



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION
COMMITTEE

Consideration of Additional Estimates

THURSDAY, 13 FEBRUARY 2003

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE**FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE****Thursday, 13 February 2003**

Members: Senator Sandy Macdonald (*Chair*), Senator Cook (*Deputy Chair*), Senators Chris Evans, Ferguson, Payne and Ridgeway

Senators in attendance: Senators Jacinta Collins, Cook, Crossin, Faulkner, Ferguson, Ferris, Ludwig, Lundy, Sandy Macdonald, O'Brien, Payne and Robert Ray

Committee met at 9.03 a.m.

FOREIGN AFFAIRS AND TRADE PORTFOLIO

Consideration resumed from 22 November 2002.

In Attendance

Senator Troeth, Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry

Senator Vanstone, Minister for Family and Community Services

Department of Foreign Affairs and Trade**Portfolio overview**

Dr Geoff Raby, Acting Secretary

Mr Doug Chester, First Assistant Secretary, Corporate Management Division

Ms Anne Hazell, Chief Finance Officer, Assistant Secretary, Finance Management Branch

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 (including Australia–Japan Foundation, Australia–China Council, Australia–Korea Foundation)**

Mr Murray McLean AO, First Assistant Secretary, North Asia Division

Mr Peter Rowe, Assistant Secretary, North-East Asia Branch

Ms Jane Hardy, Director, Korea Section, North-East Asia Branch

Ms Nicola Watts, Director, Japan Section, North-East Asia Branch

Mr Don Smith, Director, Australia-Japan Foundation

Mr Kyle Wilson, Acting Assistant Secretary, East Asia Branch

Mr Warren King, Acting Director, China Political and External Section, East Asia Branch

Mr Hans Saxinger, Director, China Economic and Trade Section, East Asia Branch

Ms Valerie Grey, Director, Hong Kong/Macau/Taiwan Section, East Asia Branch

Dr Leslie O'Brien, Manager, Australia-Korea Foundation

Mr Broughton Robertson, Manager, Australia-China Council

Ms Lyn Wing, Project Officer, Australia-Japan Foundation

1.1.2—South and South East Asia (including Australia–India Council, Australia–Indonesia Institute)

Ms Jennifer Rawson, First Assistant Secretary, South and South East Asia Division

Mr James Batley, Assistant Secretary, Mainland South-East and South Asia Branch

Mr Paul Grigson, Assistant Secretary, Maritime South East Asia Branch

Mr Luke Williams, Director, Thailand, Vietnam and Laos Section, Mainland South-East and South Asia Branch

Mr Phillip Stonehouse, Director, India and South Asia Section, Mainland South-East and South Asia Branch

Ms Elizabeth Wetherell, Director, ASEAN, Burma and Cambodia Section, Mainland South-East and South Asia Branch

Dr David Engel, Director, Indonesia Section, Maritime South-East Asia Branch

Ms Kathy Klugman, Director, East Timor Section, Maritime South-East Asia Branch

Mr Richard Rodgers, Acting Director, Philippines/Malaysia/Singapore/Brunei Section, Maritime South-East Asia Branch

Mr Bill Richardson, Director, Australia-Indonesia Institute

Ms Carol Roberston, Director, Australia-India Council

1.1.3—Americas and Europe

Mr David A Ritchie, First Assistant Secretary, Americas and Europe Division

Ms Margaret Adamson, Assistant Secretary, EU and Western Europe Branch

Mr Angus Mackenzie, Acting Director, Western Europe Section, EU and Western Europe Branch

Ms Lucy Charlesworth, Director, EU and Institutions Section, EU and Western Europe Branch

Ms Margaret Twomey, Assistant Secretary, Northern, Southern and Eastern Europe Branch

Mr Alex Brooking, Director, Northern, Central and Eastern Europe Section, Northern, Southern and Eastern Europe Branch

Mr Tony Urbanski, Director, Southern Europe Section, Northern, Southern and Eastern Europe Branch

Mr Mark Fraser, Executive Officer, Southern Europe Section, Northern, Southern and Eastern Europe Branch

Ms Shirley Lithgow, Director, European Security Unit, Northern, Southern and Eastern Europe Section

Ms Andrea Spear, Assistant Secretary, Americas Branch

Mr Peter McColl, Director, United States Section, Americas Branch

Mr Les Humphries, Acting Director, Canada, Latin America and Caribbean Section, Americas Branch

Mr Graham Andrews, Executive Officer, Canada, Latin America and Caribbean Section, Americas Branch

1.1.4—South Pacific, Africa and the Middle East

Mr Nick Warner, First Assistant Secretary, South Pacific, Africa and Middle East Division

Ms Victoria Owen, Assistant Secretary, Middle East and Africa Branch

Ms Clare Birgin, Director, Middle East Section, Middle East and Africa Branch

Mr David Hennessy, Director, Africa Section, Middle East and Africa Branch

Mr Don Cuddihy, Executive Officer, Middle East Section, Middle East and Africa Branch

Mr Martin Walker, Executive Officer, Africa Section, Middle East and Africa Branch

Mr Perry Head, Assistant Secretary, New Zealand and Papua New Guinea Branch

Ms Julie Chater, Director, New Zealand Section, New Zealand and Papua New Guinea Branch

Mr Greg Moriarty, Director, Papua New Guinea Section, New Zealand and Papua New Guinea Branch

Mr Graham Fletcher, Assistant Secretary, Pacific Islands Branch

Mr Rick Nimmo, Director, Pacific Bilateral Section, Pacific Islands Branch

1.1.5—Bilateral, regional and multi-lateral trade negotiations

Mr Bruce Gosper, First Assistant Secretary, Office of Trade Negotiations

Mr Stephen Deady, Special Negotiator—Free Trade Agreements/Processed Food Market Access

Mr Allan McKinnon, Special Negotiator for Agriculture

Ms Lisa Filipetto, Assistant Secretary, WTO Trade Law Branch

Ms Alison Burrows, Assistant Secretary, Agriculture and Food Branch

1.1.6—Trade development/policy coordination and APEC

Mr Ralph Hillman, First Assistant Secretary, Trade Development Division

Mr Justin Brown, Head, Asia Trade Taskforce

Dr Frances Perkins, Executive Director, Economic Analytical Unit

Mr Chris DeCure, Assistant Secretary, APEC and Regional Trade Policy Branch

Ms Ruth Adler, Assistant Secretary, Trade and Economic Analysis Branch

Mr Neil Batty, Director, Market Information and Analysis Section, Trade and Economic Analysis Branch

Mr David Holly, Director, International Economic and Finance Section, Trade and Economic Analysis Branch

Mr Patrick Suckling, Director, Trade Finance Section, Trade and Economic Analysis Branch

Mr Frank Bingham, Executive Officer, Market Information and Analysis Unit, Trade and Economic Analysis Branch

Mr Martin Quinn, Manager, OECD and UNCTAD Unit, Trade and Economic Analysis Branch

Ms Sue Tanner, Assistant Secretary, Market Development and Business Liaison Branch

Mr Andrew Todd, Director, Trade Advocacy and Outreach Section, Market Development and Business Liaison Branch

Ms Anna George, Director, Information, Industries and Online Access Section, Market Development and Business Liaison Branch

Dr Barbara Cooper, Director, Trade Liaison Section, Market Development and Business Liaison Section

Mr Tim Toomey, Acting Director, Trade Liaison Section, Market Development and Business Liaison Branch

1.1.7—International organisations, legal and environment

Ms Caroline Millar, First Assistant Secretary, International Organisations and Legal Division

Mr Christopher Langman, Ambassador for the Environment

Mr Chris Moraitis, Senior Legal Adviser

Dr Greg French, Acting Assistant Secretary, Legal Branch

Mr Peter Heyward, Assistant Secretary, Environment Branch

Mr Colin Milner, Director, International Law Group, Legal Branch

Mr Ben Playle, Executive Officer, International Law Group, Legal Branch

Mr Peter Scott, Executive Officer, International Law Group, Legal Branch
Ms Janaline Oh, Acting Assistant Secretary, International Organisations Branch
Mr Peter Doyle, Director, People Smuggling, Refugees and Immigration Section,
International Organisations Branch
Dr Mark Napier, Executive Officer, Human Rights and Indigenous Issues Section,
International Organisations Branch
Ms Matilda Emberson, Bali II Regional Conference Secretariat

1.1.8—Security, nuclear, disarmament and non-proliferation

Mr David Stuart, Acting First Assistant Secretary, International Security Division
Mr Bill Paterson, First Assistant Secretary, Iraq Task Force
Mr John Quinn, Assistant Secretary, Iraq Task Force
Mr Chris Marchant, Assistant Secretary, Anti-Terrorism and Intelligence Policy Branch
Mr Bruce Hunt, Acting Assistant Secretary, Arms Control Branch
Dr Terry Beven, Director, Nuclear Policy and Missiles Section, Arms Control Branch
Mr Paul Noonan, Executive Officer, Nuclear Policy and Missiles Section, Arms Control
Branch
Ms Amy Steffens, Executive Officer, Chemical, Biological and Conventional Weapons
Section, Arms Control Branch
Mr David Nethery, Director, Anti-Terrorism Section, Anti-Terrorism and Intelligence
Policy Branch
Mr Garth Hunt, Director, Intelligence Policy and Liaison Section, Anti-Terrorism and
Intelligence Policy Branch
Mr John Carlson, Director General, Australian Safeguards and Non-Proliferation Office
Mr Andrew Leask, Assistant Secretary, Australian Safeguards and Non-Proliferation Office

Output 1.2—Secure government communications and security of overseas missions

Mr Paul Tighe, First Assistant Secretary, Diplomatic Security, Information Management,
and Services Division
Mr John Richardson, Assistant Secretary, Diplomatic Security and Services Branch
Mr Ian McConville, Director, Administrative and Domestic Law Section

**Output 1.3—Services to other agencies in Australia and overseas (including Parliament,
state representatives, business and other organisations)**

1.3.1—Parliament of Australia

1.3.2—Services to attached agencies

1.3.3—Services to business

1.3.4—Services to state governments and other agencies overseas and in Australia

Output 1.4—Services to diplomatic and consular representatives in Australia

1.4.1—Services to the diplomatic and consular corps

**1.4.2—Provision of protection advice through liaison with the Protective Security
Coordination Centre**

Mr Matthew Peek, Chief of Protocol, Assistant Secretary, Protocol Branch

Output 2.1—Consular and passport services

2.1—Consular services

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

Mr Jeff Roach, Director, Consular Information and Crisis Management Section, Consular Branch

Mr Bill Jackson, Acting Director, Consular Operations Section, Consular Branch

Mr Marc Campbell, Division Coordinator, Public Diplomacy, Consular and Passports Division

2.2—Passport services

Mr Ian Kemish, First Assistant Secretary, Public Diplomacy, Consular and Passports Division

Mr Bob Nash, Assistant Secretary, Passports Branch

Mr Bill Monaghan, Director, Passport Operations Section, Passports Branch

Mr John Osborne, Director, Passport Systems and Technology Section, Passports Branch

Output 3.1—Public information services and public diplomacy

3.1.1—Public information and media services on Australia's foreign and trade policy

3.1.2—Projecting a positive image of Australia internationally

3.1.3—Freedom of information and archival research and clearance

Mr Ian Kemish, First Assistant Secretary, Public Diplomacy, Consular and Passports Division

Ms Lyndall Sachs, Acting Assistant Secretary, Parliamentary and Media Liaison Branch

Mr Paul Molloy, Acting Assistant Secretary, Images of Australia Branch

Mr Richard Palk, Director, Cultural Relations Section, Images of Australia Branch

Output 4.1—Property management

Mr Peter Davin, Executive Director, Overseas Property Office

Mr Kevin Nixon, Assistant Secretary, Alliance Management Branch, Overseas Property Office

Mr Philip Moran, Assistant Secretary, Portfolio Strategy Branch, Overseas Property Office

Output 4.2—Contract management

Enabling services

Items—General corporate support; human resource management and overseas conditions of service; financial and budget management; national non-secure (communication system) information technology and information management; records management; property management; executive support; training and development; evaluation and audit; internal legal and statistical services; security services

Ms Zorica McCarthy, Assistant Secretary, Executive, Planning and Evaluation Branch

Ms Bronte Moules, Director, Ministerial and Executive Liaison Section

Mr Bryce Hutchesson, Director, Corporate Planning Section

Mr Geoff Tooth, Director, Evaluation and Audit Section

Ms Penny Williams, Assistant Secretary, Staffing Branch

Mr Hugh Borrowman, Director, Staffing Operations Section

Ms Janette Ryan, Assistant Secretary, Staff Development and Post Issues Branch

Dr Lee Kerr, Director, Management Strategy, Conduct and Coordination Section, Corporate Management Division

Mr John McAnulty, Assistant Secretary, Finance Services Branch

Mr Daniel Sloper, Director, Budget Management Section, Finance Management Branch

Ms Alison Airey, Executive Officer, Finance Management Branch

Mr Louis Kalogiannidis, Executive Officer, Finance Management Branch

Ms Sue Lee, Executive Officer, Finance Management Branch
Ms Cathy Jenkins, Executive Officer, Finance Management Branch
Ms Gil Padarin, Executive Officer, Finance Management Branch
Ms Tracey Batterbury, Executive Officer, Finance Management Branch
Mr John Leonardi, Executive Officer, Finance Management Branch
Mr Sean Turner, Executive Officer, Finance Management Branch
Mr Andrew Inglis, Executive Officer, Finance Management Branch

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—Inward investment and attraction services

1.5—Austrade administered grants

Outcome 2 Australians informed about and provided access to consular, passport and immigration services in specific locations overseas

2.1—Consular, passport and immigration services

Mr Lindsay Collins, National Manager, Export Market Development Grants
Mr Tim Harcourt, Senior Economist, Strategic Development
Ms Marcia Kimball, Director, Human Resources
Ms Margaret Lyons, Executive General Manager, Corporate
Ms Denise Pendleton, Client Service Manager, Strategic Development
Mr David Ritson, Group Manager, Accounting Operations and Systems
Ms Julia Selby, Executive General Manager, Australian Operations/South Pacific
Mr Michael Vickers, Group Manager, Client Development and Ally Liaison
Ms Margaret Ward, General Manager, Export Finance Assistance Program

Department of Foreign Affairs and Trade

CHAIR—I declare open this meeting of the Senate Foreign Affairs, Defence and Trade Legislation Committee. I particularly welcome Senator Troeth, representing Senator Robert Hill, the Minister representing the Minister for Foreign Affairs and the Minister for Trade; Dr Geoff Raby, Acting Secretary; and officers of the Department of Foreign Affairs and Trade and Austrade.

The committee has before it the particulars of proposed expenditure for the service of the year ending 30 June 2003, documents A and B, and the portfolio additional estimates statements for Foreign Affairs and Trade and Austrade. The committee also notes that issues from the advance to the minister for finance as a final charge for the year ended 30 June 2002 were also referred to the estimates committee for inquiry and report during the additional estimates round.

The committee will begin proceedings by examining the particulars of the trade related programs, 1.1.5 and 1.1.6, of the Department of Foreign Affairs and Trade. After lunch the committee will examine the estimates for Austrade. At the conclusion of Austrade, we will resume Foreign Affairs and Trade, with questions on the portfolio overview, followed by consideration of proposed expenditure in output order, commencing with suboutput 1.1.1.

When written questions on notice are received, the chair will state for the record the name of the senator who submitted the questions. The questions will be forwarded to the department for an answer. The committee has resolved that the deadline for the provision of answers to questions taken on notice at these hearings is Thursday, 27 March 2003.

I remind my committee colleagues that the Senate Finance and Public Administration Legislation Committee is continuing to monitor the format and contents of the portfolio budget statements. If there are any comments you wish to make about these documents, please place them on the public record during these estimates hearings or direct them to the committee.

Witnesses are reminded that the evidence given to the committee is protected by parliamentary privilege. I also remind witnesses that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. The Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees, unless the parliament has expressly provided otherwise. An officer of a department of the Commonwealth shall not be asked to give opinions on 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 that officer to a superior officer or to the minister.

Senator Troeth, do you wish to make an opening statement?

Senator Troeth—No.

CHAIR—Senator Cook.

Senator COOK—Thank you, Mr Chairman, and good morning. At the November estimates a number of questions were taken on notice by the department, and I thank them for that. Although I understood that we were to get the answers before Christmas, we got them on Tuesday this week. That has made it difficult for me to cover all of the matters fully, but I do have some questions arising from those answers provided this week to the November questions.

One of the questions taken on notice was question No. 3 in the questions provided to me: has there been a response to the Australia and WTO report of the Joint Standing Committee on Treaties? The answer is that the government response to the treaties committee report *Who's afraid of the WTO? Australia and the World Trade Organisation* has been tabled. I now have a copy, and there are some fairly routine questions arising from the response of the government to the recommendations of that committee that I would like to quickly go through if I may.

Recommendation 3 of the committee's report was that the Minister for Trade review all existing Commonwealth government community information programs about international trade. I will not quote the whole recommendation because it is quite extensive, but the intention is basically to try and get a consistent broad message to the community about the virtues of trade. The response from the government says, however:

The Trade Advocacy and Outreach Section will address the issues raised in the recommendation and report to the Minister on further steps to enhance community information programs.

My question is: has that happened? If so, what are the new steps that will be introduced?

Mr Todd—The section has been in operation for one year. It is in the process of ongoing refinement of its major tasks and activities. I am happy to provide you with an overview of those activities, if that would answer your question, or take it on notice and give you a more comprehensive briefing.

Senator COOK—I am happy for you to take it on notice but this was a quite extensive inquiry and report by the treaties committee. I think what stimulated it was the events at Seattle in 1999 and how we get the message across to the Australian community about trade issues. The government told the parliament that your section ‘will address the issues raised in the recommendation and report to the minister on further steps to enhance community information programs’. Have you addressed those recommendations? If so, what is the outcome?

Mr Todd—The department has provided a series of briefings to the Minister for Trade, Mr Vaile, on suggested activities. He has noted those activities and the section and other parts of the department are in the process of implementing those strategies, which range from the production of plain English outlines of various aspects of Australia’s approach to trade; the benefits of trade to the Australian community; enhancements to the department’s web site; a more active strategy on the part of all our state and territory offices to communicate the benefits of trade to regional and rural communities; involvement with Austrade in a joint program called Exporting for the Future, which has seen the development of a curriculum for high school students across Australia—years 9 and 10 and now 11 and 12; the provision of information to teachers of economics; and a strategy whereby we have provided to elected officials at the federal, state and local level a suite of information materials that they can make available to their constituents that address issues such as the benefits of Australia’s membership of the World Trade Organisation, the links between trade development and poverty reduction, and key aspects of the Doha Round. I think you have received those.

Senator COOK—That is quite a comprehensive list. Did they all arise from the committee’s recommendation?

Mr Todd—There were two issues. Firstly, the minister announced in November 2001 the creation of the Trade Advocacy and Outreach Section, with a particular mandate to strengthen and sharpen—

Senator COOK—Mr Todd, we have a long road ahead and I have a lot of ground to cover, and this is by no means the most important, but it is nonetheless a significant issue in its own right. All I am concerned about at this point—and I know the department maintains an outreach program and from time to time I have had occasion to praise it; on other occasions I would wish it were better and have said so—is linking what the committee found and recommended, how the government responded and whether that has made any difference to the program. Is there a part of the white paper that I should look to in order to see what has occurred to address the issues raised in the committee report, or has it just died? That is really what I want to know.

Mr Todd—The recommendations from that committee report have formed one element to determine the work program and priorities of the section. One issue in particular has been the enhancements that we have been making to the trade portal on the DFAT web site. That was one particular issue that that report highlighted. Since the government’s response we have been actively updating and enhancing the web site. So that is one example.

Senator COOK—Recommendation 6 of this report is headed ‘Parliamentary scrutiny’. The recommendation under that heading is a predictable one. I am sure the department is familiar with it; I will not read it. In the response the government stated:

It should also be noted that the Minister for Trade reports annually to Parliament on trade policy through the Trade Objectives and Outcomes Statement ...

I will miss several lines and pick it up later:

The Government would welcome more discussion in Parliament, including by relevant Committees, of the policies and programs outlined in the Statement.

Last year the minister did not deliver the statement to the parliament; he released it at the Press Club and it became a document which circulated to be taken note of in either house. Is it intended that this year he will revert to the normal practice both he and his predecessor followed of delivering the TOOS statement to the parliament, enabling the opposition to make a parliamentary response to the statement, or for this year does the white paper cover all?

Ms Tanner—As you mentioned, the TOOS was tabled out of session with the President of the Senate on Wednesday, 10 April last year, the same day Mr Vaile launched the TOOS at a function at the Press Club. The decision was taken to publish TOOS in April last year rather than in February, as had previously happened, to enable TOOS to capture the latest services data. This year it is proposed that the TOOS be launched in session, on 26 March.

Senator COOK—So in the coming parliamentary session we can expect the TOOS to be tabled?

Ms Tanner—That is right.

Senator COOK—And then realise, hopefully, the avid wish of the government in the response to this report that there will be some parliamentary debate about trade. I look forward to it. Recommendation 9 in this report concerned sectoral advisory committees—this is on how the government consults with the community. The heading is ‘Sectoral advisory committees’ and the recommendation includes:

The committees should also provide for consultations with representatives of environment, labour, human rights and community groups, when such issues are material to their deliberations.

I know an elaborate consultative and advisory network has been established. I wonder if you could take on notice to provide me with an answer which sets out which organisations or individuals from organisations—if they are not selected as representatives they may be selected from those organisations—cover that gamut of labour, environment, community and human rights organisations. I want to look at how the government has responded to that recommendation. Can you take that on notice?

Mr Gosper—Yes, we can take that on notice and give you the full details. I might note that in respect of the WTO Advisory Group we have representatives of Environment Business Australia, the Australian Council for Overseas Aid and the Australian Conservation Foundation, which cover a number of the interests that you have identified. In addition, we have regular consultations with NGOs and other organisations who have an interest in human rights issues, and trade issues are covered as part of those consultations. We will give you the full detail of the organisations and individuals that are involved in those consultations.

Senator COOK—Okay. I will curb my natural curiosity until I have that; it may answer my questions and, if not, I guess I will ask the question when I see you next, Mr Gosper. Thank you very much. Recommendation 15 of this report is on WTO compliance. The committee recommends:

... the Minister for Trade (in consultation with other relevant Ministers) devise a WTO compliance checklist to be used by all Ministers and their officials when developing new industry support programs.

The government response to that is: 'This recommendation is consistent with current practice.' It goes on to elaborate. If it is consistent with government practice, is there a copy of such a checklist and, if there is, can we have a copy?

Mr Gosper—We do have a document we distribute widely, including to industry and state governments, that we can make available to you that explains the basic commitments and obligations under the WTO. We will provide that to you.

Senator COOK—Okay. That is all on that report. My question No. 4 on notice concerned the Australia-Thailand free trade agreement. You were kind enough to direct me to the Centre for International Economics scoping study undertaken at the request of the department. On the second page of that study—I have a printed copy and it does not seem to have page numbers—it says:

The economic modelling carried out by an independent consultant—

This is the consultant speaking in this report, so it was independent of the Centre for International Economics—

(using the APG-Cubed Model) suggests that an FTA would lead to increases in real consumption of US\$4.9 billion for Australia and US\$14.3 billion for Thailand. GDP gains, as noted above, would be US\$6.6 billion for Australia and \$US25.2 billion for Thailand.

And so it goes. They are quite significant gains should they be captured. I will come back to this vexed issue of what the value of the Australia-US Free Trade Agreement is because, frankly, quite a bit of rubbish is talked about the economic value of that. This is the first hard advice I have seen in a study of this nature which gives us a figure for a free trade agreement like this. You will know that there is no such figure in the centre's study that has been published on the Australia-US Free Trade Agreement, although the government does project a figure from the calculations in that study.

But \$6.6 billion compared with \$4, which is the oft-quoted figure for the US, is a significant advantage yet the US FTA is said in the white paper to be our most important bilateral agreement. Can someone explain to me why the US one, which the government projects—I think in shonky arithmetic, quite frankly—as being valued at \$4 billion is more important than the Thai one, which is valued, according to the calculated figures of the same centre, at \$6.6 billion. While you are taking your seat, Mr Deady, I make the observation in passing that trade is about increasing the economic strength of the country.

Mr Deady—In the CIE study of the United States the \$4 billion figure we discussed last time is Australian dollars. It calculates a \$2 billion gain.

Senator COOK—That is right. This is \$6.6 billion in US dollars and that is \$4 billion in Australian dollars, calculated at the exchange rate at the time those calculations were done and it is not true given the exchange rate at today's prices. We agreed on that last time.

Mr Deady—That is right. It is a modelling number, it is a projection. It is an indicator of the level of magnitude of the gains that would eventuate from a free trade agreement with the United States. It is the increase in GDP in the 10th year over and above what GDP would be otherwise.

Senator COOK—Based on the assumption that all of the trade barriers on both sides are completely removed.

Mr Deady—That is correct. That is a stock number; that is an annual increase. So in the 10th year it is US\$2 billion higher than it would be otherwise. I defer to my colleague about the Thailand agreement. Is that a stock or a flow number? I think that is the thing, Senator. If

we looked at the increase in the GDP over the flow of years, from the United States-Australia FTA, then it is a very substantial number. That may account for that difference.

Senator COOK—On these numbers it looks like we get a better boost for our economy out of fast tracking the Thai deal than we would out of fast tracking the American one, yet the priority of the government is the American one.

Mr Deady—The No. 1 bilateral priority is the United States agreement. The gains from that agreement are very substantial, certainly by the CIE modelling but by any estimation.

Senator COOK—There is an unsubstantiated assertion that the gains are greater than what the model will show. That is always presented as a selling point but no-one has ever been able to substantiate it.

Mr Deady—I cannot comment on the Thai number—I admit that. I can comment on the US number, that GDP in the 10th year is \$US2 billion higher than it would otherwise be.

Senator COOK—I think this is a question for Senator Troeth, who may wish to take it on notice because it is about government policy. The government's policy is that the most important bilateral trade agreement to pursue is the US one, and my question is: given these figures, which on the face of them clearly show that the best benefit to the Australian economy is the Thai agreement, why are we fast-tracking the American agreement ahead of the Thai agreement?

Senator Troeth—I will take that on notice.

Senator FERGUSON—That is something we can debate in the chamber.

Senator COOK—We can debate it in the chamber. I am trying to move on, but we can debate it now if you like.

Senator FERGUSON—It is not fair to ask the officers to explain—

Senator COOK—That is why I stopped asking the officers and went straight to Senator Troeth. But you would have to agree with me, Senator—

Senator FERGUSON—I do not have to agree with you, Senator Cook.

Senator COOK—Well, 6.6 beats four—you would have to agree with that.

Senator FERGUSON—Depending on your interpretations.

Mr Raby—Could I make a point about your point on priorities. The modelling numbers are the modelling numbers and you have to look closely to make sure they are measuring and counting exactly the same things so that it is not an oranges and pears type of comparison. They deal with not exactly the same sets of activities, and that can be worked through in further discussion. But the key question is the question of priorities. Yes, whilst the US FTA is an overriding priority, I would not want to leave the implication that the Thai FTA, for example, is not important or that the work last year on the Singapore FTA is not important either; that work is proceeding very well. It is possible to do a number of these arrangements in tandem, and that is exactly what is happening. We have here Justin Brown, who has been leading the negotiations on the Thai FTA, and I think he would be quite prepared to report to you very good progress on that. So, although the government may have the US FTA as an overriding priority—and there are a wide range of reasons why that might be the case—I think the important thing to note is that, in our view, that has not been at the cost or expense of making progress on the Singapore FTA, which has been excellent, and very good progress on the Thai FTA.

Senator COOK—Thank you very much, Mr Raby, for that response, and I understand that from a departmental point of view. My argument—and Senator Troeth happens to be the person representing the government here—is really about the government’s choice of priority. I make the observation that Australia has been running a substantial trade deficit, which is now at a record level, and you would have thought that, in order to correct that, you would go to where the biggest gains are possible soonest and fast-track that agreement. Given the progress we are making on Thailand, which I understand is substantial, that would appear to be Thailand, rather than the US—but all the eggs are in the US basket at the moment.

Mr Raby—That is the point I am trying to correct. They are not all in the US basket and in fact the negotiations are much further advanced on the Thai FTA than on the US FTA. That reflects different starting times, and the Thai FTA has moved into quite an advanced stage of negotiations. So the point I wish to really make is that not all the eggs are in the one basket; in fact we are working on a number of fronts very successfully.

Senator COOK—Okay, but the Thais have just read that our most important bilateral trade priority is the US, so they know that their agreement is not the most important. I just think that is a poor signal to one of our great trading partners in Asia—that is an observation that I make. Moving on, you have provided me with a list of consultants and the nature of the consultancies. It is quite a substantial list, and I thank the department for that. Have all of these reports been published and are they publicly available or are some confidential to the department?

Mr Gosper—We might need to come back to you on that.

Senator COOK—Maybe you will need to take these questions on notice. In answer to my question about the cost of the consultancies, you have provided me with the cost of two of the consultancies. I appreciate that and I thank you for it because they are the most substantial consultancies it would seem to me. But I might be wrong about that. Is it possible to provide a global cost for the total consultancy bill that the department has incurred for consultancies?

Mr Gosper—We will look at whether that is possible and provide you with the detail.

Senator COOK—You must have an aggregate somewhere. Can you tell me if any new consultancies have been let since this list was current?

Mr Gosper—We will provide the information.

Senator COOK—If so, what are they, with whom, how was the tender selected, and what is the value of the tender?

Mr Gosper—Yes, we will provide that.

Senator COOK—In answer to question No. 7, which was:

Will the government categorically rule out agreeing to remove the foreign equity rules governing the ownership of Telstra?

That was my question. The answer is:

As a matter of general principle, the government cannot lock itself into any particular GATS outcomes at this stage of the negotiation process. However, while responsibility for policy relating to foreign equity limits for Telstra does not rest with the Foreign Affairs and Trade portfolio, DFAT is not aware of plans to remove such limits.

That was the question and that was the answer in full. The answer says ‘as a matter of general principle’. Does that mean that, if I ask you a range of questions on whether the government will rule in or rule out, categorically, particular issues under the GATS negotiations or under

any other negotiations that are current, the government, as a matter of general principle, will not?

Mr Gosper—Yes, as a matter of general practice and principle in these negotiations, we do not rule particular measures in or out. We think that that is inimical to having a broad based discussion and achieving comprehensive outcomes. On the same count, the government does make clear the range of considerations it takes into account in these negotiations. So, for instance, in the GATS negotiations, it makes clear that it has regard to the need to preserve the ability to regulate, the need to take cultural policy objectives into account and so forth.

Senator COOK—As a general rule you say—I quite understand the sense of that. But does that mean on every occasion you will not rule in or rule out any item or does that mean on some occasions you might rule something out? How is this general principle applied? Is it applied universally across the board on every occasion or selectively?

Mr Gosper—I am not aware that it applies selectively. We are talking about hypothetical situations here, I think. I cannot think of any particular example where that rule has not been observed.

Senator COOK—Let me give you one. In the *Land* newspaper on 23 January this year, under a heading ‘Support for US trade deal’, the article reads:

AWB Limited has thrown its support behind an Australia-US free trade agreement (FTA), with assurances from the Federal Government that discussions won’t involve or threaten Australia’s single desk.

We all know that the single desk for wheat marketing is one of the targets of the US side in the Australia-US free trade agreement, but it would appear that government has ruled out a single desk and departed from its ‘general principle’. You are aware of this ruling out, are you?

Mr Deady—The government’s consistent position in relation to the FTA negotiations with the United States has been that no sector or issue would be excluded from the scope of the FTA negotiations. It is critical as we go into the negotiations from Australia’s perspective that those negotiations are fully comprehensive, because of the very sensitive nature of some of the requests we will obviously be making of the United States. Our position has consistently been that nothing is ruled out. That does not mean, of course, that we agree with everything that the United States puts on the table.

Senator COOK—No, of course not.

Mr Deady—The government is very comfortable with the operation of the single desk. AWB Limited is a very transparent operation, and we will defend those operations as part of the negotiation.

Senator COOK—You see the point of my question. The report says the Wheat Board has thrown its support behind the FTA, with assurances that the single desk is ruled out. You have just told us that it is not ruled out, so the Wheat Board would appear to have made a decision based on erroneous information.

Mr Deady—I cannot comment on AWB Limited’s comments in that press article.

Senator COOK—Either that or the *Land* newspaper has misreported it.

Mr Deady—The position has been, and it is a consistent one, as I said, that the government has not ruled out any sector or issue from discussion as part of the comprehensive negotiations.

Senator COOK—I will put this in plain English. As far as the single desk marketing for the Australian Wheat Board is concerned, the government has not ruled out that that is part of the negotiation, and the negotiation will proceed with that on the table. Is that a correct summary?

Mr Deady—We will defend very vigorously the AWB Limited single desk operations but, as I said, we have not ruled anything out. No issue has been taken off the table as we head into the negotiations. We are looking for comprehensive negotiations. We will listen to what the Americans have to say. If they raise the issue of the single desk then we will listen to what the Americans have to say. That is the position that the government has stated in relation to the FTA negotiations.

Senator COOK—We will come back to this question later when I have some questions on the Australia-US free trade agreement in detail. I recall the NFF saying they want a single deal; they do not want a piecemeal deal.

Mr Deady—That is right.

Senator COOK—You just said ‘that is right’. I think what you are acknowledging is that that is what the NFF wants. Is that the negotiating approach of the government, too?

Mr Deady—Certainly the approach of the government is to get a comprehensive agreement and a single undertaking. That is the overall—

Senator COOK—No early harvest.

Mr Deady—No.

Senator COOK—Therefore, if you get your way and there is a single undertaking, then no-one will know the outcome of the single desk marketing until the single undertaking is arrived at, will they?

Mr Deady—I do not think it is appropriate or possible to talk and speculate about how the negotiations will proceed. I do not think saying that there is a single undertaking is the same thing as saying that, as the negotiations move through, parts of those negotiations or aspects of the various demands on either side will become known. Things might fall off the table and not proceed through the negotiations. That is not the same thing, I do not think, as saying that at the end of the day it is a single undertaking and a single package. Nothing is agreed until everything is agreed. That is the process of the negotiations, I think.

Senator COOK—I think that is pretty clear. All I am saying is, as we move into these negotiations, according to press reports on 17 March, with the 60-member delegation from the US—my God, that is half the crowd of a Pura Cup cricket match—the firm intention of the Australian government, as it fronts up to the barrier, is to negotiate for a single undertaking. Of course things may change as the negotiations unfold, but we enter these talks with an intention of arriving at a single undertaking, as opposed to the alternative which is an early harvest.

Mr Deady—That is right.

Senator COOK—It follows that, if everything is on the table and ‘the general principle’ holds that the government cannot lock itself into ruling things in or out—I think you nodded in the affirmative—then we will not know the outcome of the single desk until we arrive at that destination, until we arrive at the single undertaking. That would follow, wouldn’t it?

Mr Deady—My point is that it does not necessarily follow. It does not necessarily follow that we go into the negotiations with everything on the table and a comprehensive approach. At the end of the process, there is a single undertaking and a final package that is negotiated

and considered by both parties. However, that does not mean that certain issues do not progress right through the negotiations. And that certainly could become known in advance.

Senator COOK—I apologise if my language is a bit flabby. It is the intention of the government to arrive at a single offer. If that intention is realised then we will not know the outcome on the single desk until we do.

Mr Deady—It is the government's intention to have comprehensive negotiations and to defend the single desk very vigorously as part of those negotiations. You are right: at the end of the day, nothing is agreed until everything is agreed and yes, there will be a final package.

Senator FERGUSON—And there will be a number of other issues besides the single desk that will be treated in exactly the same way.

Mr Deady—That is true.

Senator COOK—That is exactly right, but the bottom line here is that the single desk ain't ruled out.

Mr Deady—That is true.

Senator COOK—So the *Land* newspaper, which I think has a good reputation for being accurate, cannot be blamed. However, perhaps the wheat board needs to think again. If it is basing its position on believing that it is ruled out, I am sure it may need to think again about it. The single desk is a pretty strong issue for all of us.

Mr Deady—The government certainly understands that. As I said, it is very comfortable with the operation. It is a very transparent operation, AWB Ltd, and the government is committed to defending it right through the negotiations.

Senator COOK—Question 8 states:

Will the Minister for Trade introduce a process which enables parliamentary scrutiny of GATS before committing to an outcome? Will the government take notice of a parliamentary review of GATS?

The answer is:

The Government will apply the existing policy on treaty review to any amendments that are ultimately proposed to Australia's schedule of commitments under GATS.

In short, isn't that answer. 'No, it won't'?

Mr Gosper—The answer is that the government will apply the existing processes for consideration of treaties, including through that JSCOT process.

Senator COOK—And the existing process does not enable full parliamentary scrutiny of GATS before committing to an outcome?

Mr Gosper—That is right. It is the normal process as per section 61 of the Constitution and powers vested in the executive.

Senator COOK—Yes. We have been over this ground before. We do not need to till our soil twice, but that is confirmation that there is nothing different in this answer from what I understood to be the case. In question 10, I asked:

- (1) Will the Minister for Trade make a statement to the parliament, for debate by parliament, setting out Australia's objectives in particular sectors and areas of the proposed Free Trade Agreement with the United States?
- (2) Will the Minister for Trade ask the parliament to duplicate the US congressional oversight committee's role in the US Trade Promotion Authority Bill and Trade Act?

The answers were no and no. Will there be any provision for the minister to come forward and tell parliament in the spirit of the earlier answer the government gave to the treaties committee report on parliamentary scrutiny and debate in which, from memory, it said that it likes to have debate in parliament about trade matters? Will there be a report by the Minister for Trade about what objectives Australia has in this significant FTA, which we are told is the most important bilateral trade relationship?

Mr Deady—On the issue of our negotiating objectives for the FTA negotiations, I think it is already very clear what we will be seeking from those negotiations. We have said all along that we are looking for a truly comprehensive and liberalising agreement that is fully consistent with all the provisions of the GATT and the WTO in respect of goods and services; significant market access opening covering substantially all trade; significant improvements in market access for services; and cooperation with the United States across a large number of areas, whether that be intellectual property or competition policy. Those are the sorts of areas that will be covered by the negotiations. We are in the process of detailed consultations with Australian industry and other stakeholders as we put together the greater specificity around those negotiating objectives. That is something the government will consider in due course before we commence the formal negotiations with the United States, as you mentioned, on 17 March.

Senator COOK—Yes, but the question is: will the minister make a statement to the parliament about those objectives?

Mr Deady—As we get closer to the negotiations, as government considers the various submissions and negotiating positions, as we get a clearer indication of the level of ambition that the United States may be seeking as we proceed through the negotiations, very clearly there will be opportunities and greater specificity given to the negotiating objectives, the process of the negotiations. It is very clear, Senator, that this will be a very open and transparent set of negotiations. I think that is the nature of bilateral negotiations in particular. Certainly that was my experience with the Singapore negotiations—that the nature of the discussion between the two parties leads you to engage in a very detailed consultative process with industry and other stakeholders as you proceed through that process. The level of interest on the US FTA is very substantial out there in the community. I think that is well and truly understood and recognised by the government. Yes, there will be ample opportunities whereby these various issues will be spoken about by the minister and debated.

Senator COOK—We have been over this ground and you have repeated it. I thank you for repeating the position. Essentially my question is: okay, you are consulting widely and all the rest of it, but will the minister tell the parliament, which makes the laws of this country, what the negotiation objectives of the Australian government are for what it says in its white paper is the most important bilateral trade negotiation? Will it or won't it? That is really the question.

Mr Deady—Senator, my answer at this time can only be that ministers are still considering that broad mandate in the objectives—that, yes, there will be greater specificity given to those as we proceed. Whether there will be a particular statement to parliament, I do not know. No decision has been taken on that.

Senator Troeth—Senator, up to a point, I think that would be up to the minister to answer.

Senator COOK—That is quite right, and I am wrong to press the officer about that. Will the minister make a statement, Senator?

Senator Troeth—If you are requesting a specific answer to that, I will take it on notice and see whether the minister will consider an answer to your question.

Senator COOK—The government does acknowledge that the USTR has made a statement to the US Congress about what the US goals are in this negotiation, but we do not have a statement from our minister to our parliament about what the Australian goals are in this negotiation.

Senator Troeth—Again, that is a matter for the minister, and I will pass on your request for a statement on that to him.

Senator COOK—It might also be a matter for the parliament. I think you nodded yes to that, didn't you?

Senator Troeth—It may be a matter for the parliament, Senator.

Senator COOK—I have just about finished asking questions on the answers that have been provided but there was one answer that was provided on which I have a question. Mr Deady, on the last occasion that this was discussed, I was talking to you about it. This is the question that you took on notice:

Can the department provide a copy of a report entitled 'A US-Australia free trade zone? Issues for Australia's farmers', prepared by ACIL Consulting Ltd on behalf of the Rural Industries Research and Development Corporation?

The answer was:

No. The Department of Agriculture, Fisheries and Forestry has responsibility for this report.

Looking at the *Hansard* of the November hearings when this question came up, Senator Troeth, you were at the table representing the minister and you said you would see whether a report could be provided. I think we would both recollect the situation.

Senator Troeth—Yes, I do recollect it.

Senator COOK—Is it possible to provide that report?

Senator Troeth—I can refer outside this committee to the Department of Agriculture, Fisheries and Forestry estimates on Monday, which I attended as the minister. I recall that the officer responsible said that the report would be available if that estimates committee decided as a whole that it would be made available to that committee. I would need to check the *Hansard* from that committee, but that is my recollection of that response.

Senator COOK—I read that *Hansard* and I think that is a very accurate recollection.

Senator Troeth—That was the response, so it is up to that committee to decide what the response will be on that matter.

Senator COOK—I appreciate that. From my recollection of the officer's answer to Senator O'Brien, who I think asked the question, you have very accurately represented that response here. I took your answer back in November to be mean—you did not say this, but the implication I took was—that you would use your best officers to see whether one could be provided to this committee. Can one be provided to this committee?

Senator Troeth—As I understand it, that report is now in the hands of the committee of agriculture, fisheries and forestry.

Senator COOK—Is that a no, we cannot get one?

Senator Troeth—The report is now in the hands of that committee. A decision needs to be made by that committee as to what happens.

Senator COOK—This was the report entitled *A US-Australia free trade zone? Issues for Australia's farmers*. Is it true that ACIL changed the title to *A bridge too far*?

Senator Troeth—I cannot comment; I am not aware of the answer to that.

Senator COOK—Maybe Mr Deady can help us, because he is one of the referees.

Mr Deady—Yes. This report is still a draft report and I think that was reflected—

Senator COOK—Has the title been changed?

Mr Deady—The *A bridge too far?* was certainly included in the draft title of this report.

Senator COOK—You were going to add—

Mr Deady—Only that it is a draft. The working title of the draft document that I have seen is *A bridge too far?* I think there is also something in the full title about implications or issues for Australian agriculture from a free trade agreement with the United States, but certainly *A bridge too far?* is part of it.

Senator COOK—We are all interested in eye-catching titles that make us think, ‘What are they on about? Let’s have a read of it.’ But why have they changed it to a *A bridge too far?*

Mr Deady—I cannot answer that—it is ACIL’s report.

Senator COOK—Does that reflect the report—that they think it is a bridge too far?

Mr Deady—You would have to ask ACIL. It is their report. It is a draft report. I do not know why they changed the name to *A bridge too far?*

Senator COOK—Back in November you described this report as containing some ‘strange’ premises, I think.

Mr Deady—I said that I found some of the modelling strange, yes. I also said that I am not a modeller, but there are certain questions over the modelling and other aspects of the study that I raised as a referee of that report. As I understand it—and again reflecting the discussion in the estimates earlier in the week—RIRDC have now written to ACIL raising a number of issues and questions that they have over aspects of the report.

Senator COOK—This report was to come down in September, wasn’t it?

