic demand, which I think clearly sucked some growth out of manufactured exports back into supplying domestic markets. Those were factors that impacted somewhat on growth. But Australian exports grew right through that period. Certainly in the past 12 to 18 months, as we have started to see those commodity prices really begin to factor in, you have seen those growth rates that we have spoken about.

That very strong growth in resources exports is clear. The growth in manufactures and in services is certainly less than that spectacular growth, but nonetheless there has been growth, certainly in that past 12 to 18 months. Even in the past four or five years manufactured exports have continued to increase. The volume of exports has continued to grow, albeit by about one per cent a year, but that is still growth. Again, the exchange rate—there are various factors that—

Senator HOGG—Yes, I was going to say that the exchange rate has played favourably there.

Mr Deady—It is a big factor in that. Regarding manufactured exports, I think we have looked at these numbers. It is very interesting if you look at Australia's manufactured exports—and I think we did some analysis here with the United States—in terms of US dollars, which takes out that large depreciation and then appreciation of the Australian dollar, you get fairly steady growth in our exports to the United States, which is at least an approximation for the volume growth. So clearly, when the Australian dollar was weaker, the returns to Australian manufacture exporters were very much stronger, reflecting that weak dollar, and volumes basically seem to have held up through that period. But, again, it is only a proxy for—

Senator HOGG—One of the arguments held as our dollar was strengthening was that it would affect our export markets and that there would be a drop-off as a result of the strengthening dollar. You are saying that is not occurring?

Mr Deady—It is interesting. There has clearly been a drop-off in the rate of growth in the value of Australia's exports of manufactures. One example I can give which is very interesting is that, in the past year, the volume of exports of motor vehicles out of Australia has increased by something like a third—a 33 per cent increase in the volume of Australian passenger motor vehicles. The actual value of those exports in that period, year on year, has remained virtually the same or perhaps fallen slightly. A large part of that I think would have been exchange rates, so the returns to the Australian producers would have been less, and also it appears to reflect some change in the composition of those exports. Toyota have done particularly well, so maybe that reflects some change in the mix between perhaps bigger or

smaller vehicles. But that is very significant. That volume growth was a third, which is very substantial by anyone's estimation.

Senator HOGG—But we still have the difficulty that imports always seem to outstrip our exports.

Mr Deady—In recent years, as you mentioned, there has been a larger trade deficit. But, again, that reflects a number of factors. The most critical factor I think reflects the high level of growth in the Australian economy—strong consumer demand but also strong investment demand and capital equipment. Those are the sorts of products. More recently we have had oil prices and various things, but it is true. However, one point I should make there is that, probably at this time last year and through much of last year, the average monthly deficit was probably running at \$2½ billion per month. Now we seem to be down to \$1.5 billion or \$1.6 billion. So, again, you have seen a significant narrowing in that trade deficit, and that reflects—

Senator HOGG—That reflects our performance in the resource area.

Mr Deady—Pretty much, I think, yes.

Senator HOGG—That has been the outstanding area for us. But that still does not account for the fact that our deficit is there and our deficit is growing. What do we need to do to try and address the gap? Is there some way that the gap can be addressed?

Mr Deady—These macro issues are really for the Treasury in some regards. But I think, in broad terms, these trends have reflected that very strong growth in domestic demand. The strong growth of the Australian economy has been largely driven by investment consumption and domestic demand. Now I think you are seeing a shift—and I think the Treasury forecasts reflect this—to a stronger contribution to growth from the external sector, and clearly the resources sector is again the key element of that.

So they are the trends, but I think it is the macro trends in the global economy that are such a big determinant of demand on the export side—and the fact that the Australian economy has been amongst the most rapidly growing OECD economies in that period. These are the factors that drive demand and drive imports. There are also globalisation trends more broadly and the structure of manufacturing supply chains. All of these things are factors that are reflecting the structural change, the changes going on in the Australian economy, and that are reflected in the trade account.

Senator HOGG—In terms of the growth in our exports, has it slowed up, remained static or improved over the last 10-year period? Is there some guide you can give us?

Mr Deady—Yes. We have done some trend growth numbers. Again, they are in US dollars and they are comparisons with OECD economies. Between 1996 and 2004, average annual growth for Australian exporters, for the 10 years, was 4.6 per cent. As I mentioned, in the most recent period, again in US dollars, it was 14.6 per cent. In the five years from 1998 to 2004 there was eight per cent average annual growth. So we have seen a pick up in exports on those trend growth figures. That is in US dollars, I emphasise again.