Mr Deady—Again, according to the web site that you mentioned last time, that may have been the draft or target date set by the contract. I do not know. Again, that is really an issue for RIRDC.

Senator COOK—We all agree that ACIL is a highly professional organisation?

Mr Deady—Yes.

Senator COOK—We are not questioning their professionalism or their expertise in this field?

Mr Deady—I have no reason to question their capabilities in this field, no.

Senator COOK—So what is the reason for the delay? We are now almost five months on.

Mr Deady—All I can say is that I was one of three referees. I had some reservations, concerns or questions about aspects of the report. I passed those on as part of the steering committee looking at this. They went to RIRDC. RIRDC have reflected on those as well as on the comments from other members of the steering committee and have now written to ACIL asking a number of questions, and there is nothing more I can add to that. That is as much as I know. It is nothing to do with me. There has not been a steering committee meeting since September.

Senator COOK—Have the issues that you have identified as being of concern to you been resolved?

Mr Deady—I have not seen the letter that RIRDC wrote, which would have incorporated my reservations, I assume, as well as the reservations of other members of the steering committee. I have not seen the letter that RIRDC has written to ACIL. I understand, in broad terms, that RIRDC has concerns over some aspects of the modelling results or at least documentation of the modelling, as well as certain aspects of some of the conclusions and whether or not they are supported by the analysis reflected in the study. They are the sorts of issues that I think they have taken up with ACIL.

Senator COOK—It sounds like things have not progressed since we last talked about this in November.

Mr Deady—I have not been involved since we spoke. There was a further draft I did see that was passed to me, I think, just before Christmas, which I provided some reactions to. But that draft, frankly, was essentially the same as the one I saw in September. That is the draft that is now the subject of discussion between RIRDC and ACIL.

Senator COOK—Do you know whether it is likely that, before negotiations commence on 17 March, this report can be made available publicly so that those interested in it, particularly the rural community, can be aware of what the analysis is here?

Mr Deady—I do not know whether that is a matter for ACIL and RIRDC.

Senator COOK—We agree that agriculture is a main part of these negotiations?

Mr Deady—Agriculture is a key aspect of the negotiations.

Senator COOK—And taxpayers' money is being spent on developing a report that is now, seemingly, unable to be resolved and released.

Mr Deady—Again, it is RIRDC that commissioned the study.

Senator COOK—I appreciate that it is RIRDC's report. I move now to the Australia-Singapore free trade agreement. Have we now committed to it finally?

Mr Deady—The Singapore-Australia free trade agreement is to be signed on Monday in Singapore by Mr Vaile and George Yo, the Singapore trade minister.

Senator COOK—So, that means that, when the minister's signature appears on the page, Australia is committed to that free trade agreement?

Mr Deady—That is the signing of the agreement. It will then be publicly released on Monday after the signing. It then gets tabled and put through the JSCOT processes for final ratification.

Senator COOK—When we sign it, though, are we committed to it, or are we committed to it with a caveat that we might want to come back and vary it?

Mr Deady—The negotiations are concluded with Singapore, there is no caveat that will come back and revisit the agreement. What the language talks about is that it will enter into force once the legislative or other procedures are completed for each of the two governments.

Senator COOK—But we do not have a reservation that we can come and reopen it if the JSCOT processes throw up some issues about which the government says, 'We overlooked that so we had better go and reopen it'? We have not got a reservation like that in there?

Mr Deady—No, Senator.

Senator COOK—So, what is signed on Monday will be it and it will then go to the joint treaties committee. The committee will examine it, the parliament will debate it and it will report. If it wants to vary it, it cannot be varied, can it, Mr Deady?

Mr Deady—I do not understand, Senator. It is a treaty that is being signed on Monday by the governments of Singapore and Australia. It then goes through the treaty process here. It is an agreement. It is a negotiation between the two governments that we have signed off on, yes.

Senator COOK—I guess that the question is to Senator Troeth. It is your unhappy responsibility, Senator, to be in the position of having to answer this. We cannot vary it, can we?

Mr Deady—I misheard you. No, we have signed off on the agreement.

Senator COOK—Maybe my articulation is bad. If it is, it is my fault, not yours. I admit ‘vary’; if you heard ‘bury’, I did not mean to say bury. We cannot vary it?

Mr Deady—We have reached a conclusion with Singapore. The government has looked at the agreement that came back from the conclusion of those negotiations, which we talked about last time. November was when the negotiations concluded. We went through the process of the legal vetting, that sort of technical work that I mentioned, last time. All that has been completed, and Singapore and Australia are very satisfied. The government has agreed that Mr Vaile can sign the treaty on Monday.

Senator COOK—Has anyone in Australia, outside the government, seen the full text?

Mr Deady—No-one outside the government has seen the full text. We have shared the text with state governments.

Senator COOK—State governments have seen the full text?

Mr Deady—Yes.

Senator COOK—All of them?

Mr Deady—Yes.

Senator COOK—But none of the industry organisations or unions that have a stake in this have seen the full text?

Mr Deady—They have not seen the full text, no. We would need the agreement of Singapore to release it before it was signed. The normal treaty process is not to release it until it is signed. That happens on Monday.

Senator COOK—In principle I am very strongly in favour of this. I do not know what the text is, so I do not know what the deal is and I cannot weight the value of the deal until we see the text. I am in the same position as every other Australian, apart from people at state government level. I assume people at state government level have it on a confidential basis?

Mr Deady—That is correct.

Senator COOK—They are not able to consult with their industry groups?

Mr Deady—No, not to share the text with industry.

Senator COOK—So they have it confidentially? It is contained within the governments of Australia.

Mr Deady—That is correct.

Senator COOK—The rest of us do not know what is involved in it and will not know until after it is concluded.

Mr Deady—I do not think it is fair to say that the rest of Australian industry and others do not know what is involved in the agreement, because a detailed description has been put out by the minister of what key elements and positive outcomes, from Australia's perspective, we have achieved from the negotiations. It also elaborates on the outcomes of the demands that Singapore was making of us in terms of the rules of origin and those other things. It is a very different question to say, 'Have they seen the final text?' The answer to that is no. Do they understand some of the key provisions and chapters? I believe that there is a very good understanding amongst Australian industry and others of the scope and nature of the commitments that we have undertaken as part of those negotiations and of the outcomes we have achieved, including in important areas such as legal services, education services and telecommunications. Industries certainly are well aware of the outcomes of the negotiations.

Senator COOK—From your earlier answer, they are not aware of the full text. They may be aware of what you have negotiated in their sector.

Mr Deady—Again, they are aware of the broad parameters and obligations contained in the agreement. For example, the manufacturing industry is well aware of the tariff concessions that we have made. They understand the rules of origin that will apply on imports coming in from Singapore. To the extent that they have an interest in other aspects such as standards, again, we have run through those various chapters and through the key obligations and commitments that are part of those agreements. They have not seen the legal text; that is the distinction I draw. There is a very clear understanding of the broad outcomes, and that is across the board. For example, there is a specific chapter on telecommunications which Australian industry were very interested in. There are also commitments in the services part of the agreement that refer to telecommunications services. So they have a sense of what the commitments are in those areas.

Senator COOK—From what you are saying, there will be consequential legislation going to the parliament because of this agreement.

Mr Deady—The area where legislative changes are required is in relation to the changes to the tariffs.

Senator COOK—Okay.

Mr Deady—Nothing is needed in the services. No other legislation is required other than the changes to customs law, due to the tariffs.

Senator COOK—That leads me back to you, Senator Troeth. As a consequence of this agreement, which none of us, including government backbenchers, know the detail of, we will be approaching the parliament to amend existing legislation. Did the government give any consideration to briefing, for example, the Joint Standing Committee on Foreign Affairs, Defence and Trade on what legislative change it would seek from the parliament before it concluded an agreement that will require legislative change by the parliament? That is a question to take on notice. You may wish to answer it now, but I am happy if you want to take it on notice.

Senator Troeth—Yes, I will do that.

Senator COOK—That is question 1. Question 2 is to the government. What if, for example, the Senate declines to amend domestic law, consistent with this treaty? What is the government's response in that situation? I am not suggesting that the Senate would decline. I am strongly in favour of this treaty. I do not know what that fine print says, but it is always

possible that some element of it may offend the sensitivities of the Senate. What then does the government do about this treaty?

Senator Troeth—At present that would be a hypothetical situation. I expect the government would consider its position when that time came, but I cannot comment on what at present is a hypothetical situation.

Senator COOK—Does our negotiating partner Singapore know of the possibility of such an event? Have they entered into this agreement knowing that the government requires parliamentary approval to amend legislation consequent upon the reaching of this agreement? Do they know that?

Mr Deady—Yes, they fully understand our processes and procedures on it.

Senator COOK—So they have entered into this with their eyes wide open?

Mr Deady—Absolutely.

Senator COOK—I would hate Australia's reputation as a negotiator—

Mr Deady—No, there is no question about that. It is explicit in the agreement.

Senator COOK—That is good. Access Economics has done a paper on the cost and benefits of a free trade agreement with Singapore, prepared for the Department of Foreign Affairs and Trade. The executive summary says:

An FTA—

with Singapore—

which succeeded in reducing substantially the restrictions currently facing Australian services exporters could lead to potential benefits in the financial services sector of between \$8-20 million per year (with the maximum possible being around an additional \$60 million per year) and around \$50 million per year in additional education services exports.

Have we achieved that goal, Mr Deady, with this agreement?

Mr Deady—I think we have achieved a very substantial outcome on the services area of the negotiations with Singapore.

Senator COOK—Closer to \$8 million or to \$20 million?

Mr Deady—Again that will depend on, I suppose, the response of Australian industry to the opportunities that we think have been opened up. As far as improving the opportunities for Australian service providers in those sectors in particular is concerned, I think there is a very substantial outcome from the negotiations. The opportunities are there to take advantage of that growth, yes.

Senator COOK—This paper was prepared for you, I think, leading into the negotiations, as a quite reasonable part of your preparation, as to what the benefits of such a negotiation might be. Now that you have concluded the negotiations and evaluated what has been obtained, what can you tell us is the value to Australian services exporters of this package?

Mr Deady—We have not yet done any further specific modelling or analytical work on those sorts of numbers.

Senator COOK—But you must have made an evaluation, when you completed this deal, of what it means, what the likely outcome is. This is presented to the cabinet for endorsement and approval to sign. I expect the minister is going to tell us on Monday what he thinks is the value of it. I am just asking you what you think the value is.

Mr Deady—I have got no reason to question the numbers that Access Economics have identified there. They identified services in the education area, in financial services, particular areas of other services—

Senator COOK—In financial services they gave us a range, \$8 million to \$20 million. Which end of the spectrum does it come out at?

Mr Deady—I cannot give a specific answer to that. I think that is the range. It is indicative, it is an order of magnitude. All modelling work is indicative, giving orders of magnitude, and I think it is only fair to say that that is the sort of outcome that we have obtained—\$10 million to \$20 million per year of additional exports in financial services. That is the sort of outcome that we have generated from the improvements in access opportunities that we have identified. But I cannot say it is \$15 million or whatever.

Senator COOK—You cannot say because you do not know. It is just a range. Is that it?

Mr Deady—That is right.

Senator COOK—They say here ‘around \$50 million per year in additional education services exports’. Did we score the \$50 million?

Mr Deady—Again, I cannot comment on the numbers. The outcome on education services was a very strong one. It goes well beyond the commitments that Singapore has already made in its GATS commitments. We had specific outcomes on the law schools, which were a particular high priority for us. We got very good results there: we doubled the number of law schools, from four to eight, recognised by the government of Singapore. That is a substantial outcome.

Senator COOK—It is a substantial outcome. So we reckon we are in the ballpark for \$50 million in additional education services exports?

Mr Deady—We are very confident that the outcome we have got from the Singapore deal achieved the sorts of objectives we had for improving market access in those particular service industries—yes, very clearly.

Senator COOK—How would you quantify overall the benefit of this FTA for Australia?

Mr Deady—I have no reason to question the analysis by Access Economics. That study was very much a qualitative assessment—they went and talked to service industry providers about what they saw were the gains they could obtain from the Singapore market from improved access, greater transparency and more certainty. And they are the results we have delivered as part of those agreements, so I believe those sorts of numbers very much reflect the outcome we have achieved.

Senator COOK—Okay. A substantial part of this is obviously services. Singapore has a services economy; so has Australia. Does this pre-empt our negotiation in GATS? Do we have nothing more to do with Singapore as far as the GATS negotiations are concerned—it is all done bilaterally?

Mr Deady—In my view, this agreement goes well beyond what could be achieved in negotiations with Singapore under the GATS. This is a negative list with Singapore in terms of services, which in itself is a leap beyond the positive list under the GATS. I do not believe there is any likelihood in the short term of the GATS shifting to a negative list approach. So we have gone well beyond the likely commitments Singapore would be prepared to make on an MFN basis as part of this arrangement—they have gone beyond what they did in the GATS. We have also, in my view, very clearly achieved results beyond where Singapore was

prepared to go in its bilateral negotiations with Japan and New Zealand. So we have achieved a large number of the service market access gains that we are looking for with Singapore.

It is an ongoing process. The bilateral agreement itself provides for further negotiations and further improvements in the package. That is a very important aspect that should be recognised. If these things are to be successful—and I think the Singapore one will be—they do have a dynamic, an ongoing process. We have an annual review and we have already got a list of things on both sides that we want to take up and press further. Just as these negotiations allowed us to press ahead and achieve outcomes more quickly than I think we could have in Geneva, the bilateral route and bilateral agreement with Singapore allows us to continue that process. But if Singapore does make a concession in Geneva in the GATS area that it puts on its positive list and that goes beyond where we have got with them bilaterally, then we benefit from that as part of the multilateral processes.

Senator COOK—I understand the dynamic. You said what we have achieved here—and I took these words down but I just want to check if they are accurate—is ‘beyond what they did in the GATS’.

Mr Deady—Yes.

Senator COOK—They have not done it yet in the GATS, have they, as far as the Doha Round is concerned?

Mr Deady—No. I mean the existing commitments.

Senator COOK—So you mean beyond the existing commitments.

Mr Deady—Yes.

Senator COOK—The Doha Round is ongoing and is some time from concluding. When I asked you: ‘Does this pre-empt GATS?’ what I meant was: do the bilaterals we are having with Singapore in the Doha Round negotiations mean that there is no need now to have further bilaterals with Singapore?

Mr Deady—I do not believe we would be pursuing Singapore directly in GATS requests because we have achieved a number of those outcomes in the bilateral negotiations. We will continue to watch those negotiations in the GATS with Singapore and others as they proceed.

Senator COOK—So if, for example, Singapore agrees to a request by someone else in the Doha Round negotiations which we think would improve our position we will go back into it?

Mr Deady—If they do anything that goes beyond where we got bilaterally on an MFN basis, we gain—we pick that up.

Senator COOK—Of course.

Mr Deady—So we will be watching those negotiations. Singapore is an important trading partner. Specifically, we would achieve to a very large extent our services access request with Singapore. As I said, we now have an additional process that allows us to continue negotiations with Singapore down the track. I know this sounds arcane, but this negative list is a very significant outcome in terms of the commitments it delivers, the liberalising nature of it and the transparency that it provides.

Mr Gosper—We have made requests of Singapore as part of the GATS process. They were part of our initial request. We will now evaluate them in light of the outcome of this FTA agreement. We will have the opportunity over the course of the negotiations—three years—to continue to talk to Singapore, including of course to reflect on the experience of our services exporters as the implementation of commitments proceeds under the FTA. Of course, what

Singapore negotiates with others—one of the basic commitments of the GATS being MFN—will be extended to others. But there may well be further areas where we will be looking for specific GATS commitments.

Senator COOK—Would it be fair to characterise this as an early harvest of the GATS negotiations insofar as Singapore is concerned?

Mr Gosper—As Mr Deady has commented, there is a very important aspect of this negotiation, because a negative list approach is inherently more transparent, which is very important in the services sector, and that is not something in the short or probably the long term that we could hope for in GATS negotiations. We are already very well placed in terms of these negotiations. Whether we can improve on that will depend very much, of course, on specific issues which are identified by our services exporters over the course of the round.

Senator COOK—Thank you very much, Mr Gosper. I have one final question on the Singapore FTA. This is probably a question to you, Senator. Does the government intend to make a statement to the Australian parliament on the Singapore FTA and enable the parliament to debate the statement?

Senator Troeth—I repeat my answer to you on an earlier matter that you raised. That would be a matter for the minister to decide. I will pass on to him the fact that you have made that comment and he will consider his answer.

Senator COOK—That I have asked that question.

Senator Troeth—Yes, that you have asked the question.

Senator COOK—I note then—and you might draw this to the minister's attention as well—that as a consequence of the executive wing of government concluding under the Constitution an international agreement, as they have the power to do, the parliament is required to amend legislation. But the parliament has not been briefed on what the government at the executive level has concluded, and the government is therefore assuming that parliament will fall into line. The observation I make is that it would be a very wise government indeed that briefed the parliament in order to encourage it to fall into line rather than assume it will.

Senator Troeth—I will draw to his attention the fact that you have made that observation.

Senator COOK—Thank you. I have one last question on the answers to questions that I put on notice. The topic of question 11 was the Australia-US free trade agreement: trade deficit with the United States—*Hansard*, page 134. I asked:

According to the study *Economics impacts of an Australia-United States free trade area* prepared by the Centre for International Economics, in money terms will Australia's trade deficit with the United States widen or narrow?

I got the answers in writing on Tuesday of this week—this question was asked on 27 November—so I think the officers will be familiar with the answer they provided to me this week. The answer is too long to be read into *Hansard*, but I will be happy to read it in if there is any doubt about it.

With due respect to the government, it appears to me that they have not actually answered the question. They have provided some analysis of what the Centre for International Economics said in its report, and that analysis, as far as it goes, is consistent with what the centre said. But my question, which I repeat now, is: in money terms, will Australia's trade deficit with the United States widen or narrow? The question of whether it will widen can be

answered yes or no. According to these projections, it will or it will not. Can someone answer that question for me?

CHAIR—Before the question gets answered, Senator Cook, I welcome, on the public record, a group of 35 officers from the French Centre for Higher Military Studies, visiting the Australian parliament this day under the leadership of Lieutenant General Jean-Francois Louvion. I hope you enjoy your stay in Australia and particularly in the parliament.

Senator COOK—Bonjour, gentlemen.

Mr Deady—Senator, the answer we provided to the question on notice is really as far as I can go on this. In that answer we try to say that the CIE study does not look at the bilateral trade balance between Australia and the United States that will emerge, or may emerge, from the negotiations. The analysis looks at the impact of full liberalisation on exports and imports and changes in Australia's overall current account, and that result is a positive outcome for Australia as a result of the FTA with the United States. So the current account deficit reduces as a result of the FTA with the United States. That does not say—I cannot say, and certainly on the basis of the study we cannot say—that the deficit with the United States necessarily shrinks. It could well be that it is the overall competitive gains that Australia gets from the outcome of the negotiations that lead to higher exports to other countries. I don't know. All I can say is that that is what the study looked out and that is what the modelling result shows. That is as far as we can go in answering that question.

Senator COOK—We went through this in November, and we will probably run around the same shrubbery again if we go into the matter again. But I put it to you, Senator, that yesterday the government brought down its foreign affairs, defence and trade white paper, in which it said—I will come to this a little later—that our biggest trading relationship is with the United States. Last November we talked about this. Our biggest trading relationship is with the European Union, but the government chooses to overlook the existence of the European Union and disaggregate the union into its national entities. One could argue whether that is right or wrong, but when you come to the question of our biggest trading relationship being with the United States, that is true only if you count the fact that our biggest deficit with any country is with the United States. And the government is now declining to answer the question of whether a free trade agreement between Australia and the United States will widen that deficit. It is a relevant fact and the answer to that question is yes, it will. The fact that you are declining to answer it probably supports my thesis.

Mr Deady—I cannot add anything more, but you yourself said this morning that it is the overall current account balance that is the critical thing. That is what the modelling looked at, and the result there is that our overall balance on external account improves as a result of the negotiations for full liberalisation with the United States. I think that is a significant finding, a positive outcome and a substantial one. It is that overall balance, not the bilateral balances—

Senator COOK—Yes, it is not the bilateral balance.

Mr Deady—It is not the bilateral balances that matter. They reflect the competitiveness, the relative demands. With respect to so much of those imports from the United States, we import them because we need them and use them.

Senator COOK—I know; it is the overall bottom line. But the overall bottom line is that of a record deficit right now. We are launching off onto this negotiation with the United States when the government's own figures show, I believe, that it will widen that deficit. There is no point in us debating it, Mr Deady. You are not really in a position to debate it with me. It is between Senator Troeth and me, really.

Dr Raby—You are saying the overall bottom line—that is, the overall trade balance in Australia—is in deficit. We all know that the trade balance is a function of macroeconomic policy. I think our colleagues in Treasury would be best equipped to answer questions on the overall trade balance.

Senator COOK—I think that is right, but these are the department of trade estimates and I happen to know, Dr Raby, that there is considerable economic ability in the department of trade. I have great regard and respect for that economic ability. It is this department that negotiates trade agreements and a relevant consideration—one of several; I am not saying it is the only one—is: does our deficit worsen or not? I would be grateful if the government would answer yes or no to that question, but it will not. I do not see any purpose in continuing to argue with Mr Deady about it. He has his responsibilities and he cannot go any further than that. I respect Mr Deady's position. But I do not accept the argument—if this is the argument that is being put to me—that the department of trade cannot answer questions on deficits and the effect of trade policy on the health of the overall economy. I do not think that is what you were saying. I do not think you were saying that the only department I can talk to about that is the Department of the Treasury, but if that was what you were saying, I would have to indicate that I do not agree.

This is not a question that I put on notice at the last estimates; this is a question that my colleague the shadow minister for trade, Dr Emerson, put on notice on 11 December and for which he has now received an answer. The first question he asked was:

How much of the estimated \$4 billion benefit from a free trade agreement with the United States comes from Australia unilaterally removing its own trade barriers?

The answer was:

The econometric analysis commissioned from the Centre for International Economics (CIE) by the Department of Foreign Affairs and Trade does not apportion the increase to GDP contributed respectively, by the elimination of Australian tariffs and other barriers. The Department of Foreign Affairs and Trade has been advised by CIE that the results in the study do not provide a basis for determining that amount.

Do I understand that answer to be that the results in the study do not provide the basis for determining the amount and what they are referring to then—that is, how much of the estimated \$4 billion results from unilaterally removing our own trade barriers? Is that what they are saying?

Mr Deady—Yes, Senator.

Senator COOK—Are they also saying that they cannot authenticate that there is a \$4 billion benefit, because they do not say anywhere in the report that the benefit of this is \$4 billion?

Mr Deady—It is very clear: they say that there will be \$US2 billion benefit—an increase in GDP—after 10 years with full liberalisation. That is in the study; that is very clear. We went back to the CIE and said, 'Can you breakdown that \$US2 billion between the unilateral liberalisation and the outcomes of the negotiations?' And that was the answer that we received, as we have provided. The modelling cannot say what proportion of that \$US2 billion or \$A4 billion is divided between domestic liberalisation and the improvements in access to United States as a result of the FTA. It does not question the \$US2 billion—\$A4 billion—though, I believe.

Senator COOK—It does not question it?

Mr Deady—No.

Senator COOK—So it does not answer it and it does not not answer it. This \$4 billion is a government figure?

Mr Deady—It is the result of the modelling.

Senator COOK—It is a projection from the modelling?

Mr Deady—Yes, that is right.

Senator COOK—It is not in the modelling?

Mr Deady—It is a projection from the modelling; that is right.

Senator COOK—Someone has come along after the report has been delivered and done some sums and arrived at \$4 billion?

Mr Deady—No, I do not believe that. That is the number generated by the model.

Senator COOK—I will ask you to show me where it is in the model. Please take that on notice.

Mr Deady—Yes, we will. We certainly can do that.

Senator COOK—The second question of Mr Emerson is: will tariffs for Australia's automotive industry be discussed as part of the negotiations for a free trade agreement? The answer is:

It is expected that the agreement will be comprehensive in its coverage of trade in goods—

I am sure you know this answer backwards—

which would mean that reductions in automotive tariffs in both countries could be considered as part of the negotiations. The broad US negotiating objectives set out by US Trade Representative Zoellick in his letter to Congress of 13 November 2002 states that the US would seek to eliminate tariffs and other duties and charges on trade between Australia and the United States on the broadest possible basis, subject to reasonable adjustment periods for import-sensitive products.

I take that answer as: yes, it is part of the negotiations and the government is not ruling it in and not ruling it out, consistent with the general principle we discussed earlier. I notice you shook your head. Is that an affirmative?

Mr Deady—Yes.

Proceedings suspended from 10.32 a.m. to 10.50 a.m.

Senator COOK—Prior to the suspension, I was asking a question on the answer provided to Mr Emerson about car tariffs. Can I be assured that the government has consulted with the automotive industry, that is the manufacturers and the component part suppliers, on the Australia-US FTA and that they are aware that the issue of automotive tariffs is on the table for these negotiations?

Mr Deady—Yes, we have consulted with both the automotive parts manufacturers and the car companies. They understand the comprehensive nature of the negotiations. Those consultations are ongoing.

Senator COOK—I asked the question in a generic way about the automotive manufacturers and you answered in that way. Does that include the Japanese manufacturers Toyota and Mitsubishi?

Mr Deady—Yes, Senator.

Senator COOK—So they are aware of that too?

Mr Deady—Yes.

Senator COOK—Has the question of the Nara treaty, the treaty between Australia and Japan, been raised in connection with this issue?

Mr Deady—In relation to the automotive tariffs?

Senator COOK—Yes.

Mr Deady—No.

Senator COOK—My recollection of that treaty is that it is a treaty between Australia and Japan in which one of the clauses—I think it is subclause (11)—says *inter alia* that the contracting parties to the treaty commit to a benefit to a third party if it is not enjoyed by each other. In other words, if Australia extends a benefit to a third party that is not enjoyed by Japan then, as a consequence of the treaty, they will extend it to Japan. If I am right, would that suggest that if we agree in a free trade agreement with the United States to any change to automotive protection, we would be obliged to extend that same change or reduction in automotive protection to our Japanese trading partners as well?

Mr Brown—There is a provision in Nara—article 9—which is along the lines that you have just described but it is a far more narrow obligation. Although this is a matter of debate, it is essentially a commitment that is limited to those services and investment issues not covered by the GATS. There was a bilateral MFN obligation enshrined in the original basic treaty between Australia and Japan from the fifties, and there is something very similar within the Nara treaty, covering services and investment. However, the provisions in those treaties make it clear that GATT WTO obligations, including under the GATS, supersede that MFN obligation in respect of goods and services covered by the WTO including the GATS rules. The residual MFN obligation contained in Nara is, in our view—and Japan may have a different interpretation—limited to those aspects of the services and investment sector which are not covered or outside the scope of the GATS. Under our interpretation of the basic treaty and the Nara treaty, it would not extend to automotive tariffs in any shape or form.

Senator COOK—I see. Thank you very much, Mr Brown. I will be very interested to go back and look at clause 9—not that I in the slightest query your explanation. Back in the heady days we regarded Japan as our major trading partner. The headline of this treaty is about closer economic and cultural relations between Australia and Japan, and a need as friends to keep each other informed of what we are doing on trade and economic issues. You are nodding in the affirmative. So it is possible that our Japanese friends might wish to raise issues where their manufacturers are disadvantaged in our market as a consequence of a major deal like this. My point is that they would be competent, under that treaty, to do so. They may not even need a treaty; they may just do it.

Mr Brown—I do not think there is any requirement for a treaty level obligation for Japan to raise those kinds of concerns and issues with us. You are absolutely correct in your description of the Nara treaty obligation. It is designed to enhance relations across the board between the two countries. It is implicit in that that there is a commitment by both Australia and Japan to go as far as the two countries wish to go in strengthening economic relations. There is an interest in the implications for the relationship of preferential FTAs being negotiated by both sides. That is part and parcel of the normal trade and investment dialogue between the two governments.

Senator COOK—Thank you very much. I have some questions now on a couple of other matters. I can indicate up front that most of my questions that will follow will be on the white paper, the round and the Australia-US FTA. I have a couple of questions that I would like to dispose of fairly quickly. One of them is about the GMO issue. In mid-2002, Monsanto and

Bayer Australia applied to the Office of the Gene Technology Regulator to approve the commercial release of genetically modified canola during the 2003 season. Under the regulations, the regulator has just 170 business days to consider these applications, which were originally due for response in February this year. On 8 November—my birthday!—last year, the gene regulator stopped the clock on these applications. It is not clear under what regulation that was done or how long this delay in assessing the applications can be allowed. But this is about the issue of the application by Monsanto and Bayer. Let me acknowledge up front that this may not be a matter that is capable of being answered on the trot and may have to be taken on notice. I think that the value of canola exports to Australia is of the order of \$638 million. The value of organic, biodynamic and fibre products is an extra \$50 million. The issue here is: if our trading partners insist on non-GM canola and Australia is unable to establish a cost-effective regime for separating GM from non-GM canola to the satisfaction of our trading partners, then what happens to our export market?

The question for DFAT is: have DFAT had any discussions with our trading partners—who are principally Japan, China, the EU and the subcontinent of Pakistan, India and Bangladesh—about what their expectations on GM regulations will be? The point of this question is that whatever we do domestically is fine but if that does not suit our customers maybe it is not fine. Have we had any discussions with the countries to whom we potentially sell GM canola about their domestic regulations? Has Trade done that?

Mr Gosper—I will have to take that on notice. I am not aware of specific discussions with the other countries you mentioned at government level on these issues involving the Department of Foreign Affairs and Trade. I will take that on notice and come back to you.

Senator COOK—Thank you very much, Mr Gosper. On trade to the Middle East, I am interested—and let me betray my hand up front—in seeing whether any assessment has been done of the likely impact on trade to the Middle East of a possible war with Iraq in which Australia might participate. Has any consideration been given by the department to the impact of such a prospect on trade?

Mr Warner—This is a speculative question. It is an issue we give some thought to but not, for obvious reasons, at this stage in any detail.

Senator COOK—Is it true that Australia's exports to the Middle East fell in 2002?

Mr Warner—Yes, it is.

Senator COOK—By how much?

Ms Owen—The figures fell by about \$700 million over those for the previous year. They then picked up subsequently in September last year.

Senator COOK—So are they back to normal or are they still below those for the previous year?

Ms Owen—They rose again in the three months to the end of last year. Yes, they are back to normal.

Senator COOK—I am trying to understand this. I thought you said that they fell by between \$600 million and \$700 million. Against what period did they fall?

Ms Owen—From the previous year.

Senator COOK—So for the 2002 calendar year versus the 2001 calendar year our trade to the Middle East fell by \$600 million to \$700 million?

Mr Cuddihy—There was a drop, as you have identified, of about seven or eight per cent in our exports in the 2002 calendar year. The figures are preliminary, so they will be revised, but we think there will be a drop. If you look at the pattern of exports through the year, there was very strong growth in the first six months that began to taper off mid-year. It has now begun to turn around a bit. You ask about exports to the Middle East being back to normal. They have grown very strongly over the last few years. In 2002 as a whole they were still about 26 per cent above the level in the year 2000, so what you are probably seeing is a reversion to a slightly slower growth pattern but still one which we find very encouraging.

Senator COOK—Okay, but I want to get the numbers right to begin with. If I understand correctly, when calendar 2002 is compared to calendar 2001, the value of our exports to the Middle East fell by between \$600 million and \$700 million, or by seven to eight per cent. Is that what I am to understand from what has been said?

Mr Cuddihy—That is correct.

Senator COOK—So that is what the raw figures showed?

Mr Cuddihy—Correct.

Senator COOK—Then you have added a commentary to say that the trendline in the latter half of calendar 2002—and here is where I am a little confused—is back to what it was in 2001 or is growing at a slower rate, but that it is still growing. How do you describe the trend?

Mr Cuddihy—The trend of growth over, say, the last five years has been quite strong. There seemed to be a peaking of that growth in the first half of 2002; there was a bit of an easing off. But the figures for the last three months of the year show a resumption of growth, albeit at a slightly slower rate: an annual rate of maybe nine to 10 per cent. I think average growth over the last few years has been about 13 per cent.

Senator COOK—But last calendar year it fell by between seven and eight per cent.

Mr Cuddihy—Maybe eight or nine per cent. It was down about \$700 million from a figure of \$7.7 billion.

Senator COOK—I should put this in a proper framework: which countries are we talking about when we say the Middle East?

Mr Cuddihy—It includes the countries of the Gulf region, the peninsula, Iran, the Levant—Lebanon, Israel, the Palestinian Territories, Jordan and Syria—and certain countries in North Africa.

Senator COOK—It includes Iraq, of course?

Mr Cuddihy—I am sorry, of course it includes Iraq.

Senator COOK—What are the certain countries in North Africa? Morocco?

Mr Cuddihy—Egypt.

Senator COOK—You may provide the full list on notice but, for that brace of countries, the figures you are giving me are the trade performance.

Mr Cuddihy—Correct. The merchandise trade performance.

Senator COOK—What is the reason for the dip last year of between eight and nine per cent in our trade performance?

Mr Cuddihy—There are a number of reasons. Our biggest market in the region is Saudi Arabia, and it produced pretty anaemic economic growth last year. I think the figures for the

2002 calendar year are not yet available. Most people are seeing growth of less than one per cent in the Saudi economy in real terms.

Senator COOK—What are we saying—that we lost market share in a slack economy in Saudi Arabia?

Mr Cuddihy—It is difficult to say whether we have lost market share. It is possible that we have lost a little bit of market share.

Senator COOK—All I am going to is that if there had been no growth in Saudi Arabia and we had held market share then our export figures would have been the same.

Mr Cuddihy—Correct.

Senator COOK—But our export figures went south.

Mr Cuddihy—Yes.

Senator COOK—There was one per cent growth in Saudi Arabia so the growth factor in Saudi Arabia is not relevant to the reasons why the figures went south. I am just trying to understand what you are putting to me.

Mr Cuddihy—Certainly, in selling into a market that is essentially flat, there is a limit to how much you can increase your sales.

Senator COOK—Sure. But we are looking at an eight to nine per cent dip and I am really just asking the question: what are the reasons for it? Saudi is one, in the terms that you have put. Are there any other reasons?

Mr Cuddihy—It is probably best to look at it in terms of commodities, how they have performed. The fall in our merchandise exports in the Middle East is more than accounted for by declines in exports of gold, motor vehicles and wheat. In the case of gold, it is very hard to analyse the gold market. A lot of gold is sold from Australia to, say, Singapore, from where it is then purchased from brokers or it is sold to places like Zurich, which is another big gold trading centre. In my experience of analysing gold exports, they tend to chop around a fair bit. People might be buying directly from the Perth mint, or they might go to Singapore if Singapore is trying to be a bit more competitive and cut its fees or something.

Senator COOK—But if we are talking about trade to the Middle East, we are not talking about what gold the Middle East buys out of Singapore, are we? We are talking about direct exports.

Mr Cuddihy—That is correct, although in the case of gold our gold exports can often go indirectly to the Middle East through Singapore or Switzerland.

Senator COOK—So if we sell gold in Singapore and Switzerland and that ends up in the Middle East, do we count that as an export to the Middle East?

Mr Cuddihy—No. It would show up as an export to Singapore or Switzerland.

Senator COOK—And it would not affect these eight to nine per cent figures, would it?

Mr Cuddihy—To the extent that our exports of gold have fallen, it is hard for us to say whether the demand for gold in the Middle East has fallen and that explains the drop. As to whether Australian gold is less competitive, gold has a world price but people will still offer discounts for bulk amounts.

Senator COOK—I am just trying to work out the simple answer to the question. You have told us that in calendar 2002 our exports to the Middle East—that brace of countries we have referred to—fell by between eight and nine per cent.

Mr Cuddihy—Correct.

Senator COOK—If they buy less gold from Switzerland, irrespective of the point of origin of that gold, that does not explain why our figures are down eight to nine per cent, does it? All I want to know is: what explanation do you have for why our figures have fallen by that amount? I do not see the connection. I understand a bit about the gold market, but I do not understand that part of your answer which relates to entree trading through Singapore or Switzerland.

Mr Warner—Perhaps I could come in here. It may well be that gold that was being sold directly to Saudi Arabia, let us say for argument's sake, is now being sold via Singapore—to Singapore and on to Saudi Arabia—and therefore a decline in Australian exports of gold is showing.

Senator COOK—So, in effect, we are exporting the same amount of gold?

Mr Cuddihy—It may be.

Dr Raby—I think the point that is trying to be made is just the simple one that gold exports jump around, in terms of destination, from year to year. They might go direct one year to Saudi Arabia; they might go via Singapore or Switzerland another year; I think Mr Cuddihy was saying that margins change in different centres. So it is just a number that jumps around. It does not necessarily mean that overall volumes have changed. It is just that the destinations, from one year to the next, change because the exports jump around, depending on destination as recorded in the statistics.

Senator COOK—All of these answers are saying 'may' be the case. Does the explanation that we have just had explain the eight to nine per cent reduction, do you think, or not?

Mr Cuddihy—That accounts for approximately \$260 million of the \$700 million decline. Another large part of the decline was in exports of passenger motor vehicles. That was a decline of approximately \$150 million. There was a decline in the large item known as confidential items. It went down about \$400 million.

Senator COOK—That is wheat, is it?

Mr Cuddihy—Wheat is a large part of that, but it includes things such as alumina and possibly some other commodities—rice and barley I think are regarded as confidential. So it is very hard to analyse that accurately.

Senator COOK—That is \$400 million?

Mr Cuddihy—Approximately \$400 million, correct.

Senator COOK—We are getting into the ballpark now of the figures you talked about. That goes to which items declined, and my question was why they declined. You have given an explanation on gold—although, as I heard that explanation, it is that this 'may' be the case, and if you have got any certainty that it is the case I would be interested to clear up where that 'may' is. But my question is why. Is there some reason why, to take the largest item here, the confidential items, we lost \$400 million?

Mr Cuddihy—We think part of it is wheat.

Senator COOK—That is the wheat exports to Iraq, is it?

Mr Cuddihy—In part. We have also lost wheat exports to Egypt as a result of US subsidies.

Senator COOK—We are not subsidising?

Mr Cuddihy—No. That is correct.

Senator COOK—They subsidised us out of our market in Egypt?

Mr Cuddihy—Out of a part of our market, certainly.

Senator COOK—A friendly act!

Mr Cuddihy—If you look at the figures more broadly, you see that manufactures exports, excluding motor vehicles, have done very well. The declines are mostly seen in primary products, and without doing more research I am wondering if there has been an impact of the drought here perhaps reducing export availability.

Senator COOK—Have you given any thought to whether security issues in the Middle East have affected our trade?

Mr Cuddihy—We have given a lot of thought to that. We are constantly monitoring the security situation. We have talked to people who trade with the region to get their sense of it and we have not detected any real evidence that that has been a factor.

Senator COOK—But it is patently the case with Iraq, so it is a factor there, isn't it?

Mr Warner—No, it is not 'patently' at all. The Iraqis had a very good wheat harvest in mid-2002 and that could well explain the reduction in Australian wheat sales.

Senator COOK—Is that so? I thought the Iraqis had threatened Australia that they would halve the purchase of Australian wheat and the result is that they have halved it.

Mr Warner—There were press comments to that extent, yes.

Senator COOK—They said that in the media and the result is that our exports have been halved.

Ms Owen—It may have been that they could afford to halve the imports of Australian wheat because they had had a good harvest themselves.

Mr Cuddihy—We are not sure that they have actually replaced that wheat with wheat from other origins.

Senator COOK—I see.

Ms Owen—In relation to motor vehicles, there was a changeover in the model of the kind of cars that we export and that caused some delay in getting them on the ground, so that caused a drop-off which may, therefore, explain why the figures have gone back up again now that we have got over that disruption to the trade.

Senator COOK—Do you know whether the wheat they would have imported from Australia—had the contract continued normally, which it did not on this occasion—was substituted and is entirely explained by a better harvest in Iraq?

Ms Owen—I am sorry. I do not know the exact figures for the Iraqi wheat harvest this year.

Mr Cuddihy—We have seen some figures on that. The Iraqi wheat harvest—and you have to take these figures with a grain of salt—

Senator COOK—Take our wheat with some salt!

Mr Cuddihy—Exactly. It has increased strongly, possibly by at least half a million tonnes of wheat last year, which was the amount they said they cut our orders from last year. To me that is just a little bit too exact, but certainly we know that their wheat harvest was up strongly. I have seen estimates of a 500 million tonne increase.

Senator COOK—I do not know what these figures mean. Does that mean that, if they have a 500 million tonne harvest, the drop in Australian wheat exports is entirely accounted for by that volume of harvest?

Mr Cuddihy—You could draw that conclusion, although you also have to take into account, I think, stock movements within Iraq. If their stocks had run down, even though their harvest had increased, they could require more wheat. I have looked at the published data on Iraqi wheat stocks and they do not seem to make sense. I think there are clearly data problems in the data published, say, by the International Grains Council, which is what we rely on.

Senator COOK—Maybe we should get you, as part of a UN inspection team, to see what the silos contain!

Mr Cuddihy—Or the U2 planes might be able to get a bit of a sense!

Senator COOK—If I understand it from what you are saying, when Iraq said to the Australian wheat producers, ‘If Australia is part of a coalition prepared to make war on Iraq, we will cut your exports by half,’ that just covered the fact that it was going to happen anyway because they had a better harvest. Is that the conclusion one should draw?

Mr Cuddihy—We think there is a chance that they have tried to extract political capital from the fact that their wheat import requirement had fallen.

Senator COOK—That is a very temperately expressed view, thank you.

CHAIR—Has there been any indication that they might pay for the wheat that they have not paid for since before the Gulf War?

Mr Cuddihy—Under the UN sanctions they effectively cannot pay for it. They are allowed to make payments only for commodity imports. There is no provision for them to make debt repayments, except through a very narrow channel known as the UN Compensation Commission. Debt repayments existing prior to the start of the Gulf War have been excluded from that particular process. We always remain hopeful that that debt will be repaid but under the current sanctions environment it effectively cannot be repaid.

CHAIR—That is very interesting. Is that known publicly? Is that something we would have known about when the food for oil arrangements were set in place in the early 1990s?

Mr Warner—It was very much in the public domain, Senator.

Senator COOK—We voted for the sanctions so we obviously voted for a proposition that meant that they could not repay our debt.

Mr Cuddihy—The sanctions were introduced by the Security Council, of which we are not a member.

Senator COOK—Okay. We supported them.

Mr Cuddihy—We certainly support them. We support their aim of removing weapons of mass destruction from Iraq.

Senator COOK—We understand that when we support that we are supporting a proposition which means we cannot get debt repayment for what they already owe us.

Mr Cuddihy—Yes, I think it is correct to say that.

Senator COOK—Have we done any projections on what the impact on our export market in the Middle East would be if there is a war in Iraq?

Mr Warner—No, we have not.

Senator COOK—Have we done any analysis of what the impact on our trade relations with Asia would be if there is action in Iraq in which Australia is a key player?

Mr Warner—I do not think we are in the right area to answer that question.

Senator COOK—Can someone from the correct area answer it?

Mr Hillman—As part of prudent contingency thinking we have done some assessments of the impact on the global economy and the Australian economy and trade at a general level of a possible, hypothetical conflict in Iraq in the context of briefing ministers.

Senator COOK—What does it say?

Mr Hillman—It was in the context of briefing ministers.

Senator COOK—You are telling me you cannot tell me?

Mr Hillman—Yes.

Senator COOK—In that work that you did, what assumption did you make about the price of oil?

Mr Hillman—That really goes to the substance of the analysis and the assessment and I could not answer that.

Senator COOK—Could you tell me whether you had the price of oil go up or down?

Mr Hillman—That also goes to the substance of the briefing to ministers, Senator.

Senator COOK—Okay. Has the department made an assessment of what Australia's trade relationship would be or what the trade elements would be of a post-war reconstruction period in Iraq?

Mr Warner—No.

Senator COOK—We did do such work in the case of Timor, didn't we?