Senator HOGG—In US dollars?

Mr Deady—The Aussie dollar numbers would look somewhat different. But if we are looking at these international comparisons then clearly I think that is reasonable.

Senator HOGG—Yes.

Mr Deady—On the export side, the trade agenda, which we have discussed previously, has been the aggressive pursuit of bilateral free trade agreements, opening market access and improving opportunities for Australian exporters. These have been key elements of the government's objectives, as well as—and I am sure we will get to these later this evening—the ongoing efforts in the multilateral processes and, regionally, the whole agenda with APEC. These are about access opportunities for Australian exporters. There are still significant disadvantages that Australian exporters face in international markets. I believe that trying to do something about improving those access opportunities has clearly been a critical element of the government's trade policy approach.

Senator HOGG—If I have this correct, you are saying that there has been a strong growth performance in terms of exports over the last ten years.

Mr Deady—The longer-term growth number is in fact the smallest of those growth numbers I gave you—that is the 4.6 per cent number. Over that extended period, again, with factors impacting probably on those—

Senator HOGG—Sorry, I will stop you there. I want to get this clear in my own mind. You are saying that the growth factor over the 10-year period has been lower. Obviously, if I take your argument to its logical conclusion, the growth at the earlier part of the cycle was a lot less, and the growth at the latter end of the cycle was greater. Is that what you are saying?

Mr Deady—What that in fact demonstrates is that in the earlier period there was probably stronger growth. There was a pic- up, then some easing and then growth starting to take off again at the end. That is the pattern that I think those numbers demonstrate.

Senator HOGG—I misunderstood you. So you are saying that growth was stronger at the start and weakened towards the end—weakened might not be the right word.

Mr Deady—The point is that there was a weakening in the middle period and now we have seen that growth return. So at the end point—

Senator HOGG—Have we returned to the growth rates at the earlier part of the cycle?

Mr Deady—The 13 per cent value growth of last year, with exports returning to record levels, is a strong number. In Australian dollar terms the 10-year trend to 2004-05 was 6.2 per cent growth in exports, as we mentioned, and over the past 12 months it has been double that—13 per cent.

Senator HOGG—Given that we have now gone into a free trade agreement with the US, are we starting to see that have an impact on our export figures? I know that was only from 1 January this year. Nonetheless, are we starting to see any impact on our exports to the United States that would see a growth in our overall exports?

Mr Deady—The full year figures we have up to 2004-05 show Australia's total merchandise exports to the US declined by 0.2 per cent. It is virtually unchanged—there was a very small decline.

Senator HOGG—Do you have figures for the last three or four months?

Mr Deady—We do not have any breakdown of data for that period. To answer your question on the US, on the basis of the data we have and given that the agreement came into force only on 1 January and given the number of other factors in global demand, there has been no substantial impact on the broad macro numbers in the first six or seven months data that we have. There are some factors in the crude oil, passenger motor vehicles—

Senator HOGG—Did you say that there was a slight decline in that 12-month period?

Mr Deady—For 2004-05—and for the first half of that we did not have the free trade agreement.

Senator HOGG—I understand that. Can you isolate what happened in the first six months of the agreement? I know you cannot expect it to kick in from day one, and I am not unrealistic there—

Mr Deady—I only have annual data for the United States.

Senator HOGG—This might be a question to be pursued in February. It would be interesting to see whether there is any indication coming out as a result of the kicking in of the US free trade agreement either in terms of our exports to the United States or our imports from the United States.

Mr Deady—Certainly as the agreement beds down and we get more data then we can start to talk about trends.

Senator HOGG—I was not hoping to talk about trends so much. It may well be too early to talk about trends. I am just trying to get some indication from the raw data as to what might be happening.

Mr Deady—The difficulty is in isolating any one factor in all of this trade performance—trade and export growth. It is very difficult. You really need a detailed breakdown of the data to give you any sense of the key factors. Clearly, the exchange rate is a factor and so is the relative growth of the Australian economy compared with the United States. These are factors that would impact on the rate of growth in exports and imports between Australia and the United States. So, while the USFTA is a factor, it is certainly not the only factor. Even after a year's worth of data we need to factor all the other things into account.

Senator HOGG—In terms of the US free trade agreement, while there is no hard data at this stage—if I understand what you are telling me correctly—is there an indication of what has happened to imports from the United States during that period?

Mr Deady—No. The figures for 2004-05 showed that total merchandise imports from the United States rose by 6.7 per cent to \$21.3 billion.

Senator HOGG—So that was at the same time that we had a deficit or reduction?

Mr Deady—We had a very slight decline in our exports in that period.

Senator HOGG—A slight reduction in exports and a slight increase—

Mr Deady—Yes, 6 per cent.

Senator HOGG—Yes.

Mr Deady—So there was an increase in the bilateral deficit between us and the United States. I do not think you are suggesting this, but I do not believe any of that could be attributed to the US-Australia free trade agreement.

Senator HOGG—No, I was not asserting that at all.

Mr Deady—The one point I would like to make is that, on the exports side, we have certainly improved and made some substantial access gains on the exports side—for example, in the dairy industry. Other colleagues are now monitoring this more closely than I am, but anecdotally I think there is certainly a lot of evidence from Austrade and from some of the colleagues you have spoken to today about the number of expressions of interest in the US market. There has been the positioning of these new trade facilitators in the United States. So there is a level of interest, I think, that has increased as a result of the agreement. Significant access opportunities have improved as a result of the agreement. Now it is for Australian exporters to take advantage of those opportunities.

Senator HOGG—At what stage do you believe you will be in a position to give us a reasonable preliminary view as to what might be happening, without getting right down into the microlevel—just a very broad assessment of the basic raw figures? If we ask you in February—

Mr Deady—In February we will probably have 11 months of data. How much of that will be broken down on a detailed country basis, again, I do not know. Obviously, the aggregate numbers come more quickly than the country breakdowns. But I do not believe even then that you are going to really be able to get a clear picture of what impact the US FTA is having on those numbers. I believe there will certainly be evidence in relation to dairy, where there are quota markets that we have had some increased access to. The dairy industry, I think, will certainly try and take advantage of that quota access. For other industries it is about taking advantage, building the distribution networks and getting familiar with the market and the area of government procurement, where again we have seen a significant improvement in prospects for Australian industry. It is going to take time for that to work through. I cannot say that by this time next year we will really be able to say that we can certainly see the direct impact in macro of the Australia-US free trade agreement. We will be talking to industry. We talk to industry to get a sense of any particular issues that they might be facing in the US market—where there are clear gains being made, where the agreement is bedding down and where there are issues that we might continue to talk about.

Senator HOGG—What are the issues that are causing difficulties?

Mr Deady—Again, I am no longer responsible for all of that, but the first review of the US-Australia agreement—the ministerial review—will be held early in the new year. There will be consultations going on with Australian industry as we prepare for that review. In some of the other consultations that I have been doing in relation to some of these other agreements, talking to the dairy industry and to other exporters, quite honestly there have been no loud complaints. There are some issues in relation to the rules of origin that have been raised, but they are more on the side of importers into Australia. There are some issues there that we are still talking to industry about. The rules of origin is clearly a complex area. On the exports

side, exporters have not been raising the same concerns about the rules of origin. It has been more from Australian importers wanting to take advantage of the free trade agreement.

Senator HOGG—We will obviously revisit this in more detail. There might be a couple of questions arising out of this that will go on notice. I do not know if you are the right person to ask about this: I asked Austrade about this earlier and we have had discussions today about the AWB and its involvement in the Iraq oil for food program. Were officers of your area involved?

Mr Deady—No. As I think Ms Bird answered earlier today, at that time it was the Middle East branch of the department. The Trade Development Division was not involved.

Senator HOGG—So you people had nothing to do with any of the AWB contracts that took place there?

Mr Deady—No.

Senator HOGG—Whether they were through the oil for food program or with any operators in Jordan or in any of those parts of the world?

Mr Deady—No, we had no involvement at all in AWB's activities in exports and wheat sales in relation to oil for food.

Senator HOGG—Who do we talk to about the Doha Round?

Ms Bird—I will ask my colleague Mr Langman to come forward.

Senator HOGG—Can you give a brief update on where the Doha Round is at.