Mr Warner—Sorry, Senator, I cannot answer that question.

Senator COOK—Then I am asking the wrong person. Dr Raby or Mr Gosper, you may remember. In the case of Timor the department mounted some special effort to get Australian industry in there to help in the reconstruction period. Have we given any thought to that in the case of Iraq?

Mr Warner—We of course hope, Senator, that there will not be a reconstruction period.

Senator COOK—Yes, I know, but right now we have 2,000 people sitting over there as a contingency—as I hear the Prime Minister—in the event of peace not breaking out. Given that predeployment, it is a reasonable question to ask: has any prudent forward thinking been done on this question, as well?

Mr Warner—No.

Senator COOK—Has any analysis been done of the impact of Australian branded exporters losing markets in Iraq and other countries if there is a coalition of the willing in which Australia is a participant?

Mr Warner—No.

Senator COOK—Given what we have just heard about being outsubsidised and losing our wheat market in Egypt to the Americans, how confident are we that we would regain our wheat market in Iraq after a war?

Mr Warner—That is far too speculative a question for us to have a shot at, I am afraid.

Senator COOK—I think the US President has said that America would supply food and other support in the event of a reconstruction. America is a competitor of ours in this market. Have we not looked at what the meaning of those remarks would be to our market opportunities post a conflict?

Mr Warner—No, we have not looked at that. If I could just make one little off-the-cuff comment, as I understand it the Americans primarily produce and sell yellow maize, wheat. I do not think it is an issue.

Senator COOK—You do not think that they will take over our market in the event of hostilities?

Mr Warner—There are too many issues unsettled and too many things yet to unfold. It is too speculative a question.

Senator COOK—Let me ask a question that is not speculative. When they took our market off us in Egypt by subsidising their exports, what action did we take to complain or protest to the United States for unfair trade practices?

Mr Warner—Looking around the room, we may have to take that question on notice. I do not see that we have the relevant people here at the moment.

Senator COOK—If you have to take it on notice then let me tell you what the questions are that I would like you to take on notice. Did we formally protest to the US about unfair trade practices in selling subsidised wheat to a market that we had in Egypt, or did we not? If we did, what was the nature of that protest or communication with the US? If we did, at what level was it made and delivered? If we did, what response was obtained? If we did, was the Prime Minister aware of this before he departed for Washington? If he was, was it raised in any conversation with the President? They are the questions that flow.

Mr Gosper—We will come back to you with advice on those questions.

Senator COOK—Thank you very much. As a follow-on question, since we have said in our white paper that our most important bilateral relationship in trade is with the United States, and since we are all geared up—Mr Deady is ready to confront the battalion of 60 trade negotiators that apparently are going to come to our country on 17 March to kick off the talks—are we going to raise in those talks this sort of behaviour by the United States in taking export markets off Australian producers?

Mr Gosper—Irrespective of FTA negotiations and the opportunity for meetings between officials to review the bilateral trade relationship, of course we take all opportunities to review with the United States its subsidy practices that affect Australian markets and Australian exporters, whether in the WTO or bilaterally. We will check the details of the information you have provided with respect to Egypt and will come back to you on that.

Mr Deady—The negotiations with the United States on the free trade agreement will be primarily market access negotiations; that is the nature of those discussions. The larger issues of export subsidies and domestic subsidies in particular are things that are recognised as being better handled as part of the multilateral negotiations. Having said that, export subsidies is an issue that is taken up in bilateral negotiations—it was taken up in the NAFTA. I think we will be pursuing the United States for some disciplines in export subsidies, whether it be for some sorts of guarantees about export subsidies on agricultural products in our respective markets or in important third markets. That is something we certainly do not rule out going into the negotiations.

Senator COOK—But when we are sitting across a table from them we can say: ‘Listen, guys, you’re cutting our throat in a third market. That makes it harder for us to sell a package we might negotiate. How about you stop doing it?’ We can raise that with them, can’t we?

Mr Deady—We are negotiating rules and commitments as part of the FTA. One of the benefits of the bilateral negotiations is that it certainly gives you the opportunity—but we have opportunities now to raise with the United States these issues of concern in relation to subsidy practices. Again, I am not aware of the particular situation in relation to Egypt. The classical export subsidy arrangements of the United States on grains, the export enhancement program, has not been used in recent years in relation to wheat.

Senator COOK—But here was a case last year where a market that we had, by efficient, competitive, unsubsidised Australian wheat growers, gets knocked off because of subsidies from the country with whom we are negotiating a bilateral trade agreement. If that sort of behaviour continues, and whatever advantage there might be in a bilateral agreement—there is some dispute about what the advantage is, but leave that aside—don’t you have to discount it by where they are pinching third markets off us in order to get the net value of the relationship with the United States?

Mr Deady—As I mentioned, I think the FTA negotiations provide us with an additional opportunity to try to get some disciplines on the United States in relation to export subsidies in addition to the fundamental reforms we are looking for as part of the multilateral negotiations. I think it is an additional opportunity to press for some commitments from the United States in this area.

Senator COOK—I think the Prime Minister said in Washington just this week that he has got the pedal to the floor—or some allusion like that—on the US free trade agreement. He sat down with the US President and had a discussion. Did he raise, do you know: ‘It would be very useful if you guys would stop pinching markets off us in third countries like Egypt’?

Mr Deady—As Mr Gosper said, we would need to take that particular question on notice.

Senator COOK—Okay. And I have given you the calibrated series of questions that follow.

Dr Raby—It is not for us to report on the substance of a conversation that the Prime Minister had; that is a question that needs to be directed to the Prime Minister.

Senator COOK—You are quite right to chastise me, Dr Raby; and I do not expect Mr Deady to do that. The spokesman for the Iraqi government said in the middle of last year that they would halve the imports of Australian wheat because the Australian government was supportive of pre-emptive strikes against Iraq. We have heard that, in effect, the exports of Australian wheat have been halved. We have got an explanation as to why that was a very soft threat by Iraq but, whatever has happened, the threat was made good. This is a question to the minister and she may well wish to take it on notice. Do we know why the trade minister described that threat, when it was made, as ‘alarmist and wide of the mark’?

CHAIR—I welcome Senator Vanstone to the table, representing the minister. Minister, do you wish that question to be taken on notice? Senator Cook, you might like to repeat the question.

Senator COOK—Last year, when Iraq threatened to halve the import of Australian wheat because of our association with pressure being applied to them on security grounds, the minister described that threat as ‘alarmist and wide of the mark’. I ask: in view of the fact that they then made good on that threat, how does he justify those remarks at the time?

Senator Vanstone—I think the chair had it right: I will have to take that on notice and put it to the minister directly.

Senator COOK—I suggested that you might want to do that, Minister.

Senator Vanstone—I am sorry; I did not hear your question as I was coming in.

Senator COOK—I appreciate that. I did not know, when you were coming in, whether you were taking over or whether Senator Troeth was having a consultation with you.

Earlier we discussed the question of Australia's trade performance. I have some questions on that subject. What is the department's forecast for the trade deficit in the coming months? Does the department have any assessment of what that is likely to be?

Mr Hillman—We do not attempt to forecast trade deficits.

Senator COOK—Can you confirm for me that in 2002 total exports fell by 2.3 per cent?

Mr Batty—It did fall, by 2.4 per cent.

Senator COOK—Why?

Mr Batty—I am only a statistician; someone else may need to answer that one.

Senator COOK—Can someone tell me what the explanation is for that decline in our exports?

Mr Hillman—Our assessment would be that in general it was due to weaker global growth than in previous years. Towards the end of the year we believe—and the analysis is still being done on this—the drought was also beginning to have an impact on our agricultural exports.

Mr Batty—Exports to East Asia, which are about 53 per cent of the total, fell by four per cent, largely because of the slowdowns in economic growth in Asia, which did not help.

Senator COOK—I want to come to the Asian trade figures because they certainly make absorbing reading. Just on the drought, isn't it the case that rural exports were lower on a monthly basis from the beginning of 2002, before the drought started to have an impact?

Mr Batty—I do not have those numbers with me. I am not sure.

Mr Hillman—We will take that on notice, Senator.

Senator COOK—Given that East Asia accounts for more than half of Australia's merchandise exports, is it a concern to us that Australia's merchandise exports to the region fell by almost four per cent last year?

Mr Hillman—A concern? They did fall. In our view, the fall relates largely to the weaker economic performance in the Asian region. When growth is weak, export opportunities diminish.

Senator COOK—I am talking about East Asia. When you say the economy is weak, can you tell me where you think it is weak? Which particular countries?

Mr Batty—Japan is the one that really stands out, being our biggest trading partner in the region. I am not sure what the growth rates were but it is certainly a slow one.

Senator COOK—But, for example, you would be aware that the National Australia Bank estimates that, leaving Japan side, the figure for Asia grew by 5.2 per cent last year. The ANZ Bank estimates East Asian GDP growth at 6.7 per cent last year. That is including Japan. Where are we talking about the weakness? Is it just Japan?

Mr Batty—Offhand there are other weak areas. Again, I would have to take it on notice to get the actual numbers.

Senator COOK—Can you confirm that, in the 12 months to September, Australia's non-rural exports to East Asia—this is looking at exports that cannot be affected by drought—fell by 5.6 per cent?

Mr Batty—I do not have a country split for non-rural. We have commodities but not lined up in rural or non-rural categories at this stage.

Senator COOK—Well, let us take agriculture out of it.

Mr Batty—The major falls were in petroleum products, meat, nonferrous metals and some ores. They are the big ones to have dropped.

Senator COOK—That is where the export decline was?

Mr Batty—Yes.

Senator COOK—So it is not a drought affected issue, then?

Mr Batty—Not the largest ones. I am not sure what happens once you get below those four or five.

Senator COOK—How did our agricultural exports perform? Up to scratch?

Mr Batty—To East Asia?

Senator COOK—Yes.

Mr Batty—I do not know. I would have to take that on notice.

Senator COOK—But if the bigger falls were in ferrous metals, nonferrous metals and petroleum, then it is likely that our agricultural exports held up, in fact, isn't it?

Mr Batty—Presumably, but, again, I would have to check that to make sure. There are a lot of different commodities that go to East Asia.

Senator Vanstone—Senator Cook, I do not know anything about this area, but it does strike me that, while your proposition sounds right, estimates hearings are for something other than speculation from public servants about what might be the case if they had the figures in front of them. The officer has indicated he is happy to get you the information you want.

Senator COOK—I understand that, Senator. The officer, as he said himself, tabulates the statistics. I was simply asking questions on what they show. He is happy to take them on notice and I am happy to accept that.

This may be a question for you, Minister, or it may be a question that Dr Raby is able to shed some light on. In December last year, Australia recorded its worst ever monthly trade deficit, which was \$3 billion seasonally adjusted. That is the 13th consecutive trade deficit. Inevitably, more will come. Australia's total exports of goods and services fell by 2.3 per cent last year. Services exports fell for the second year in a row. Merchandise exports to East Asia fell by 3.7 per cent last year, which is the largest fall since 1988 during the East Asian crisis. Merchandise exports to several major Middle Eastern markets fell substantially as well. Can the government provide an explanation for such a poor performance in exports?

Mr Hillman—The December trade deficit was \$3 billion. We have been running deficits, as you rightly pointed out, since December 2001. The monthly deficit has been around the \$1.1 billion and \$1.2 billion figure. The string of deficits over time, first of all, reflects our relatively very strong economic growth compared to most of our major trading partners.

Senator COOK—We are consuming imports.

Mr Hillman—This particular monthly deficit was mainly due to the import of four Qantas aircraft—some lumpy items. In addition, as I think you have already noted, rural exports fell sharply and we think that is probably the impact of the drought becoming more apparent. As I said before, whilst we do not do forecasts of monthly trade deficits, we are expecting next month's figure to be a narrower one consistent with experience over the past 12 months.

Senator COOK—What do you mean by 'a narrower one'?

Mr Hillman—A smaller one because we are not expecting these lumpy figures to come into play again.

Senator COOK—I think the December quarter balance of payments figures are due next month; is that right?

Mr Hillman—Correct.

Senator COOK—Are you aware that the Reserve Bank and the National Bank put the current account deficit between 5.75 per cent and 6.2 per cent of GDP? That is where they have the deficit.

Mr Hillman—Did you say they are forecasting that?

Senator COOK—They put the current account deficit between 5.75 per cent and 6.2 per cent of GDP. Are you aware of that?

Ms Adler—Yes.

Senator COOK—I will move on to the white paper for a moment. Some of these questions may involve you, Senator Vanstone, and it may be that you will give me the same answer that you gave me a moment ago.

Senator Vanstone—I will try and be helpful but, as you know, this is not my area and I doubt that I am going to be of much assistance to you—as philanthropic as I am feeling today.

Senator COOK—I entirely understand. I will endeavour not to take advantage of your position, but you understand that there are some questions I have to put to you.

Senator Vanstone—Sure.

Senator COOK—Given the announcement about the white paper yesterday, is the bipartisan consensus that we have enjoyed in Australia on trade policy over the last two decades at an end? Is that shattered? Is that what the government is saying? Is that what the minister meant in his Press Club address?

Senator Vanstone—I think one of the officers will be able to help you, because I did not have the privilege of reading the Press Club address.

Dr Raby—I am not sure what you are referring to in terms of bipartisan policy. To which minister's address are you referring? There were two yesterday: the trade minister and the foreign minister both spoke at the Press Club.

Senator COOK—I am concentrating on the trade minister and my questions are related to the trade parts of the white paper. This question is particularly related to the address delivered by the trade minister in which he announces this policy of 'competitive liberalisation'. This seems to be a distinct gearshift from multilateral trade, which we have always understood to be Australia's emphasis. Have we shifted from the enduring past bipartisan policy of advancing our trade interests through multilateral means to something called 'competitive liberalisation'?

Dr Raby—I think, from what I recall of the minister's speech yesterday, he was emphasising in many ways a certain degree of continuity in trade policy; that he, I think, was very clear that our primary interest is the Doha development round of multilateral trade negotiations currently under way. But, as we have had for some time, we have several strands to our trade policy which are mutually reinforcing and that we have for some time pursued our trade interests regionally, bilaterally and multilaterally.

Senator COOK—Can you provide to me a definition of 'competitive liberalisation'?

Dr Raby—A less than authoritative view, if I can put it that way. There may be a definition in the white paper of which I am not aware, but the notion—and it is my own understanding of the notion; the minister may well think about it somewhat differently—I understand as trying to achieve maximum progress on trade liberalisation working on as many fronts as possible.

Senator COOK—Reading what the minister said, it appears to me, with the greatest respect to the minister, to be gobbledegook or, simply, hyperbole. In the third paragraph of his speech he said:

Our trade policy has changed significantly since the last Foreign Affairs and Trade white paper.

With the greatest respect to you, Dr Raby, that does not seem to suggest continuity; he is announcing a change. His words were 'changed significantly since the last Foreign Affairs and Trade white paper'. He went on to state:

Competitive liberalisation—is about using bilateral and regional liberalisation as a benchmark for multilateral liberalisation, and vice versa.

I am not quite sure what that means. Benchmarks are a measure, not an outcome. What we know from the minister is that competitive liberalisation is measuring multilateral liberalisation and vice versa. That does not make any sense. Can you repeat that definition, to help us?

Dr Raby—It was my understanding, not necessarily the minister's understanding or the minister's definition—and thank you for that account of his speech. But I do not think that the point about benchmarking is different from the point I was making, and that is that you advance your liberalisation on as many fronts as possible, and to the extent that one moves in advance of the other that provides a benchmark or a standard by which you can pursue liberalisation on another track. I do not get any sense of these being mutually exclusive. I think the minister is at pains to stress the multidimensional nature of Australia's trade policy.

Senator COOK—And it may be my pedantry about the English language, particularly when you apply that pedantry to flowery prose, but the sentence standing alone says:

Competitive liberalisation—is about using bilateral and regional liberalisation as a benchmark for multilateral liberalisation, and vice versa.

Hallelujah! The policy now is that we can measure changes. That is fine, but that does not go to whether we are making significant improvement; it just goes to how we measure what the changes are. Is that what the government is announcing?

Mr Gosper—The minister in his speech yesterday and in his statements was very clear about the government's core priority of the multilateral trading system and moving the Doha Round forward. In this context he talks about the way in which bilateral agreements can be part of an important process, as they have been, of course, over some time now in stimulating multilateral liberalisation. He uses the word 'benchmarks'. My understanding is that, when we talk about benchmarks, we have regard to outcomes such as the one we negotiated as part

of the Australia-Singapore FTA where the outcomes in some sectors were well in advance of those that we might hope to negotiate multilaterally—for instance, a negative list approach on services.

Of course, this is not new. If one looks at the way certain facets of NAFTA were negotiated a decade ago, or indeed our CER agreement with New Zealand, these agreements can sometimes in certain sectors go beyond what is achievable immediately or at least in the near term in a multilateral trade negotiation. The government has been very clear, I think, in talking about these sorts of agreements that not only should they be consistent with WTO rules, but they should be WTO-plus where that is at all possible.

Senator COOK—I am not sure whether it helps me, but it does provide additional information. The minister went on to say:

It demonstrates instead that bilateral and regional liberalisation can complement and stimulate multilateral liberalisation.

On the plain face of the facts, it does not work that way. Look at the round. The round is dragging well behind at the moment. Can you give me an example of where bilateral negotiations have stimulated the round?

Mr Gosper—I gave you one example last time of course. The NAFTA negotiation did have an important influence on the course of the Uruguay Round.

Senator COOK—That was back when we were in office. The minister is announcing a new dawn here—competitive liberalisation. He says that it is new. He says that it demonstrates that it can stimulate multilateral liberalisation. We hear that from a lot of government spokespeople all over the place. It is an assertion. What evidence is there to support it? The round is in disarray at the moment, so how have bilateral negotiations stimulated the round?

Dr Raby—Mr Gosper's point is right in terms of historical fact. Secondly, in the context of the Doha Round, we have seen a very ambitious liberalising position put down on industrial tariffs by the United States which arguably reflects their ambitions in the FTAA context. It is also fair to say that the round is still very much in its early days and so are some of these bilateral or regional efforts. You would appreciate that it is a dynamic relationship and that it changes over time and during different phases of the negotiations, but we do have historical examples of that being the case. We also have the contemporary example of the US position on industrial tariffs. There is some evidence to support that analysis.

Senator COOK—But all the trade commentators—and I can quote a couple of them as I have some quotes here, but you read the trade press as Mr Gosper and I do—are saying that the round is not on track for the Cancun conference. It is well behind meeting its targets in many of the areas. That is a plain fact and we would agree that that plain fact is the fact. So how has all of this bilateral trade negotiation stimulated the round when the round is dragging? We are talking about trade policy here and the assertion that all these bilaterals somehow stimulate the multilateral round. However, the multilateral round is off track, so how does it work?

Dr Raby—I will let Mr Gosper answer the point about the multilateral round being off or on track, but the point is simply that it is a dynamic relationship. It is not binary or one-to-one and we have not yet begun our negotiations with the United States, for example. We are yet to see what the activity will do in terms of its relationship with the round. However, historically—and even in previous rounds—we have seen that it has often been the case that developments in the European Community's relationships on the trade front have been a

major factor in stimulating progress at the multilateral level in previous rounds before the Uruguay Round. It is a dynamic relationship and we have to see how it plays out. Each set of negotiations has its own inherent logic.

Senator COOK—I am a declared multilateralist, as you know, Dr Raby. For example, the most recent bilateral trade agreement that has been reached—save Singapore, which will be announced on Monday—was the US-Chile free trade agreement. Has that stimulated the round in some way?

Dr Raby—I think there is an element of proportionality here as well, and numbers of bilateral FTAs. One FTA is not the same as the other in terms of its weight in world trade.

Senator COOK—We are debating, I think, and I was just asking for concrete evidence that whatever it is that is now labelled competitive liberalisation somehow stimulates the multilateral negotiation. I would be grateful if you could take it on notice and provide me with examples of where that has worked. We will come to the round shortly. With regard to whether or not we are on track, perhaps we can talk to Mr Gosper about that then. There is one small matter from the minister's speech that I would like to raise. He did say this on page 2 of his speech—and I took note of it when he did:

Australia's economy has grown strongly, building on the fundamental and continuing economic reforms of the Liberal/National Party Government.

I guess this question is to you, Minister, because it is a political question. That, of course, is in contradiction to the white paper. The white paper refers to the economic reforms of the last two decades. So I do not quite know what the minister means by 'the continuing economic reforms of the Liberal-National Party government'.

Senator Vanstone—I will ask him for an enlightening answer.

Senator COOK—Thank you.

CHAIR—I think we could probably all give the answer, Senator Cook.

Senator COOK—The white paper that the minister presented referred to 'the last two decades'. We know that Labor brought down tariffs; we know that Labor opened the economy. We know that all these things happened under Labor. But in the minister's speech he does not acknowledge that it was as a result of reforms of the last two decades; he says it was as a result of reforms of the Liberal-National Party government. It is a political argument; we will have it in the chamber.

Senator Vanstone—He is obviously referring to the ones in the last six years. You are quite right: it is a political point and probably a moot one which we could argue about forever, but we all know what the argument would be.

Senator COOK—He also says:

Ladies and Gentlemen

Two decades ago, exports were 11 per cent of Australia's gross domestic product. Now they account for 22 per cent.

This is an argument that we will have later, too, Minister. But two decades ago, wasn't John Howard the Treasurer of Australia when the figure was at 11 per cent? When, in 1996, Labor lost government, wasn't the figure at 22 per cent?

Senator Vanstone—If you can find someone who is interested in talking about lag times—that someone was Prime Minister here or Treasurer there, and whether they were responsible for what occurred at that time or whether it was as a consequence of things that have

happened earlier or later—good luck to you. If the minister wants to comment on your history knowledge and the specific months and years that people were here or there, I am sure he will give you another enlightening answer.

Senator COOK—Okay. I should be fair: Mr Howard was also trade negotiation minister before he was Treasurer.

Senator Vanstone—He was the customs minister once, too, apparently.

Senator COOK—Yes. He had a bit of ministerial experience in junior portfolios. When we handed over the treasury bench to you the figure was 23 per cent of GDP.

Senator Vanstone—‘Handed’ is not the word I would have used. ‘Wrenched from your fists’ is how I would have described it. But okay, as I said, I am philanthropic today; let’s not argue about it.

Senator COOK—Did I leave an opening for you to savage me?

Senator Vanstone—I might say the electorate has had a couple of opportunities to rethink whether that wrenching was a good idea and on each occasion they have said yes.

Senator COOK—Let us not get too far into that; you will recall I chaired the ‘kids overboard’ inquiry! Given this policy of competitive liberalisation, the explanations we have got about it and the commitment we have made now to pursue bilateral trade negotiations, are you aware that the director of the World Trade Organisation, Dr Supachai, said at the World Summit on Sustainable Development:

The world needs a reaffirmation of our choice of multilateralism over unilateralism; stability over uncertainty; consensus over conflict; rules over power.

Isn’t that consistent with a whole lot of commentary I presented to the November estimates, led by the *Economist* magazine and the *Financial Times*, that this flirtation with so many bilateral trade deals is undermining the multilateral system?

Dr Raby—I do not have that quote from Dr Supachai. I think the position that we would take is that we see that the bilateral regional FTA endeavours are complementary and can support a multilateral trading system. That is certainly the position that we set down in the white paper.

Senator COOK—I want to go to a couple of other things in the white paper. I am running well behind in my questioning. I am going to have to finish at one o’clock, so I am going to have to speed up a bit. On page 22 of the white paper, under the heading ‘Power relationships in East Asia are evolving’, the second paragraph says:

Although much less powerful than Japan on many measures, China’s growing economic, political and strategic weight is the single most important trend in the region. China recognises that a constructive relationship and economic engagement with the United States are vital to its efforts to build its economy and power.

This is the bit I want to focus on:

Australia has a major stake and a supportive role to play in the successful management by the United States and China of their complex relationship.

In the security debate, we have heard about Australia being deputy sheriff. In the economic debate, are we a co-manager of the United States’ complex relationship with China? Is that our role?

Mr McLean—This comment, I believe, should not be interpreted that way but simply as meaning that Australia, as a significant partner of both the United States and China, has a

particular interest in those two countries—one which is the most significant world power and the other a growing power—having a relationship which is constructive and which continues to contribute in a major way to the prosperity and security of the region, and that is all very fundamental to Australia's economic interests, because so much of our trade and investment is to do with the Asia region.

Senator COOK—Yes. According to the white paper, 56 per cent of our exports go to the Asian region, and, on the figures that we have just had, our exports to that region have declined. In this paper, under the heading 'Power relationships in East Asia are evolving'—so this is Australia discussing East Asia and the relationships—we refer to China, and I find the first couple of sentences unexceptional. But what I bridle at is:

Australia has a major stake and a supportive role to play in the successful management by—

I emphasise 'by'—

the United States and China of their complex relationship.

How do we relate to China in East Asia by managing the complex relationship between the US and China? We are a country in our own right. I thought this was an odd phrase but it permeates this white paper; it is not the first and only place this phrase appears. So can someone tell me in economic terms if we have an independent role with China—an Australian role with China—that is not about simply managing this complex relationship between China and the United States?

Mr McLean—This issue of management is about the management by those two countries of their bilateral relationship. It is not suggesting that Australia is trying to manage that relationship. Australia has a very significant relationship of a bilateral nature with each of these two countries. Clearly, through the channels those respective bilateral relationships offer we have a major supportive role to play that effectively can help underpin the very strong relationship between those two countries.

Senator COOK—My point is that we are discussing East Asia and the power relationships in it and we cast ourselves in the role of a co-manager, rather than relating to the region on its own. But I note your remarks on that subject. Mr Chairman, I am running out of time and I want to keep to the timetable otherwise you will criticise me—and you would be right to do so and, more importantly from my point of view, so would my colleagues.

CHAIR—How perceptive of you, Senator Cook.

Senator COOK—Thank you.

CHAIR—I should put on the record that you are being uncharacteristically relaxed today though, Senator Cook.

Senator COOK—I have a couple of questions about some of the statistics attached to the white paper. In appendix 2 on page 146 there is a graphic that says over the past 10 years 'Australia's export growth has averaged 7.9 per cent'. Doesn't that graphic show that Australia's export growth in 2002 went down while growth in world exports went up? That is what the table shows, isn't it?

Mr Gosper—Yes, it seems to show that.

Senator COOK—On page 148 in the next table—'Australia's trade balance 1991-2001'—the source here is ABS category 5302. The source of the graphic on page 146 is 'ABS cat. 5302'—that is, the same source—but with the addition 'and IMF'. Is there some explanation as to why the figures for 2002 appear on page 146 but do not appear on page 148, although the source would appear to be the same?

Senator Vanstone—I just want to tell the press gallery to stop the presses: this is going to be a front-page answer.

Senator COOK—I note the lurch into levity, Minister, but I am interested in the answer.

Dr Raby—We will take it on notice and come back to you on that.

Senator COOK—Okay.

Senator Vanstone—At least, Senator Cook, you are not like one of your colleagues who has a rather pretentious and self-indulgent habit of asking civil servants to read to him passages which he has selected from an annual report and would be quite capable of reading himself. At least it indicates that you have read it yourself and looked at it. So I was not trying to take the mickey out of you; I was trying to add a bit of levity.

Senator COOK—I have—I spent a fair bit of last night doing it.

Senator Vanstone—At least you have actually done the work, unlike one of your colleagues who can never be bothered.

Senator COOK—I could not think who of any of my colleagues would do that. I am sure all of them do their own research.

Senator Vanstone—I will resist the temptation to name them, but they are not on a committee that I currently serve on, incidentally.

Senator COOK—I am absolutely sure that you are honestly mistaken and that my colleagues do do their own work.

Senator Vanstone—Sure. Actually you are right: he has read it; he is just being self-indulgent in getting people to read it to him again.

Senator COOK—I do not think this discussion is going anywhere.

Senator Vanstone—I will be quiet now.

Senator COOK—No, it is all right; I have a few questions for you and I do not wish you to be quiet when I come to them. Can someone give me a concise description of where they think the round is up to at the moment and how well it is going? I made an assertion earlier, and I have a couple of quotes that I could read into the *Hansard*.

Mr Gosper—Our progress has been mixed. I will be brief; I will just take a minute. Progress has been mixed. Some parts of the negotiation have moved at a reasonable pace; others have not. A number of deadlines have been missed, in particular in relation to some of the so-called implementation issues, especially in differential issues and the so-called access to medicines issues. We are coming up to crunch time at the end of March, with key deadlines relating to market access. We have some concerns that, because of the failure to substantively engage on the part of some major players, those deadlines might be missed. Australia is very concerned that in this environment the fifth ministerial meeting scheduled for Cancun in Mexico in September will have a very difficult group of issues to manage at the halfway point of these negotiations.

In response to this, the government has taken a number of measures including, of course, last November convening an informal meeting of trade ministers to work through some of these key issues. Mr Vaile is off later today to Tokyo for a further meeting of ministers to discuss some of the key issues that are blocking progress on the round and to discuss ways to restore momentum.

Senator COOK—Last time, back in November, I went through what the *Economist* magazine said about the round and what the *Financial Times* said about it. There are some other quotes that I can use from the *Australian Financial Review*, but I accept that summary as being a pretty accurate one. We have got a lot of work to do to get things back on track for Cancun: that, in short, is the summary, I think.

Mr Gosper—We have a lot of work to encourage some of the key players, including the European Union, Japan, Korea and some of the developing countries, to come on board with the agenda of the round.

Senator COOK—Turning to the GATS part of these negotiations, the white paper sets out the number of requests and which countries have made those requests of Australia. There are no additional names to that list, are there?

Mr Gosper—No, I think it refers to 22 countries having made requests of Australia. I think one further ASEAN country may have made requests in the last week or two.

Senator COOK—Which one is that?

Mr Gosper—Malaysia.

Senator COOK—There is a large paragraph of the white paper which sets out in broad terms the nature of our requests to other countries. Is there—because I did not notice it; it may have been the lateness of the hour—a list of which countries we have made requests of?

Mr Gosper—Yes, it is contained in a publication that was released by the government in January: annex C of that publication lists those members to which Australia has made requests.

Senator COOK—I know the document; that is all I need to know. You will not tell us, of course, what the requests are that we have received and what the requests are that we have made?

Mr Gosper—In press releases that I recall were made in July and October last year, the government set out a good deal of information on the nature of the requests it had made of others. In the publication released in January we have, sector by sector, described in broad terms the nature of the requests that have been made of Australia.

Senator COOK—This is no reflection at all on you, Mr Gosper, but I come from a school where you actually want to see the black letter of the request rather than have someone give you a description of it. Can we see the black letter of these requests that have been made of us and those that we have made of others?

Mr Gosper—The information the government has released on these negotiations is unprecedented. I cannot recall such information ever being released in the negotiating history of Australia and, indeed, it is as fulsome as any government has released as part of these negotiations. So I think we are very well placed in the information we have provided and it is a good description. It is the basis on which we are having consultations this week and beyond with states, NGOs and other interested groups.

Senator COOK—I accept your word on that, but my question is: can we see it for ourselves?

Mr Gosper—That is the extent of the information the government is releasing at this point.

Senator COOK—So the answer is no?

Mr Gosper—The answer is no.

Senator COOK—Thank you for the answer, not for the content of the answer. I would have preferred it to have been yes. This question may be for the minister. Does the government plan to emulate the Canadian government, which has announced that it will make its initial offer public in April this year, soon after it has been lodged with the WTO in March?

Mr Gosper—The government will consider the nature of the information it provides when it makes its initial offer. A very small number of governments have decided that they will release certain information at the time of those initial offers, and the government will further consider that question when it comes to consideration of the nature of that offer.

Senator COOK—So we do not know? It is under consideration?

Mr Gosper—It will be under consideration.

Senator COOK—Will the government also follow Canada's lead in exempting health, public education, social services and culture from its GATS offers?

Mr Gosper—I think the government has already made it very clear that it will ensure its approach to these negotiations preserves the ability to regulate in areas where government authority is exercised, that it will take cultural objectives into account and that it has no intention to deal with areas where public services are involved, principally in education and health.

Senator COOK—'It has no intention.' That is not a firm ruling-out; that is an expression of objective. Will you rule it out?

Mr Gosper—Under the agreement itself, public services are not included. Education and health, public services, are not part of the agreement. Some people—

Senator COOK—No, but we have got requests on them.

Mr Gosper—We have requests on aspects of education and health, in particular on those private services that are provided in both those sectors, yes.

Senator COOK—And you will not tell me whether we will take a firm position on them?

Mr Gosper—The paper that the government issued in January summarises these issues in some detail.

Senator COOK—And that is the most you can make public?

Mr Gosper—At this point, yes.

Senator COOK—Is this question under review like the issue of the earlier question?

Mr Gosper—Could you clarify which question?

Senator COOK—Sorry, the earlier question was whether we will release our initial offer, as the Canadian government is doing. I understood you to tell me that you could not say what the answer to that was, because the government was thinking about what it would do.

Mr Gosper—The government will consider what information it will release, at the time it makes its initial offer.

Senator COOK—Okay. This may be a question to be taken on notice. Can you tell me the names of the organisations that have been consulted on the GATS negotiations?

Mr Gosper—I will take that on notice. I will also note, if I may, that we have called for public submissions—I think we have had a good number thus far—and we are talking with a group of organisations, including AFTINET, the ACTU and church groups, in the next week or so on aspects of these negotiations. We also have, over the past year or two because the

GATS was relevant at the time of the Seattle ministerial meeting and the Doha ministerial meeting, much reservoir of public comment, public submissions and public consultations on the GATS agreement and community sensitivities and concerns, as well as industry interests.

Senator COOK—When you give me the names of the organisations that you are consulting, will they be all the organisations—any labour movement organisations, environmental organisations, other NGOs?

Mr Gosper—Indeed.

Senator COOK—Can you tell me the nature of the consultations? Is this full disclosure to them, or do you describe to them what the situation is?

Mr Gosper—We will not be providing the black letter, as you referred to it, in these consultations. Rather, we will be going through and explaining where it is necessary, clarifying where it is necessary—in the general terms that it is set out in this paper—what are the particular requests that have been made of Australia, and seeking their views on the range of issues that are relevant to the decision that the government will make on its position on these issues, in respect of any initial offer and in respect of course of any subsequent negotiations.

Senator COOK—Will any organisation be given a complete overview of all the issues, or do you just consult them in the sector that they are concerned with?

Mr Gosper—We are open to any organisation to give a complete overview of all the issues.

Senator COOK—Is your consultation with the states full black-letter consultation, or do you describe to the states what happens?

Mr Gosper—We will be consulting more fully with the states, under appropriate confidentiality understandings, on the detail both of the requests we are making of others and of the requests made of Australia. There are consultations under way today in the department with all the states.

Senator COOK—It was given earlier in evidence that, in the case of the Singapore FTA, the states had the full text of the agreement, under sufficient confidentiality arrangements, and no-one else did. Will you be giving the states the full text of the requests we have received, the offers you might make and the requests we make of others?

Mr Gosper—I will check on what specific information we have given them at this point and come back to you.

Senator COOK—I am particularly concerned about whether they can see the source documents or not.

Mr Gosper—I understand. We are very conscious of the fact that in many of these issues the requests that are made of Australia go to areas of state regulation and legislation, so we are very concerned to fully consult with the states.

Senator COOK—I ask this question exactly for that reason, because there are some who say this is a way in which the Commonwealth government can use the foreign affairs powers to reach over the constitutional arrangements and interfere with the services delivered by the states. I am sure you are aware of that allegation being at large.

Mr Gosper—I have heard that allegation, but can I say again that our consultation and openness with the states on these issues is unprecedented.

Senator COOK—I will come back to something that we talked about in November, to get an affirmation of whether things have changed or remain the same. The issue then was that the Commonwealth is able to conclude a final agreement at executive level, but the GATS negotiations are being conducted, according to the official term, confidentially between the parties—some call that secretly—so we cannot look over the shoulder at the negotiations and understand what is happening inside those negotiations. Although we can get explanations from you of what you believe is happening, we cannot have access to the black-letter material. Some of those issues concern state services. The question I asked in November and I ask again now is: will the Commonwealth give the states a veto on concluding an agreement in an area of state service delivery if the states disagree with the proposal that the Commonwealth wishes to conclude?

Mr Gosper—It is a somewhat hypothetical question. As I have said, the Commonwealth is very concerned to consult closely with the states, bearing in mind that they have issues that could be touched by these negotiations. It will take fully into account state sensitivities, concerns and positions in these negotiations, but these are negotiations that are done by the Commonwealth, as per the Constitution, in Australia's national interest. The situation you propose is very hypothetical and, frankly, I do not recall any circumstance in the Singapore negotiations where the issue was more than hypothetical.

Senator COOK—Let us agree on this: I think it is notorious that there is a body of opinion out there that argues all sorts of things are going to happen under the GATS agreement. You nod affirmatively.

Mr Gosper—Yes.

Senator COOK—I think we agree that there is that body of opinion. One of the things that that body of opinion relies on is a bit like the argument for the multilateral agreement on investment: that this is being conducted secretly—the official word is 'confidentially'—between the parties. In the Australian Constitution, the executive of the federal government can conclude a treaty. That is a conjunction of three things and, for anyone into conspiracy theory, a lot can be created out of those three things. Some of your negotiations are about areas where states, under our Constitution, have a monopoly of service delivery. So I do not think it is a hypothetical question. If you cannot answer it, it might be something for the minister to answer. Will the federal government say to the states that, if the states disagree with a deal the Commonwealth wants to make in GATS, the states' opinion in their area of services will be held as superior to that of the Commonwealth and the states will have a veto? That is the question. Minister, it might be something for you to take on notice.

Senator Vanstone—It might be.

Senator COOK—Would you, please? I am inviting you.

Senator Vanstone—I do not want to take up too much time but can you give me an example of the sort of service you think that the states have a monopoly on in which the Commonwealth would have no place—that is the inference you are making? Could you give me an idea?

Senator COOK—For example, back in November I adduced in this hearing a document prepared by the European Union on its GATS requests of Australia. It was not the final document; it was a working document. It got leaked in Europe. We had a copy of it. It said what the European Union would ask of Australia. One of the things referred to was the distribution of water. I note that, in that paper that came out in January explaining GATS in the appendices, water supply is not referred to in the services that we have received a request

on. That is another matter and I am not going to bother with it today. But that was there. That is a sensitive issue in the current climate in Australia—climate being a two-way word: political climate and actual climate. The states' rights on water distribution and management is an argument that people might have a view about—privatisation or not. There are water supply companies in Europe that obviously would like access to the Australian market, and the Commonwealth government is negotiating that request.

Senator Vanstone—I get the drift of what you are asking.

Senator COOK—If a state said, 'We don't want you to do this,' will the Commonwealth say, 'All right, we won't,' or will the Commonwealth press ahead? That is the question.

Senator Vanstone—I think it is something that the minister will probably want to give you a detailed answer on. By way of commentary, if you had a referendum and asked everybody, 'Would you like the Commonwealth to take over the control of water so that the River Murray would not be in the appalling condition it is?' because the states from all political persuasions—I am not having a go at the Labor states at the moment; it has been a longstanding problem—have had this ridiculous lack of national interest in the way they have managed water rights, I think you would find a large number of people from both sides of politics would say, 'Yes, the Commonwealth should.' But that does not go to your question because your question is: what are the constitutional arrangements now? I note with interest your reference to things being done in secret, which you say is confidential to the parties.

Senator COOK—I have said that that is what the allegation is.

Senator Vanstone—I must go back and look at the wording at the time the then Labor government made that treaty with Indonesia.

Senator COOK—Are you wishing to debate this issue, Minister?

Senator Vanstone—It was a bit of a surprise to everybody and I do recall some people thinking it was a bit rough. Anyway, I will have a look at that later.

Senator COOK—If you are wanting to score a debating point off me—

Senator Vanstone—I will reacquaint myself with what you said at the time about the prerogative rights of the executive.

Senator COOK—That is a very important question, particularly post Seattle, where one of the arguments—

Senator Vanstone—It is a good question; I am sure the minister will have something to say.

Senator COOK—Good.

Senator Vanstone—It is an interesting question irrespective of one's political persuasion or perspective.

Senator COOK—I have a lot of other GATS questions but I am going to have to cut it short at that point. Regarding the Australia-United States free trade agreement, I see that we have hired some lobby firms in the US to help us in our campaign for the FTA. Can someone tell me how much we are paying those firms and how we selected them?

Mr Deady—We did employ two US law firms to assist us in our representations in relation to the preparations for the free trade negotiations with the United States. The cost of those consultancies was \$US250,00.

Senator COOK—That is a tad under half a million Australian dollars?

Mr Deady—That is correct.

Senator COOK—How did we select them?

Mr Deady—There was a closed tender. We received five applications from the United States. It went through the normal tender processes of the department to select those two firms.

Senator COOK—What will they do?

Mr Deady—They work very closely with the embassy. Their expertise in particular was in the agriculture area. The objective was to work with the embassy to assist in discussions on the hill but also with US agricultural interests to work through that 90-day notification period under the trade formation authority.

Senator COOK—The US delegation is coming here for talks to kick this off on 17 March. It is reported in the *Australian* by Dennis Shanahan—so it must be right—that this is a high-level delegation of about 60 US officials. Is that a correct figure—60?

Senator Vanstone—I am not sure whether you were being ironical then.

Senator COOK—I was being sarcastic.

Senator Vanstone—Okay, we won't bother with the difference.

Mr Deady—I have had some discussions with the lead negotiator from the US team, from USTR. Certainly he has indicated to me there will probably be around 60 in the US delegation over the course of that week's negotiations.

Senator COOK—Are they all US negotiating officials, or does it contain business representatives and/or members of the congressional oversight committee?

Mr Deady—They will all be US officials, led by USTR as the lead negotiators across the various negotiating groups that we are working with, supported by officials from the various other agencies. There are no industry representatives on the delegation. At this stage the indications I have received from USTR is that there will be no congressional staffers or officers from the oversight committee on the delegation.

Senator COOK—So they are not on the delegation but will they be in attendance?

Mr Deady—No, they will not be in attendance.

Senator COOK—The deadline for this is the end of 2004?

Mr Deady—When the announcement was made on 14 November, ministers, the Prime Minister and Ambassador Zoellick indicated the intention of both governments to move as quickly as we could on this. They talked about concluding it in the early part of 2004.

Senator COOK—In the early part of next year?

Mr Deady—Yes.

Senator COOK—That is a pretty ambitious schedule.

Mr Deady—It is ambitious. As we have talked about before, there is a lot of work that needs to be done. No-one pretends this is going to be easy, but both Australia and the United States are taking part in these negotiations with a very clear understanding of the broad framework that we will be talking about as part of a comprehensive, modern-day free trade agreement. That, I believe, will help. As I say, it comes down to the commitment on both sides as to how quickly we can move some of these issues.

Senator COOK—The same article that refers to the 60-strong US delegation also states:

The US is pushing Australia to lift foreign investment restrictions for US companies—that is the FIRB, I take it—

and to remove government subsidies that rein in the price of pharmaceuticals.

That is the Pharmaceutical Benefits Scheme, I take it. Is that true?

Mr Deady—The only indication we have of US objectives for the negotiations is Ambassador Zoellick's notification letter to the Congress. That does not specifically refer to either of those things in particular. The US identifies it has interests in the foreign investment area; it has interests across a range of market access issues. We have had no discussions yet. We have not started the negotiations, so we have not got into that level of detail at all.

Senator COOK—Okay. I have read his letter, as you have. It can be read so that it could include those things, can it not?

Mr Deady—In relation to investment, I think we both agree that we will be looking for an investment chapter as part of the process. The details of those negotiations will unfold. The level of US ambition in that area will become apparent as we get into the negotiations.

On the particulars of the Pharmaceuticals Benefits Scheme, as I read the letter there is nothing that refers to that. It is interesting to note the main pharmaceutical research and manufactures association, the representative body of US pharmaceutical industries, in some of their testimony to the USTR as part of their consultations in preparation for developing the mandate, raise issues they have about the Pharmaceutical Benefits Scheme but express very explicitly their overall support for the PBS. I think that, as we go into the process, things will become clearer in some of these areas.