Mr Langman—We are just about 40 days away from the WTO ministerial meeting in Hong Kong. Our objective for that meeting is to agree on the core modalities—the core outcomes on agriculture, services, industrial goods and some other issues—in order to be able to complete the Doha negotiations by the end of next year. The time frame reflects the fact that the United States negotiating authority to participate in international trade negotiations will expire in 2007. There is therefore a very wide understanding amongst WTO members that it is crucial that we bring the negotiations to a successful conclusion by the end of next year. That means that we need to make rapid progress on the key issues under negotiation.

Senator HOGG—Given that the first word you spat out was 'agriculture', how optimistic are you of getting to such a position?

Mr Langman—Agriculture has been at the centre of this negotiation since the beginning, and it remains right at the centre. We have made considerable progress on a range of the elements that are critical to coming to a deal on agriculture. About three weeks ago the United States put on the table a significant proposal in relation to farm subsidies. That proposal is a credible starting point. We would like to go further, but nevertheless it was an extremely important proposal. It is one that has given the negotiations a significant amount of momentum. The critical thing is—

Senator HOGG—Can I just stop you there. Where is the EU on farm subsidies?

Mr Langman—The EU have been reforming their extraordinarily large farm subsidy programs for some years now. Nevertheless they are still by far and away the largest subsidiser of agricultural production in the world. They are willing to take on some significant

reductions in their WTO entitlements in this negotiation. Our objective of course is to ensure that we cut down those entitlements to a very significant degree and make a difference. We are trying to lock in the reforms they have made and to push them to do much more.

We have made more progress in this area than in the other critical area: that is, market access for agricultural products. It is there that the European Union has very significant problems. The European Commission brought a proposal to the negotiations a week ago. Australia, the Cairns Group countries, the United States and the major developing countries calling for significant agricultural reform have all said that we do not believe that this is in any way sufficient. It is not sufficient to build a consensus. It is not sufficient for us to complete the negotiation on agriculture. We are working very hard with others to encourage the Europeans to come forward with a more credible proposal.

There will be a series of meetings over the next weeks. Our hope is that at the Hong Kong meeting we can move them to bring forward something that will get us to meet the mandate for substantially improved market access for agricultural products. But we have a very long way to go. At this stage it is really too early to know whether we are going to be able to bring together the elements we need for an agreement on agriculture by Hong Kong. And only then will we know whether we can bring together the other parts of the negotiations, including on services and industrial products.

Senator HOGG—So is it unrealistic to say that this meeting in the next 40 days is pivotal to the future of the negotiations and the chance of reaching some agreement prior to the expiry of the US negotiating time?

Mr Langman—I would agree that it is a critical meeting.

Senator HOGG—Is the Cairns Group playing a significant role in this? I presume we are still taking the lead there.

Mr Langman—Yes, we still lead the Cairns Group. Absolutely, the Cairns group I think is still recognised as the group pushing hardest for ambitious reform of agriculture, still the group that contributes a very significant number of the ideas that help shape the negotiation. The group has issued two joint statements in the last two weeks at this critical point in the negotiation, helping to keep pushing the majors—the United States, the European Union and others—to show greater courage in taking forward the negotiation on agriculture. So absolutely; I think so. In March this year the group had a very successful meeting, chaired by Mr Vaile, in Cartagena in Colombia.

Senator HOGG—You say that there is a lot of encouraging that has to be done over the next 40 days. Who will be responsible for that encouraging? Is it a task that is beyond even the greatest urger, given some of the reluctance that has been out there for a long period of time in this round of negotiations?

Mr Langman—I would agree that it looks incredibly difficult.

Senator HOGG—Who is going to be the encourager? Who is going to be the persuader?

Mr Langman—At this stage I think it is fair to say that the Cairns Group countries are playing an important role; so is the large group of developing countries that are working for ambitious agricultural reform, the so-called G20. The United States is pushing very hard for

meaningful reform of agricultural market access, having put an important proposal on the table in relation to farm subsidies.

Senator HOGG—This is a change, though, for the United States.

Mr Langman—The United States—

Senator HOGG—I welcome change. I am not putting it in any way other than that. Is that correct?

Mr Langman—Earlier this year the United States spent some time thinking about how it wanted to take these negotiations forward. The President of the United States, at the G8 meeting and the UN summit shortly thereafter, set out his desire to fundamentally reform agricultural trade. Shortly afterwards, the administration brought forward what we see as a very significant and important proposal in this negotiation, on domestic subsidies for agriculture.