Senator COOK—So we cannot rely on that journalistic report?

Mr Deady—I cannot comment on the report, but that is the reflection of the discussions I have had and the statements made by Ambassador Zoellick.

Senator COOK—To tie this down: you are therefore not expecting that they are going to press us on the FIRB or the PBS?

Mr Deady—Zoellick's letter clearly makes a point that they have some issues in relation to foreign investment. As far as being precise about what they are, you said that article mentions the actual foreign investment limitations in certain areas. I do not know what the level of specificity or what the level of ambition of the US will be. I think there will be discussion about aspects of investment policy in Australia, just as we will be raising aspects of foreign investment policy in the United States.

Senator COOK—Okay. We can talk about this in the budget estimates. Our Ambassador to the US, Michael Thawley, appeared before a hearing on 6 February of the United States International Trade Commission—that is a US body, not an international one—to give evidence on the Australia-US FTA. Did Mr Thawley say that one of the reasons we supported the US FTA was that it would give a signal about a preferred business partnership between Australia and the United States?

Mr Deady—I am just looking for the precise testimony of Ambassador Thawley.

Senator COOK—It might appear on page 3 of his testimony.

Mr Deady—Thank you. Certainly that sentiment is one that we very much support. It is very clear that one of the key objectives we have had in proceeding with these negotiations is that deepening of the economic and investment relationship, that deeper integration of the two economies.

Senator COOK—Fifty-six per cent of our exports go to Asia. Have we told any Asian countries—Thailand or Singapore, for example—that we want to develop them as a preferred business partner?

Mr Deady—I do not know whether we have used those specific words. One of the key objectives of our Singapore negotiations was also exactly as I said, to deepen that trade and investment relationship in the way that these negotiations can allow you to do. With Thailand, the work that has been done in identifying the areas of complementarity between the two economies and deepening that relationship right across the whole range of trade and investment is a key principle in all of these negotiations.

Senator COOK—If I had time I would quote to you some remarks that seem to relate our interest in this FTA with our security and strategic interests rather than our economic interests, but I cannot go into that today. On Monday, 20 January the *Financial Review* had a front page story, with the byline Mark Davis, headed ‘Business wants tough stance on US free-trade talks’. The story, which slipped over to page 4, contained a series of dot points setting out what the *Financial Review* reported as being the views of several industry groups about a free trade agreement with the United States and some of the considerations that they would want reflected. Are you familiar with that report?

Mr Deady—I remember seeing that report; I do not have a copy in front of me.

Senator COOK—I can provide you with it if you want. Broadly, is that an accurate report?

Mr Deady—We have had very detailed consultations with industry and other stakeholders already and we have received more than 200 submissions in reply to our request for public submissions. In very broad terms—I would not want to be held to this—my recollection of that article is that there is strong industry support for the negotiations. There are issues raised by various industry groups, and both offensive and defensive interests are being well and truly brought to our attention.

Senator COOK—I repeat that I am not going to hold you to the letter of this report. I just wanted to get a general view about whether it is a fair enough report in the way these reports go, because I do want to ask you about some of the detail of it. First of all, if we have received over 200 submissions, will you release those submissions?

Mr Deady—We do not intend releasing them. We consider them to be confidential submissions to the government as part of input to FTA negotiations and preparations. Obviously, a number of these submissions would have been made public by the associations and others as part of their web sites and other things. We will be preparing a paper that broadly summarises the views put to us as part of those submissions, and we will be making that available on the web site and elsewhere down the track.

Senator COOK—Okay, there will be a summary.

Mr Deady—Again, we would certainly make available the details of who provided those submissions and, if people wanted to approach them directly, then of course they could.

Senator COOK—Since some of these things that we have been talking about also affect the states, will you give the states access to these submissions on a confidential basis, properly proscribed?

Mr Deady—Again, I hesitate and probably would prefer to take it on notice, because it is an issue that we would have no problem in providing to the states. I think we would have to go back to those people who provided those submissions and get clearance. I suspect that that

would not be a problem and I think that would be the proper process. Those submissions were made to us and we would have to get clearance about whether they wanted them passed on in their entirety to the state governments. I do not think there would be a problem if states wanted to see particular ones; we could follow that process.

Senator COOK—I acknowledge that that is quite the right process. If someone provides a submission to you in confidence and you want to share it with a state government who is affected by it, then you need to get approval to do so by the originator. Some of these submissions will go to issues that are of state concern and, indeed, of state jurisdiction and it is a reasonable question to ask if states can have access to the views of the organisations. Of course, if they wanted, they could go off and ask the organisations themselves, rather than double-dealing.

Mr Deady—They could.

Senator COOK—You have provided the states with the black letter of the Singapore agreement so that they know the details in a properly constituted and confidential arrangement. Will you provide these submissions with the same degree of confidentiality to, for example, the Joint Committee on Foreign Affairs, Defence and Trade of the parliament or the Senate Foreign Affairs and Trade Committee?

Mr Deady—I would have to take that on notice because I do not know what the legalities are.

Senator COOK—That is fair enough.

Mr Deady—In principle, there is no difficulty with doing that. I recall the approach that we took with submissions received in relation to the Doha and Seattle preparations, and I think the same question was raised by the committees then. In that situation, I understand we went through the process of asking the originators if they would make their submissions available and if the answer was yes, they were made available. So I think it would involve that same process again.

Senator COOK—We are in the same position here, but on a much bigger scale, as we are with the Australia-Singapore free trade agreement. The executive wing of government has the power to conclude these agreements. The parliamentary wing of government enacts consequential legislation. If the parliamentary wing is out of the loop, it may disagree with the executive and not enact consequential legislation, in which case the negotiating ability of the executive is undermined. Therefore, I would suggest it is wise of the executive to keep the parliament informed and take the temperature of the parliament before it concludes these agreements so that it does not risk exposing Australia to a situation in which word given at trade negotiations cannot be kept because the parliament, which represents the will of the people, has a different view. Can we get a list of the names of the organisations that have lodged submissions?

Mr Deady—Yes, we can provide that.

Senator COOK—Mark Davis says in his article on 20 January:

- Manufacturers want tariff cuts on manufactured goods under an FTA to include special phasing-in arrangements for the Australian automotive and textiles, clothing and footwear manufacturing sectors.

Are you able to affirm that that is right?

Mr Deady—We have talked with a whole raft of industry associations and various companies, in those two sectors in particular, and that view certainly has been one of the

views put to us—that there would be some preference for phasing. But it is not a unanimous view across all of those industries. Certain sectors would be quite happy to see things go to zero more quickly or even from day 1. But that is my only caveat on it. There is certainly that sentiment there among those industries in the broad. They certainly talk about and recognise that transition periods are something that is possible under these sorts of negotiations.

Senator COOK—Have any of them submitted to you that they do not want any concession made at all on these things?

Mr Deady—I have not read every word of all the submissions we have got yet, but no-one whom I have had a direct conversation with has said that at all—that they should be ruled out of the negotiations.

Senator COOK—This is in TCF and automotive?

Mr Deady—That is correct.

Senator COOK—The article also says:

- The film and TV production industry is insisting that Australia's local-content rules on TV programming be maintained and that the government resist any moves by the US to target Australian tax concessions for the local film industry.

Is that a fair summary of that proposition?

Mr Deady—Again, without having read every word of the submissions that we have got, I think we have had some good discussions. We have had submissions from a whole raft of associations and others in those industries, and I think we are getting a very good picture of the interests of those sectors. I would not necessarily categorise it the way that Mark Davis has done there. Certainly the question about the local content quotas is an issue that has been brought to our attention.

Senator COOK—The cultural protection clauses that we are talking about here are pretty high-profile issues. Hollywood is the second biggest export industry in the United States, I think, after automotive—or it may even be the biggest now. They do seem to have this fascination with the Australian film industry. I do not know when we last beat a Hollywood blockbuster on its home territory, but they do have this fascination. Going into these negotiations, do we have the view that we can say that we are not going to make a concession here?**Mr Deady**—What we have said gets back to perhaps some of our earlier discussion about comprehensiveness and the importance of that. We are not ruling things out, going into the negotiations, other than that the government has made it very clear that there will be no negotiations with the United States or anyone else which do not take into account the cultural interests of Australia. That is the overriding policy parameter there. The talk about the specific instruments, as to how you may deliver those cultural outcomes, is something that may be part of the discussions with the United States. It is certainly not an agreement that there would be concessions or anything else in those areas.

Senator COOK—As I understand that answer, this is the posture. You have heard from the film people that this is what they want. You have nodded to them in acknowledgment and have said, 'This is an interest of ours, too,' but it is nonetheless on the negotiating table. Is that right?

Mr Deady—Protecting the culture of Australia is part of the negotiations; it is not on the negotiating table. The specific instruments or measures that may come into that—that the Americans might put on the table—are things about which we would listen to what the Americans have to say, against that overriding principle that there will be nothing in the

negotiations that undermines the government's ability to maintain, foster and develop Australian culture.

Senator COOK—I know some people who characterise themselves as economic rationalists in the pure sense. They might say, 'The best thing we could do to help the Australian film industry is to cut out the tax concessions.' If that view held sway in, for example, this cabinet, we could say to the film industry, 'Look, we're into cultural protection and we've done the very best possible thing to help you—we've knocked out these tax concessions. Stand on your own, compete in the industry and you'll grow stronger.' That could be a line of argument that has a certain resonance around this building from time to time. Are we able to say that we will keep the value of the protection—albeit, as a consequence of negotiations, it may be expressed in a different form—and that we will not remove that protection?

Mr Deady—I cannot speculate on the outcomes of the negotiations other than to say that these are the parameters and these are our broad objectives to maintain and protect Australian culture as part of the negotiations. At this stage it is not possible to speculate on what that means. I should say that in the audiovisual area at the moment we have no commitments. As you know, there are no commitments in the WTO. In the Singapore agreement also we fully reserved the audiovisual sector, so there is complete flexibility for the government in those areas.

Senator COOK—The next point in this article, in order, is about the Australian Wheat Board and the single desk. We covered all that earlier, so I will not bother you with it now. One of the earlier points was that the Australian Stock Exchange, ASX, has requested—and I quote:

... that the negotiations tackle US Securities and Exchange Commission regulations that restrict some US pension funds and other investors from buying shares in Australian companies.

Is that roughly what they have asked us to do?

Mr Deady—We have received a submission from the ASX, but we are talking to a whole raft of people in the financial services sector. I cannot comment on whether that is an accurate reflection of precisely what they have asked for.

Senator COOK—But is that something we are disposed to press for—for the US to remove some of its regulations which restrict pension fund investment?

Mr Deady—We have gone out and sought submissions from Australian industry and others. As we develop and put specifics to our negotiating mandate, these are things that we are looking at and considering. But I cannot answer that sort of specific question.

Senator COOK—The *Financial Review* article also says:

A push by manufacturing companies, including BHP Steel and Southcorp, for the US to soften the application of anti-dumping and countervailing subsidies measures on Australian imports.

That is a pretty hot topic. According to the Zoellick letter to Congress, the US has some sort of counterclaim on us on this sort of thing. Are you being asked to take a stand on the United States antidumping and countervailing subsidies measures on Australian imports?

Mr Deady—Again, there are various views put in this whole raft of 200 submissions. At this stage we are still looking at those views. The government will in time develop more fully the mandate as we go forward for the negotiations. Views are put by others in the Australian industry who would prefer nothing to happen on antidumping and other arrangements. In relation to trade remedies, such as safeguards, a number of industries have said to us that they

would like some relief from US capacity to impose safeguards on Australia. These are things that we are certainly considering as we develop our negotiating mandate more fully. Some of these things we will certainly bring forward to the table with the United States; others we may not.

Senator COOK—The steel industry has been a hot topic between Australia and the United States. The US has acted unilaterally on steel imports into the United States, so I can see where BHP Steel are coming from, and I think Southcorp have been worried that there will be a stance taken against Australian wine.

Mr Deady—We have certainly received submissions from both of those companies. I think Southcorp and the Australian wine industry generally are very supportive of the negotiations. They certainly see it as an opportunity to reinforce the very strong growth that they have had in those areas. I think they would look to the US and see aspects of US trade law. We have said to them that this is an opportunity. These sorts of negotiations give us the opportunity to talk in great detail about a number of these things and nothing is taken off the table as we go forward. So we are asking for and have received input from these industries about some of the things that might be important. Certainly, as I mentioned, trade remedies is one of them, but more with regard to the safeguard legislation than the antidumping area.

Senator COOK—The NFF president, Mr Peter Corish, is reported in that same article as having said:

Nothing should be agreed until everything is agreed.

Is that a negotiating stricture for us?

Mr Deady—Yes.

Senator COOK—Leigh Purnell of the Australian Industry Group wants us to take a strong stand, according to this article, on rules of origin. Are we committed to doing that?

Mr Deady—There will need to be strong rules of origin that ensure that the benefits of the preferential arrangements that emerge from the negotiations flow to Australian and US producers respectively, and also are not too cumbersome in their application and can, equally, be well and truly enforced. So, yes, there is a recognition on both sides that there will need to be a rules of origin chapter, and we fully accept that.

Senator COOK—This is a work in progress and we will come back to the subject later on.

CHAIR—I thank the minister and officers from DFAT. After lunch, in approximately one hour, we will commence with Austrade and we will look forward to seeing officers of the Department of Foreign Affairs and Trade later in the afternoon.

Proceedings suspended from 1.01 p.m. to 2.03 p.m.

Australian Trade Commission

CHAIR—Welcome back, Minister. I welcome officers of Austrade. It is nice to see you back in Canberra. We move now to questions on the portfolio overview of Austrade, followed by outcomes 1 and 2.

Senator O'BRIEN—I want to ask Austrade some questions which relate to Japan and the beef trade. I want to find out what Austrade's role is in relation to our beef promotions, and I have some questions which relate to the snapback tariff arrangements that will take effect.

CHAIR—Has Austrade brought somebody who can handle those questions? I know that these were requested areas of discussion, Senator O'Brien.

Senator O'BRIEN—It is just that something has happened on that matter.

CHAIR—Perhaps you could ask the questions and if necessary put them on notice.

Senator O'BRIEN—Is there no-one here who can help on that?

CHAIR—No.

Senator O'BRIEN—I will put some questions on notice in that area, and I will come back and talk to DFAT about them later on this afternoon.

CHAIR—Do you prefer to put them on notice here, Senator O'Brien, or ask them this afternoon of DFAT?

Senator O'BRIEN—I will do both.

CHAIR—All right. Thank you, Senator O'Brien.

Senator LUNDY—I have some questions about the Export Market Development Grants program. First of all I would like to go through a fairly straightforward series of figures for the 2000-01 grant year, the details covered in the annual report. How many applicants were there for the 2000-01 grant year?

Ms Lyons—I will ask Margaret Ward, who is in charge of the EMDG, to answer those questions for you.

Ms Ward—For the 2000-01 grant year, the number of applications was 3,391.

Senator LUNDY—Could I just clarify: is the grant year the financial year?

Ms Ward—No. The Export Market Development Grants scheme is a reimbursement scheme—that is, money has to be spent in a financial year and claimed at the subsequent one—so the claims for the grant year 2000-01 are lodged and processed in the financial year 2001-02.

Senator LUNDY—How many companies received payments last financial year for that 2000-01 grant year? That would have been payments in the 2001-02 financial year for the grant year of the year before.

Ms Ward—The actual grants paid were 3,018.

Senator LUNDY—Is it the case that, for grant year 2000-01, companies which were entitled to more than \$60,000 in grants received only 75.6 per cent of their entitlement above their initial \$60,000?

Ms Ward—Yes, that is correct. The scheme, as I think you are aware, has a split payment system, so that provisional entitlements for up to and including \$60,000 are paid immediately, once they have been processed. If the provisional entitlement is for an amount in excess of \$60,000, then the client is notified but the rest of the provisional entitlement is not paid until the end of the year, following close-off of processing of all claims, when we are able to work out what is called the payout factor. That depends on the amount of entitlements owing that is still left in the system and the amount of funds still left in the system. At that point we make a calculation, which as you indicated was 75.62c last year. That was what was paid to those people who still had a second tranche entitlement—having already received their full \$60,000.

Senator LUNDY—I appreciate that. I understand how it works. Did Austrade predict, in its 2000 review of the EMDG scheme, that this would happen?

Ms Ward—The review in the year 2000 was conducted by the Austrade board. I would have to come back with the exact wording, but I believe there was something to the effect that over the course of five years it was possible that there would be funding pressure on the scheme.

Senator LUNDY—I think you will find that that was the prediction, effectively. The reference there is that review published in June 2000, page 59. Is it not also true, however, that Austrade did not expect this to occur until the 2002-03 grant year—that it actually happened in 2000-01, two years earlier than even Austrade expected?

Ms Ward—I am not sure that it is appropriate to word it in terms of expectations. The scheme is designed to be able to accommodate increasing demand through the split payment system. Apart from that reference that you have already sourced in the Austrade board review, I cannot comment about expectations.

Senator LUNDY—The point I am trying to illustrate is that, because of the cap on the EMDG scheme, there was always going to be pressures there, but those pressures have been realised far sooner than even the review in 2000 had anticipated. Is that a fair reflection on the situation?

Ms Ward—As a comment on that, the demand on the scheme is somewhat uncertain from year to year in the sense that, for example, in the four years leading up to the 2001-02 financial year there were funds returned to the Commonwealth on three occasions. Even in those years, when perhaps some people may have expected an increase in demand for the scheme, there was not an increase in demand for the scheme. I think it is not clear what the underlying demand may have been for the scheme.

Senator LUNDY—I do not want to engage in a debate but a policy for a company to expand the number of exporters puts former unexpended income in an entirely new context, now that the government has a stated policy aim of increasing the number of exporters so significantly. How many of the companies that received a grant in that 2000-01 grant year received less than their full entitlements? Out of the group of companies that were entitled to \$60,000 or more and who then obviously waited for that period for the distribution of the pool, how many companies received less than what they claimed as a result of the cap?

Ms Ward—There were 2,186 recipients who received 72.65 per cent of their provisional entitlement over \$60,000.

Senator LUNDY—I am sorry, could you say that last bit again.

Ms Ward—My colleagues are correcting me: 72 per cent got the full amount. In answer to your question of those that did not get the full amount, it was 832 of the balance or 28 per cent. That was after they had got their initial payment of \$60,000.

Senator LUNDY—So how many companies does 28 per cent represent?

Ms Ward—832.

Senator LUNDY—So what was the 186 figure?

Ms Ward—The first figure I quoted was 2,186, which is those who got their full entitlement.

Senator LUNDY—And that represents the 72 per cent.

Ms Ward—That is right.

Senator LUNDY—Is that just companies over and above the \$60,000, or is that all inclusive?

Ms Ward—I have perhaps confused you. The 2,186 or 72 per cent figure—

Senator LUNDY—Of all companies who received a grant?

Ms Ward—That is correct—got their full entitlement of \$60,000 or less.

Senator LUNDY—All of the companies entitled to \$60,000 or more did not get their full entitlement because of the pool.

Ms Ward—More than \$60,000. If they were entitled to \$60,000 exactly, they got that.

Senator LUNDY—And that represents 28 per cent or 832 companies.

Ms Ward—Correct.

Senator LUNDY—Are you in a position to compare that percentage? You would not have done your redistribution for the next grant year, would you?

Ms Ward—That is correct. We are processing those grants at the present time. That calculation will not be made until June this year.

Senator LUNDY—Is there any indication on those figures at this stage? Are you able to give an indication of what the percentage of companies effectively above the \$60,000 who, in effect, will not receive 100 per cent of their grant will be?

Ms Ward—The answer is no, I cannot with any accuracy. However, I can say that in our processing year to date—year to date being the end of January—we have tracked that 76 per cent of those processed have received their full entitlement, and that compares with 74 per cent in the same period last year. Tracking the size of claims this year indicates that we are getting more claims from smaller companies which, as a general statement, one may expect to mean smaller claims. I cannot give a precise figure but, on that information, it may appear that it is tracking perhaps around the same as last year.

Senator LUNDY—I will come back to that. Doesn't Austrade's 2000 review of the EMDG state that once exporters start receiving less than their full entitlement

This is likely to reduce the amount of additional exports generated compared to what would have occurred if the grant was paid in full.

Can you confirm that for me? I am referring to page 59 of the 2000 review.

Ms Ward—I am sorry, could you repeat that question?

Senator LUNDY—I am referring to a quote in that report, which effectively states that once exporters start receiving less than their full entitlement:

This is likely to reduce the amount of additional exports generated compared to what would have occurred if the grant was paid in full.

I am looking for confirmation that the reports says that—I am certainly quoting from it—and I want to know what the impact has been on the companies whose grants have been cut back to 76 per cent for the grant year 2000-01.

Ms Ward—I cannot give a precise answer to that question either, but the scheme is designed to be an incentive for companies to undertake export promotion, to win additional exports as a result and to undertake more export promotion than they would have undertaken without the scheme. Evidence of research analysis has indicated that the scheme works in that way. Someone has just pointed out to me that the statement you read out is correct, but I cannot comment on the additional expenditure that has not taken place as a result of the companies getting less than the provisional entitlement. I cannot comment on that.

Senator LUNDY—Obviously those warnings and concerns expressed at that time have not been addressed in any way in dealing with the impact of the cap. That percentage is still declining. Has Austrade done any assessment on the impact of that decline or has it organised to get any qualitative or quantitative feedback from exporters as a result of those cutbacks in the grant?

Ms Ward—We do two things: we monitor public statements by companies or information in newspapers and we have a feedback form which we send to all clients in which we ask for feedback of any nature. That is a way of getting qualitative information about the scheme. In addition, the staff dealing directly with clients will be able to get qualitative information on an ad hoc basis.

Senator LUNDY—Could you provide the committee with a copy of that survey form?

Ms Ward—The feedback form?

Senator LUNDY—Yes, the feedback form, and any accompanying correspondence from Austrade to exporters.

Ms Ward—I could certainly provide the feedback form to you. I do not have it in front of me, but I am fairly confident in saying that the form specifically says that the information is being collected for internal purposes only. I will have to take advice as to what extent—

Senator LUNDY—I am not asking you for that; I was actually going to ask you for that next. What approach do you make to companies? How actively do you solicit feedback about the scheme? Is it accompanied by a letter from you, saying, ‘We really need this information; can you cooperate and fill it out,’ or, ‘As a recipient we require you to fill it out’? Is it passively distributed—that is, you pick it up from your local Austrade office—or it is an attachment to some general correspondence that is sent out? I am just trying to get an idea of how vigorously you pursue feedback through that method.

Ms Ward—The feedback form goes out to the client at the time we send out the notice of determination telling them the results of the grant assessment. It goes out at that stage.

Senator LUNDY—Does it actually ask, ‘If you have had a decline in funding, what is the impact of that on your business?’ Do you try to nail it in that way or do you avoid the question?

Ms Ward—We do not ask the question. I would not describe that as avoiding the question. I think that would be getting into an area of policy which is not within our bounds of responsibility.

Senator LUNDY—I do not think it is an area of policy. If it were, I would be directing my questions to the minister. It is more a matter of information gathering on behalf of the department and, as I have said, how actively you pursue those issues. Anyway, I think it is pretty clear that it is not particularly proactive on that point. I will go to the next point, which you anticipated well: what are the results of that feedback? How do you compile them? Are they made public? What do you do with that information?

Ms Ward—Yes, we compile the information internally. As I mentioned earlier, because it is marked ‘this will be used internally only’, which is deliberate, to encourage companies to be honest in their assessment, it allows us an opportunity to monitor the information provided and, where appropriate, to pass on that information to the minister.

Senator LUNDY—If a company says, ‘This is really hurting me; I have had a cutback,’ that serves as a quality of advice that you can pass up the chain to the minister?

Ms Ward—Again, to repeat: we would not, because we would not repeat one company’s comments; but if it were trend information as a result of it—

Senator LUNDY—Are those companies aware that that information could be passed to the minister’s office as opposed to staying within the department?

Ms Ward—I need to have the form in front of me to tell you what the exact words are. It is clear that the information has been collected for internal purposes so that we would not in any way be revealing individual information.

Senator LUNDY—Can you tell me whether information going to the minister's office as a result of that survey would have any corporate or personal identifiers on it?

Ms Ward—It certainly would not have, no.

Senator LUNDY—If that is the case there should not be a problem with providing to this committee the information compiled from the survey.

Ms Lyons—I have not seen the form and I am not aware of exactly how it is compiled within Margaret's area. Could we take that question on notice? There might be some privacy issues which I would like at least to tick off before I give you a yes.

Senator LUNDY—That is why I have spent some time clarifying whether personal or corporate identifiers were removed from that data. I dealt with a similar situation with another department, where once that information has been removed the department is more than happy to share it, either through this process or through a wider report. Yes, I would like to place that question formally on notice. I also put on notice that you provide a copy of, as I said earlier, the actual form and any accompanying correspondence that goes out with it, although I also note that you said it went out with a pack.

Ms Ward—Yes. It is certainly publicly available, so I will provide that.

Senator LUNDY—I will anticipate your answer and say, by way of warning, that claims of commercial-in-confidence would not apply in this circumstance, particularly if those identifiers were removed, unless the department had given some assurances about commercial-in-confidence—which would be inappropriate in this circumstance, as it is in some cases in the preparation of contracts with external suppliers and contractors. Obviously, you are privy to the results of that survey. How does the uncertainty in funding affect companies' future planning for spending on export marketing and business planning?

Ms Ward—I do not have any information about that survey with me at the moment. What I can say is that generally we get far more positive comments than negative ones through that survey. We get far more positive comments about the influence of the scheme on export promotion and, therefore, on exporting. I cannot comment beyond that. We can take that on notice to look at what information we can provide on the survey.

Senator LUNDY—Given that the cap on the scheme represents in real terms about a 37 per cent shrinkage in the program, are you able to comment on what the effect of the cutback has been on the overall effectiveness of the EMDG scheme?

Ms Ward—Can I clarify your use of the 37 per cent cutback on the effectiveness of the scheme?

Senator LUNDY—I mean if the scheme were to grow in real terms with the demand from the period of time in which the cap was imposed.

Ms Ward—In terms of the effectiveness of the scheme, the scheme is, as is set out in the act, deliberately targeted towards small and medium enterprises. It is able, as I have already commented, to provide small claimants on the scheme with full entitlements. As I have indicated, we are seeing more small claimants and more first-time claimants on the scheme. This current year we have had about a 51 per cent increase in first-time claimants on the scheme. That would suggest that, as a scheme to assist small and emerging exporters, it is effective. We are also tracking the number of claimants this year. It is the first year that the

change to the minimum grant and the cutback in the threshold of expenditure has come into effect. With the two things combined, 293 claimants would appear to be looking to benefit from those changes. So in terms of the small, emerging exporter, the indications are that it is a very effective scheme.

Senator LUNDY—I think we discussed last time—it may have been the time before—that the changes would increase the weighting towards far smaller businesses accessing the scheme. But I would like to persist for a few questions more about the impact on the medium sized enterprises that claim the \$60,000 or more. I would like you to respond to a comment. It is likely that companies will be discouraged from using the scheme in the future because of the cutbacks, because they are not getting the full amount back. Can you tell me what impact that could have on the number of applications for larger claims? Do you think it will start to create a disincentive for companies with a larger claim to make the applications and to use the scheme to the fullest effect?

Ms Ward—It would be speculative, in a sense, for me to answer that. There would perhaps be a point where a company may make that decision about whether or not to apply for the scheme and go through the audit process. Just to ensure this is in context, the average grant we paid last year for the 2001 grant year was still \$45,200 and the median grant—the point at which half the firms got more and half got less—was \$29,600. Just as 72 per cent were paid the full entitlements, the median grant shows that in fact they were small claimants on the scheme. So the majority of firms are benefiting fully from the scheme.

Senator LUNDY—Because I do not have year-by-year comparative figures I do not know whether that means that the number of companies claiming larger amounts are actually in decline. Are you able to comment on that? Have you observed that?

Ms Ward—Firstly, there is a cap—a maximum grant that can be paid. You asked if we were seeing a decline between—

Senator LUNDY—A decline of that group that would otherwise have been eligible.

Ms Ward—If that were true, it would be too early to know the answer. Last year was the first year in which there was any cut of any significance to that, so it would be too early to be able to answer your question or to see any trend.

Senator LUNDY—So we might have to wait for this year's figures to see if we can at least start to see a movement. Given that the government's stated goal is to double the number of exporters by 2006—and we have had a discussion previously about just what that represents in terms of trying to ramp up those numbers—how do the results through the EMDG scheme sit with that stated goal? Are you meeting targets? You mentioned there were quite a few hundred first-time applicants this time around. Where does that sit in terms of the stated policy goal of trying to increase the number of exporters?

Ms Ward—I could make a couple of points about that. First, as I mentioned earlier, it is a reimbursement scheme, so claims coming in which were lodged this year and which we are currently processing were for expenditure during last financial year—2001-02. The proactive strategy towards doubling has been in effect since 1 July this year. So, in any quantitative sense, we would not yet be in a position to see any direct additional demand on the scheme.

Senator LUNDY—And probably are not likely to for another two years as far as reporting terms go for the scheme; is that right?

Ms Ward—You would expect a lagged impact, particularly in direct impact coming out of that program and particularly given that there is now a minimum expenditure threshold of

\$15,000 and that a first claimant can add two years together to get over that threshold. For very small claimants that would delay the claim by an additional year again.

Senator LUNDY—In view of that lag, what is Austrade's estimate of the likely future pressure on the EMDG scheme as a result of the policy to double the number of exporters? What work have you done in that area and do you have projections as to how the pressure will increase on the scheme as that policy starts to have an impact?

Ms Ward—We do not have that in any precise quantitative sense. About the middle of last year, we looked to see whether it was feasible to do some modelling of the impact. The demands on the scheme are still too uncertain for any sensible modelling, so I cannot give you an answer in a quantitative sense.

Senator LUNDY—If you have not done that work, it makes my next question void because I wanted to know whether Austrade have provided any advice to the minister, or carried out any analysis, on the likely impact of the doubling of the number of exporters on the EMDG scheme or the limitations of the EMDG cap on Austrade's efforts to double the number of exporters. I am not asking what the advice was; I am asking if you have provided any advice to the minister.

Ms Ward—As I said earlier, we do not have any reliable quantitative information. As we do not have it, we have not provided it. In terms of your question about pressures on the scheme, we have talked about the ability of the scheme to accommodate many more small emerging exporters. They are the micro sized firms which, I believe, Austrade is expecting will benefit most from the proactive strategy of doubling the number of exporters.

Senator LUNDY—I am sure you can appreciate that the picture being painted is of a government policy being geared specifically to build up those numbers of exporters by accessing newer and smaller applicants with very little attention being paid to those eligible for the scheme in the larger bracket. As that number of smaller applicants grows and perhaps continues to grow, particularly as we have not seen the impact of the policy of doubling the number of exporters kick in yet, the proportion of grant distributed to the \$60,000-plus applicants will continue to shrink. Are you able to give me the figures for how much additional funding beyond the cap would have been required for all of that 28 per cent of applicants who only received 75.6 per cent of their grant, if they had received 100 per cent?

Ms Ward—It would be possible to give you that figure. I have not got it with me, but we can provide that. It is only an arithmetic calculation.

Senator LUNDY—Thank you. How many applicants have there been so far for the 2001-02 grant year? I know you touched on this earlier and said it was looking similar. If you have a specific figure, that would be helpful.

Ms Ward—We are still processing claims for the year but the date for closure of lodgement was 2 December 2002, so all claims have been lodged and it is closed off.

Senator LUNDY—So you know the actual number of applicants?

Ms Ward—Exactly.

Senator LUNDY—What is the number?

Ms Ward—For the full year, 4,163 claims were received.

Senator LUNDY—Compared to 3,391.

Ms Ward—That is correct.

Senator LUNDY—That is a significant increase, is it not?

Ms Ward—It is a significant increase: it is over 20 per cent.

Senator LUNDY—Do you think that is starting to reflect the impact of the doubling of exporters. It would not be picked up yet, would it?

Ms Ward—As I alluded to earlier, in a direct sense, because of the lagged impact, I expect the answer would be no. In an indirect sense—and this is anecdotal only—we believe that it is because of Austrade's activities in raising awareness of its services and of exporting in general, through seminars and education, including the Export Market Development Grants Scheme. It is this combined with the fact that, for the first time this year, it is a requirement to be registered as a potential applicant before 1 July. That requirement was not there previously. It is part of making the scheme simpler and more accessible. It is possible—and I stress again that this is anecdotal—that some firms became aware of the scheme through the broader educational activities of the doubling policy and perhaps were not aware of it before, say, August, and so they had the window of opportunity until the end of November to lodge their application.

Senator LUNDY—There was a three-month window where possibly the policy could have had an impact?

Ms Ward—It could have, but I am talking about indirect—it is awareness raising only.

Senator LUNDY—You mentioned a percentage—that it is at least a 20 per cent increase on the previous grant year?

Ms Ward—Yes, it is a 23 per cent increase.

Senator LUNDY—That is a lot more than the five per cent growth in applicants that was assumed in Austrade's projections in the 2000 review, wasn't it? It was a lot bigger. I guess I am not asking a question there; I am making an observation, which I am sure you would confirm. Last financial year many exporters received, as we know, only 75 per cent of their entitlement. What proportion of their entitlement above the threshold can exporters expect this financial year for grant year 2001-02? Do you think it will be more or less than 75 per cent?

Ms Ward—I stress that it is impossible to have any precise estimate at this stage because, although we know the claims lodged and the value of claims lodged, we do not know until we have audited those claims to what extent grants are fully entitled to the amount that they may have claimed, so there are a lot of assessments still to go through. It is not until we get to the end of the year, when we know the actual amounts that are left in provisional entitlements and the amount of funds, that we can calculate that figure. That said, given the popularity of the scheme this year, as you have alluded to, we do expect it will come in at less than the 75.62 per cent last year. In fact, it is expected that it will probably be less than 50 per cent this year.

Senator LUNDY—Less than 50 per cent?

Ms Ward—Yes.

Senator LUNDY—Sorry, I am just in shock. You are saying it could decline from 75 per cent to 50 per cent for applicants seeking over \$60,000?

Ms Ward—That is possible, yes.

Senator LUNDY—What are you basing that on?

Ms Ward—This is simply looking at the increase in demand for the scheme, in terms of both claims lodged and the value of claims lodged.

Senator LUNDY—Using that figure, I am very tempted to run through the series of questions I have just asked about the impact of the 75 per cent. Can you tell me what work

you have done to date to anticipate the effect on those applicant companies about their exporting intentions if that outcome is in fact 50 per cent and whether you have provided any advice to the minister about that eventuality?

Ms Ward—The answer is no.

Senator LUNDY—On all fronts?

Ms Ward—On all fronts because, as I say, we are still processing these claims, so we are not in a position to be able to do any analysis of any kind on the full year claims yet.

Senator LUNDY—That confirms some of the estimates canvassed by the Exports Consultants Association for the grant year 2001-02. What communication have you had with that organisation about the estimates of what those applicants will receive?

Ms Ward—We have meetings with the consultants through a committee that we have, which is a consultative committee. At the last meeting, the information about the number of claims received and the value of those claims was discussed, as you have said, with the consultants themselves. They are aware that the figure will be of that order of magnitude this year. I believe the minister, in a speech last year to the Press Club, made reference to it coming in lower than last year. So the consultants are aware of that, yes.

Senator LUNDY—Is Austrade aware of media reports that one exporter has been told by their export consultant that they will only receive one-third of their entitlements? I am referring to an article in the *Australian Financial Review*, dated 10 December last year?

Ms Ward—It appeared to me to be a confused article in that it referred to a third of the entitlement. I repeat: as the grant is processed, everybody is receiving—if they are entitled to a second tranche payment—\$60,000 immediately, so there seems to be confusion there. It is not a cut of their whole grant entitlement. To say it is a third of their entitlement would not be correct. We are talking about—

Senator LUNDY—a third of their post \$60,000.

Ms Ward—We are talking about whatever the figure comes to for the payout figure of their second entitlement. Hypothetically, some of these people may be entitled, for example, to \$65,000, so they would have got a huge majority of their grant because they got that grant of \$60,000.

Senator LUNDY—I appreciate that. I think anyone who was reading the article and who understood how the scheme worked would have appreciated that. Can you tell me if the threshold is going to remain at \$60,000?

Ms Ward—I cannot give you an answer to that. What we call the first payment ceiling is something that is determined by the minister not until just before the beginning of the next financial year. So it will be some time in June this year that that is set, so I cannot answer that.

Senator LUNDY—Minister, I will direct that question to you. Is it the government's intention to change the initial payment ceiling amount?

Senator Troeth—I would have to refer that to the minister. If that is your question, Senator Lundy, I will see that it is passed to him for comment.

Senator LUNDY—Thank you, Minister—and if so the timing of that change. Ms Ward, is that decision made on an annual basis?

Ms Ward—Yes, that is correct.

Senator LUNDY—Is it correct that that decision is made in the lead-up to the budget and made public at budget time?

Ms Ward—No, it is not linked to budget timing; it is linked to when we have full information of the year which we have just processed, to be able to give the minister full information about the processing and the historic experience of the scheme. That is why it will not be determined until June, following the close of processing for the current financial year.

Senator LUNDY—If the percentage that claimants get of their post-\$60,000 component of their grant continues to decline, I guess the government would be somewhat tempted to reduce that threshold. Is that a fair reflection on the situation, Minister?

Senator Troeth—If you wish to frame that as a question, I will refer that to the minister, Senator Lundy.

Senator LUNDY—No, I have that earlier question that I want to go to the minister on the record. I am just engaging in a little speculation. I know this is an estimates committee, Ms Ward, but I think you have given some pretty strong insights into the situation facing exporters for the 2001-02 grant year. How many other exporters are likely to be in a situation where they only receive one-third of their post-\$60,000 threshold entitlement?

Ms Ward—There are two points here. Firstly, I said a figure of less than 50; you are talking about a third. I cannot give you a precise figure at this stage. Secondly, you are again asking what percentage that might be. As I said earlier, indicatively it would look to be perhaps in the ballpark of the same proportion as last year, but I cannot give you a precise figure on that because the processing is still under way.

Senator LUNDY—You say less than 50 per cent, so it could be as low as a third—33 per cent.

Ms Ward—I cannot give you any more precise a figure because of the uncertainty in the processing to take place.

Senator LUNDY—Do you have the averages for the grants paid over the last three years?

Ms Ward—I think I might have mentioned a figure for the last year. The average grant paid for the grant year 2000-01 was \$45,200. The previous year's was \$46,000. I would have to come back to you with the figure for the year before; I do not have that in front of me.

Senator LUNDY—Could you provide me with those average figures generally, going back a few more years—say five years?

Ms Ward—If we can take that on notice and come back to you.

Senator LUNDY—By all means. Have you made any calculations of the reduction in real terms of the value of the \$150 million scheme since 1997 when the cap was introduced? The inverse question to that is: what is the dollar figure that the scheme would have increased to had the cap not been put in place as it responded to applications to grants, from 1997?

Ms Ward—To repeat something I said earlier, since that cap was put in place, over the four years to 2001-02 the cap was not an issue for three years because the demand for the scheme meant that we paid 100 per cent entitlement. In one of those years it was 99 point something—I cannot remember the percentage points—of the entitlement. You are asking what we would have required. In fact, for those years it was not an issue. We have already put on notice the figure that would have been required to pay full entitlement last year.

Senator LUNDY—Thank you. Assuming the level of funding remains capped at \$150 million, if the number of exporters is in fact doubled and you are successful in achieving that policy within the stated time frames, what would happen to the payout ratio over that period of time?

Ms Ward—The current budget for the scheme is \$150.4 million. Again, as I have said earlier, the scheme with its split payments system allows flexibility to particularly target that small emerging exporter category, so I cannot make any speculation on the payout. I cannot give you an estimate on the payout factor in that sense.

Senator LUNDY—Is Austrade doing any work in that direction. Do you think it is an appropriate investigation for you to be conducting?

Ms Ward—There are two factors here: what might be the underlying demand for the scheme, irrespective of the doubling strategy, and then what might come through from the doubling strategy—the proactive strategy. Firstly, as I have alluded to, the underlying demand has been a bit uncertain. For four years it was totally flat, then one year it went up five per cent. This year it has been extremely popular. That is the first point. The second is the doubling strategy. For the reasons I have already referred to we would expect a lagged impact in the small micro firms where the scheme is flexible to be able to pay out the entitlements. I do not think I can add to the answers I have already given you.

Senator LUNDY—I would now like to turn, very briefly, to another matter. According to answers to questions on notice, the former managing director of Austrade received a total remuneration of \$693,000 for 2001-02. We are told that this includes a separation payment of \$258,604, the prescribed annual salary of \$202,055 and non-cashable benefits of \$104,000. This only adds up to \$564,659. Please account for the remaining \$128,341.

Ms Kimball—Could you just take me through that?

Senator LUNDY—According to answers to questions on notice, the former managing director received a total remuneration of \$693,000 for 2001-02. We are told that this includes a separation payment, for \$258,604, the prescribed annual salary of \$202,055 and non-cashable benefits, for \$104,000. This only adds up to \$564,000. That was what was given to us in answer to the question on notice. But the annual report says that in that year the director received a total of \$693,000, which leaves a shortfall of \$128,341. I want you to account for the remaining amount, and I also want to ask why this remainder was not accounted for when I asked what the various components were. It was not contained in the answer to the questions on notice.

Ms Kimball—I will just take you through it. For that year, in the cost to the organisation for the former managing director, he was paid \$163,000 as his annual salary to the month of April, when he left the organisation. There was some accrual for leave liability, there was fringe benefits tax of \$120,000 and, as you pointed out, there was 12 months salary in severance pay, along with \$56,000 payment in lieu of notice. There was also a component for housing, accommodation, motor vehicle, parking and superannuation. That adds up to \$694,000. We can provide you with more detail.

Senator LUNDY—You are going to have to step me through it slowly. The answer to the question on notice states that the former managing director of Austrade did receive a one-off separation payment of \$258,604. At the time of separation, the former managing director's salary was \$202,000. The total payment of \$258,604 was made on the basis of the terms prescribed in the former managing director's appointment arrangements. It is the subset of that which I would like you to step through.

Ms Kimball—So you would like some explanation of the \$258,000—what the components of that are?

Senator LUNDY—Yes, if you could itemise it.

Ms Kimball—The \$258,000 consists of 12 months salary for his severance payment—

Senator LUNDY—I thought he retired.

Ms Kimball—No.

Senator LUNDY—The minister said he retired. I have got the press release here.

Ms Kimball—No, the managing director's appointment was not extended.

Senator LUNDY—Perhaps you could explain why this statement issued by Austrade said:
... will replace Mr Charles Jamieson, who will retire after more than 31 years service to the Trade Commissioner Service and Austrade ...

Ms Kimball—That is a literal interpretation of Mr Jamieson leaving the Trade service.

Senator LUNDY—No, it is not.

Senator FAULKNER—The statement is wrong, in other words.

Senator LUNDY—It is not the case. I think it is important to note that the department has said on another occasion that Austrade does not make redundancy payments to staff who retire. Here we have, on one hand, on the public record, the fact that Mr Jamieson retired and then, on the other hand, Austrade saying it does not make redundancy payments to staff who retire. But there was a redundancy payment. Can you explain that?

Ms Kimball—I cannot explain. I can say to you that Mr Jamieson separated from—

Senator LUNDY—So he did not retire; his contract was not renewed?

Ms Kimball—His contract was not extended but he retired from his service with Trade.

Senator Troeth—Surely, there is a case for the generic use of the word 'retire'?

Senator LUNDY—I take the time to read these documents and noted that it was pretty clear there was a discrepancy.

Senator Troeth—I understand that.

Senator LUNDY—If it was just the minister or someone else being loose with words then this is the opportunity to clarify that.

Senator Troeth—It was a generic use of the term.

Senator FAULKNER—Excellent accountability, but you would be the only person to read the minister's press releases. I hope you realise that.