Senator HOGG—The Hong Kong meeting—who will be our delegation to that meeting?

Mr Langman—The delegation will be led by the Deputy Prime Minister and trade minister, Mr Vaile.

Senator HOGG—Who else?

Mr Langman—As is standard practice at WTO ministerial meetings, there will be the opposition spokesman for trade. He has been invited and I believe he will attend. A number of members of the trade subcommittee will attend—the joint standing committee. A number of members of the WTO advisory committee will attend. A number of additional industry advisers will attend. Of course, a number of officials from the Department of Foreign Affairs and Trade and other Commonwealth departments will attend.

Senator HOGG—Are you going to leave anyone in Australia? How many will be in the delegation, approximately?

Mr Langman—I do not yet have a final number. I can tell you how many attended the Cancun ministerial meeting, to give you some sense. At that meeting, the total delegation, including the industry participants, of which there were a number, was over 50.

Senator HOGG—We are looking at a comparably sized delegation this time?

Mr Langman—I would imagine it would be a comparably sized delegation—perhaps not quite as many as in Cancun—but I do not have a final number yet.

Senator HOGG—I understand that Mr Vaile wrote to Mr Rudd inviting him and one of his staffers to attend but that that invitation was subsequently withdrawn. Are you aware of that?

Mr Langman—I may not know all the facts, but I do not believe it was withdrawn.

Senator HOGG—Not withdrawn—that something came out of the office of the Prime Minister advising that there was no position for a staffer from Mr Rudd's office to travel. Has that been the practice in the past—that the opposition spokesperson does not get to take an adviser on matters such as this?

Mr Langman—I am sorry; I cannot comment on that.

Senator Sandy Macdonald—I can only add to that by saying what happened for the Cancun ministerial in November 2003. From memory, the opposition spokesman was Senator Kerry O'Brien. I think I am right in saying that.

Senator HOGG—You probably could be right.

Senator Sandy Macdonald—Senator O'Brien attended, as I did, as a ministerial observer at the meeting of the WTO. He certainly did not have the opportunity to take an adviser; neither did I.

Senator HOGG—The reason I ask is that there is a letter from Mr Vaile, dated 18 August, in which he says: 'As has been the past practice for such meetings, I would extend an invitation to you to join the Australian delegation to the sixth WTO ministerial conference. Accommodation for you and one adviser has been reserved at the Grand Hyatt hotel.' Then the office of the Prime Minister writes to a person who is the chief of the staff of the Leader of the Opposition saying that under regulation 3C of the Parliamentary Entitlements Regulations 1997 the Prime Minister has approved Mr Rudd's travel to Hong Kong in December with costs to be met by the department of finance but that the entitlement under regulation 3C does not provide for travel by an accompanying staff member.

Ms Bird—If that came from the office of the Prime Minister, you would really need to ask the department of the Prime Minister about that.

Senator HOGG—I just thought it might be something that you people might know about.

Ms Bird—I do not, no.

Senator HOGG—The next issue I want to raise is in respect of the Australia-China FTA negotiations. Can you give me an update as to where the negotiations are at? Senator Johnston and I and a couple of other senators were recently on a private visit to China, so I have tended to ask a couple of questions about China today. I do not know whether that is significant.

Ms Bird—Before my colleague starts, I should just mention that Ric Wells, who is the lead negotiator on the FTA, is up in China now conducting negotiations. My colleagues will answer as best they can.

Senator HOGG—We did get a bit of a feel. There did seem to be enthusiasm on the Chinese side of the delegations that we met in China. We just need an update now for formal record purposes.

Mr Baxter—The negotiations are still at an early stage. As Ms Bird has just said, the third round of talks is taking place in Beijing this week; they are to go from 2 to 4 November. In this round our team hopes to complete a wide-ranging and comprehensive exchange of information about each other's trade regimes—which was begun in the second round in August. We will also discuss with the Chinese how the agreement will be structured, and we will use the talks to raise concerns about doing business with China that Australian industry has brought to our attention.

Senator HOGG—What specifically came out of those second-round discussions?

Mr Baxter—We are not seeking to have specific outcomes come out of these information exchanges. The first three rounds are really focusing on allowing both sides to ask questions

about the particular trade regimes that apply in each country and, through that information exchange, being in a position to begin the substance of the negotiations at the first round in 2006.

Senator HOGG—So the first round for any substantial negotiation will be in 2006. When?

Mr Baxter—We will discuss that with the Chinese.

Senator HOGG—You have not set a date yet?

Mr Baxter—No. We are planning on having a meeting early next year, hopefully, but we will discuss the exact date with the Chinese this week.

Senator HOGG—So that will be in the first three or four months of the year.

Mr Baxter—Yes, very much so. We want to keep the momentum of the negotiations going.

Senator HOGG—Please continue.

Mr Baxter—That is really all I had to say.

Senator HOGG—What is on the table this week—anything in particular?

Mr Baxter—As I mentioned, apart from the ongoing information exchange which has gone on in the first two rounds, we will be raising with the Chinese some of the issues that our business community have raised with us in our consultations with them in preparation for the negotiations. I can give you an indication of what types of issues.

Senator HOGG—Yes, if you could, please.

Mr Baxter—Obviously tariff reductions are on the agenda, as are addressing problems with China's quarantine regime; simplifying labelling, testing and standards arrangements, and making them more transparent; reducing import licence—

Senator HOGG—Testing and standards in respect of what?

Mr Baxter—A whole range of products. It is really ensuring that we are able to export our products to China with a minimum of problems and—

Senator HOGG—Does that include iron ore? We heard a doozey on iron ore in our inquiry into China. It goes through quarantine. The secretary of the committee and the deputy chair of the references committee are shaking their heads. We could not believe it. When we were in China we mentioned this to them—that our iron ore, which is red pebbles, as I understand, was subject to quarantine inspection. Is that the sort of thing that we are looking at? You might not have heard of that one, but I think it is a doozey. I think you should read the *Hansard* and go for it.

Mr Baxter—As far as particular negotiations on quarantine issues go, we will look at the whole spectrum of issues. Whether iron ore becomes a part of that is really down to whether our industry sees it as a significant impediment. I recently met with a number of our iron ore companies that export to China and none of them raised that quarantine issue as being a particular impediment for them.

Senator HOGG—They made the submission to us. I think it was Rio Tinto, wasn't it?

CHAIR—Yes, it was.

Senator HOGG—It was Rio Tinto that made the submission to the references committee.

Mr Baxter—I met with Hamersley Iron only a couple of weeks ago and had extensive talks with them. Clearly, given the volumes of iron ore that we are currently exporting to China, it has not been a significant impediment in the growth of our iron ore trade. But of course these irritants and barriers are in our sights through the negotiations. What we are trying to achieve here is the smoothest possible business environment for Australians seeking to export to China or to do business in China.

Senator HOGG—You have listed a number up to testing and standards. Next?

Mr Baxter—Making customs procedures more consistent and transparent; enhancing the application and enforcement of intellectual property rights; improving access to China's government procurement market; and addressing myriad barriers to services trade and investment in China. That is an indication of the scope of the issues that we are raising.

Senator HOGG—Again, does that include the legal system and the difficulties that Australian companies trying to do business in China seem to experience?

Mr Baxter—Yes. I am sure that greater transparency in the way legal processes are applied to transactions will come up through the course of the negotiations proper.

Senator HOGG—Another issue that has been raised with the committee has been that of infrastructure difficulties within China, such as the road system—getting one's product from, say, the coast to places in central and western China. Apparently that provides some real difficulties indeed. So, are those the broad sorts of issues that you are setting down markers for at this stage?

Mr Baxter—Infrastructure is not the sort of issue that you negotiate in a bilateral free trade—

Senator HOGG—No, I accept that.

Mr Baxter—It is more general than that.

Senator HOGG—But it does come into play, in that it is not much use, if you have a free trade agreement, if you cannot get your goods in there because of the internal structures that are operating within the country.

Mr Baxter—That is very true. As part of our ongoing dialogue with China on trade and economic issues, the problem of infrastructure bottlenecks is often discussed. The Chinese are very much aware of the problems with rail, road, power and water as they try and keep pace with the rapid growth in their economy by developing suitable infrastructure. But it is commonly known that infrastructure bottlenecks are one of the impediments to China continuing to achieve high levels of growth.