Senator LUNDY—Indeed, I do, Senator Faulkner.

CHAIR—Thank you Austrade, we look forward to seeing you again in May.

[3.03 p.m.]

Department of Foreign Affairs and Trade

CHAIR—Welcome back, Dr Raby. It is nice to see you still in one piece.

Dr Raby—Thank you.

CHAIR—We now proceed to the portfolio overview of the Department of Foreign Affairs and Trade. I call on Senator Faulkner.

Senator FAULKNER—I have some general questions to the department. The first arises from the press coverage over recent days in relation to the alleged departmental leak about the record of conversation between the High Commissioner for New Zealand and the Minister for Foreign Affairs. Dr Raby, could you give the committee a status report on that investigation?

Dr Raby—I might pass this question to my colleague Paul Tighe, who is the First Assistant Secretary of the relevant division that is conducting that inquiry.

Senator FAULKNER—Thank you.

Mr Tighe—We are conducting an inquiry of the leak.

Senator FAULKNER—That is a very brief answer to my question. Let us go into it in a little more detail, if we can, Mr Tighe. When did this inquiry begin?

Mr Tighe—The inquiry began the day after the leak became public.

Senator FAULKNER—What was that date?

Mr Tighe—That was, if I recall correctly, Wednesday of last week.

Senator FAULKNER—So you know what the date of the leak was?

Mr Tighe—Sorry, Senator, I said the day after the leak became public.

Senator FAULKNER—Who instigated the inquiry?

Mr Tighe—It was instigated by the secretary of the department.

Senator FAULKNER—Are there terms of reference for the inquiry?

Mr Tighe—We have a standard procedure for investigating security matters within the department.

Senator FAULKNER—Could you outline that standard procedure to the committee, please?

Mr Tighe—We do not normally go into detail on security issues. I can say that the department takes the matter very seriously and has set about doing an inquiry which will be very thorough and which we are adopting with a high degree of priority.

Senator FAULKNER—Do you know if it was on the secretary's own initiative to conduct this investigation? Was he asked to by the minister or did he determine it himself or was it departmentally initiated and motivated?

Mr Tighe—The secretary took the initiative himself.

Senator FAULKNER—Who is actually conducting it?

Mr Tighe—It is being conducted by the Diplomatic Security Branch within the department.

Senator FAULKNER—What does it involve?

Mr Tighe—As I said, I would sooner not go into the detail of the actual process of the inquiry as it may jeopardise it.

Senator FAULKNER—With due respect, that may be a point that you could make, but given the amount of newspaper coverage of the actual leak investigation it seems quite unreasonable for you not to be providing more information to this committee. Was any public statement made about the inquiry into the leak or was that inquiry also leaked?

Mr Tighe—There was an administrative circular issued about it within the department. That circular itself was subsequently subject to some publicity and the minister has since confirmed that the inquiry is under way.

Dr Raby—Senator, I just want to interject and make the point that the second document—the admin circular that Mr Tighe has referred to—was an unclassified document.

Senator ROBERT RAY—That raises the question: were you ever going to publicise this inquiry? That is part of what Senator Faulkner is asking. Did you intend to publicly announce this inquiry and not have a circular, albeit unclassified, appear in a newspaper later?

Dr Raby—In the course of events it was overtaken by the public disclosure of the admin circular.

Senator ROBERT RAY—Hold on. I know what happened; I am asking what the intention was. Was it intended—it may not have been—to announce this inquiry publicly before it inadvertently or otherwise got out?

Dr Raby—The point is that it was overtaken by the—

Senator ROBERT RAY—That is the point you want to make; that is not the question I have asked and it is not the answer I want. You can say yes or no, but you cannot say, ‘It was inadvertently taken over.’ If no thought had been given to publicising this then you could say, ‘No, no thought was given.’ That is what I am asking.

Dr Raby—I cannot say whether thought had been given. I do not know what the secretary thought at that time. But the events happened so quickly—the establishment of the inquiry and the circulation of the administrative circular. I simply do not know. Would you know, Mr Tighe, whether there was an intention? Given the compression of time, I just do not know whether a decision was made in that regard.

Senator FAULKNER—Let’s get the timing right. When was the administrative circular circulated?

Mr Tighe—It was circulated on the day following the publication of the leak which was Wednesday of last week.

Senator FAULKNER—At what time was it circulated and how?

Mr Tighe—If I recall correctly, it was circulated in the early afternoon. It was drafted during the morning. The secretary cleared it early in the afternoon. If I recall correctly, it might have been slightly later in the afternoon. It was circulated by the normal departmental means, which is an information board on the departmental system. It was also cabled to all of our overseas posts.

Senator FAULKNER—But it was not made public, was it, not by the department?

Mr Tighe—No, it was not consciously made public.

Senator FAULKNER—No, it was leaked. It also was leaked.

Mr Tighe—It was an unclassified document.

Senator FAULKNER—I am not asking about the classification; I am asking how it appears in the newspaper. Did the department provide information about that circular to the newspaper or was it also leaked?

Mr Tighe—The department did not provide information about it to the newspaper.

Senator FAULKNER—So do you know why such an administrative circular was published in the newspaper?

Mr Tighe—No, I don't know.

Senator FAULKNER—Do you care? Does the department care? Is it investigating that matter as well?

Mr Tighe—The department is investigating the initial leak and we will also be investigating whether or not that throws up any information relating to the publication of the administrative circular.

Senator FAULKNER—So both leaks are now being investigated, are they?

Mr Tighe—I am not sure, Senator, that I would describe the issue of the administrative circular as a leak. Our priority in this is to determine the source of the leak of the record of conversation which, of course, was a classified document.

Senator ROBERT RAY—How would you describe it? Is 'unplanned disclosure' a better use of terms?

Mr Tighe—I do not think it matters how you describe it. It is an unclassified document with a very wide distribution.

Senator ROBERT RAY—I am just interested in your definition of a leak.

Mr Tighe—A leak to me would be the unauthorised disclosure of sensitive information.

Senator ROBERT RAY—I see.

Senator FAULKNER—But the administrative circular is unclassified. That is correct, isn't it?

Mr Tighe—That is correct, yes.

Senator FAULKNER—So there is absolutely no reason why copies of that, which appear to have been made available to certain newspapers, could not be made available to this committee. If it is unclassified, there should not be a problem with that, should there, Dr Raby?

Dr Raby—It is unclassified. There should not be a problem, I imagine.

Senator FAULKNER—Thank you very much. Could that be tabled so we can have a look at it as we ask questions on this issue?

Dr Raby—I would like to take advice on that because it is a departmental document. Although it is unclassified, it is departmental property.

Senator FAULKNER—Not any more, it's not, Dr Raby; it is out there published in the daily newspapers.

Dr Raby—But not by the department. I would like to take some advice on whether I have the authority to do that.

CHAIR—I think you are entitled to do that, Dr Raby.

Dr Raby—Thank you.

Senator ROBERT RAY—How long will that take?

Dr Raby—We can seek it right away.

Senator ROBERT RAY—I am sure someone in authority in the department is watching.

Senator FAULKNER—We hope so. We hope the ratings are good down there.

Senator ROBERT RAY—It's the only place they would be!

Senator Troeth—Don't kid yourself, Senator Faulkner.

Senator FAULKNER—The cricket is not on yet; you never know your luck.

Senator ROBERT RAY—We got the highest ratings in history in PM&C one year.

Senator FAULKNER—You heard about the roar that went up when I started questioning about the bus shelter, didn't you, Senator Troeth?

Senator Troeth—That was then; this is now.

Senator FAULKNER—That is very famous. They were the only supporters I have ever had in the public service.

Dr Raby—The advice was very quick and we can make it available to you now.

Senator FAULKNER—Thank you. If that could be tabled, that would be helpful and we can have a look at it. In relation to the inquiry into the substantive leak—and by that, Dr Raby, I am returning to the record of conversation between the High Commissioner for New Zealand and Minister Downer—has any inquiry of the nature of the one being conducted now ever been conducted before in the department?

Mr Tighe—Yes, it has. The department has put substantial effort over the years into improving its security performance. It takes these issues very seriously. It has been quite some time since there was the leak of a document from the department, so there is no recent record of this sort of thing. Of course, that is one of the reasons we are taking very seriously the current leak.

Senator FAULKNER—Is it true in relation to this investigation, as again appears to be widely reported, that the Department of Foreign Affairs and Trade is examining staff telephone and fax records? Is that correct?

Mr Tighe—Departmental records, yes.

Senator FAULKNER—Yes. That is what I meant by 'staff'—departmental telephone and fax records. That is correct, isn't it?

Mr Tighe—That is correct.

Senator FAULKNER—It is not examining home or personal telephone or facsimile records; is that the point you are making?

Mr Tighe—At this stage that is correct, yes.

Senator ROBERT RAY—Have you done that before?

Mr Tighe—Yes, we have.

Senator ROBERT RAY—Ever with any success?

Mr Tighe—No.

Senator ROBERT RAY—Can you think of once in the Public Service to your knowledge where this has been done and that it has ever been successful?

Mr Tighe—It depends on what you mean by 'successful'. I am not aware—

Senator ROBERT RAY—Finding the leaker.

Mr Tighe—I am not aware of a successful prosecution of a leaker.

Senator ROBERT RAY—Are you aware that the Federal Police have had many investigations into leaks and have only found a ministerial staffer once? That is all they have ever found in the last six or seven years.

Mr Tighe—That does not surprise me.

Senator FAULKNER—Are the Australian Federal Police involved in this investigation?

Mr Tighe—Yes, they are.

Senator FAULKNER—Is it true also that the current investigation is examining electronic audit logs of documents?

Mr Tighe—Yes.

Senator FAULKNER—Has that been done before?

Mr Tighe—Again, Senator, over the past couple of years there has been no leak, so I do not think there is a ready—

Senator ROBERT RAY—By that you mean there has been no unauthorised disclosure from Foreign Affairs of sensitive material? There have been authorised ones, haven't there?

Mr Tighe—There hasn't been a recent experience with which we can compare this. Also, our capacity to trace documents changes over time and it is probably more advanced at the moment than it has been in the past.

Senator FAULKNER—But are you saying that never before in the history of the Department of Foreign Affairs and Trade have there been electronic audit logs of documents done in a leak investigation? That's new; that's what you are saying, isn't it, Mr Tighe? It is unprecedented?

Mr Tighe—We have done them in the past but our capacity to do them is now stronger than it has been in the past.

Senator FAULKNER—What about requiring everyone who has had access to such a document to sign a statutory declaration? Is that also standard operating procedure?

Mr Tighe—It is in fact not what is happening. Staff that have been interviewed in the course of the inquiry have been asked to sign a statutory declaration. They have not been required to sign one.

Senator FAULKNER—So it is only staff who have been interviewed?

Mr Tighe—Yes.

Senator FAULKNER—And you are making a distinction between staff who have been interviewed and staff who have had access to the document?

Mr Tighe—No, not necessarily.

Senator FAULKNER—Could you explain what you are saying so that we can understand it?

Mr Tighe—As I mentioned at the beginning and as somebody who presumably put a value on our capacity to track these things, we would sooner not go into a lot of the details of the procedures we are using. It is correct to say that the staff that we have interviewed have been asked to sign a statutory declaration.

Senator ROBERT RAY—Are those interviewees entitled to have legal representation during the interview?

Mr Tighe—Yes.

Senator ROBERT RAY—And you will give them a transcript—

Mr Tighe—Of the interviews being recorded—

Senator ROBERT RAY—of the interview for them to consider?

Mr Tighe—Yes.

Senator JACINTA COLLINS—But you also say that you will interview every person who had access to the document, so there is no distinction.

Senator FAULKNER—Which is the point of my earlier question. The issue is: will the interview process go to every person who had access to the document? My question was about statutory declarations. You have responded that you will be seeking a statutory declaration from everyone interviewed. The issue is: will all those who had access to the document be interviewed?

Mr Tighe—Yes, they will.

Senator FAULKNER—Therefore, everyone who had access to the document will be required to sign a statutory declaration.

Mr Tighe—They will not be required to sign one; they will be asked to sign one.

Senator FAULKNER—They will be asked to sign a statutory declaration.

Senator ROBERT RAY—Do you take any implication if they do not?

Dr Raby—With respect, I think this is going into the operational aspects of the investigation. The investigation is a serious matter that could have serious consequences. I do not feel that we should go down this path into further detail about the conduct of the investigation.

Senator ROBERT RAY—Dr Raby, I think we know the difference between asking questions about the actual operational details and the methodology used. We are going into methodology here and so far I do not think it could possibly be described, in the most generous terms, Mr Chairman, as impinging on operational matters. I think we have some sensitivity to that, and in more sensitive investigations than the one you are running.

Dr Raby—With respect, Senator, we may have a lower sensitivity threshold than you on this.

Senator ROBERT RAY—Well, we may have a higher scrutiny threshold than you want to bear but I do not think we have yet impinged on operational matters.

Dr Raby—This is with the police now and I think we need to be very careful.

Senator ROBERT RAY—If we are asking the names of the officers being interviewed by the police or what they have found, you would be absolutely right. We are just seeing how thorough the investigation is and what the scope of it is in those sorts of circumstances. It is a serious leak, isn't it?

Dr Raby—With respect, I think we have been very obliging up to this point.

Senator ROBERT RAY—Thanks for your altruism.

Dr Raby—We need to make a judgment as to at which point we feel it becomes a discussion about the conduct of the investigation. That is what I am concerned about.

Senator ROBERT RAY—I think everyone knows that you are checking telephone and fax records; everyone knows that you are interviewing everyone. We know about stat decs, don't we? So where have we gone to really affect the operational matter that you have not put in the public purview? Nowhere.

Senator FAULKNER—Additionally, the point could be made that, unfortunately, one just has to pick up the daily newspapers to read about some of this—unfortunately for the department.

Dr Raby—I think the question of who does or does not sign stat decs, whether everyone who had access to the document is being interviewed or not, or is required to sign stat decs or not, goes beyond what is in the public record and what in this admin circular, and I think that should be the reasonable threshold.

Senator FAULKNER—With due respect, Dr Raby, the administrative circular itself has been leaked and, as Mr Tighe has pointed out on a number of occasions, we should not be too concerned about that, because it is unclassified. I am aware I am asking questions that relate to a process that to some extent is detailed in an unclassified document that has been leaked to a daily newspaper.

Dr Raby—That is correct, Senator.

Senator FAULKNER—Thank you.

Dr Raby—But, again, we ought not venture beyond what is in this document, which was an internal document and was disclosed in an unauthorised way.

Senator ROBERT RAY—Parliamentary Secretary, there are implications for the Public Service, wider than this inquiry, about public servants having to sign statutory declarations in a voluntary or a compulsory sense. That is what we are exploring. It is not affecting an operational inquiry in a direct sense. We have to benchmark this against other behaviour in the Public Service to see whether it is acceptable.

Dr Raby—I can understand that.

Senator Troeth—I understand that, Senator, but I would have to agree with Dr Raby that the questions on this particular document, in my view, have now gone as far as they can reasonably be expected to go. This document, as Senator Faulkner has said, has been in the newspaper; it was never intended to be in the newspaper. It certainly has been circulated within a department, but beyond a certain point it was my opinion that that would be departmental business.

Senator ROBERT RAY—It is just a pity that when these things appear in newspapers, performance pays continue to be allocated and signed off by ministers. It is a pity they did not revise their attitude. I am sorry, Senator Faulkner, you have other questions.

Senator FAULKNER—Are those departmental officers that are being interviewed being given legal advice about their rights in relation to these issues?

Mr Tighe—They are being made aware that they have access to and are entitled to obtain legal advice.

Senator FAULKNER—How is that being done?

Mr Tighe—At the commencement of each interview staff members are told about the interview process, they are informed that they are able to have somebody present with them in the interview and then told that they are entitled to get legal advice.

Senator FAULKNER—Are they given information about the legal consequences of signing a false declaration?

Mr Tighe—Yes, they are.

Senator FAULKNER—Who is providing that?

Mr Tighe—The department.

Senator FAULKNER—Can you say to us what are the rights to legal representation and the consequences for signing a false declaration? Given that the department is giving this advice, you could outline that for the benefit of the committee.

Mr Tighe—It is a standard advice.

Senator FAULKNER—What is it?

Mr Tighe—Senator, I am not conducting the interviews.

Senator FAULKNER—Could Mr Richardson help us? This advice is being given; I would just like to hear what it is.

Mr J. Richardson—I am not an investigator and I cannot give you the detail of that advice.

Senator FAULKNER—Who is giving the advice?

Mr J. Richardson—We have two professional investigators who are conducting at the present time a joint investigation. Those are officers. It is being led by the AFP, and the AFP will be giving that advice.

Senator FAULKNER—The AFP is giving advice about the legal consequences of signing false statutory declarations, is it? And the AFP is outlining the legal rights of those people you are interviewing? I find that incredible. That's what he said.

Mr J. Richardson—The AFP have outlined to those who have asked about the legal consequences of signing a false declaration the consequences of that.

Senator FAULKNER—But that was not my question before—I never put a qualification 'those people who have asked'. My question went—and I was given an assurance—to those people who were being requested to sign a declaration. It is one thing to ask; it is another thing to be provided. Mr Tighe, do you now want to review the evidence that was given a moment ago on that issue?

Mr Tighe—I have to say to you, Senator, I have not actually been through one of the interviews myself. My understanding is that as each interviewee comes into the room they are given an explanation of what the procedure will be. They are given the statutory declaration form. They are given an indication of what is involved in signing that form and what is involved in the interview. They are told the interview will be taped. They are given the opportunity to have somebody present with them in the interview and told that they are also entitled to seek legal advice.

Senator FAULKNER—The interviews are being videotaped, are they?

Mr Tighe—Not videotaped, audiotaped.

Senator FAULKNER—In accordance with what protocols?

Mr Tighe—In accordance with the protocols set out in the Commonwealth protective security manual.

Senator JACINTA COLLINS—If someone wants to seek legal advice, does the interview just not proceed until that occurs?

Mr Tighe—That is right.

Senator JACINTA COLLINS—Has that occurred to date?

Mr Tighe—Yes, it has.

Senator FAULKNER—You have indicated to us that the examination is extending to departmental telephonic records. Does that include mobile phone records?

Mr Tighe—Departmental mobile phones, yes.

Senator FAULKNER—At this point I think you are drawing a distinction for the committee between departmental computer, telephone or electronic records in the broad and personal telephone, electronic and computer records. Is that right? I am not going to go any further on this but you seem to be stressing that there is a distinction there.

Mr Tighe—At this stage that is correct.

Senator FAULKNER—Has the department sought any legal advice about its capacity to insist on its employees signing statutory declarations?

Mr Tighe—The department is not insisting that employees sign a statutory declaration. It did seek advice from both our internal lawyers and the Attorney-General's Department in the course of implementing the processes for the inquiry.

Senator FAULKNER—Why was that necessary if they were just the standard procedures for such an inquiry? Why was that legal advice sought?

Mr Tighe—Specifically because, as you mentioned before, we have not in the past sought the statutory declarations and we wanted to make sure that we were not impinging on people's privacy in doing so.

Senator FAULKNER—Are you aware of any Commonwealth Public Service precedent in relation to this issue of signing statutory declarations?

Mr Tighe—No, I am not aware of any.

Mr McConville—On this issue of asking officers to sign the statutory declaration, we sought advice from the Australian Government Solicitor. The caveat, of course, is that they are not required, they are just asked. It is on that same presumption that, in the course of an interview, an officer is not obliged to provide answers to questions that are asked of that officer.

Senator FAULKNER—Are these statutory declarations in a standard form?

Mr McConville—Yes, they are.

Senator FAULKNER—Is the wording that is being requested of officers in a standard form?

Mr McConville—I understand that is correct.

Senator FAULKNER—Are you able to share with the committee what that standard form of words is?

Mr McConville—As mentioned before by Mr Tighe, the investigators that are conducting the investigation are two former AFP officers now with the department. I am not privy to the actual procedure that they are implementing in each particular case or indeed the language that they have used in the statutory declarations. At this stage, the investigations have been very closely confined to those directly with the need to know in the course of that investigation, given the sensitivities involved.

Senator FAULKNER—Thank you for that; that is informative. But you have been able to say that the declaration on the statutory declaration is in a standard form, so the wording is the same in the case of each individual who is interviewed. You have been able to say that to us.

Mr McConville—Yes.

Senator FAULKNER—Are you able to say whether advice was sought in relation to the content of that declaration?

Mr McConville—I think that we can assume, given the AFP background of the two investigators, that the methods and the content of the statutory declaration pro forma, if you like, that they are providing to officers interviewed would be defensible and acceptable in terms of any relevance of that evidence to later prosecution. That is a point we have constantly emphasised as being essential in this whole investigation.

Senator FAULKNER—I must say to you that I am not willing to make any assumptions at all. I have given up making such assumptions at committees like this, because so often I have found that reasonable assumptions have proven to be inadequate and practice falls well short of the mark. So can you indicate that no outside advice was sought in relation to the content of that declaration?

Mr McConville—I can confirm that, yes.

Proceedings suspended from 3.34 p.m. to 3.51 p.m.

Senator FAULKNER—I notice in the administrative circular that the secretary, Dr Calvert, says:

This action undermines very directly my, and the department's, standing with the government.

Minister, it does seem that the secretary is taking this very personally. I was very surprised to read those words.

Senator Troeth—I think he is taking it very seriously in a professional sense. Any government department would take seriously this issue, and I think that Secretary Calvert's words underline the seriousness of it.

Senator FAULKNER—So do you think that this leak of Mr Downer's conversation with the New Zealand High Commissioner has undermined Dr Calvert's standing with the government?

Senator Troeth—That is a matter for the minister to comment on. If you wish, I will refer it to him.

Senator FAULKNER—You are representing the minister at the table. Aren't you a parliamentary secretary in this portfolio?

Senator Troeth—Yes, I am, as you well know, Senator Faulkner.

Senator FAULKNER—Are you unable to proffer an opinion as to whether what the secretary says in this memorandum about his standing is correct or not? I am very surprised, and I think he might be a bit disappointed too.

Senator Troeth—I am not prepared to comment on that. That is for Minister Downer to do. If you wish, I will refer it to him for comment as a question.

Senator FAULKNER—That is a most unenthusiastic endorsement indeed. Perhaps you could answer this, Dr Raby: have there been any formal complaints about the leaking of the record of conversation from any other representatives of any other countries?

Dr Raby—I am not aware of any formal complaints, but I defer to my colleagues on that.

Senator FAULKNER—I thought, for example, that there might possibly have been some communication from New Zealand. That has not happened?

Dr Raby—Not that I am aware of. Can we leave it that, if someone from the department who is dealing with New Zealand affairs, is watching this and is aware of some comment that I am not aware of, they will advise the committee?

Senator FAULKNER—Fair enough; that would be helpful.

Dr Raby—Senator, a relevant officer, Mr Warner, is now here.

Mr Warner—I believe the question was whether there had been any formal representations from the New Zealand government. The answer is no.

Senator ROBERT RAY—Has there been any assurance given to the New Zealand government that you do not expect conversations between our foreign minister and their High Commission to appear in the papers again? I understand that they have not taken an initiative. Have we taken an initiative to reassure them?

Mr Warner—I do not think that is a question for me to answer.

Senator ROBERT RAY—It is a general question, so you do not have to answer it, no.

Mr Tighe—Mr Downer has pointed out that leaks of this kind potentially have a very negative impact on our bilateral relations—our foreign relations—and the willingness of other governments to have frank discussions with us. In the course of doing that obviously he has reassured other countries that we will do everything we can to ensure that this sort of thing does not happen again. That is another reason we are taking this inquiry very seriously.

Senator FAULKNER—It is not just relations with New Zealand, is it? Mr Downer, in this leaked record of conversation, put the slipper into Russia's permanent representative in New York, didn't he? Let me quote: 'Mr Downer said that the Russians had gone a bit cold, although how much this reflected the views of the Russian government or simply the unhelpful disposition of their PR in New York was unknown.' Have you heard anything from the Russians?

Dr Raby—Not that I am aware of.

Senator FAULKNER—If you had heard, I am sure you would be aware of it.

Dr Raby—I would hope so, yes.

Senator FAULKNER—With a bit of luck, Russia's permanent representative in New York does not know that the comment was made.

Senator ROBERT RAY—It might be true, too.

Senator FAULKNER—I am making no comment about that.

Mr Ritchie—We have heard nothing from Moscow or the Russians in any other way on that.

Senator FAULKNER—Dr Raby, what action, if any, has the department taken, apart from the investigation that we have been canvassing here into the leak of the record of conversation to, in a broader sense, improve the security of classified and other departmental information?

Dr Raby—Quite a number of measures. I can mention some but my colleagues might assist in filling some gaps. Obviously, we have made it very clear to the staff the absolute importance of proper attention and behaviour with respect to secure and classified information. With regard to the drafting of records of conversation, we have reissued guidelines on the proper process for having records of conversation checked and cleared by officers. We have taken steps to ensure that all supervisors are aware of who is taking records of conversation and to be very mindful of the level of the person taking the records with

respect to the substance and nature of the conversations. Mr Tighe, are there some other procedures?

Mr Tighe—That is the major one. The other thing we have done is taken steps to isolate, if you like, material relating to Iraq such that it is stand-alone—it relates to the same concept—and is not sent to people who do not need to know it.

Senator FAULKNER—I noticed that in paragraph 5 of the secretary's administrative circular. It says:

... with immediate effect, all written material prepared on Iraq is to be kept completely outside documents covering other subjects and safeguarded with its own classification and appropriately limited distribution.

Can you indicate what the background of that might be? Is that not going to be a complicating instruction in relation to a lot of your cable traffic and so forth?

Mr Tighe—No, I do not think it is. I think it simply means that people, when they are reporting on an issue to do with Iraq, put it in a stand-alone document rather than in a document that might address half a dozen issues, one of which is Iraq.

Senator FAULKNER—How does that deal with interrelationships between Iraq and other issues?

Mr Tighe—Clearly, if there is an interrelationship and it is Iraq related, it would not be an issue to include it in one document.

Senator FAULKNER—So there are exceptions?

Mr Tighe—No. I would not describe it as an exception. If you were dealing with Iraq, the document would deal only with Iraq. For example, the record of conversation that was leaked dealt with a very wide range of issues relating to the bilateral relationship with New Zealand, some of which had absolutely nothing whatsoever to do with Iraq. It also addressed the Iraq issue. Under the new concept, those issues would be kept separate.

Senator FAULKNER—Let us take, for example, the Department of Foreign Affairs and Trade's support for the Prime Minister's very recent visit to the United States and his meeting with the President, Mr Bush. Would there be a record of conversation for that sort of discussion?

Mr Tighe—Yes, I expect so.

Senator FAULKNER—I do not know, but let me make an assumption. Assuming that Mr Howard and Mr Bush discussed Iraq—that is an assumption on my part—and may have discussed other issues, there would now be two records of conversation, not one. Is that how it would work?

Mr J. Richardson—That is correct.

Mr Tighe—Yes.

Senator FAULKNER—Can you assure me that that occurred in relation to Mr Howard?

Dr Raby—The responsibility for records of conversation involving the Prime Minister lies with the Department of the Prime Minister and Cabinet, and with the Prime Minister's office. We cannot comment on how records of conversation involving the Prime Minister or other matters of the Prime Minister's discussions are handled.

Senator FAULKNER—But you can for the Minister for Foreign Affairs and a range of others, right through to ministerial and cabinet level. That is right, isn't it?

Dr Raby—Yes. But for the Minister for Foreign Affairs, if you wish to use that example, yes, if there was a record of conversation—

Senator FAULKNER—Has anyone checked with Mr Downer whether he thought that was a good idea? If he is discussing the Iraq issue—as we know he is and as everyone would expect him to—and other matters with his equivalent in another country, there are now two records of conversation. Is Mr Downer perfectly happy about that? He thinks that is a great idea, does he?

Dr Raby—He fully supports the purpose of the idea, which is to limit the distribution of material dealing with Iraq to the smallest number of people who need to know.

Senator FAULKNER—How do you know he supports the purpose?

Dr Raby—He is aware of the decision by the department to introduce this procedure.

Senator FAULKNER—How is he aware of that?

Dr Raby—He has been advised.

Senator FAULKNER—Has he indicated his support for it?

Dr Raby—He has indicated support for the approach, which is to limit access to material on Iraq to the smallest number of people who need to know.

Senator FAULKNER—That may be the case, but the secretary has made quite clear that all written material on Iraq is to be kept outside other documents covering other subjects. His circular says:

This instruction applies to all cables, submissions, records of conversation and e-mail messages prepared in the Department or at posts.

It goes on to say, in a really hairy-chested way:

Infringements will be treated as formal security breaches.

Mr Downer is perfectly happy with that? He thinks it is a good idea?

Dr Raby—That is my understanding.

Senator FAULKNER—So all his records of conversation that involve Iraq and other issues will now be dealt with as two separate records of conversation?

Dr Raby—That is correct.

Senator FAULKNER—Has he been asked to approve that or does he just do what he is told?

Dr Raby—He is comfortable with the department's approach on this.

Senator FAULKNER—How do you know that?

Dr Raby—Because he is aware of this new procedure.

Senator FAULKNER—When you say he is comfortable, how do we know he is comfortable? Has he considered the repercussions of this? All submissions that go to him on Iraq will be Iraq specific; no other issues will be canvassed. I find that quite incredible.

CHAIR—It might be helpful, Senator Faulkner, if Senator Troeth took those questions on notice.

Senator FAULKNER—That would not be helpful actually, Chair. It would be more helpful to understand what the thinking behind this quarantining of Iraq is, as a response to the leak of part of a conversation between the New Zealand High Commissioner and Mr

Downer. That seems to me, in terms of internal process—I do not claim to be an expert—to be an extraordinary overreaction, and I wonder about its efficacy.

Mr Tighe—This is simply an application of the need-to-know principle. The minister would have exactly the same access to the same information as he has now. They are just separated physically.

Senator FAULKNER—So we now know that all cables going to the minister, all submissions, all records of conversations, all emails that effectively deal at all with Iraq, will only deal with Iraq, and all the interrelationships, all the associated issues and so forth, will be dealt with in other messages, other submissions, other records, other documents, other cables. It sounds to me like an absolute administrative nightmare and a preposterous overreaction to what has occurred. Anyway, that is just my view. Take it on notice and let us hear what Mr Downer thinks about it, Senator Troeth, if you are unable to make a view known yourself.

Senator Troeth—You might frame a specific question then, Senator.

Senator FAULKNER—I just have.

Senator Troeth—You just have; and you want that one relayed to Mr Downer?

Senator FAULKNER—In the event that you seem either unwilling or unable to answer these questions, I have very little choice—unless you would care to make a comment yourself, from executive government's perspective, as opposed to some heavy-handed approach by a departmental secretary who has taken the leak personally. This is a departmental secretary who is concerned about his action undermining very directly his standing with the government, and that is given priority in this administrative circular over the department's standing with the government. That is incredible.

Senator Troeth—Senator, we could make many comments on this. The fact that—

Senator FAULKNER—If you want to make a few, that would be good.

Senator Troeth—Secretary Calvert has obviously taken it very seriously I think underlines his view that this is a very serious matter and, naturally, as a responsible secretary, he would be concerned about his and the department's standing with the government. I consider that to be a perfectly reasonable sentence. With regard to what you have said to me, and the questions you have put to me, those questions specifically concern and are directed to Mr Downer, and I have given you my assurance that I will relay those questions to Mr Downer.

Senator ROBERT RAY—I have a couple of questions on the administrative circular. I commend the department for its rapid provision of that; it was excellent work. I take you to point 2 of Dr Calvert's comments. He said:

... I am appalled that this leak seems to have been committed by someone in the Department.

Was this record of conversation actually transmitted to any other department, to give you confidence that it was your own department that leaked it?

Mr Tighe—It did go to other departments, yes.

Senator ROBERT RAY—Which other departments?

Mr Tighe—Again, Senator, we are in a process now of trying to narrow down who had access to the document.

Senator ROBERT RAY—I am not going to ask which individuals; I am asking which other departments would have, as a matter of routine, received this sort of material.

Mr Tighe—I do not think it is appropriate to answer that question.

Senator ROBERT RAY—How do you know that it was your department? Are you telling me that people from other departments are going to be investigated by your unit and asked to sign statutory declarations and all the rest? He says in this:

I am appalled that this leak seems to have been committed by someone in the department.

It is very unfair on your department if it has been sent to others and it may have leaked from there. Or are we just going on past track record here?

Senator Troeth—I think you are asking Mr Tighe to speculate, Senator Ray.

Senator ROBERT RAY—It is not a matter of speculation as to where this record of conversation went, and I do not see how it could impinge on an inquiry, unless I am told that inquiries are being made into other departments. And then I want to know the methodology of how you set up an inquiry in one department that can look into the affairs of another. So in that sense, Parliamentary Secretary, it is a very valid question.

Mr Tighe—Senator, this gives us an opportunity to clarify an issue which came up before and which I think might have been the source of some confusion. The investigation began as an internal investigation conducted by officers of the Department of Foreign Affairs and Trade, including two DFAT officers who were former AFP officers and are trained investigators. We have subsequently brought in, in a formal way, the Australian Federal Police to conduct a joint investigation.

Senator ROBERT RAY—My question now is: does that investigation extend to other departments? I am not asking you at this stage, but I might, to name those departments.

Mr Tighe—It may well do. It depends on what they find. Their investigation is not completed, so I cannot give you an answer.

Senator ROBERT RAY—I interpret from that that at this stage you are saying that as of yet it has not extended to other departments. I am just a bit concerned that the Department of Foreign Affairs and Trade seemed to be fingered on this, when they were not the only recipients of the document. Did the record of conversation go to the minister's office?

Mr Tighe—The record of conversation had a distribution to it. As I said before, given that the investigation is currently going on and given that we are trying to track precisely who had access to it, I think it would be premature to give any indication of what the distribution of the document was.

Senator ROBERT RAY—So you cannot tell me whether it went to the minister's office or not?

Mr Tighe—I am asking you not to insist that I tell you.

Senator ROBERT RAY—And you will not tell me what other departments it went to?

Mr Tighe—The same answer.

Senator ROBERT RAY—Did it go out in cables? I think that is a slightly different question. Did it go out in the form of a cable or not?

Mr Tighe—Again, Senator—

Senator Troeth—I think that is asking the officer to comment on internal matters, which he would no doubt prefer to remain silent on, Senator.

Senator ROBERT RAY—I am just a bit concerned if this went out in cables, to other departments, to the minister's office, and the finger has been pointed directly at the department when it may in fact not be the department.

Dr Raby—Senator, we have an investigation which is set up to actually try and establish all these things. That is what the investigation is doing. I do not think we can investigate it here.

Senator ROBERT RAY—I know in other departments, but I do not know about your department: do you put document identifiers on serious documents?

Mr Tighe—Yes.

Senator ROBERT RAY—But you would not normally put that on a record of conversation? I am not referring necessarily to this one.

Mr Tighe—Again, forgive me, Senator, you are getting dangerously close to the actual operation of the inquiry.

Senator ROBERT RAY—I will try my hand on this one, but it is a fifty-fifty proposition. Do you know whether the person who first aired the story actually had the document concerned, the document of conversation, or do you think it was translated to them verbally? That comes back to the importance of document identifiers.

Senator Troeth—That is about a 49-er, Senator, rather than fifty-fifty.

Senator ROBERT RAY—Oh, Mr Richardson is tempted to have a slash outside the off stump. I think you have said no to him.

Mr Tighe—His first name is not Vivian, unfortunately! Senator, I think on that one we probably can give you an answer. A visual image of the document has appeared in newspapers, so we assume they have a hard copy.

Senator ROBERT RAY—Sorry, that was not a trick question. I had not seen it in a newspaper—I am sure it was there but I had not seen it personally.

Senator FAULKNER—If a staff member from the Department of Foreign Affairs and Trade, contrary to the instruction that the secretary has sent out, includes the issue of Iraq with another issue in a cable, or a submission, or a record of conversation, or an email message or any other form of document, that is going to be regarded as a formal security breach. That is right, isn't it, Dr Raby?

Dr Raby—That is what it says.

Senator FAULKNER—What does that mean? What is going to happen to this unfortunate staff member?

Mr Tighe—The department, as part of its effort to engender a strong security culture, has a policy of issuing security breaches and assessing individual officers' security performance—if I can express it in that way. Their security performance is linked to their work performance. They are expected to have a good security performance. If they have a poor performance on the security side, that will be reflected in the overall assessment of their performance.

Senator FAULKNER—How are you going deal with this with draft ministerial speeches, PPQs, answers to correspondence to the Minister for Foreign Affairs and so on that might mention Iraq and other issues?

Mr Tighe—It would not logically apply to an unclassified document.

Senator ROBERT RAY—If I put a question on notice that involves a question on Iraq and Iran, you are going to give me two separate answers, are you?

Mr Tighe—Not in a public document. There would be no purpose in separating them.

Senator ROBERT RAY—No, I am wondering about the draft one that you send over for ministerial approval. Do you have to send them in separate documents?

Mr Tighe—If it were sufficiently sensitive, yes.

Senator ROBERT RAY—So it is not all references; it is a level of sensitivity?

Mr Tighe—Classified material, yes.

Senator FAULKNER—It does not say that. Dr Calvert's administrative circular says: Separately, with immediate effect, all written material prepared on Iraq is to be kept completely outside documents covering other subjects.

That is what it says, and now it is not going to be 'all written material'. That is a relief to people, I am sure.

Dr Raby—I note the point you have made and I will discuss Dr Calvert's intention with him when he returns to Australia.

Senator FAULKNER—In other words, you are saying that it is dopey, isn't it? It is really dopey. It was not thought through. It was just a rush of blood to the head. Obviously, Dr Calvert, I can understand, has taken it all terribly personally and has put some instruction down that all written material prepared on Iraq is to be kept completely outside other documents—a totally ridiculous idea given the way departments work—and further that, if you actually infringe, you will be treated as a formal security breach. I think you should take it up with Dr Calvert. He needs some counselling on that issue, I think.

Senator ROBERT RAY—On a related matter, how many of the SES of DFAT have to be security cleared?

Mr Tighe—I think all of them.

Senator ROBERT RAY—Do they go through that process when they enter the SES level? Who does it, by the way?

Mr Tighe—All departmental staff have a security clearance.

Senator ROBERT RAY—Who does that security clearance for you?

Mr Tighe—It is done within the department, seeking information sometimes from other agencies.

Senator ROBERT RAY—So it is all done internally?

Mr Tighe—Yes.

Senator ROBERT RAY—There is no security clearance of some of your officers conducted by another department or agency external to Foreign Affairs?

Mr Tighe—There are checks done with other agencies, yes.

CHAIR—That is not my understanding. Surely ASIS—

Senator ROBERT RAY—I think that is an agency of Foreign Affairs, so I am excluding it.

CHAIR—That is right. That is the point. Somebody else would be doing security clearances on them.

Senator ROBERT RAY—Clearly I was excluding them as an agency.

Mr Tighe—For the staff of DFAT, in the course of getting their security clearance, checks are done with other agencies.

Senator ROBERT RAY—Do you have to revalidate?

Mr Tighe—Yes, every five years.

Senator ROBERT RAY—Are you up to date in your revalidation?

Mr Tighe—Yes.

Senator ROBERT RAY—So no-one has gone beyond the five years into a six-, seven- or eight-year period?

Mr J. Richardson—We completed full re-evaluations of all staff. There is only one staff member whose re-evaluation is with another agency. That has eliminated a backlog that we had in the past.

Senator ROBERT RAY—So you have eliminated the backlog?

Mr J. Richardson—Correct.

Senator ROBERT RAY—Congratulations. That has impressed the chairman and me, and Senator Ferguson.

Senator JACINTA COLLINS—I want to ask one remaining question on this in relation to the broader issue about signing statutory declarations. How might an officer's refusal to sign a statutory declaration affect their security classification?

Mr Tighe—It would have no implication.

Senator FAULKNER—While we are on security issues and breaches of security, I also read recently that the minister found himself locked out of his departmental computer link in January. This was reported in the *Canberra Times* on 9 February 2003. Dr Raby, do you know the article I am referring to?

Dr Raby—Yes, Senator.

Senator FAULKNER—Is that true? Was the minister locked out of his department computer link on one day in January?

Mr Tighe—Yes, the minister was locked out of the computer he was using on that day.

Senator FAULKNER—Was this another matter that was leaked out of the department to the media? How did this become public? Did the minister put out a press release about that? He may have. I missed it if he did. I just wonder whether that was another leak.

Dr Raby—We are trying to establish the nature of the unauthorised disclosure.

Senator FAULKNER—It is another unauthorised disclosure. It is becoming a pattern, isn't it, Dr Raby? So this was an unauthorised disclosure, too?

Dr Raby—That is how I understand it.

Senator FAULKNER—What sort of inquiry and investigation have you launched into this one?

Dr Raby—We have begun an inquiry under the internal code of conduct.

Senator FAULKNER—So that is a lower level inquiry, is it?

Dr Raby—Yes. Mr Chester will explain it to you.

Senator ROBERT RAY—The secretary's reputation with the government has not been affected by this one; is that right?

Mr Chester—The department's conduct and ethics unit is undertaking an inquiry to determine whether there has been a breach of the code of conduct as a result of the article that appeared in the newspaper.

Senator FAULKNER—What was the background to it, Dr Raby? This is a worry, isn't it, when the Minister for Foreign Affairs is locked out of the department's computer?

Dr Raby—Yes.

Senator FAULKNER—We agree on that. So it is a worry. Have we been able to establish why he was locked out of the department's computer?

Mr Tighe—Yes, it was an issue related to the password he was using. In logging out of the machine he had been using in his parliamentary office, the account was frozen and the machine unfortunately was not turned off. The fact that it was not turned off then froze out subsequent attempts to get back into the computer from the remote computer he was using in January.

Senator FAULKNER—Is it true that an unauthorised person was using the network?

Mr Tighe—No, it is not.

Senator FAULKNER—So someone changed the minister's password, did they?

Mr Tighe—We changed the minister's password.

Senator FAULKNER—And you did not tell him?

Mr Tighe—No, Senator, the minister was attempting to log in to his account from his remote access computer which he had with him on holidays in South Australia. He was unable to get access. He rang the IT help desk in the department, explained that he could not get access—he was attempting to connect to the Internet. When we examined it we found the reason was that the account had been locked because the other machine had not been switched off. We switched off the other machine and reset the password.

Senator FAULKNER—I read the suggestion that this problem occurred because a family member in this case had accessed the Internet via Mr Downer's link. You would have seen that reported in the media. Is that not right?

Mr Tighe—The report is not correct.

Senator FAULKNER—So Mr Downer rang the help desk?

Mr Tighe—That is right.

Senator FAULKNER—Is it true that he was very angry when he rang the help desk?

Mr Tighe—No.

Senator FAULKNER—You know that, do you?

Senator ROBERT RAY—I always am!

Mr Tighe—I did not speak to him directly myself.

Senator FAULKNER—I know you are not staffing the help desk, Mr Tighe.

Mr Tighe—It gets close to that sometimes, Senator.

Senator FAULKNER—Well, I know who to ring then! So you know that that is not correct?

Mr Tighe—The report I received from the help desk was that there was a degree of frustration but nobody described it to me as anger.

Senator FAULKNER—What do we mean by ‘a degree of frustration’?

Mr Tighe—I cannot—

Senator FAULKNER—You have obviously—

CHAIR—Senator, I really do think that you are seeking an opinion.

Senator FAULKNER—I am seeking some information on a matter that has received considerable public notoriety, actually.

Senator ROBERT RAY—The relevance, I guess, Chair, is not whether we are seeking an opinion; it is how this unauthorised leak with these details gets into the public arena.

CHAIR—Perhaps you could rephrase the question.

Senator ROBERT RAY—If it is badly misrepresenting Mr Downer, it is doubly bad that it is leaked.

Senator FAULKNER—If you think that some elements of this report are not correct, have you made any attempt to correct them?

Mr Tighe—To correct them publicly?

Senator FAULKNER—Yes.

Mr Tighe—No.