Senator HOGG—The one thing you did not mention on your list there was agriculture. Does that fit in there?

Mr Baxter—Absolutely. Agriculture is—

Senator HOGG—It is a sensitive issue though.

Mr Baxter—It is a sensitive issue. It is a sensitive sector, I think, in almost every FTA—

Senator HOGG—It is, isn't it?

Mr Baxter—that we have sought to negotiate or have negotiated.

Senator HOGG—So that is currently under discussion and will then lead to something more formalised when the first round takes place. What will be the process that leads to the formalisation of how the negotiations will proceed?

Mr Baxter—As I said, one of the issues that we will be discussing this week with the Chinese is the structure of the agreement. The pattern of the negotiations flows from agreement on the structure of the agreement—the chapter headings and how we will actually start developing text under those chapter headings. Both sides will start submitting text for negotiation with the other on issues that are important to them in terms of their overall negotiation objectives.

CHAIR—Mr Baxter, I am very interested to hear about the way that you are embarking on what is going to be a unique document, given East Asia's history with respect to bilateral trade agreements. Japan has one, I believe. That is with South Korea, and I think it is a very short document. My perception from a Western Australian perspective is that this agreement is not likely to resemble, in any real shape or form, the agreement that we have with the United States and that it is important that our expectations with respect to the trade agreement with China be kept in proportion.

I trust we are going to have some commentary that acknowledges WTO background rules, such that China and Australia are seen to be saying the same thing about exports, on our part, of agricultural products to Europe and, on their part, of manufactured goods to Europe, so that we build upon the mutual disdain, if you like, that we both have for the embargoes and unfair trade practices of Europe. I think that is very important, and I trust we are going to do that. I trust we are going to endorse each other's approach—us on agriculture and them on manufactured goods. Bearing in mind that this is an extraordinarily diverse country that is enmeshed in enormous amounts of bureaucracy in both the provinces and the central government, is it fair for me to say to you that we need to keep a sense of proportion, in that this is going to be a very different agreement to the sorts of black-letter law that we have with the United States?

Mr Baxter—Obviously, it is fair to say that negotiating with China is a very different experience from negotiating with the United States, just given our level of familiarity with the US system. Australian business has been operating in the United States for many decades and we are very familiar with their system. We have similar legal systems, and decision-making processes within government are usually transparent and easy for Australian business people to understand. China has a very different system of government and in one sense that is why we are going through the information exchange process in the early rounds of the negotiations so that we have a very clear understanding of how to set our negotiating objectives and so that the Chinese understand how our systems work as well. Being a parliamentary democracy means, of course, that we make decisions in a way very different from the way the Chinese system does.

On the shape of the agreement itself, China and Australia have agreed that the agreement will be comprehensive in scope and will be consistent with WTO guidelines. They are no carve-outs that have been agreed before we start the negotiations. As with all the negotiations we conduct, everything is on the table and nothing is agreed until everything is agreed. We have not set ourselves a defined time frame for finishing the negotiations. The Deputy Prime Minister and Minister for Trade has said consistently that we will negotiate for however long it takes to get a high-quality agreement.

CHAIR—That is a very admirable description of where we need to head on this.

Senator HOGG—Thank you for that update. That is all I think we can ask for at this stage. Where are we at with the ASEAN-Australia-New Zealand FTA?

Mr Mugliston—We have now had five rounds of negotiations in the ASEAN-Australia-New Zealand FTA negotiations. The negotiations were launched in February and we had another session in March. Those two sessions were essentially procedural—establishing working groups and discussing terms of reference. We then had further sessions in June and August, and just last week here in this room was the fifth session with ASEAN. We hosted the meeting here.

Senator HOGG—What stage are we at?

Mr Mugliston—Given that we have had five rounds, we are still at the stage in some areas of negotiation of information exchange, whereas in other areas we are now moving on to really substantive engagement in the individual chapters.

Senator HOGG—Without going into the detail, are you able to give us an idea of where you are still on information exchange, as opposed to where you might be getting into more detail?

Mr Mugliston—The work on goods is more advanced than other areas of the negotiations. The ASEANs are more familiar with negotiating on trade in goods. This is their first experience in negotiating an FTA with developed countries like Australia and New Zealand. They have had limited negotiating experience in the areas of services and investment. We have put quite a lot of effort into providing so-called capacity building workshops to simply explain and go through the issues and various technicalities involved in such negotiations. There has been quite an issue in the negotiation about coverage. We are talking about operationalising the guiding principles that leaders agreed to last year and instructed us to operationalise.

There has been quite a bit of debate about comprehensiveness. How comprehensive should coverage be? It is accepted that the agreement should cover goods, services and investment, but there has been an issue in the negotiations as to whether other, so-called newer issues should be covered—namely intellectual property, competition policy and government procurement. In respect of the latter set of issues, we are still at the exploratory or initial phase in negotiations, whereas on goods we are now progressing. We have identified relevant elements to be included in chapters on trade in goods and we are now going through that process with services.

Senator HOGG—Next meeting?

Mr Mugliston—We have an informal meeting with chief negotiators in early February. The venue is yet to be confirmed. The following full-scale round of negotiations will be held in New Zealand in the week of 3 April.

Senator HOGG—Thanks for that. I have a couple of questions on the APEC leaders meeting and then we may well all pack up and go.

Ms Bird—That would be great.

CHAIR—I am very disappointed to hear that because I was looking forward to staying until 11 pm. But we will battle on.

Senator HOGG—Ah, well. Can we go out and find something we can filibuster with for the next two hours? I will go and leave you here with that.

CHAIR—Given some of the performances I have seen here, I think you would have no trouble in finding some of your colleagues to do that.

Senator HOGG—Go on; I have seen some of yours do better than mine. What is the outlook for the APEC leaders meeting? What is on the agenda?

Mr Deady—There is a very substantial agenda coming up for the APEC ministerial meetings and the leaders meetings later this month. From Australia's point of view we are certainly looking for the APEC meetings, including the leaders meeting, to make a strong contribution towards a successful WTO Hong Kong ministerial meeting. It is certainly a very high priority for Australia and for a number of other like-minded countries in APEC to encourage that.

Senator HOGG—What else?

Mr Deady—One of the other things that Australia has been pushing very hard on the APEC agenda over the last two years relates to much of your questioning over the free trade agreements. We got agreement last year in the ministerial meeting for a number of best practice principles to be taken forward in the various free trade agreements that are being negotiated amongst APEC members. These include best practice guidelines on comprehensiveness. These are the issues that we think are so important to ensuring that these FTAs do, to the maximum extent they can, complement the multilateral system. We are also looking at extending those best practice principles into some other areas, such as trade facilitation.

This year there will also be a report to the leaders, a mid-term stocktake on the progress towards the Bogor goals. Officials have been working on that report over the course of this year and Australia has had a key role in that. That report will be going forward and it will, I think, demonstrate that there has been substantial progress towards achieving the Bogor goals. There was a study done earlier this year that shows that average tariffs in APEC in 1989 were 17 per cent. They are now down to 5.5 per cent. There is still a lot of work to go—there are still a lot of tariff peaks in that—but there is some promise there. Also, the stocktake will look at further broadening the APEC agenda. It is aimed very much, I think, at the business priorities as we go forward in APEC.

Among the other things on the agenda, we talked about one this morning on the avian flu and, a bit more broadly, disaster preparedness. These are issues that we would certainly be

taking forward and discussing further. I believe there will also be discussion on energy. Australia heads the working group on energy, so some work has been done this year on the impact of oil prices on trade in the region. So there will be some further progress or discussion on those sorts of things—in particular, on ensuring to the extent that it is possible that the climate and the regulation is right for increased exploration and development of energy in the region.

Senator HOGG—What are the expected outcomes?

Mr Deady—The WTO is a key one. That is something we are looking for.

Senator HOGG—How do they hope to impact on the WTO? The next 40 days are going to be critical. How does that meeting, which is placed so close to the end of those 40 days, expect to have such a significant impact?

Mr Deady—The very fact that we do have the leaders of so many of the key players in those negotiations—Australia, the United States and China—means that we will be looking for a statement from the leaders that really does underpin and provide that political support to what are the critical negotiations. That is important and it should not be diminished. APEC has played that role in the past and we are certainly looking for strong language there.

Senator HOGG—That is where I will stop. There are some questions on these areas that I will place on notice. I thank the officers of the department for their cooperation today.

CHAIR—Thank you. The committee is adjourned.

Committee adjourned at 8.42 pm