Senator FAULKNER—The reason I am asking these questions, Mr Tighe, is that there has been speculation about these issues, as you and Dr Raby are aware, in the media. You know that, don't you, Dr Raby? As a result of that, in the interests of accountability and transparency, I am going to ask some questions about it. If you think elements of the newspaper story are wrong—and obviously some of it is right; you are saying elements of it are wrong—has any attempt been made to correct the record? That is the question I am asking.

Mr Tighe—No attempt has been made by the department to correct the record.

Senator FAULKNER—Why not? Do you know why not, Senator Troeth?

Senator FERGUSON—Do you want to try and correct every wrong newspaper story in history?

Senator Troeth—I would imagine there has been no breach, as you might put it, of guidelines for use of computers.

Senator FAULKNER—So you imagine there has been no use of the guidelines for use of computers. Is that right, Mr Tighe?

Senator Troeth—I said no breach, Senator.

Senator FAULKNER—You also said you imagined it; I want to see whether your imagination stands scrutiny.

Senator Troeth—Feel free.

Mr Tighe—That is correct.

Senator FAULKNER—So what did the network administrators do after Mr Downer, in a frustrated way, had rung the help desk?

Mr Tighe—They fixed the problem.

Senator FAULKNER—How did they do that?

Mr Tighe—They reset the password. It was not fixed immediately, I should add, but they fixed it by identifying the source of the problem and resetting the password, and that solved it.

Senator JACINTA COLLINS—Mr Tighe, I do not quite understand the source of the problem yet. You said the issue was that Mr Downer had not properly passed out of his computer in his office. Is that correct?

Mr Tighe—The computer was left switched on.

Senator JACINTA COLLINS—Is it meant to be left switched on or switched off? My office ones are meant to be left switched on but I have to use the password to access the system.

Senator ROBERT RAY—Aren't we getting a misunderstanding as to whether it was logged off or not?

Senator JACINTA COLLINS—That is the word I was looking for.

Senator ROBERT RAY—Let us not talk about computers being left on or not. It wasn't logged out; is that the point?

Mr Tighe—It had automatically logged itself out.

Senator ROBERT RAY—Without anyone else doing it?

Mr Tighe—Correct.

Senator JACINTA COLLINS—This is a time thing.

Mr Tighe—Yes.

Senator FAULKNER—Is it true that the minister had failed to log off? Is that the case?

Mr Tighe—I do not know if that is the case. It is conceivable that one of his staff members, for example, was operating the machine.

Senator FAULKNER—Would it be conceivable that it was a family member?

Mr Tighe—I would not think so in his parliamentary office.

Senator FAULKNER—But you do not know.

Mr Tighe—No, I do not know that.

Senator FAULKNER—That is what it was saying in this newspaper article I am referring to, as you know.

Dr Raby—Mr Tighe is referring to the machines in the minister's office in Parliament House.

Senator ROBERT RAY—Not his electorate office or ministerial office, but here in Canberra?

Mr Tighe—Yes.

Senator FAULKNER—Thank you.

Senator JACINTA COLLINS—Then the issue was the machine rather than his own personal password or login.

Mr Tighe—The machine had to be physically turned off and the password reset to overcome the problem.

Senator JACINTA COLLINS—I assume that when the minister himself uses the system it is with his own password. When a member of his staff uses the system, I would presume they would not be using the minister's password.

Mr Tighe—I should point out that what we are talking about here is a non-national secure system. It is a system that allows access to the Internet and unclassified email traffic, for example.

Senator JACINTA COLLINS—I am having trouble hearing you.

Mr Tighe—The system we are talking about here is a non-national secure system. It is reasonable for members of the minister's staff to access that system so that they can, for example, access his diary and his email. It is possible—we cannot tell this and we have not sought to find out either—that it was one of the staff on whom the machine shut itself down, and it was not switched off.

Senator FAULKNER—I am missing something here. I do not claim to be an expert in IT, so let me ask this: I do not quite understand how a staff member could be using the minister's account and password. I think this is what Senator Collins is driving at; she is far more expert in all these IT matters than I am. That seems to be the issue.

Mr Tighe—The minister can authorise his staff members to use his account.

Senator FAULKNER—And his password?

Mr Tighe—He can give them access, yes.

Senator FAULKNER—Really? The minister authorises his staff members to use his password? Why wouldn't they use their own?

Mr Tighe—I do not know if he has done that but he would be entitled to do that.

Senator JACINTA COLLINS—But the problem would only arise, in relation to the minister seeking to access the system remotely with his own account, if it was his own account that had not been properly logged off in his office. Is that not correct? It would need to have been his account rather than some other member of his staff's account on his computer in his office in Canberra for it to have been a problem when he was remote.

Mr Tighe—Yes.

Senator JACINTA COLLINS—So the issue is that someone left the minister's account open here in Canberra and, because of that, he was not able to gain entry again because it was already open when he sought to do so remotely.

Mr Tighe—Saying that it was open is probably not entirely accurate. The machine would have locked out. The account was effectively inoperable; that was the problem. In order to make it operable somebody had to log onto it—and they would have needed to know the password to do so—and then reset the thing.

Senator JACINTA COLLINS—But it had been left open? The minister's account had been left open—

Mr Tighe—No, it had locked down.

Senator JACINTA COLLINS—and then it automatically turned off.

Mr Tighe—Yes, it had automatically turned off.

Senator JACINTA COLLINS—But it had to be the minister's account that had been left open. You agree on that point.

Mr Tighe—Yes.

Senator FAULKNER—The department considers it quite safe, does it, for the minister's account and password to be used by a staff member? That is fine as far as you are concerned? That is quite clearly what you are saying to us.

Mr Tighe—Again, what we are talking about here is a system that does not deal with national security information.

Senator FAULKNER—That is not the question I am asking. Does the department consider it quite safe for the minister to have his account and password used by a member of the minister's staff? Either you do or you do not.

Mr Tighe—On this system, yes.

Senator FAULKNER—On this system? There are other systems where it is not safe?

Mr Tighe—There are other systems dealing with more highly classified material where we would prefer for there to be a higher level of protection of passwords.

Senator FAULKNER—So the minister has more than one password?

Mr Tighe—Yes.

Senator FAULKNER—So do you know which of the minister's passwords have been provided to members of staff and at what level?

Mr Tighe—I do not know that they have been provided to any members of staff.

Senator FAULKNER—I think you are suggesting that in this particular case it occurred. Where was Mr Downer when he rang the help desk?

Mr Tighe—He was on holidays in South Australia.

Senator FAULKNER—So it would not be a safe practice for the minister to have provided his account number and password to a member of staff, or it would have been—I am still not clear.

Mr Tighe—We would have no problem with him doing that.

Senator FAULKNER—Are you saying that, in relation to the password and the account number that were used, there was no in-confidence material on this system?

Mr Tighe—There is no national secure material on this system.

Senator FAULKNER—That is not what I am asking. What classification are you talking about now?

Mr Tighe—The system carries unclassified material. It allows you to have access to the Internet and to emails.

Senator FAULKNER—So is there in-confidence material that can be accessed using the account number and password that were used in this instance?

Mr Tighe—There can be, yes—

Senator FAULKNER—Therefore, there is a capacity, if the minister gives the password and the account number, for people to access in-confidence material. This is like getting blood out of a stone.

Mr Tighe—You do not need a security clearance to access this system.

Senator FAULKNER—I do not know whether you need a security clearance or not. Obviously you do not if you go and give your password and account number to people. Mr

Reith became an expert with this with his mobile phone and his PIN number. Let us get it clear. Can we put to rest any suggestion that any family member of Mr Downer had anything to do with this incident? There is no truth in that at all?

Mr Tighe—Mr Downer's daughter was with him in Adelaide when he was accessing his system with a remote computer. I beg your pardon, I said Adelaide; it was Victor Harbour.

Senator JACINTA COLLINS—I am sorry, we cannot hear.

Mr Tighe—Mr Downer's daughter was with him in Victor Harbor when he called the help desk.

Senator FAULKNER—Mr Downer's daughter, I assume, would not have talked to the help desk though. Did they log these calls at the help desk? Do you keep a record of who rings?

Mr Tighe—Yes, we do.

Senator FAULKNER—Mr Downer rang the help desk?

Mr Tighe—He did.

Senator FAULKNER—But his daughter would not have rung the help desk.

Mr Tighe—She did at one stage, yes.

Senator FAULKNER—She rang the help desk?

Mr Tighe—Yes, at his request.

Senator FAULKNER—Is she authorised to ring the help desk?

Mr Tighe—Yes, Mr Downer authorised her to do it.

Senator FAULKNER—When?

Mr Tighe—Presumably when he was with her in Victor Harbor.

Senator FAULKNER—How do you know that?

Mr Tighe—He has told us that.

Senator FAULKNER—So what do the records of the help desk say that Mr Downer and Mr Downer's daughter said?

Mr Tighe—Mr Downer was having trouble accessing the Internet and, as I described before, we fixed the problem.

Senator FAULKNER—So what does the help desk record of these conversations say and show? Can you share that with us?

Mr Tighe—It registers that the calls were made. There were a number of calls.

Senator FAULKNER—Let us go through it. I want to go through this in some detail. In relation to this incident let us go through the calls to the help desk. You can just read the record to us.

Mr Tighe—The calls record that the minister rang the department seeking assistance because his computer was not allowing him to access the Internet.

Senator FAULKNER—When did that occur?

Mr Tighe—The first call was on 6 January.

Senator FAULKNER—At what time?

Mr Tighe—I do not have the record in front of me.

Senator FAULKNER—But that was a call to the department, not the help desk?

Mr Tighe—The help desk is in the department.

Senator FAULKNER—That is what I am asking.

Mr Tighe—It was directly to the help desk.

Senator JACINTA COLLINS—The minister was the first call, not his daughter?

Mr Tighe—Correct.

Senator FAULKNER—What happens then?

Mr Tighe—Again, I do not have the records in front of me, but the sequence broadly was that the minister rang a couple more times—

Senator FAULKNER—How many times?

Mr Tighe—I do not have them in front of me—I think it was two.

Senator FAULKNER—At least two more times?

Mr Tighe—Two more times on that day, yes.

Senator FAULKNER—Who else, if anyone, rang on that day about this?

Mr Tighe—My recollection is that nobody else rang on that day.

Senator FAULKNER—Okay. So that is three calls on 6 January. The problem still had not been fixed—is that right?

Mr Tighe—That is correct. When the minister sought to log in again on the following day the problem recurred.

Senator FAULKNER—That is 7 January?

Mr Tighe—Yes.

Senator FAULKNER—So what happened then?

Mr Tighe—The minister rang again to the help desk.

Senator FAULKNER—That is the fourth call to the department?

Mr Tighe—Yes.

Senator FAULKNER—What happened then?

Mr Tighe—We reset the password again. Subsequently it again failed to solve the problem.

Senator FAULKNER—And?

Mr Tighe—Then the minister's daughter rang, at his request.

Senator FAULKNER—When was that?

Mr Tighe—This was also on 7 January. The account was reset and appeared to function for a while, but then on 8 January the problem recurred.

Senator ROBERT RAY—You're not telling me Mr Downer wasn't angry at this point? It is just not credible.

Senator FAULKNER—So we have Mr Downer ringing three times on 6 January, ringing on 7 January and his daughter ringing. The password has been reset three times. So what happens on 8 January—Mr Downer rings again?

Mr Tighe—No, on 8 January his daughter rang. And it was on 8 January that we discovered the source of the problem was the machine in Parliament House. At that stage the problem was fixed, resolved, and there was no further call.

CHAIR—At that point, Senator Faulkner, can I interrupt you. Senator O'Brien has some questions on output 1.1 and he will not be here tomorrow. Have you finished on this matter?

Senator FAULKNER—I have not, but I am happy to come back to it. We are always reasonable here.

Senator PAYNE—You are the Labor Party's version of Bill Gates: very reasonable.

Senator FAULKNER—We try to assist wherever possible.

[4.43 p.m.]

CHAIR—Mr Murray McLean might know the answers to questions under output 1.1 concerning Japan, so we will call him to the table.

Senator O'BRIEN—My questions are relatively low tech today. I want to ask about the recent development in Japan with the application of the snapback tariff to Australian beef. I think the industry say today that the decision to increase the tariff will cost the Australian beef industry \$80 million. Has the department made any assessment of the impact on the Australian beef trade?

Ms Watts—We do not have an assessment at this stage. As you may know, Mr Vaile and Mr Truss spoke to industry representatives last week about this issue. At that stage the industry did not have the precise assessment of the cost to industry that you have just mentioned. Nevertheless the government has been very active on this issue and is concerned at the cost to beef producers here in Australia of the application of the snapback mechanism.

Senator O'BRIEN—When does the snapback take effect?

Mr McLean—The snapback has not yet been brought into place, because it needs to go through legislation in the Diet. That legislation is likely to have been passed by the Diet, perhaps in about six weeks time—maybe by the end of March. The application of the snapback tariff, if that is what the legislation has as its content, would be brought in on 1 August this year, and would be operative until the end of March next year.

Senator O'BRIEN—So it is not an automatic provision of existing legislation, as some people have said?

Ms Watts—No, Senator, it is not automatic. This is the argument that we have been making to the Japanese government. They have the discretion not to snap it back to 50 per cent.

Senator O'BRIEN—Has the department done any analysis of the effect that that will have on Australia's share of the Japanese beef market, if any?

Ms Watts—Not formal analysis. We are obviously concerned about the impact that it will have on our beef producers, as are other beef exporting nations, particularly the United States, Canada and New Zealand. As you probably know, exporters such as Australia have been affected since the BSE scare in September 2001 by the downturn in the beef market in Japan. Our exports and our market share in Japan have been coming back and we are concerned that,

if this snapback were to come into effect, that would have a detrimental effect upon our exports.

Senator O'BRIEN—Haven't we have known for some time that, because of the fall in our exports to Japan and the potential for them to recover, this snapback provision was under consideration, if not likely to occur?

Ms Watts—It has become clear, I guess more clear, in recent months that the snapback is likely to be triggered, I think in the second quarter of this calendar year, because of the rate at which imports have risen over the past year. That is when the 117 per cent trigger mark is expected to be reached because of the rise that there has been over the last year.

Senator O'BRIEN—What actions has the minister taken to seek to avoid the application of the snapback provisions to Australian beef exports to Japan?

Mr McLean—The government has been working tirelessly on this issue. In recent months the minister himself has been in direct correspondence with his counterparts from Canada, New Zealand and the United States—in other words, the other beef exporters to Japan. Late last year Mr Vaile wrote to his Japanese counterpart, the Minister of Economics, Trade and Industry, and also, jointly with Mr Truss, to the Japanese agriculture minister and other key decision makers in the Japanese government. Our ambassador in Tokyo has also been extremely active in raising this issue with relevant ministers and members of the Diet, and I think the issue and our concerns about that are very well registered with the Japanese government and members of the Diet.

Mr Vaile will this evening be travelling to Tokyo to attend the WTO mini-ministerial meeting there. He will be having some bilateral calls while he is there, including on the ministers of METI and agriculture, and will be again reinforcing very strongly our view that the recovery of the market, in the way it has been, is no surge but simply a recovery of the market after the dropping away of the market in the year or so after the BSE discovery. He will also be making the point that Australia and others have helped to engineer this beef market recovery in Japan through extensive promotional campaigns, and we therefore do not see it as falling within the bounds of what the Japanese consider to be the basis for triggering this snapback.

Senator O'BRIEN—Did Mr Vaile receive any undertakings about consultation from his counterpart minister—I think Mr Takebe is the equivalent of our agriculture minister—with regard to the application of the snapback?

Mr McLean—The minister for agriculture has now changed; there is a new minister called Oshima. Nicola, do you know whether there has been an undertaking in return?

Ms Watts—I think early on the former agriculture minister in Japan, Takebe, as you said, Senator, had talked to Mr Truss about the issue of mentioning this to us. I do not know whether he envisaged it as a formal consultation process, as it were, but certainly it is something that we have been aware of for some time.

Senator O'BRIEN—What do you mean by 'mentioning this to us'?

Ms Watts—You might have to ask AFFA in terms of what undertakings Takebe had made in terms of consultation.

Senator O'BRIEN—Does it follow that there were no undertakings as such that this department are aware of?

Ms Watts—In terms of a formal consultation process?

Senator O'BRIEN—Yes.

Ms Watts—Not that I am aware of.

Senator O'BRIEN—Mr Truss issued a press release in July last year saying he had extracted an assurance from Mr Takebe that Mr Truss would be consulted before a snapback occurred. When did the ministerial arrangements change?

Ms Watts—There was a ministerial reshuffle at the end of September last year.

Senator O'BRIEN—Do you know whether that assurance was followed up with the change in ministerial arrangements?

Ms Watts—You might have to ask AFFA that question. Certainly there has been a lot of dialogue between the two countries, the two governments, on this, including, as Mr McLean mentioned, letters from Mr Truss and Mr Vaile. Mr Truss and Mr Vaile wrote to Oshima, who is now the agriculture minister in Japan, about this issue. It was also the subject—

Senator O'BRIEN—When was that?

Ms Watts—That was in December last year. It was also the subject of discussions at senior officials level beef consultations—these are bilateral consultations between Japan and Australia—which took place in Tokyo in December last year.

Senator O'BRIEN—Will Mr Truss be accompanying Mr Vaile when he travels to Japan shortly?

Ms Watts—I understand that he is not going with Mr Vaile to Japan.

Senator O'BRIEN—Is this department aware of any written assurances of consultation from either of the appropriate Japanese ministries with the Australian government?

Ms Watts—Not that I am aware of, Senator. As I said, this is something about which we have been in close dialogue with the Japanese. They are certainly very aware of our position and we are also obviously aware of their processes. As Mr McLean said, the legislation is currently before the Diet for consideration.

Senator O'BRIEN—What is the protocol for communication with the appropriate ministers? Is this department automatically copied in to any communication or does the communication go through this department?

Mr McLean—Any communication would be initially through our embassy in Tokyo.

Senator O'BRIEN—No, I mean minister to minister?

Mr McLean—Minister to minister?

Senator O'BRIEN—For example, if Mr Truss is writing to the minister, is this department automatically copied in?

Mr McLean—We and AFFA are in regular and constant contact and coordination on this matter.

Senator O'BRIEN—So that means you would be automatically copied in.

Mr McLean—We would be.

Senator O'BRIEN—Can you tell us on how many occasions there has been written communication between Mr Truss and his Japanese counterpart on this issue?

Mr McLean—No, we cannot speak on behalf of AFFA. As you say, we would be copied in, but we would have to take that on notice.

Senator O'BRIEN—If you would, thank you very much. Has this snapback provision been discussed with the Japanese government in the context of the proposed trade and economic agreement with Japan?

Ms Watts—It certainly has been raised on a number of occasions. Do you mean at the same time that have we discussed the trade and economic agreement?

Senator O'BRIEN—Yes.

Ms Watts—Dr Raby was there at the end of last year.

Dr Raby—I was in Tokyo before Christmas on discussions on the trade and economic agreement, and at all meetings we took the opportunity to raise this particular issue as something of the utmost serious concern to the government.

Senator O'BRIEN—Has there been any response from the Japanese government in that context about this snapback provision?

Dr Raby—As you would imagine, they vigorously defend their position and we seek to vigorously rebut it. That is where it is at present.

Senator O'BRIEN—Is there any plan to undertake further promotional activity in relation to our beef trade with Japan in the context of this snapback, or will this inhibit our trade promotion arrangements?

Ms Watts—We have had significant trade promotional activity in Japan to try to help restore confidence in beef consumption there. Last year Australia—the government and industry together—contributed around \$16 million towards promotional campaigns. Our ambassador, John McCarthy, was closely involved in that and gave a number of talks around Japan on that. I am not sure whether that is continuing or what the plans for that are, but certainly we have put considerable effort into promoting beef in Japan.

Senator O'BRIEN—How much of the \$16 million did the Australian government contribute and how much did the industry contribute?

Ms Watts—The Australian government contributed \$5 million.

Senator PAYNE—I can certainly say, as a recent visitor to Japan, that those strenuous efforts were well appreciated in Japan and noted by many of the members and senators of the Diet with whom I had meetings. They certainly had an impact, and the ambassador's efforts most certainly had a very significant impact.

Senator O'BRIEN—How generic is the beef market in Japan? I think the US government put in something like our total promotion contribution into promoting their beef. But I am wondering, if we promote our beef market and the US are promoting theirs: does that flow between the two countries' exports? Does it give confidence to beef consumption irrespective of where it comes from or is it country specific and effective that way?

Mr McLean—Clearly our promotion was country specific and talked about quality of Australian beef, but it would be stating the obvious that the promotion of beef by either country is also generic in its nature.

Senator O'BRIEN—Because of the BSE factor?

Mr McLean—Yes, because it was all about addressing the safety of export beef.

Senator O'BRIEN—Can you tell us what the focus of the promotional activity was? What media form did it take?

Ms Watts—I think there were a number of media conferences and media appearances with the ambassador and industry. I think there was also a promotion with McDonald's in terms of safety of Australian beef.

Senator O'BRIEN—I was just wondering whether that amount of money can be translated into a comparable Australian campaign. I imagine, although I have no personal knowledge, that it is much more expensive to get a media campaign going in Japan and than it is here.

Mr McLean—The \$16 million that has been spent altogether has been more than worth while. The Australian exports were somewhat slow to pick up, but they picked up very significantly. The market share that Australian beef currently has in Japan is somewhat greater than the United States' market share. There are peaks and troughs that are sometimes dictated by other factors, such as the port strike in the United States, which means that exports of Australian beef have been very significantly greater in the last few months, for instance, than those from the United States. So it is a bit hard to tell how much the amount of money spent on the respective campaigns by Australia and the United States has been matched by an equivalent increase in exports per se.

Senator O'BRIEN—Are you saying that for a period the US had a greater share of the market than we did?

Mr McLean—I am, yes.

Senator O'BRIEN—Did that correspond with the fact that their industry promotion predated ours?

Mr McLean—As I have been saying, Senator, it is hard to attribute an increase specifically to an advertising campaign.

Senator O'BRIEN—I am not asking you for an attribution. I am asking you if it was coincidental with it?

Mr McLean—It might have been coincidental; I would have to take that on notice.

Senator O'BRIEN—I would appreciate that. I presume that we spend the money on a promotional campaign because we think it will be effective in a timely way?

Mr McLean—We certainly do.

Senator O'BRIEN—And so would the US?

Mr McLean—No doubt.

Senator O'BRIEN—Historically, did the US share of the market exceed ours, or have we had a larger share of the market than the US over the last five years?

Mr McLean—My understanding is that it has really been very similar. Maybe one year we might have one or two per cent more than the United States and maybe another year they would.

Senator O'BRIEN—What was the situation over the last 12 months? Can you give us a breakdown of market share, perhaps on a monthly basis?

Ms Watts—I cannot give you that on a monthly basis. Suffice to say that towards the end of the year we were starting to level peg, I think, in terms of market share.

Senator O'BRIEN—What about the middle of the year?

Ms Watts—I am not sure about precise dates but I think that earlier in the year we were at one stage behind the US. Again, I am not sure that it was significantly so. Certainly as we got towards the end of the year we were starting to level peg.

Senator O'BRIEN—Does the department have details of the sector of the market that we have improved in? In other words, the low quality versus high quality ends of the Japanese market are both being serviced—is there any change in that?

Mr McLean—I think that is a question that is more appropriately addressed by AFFA. They have that sort of information.

Senator O'BRIEN—That is fine. Could you, perhaps on notice, give us the dates that contact has been made by Minister Vaile with the Japanese government regarding this snapback provision?

Mr McLean—We can do that, Senator.

Senator O'BRIEN—Could you tell me what form that communication has been in and with whom, and also the activities of the ambassador?

Mr McLean—Yes, certainly.

Senator O'BRIEN—In terms of Mr Truss's communications, I take it that I should ask AFFA?

Mr McLean—That is correct.

Senator ROBERT RAY—I wanted to ask where we are up to in respect of an issue that has been in the papers for about two weeks—namely, Mr Betteridge and Cambodia. Can you tell me where we are up to on that before I follow up with some questions? If you give me a summary of where we are up to that might limit the number of questions I have to ask.

Dr Raby—We sent a high-level team to Phnom Penh on Tuesday at the request of the Cambodian government to discuss with them and work through with them all aspects relevant to arranging for an extradition of Mr Betteridge to Phnom Penh.

Senator ROBERT RAY—So that is where we are up to at the moment?

Dr Raby—Yes. I am not sure whether the team is returning today. It had intended to return. The discussions have been going very well and very positively with the Cambodians and they may have stayed on for an additional day. However, they should certainly be back in Australia tomorrow.

Senator ROBERT RAY—Have you cancelled the existing passport?

Dr Raby—Yes indeed.

Senator ROBERT RAY—So he certainly cannot travel on that passport.

Dr Raby—Yes.

Senator ROBERT RAY—When the passport was reissued, was it in the knowledge of either the department or the local post? Were they given a reason why his previous passport was not available to him at the point when he was issued a new passport?

Dr Raby—Yes, Senator. The post understood the circumstances in which Mr Betteridge did not have a passport and why he was seeking a new passport.

Senator ROBERT RAY—I see. It has been the general understanding of some posts, notwithstanding what may be in section 7E of the Passports Act, that they have no choice but to issue a new passport. Did I read that?

Dr Raby—That was the understanding of the officers involved in providing the advice at the time.

Senator ROBERT RAY—Was that advice provided from Canberra to Phnom Penh or was it advice that people in Phnom Penh had in their own minds?

Dr Raby—Phnom Penh sought advice from Canberra and that advice was given from Canberra.

Senator ROBERT RAY—To reissue the passport?

Dr Raby—Yes, on the basis of an understanding of the relevant article that we had no choice.

Senator ROBERT RAY—Did it later emerge that you did have a choice?

Dr Raby—Indeed. We made a mistake.

Senator ROBERT RAY—How did you discover the mistake—that there was an alternative?

Dr Raby—With the public discussion, we re-examined the regulations. There was a very strong view expressed over this issue, as you recall, and obviously when senior officers looked at this it seemed very clear that there must be something terribly wrong with the regulations if such a thing could happen. On re-examining the regulations at senior levels, we discovered our mistake.

Senator ROBERT RAY—There was a previous case, wasn't there—I am not sure of the given name—of a Ms Smith who had her passport renewed, having absconded on drug charges from Thailand?

Dr Raby—I am not familiar with the details of that.

Senator ROBERT RAY—Is there somebody here who might be familiar with it?

Senator PAYNE—That is a pretty old one, isn't it?

Senator ROBERT RAY—Yes, it was about five years ago.

Dr Raby—I vaguely know of it from public comment—

Senator ROBERT RAY—So you do not have anyone here who would have any knowledge of it?

Dr Raby—I am sorry, I cannot comment authoritatively at this stage.

Senator ROBERT RAY—It sort of dovetails in. That passport may well have been issued as a result of the same misapprehension that occurred on this occasion. I was wondering why that had not triggered some sort of alert system then. Do you have an alert system?

Dr Raby—I am just trying to understand what you mean by an alert system.

Senator ROBERT RAY—I am sorry. Putting it very simply, the Department of Immigration and Multicultural and Indigenous Affairs has an alert system so that if someone applies for a visa it automatically rings a bell. Before you reissue a passport, do you get warning bells on a computer and something saying, 'This person absconded from Thailand on drug charges. We shouldn't issue them a new passport from Athens or wherever'?

Dr Raby—We will bring Mr Nash, the Assistant Secretary, Passports Branch, to the table to answer that question.

Senator ROBERT RAY—Were you following the questioning or were you drifting? I do not blame you either way.

Mr Nash—I was drifting.

Senator ROBERT RAY—I mentioned the Smith case, which was connected to Thailand about five years ago, and we have been talking about the Betteridge case now. When a request comes in, either for a renewal or the issue of a new passport, do you have an alert system that tells you that the person had their passport confiscated in Bangkok, Phnom Penh or wherever and that by reissuing the passport it may affect the bilateral relations with that country that we has helped the person abscond? In one case, a person has absconded out of the country whilst on bail, and in another case a person absconded and then had a passport reissued to allow that person to again, I assume, travel somewhere else.

Mr Kemish—We do indeed, following the Betteridge case, have two parallel sets of requirements. One is a requirement which is in the manual of Australian passport issue—the passport instructions available to all staff in the department. Those instructions have been changed following the Betteridge case to make it a firm requirement that in all situations where a staff member knows that the passport is held by the local authorities that fact be transmitted by the head of mission to the Assistant Secretary, Passports Branch. There is a supplementary requirement on Mr Nash and his position that, in considering any requests in relation to the replacement passport, he take legal advice and actively consider the ministerial discretion, which is the clause you referred to in one of your earlier questions.

There is a parallel requirement in the consular instructions which from now on requires that, when a consular staff member first encounters an Australian who has been arrested or detained, he or she ascertain the status of the existing passport. That fact again is to be referred by cable under the new requirements to the heads of consular and passports branches by cable. These are safeguards.

You asked about the Smith case. I have no personal knowledge of that case. However, I am advised by our legal people that the case in question does indeed relate to a case where the passport was held by local authorities. It was not, however, a case, as I am advised, which goes to the issue of a threat to the health or safety of others, which is the issue in the Betteridge case.

Senator ROBERT RAY—Yes. I am not necessarily saying that there is an absolute parallel, but I had wondered whether the Smith case had caused a tightening up in procedures. Apparently it has taken this last case to do so. I hope I am not editorialising too much, but I think that is the case.

Mr Kemish—That is correct.

Senator ROBERT RAY—Is there still scope for the issuing of a passport to someone who has had their passport seized when it is in the knowledge of the local post that the person has basically been framed, set up or otherwise? What do you do in those circumstances? Do you still have the scope to do it, or can't you do it because of the relations with the country?

Dr Raby—We still have discretion. All the checks that Mr Kemish has just outlined involving senior officers bringing in our legal area are intended to make sure that we act with prudence and good judgment in such cases, but we do have the discretion and we will have to exercise judgment in these matters in the future.

Senator ROBERT RAY—Have you made a request of Australian law enforcement agencies to try to find Mr Betteridge?

Dr Raby—It is not for the Department of Foreign Affairs and Trade to make that request; it is a matter for the Attorney-General's Department.

Senator ROBERT RAY—In terms of dealing with an issue like this, there is no extant extradition treaty with Cambodia, is there?

Dr Raby—That is correct, Senator.

Senator ROBERT RAY—But it is still possible to negotiate an extradition in the absence of such a treaty, I take it?

Dr Raby—Yes, we can have a one-off arrangement through an adjustment to the administrative regulations.

Senator ROBERT RAY—I do not think that is very well understood in the community—that someone who absconds with money, or maybe on a less serious charge, and who disappears to a non-extradition country could still well be liable for extradition.

Dr Raby—I am not an expert in this area. Dr French might like to respond to this.

Dr French—Certainly there are a range of possibilities for extradition from one country to another. One possibility, of course, is to establish an extradition treaty between the two countries. Another possibility is by means of a multilateral treaty which provides for such extradition. A third possibility is unilateral acts, and that would include the possibility of an amendment to the Extradition Act to nominate any country—for example, Cambodia—as an extradition country for the purposes of particular crimes.

Senator ROBERT RAY—Is that done by way of legislation or delegated legislation?

Dr French—Delegated legislation—it could be regulations. But in terms of further details of that, that is with the Attorney-General's Department.

Senator ROBERT RAY—So it is covered off in that way. Dr Raby, I am trying to avoid asking you for your opinion here. I thought initially the reaction of the Cambodian government was that it was fairly disappointed. Have we managed to re-establish our credentials on this as being a serious issue?

Dr Raby—I think the speed with which we have responded by sending a high-level delegation up there to offer advice, as appropriate, to work with them, and representations made by our ambassador over a number of conversations with the Ministry of Women's Affairs and the Ministry of Justice, have contributed to putting the relationship in good order on this point. The abhorrence, strong concerns and views the government holds on this particular issue are well understood by the Cambodian government. We have very good working relations with them on this, in the whole area of paedophilia. Our extra-territorial legislation in this area is understood and well regarded. We have a substantial AFP presence in the embassy in Phnom Penh to work with local authorities to help in this area. So we have very strong credentials in Cambodia on this particular subject. A mistake was made, and that is acknowledged, but the Cambodians have also welcomed the alacrity with which we have moved to, as far as possible in this very unfortunate case, undo the damage and help to get justice served. We are very clear about our very firm intention to see justice done.

Senator ROBERT RAY—We have been getting a lot more cooperation out of Phnom Penh on issues such as people smugglers in the last couple of years than previously, haven't we?

Dr Raby—That is correct.

Senator ROBERT RAY—Finally, have we been able to notify all the posts that issue passports overseas of what are not so much new procedures but a reinforcement of what should occur?

Dr Raby—Yes. As soon as the regulations were redrafted—I think the day after—all posts were advised. Again, the very strong concerns of management over this have been made known throughout the department.

Mr Kemish—Indeed, on the day that the regulations were changed, all heads of mission were alerted to the change by me in a cable, and they were asked to underline to all consular and passports staff the importance of adhering to these new regulations.

Senator FAULKNER—There was a period, probably about a week, when the department did seem to insist that it had no legal option other than to issue a replacement passport to Betteridge. Then I think there was an acceptance that this matter should have been referred to the Minister for Foreign Affairs. Is that a fair description of what occurred, Mr Kemish?

Mr Kemish—I can give you the chronology of that. Mr Downer asked on 3 February that the Passports Act be reviewed. The secretary, in parallel, questioned the actions taken. He had been alerted the previous working day—

Senator ROBERT RAY—Could I just stop you there. When was the conviction announced? That might help put it into the picture.

Mr Kemish—The conviction had been announced on 29 January.

Senator FAULKNER—Dr Calvert's action, you said, was concurrent. So that was on 3 February too?

Mr Kemish—That is correct. Advice was sought from the legal branch and Australian Government Solicitor on that day. The secretary and minister were advised the following day, the 4th, that the act had in fact allowed for ministerial discretion. Instructions were changed on that day, and both the media liaison section and I made it very clear to the media the following day that there had been an error of judgment, and that it had been a wrong call.

Senator FAULKNER—I suppose the issue is whether that was a reasonable delay in terms of making the announcement that was made on the 5th. Could that have been made earlier? Perhaps you could comment on that.

Mr Kemish—I can only tell you that we sought legal advice on the Monday, came to a conclusion on the Tuesday and announced it on the Wednesday.

Senator FAULKNER—So, if there was a delay, it was in the seeking of legal advice? It seemed to me that the public impression was given that there was no alternative, no other legal option. That is fair, isn't it? I read that in at least one newspaper. That was corrected publicly on the 5th, but certainly that was what was being said.

Dr Raby—That was the initial view that we had.

Senator FAULKNER—But it was stronger than a view, wasn't it? It was said that there was no other legal option. Was that based on legal advice or not? Was that just media spin?

Dr Raby—No, that was where the error that we made came in, as I explained to Senator Ray. Initially that was our understanding of the relevant part of the regulations. It was on that basis that the passport was reissued, and that is where the mistake occurred.

Senator FAULKNER—You used the terminology 'understanding'. To get behind that word a little: was that based on any formal advice, or just longstanding practice? That is what is not clear to me.

Dr Raby—I would not say longstanding practice. I would say that was the view of the officer that was consulted and gave the advice, based on experience in this area. Unfortunately, it was incorrect and we did have discretion in the matter, and we came to that conclusion a couple of days later.

Senator ROBERT RAY—The one thing that has not been made clear in the publicity so far is that the post in Phnom Penh correctly sought advice on this. For a while they were left

out hanging to dry—not deliberately—as though they had made all the decisions themselves. This was not the impression the department gave but that is the impression that came through the media.

Dr Raby—That is possible but that is certainly not an impression that we sought to make or did make.

Senator ROBERT RAY—No.

Senator JACINTA COLLINS—Has this mistaken interpretation been applied previously?

Mr Kemish—No, it has not.

Senator ROBERT RAY—You have no other cases of abscondees being issued with a passport? We mentioned Ms Smith, so leave that aside.

Mr Kemish—There is no comparable case, to our knowledge.

Senator FAULKNER—I want to be clear on this: did the post or the ambassador pass the matter on to either the department or the minister for legal advice?

Dr Raby—No, the consular officer in the post rang the consular area of the department and that is how the advice was communicated and that is the level at which it was done. That is where, also, we believe we had a breakdown in process and our instructions since then have attempted to correct the breakdown of process. We say that there was a breakdown both in judgment over the seriousness of the case and the understanding of the regulations and in process in terms of referring it to the correct areas of the department, taking it up with senior officers and also consulting the legal area.

Senator ROBERT RAY—I read in the newspaper that officers of the department in Phnom Penh did counsel Mr Betteridge not to try to flee. Is that correct or is that just the newspaper?

Dr Raby—That is correct.

Senator ROBERT RAY—So they have also done that.

Dr Raby—That is correct. And that was also advice given from Canberra to the post.

Senator ROBERT RAY—Thank you.

Senator FAULKNER—I do not want to know names or anything like that, but were any officers involved in providing what might have been incorrect information, albeit longstanding advice or advice consistent with what had been provided previously? Is there any suggestion that officers have been disciplined?

Dr Raby—Most definitely. All relevant officers have been sternly counselled. The secretary is overseas and further disciplinary action will be decided by him on return now that we have been able in his absence to set out all the facts of the situation.

Senator FAULKNER—Are you saying that that issue effectively is pending?

Dr Raby—There are two steps: there is formal counselling and then the secretary will decide on further disciplinary action.

Senator ROBERT RAY—Could the department give us a summing up on that when we next meet in June—what progress has been made in all that?

Dr Raby—Very happy to, Senator. With respect to privacy issues—

Senator ROBERT RAY—Absolutely.

Senator FAULKNER—What stage is that process up to? Counselling?

Dr Raby—Yes.

Senator JACINTA COLLINS—Counselling has occurred.

Dr Raby—Yes.

Senator FAULKNER—And that relates to, I assume, Canberra based staff, does it?

Dr Raby—And at the post.

Senator FAULKNER—I think I read a media report that suggested there had been disciplinary action in relation to Canberra based staff.

Dr Raby—What I am saying is that it is both.

Senator FAULKNER—I know, but I am saying that that may not have been fulsomely reported in the media. We can follow it up if required as Senator Ray suggested. I do not have anything further on that particular issue.

[5.30 p.m.]

CHAIR—We return now to output 1.1

Senator FAULKNER—Dr Raby, just before Senator O'Brien took the floor, we were speaking about this issue of Mr Downer's difficulties with the help desk in early January. I want to be clear on one issue, because I did hear the evidence you gave in relation to the in-confidence computer network. I think you or Mr Tighe drew a distinction between that and a classification in relation to national security matters. Is that the correct classification?

Dr Raby—Yes. There are basically two parallel systems. One is at a high level of security and provides protection for all national security classified information. The other one, which is the unclassified system, has a gateway to the Internet which, of course, is an open system. So they are quite different and separate systems. It is not possible to access the Internet through the secure system. The non-secure system, if you like, is like any system you have on your desk to access the Internet, send emails and so on.

Senator FAULKNER—I think you made the point when we were discussing Dr Calvert's administrative circular about the leak of the record of conversation that that, in fact, is in the second category: the unclassified or non-secure system. That is correct, isn't it?

Dr Raby—That is correct.

Senator FAULKNER—If you had access to that system, you may well be able to access that administrative circular, for example?

Dr Raby—Correct.

Senator FAULKNER—Is it true that the unclassified system, the non-secure system, has been described as the in-confidence computer network?

Dr Raby—That is not how we describe it. We describe it as non-secure, unclassified.

Senator FAULKNER—But it does contain departmental and official documents of a range of different types.

Dr Raby—That is correct.

Senator JACINTA COLLINS—It contains material pertinent to DFAT, for instance, that I would not be able to access through my own system.

Dr Raby—That is correct.

Senator FAULKNER—But given elements of this document may have appeared in the media, it is now subject to a form of leak inquiry under the code of conduct. That is true, isn't it?

Dr Raby—That is correct.

Senator FAULKNER—What I do not understand in relation to this issue about the concern with the minister's computer is your assertion that there is no security breach if another person accesses the network using the minister's account and password. This seems to be, on the surface, a little illogical. Perhaps you could explain that to me.

Dr Raby—Mr Chester, who is responsible for the code of conduct, might help me on this if necessary. With respect to the administrative circular, that is the property of the department—the property of the government. Individuals are required to respect the property of the department. The code of conduct has a required standard that property of the department—the documents—is not, in an unauthorised way, made available to those who have no reasonable right to have access to that.

Mr Chester—All allegations of breaches of the code of conduct are looked at by our conduct and ethics unit. In this particular case there is prima face evidence that someone might have breached the APS code of conduct—in particular the element of the code of conduct that requires employees of the department to maintain appropriate confidentiality about dealings that the employee has with any minister or minister's member of staff. It is under that particular element that we are investigating whether there has been a breach.

Senator FAULKNER—So what you are saying to me, if I understand it, Mr Chester—and I hear what you and Dr Raby say—is that departmental officials are expected to keep official documents on that particular network confidential. Is that right?

Mr Chester—No, that is not what I am saying.

Senator ROBERT RAY—I thought what you were saying was that, irrespective of what documents are on the computer, when there is dialogue between the minister and departmental officials, under the code of conduct, irrespective of how trivial it is, that should be kept confidential.

Mr Chester—That is correct. The APS code of conduct has a requirement on staff to keep—

Senator FAULKNER—Let me go back to Dr Calvert's circular. Why ought that be kept confidential? When I say 'confidential', why shouldn't that be leaked to a newspaper? It is on that network.

Dr Raby—But the document is generated by the department. It is not freely—

Senator FAULKNER—What element of the code of conduct do you draw on in relation to this leak? You have picked out one—I understand that—but I am talking about this circular. I am using this circular as an example because it is the only example I have of a document that, clearly, Dr Raby has indicated is one that fits into that category of being appropriate for the unclassified or nonsecure system. You accept that, don't you, Mr Chester?

Mr Chester—There is no investigation at the moment into the disclosure of that admin circular.

Senator FAULKNER—There is a code of conduct inquiry, isn't there?

Mr Chester—Into the disclosure that led to the newspaper article on 9 February.

Dr Raby—I may have misled you. The grounds for the code of conduct inquiry are those that Mr Chester has read to you.

Senator FAULKNER—Now you do have me confused, Dr Raby.

Dr Raby—I am confused as well.

Senator FAULKNER—I prefer to get it right. I do believe we have some conflicting evidence from the officers at the table. I am not being critical; I just want to get this clear. What action, if any, has been taken—whether it be under the code of conduct or otherwise—in relation to the leaking of Dr Calvert's administrative circular or part of it? Is there no action that has been taken at all?

Mr Tighe—I think I might be the source of the confusion. I mentioned before that, in the inquiry we are doing on the leaking of the record of conversation, information may turn up about the fact that the administrative circular ended up in the media.

Senator FAULKNER—To be clear about it, there is no action currently being undertaken as a result of this particular leak.

Dr Raby—That is correct.

Senator ROBERT RAY—Let us get to the next point. Is there any investigation about how an issue raised by the minister with the help desk—and it could have been circulated more widely, we have not got to that yet—appeared in the media, given what Mr Chester has said that, in terms of the code of conduct, communication between the minister and departmental officials, no matter what the content, is confidential? I am not verballing you there, am I?

Mr Chester—Let me answer the question by saying there is an investigation to ascertain whether there has been a breach of the code of conduct as a result of that material appearing in the newspaper.

Senator ROBERT RAY—So you have got two investigations, and the third one is a potentiality if incidental information turns up, is that it? Who is doing the second investigation?

Mr Chester—The investigation into the 9 February newspaper article is being undertaken by the conduct and ethics unit in the department.

Senator FAULKNER—What sorts of procedures are used for that sort of inquiry?

Mr Chester—Very similar procedures to those that are undertaken by the security investigations.

Senator FAULKNER—Do you use statutory declarations and all that sort of thing?

Mr Chester—Yes, they will be used.

Senator ROBERT RAY—What would be the cost of that investigation? I am not talking about extra cost, but you must make some assessment when you launch into one of these things of what the cost in terms of time and resources will be?

Mr Chester—That is very difficult to ascertain.

Senator FAULKNER—Who determined to conduct that inquiry? Who made that decision?

Mr Chester—It was either the secretary or the acting secretary, I am not sure.

Dr Raby—It was done on my watch but in consultation with the secretary. It was the department that was making the decision.

Senator FAULKNER—Did you receive a request or contact from the minister about the issue?

Mr Chester—Not at all.

Senator FAULKNER—It was completely your own initiative?

Mr Chester—Absolutely. We have a standing policy that, if there are breaches of the code of conduct, the conduct and ethics unit is there. There are other things as well but that is a fairly normal procedure.

Senator FAULKNER—And you expect people to keep these sorts of things confidential, do you? Administrative circulars, what happens at the help desk for the computers and so forth ought to be kept confidential, according to yourself?

Mr Chester—We expect the staff of the department to abide by the code of conduct.

Senator FAULKNER—Do you expect people to keep their computer account numbers and passwords to themselves?

Mr Tighe—Their passwords are meant to be kept to themselves. If I can anticipate where you are going, we did not previously say that anybody had shared their password. The departmental security instructions require people to keep their passwords to themselves.

Senator FAULKNER—For departmental systems?

Mr Tighe—For all departmental systems.

Senator FAULKNER—Both the national security system and the unclassified system?

Mr Tighe—Yes.

Senator FAULKNER—I assume there are different passwords to both those systems. That stands to reason. Would that be right?

Mr Tighe—Yes.

Senator FAULKNER—But, for example, Dr Raby, you could share your password with a more junior member of staff, couldn't you? For the unclassified system?

Dr Raby—For the unclassified system, yes.

Senator FAULKNER—You could do that?

Dr Raby—Yes.

Senator FAULKNER—That is different from what Mr Tighe has just told us.

Mr Tighe—A distinction that I think is confusing people here is between the password and access to the account. Access to the account can be shared but the password for departmental officers should not be shared.

Dr Raby—My PA, for example, has access to my account but has her own password.

Senator JACINTA COLLINS—But she does not operate your account; she operates her own account but it gives her access to yours. There is a distinction there.

Dr Raby—Yes.

Senator JACINTA COLLINS—You would be quite concerned if your PA was operating your account, would you not?

Dr Raby—Yes, but she has access to my account.

Senator JACINTA COLLINS—But what seems to be the problem here, and I would like to clarify it, is that somebody engaged the minister's account in his office in Canberra—not that they had access through their own account but that they engaged the minister's account. Perhaps we should clarify that point. Was it the minister himself who logged on in Canberra and then failed to log off, or was it somebody else who logged on to his account?

Mr Tighe—I do not know that.

Senator JACINTA COLLINS—On what date was his account logged on in his office in Canberra, where it had failed to be logged off?

Mr Tighe—Again, I do not know that. One would assume that it was the minister.

Senator JACINTA COLLINS—Why would you assume it was the minister?

Mr Tighe—Because he would have the password.

Senator ROBERT RAY—Do you know on what date the computer logged itself out?

Mr Tighe—No, I do not.

Senator ROBERT RAY—It might be helpful, because if the minister was not in Canberra then it was not the minister.

Mr Tighe—I should point out—and we made this point earlier—that the minister does have the prerogative to grant access to his account on that system to whomever he chooses.

Senator JACINTA COLLINS—Yes, but the concerning aspect, which is yet to be clarified, is whether someone other than the minister was operating his own account. Who he gives access to is a very different issue to who operates his account because, at the end the day, when you want to determine through the system who has actioned a certain thing, you do not want more than one person actioning an account, do you, particularly in the case of a minister?

Senator Troeth—Senator Collins, that is asking the officer to express an opinion and I do not think he should be asked to do that.

Senator JACINTA COLLINS—No, it is explaining to the officer why we want to clarify whether it was the minister himself who had left his system logged on.

Senator Troeth—I think he has already indicated that he does not know the date of that nor does he know the answer to your question.

Senator JACINTA COLLINS—I would ask him to take it on notice.

Senator ROBERT RAY—Let us ask the parliamentary secretary to take that on notice because it may only be Mr Downer who can answer it. Are you happy to do that?

Senator Troeth—Yes, I am happy to do that.

Senator FAULKNER—Just so I am clear, is it competent, under the guidelines, for the minister to allow members of staff to use his account and his password? Can he authorise people to do that?

Mr Tighe—We are not suggesting that the minister has allowed anybody to use his password.

Senator FAULKNER—I know. I am asking whether the guidelines allow that or not. What do the guidelines say—he can do it or he can't do it?

Mr Tighe—The guidelines are departmental guidelines.

Senator FAULKNER—So there are no guidelines for the minister. He could get the whole press gallery around to his office and give them access to the national security computer system, could he?

Dr Raby—That is a hypothetical question, Senator.

Senator FAULKNER—It is a hypothetical question. Are there any guidelines for the minister's use of his computer or not?

Dr Raby—We have answered that the guidelines apply to departmental officers. There are different arrangements for ministers.

Senator FAULKNER—What are the different arrangements; where are they different?

Mr McConville—In terms of what would govern the minister's capacity to act in those circumstances, as you would probably be aware, there are the Prime Minister's *A guide on key elements of ministerial responsibility* and the ministerial code of conduct. But the specifics of the department's guidelines apply to DFAT officers. It is an expectation that ministers would work to the spirit of those guidelines.

Senator FAULKNER—So you provide those guidelines to the minister and the minister's office for his and their perusal, do you?

Dr Raby—No, we do not provide the guidelines. The guidelines are for the department and I think Mr McConville has made it very clear.

Senator FAULKNER—Dr Raby, the officer at the table has just said that you expect the minister to conform with the spirit of the guidelines. That sounds reasonable enough too me. How does he know what the spirit of the guidelines is?

Dr Raby—He may or may not choose to inquire what the spirit is.

Senator ROBERT RAY—Is it by osmosis or do you send him the guidelines?

Senator FAULKNER—Obviously you do not tell him. Is he supposed to pluck it out of thin air or ring the help desk 15 times to find out? What is the system? How does it work? Do you tell him what the departmental guidance is?

Dr Raby—If he requests what the guidance is, it will provide the guidance.

Senator FAULKNER—Has he requested it?

Dr Raby—I do not know.

Senator FAULKNER—Has he received the guidelines?

Dr Raby—I do not know.

Senator FAULKNER—Could someone assist us please?

Mr McConville—As for the guidelines, the *Commonwealth Protective Security Manual*, for instance, is a document that would be available.

Senator ROBERT RAY—But in essence you have not actually told the minister that you would like him, even though it is not compulsory, to follow your guidelines. You have never even sent them to him, have you—unless you expect him to wade through some other booklet. Isn't that a fair summary?

Mr Tighe—I do not think it is fair to say that the minister is in complete ignorance of the departmental guidelines. He would have access to them and his staff have been briefed on them.

Senator FAULKNER—So they have been briefed. That is different from what Dr Raby said: he said they had not been briefed.

Dr Raby—No, I did not say that.

Senator ROBERT RAY—What did you say?

Dr Raby—I said that if he wishes to see the guidelines he may see them; we will try to provide them if he asks for them.

Senator FAULKNER—I asked if he had asked for them.

Dr Raby—And I said I did not know.

Senator ROBERT RAY—Now you do, because there has been a briefing.

Dr Raby—No, we do not know if he has asked. We have briefed the staff.

Senator FAULKNER—Curiouser and curiouser, Dr Raby.

Dr Raby—We are doing our best.

Senator FAULKNER—I hope not—I really do. How does Mr Downer and Mr Downer's staff know how to use the computers and the networks, one of which has a national security classification? These are serious matters and you are saying, 'They may or may not ask for a briefing,' 'We do or don't know' and 'We may not know whether we have ever told him how to do it.' This is an issue for the department. It is a serious matter and surely someone can give us a bit of assistance on it.

Mr Tighe—I can tell you something I had not previously realised, which I think may hopefully put your mind at ease. The minister is briefed at the start of his period in office on both the departmental guidelines and the *Commonwealth Protective Security Manual*.

Senator FAULKNER—Thank you. What do those guidelines say about a minister providing his password to other people—or do they say anything about that?

Mr J. Richardson—The departmental security instructions apply to the department and its staff. They do not deal with ministerial matters because the department reports to the minister on these matters. So it would be presumptuous on the part of the department to write into our security instructions, which are for the guidance of staff, requirements for the minister. We do, however, brief the minister as required.

Senator FAULKNER—I am starting to feel a great deal of sympathy for Mr Downer and his umpteen calls to the help desk, I can tell you. Anyway Mr Downer was informed, at the beginning of his tenure as the Minister for Foreign Affairs, what the departmental guidelines were. That is the case, isn't it?

Mr Tighe—Yes.

Senator FAULKNER—What do those guidelines say about providing your password to another person?

Mr Tighe—The guidelines would say that departmental officers should not provide their passwords to other people.

Senator ROBERT RAY—Except you do to your PA, you said.

Dr Raby—Not the password; she has access to the account.

Senator JACINTA COLLINS—Yes, there is a difference. And what your PA might do in your account is traceable because she has done it through her own account.

Senator FAULKNER—Do we know whether Mr Downer has or has not given his password to another person? Do we know that clearly?

Mr Tighe—No, we do not know that.

Senator FAULKNER—No-one has thought to ask?

Mr Tighe—No.

Senator FAULKNER—There was a suggestion in a newspaper that that was the case.

Mr Tighe—No, there was not, I don't think.

Senator FAULKNER—No-one thought to ask?

Mr Tighe—What was in the newspaper was a reporter reporting gossip.

Senator FAULKNER—Well, you call it gossip.

Senator Troeth—Speculation, Senator.

Senator FAULKNER—It is not speculation. We have now found out that a great deal of it is true. I know that you are not up with the game here, Senator Troeth, but we now know that Mr Downer did have a problem. Frankly, I am quite sympathetic with him, after what I have heard. He had a significant problem accessing his own computer on 6, 7 and 8 January this calendar year. That happens to be a fact. It happens to be a fact that he rang the department help desk three times on the 6th and once on the 7th, and it was contacted on the 8th by his daughter. His daughter also rang on the 7th. That is what we know. That is true, isn't it, Dr Raby?

Dr Raby—Yes.

Senator FAULKNER—It is true. And probably, I suspect—I am told that Mr Downer has authorised his daughter to do this—he got so frustrated that he wanted to see if his daughter was able to work her way around the technology or the help desk when he was unable to. No wonder he was frustrated.

Senator Troeth—That is speculation on your part.

Senator FAULKNER—They are absolute facts.

Senator Troeth—What you read in the paper is not necessarily true.

Senator FAULKNER—The only speculation was that Mr Downer was frustrated and his daughter was displeased. That is in the newspaper.

Senator Troeth—That is for you to speculate.

Senator FAULKNER—I am not speculating; we know that Mr Downer was frustrated. It seems that he had pretty good reason to be frustrated, frankly. I'll bet he is not as frustrated as I am.

Senator ROBERT RAY—Where is the investigation up to—that may not be the right word; I will not put words in your mouth—the examination of these issues, or whatever else you like?

Mr Chester—The inquiry commenced on Wednesday—yesterday—and it is proceeding.

Senator ROBERT RAY—I think I am correct in this: unlike the other investigation, this has to be internal to the Department of Foreign Affairs and Trade. None of this material from the help desk could possibly have been circulated outside the department, could it? It is not going to be put in the cable or sent over to Defence, the usual suspect for a lot of—

Senator FAULKNER—It is sure not going to be if the word ‘Iraq’ is mentioned.

Mr Chester—It is an internal investigation, but I do not know whether you could draw the conclusion that the information did not go outside the department.

Senator ROBERT RAY—I am sorry, it obviously went to a journalist; we know that.

Mr Chester—Yes.

Senator ROBERT RAY—I guess the parliamentary secretary is saying that, unlike the other one, this time it is almost certainly the department—someone in the department has given it to the journalist, because it is not the sort of material—

Senator Troeth—I certainly did not say that, Senator. All I have said was that there was speculation in the newspaper.

Senator ROBERT RAY—I am just trying to use a bit of logic here. I can’t imagine scuttlebutt between a minister and a help desk being circulated to other departments. That defies absolutely everything we know about government. So this time someone in DFAT did do it.

Mr Chester—I do not agree that you can draw that conclusion.

Senator ROBERT RAY—Mr Downer’s staff, you think. I don’t think so.

Senator FAULKNER—Is the help desk still called the help desk or have you changed its name?

Senator ROBERT RAY—It is an oxymoron—let’s face it.

Senator JACINTA COLLINS—Is the help desk specific to this department or does it operate across departments?

Mr Tighe—It operates in respect of all the systems operated by the department, some of which include electronic connections to other agencies, so it does have clients outside the department.

Senator ROBERT RAY—Is this a DFAT help desk or is it outsourced?

Mr Tighe—It is a DFAT help desk. Part of it is staffed by contractors and it services a number of users, including some outside the department.

Senator ROBERT RAY—Who else outside the department? We are not getting into a couple of agencies that we wouldn’t want to explore. Does it help other departments?

Mr Tighe—Yes, a large number of other departments which are connected to our global communications system that connects embassies overseas and the department in Canberra.

Senator ROBERT RAY—That makes sense. So, for instance, probably Immigration, Defence and these other ones?

Mr Tighe—Immigration, Defence, Department of the Prime Minister and Cabinet, AFFA—

Senator ROBERT RAY—Federal Police—yes, now I understand.

Senator JACINTA COLLINS—Mr Chester, will your investigation be looking at whether someone other than the minister was operating the minister’s account? Not that someone else had access.

Mr Chester—No, it will not.

Senator FAULKNER—In relation to the difficulties Mr Downer appeared to have with accessing these computer networks I think I have some sympathy with him on this matter. It is competent, I assume, Dr Raby, for Mr Downer to authorise his daughter to contact the help desk in these circumstances?

Mr Tighe—Competent, did you say?

Senator FAULKNER—Proper, competent.

Mr Tighe—Yes.

Senator FAULKNER—Fair enough; I accept that. Is there any guidance for those who are working on the help desk about whom they can respond to and the like?

Mr Tighe—They would respond to users. It would be self-evident that if somebody has rung up with a complaint they are a user of the system, and they would respond to it.

Senator FAULKNER—In this case it was not a user of the system. I think we understand why Mr Downer asked his daughter. We understand why this occurred. But it was not a user of the system.

Mr Tighe—The user initiated the contact. That was Mr Downer.

Senator FAULKNER—The guidance for those on the help desk is clear on those sorts of issues?

Mr Tighe—It should be, yes. Clearly if they are being contacted by somebody who has no access to a departmental system nor the authorisation to access a departmental system then they are obviously not going to be able to help them.

Senator FAULKNER—Are you satisfied with the way the assistance for those people using your IT functions in the department is working, Dr Raby? Going well, is it?

Dr Raby—Yes.

Senator FAULKNER—There are no issues about the fact that the minister or someone authorised by him had to make contact with the department over a three-day period with the same problem? That is not a concern?

Dr Raby—This is Mr Tighe's area, but I venture to say that I do not think it is symptomatic of systemic problems with the IT system that we operate. We run a very big global network—secure, non-secure intranet. It is a huge system and I do not think that this case is symptomatic of any systemic problems with the system.

Senator FAULKNER—When Mr Downer rang the help desk, for example, they knew it was the minister, didn't they?

Mr Tighe—Yes.

Senator FAULKNER—Are you sure of that?

Mr Tighe—He identified himself as the minister. He was able to explain in a way that made it very clear what equipment he was using and what accounts he was talking about. It was information that he would have had.

Senator ROBERT RAY—He did better than me on one occasion, I must say.

Senator JACINTA COLLINS—Mr Tighe, you are not concerned that it took three days to resolve the minister's problem?

Mr Tighe—Clearly, Senator, we would have preferred to have fixed the problem more quickly.

Senator JACINTA COLLINS—How will it be ensured that it does not occur this way in the future?

Mr Tighe—I guess we have learnt some lessons from it. I should point out that the system the minister was using is what we call a remote access system. There are not very many of them. They are provided to the minister, for example, when he is travelling.

Senator JACINTA COLLINS—Is it similar to our remote access system?

Mr Tighe—I am not sure what your remote access system is, although I am quite sure your remote access system would not connect with our system.

Senator JACINTA COLLINS—No.

CHAIR—Ours is almost impossible to operate.

Senator JACINTA COLLINS—It depends, Senator Macdonald.

Senator ROBERT RAY—Very easy to steal.

Senator JACINTA COLLINS—That is right. I do not have problems, either, except they have taken off our mobile phone access.

Senator FAULKNER—I have never heard of it.

Senator JACINTA COLLINS—When you say that these problems are not significant, if a person is allowing more than one unique individual to operate an account, these problems would occur frequently, wouldn't they?

Mr Tighe—It allows more than one person to access an account.

Senator JACINTA COLLINS—I am not talking about access; I am talking about who operates the account. We have a minister with executive authority—possibly, until you can clarify this point—allowing more than himself to operate his account.

Mr Tighe—I do not think we have ever said that the minister was allowing anybody other than himself to operate his account.

Senator JACINTA COLLINS—It has been suggested in the media that that is the case and you have not been able to remove that concern. What we do know is that if someone operated his account in Canberra and he attempted to operate his own account in Victor Harbor, this problem would occur. We know that now, don't we? That is a problem with the system.

Mr Tighe—We did not suggest that it was not the minister who was operating his account in Parliament House.

Senator JACINTA COLLINS—No, but you cannot assure me that that was not the case. You had said someone had left the account logged on in Canberra. That was the source of the problem.

Mr Tighe—That is correct.

Senator JACINTA COLLINS—And we have not been able to ascertain who that someone was.

Mr Tighe—We have not sought to ascertain it.

Senator JACINTA COLLINS—Well, we have.

Senator Troeth—We have not ascertained that it was not the minister.

Senator JACINTA COLLINS—That is right. And you have taken on notice to seek that information from the minister.

Senator Troeth—But until that information is obtained, Senator Collins, the question would have to remain open.

Senator JACINTA COLLINS—All we know is that the media suggested otherwise.

Senator Troeth—And I have already said that one does not want to believe everything one reads in the media because it is speculation.

Senator JACINTA COLLINS—And that is why we are asking now. But we do know that this type of systemic problem occurs if more than one person attempts to operate an account. There are systemic protections built in to ensure that more than one person not operate an account. Is that not true?

Mr Tighe—There are protections for that. Indeed, it may well be that that is the source of the problem. As you noted before, the computer will automatically lock itself out if it is not used for a certain period. The purpose of that is so that somebody who is not authorised to use it who happens to be walking past cannot operate it if, in our case, the officer is not there for an extended period. That may well be why the computer locked itself in the first place.

Senator JACINTA COLLINS—I still do not understand why, when the password was reset, it then failed again once or twice; and whether the answer to that was that you still had someone in Canberra—which we know was not the minister, because he was in Victor Harbor—re-engaging that account.

Mr Tighe—No, it was because we did not realise until the last step that the machine in Canberra had not been logged out.

Senator JACINTA COLLINS—I thought you said it automatically logs out.

Mr Tighe—It locked out, yes, but it had not been switched off.

Senator JACINTA COLLINS—So it needed to be both logged out and switched off for you to rectify the error?

Mr Tighe—Yes.

Senator JACINTA COLLINS—Okay.

Senator FAULKNER—We know the minister had made contact with the help desk and so forth. Separately to the contact he made with the help desk, did he have any other contact with the department about those difficulties that occurred on 6, 7 and 8 January?

Mr Tighe—Not that I am aware of, no.

Senator FAULKNER—That has not been raised by the minister at all?

Mr Tighe—Not that we are aware of.

Senator FAULKNER—So you did not know about it until you read about it in the paper, I suppose.

Mr Tighe—The help desk knew about it.

Senator ROBERT RAY—But none of you knew about it.

Senator FAULKNER—You did not know about it until you read it in the newspaper.

Mr Tighe—I knew about it.

Senator FAULKNER—How did you know about it?

Mr Tighe—Because the people at the help desk told me.

Senator JACINTA COLLINS—Why did they raise it with you? Was it normal that you would be apprised of such matters?

Mr Tighe—Yes. You may find this hard to believe, but the help desk provides a service within the department. We have a number of users. Mr Downer obviously is one of the high profile users. In a period when Mr Downer contacted the help desk directly himself, which is an unusual event, the operators of the help desk—sensibly, in my opinion—informed all senior officers, including me.

Senator ROBERT RAY—In writing or orally?

Mr Tighe—Orally.

Senator FAULKNER—But you did not know about it, Dr Raby, until you read about it in the newspaper?

Dr Raby—That is correct.

Senator JACINTA COLLINS—The questions I have relate to the DFAT cable of 23 October relating to the A Certain Maritime Incident Committee, which was finally made available on Monday of last week, I believe. Which officers at the Australian Embassy in Jakarta were involved in compiling and writing the DFAT cable that was sent out of the Australian Embassy in Jakarta at 10.49 on 23 October 2001?

Dr Raby—I do not wish to identify individual officers involved in the preparation of the cable. It was a cable produced by the embassy in Jakarta.

Senator JACINTA COLLINS—How about, rather than identifying the individuals, you identify their roles. Which components of the embassy staff were used? For instance, did it involve the AFP-DIMIA strike team that was based in the embassy? Which other embassy officers, without identifying individuals, were involved?

Dr Raby—I am not sure about the strike team. There was a committee that met in the embassy—I think we have had this conversation on previous occasions, Senator. I am not familiar with the term ‘strike team’; it does not mean anything to me. The cable was prepared in the embassy under the direction of the ambassador and relevant areas of the embassy were consulted as necessary and as preparation.

Senator JACINTA COLLINS—Were any AFP officers involved?

Dr Raby—I do not know.

Senator JACINTA COLLINS—So, you can tell me that the ambassador was involved?

Dr Raby—It was prepared under the direction of the ambassador. The ambassador would make the decision on who was consulted and not consulted. I do not think we can go into that any further.

Senator JACINTA COLLINS—Sorry?

Dr Raby—I do not think we can go into that any further. It was the ambassador’s decision on who to consult.

Senator JACINTA COLLINS—Who to consult from within the embassy or from outside the embassy?

Dr Raby—From within the embassy.

Senator JACINTA COLLINS—So at this stage you cannot tell me what other agency advice, beyond the embassy, might have been involved?

Dr Raby—When we say ‘the embassy’, the embassy involves Foreign Affairs officers and attached agencies. They are all part of the embassy. When I use the term ‘embassy’, I mean all agencies that are at the embassy.

Senator JACINTA COLLINS—You cannot tell me which agencies might have been involved in preparing this cable?

Dr Raby—I do not know. That it is not a question I would be prepared to answer given that, as I said, it was prepared in the embassy under the direction of the ambassador, and all relevant agencies would have been consulted. So you can draw your conclusions from that.

Senator JACINTA COLLINS—What would all relevant agencies be for the preparation of such a cable? Which agencies are represented in the embassy at Jakarta that would have been relevant to the preparation of this cable?

Dr Raby—I think it is fair to say that, in addition to Foreign Affairs, it would be DIMIA and possibly the AFP. But, again, I do not know for sure. The normal consultative process would have involved those relevant agencies. DIMIA and AFP together with Foreign Affairs would be obvious candidates.

Senator JACINTA COLLINS—Do you believe that the process under these types of circumstances would have been coordinated at the direction of the ambassador?

Dr Raby—Yes.

Senator JACINTA COLLINS—I understand that you do not have direct knowledge of the preparation of this cable, so we are talking about what you understood would have been likely to have occurred. Is that correct?

Dr Raby—Yes.

Senator JACINTA COLLINS—If it ends up being different to how you have described you believe it would have been likely to have occurred, then I would ask that you provide us with that different information on notice. Is that reasonable?

Dr Raby—I note that.

Senator JACINTA COLLINS—Was the DFAT cable based solely on survivor statements from the ship?

Dr Raby—I really do not know.

Mr Doyle—The cable drew on a number of sources and, as was discussed at the estimates hearing on Monday, those sources are contained in the paragraphs that were deleted in the declassified version of the cable that was released to the Senate.

Senator JACINTA COLLINS—Let me make sure that I understand exactly what you are saying. The paragraphs that were deleted, such as on page 1, were related to the sources?

Mr Doyle—Yes.

Senator JACINTA COLLINS—The paragraphs after paragraph 12 were also deleted?

Mr Doyle—At the end of the cable, yes.

Senator JACINTA COLLINS—They related to the sources as well?

Mr Doyle—Yes.

Senator JACINTA COLLINS—Let us deal with that very general question: were there sources other than survivor statements that were drawn upon?

Mr Doyle—Yes.

Senator JACINTA COLLINS—Did some of those sources reveal information from prior to the departure?

Mr Doyle—I am not sure about when the information became available to those who compiled the cable, but of course they did the work after the event.

Senator JACINTA COLLINS—Yes, but that is not my question.

Mr Doyle—I am not sure I understand your question.

Senator JACINTA COLLINS—Did the sources who provided information for the preparation of this cable provide information that pertained to the time prior to the departure of the vessel?

Mr Doyle—The information was not provided for the purpose of producing the cable. The authors of the cable drew on a range of information which had been provided at various points. It was their general knowledge of the way that the people smugglers operated in addition to specific statements about this vessel.

Senator JACINTA COLLINS—I am more concerned about those specific statements about this vessel, and I ask again: did some of those specific statements about this vessel pertain to information that related to the vessel prior to its departure?

Dr Raby—We just don't know. I think that is the long and the short of it.

Senator JACINTA COLLINS—How is it that you cannot know that, given the amount of information that was sought and dealt with during the process of the CMI inquiry?

Mr Doyle—The cable was sought during the CMI inquiry and then released after it. I am not sure what information you are referring to that came out of the inquiry.

Senator JACINTA COLLINS—For instance, the assertion made on many occasions that we knew nothing about the departure of this vessel until we had information from the survivors. This cable clearly shows, in my view, that there was some information that was known by some sources that informed this cable.

Mr Doyle—You are quite right that there is information known about the people smugglers who are suspected of organising this venture. But, as far as I am aware, there was no intelligence about exactly when the vessel would depart and where it would depart from.

Senator JACINTA COLLINS—Let us use one of the examples—paragraph 3. The makeshift upper deck had been added. How did we know that?

Dr Raby—We could just as easily have known it ex post existante. I am not sure.

Senator JACINTA COLLINS—Not with the description of how the survivors were taken to the vessel. The survivors themselves would not have known whether the vessel had a new deck or did not have a new deck because they had no prior knowledge of the vessel, but it appears as if some of the sources had some prior knowledge of the vessel because they tell us that a deck was added. So my concern is: when did we receive such prior knowledge of the vessel and how? The assertion made quite strongly during the whole CMI process was that we had no prior knowledge. This cable clearly indicates otherwise.

Mr Doyle—Each statement is not individually sourced, so it seems quite a consistent reading to me to say that the survivors would have noticed that there were additions to the vessel.

Senator JACINTA COLLINS—How? They had no prior knowledge of the vessel.

Mr Doyle—Just the structure of it, I presume.

Senator JACINTA COLLINS—That is a fairly large presumption.

Mr Doyle—I do not know how.

Dr Raby—We just have to say that we do not know the source material. Senator, you have one reading of it. The advice we have given on previous occasions is that we had no prior knowledge of the vessel. I do not think that anything that you have raised now would suggest otherwise.

Senator JACINTA COLLINS—I understand that Mr Doyle might not have the direct knowledge of this. Unless we can be assured that information in this cable relates solely to the survivors' reports, such as this information about a makeshift upper deck that had been added, that is a long way from being clear. And that is even before we get to the issue of why it took so long for this cable to become available. It is a long way from being clear. Any reading of this cable gives you a fairly clear idea that the blanked-out paragraphs show sources that had knowledge of this vessel prior to its departure. The question that I think needs to be answered about this cable is: when did that information about the vessel prior to its departure become known to Australian agencies? If you want to assure me and say to me that the information in this cable became available to Australian agencies only in the immediate moments before this cable was sent, that is one issue, but that assurance is yet to be given.

Dr Raby—We will take that on notice and see what we can do.

Senator JACINTA COLLINS—Is there any national security reason for why all of the sources need to be blanked out in this cable?

Mr Doyle—That is not a national security reason; it is a law enforcement issue.

Senator JACINTA COLLINS—So you are concerned that, for instance, the pursuit of Abu Quassey might be compromised if some of the sources here are revealed?

Mr Doyle—Yes.

Senator JACINTA COLLINS—Does that apply to all of the sources?

Mr Doyle—That were in the cable, yes.

Senator JACINTA COLLINS—So all sources that are in this cable, if revealed, could compromise that case?

Mr Doyle—Yes.

Senator JACINTA COLLINS—Then we will have to try and deal with some of these questions in a slightly different way. Let me get specifically to the knowledge of the adjustments to the vessel. How did we know that the vessel had had a makeshift upper deck added with the afterdecks enclosed by chipboard, presumably to enhance seaworthiness?

Mr Doyle—I am not sure of the precise source of that information but, as Dr Raby has mentioned, we could try and find that out for you.

Senator JACINTA COLLINS—And when did we know that information? When did we know—I am sure you are aware that this was an issue on Monday night in the A-G's estimates

hearing—about radio communication? And how did we know about the radio communication?

Dr Raby—We will also take that on notice.

Senator JACINTA COLLINS—Mr Doyle might be able to assist us without compromising investigations.

Mr Doyle—I am sorry, but unfortunately no.

Senator JACINTA COLLINS—There is nothing you can comment on in relation to the radio communications from this vessel without compromising investigations or you simply do not know?

Mr Doyle—I do not have that knowledge, to answer your question.

Senator FAULKNER—Mr Doyle, were you aware that it was common practice for tracking devices to be placed on suspected illegal entry vessels?

Mr Doyle—Those sorts of intelligence and police method issues are not really within my responsibility.

Senator FAULKNER—I appreciate that. I am asking whether you were aware that it was common practice for tracking devices to be placed on suspected illegal entry vessels. I am not going to the detail of it; I am going to a very broad issue.

Mr Doyle—No.

Senator FAULKNER—Were you aware of that, Dr Raby, in your role with the People Smuggling Task Force?

Dr Raby—No.

Senator JACINTA COLLINS—Mr Doyle, you seem to have some understanding about what has been discussed in estimates previously in relation to this cable. Given that you are aware of the A-G's estimates, can I ask why you are not in a position to comment at all on the radio communication?

Mr Doyle—I have not sought additional information from the authors and, as far as I know, nor has any other agency since we have received the cable.

Senator JACINTA COLLINS—But, as you indicated earlier, you observed the questioning that occurred on Monday in relation to this cable and you are aware that there is a significant issue of contempt of the Senate in relation to questions we had asked about radio communication on this vessel and that we are awaiting answers from the Federal Police Commissioner with respect to them. Why did you not seek to clarify further information about these radio communications that we were never apprised of?

Dr Raby—These are operational matters and this goes to the previous questions that were asked. There is no reason for us to follow up those issues because we are not responsible for operational matters like that.

Senator JACINTA COLLINS—Not responsible for which operational matters?

Dr Raby—The knowledge of radio contact or whatever. All I am saying is that that is not something that we—

Senator FAULKNER—Who is we in this instance?

Dr Raby—Me and Mr Doyle basically—would have expected to prepare for today. We are happy to take it on notice and have a look at it, but we have not prepared for that because we do not feel that is our area of responsibility. But we are very happy to look at it.

Senator JACINTA COLLINS—The area of responsibility that is relevant here is that significant information in relation to SIEVX was withheld from a Senate committee and from Senate estimates for quite some time, it was withheld by your department and it contained critical information in relation to this vessel. That, Dr Raby, was your responsibility.

Dr Raby—Sorry, what aspect of that?

Senator FAULKNER—This cable.

Dr Raby—Yes.

Senator FAULKNER—That is what Senator Collins is referring to.

Senator JACINTA COLLINS—A component of that issue is that this cable contained information which demonstrated incorrect information previously provided to the Senate. Mr Doyle was aware of that, but Mr Doyle has sought no explanation that can correct the information previously provided to the Senate in relation to radio communications. I ask why that has not been the case.

Dr Raby—For the reason that I have said: that we did not expect that this was an area for us to respond to. But all I can say is that we are very happy to have a look at it and get back to you on that.

Senator JACINTA COLLINS—Dr Raby, you may not have been listening to Monday's estimates but Mr Doyle was, and Mr Doyle would have heard that we were told by A-G's that, since it was your cable, it was a matter for you. Do you recall that, Mr Doyle?

Mr Doyle—My recollection is the questions about a DFAT cable were more about the addressees issue than the radio communication. As Dr Raby has indicated, there is a number of agencies at the mission in Jakarta which would have provided input to the cable. It is a DFAT cable in the sense that DFAT dispatched the cable, but we are not the sole contributors or authors.

Senator JACINTA COLLINS—I understand that, but the message clearly given to us earlier in the week was that questions about the content of this cable, since it is a DFAT cable, should be asked of DFAT.

CHAIR—Can I interrupt, Senator Collins, at this stage. We will take our dinner break now.

Proceedings suspended from 6.30 p.m. to 7.48 p.m.

CHAIR—Dr Raby, I understand you wish to add to an answer you gave to Senator Cook this morning.

Dr Raby—Yes. I invite Nick Warner, the First Assistant Secretary of the South Pacific, Africa and Middle East Division to correct the record.

Mr Warner—During this morning's session, Senator Cook asked a series of questions of me and other officers about whether the department had made assessments of what Australia's trade relationship might be with Iraq, and/or the Middle East as a whole, after a possible war with Iraq. With respect to Iraq and, as Senator Cook put it, the 'reconstruction period', I answered no. For the sake of completeness, I would now like to add to that answer. There has been, as I said this morning, no such formal assessment but preliminary work is being done at desk level on the prospects for Australian trade with Iraq once the current stand-off is resolved.

CHAIR—Thank you. We are proceeding with the portfolio overview still. Senator Collins?

Senator JACINTA COLLINS—Thank you, I have a few more questions in relation to this cable. Mr Doyle, given the break in time, are you able to inform us any further on the issue of radio communications from SIEVX?

Dr Raby—No. We would like to take that on notice, mainly because I am not sure whether we are the right agency to respond. I have been able to establish the information forming the basis of paragraph 3, for example. You raised the issue of the additional deck being added. All that information and virtually all the information in the cable was based on survivor sources.

Senator JACINTA COLLINS—Virtually all? You cannot assure us about all of it?

Dr Raby—Almost in its entirety, but I cannot at this stage give you an unequivocal answer that it was 100 per cent from survivors, but I do understand that it was predominantly based on survivor interviews.

Senator JACINTA COLLINS—It is the small components that may not have been based on survivor interviews and that may relate to prior information about the departure which—I am sure you understand—concern us quite considerably. So assurances about ‘predominantly’ in terms of the content do not really solve that problem at this stage.

Dr Raby—It does take us some way there. For example, I have been able to establish that the material you read out before the dinner break with respect to the size and shape of and modifications to the vessel had all been based on survivor reports. You raised the question, though, of prior knowledge. On that I can say unequivocally that we had no prior knowledge and that there is nothing in this cable that was based on sources that had prior knowledge of the departure of the ship.

Senator JACINTA COLLINS—So there is no knowledge of this cable that you later became aware of from other sources who had prior knowledge of the departure.

Dr Raby—That is my understanding.

Senator JACINTA COLLINS—Even some of the information in this cable that may have come from other than survivors who may have had prior knowledge and later came to the awareness of AFP officers, for instance—you do not rule out that type of knowledge, do you?

Dr Raby—All I can say is that there is nothing in this cable based on prior knowledge.

Senator JACINTA COLLINS—I do not think you quite said that. I think you said this cable is predominantly based on survivor reports—

Dr Raby—Yes.

Senator JACINTA COLLINS—and you cannot rule out information that might have come from other sources that may have involved some prior knowledge.

Dr Raby—I think I have—

Senator JACINTA COLLINS—You said that you do not believe the information in item 3 relates to that.

Dr Raby—With respect, Senator, I said that the information in item 3 came from survivor sources in its entirety. What I did say which does rule out your hypothesis of sources that may have had contact with others who had prior knowledge is that there is nothing in this cable that is based on prior knowledge. So that would rule out the possibility that you are proposing.

Senator JACINTA COLLINS—I am trying to get beyond what relates to prior knowledge by DFAT or even Australian agencies to something that might have involved prior knowledge by Indonesian agencies, for instance. Can you rule that out?

Dr Raby—My answer does that, I think.

Senator JACINTA COLLINS—This is what I am trying to clarify.

Dr Raby—I have been advised that there is nothing in this cable—and that would refer to different sources—that was based on prior knowledge of the departure.

Senator JACINTA COLLINS—And you are absolutely confident of that?

Dr Raby—That is my advice.

Senator JACINTA COLLINS—Where is your advice from?

Dr Raby—My advice has come from officers involved in the preparation of the cable.

Senator JACINTA COLLINS—What can you tell me about those officers involved in the preparation of the cable?

Dr Raby—I am not prepared to discuss individual officers, Senator.

Senator JACINTA COLLINS—What can you tell me about the level of officers and the agencies from which the officers came in relation to the preparation of this statement?

Dr Raby—My conversation has been predominantly with an officer from the embassy at the time, but I am not prepared to go into details of that.

Senator JACINTA COLLINS—So one officer who was at the embassy at the time and participated in the production of this cable assures you that there is nothing in this cable that relates to prior knowledge?

Dr Raby—That is right. But in addition I say that you also have a letter in the *Canberra Times* from the ambassador published last year which made it absolutely clear there was no prior knowledge of this.

Senator JACINTA COLLINS—I do not recall that letter. Can you provide me with it, please?

Dr Raby—I think my recollection of the letter is correct.

Mr Doyle—It may have touched on that issue but it was predominantly about allegations that Australian officials may have been engaged in sabotage.

Dr Raby—I see. It is my recollection. I apologise, Senator.

Senator JACINTA COLLINS—I recall the one that Mr Doyle is referring to, but I am yet to be assured that we have no prior knowledge and I remain concerned about some aspects of this cable. I ask you, Dr Raby, why you feel so assured that you can tell this committee now that you are assured from talking to one officer who participated in the production of this cable that there was no prior knowledge. Did you ask that officer whether he was aware of all of the information that informed the other agencies that provided information to this cable?

Dr Raby—That is the best advice we have at this time, Senator.

Senator JACINTA COLLINS—So you may not be assured or confident.

Dr Raby—I am personally reassured and I cannot say more than that.

Senator JACINTA COLLINS—And you cannot advise us on why you are personally assured and when I question you about one aspect of that assurance it turns out that the letter

written by the ambassador was on quite a different matter. I ponder on why you are so assured.

Dr Raby—Senator, please. I have admitted that my recollection of that letter, which was last November or whenever, was not well based, but my colleague Mr Doyle was here to correct me on that, as he so ably did, and his recollection of the letter concurs with yours. I have confidence in the advice I have that there is nothing in this cable based on prior knowledge.

Senator JACINTA COLLINS—With respect—and I know that much of this is not the direct responsibility of Foreign Affairs—I have much less confidence particularly when I have been assured about the issue of radio communications from this ship previously and I read this cable and I discover it is quite a different matter. I know that you may or may not be able to answer my questions on radio communications now but I will put them clearly on notice, and I suspect it is probably in the interests of all parties if a response to those questions comes sooner rather than later in the process.

Going to the first issue of radio communication, which was not put before the CMI committee, at point 4 of this cable we discover:

The vessel stopped approximately 5 kilometres from the point of departure, during which time the crew was in radio contact with Abu Quassey. The vessel then resumed its passage ...

From what you told me a moment ago, I assume—and correct me if I am wrong—that we know this through survivor reports.

Dr Raby—That is my understanding.

Senator JACINTA COLLINS—How do we know through survivor reports that it was Abu Qussey that the crew were having this conversation with?

Dr Raby—I cannot answer that. It is operational, relating to other agencies. We are not responsible for the information.

Senator JACINTA COLLINS—Do we know whether there were any other radiocommunications from the SIEVX?

Dr Raby—I have no idea.

Senator JACINTA COLLINS—Let us move on to the more concerning component of it. This is at point 8:

The crew of the first boat contacted their Chinese owner for instructions—

presumably while they were collecting the 44 survivors. I think it is a fair presumption that contact probably occurred by radio. So the very big question about these 350 deaths is what radio communication might have occurred as the boat was sinking. Is there any information you are aware of to that respect?

Dr Raby—None that I am aware of.

Senator JACINTA COLLINS—Are you able to take that issue on notice?

Dr Raby—Happily, Senator.

Senator JACINTA COLLINS—I understand you might need to refer this committee to the Federal Police to deal with an answer on that. In part I have somewhat predicted that and have already put those questions on notice directly to the Federal Police. I do not want to get caught in committee to committee dialogue which could take this committee—on top of the CMI committee—another 12 months before we get a satisfactory answer on that issue.

The next question I asked AFP—and to the extent that DFAT is able to assist us I ask you to take this on notice as well—is: if we are aware that the crew of the first boat contacted their Chinese owner for instructions, why can't we be aware of the coordinates they did that from?

Dr Raby—I will take that on notice.

Senator JACINTA COLLINS—Please also take on notice whether there are any other communications from either the vessel itself or the vessels that rescued survivors—there were two of them—that provide more information than we have previously been given during the certain maritime incident inquiry. I want to move on to how this cable was handled. At the Australian Embassy in Jakarta, what priority was given to the 23 October cable, given the significance of the event of the death of 350 asylum seekers and the international media that was occurring at the time?

Dr Raby—I will have to take that on notice as well.

Senator JACINTA COLLINS—Okay. I notice that in the cable next to Mr Smith's name—and I imagine that is Ric Smith, the ambassador at the time—there is the word 'action'. Can you tell me what that would mean? It is the 'action' at the bottom.

Dr Raby—That is Rod Smith, not Ric Smith. There have been a lot of Smiths in the department.

Senator JACINTA COLLINS—Which Smith is this Smith?

Dr Raby—This one is Rod—not ambassadorial level but branch head. He is the ex-head of the International Organisations Branch in the International Organisations and Legal Division of the Department of Foreign Affairs and Trade. He is based in Canberra.

Senator JACINTA COLLINS—This is an officer who is Canberra based?

Dr Raby—Canberra based.

Senator JACINTA COLLINS—Let us go back to the Jakarta embassy and, without dealing with individuals, the priority that was attached to this cable and then what priority was attached to it in Canberra. We understand so far, from evidence before the certain maritime incident inquiry, that an AFP officer woke up Ms Halton at 2 a.m., I believe, because this cable was regarded as having such significance. I am interested to understand what significance your department attached to this cable and how it managed its communication to government.

Dr Raby—I am sorry, could you repeat the last part?

Senator JACINTA COLLINS—How you managed its communication to government.

Dr Raby—How we managed the communications?

Senator JACINTA COLLINS—Of this cable to government.

Dr Raby—I am sorry, I just did not hear that last bit.

Senator JACINTA COLLINS—Is there something wrong with the microphones?

Dr Raby—Maybe we are all getting tired, or my ears are wearing out.

Senator JACINTA COLLINS—So what would that 'action' there mean for Mr Rod Smith?

Dr Raby—He is the relevant officer to decide on further action on the cable.

Senator JACINTA COLLINS—After having received it from the embassy?

Dr Raby—Yes. All cables come in this form. All cables will have one or two action officers, maybe more on occasions, but usually one identified as a person who has got primary responsibility within the department to follow up anything that may need to be followed up in the cable.

Senator JACINTA COLLINS—So this officer may have been—you need to take this on notice—the officer who informed the Federal Police officer who then woke up Ms Halton in the middle of the night?

Dr Raby—I will take that on notice but, in terms of distribution, I notice that it also went to Mr Keelty.

Senator JACINTA COLLINS—It went to a lot of people. It went to the Prime Minister.

Dr Raby—We will ask Mr Smith whether he informed an AFP officer or whether it was done through AFP's own line of command, having received the cable itself.

Senator JACINTA COLLINS—Part of that question is: what action did your department take with respect to this cable? In the context that it has been so difficult for the Senate to get access to this cable, I would like you to respond to—and you may be able to do it now—why a report on Indonesian business on the web, *ibonweb.com*, of 23 October 2001 recounts this cable almost word for word in some parts. That may relate to some of the source material or it may relate reports, as reported in this article, from the Australian Federal Police. The thing that alarms me is that some components of this report read this cable word for word, yet other aspects of this report have remained an illusion to this parliament for 16 months. This is why I am interested as to how the cable was managed both at the Jakarta end and at this end of the process. Can you make any comment on that issue at this stage?

Dr Raby—Not at all.

Senator JACINTA COLLINS—I hope you have been briefed on the discussions we have had previously in relation to why it has taken so long for this cable to be released. Would you care to comment on that issue from the department's perspective?

Mr Doyle—My recollection is that the question was originally taken on notice by the Department of the Prime Minister and Cabinet during the CMI hearing, I think, in late July.

Senator JACINTA COLLINS—June or July, yes.

Mr Doyle—After that, PM&C sought our advice on whether it was possible to release the cable and, if so, whether we would have to delete some parts of it to make it able to be released. I suspect that PM&C asked us because they assumed that the starting point would be national security grounds or damage to bilateral relations. We then coordinated an intergovernmental process and provided PM&C with advice on what we thought should be deleted from the cable to make it able to be released. That advice was provided in August.

Senator JACINTA COLLINS—Which advice was that? From whom?

Mr Doyle—The advice on how we thought the cable needed to be amended to enable it—

Senator JACINTA COLLINS—Yes. Whom did you receive that advice from?

Mr Doyle—We were providing the advice to PM&C. We provided that advice in August last year.

Senator JACINTA COLLINS—In August last year, you provided advice that the addressees should not be revealed?

Mr Doyle—That is right.

Senator JACINTA COLLINS—Then you had further dialogue with PM&C on that issue. When was that, because ultimately the cable we got did have the addressees included?

Mr Doyle—I am not absolutely sure, but I think that discussion occurred after the issue was raised at PM&C's estimates hearings in November. PM&C raised with us the issue of including the addressees in the release cable, and we agreed.

Senator JACINTA COLLINS—What was the basis of the advice to not indicate the addressees?

Mr Doyle—Purely on privacy grounds.

Senator JACINTA COLLINS—The privacy of whom?

Mr Doyle—The recipients.

Senator JACINTA COLLINS—Which recipients needed their privacy protected in a matter such as this?

Dr Raby—Some of the departmental officers are not especially senior.

Senator JACINTA COLLINS—Okay, so why could you not just remove the addresses of the more junior department officers?

Mr Doyle—It was an error of judgment on our part that we thought that privacy was a sufficient ground to delete people's names. When PM&C's experts in government division queried this, we agreed that the names should be released.

Senator JACINTA COLLINS—Privacy grounds on that matter would protect the Prime Minister against the plasma television. As you say, it is an error, but it astounds me that the department would feel it inappropriate to indicate the addressees with respect to communications such as this. I accept the junior officer issue and I have respected Dr Raby to the extent that he does not want to name junior officers. But when we deal with Defence, when we deal with sit reps and when we have dealt with almost every other aspect of information in the CMI process, it has not been an issue. But when we come to Foreign Affairs with this one cable, it seems to have held up the process for a considerable amount of time. The only significant issue with respect to this cable, as compared to the many other restricted or even higher security communications that were released to us, is that this one names as its first item the Prime Minister. Was that a factor?

Mr Doyle—No, Senator.

Senator JACINTA COLLINS—This cable names, in the first item, the Prime Minister. It then includes information that was not presented to the CMI inquiry. How can you assure me that there is not a conspiracy here?

Mr Doyle—I am not aware of one. We were not a party to anything. As I said, our advice was based purely on privacy grounds. It turned out not to be the best advice. PM&C questioned it; we agreed with them.

Senator JACINTA COLLINS—Is it the basis of past behaviour, or is just a one-off bad call?

Mr Doyle—I am not sure that it is a regular occurrence for us to declassify cables.

Dr Raby—No, it is very unusual.

Senator JACINTA COLLINS—It is very rare that you declassify cables, is it?

Dr Raby—And release them in this way, yes.

Senator JACINTA COLLINS—How about when you declassify other materials? I am sure that must happen.

Dr Raby—Different status than a cable.

Senator JACINTA COLLINS—This is only a restricted cable. It is not a significant status.

Dr Raby—It is a national security classification.

Senator JACINTA COLLINS—So for a fairly low status cable you might contemplate privacy grounds in relation to the addressees, but other communications that you might declassify, you would not do that for. Is that correct?

Dr Raby—I am just trying to think of what sorts of communications we might have which would list individual recipients, which had been classified and were now being declassified. I am just trying to think of the case that you might have in mind.

Senator JACINTA COLLINS—I am just wanting to be assured that this one-off call was not for one-off reasons. As I said, my cynicism is based on the fact that the No. 1 item on this list is the Prime Minister, and that information that should have been presented to CMI was not.

Let us move on to an area where some commentators—I will not express my own opinion here—are cynical about the government's seriousness in relation to the pursuit of Abu Qussey. This is again related to SIEVX. What role, if any, is DFAT playing in the government's attempts to extradite Abu Qussey to Australia?

Mr Doyle—I am aware that this issue was raised with Senator Ellison at the A-G's and AFP hearings on Monday as well. I recall that Senator Ellison catalogued a number of occasions on which he, Mr Downer, the ambassador-designate and a number of senior officials have had detailed discussions with the Indonesian government and its representatives about our interest in extraditing Abu Qussey.

Senator JACINTA COLLINS—Yes, but I asked what role DFAT is playing.

Mr Doyle—I will start with the ambassador-designate, as Senator Ellison mentioned. We are a part of the group at the embassy that works on these issues. We support the work of A-G's in Canberra to extradite Abu Qussey.

Senator JACINTA COLLINS—Who from the Australian embassy in Jakarta is involved? Not individual names.

Mr Doyle—The main agencies would be AFP and DFAT.

Senator JACINTA COLLINS—Was DFAT involved in the discussions with the team of lawyers that went over?

Mr Doyle—I think a DFAT official accompanied the delegation, yes.

Senator JACINTA COLLINS—Can DFAT say what discussions have taken place between Australian and Indonesian officials about extraditing Abu Qussey, beyond what Minister Ellison indicated on Monday?

Mr Doyle—Not really, Senator. As he pointed out, the delegation that was there last week had detailed discussions and presented a request for provisional arrest, and that matter remains with the Indonesians at the moment.

Senator JACINTA COLLINS—Mr Doyle, what I would be interested in is seeing a chronology of activity from Australian agencies with the Indonesians on this issue. I know

that Minister Ellison gave, as you have said, an overview and perhaps a representation of more recent activities, given some of the conflicting messages on this matter that have been in the media. But, to the extent that you would be able to produce it without compromising issues, could you prepare for me a chronology of the dialogue that has occurred with the Indonesians in relation to this matter.

Mr Doyle—Certainly.

Dr Raby—We can only do that with respect to DFAT officers.

Senator JACINTA COLLINS—I understand. But I also understand that often there would be a DFAT officer participating in those activities.

Dr Raby—Yes. We are happy to do that.

Senator JACINTA COLLINS—If there was no DFAT officer present, DFAT would be aware that other dialogue had occurred.

Dr Raby—I think that is information for the relevant agencies to provide.

Senator JACINTA COLLINS—I do not want the detail of it. If DFAT is aware that the dialogue occurred, simply indicate that.

Dr Raby—We will do what we can.

Senator JACINTA COLLINS—Can DFAT outline whether Australia is in contact with the Egyptian government about Abu Qussey?

Mr Doyle—Yes, we have been in contact with the Egyptian government.

Senator JACINTA COLLINS—Is it true that Egypt wants Abu Qussey to return to Egypt, his country of origin, where they have promised he will be prosecuted for his crimes relating to the deaths of those on board SIEVX?

Mr Doyle—There have been discussions. I am not sure that the Egyptian government has reached a formal position. If it has, that has not been formally communicated to us.

Senator JACINTA COLLINS—So at this stage no formal position has been communicated. I have not read international press recently. Has there been in recent times any update on what is to occur in relation to Abu Qussey and the Indonesian government?

Mr Doyle—Not that I am aware of. I think our request is with the Indonesians, and we are awaiting their response.

Senator JACINTA COLLINS—Some of the media reports indicated that they intended to make a decision before the Prime Minister arrives there tomorrow.

Mr Doyle—There were earlier reports that they would make a decision by 7 February as well.

Senator JACINTA COLLINS—But you have heard nothing?

Mr Doyle—I am not sure when they will make a decision.

Senator JACINTA COLLINS—With respect to the news reports about the Indonesian justice minister's comments, can you explain why the Indonesian justice minister is reported as indicating that he had had no contact from the Australian ambassador, when it is indicated here that that has occurred?

Mr Doyle—I cannot answer for the Indonesian justice minister.

Senator JACINTA COLLINS—I am asking if you can give any explanation for the reporting of that issue.

Mr Doyle—Which reporting?

Senator JACINTA COLLINS—The reporting that no contact had occurred, when quite clearly, from the evidence given by Minister Ellison and with respect to Minister Downer, such contacts had occurred.

Mr Doyle—They certainly have occurred, but I cannot comment on what erroneous media reports are based on.

Senator JACINTA COLLINS—What was the outcome of the discussions with the representatives that DFAT participated in last week?

Mr Doyle—The purpose of the visit was to explore avenues that might be available to us to formally request Abu Qusey's extradition to Australia. As Senator Ellison mentioned, and as I mentioned earlier, a request was formally presented to the Indonesian government. The next step in the process is to await a response to that request.

Senator JACINTA COLLINS—What can you tell me about the status of a provisional warrant? What is the correct title?

Mr Doyle—I think it is a provisional arrest warrant.

Senator JACINTA COLLINS—What can you tell me about the status of that?

Mr Doyle—Not a lot, unfortunately. I am not an expert in extradition issues. As you know, that delegation was led by A-G's, and they are the ones who handle that side of it.

Senator JACINTA COLLINS—So you were advised that the decision would be made by the 7th?

Mr Doyle—No.

Senator JACINTA COLLINS—Sorry. By which date?

Mr Doyle—There were earlier reports that the decision would be made by the 7th. I merely mentioned that in response to your question about whether we expect a decision to be made before the Prime Minister's arrival. The answer is that we do not know.

Senator JACINTA COLLINS—What is the date today?

Mr Doyle—The 13th.

Senator JACINTA COLLINS—So, as far as we know, to date no decision has been made.

Mr Doyle—That is correct.

Senator JACINTA COLLINS—The Prime Minister arrives tomorrow.

Mr Doyle—Yes.

Senator JACINTA COLLINS—Has he been briefed on this matter?

Mr Doyle—A briefing was provided to PM&C for inclusion in his briefing material.

Senator JACINTA COLLINS—Do you think it will arise in discussions between the Prime Minister and the President?

Dr Raby—It is not for us to comment; it is for the Department of the Prime Minister and Cabinet.

Senator JACINTA COLLINS—With respect to the change of policy by the Indonesians regarding the extradition that we were alerted to by the A-G on Monday, are you in a position to explain why that change of policy might have occurred?

Mr Doyle—No, although it is most welcome. It is not clear why there is that change of approach.

Senator JACINTA COLLINS—Given that we have now issued this provisional warrant, is there a view that the delegation that we sent over there, predominantly from A-G's, was successful in exploring options that will be fruitful?

Mr Doyle—The process remains in train. It obviously has not come to an end yet.

Senator JACINTA COLLINS—I think I will have to wait for most of this on notice. That concludes these questions, thank you.

[8.21 p.m.]

CHAIR—Thank you, Mr Doyle. We now formally move to output 1.1, Protection and advocacy of Australia's international interests through the provision of policy advice to ministers and overseas diplomatic activity, and we will start with 1.1.1—North Asia.

Senator FAULKNER—There was a suggestion made to us that it would assist officials if we dealt with 1.1.3 first.

CHAIR—Dr Raby, is that your understanding?

Dr Raby—I am not aware of the suggestion. Let us do North Asia and then we will do the Americas and Europe, if that is satisfactory to the committee.

CHAIR—Are you happy with that, Senator Faulkner?

Senator FAULKNER—Sure, I was just trying to assist. So we are now in 1.1.1, North Asia. Mr McLean, what did your diplomatic efforts with the DPRK attempt to achieve?

Mr McLean—I presume you are referring to the visit that I led with a delegation from 14 to 18 January this year?

Senator FAULKNER—That is what I was referring to, yes. It got quite considerable prominence.

Mr McLean—Apparently, yes. That was not sought, I should say, but apparently it happened.

Senator FAULKNER—Why wasn't that sought?

Mr McLean—I was there as an official; I was not there to create publicity.

Senator FAULKNER—Wasn't there a public statement made about your visit?

Mr McLean—Of course there was. All I am saying is that there was considerable publicity because the visit taking place was the first visit by a foreign delegation subsequent to the announcements and actions taken by the North Koreans to reactivate the facility they have at Yongbyong. The way they did that was to expel the IAEA inspectors from Yongbyong and to remove various inspection devices which were all there under IAEA safeguard arrangements for the Yongbyong facility. The visit also occurred only three or four days following the announcement by the DPRK regime that it was withdrawing from the non-proliferation treaty.

The visit gave us the opportunity to express, in very explicit terms, not only the concern of Australia but also the members of the international community and those members of the board of governors of the IAEA that had met on 6 January and had passed a resolution requesting that the DPRK regime return to the status quo ante, whereby the Yongbyong facility was frozen. It meant that we were able to deliver some messages that effectively were that this was of deep concern, that it was a matter that they should seriously consider and that was affecting the stability of the region. And that it was therefore important that they regard

this not simply as a bilateral issue between themselves and the United States but one about which the international community was seriously concerned. Those messages were delivered very directly and I think taken on board quite clearly. We saw a range of officials, including a 1½-hour meeting with the Minister of Foreign Affairs, Mr Paek, and I think very generally they ensured that Australia was seen as seriously contributing to this issue in terms of expressing concern and trying to resolve it.

Senator FAULKNER—Thank you for that. I appreciate that information. I hear what you say about the messages that were delivered. Are you able to say that there were any other outcomes, any other achievements, as a result of the visit?

Mr McLean—We went there primarily to deliver those messages and I think they were heard clearly. The officials we spoke to, including the minister of foreign affairs, of course did not accept in their fullness all of the matters we raised with them. We did not expect that to be the case. However, I do not think there had been a previous opportunity for a foreign delegation subsequent to the difficult negotiations or discussions that had been held between Mr Kelly from the United States in October and our visit. It was therefore quite important that we were able to do so and that there was an outcome of a positive nature. I think it was helpful to be able to convey to the North Koreans that we could hear what they were saying—that they felt threatened and that they felt that the security of their regime was, in other words, in some sort of threat—and to say that the United States President had made it very clear that the United States had no intention of invading or taking military action against North Korea. I think it was also important to convey that Australia, as a country in this region, was not simply there alone reflecting the views of just one country—the United States—but of course of Australia. The reason for that was that we have a long history of very significant contributions to the non-proliferation regime.

Of course, we also have very significant economic interests in the region: we have three out of four of our largest trading partners in that region. If that peninsula were to have nuclear weapons on it then that would upset that security and political stability, and it would affect the prosperity of the region, which would therefore affect our trade and other interests. It was a matter of conveying very clearly Australia's real reason to be there in its own right but, at the same time, as a significant representative of the community most concerned with non-proliferation and as an active member of the region.

Senator FAULKNER—Have you been consulting with other countries in the region about the situation in North Korea?

Mr McLean—That is the other point that was at the basis of our visit. We had consulted extensively with, of course, the United States and also with South Korea, Japan, China and Russia and countries in the European Union. Indeed that was all done before we went there, so in fact we were able to convey these views, knowing that they were widely held. Subsequent to that and on an ongoing basis in the past month or so since that visit, we have continued in an active way to consult with the countries I have mentioned and also other countries in the region.

Senator FAULKNER—What is the current situation in relation to countries that have diplomatic relations with North Korea? How many currently have those?

Mr McLean—I do not know the number of countries which have diplomatic relations with North Korea. We might have to take on notice how many countries have diplomatic relations with North Korea, but the number of countries generally described as Western countries who have missions there would include Germany, Sweden and the UK. Apart from those, there are

other regional countries such as Indonesia, which has a mission there, and, of course, Russia and China. We have consulted with all of those countries.

Senator FAULKNER—If it is not too difficult, you might take on notice providing the names of those countries that have diplomatic relations with the DPRK.

Mr McLean—We can certainly do that.

Senator FAULKNER—Thank you very much. You have been liaising and consulting with those countries?

Mr McLean—Absolutely, on an ongoing basis.

Senator FAULKNER—Before and after the visit?

Mr McLean—That is correct, and during it in some cases.

Senator FAULKNER—Has there been any consideration by the Australian government of a coordinated international diplomatic initiative to encourage North Korea to cease its nuclear program?

Mr McLean—Australia has been part of a general international effort, which I have already touched on, in respect of the board of governors of the IAEA. We are one of the 35 members of the board of governors, and that is the primary point where the nuclear activities of the DPRK have been addressed. The latest meeting of that board of governors was held last night and they passed a further resolution which reported the concerns of the IAEA board of governors to the United Nations Security Council. Australia has been active in that approach in coordination with those other members of the board of governors.

Secondly, we made the point quite clearly to the North Koreans that we felt it was important that they treat seriously the fact that other countries, not just the United States, were concerned with the issue. I think they took that on board, albeit they clearly have a strong and direct interest in wanting to negotiate it solely with the United States. Thirdly, subsequent to our return from Pyongyang, Australia has been actively consulting with the United States and the countries concerned on a possible initiative whereby the permanent five members of the Security Council of the United Nations, together with five other entities—namely, North Korea, South Korea, Japan, the European Union and Australia—might meet, providing a context of a multilateral nature to bring the United States and DPRK together for a form of dialogue that could begin to address this issue.

Senator FAULKNER—Have you been able to make any assessments of the likely success of these initiatives or, more broadly, whether there is likely to be a successful diplomatic outcome to the current situation? Has DFAT made any internal assessments of that?

Mr McLean—Clearly the situation is quite serious. There has been little indication from the North Koreans that they are interested in anything other than having a direct one-on-one dialogue between themselves and the United States. This, of course, is completely contrary to the view of the international community—it is concerned about this issue. I think we have to have fairly modest expectations in the immediate term. It is important, though, that efforts of any sort continue to be made, and that includes visits to Pyongyang by countries that are concerned with the issue to indicate that this is simply not an issue between themselves and the United States alone. The most recent visit was made by an envoy from Indonesia, Nana Sutresna, who returned from Pyongyang only a couple of days ago. We spoke to him at his request before he went there, and we briefed him. This is part of the ongoing activity that I think is necessary. We have to be pretty careful, however, about predicting any immediate outcomes, but without this effort there is no hope of an outcome, I suspect.

Senator FAULKNER—What do you mean when you say ‘the situation is quite serious’? They are the words that you used.

Mr McLean—The situation is serious because the North Koreans have continued a series of actions—effectively brinkmanship—which started with their admission to the United States in early October to having a uranium enrichment program and, subsequently, the expulsion of the inspectors of the IAEA from the Yongbyong facility, and then their announcement that they were withdrawing from the nonproliferation treaty, followed by suggestions that they might break their moratorium on missile tests, and evidence that they appear to be beginning to reactivate the previously frozen facility at Yongbyong. All that is very serious because, on the face of it, it suggests that they are indeed pursuing a nuclear weapons program, despite the fact that they do not admit to such a program at the moment. That is why it is particularly serious.

Senator FAULKNER—I have noted what you said about the Indonesian envoy and your contact with him before his visit. What do you see as being the next likely diplomatic efforts with North Korea?

Mr McLean—As I mentioned, last night the IAEA board of governors passed a resolution reporting the concerns of the IAEA board of governors to the United Nations Security Council, and we would expect that the United Nations Security Council will consider this in the near future. That would be a further point of expression of international concern on this very important matter. I think thought will continue to be given to how to persuade the North Koreans that it is actually in their interests to join in a form of dialogue that perhaps involves some other countries as well as the United States. Efforts will have to continue through that. Obviously a great deal is happening that is not meeting the public eye, such as the activities of other states that border the DPRK—namely, South Korea, China and Russia—and we would certainly look to those countries to play an important role in trying to convince the North Koreans that the course they have adopted is one they should desist from.

Senator FAULKNER—Are there any plans for you to return there?

Mr McLean—There are no current plans.

Senator FAULKNER—Has there been any consideration at all whether Minister Downer might travel to Pyongyang?

Mr McLean—The same answer: no current plans.

Senator FAULKNER—There may be no current plans, but is the possibility of your returning there a consideration?

Mr McLean—If such a visit, either by Mr Downer or by other officials from Australia, were likely to be of benefit and to contribute to a further resolution of this issue then of course such visits would take place.

Senator FAULKNER—Are you able to tell the committee what evidence exists in support of the suggestion that North Korea will produce nuclear weapons through the reactivation of its Yongbyong facility rather than merely provide energy which of course it claims? Are you able to give some supporting evidence in relation to that?

Mr McLean—Essentially the Yongbyong facility has stored there 8,000 rods of plutonium. If the reprocessing plant which has not been reactivated were reactivated, that would mean that that plutonium could be transformed into nuclear weapons grade material over a period of months.

Senator FAULKNER—Is the reactivation of that facility directly linked to the cessation of fuel oil deliveries as agreed under the 1994 agreed framework?

Mr McLean—The North Koreans have claimed as such, yes.

Senator FAULKNER—What do you think of the justification of the basis of such a claim?

Mr McLean—The fact is they have claimed that the reason for the reactivation of this facility is to produce power, as you correctly implied. The amount of power which would be produced by this reactor, five megawatts, is about enough to run that facility. It will not be useful power to be used elsewhere. Therefore, on the face of it, it appears to be a fairly hollow claim that it will make up for a gap in power production that might otherwise have been provided by continued shipments of this heavy fuel oil.

Senator FAULKNER—There have been some public reports that the US is considering some sort of renegotiation of the 1994 agreement. Is there any basis to that?

Mr McLean—I do not think there is much basis for that particularly. The United States' position, as far as I understand it, is that they are prepared to have dialogue with the DPRK—there is no question about that—but they are of the view that the DPRK first has to agree to cease its current programs and return to the status quo ante.

Senator FAULKNER—But isn't there a proposal being floated about replacing the proposed light water reactors with thermal generators?

Mr McLean—I might ask my colleague Mr Carlson, who is the Director General of the Australian Safeguards and Non-Proliferation Office and who is a technical expert in all these matters, to respond.

Senator FAULKNER—Don't blind me with science!

Mr Carlson—There is no firm US proposal at this stage, just ideas being discussed, but there is certainly some interest that providing the DPRK with thermal power stations, coal-fired and perhaps in the longer term natural gas, would be a faster way of meeting the DPRK's electricity requirements and would avoid the complications that would come from having a nuclear program there. The light water reactors, as you would be aware, were decided on as being substantially more proliferation resistant than the DPRK's own reactor type, but some of the thinking at the moment is that perhaps it would be better still for all concerned if there were no nuclear program at all in the DPRK.

Senator FAULKNER—Is this an initiative of the US? Is the US seriously looking to progress this replacement, Mr McLean?

Mr McLean—I do not think that this is an active issue that they are currently considering. I think the United States' principal objective at this stage is to bring the DPRK to understand that the course that they embarked upon when they admitted to the uranium enrichment program in October and their subsequent actions involving the expulsion of inspectors and possible reactivation of the Pyongyang facility are all most unwelcome and that they need to return to the situation that prevailed at the time of the 1994 agreed framework in respect of freezing those activities.

Senator FAULKNER—Just before we move on, Mr McLean, could you give us a brief update on where discussions are up to on the possibility of gaining access to facilities? What is the current situation as we meet tonight?

Mr McLean—The current situation is that there is no outside inspector or group of inspectors at the facility. It is entirely being conducted by the North Koreans in violation of their nuclear safeguards arrangements with the IAEA.

Senator FAULKNER—But what about discussions? I appreciate that, but what about the status of discussions with North Korea?

Mr McLean—There is nothing further I can add. The status of discussions is such that they are not talking to the IAEA.

Senator FAULKNER—I have nothing further on that, Mr Chair. I do not know whether other senators would care to raise it. Thanks very much. There might be one or two more questions that I will place on notice, but in the interests of moving along, Dr Raby, I think we can try to get through these programs. I thought you would agree.

[8.49 p.m.]

CHAIR—We will now move on to output 1.1.3, which relates to the Americas and Europe.

Senator FAULKNER—You do want to go to 1.1.3?

CHAIR—I understand that Mr Ritchie will not be here tomorrow. Is that right, Mr Ritchie—you have an urgent meeting?

Mr Ritchie—It is not that I am in a hurry; that is a slight misunderstanding. I have a commitment tomorrow morning which I would prefer not to miss. The Hungarian state secretary of foreign affairs is coming and I have to chair meetings with him, so I wanted a reassurance that we would finish tonight rather than have a change in the order.

CHAIR—Be reassured.

Mr Ritchie—Thank you, Senator.

Senator FAULKNER—What were the main issues that were discussed at the October 2002 AUSMIN consultation? Can you just indicate what the key issues were?

Mr Ritchie—Certainly. The AUSMIN talks are confidential exchanges between Australia and the United States. The main issues were a review of current strategic issues, Iraq, DPRK and so on.

Senator FAULKNER—So there were discussions on Iraq?

Mr Ritchie—Yes.

Senator FAULKNER—Are you able to advise whether there was any specific discussion on the timing and nature of Australian military deployment?

Mr Ritchie—I would prefer not to go into the substance of the discussions.

Senator FAULKNER—I am not asking you to go into the substance; I am just asking in the broad whether that was a matter that was discussed. I have not asked you for any details about it.

Mr Ritchie—In the broad or in detail.

Senator FAULKNER—What is the usual process for issuing communiques from these meetings? Has there been a usual approach?

Mr Ritchie—It is fair to say that the approach is changing. The communique this year was a reasonably concise one. It may change again for the coming year. The communique would be discussed between officials before the event and then approved at the ministerial meeting itself.

Senator FAULKNER—The joint communique I have seen is a little more generously forthcoming than what you seem to be able to say in relation to Iraq, for example. If this can be published in a communique I would have thought we could talk about it a little here.

Mr Ritchie—We can certainly talk about the communique.

Senator FAULKNER—I am sorry I missed that, Mr Ritchie.

Mr Ritchie—I could not go beyond the communique.

Senator FAULKNER—You do not seem to be able to go as far as the communique, with due respect.

Mr Ritchie—I am afraid you have got the advantage on me in that I do not have the communique to hand.

Senator FAULKNER—I do not particularly want you to read the communique into the record, Mr Ritchie, because I can read that for myself. Even I can manage that. There was certainly some press comment, as you would appreciate, after the AUSMIN 2002 consultations, wasn't there?

Mr Ritchie—Yes.

Senator FAULKNER—What was the date again—it was late October 2002, wasn't it?

Mr Ritchie—It would be on the communique, would it not, Senator?

Senator FAULKNER—Yes. Some of the press commentary at the time seemed to go a little further than the communique, didn't it?

Mr Ritchie—It may have. I cannot recall.

Senator FAULKNER—Did you send out the hounds at the time to try and track down how that all occurred, Dr Raby, or was that okay?

Dr Raby—Seeing we have not sent the hounds out it must have been okay.

Senator FAULKNER—That explains it; I am pleased to hear it. So what are you able to say, Mr Ritchie, about outcomes? Were you able to say in the public arena about outcomes in relation to the issue of Iraq? I am trying to focus in on what occurred at AUSMIN 2002. You told us the issue was discussed—I knew that. I knew a good deal more than that because I have had the advantage of reading the communique. Appreciating the point that you make that you do not want to go beyond where you should go, I just wondered if you could be a little more helpful and generous and assist the committee in that way.

Mr Ritchie—As I said before, I think I would prefer to stick within the terms of the communique.

Senator FAULKNER—Are you able to advise us whether there was any specific discussion on the timing and nature of any Australian military deployment?

Mr Ritchie—I cannot comment on that.

Senator FAULKNER—Are you able to say whether there was any discussion about the need for the United Nations Security Council processes to be worked through in relation to Iraq?

Mr Ritchie—Again, I would really prefer not to be drawn on these sorts of questions which go to the substance of the discussions, beyond what was in the communique.

Senator FAULKNER—Are you able to say whether there was any discussion given to what might arise, should the United Nations processes fail?

Mr Ritchie—No.

Senator FAULKNER—Are you able to say whether the issue of unilateral action against Iraq was discussed?

Mr Ritchie—As I said, I would prefer not to be drawn.

Senator FAULKNER—What did that part of the communique that contained a reference to the US and Australia restating their firm commitment to work closely to ensure that Iraq comply unconditionally with the terms of UN Security Council resolutions mean? Are you able to give me any more detail on that?

Mr Ritchie—I really cannot elaborate beyond the obvious sense of the words.

Senator FAULKNER—Are you able to indicate whether that also includes the use of Australian military resources in a US-led, as opposed to UN-sanctioned, war against Iraq?

Senator Troeth—I think Mr Ritchie has indicated already at some length that he is not able to answer the substance of what you are asking him about.

Senator FAULKNER—Are you able to answer these questions, Senator?

Senator Troeth—No, I am not and neither is Mr Ritchie, from what he has said.

Senator FAULKNER—That would be consistent with your answer to every question asked of you today. So far you have not been able to answer one, and we might get through to 11 o'clock tonight without you answering any questions. That will be a world record for a minister or a minister's representative at the table not being able to answer or capable of answering one question in an entire day's hearing. I do not think that is the sort of record I would want to hold.

CHAIR—I think the minister has indicated on a number of occasions that she is very happy for your question to be passed on to the minister for a formal answer.

Senator FAULKNER—Of course she seems to be perfectly happy. I am just saying that, if she continues to do that, she is going to set a world record for a Senate estimates committee, because no other minister or parliamentary secretary at the table for the consideration of the estimates of an entire department has ever in the history of this place failed to answer every single question asked of them. It is a world record. Senator Troeth will go down in history.

Senator Troeth—Senator Faulkner, with regard to the substance of the questions that you are asking me, I am bound by the same constraints as Mr Ritchie is: I would not be able to give you the substance of discussions at AUSMIN. That is the reason I am not answering your questions, and neither is Mr Ritchie, as I understand.

Senator FAULKNER—If these things can be reported in the *Melbourne Age* newspaper, why can't they be discussed here?

Senator Troeth—They go to matters that neither the minister nor I, nor Mr Ritchie, wish to canvass in public.

Senator FAULKNER—But you are more than happy to have them canvassed with the *Melbourne Age*?

Senator PAYNE—It may be, Senator Faulkner, that the standards of the *Melbourne Age* are the same as yours, and those of Senator Troeth and Mr Ritchie are somewhat higher.

Senator FAULKNER—So why are they in the *Melbourne Age*? I will just ignore that piece of nonsense.

Senator Troeth—I have no idea. I gather that there was a communique issued. The bare bones of that, and perhaps somewhat more speculation—which is a subject that we have discussed earlier today—may be canvassed in the *Melbourne Age*, but neither Mr Ritchie nor I have anything to add on this topic.

Senator FAULKNER—It seems that selective leaking is okay but on some other occasions, if it embarrasses the government or the minister, or the departmental secretary, you call in the police force and everybody else to try and track the culprits down. If it is an inspired leak, it is a different story and no-one is willing to discuss it at a parliamentary committee.

CHAIR—Senator Faulkner, you can make your debating points, but the parliamentary secretary has indicated that she is not going to answer the questions.

Senator FAULKNER—That is right. It is quite clear that the parliamentary secretary is not willing to assist the committee in any way, shape or form. But this is a statement, a communique, which talks about close cooperation on the issue of Iraq. Let me, then, ask the question in the broad. Can anybody at the table assist me with what that means? Surely, if you are going to put out a communique talking about close cooperation, someone could have a go at telling us what that means. That is all I want to know. This communique says:

The United States and Australia restated their firm commitment to work closely together to ensure that Iraq complies unconditionally with the terms of all United Nations Security Council resolutions ...

What does ‘working closely’ together mean? Surely someone could have a go at answering that question.

Senator Troeth—Senator Faulkner, what you are asking is for me or the officers at the table to discuss the substance of discussions at AUSMIN. I think both I and Mr Ritchie have made it clear that we are not going to do that.

Senator FAULKNER—No, I am not. I am asking what this commitment to work closely together means. Is there anyone who can provide any more detail about that? Surely to God somebody can. In the current situation, in the public interest, you might, Parliamentary Secretary, consider just having a bit of a go at explaining to the Australian people and the Australian parliament what that means.

Senator Troeth—Perhaps you would care to put that on notice to the minister, Mr Downer.

Senator FAULKNER—I don’t care to put it on notice. I care to ask you about it tonight.

Senator Troeth—And I am saying to you that I am not willing to discuss the substance of that matter.

Senator FAULKNER—You don’t know?

Senator Troeth—I am putting it to you that I am not willing to discuss that matter of substance.

Senator FAULKNER—Can anyone confirm the newspaper story—the claim in the *Melbourne Age* of 22 November—that it was at AUSMIN where confirmation was made to the United States about Australia’s potential contribution to any war with Iraq? Can someone actually say whether that is right or wrong?

Mr Ritchie—It seems to me that commenting on speculation in a newspaper is getting to the same issue, that we really cannot discuss what took place—

Senator FAULKNER—Did anybody bother correcting the record if it wasn’t right?

Mr Ritchie—I cannot comment.

Senator FAULKNER—Sorry?

Mr Ritchie—I cannot comment. I don't know.

Senator FAULKNER—You cannot comment on whether the record was corrected? I find that pretty incredible. I did not see the correction. Perhaps I didn't look closely enough at the newspaper; I don't know. Senator Troeth, do you know whether a correction was made?

Senator Troeth—I don't care to speculate on comment in a newspaper, Senator.

Senator FAULKNER—Do you know what day of the week it is?

Senator Troeth—I beg your pardon?

Senator FAULKNER—I said, 'Do you know what day of the week it is?' You don't seem to know anything else. Take it on notice.

Senator FERRIS—That is a disgrace.

Senator FAULKNER—I have no further questions on this program.

Senator FERRIS—Nor should you!

[9.06 p.m.]

CHAIR—We shall return now to output 1.1.2, South and South East Asia (including Australia-India Council, Australia-Indonesia Institute). I welcome Ms Rawson and her staff.

Senator CROSSIN—Fairly predictably, I have questions about the Timor Gap treaty ratification.

Dr French—Are you seeking a general update on where we are with regard to the Timor Sea treaty?

Senator CROSSIN—I probably have a few questions that go to more detail than just a general update.

Dr Raby—We are interested to hear your questions, Senator.

Senator CROSSIN—Have you identified any technical impediments that prevent the ratification of the Timor treaty?

Dr Raby—Technical impediments in what sense? In the sense of the legislative drafting process?

Senator CROSSIN—Across the board generally. I am referring mainly to your evidence or your presentation to the Joint Standing Committee on Treaties where it was alleged that you said that there were none. Is that still the case?

Dr Raby—Yes. We have been through the formal process of JSCOT and we now have the JSCOT report. Legislation is being drafted. However, the legislative process is not our responsibility; it is the responsibility of the Department of Industry, Tourism and Resources, possibly in conjunction with the Attorney-General's Department. We are not responsible for the legislation.

Senator CROSSIN—Has the appropriate legislation been drafted or is it still in the process of being drafted?

Dr Raby—As I understand it, it is still in the process of being drafted. However, you will need to direct your questions on the legislation to the relevant agency which has responsibility for the legislation.

Senator CROSSIN—Do you have any idea whether it will be finalised before the next sitting period?

Dr Raby—I very much hope so.

Senator CROSSIN—Many people would very much hope so.

Dr Raby—Indeed.

Senator CROSSIN—But is it your understanding that it will be finished and tabled in the next sitting of parliament? Is that a time line that this government is hoping to achieve?

Dr Raby—Yes. It is a hope of the government to conclude the treaty expeditiously—it has been throughout. We certainly hope that we are able to move forward with it.

Senator CROSSIN—Can you categorically say it will be tabled in the next sittings of parliament?

Dr Raby—No, I cannot. Again, you would need to direct those questions to the relevant department.

Senator CROSSIN—Does the unitisation agreement need to be signed, sealed and delivered before the Timor treaty can be ratified?

Dr Raby—That is not necessarily so.

Senator CROSSIN—Does the government see the two as inexplicably linked?

Dr Raby—No, the government, in forming a final view on all of this, wants to see an outcome which maximises Australia's national interests.

Senator CROSSIN—Is there a decision that the two will go hand in hand, or are we at a point now where we can separate one from the other in order to meet a particular time line?

Dr Raby—Ministers may decide to do what they wish. It is a decision for ministers.

Senator CROSSIN—One is not dependent upon the other?

Dr Raby—There is no technical dependency.

Senator CROSSIN—So the Timor treaty could well and truly be ratified even though there may be outstanding issues in the unitisation agreement. Is that correct?

Dr Raby—That is technically possible.

Senator CROSSIN—What advice is the government acting on? From where I sit, it seems the government is trying to link the two and almost use one as leverage for the other. Would that be an accurate statement?

Dr Raby—We cannot comment on the advice we give to ministers.

Senator CROSSIN—You would be aware, of course, that East Timor ratified the treaty late last year. Has there been any recent communication from the East Timor government to the Australian government on the need to get this legislation through parliament as quickly as possible?

Dr Raby—Prime Minister Ramos-Horta met with Minister Downer a couple of weeks ago and urged the conclusion of all outstanding issues.

Senator CROSSIN—Is that something that is being taken seriously?

Dr Raby—The government always listens closely to what other governments say.

Senator CROSSIN—As far as you are aware, it would be possible to have legislation drafted and put through both houses of parliament in the next sitting period in respect of the

Timor treaty, even though the unitisation agreement might have matters outstanding and is yet to be signed? Is that correct?

Dr Raby—Technically it is possible.

Senator CROSSIN—Technically there is absolutely nothing or no impediments that would prevent that from happening. Is that right?

Dr Raby—That is correct.

Senator CROSSIN—Can you give me an explanation as to why we have not seen the legislation tabled this sitting week or even last week when both houses were sitting? What is the hold-up in getting it drafted and introduced?

Dr Raby—You would need to direct that to ITR.

Senator CROSSIN—Have you provided advice to them that it needs to be done expeditiously?

Dr Raby—It is the position of the government that we wish to conclude all outstanding issues expeditiously.

Senator CROSSIN—Would the department be aware that there is an 11 March deadline on the Bayu-Undan project?

Dr Raby—We have been advised by one of the partners in Bayu-Undan that there is an 11 March date that is of significance to the company.

Senator CROSSIN—So earlier, and I do not mean to quote you, when you said that the government is acting in the best interests of the Australian people or projects in the pipeline—

Dr Raby—I think I said that the government's approach to this is to maximise Australia's national interests.

Senator CROSSIN—Therefore, is there a view that meeting the 11 March deadline is a sign that there is some sort of commitment to that—that in fact going beyond the 11 March deadline, as I understand it, and having the contracts renegotiated, is perhaps not in our best interests?

Dr Raby—Ministers will make a judgment on what is in the national interest.

Senator CROSSIN—The judgment is pretty obvious, isn't it? If partners have to renegotiate contracts past the 11 March deadline, given the current world prices, they will have to renegotiate down any sale price. That surely is not in our best interests, is it?

Dr Raby—I believe that is a position that the joint venture partners have put to the government. The government is aware of that position, and the government will take that into account.

Senator CROSSIN—Is the government aware that in fact having this legislation through and the treaty signed off by 11 March actually maximises, at this point in time, the best opportunity for pursuing those interests?

Dr Raby—All those factors will be considered.

Senator CROSSIN—Who will bear the responsibility if there is a loss of this project if this treaty is not ratified by that date?

Dr Raby—I am not sure what you mean by 'loss of this project'.

Senator CROSSIN—If in fact the project is not renegotiated past 11 March or if in fact the renegotiation occurs and there is a substantial loss as opposed to what is in place now, who will bear responsibility for that?

Dr Raby—I would think it was part of the commercial risk of the joint venturers.

Senator CROSSIN—Given that they are heavily dependent upon the actions of this government and that you have told me there is no technical impediment to not having legislation through in the next sitting of parliament, is there some acceptance of responsibility by the government for their actions?

Dr Raby—I think it is a question for the joint venturers.

Senator CROSSIN—As opposed to this government taking responsibility? You say on the one hand that a country's national interests are taken into account, but to go slow here in order to expedite this.

Dr Raby—I am not sure what that means, 'go slow'. What I am saying is that the joint venture partners in any natural resource project go into these exercises with their eyes open. They face commercial risk and it is factored into their decision making.

Senator CROSSIN—It is a bit go-slow, isn't it, really? The East Timor government were able to ratify this treaty last year. We have now had two sittings of parliament and we still have not seen any legislation. Would it be fair to say that there does not seem to be any sign that it is of the highest importance for this government to get this treaty through and to meet the deadline to maximise those interests by 11 March?

Dr Raby—Again, on the process of drafting legislation, you will have to refer to the relevant department.

Senator CROSSIN—So no doubt you are aware of the proposed time frame for the development of the Bayu-Undan gas field?

Dr Raby—The proposed time frame for Bayu-Undan?

Senator CROSSIN—Bayu-Undan—not Greater Sunrise, the Bayu-Undan.

Dr Raby—How do you mean 'development'?

Senator CROSSIN—The time frame, basically—the significance of the 11 March date, what it means and why it is a deadline.

Dr Raby—The companies have made representations to us on that.

Senator CROSSIN—So you are aware then of the deadline?

Dr Raby—Of the views of the joint venture partners.

Senator CROSSIN—As you have said, one of the partners, Phillips, are wary about losing their contract with Japan if the deadline is not met.

Dr Raby—They have brought to our attention some of the conditions precedent that needs to be fulfilled. What happens after 11 March is yet to be seen.

Senator CROSSIN—With all due respect, it is not yet to be seen. We know that there is a clause in their contract that says that if their treaty is not ratified by that date the contract has to be renegotiated. Are you aware of that?

Dr Raby—I am not sure that it is so emphatic. Our understanding is that it could create the opportunity for a renegotiation of the contract. We have not been advised that it must be.

Senator CROSSIN—That it is mandatory?

Dr Raby—No, we have not been advised that it is mandatory.

Senator CROSSIN—Don't you believe that Japan would perhaps take the opportunity to renegotiate the contract if they are going to end up with a better deal out of it after 11 March, as opposed to Australia not having a better deal?

Dr Raby—I have no idea of the motivations of the Japanese customers.

Senator CROSSIN—It would be reasonable to expect, though, wouldn't it? If they have a chance to renegotiate a contract where they buy the gas at a lower price post 11 March as opposed to now, we are significantly going to miss out and they will gain in this.

Dr Raby—There are many assumptions in that, and there are many factors other than price which determine the source of major supplies of natural resources over long periods of time.

Senator CROSSIN—What has been your most recent contact with Phillips Petroleum over this matter?

Dr Raby—I have had calls from representatives of Phillips this week.

Senator CROSSIN—Almost daily, I suppose.

Dr Raby—No, not at all.

Senator CROSSIN—Are you able to tell us when this week?

Dr Raby—It has been a busy week; I forget. It was maybe in the last two days.

Senator CROSSIN—No doubt they are as anxious as some other people are. Have any of the other partners or Phillips expressed concern to you and your department about the urgency required for the legislative process to be undertaken? No doubt that is the source of their contact with you, is it?

Dr Raby—Both Phillips and Santos have made it clear that they would prefer the legal conditions precedent to be concluded within the time frame that they have indicated—by 11 March.

Senator CROSSIN—Are you able to confirm or deny whether, as you understand it, 11 March is the deadline for ratification of the treaty, otherwise Phillips is unable to comply with the heads of agreement with their Japanese customers? Is that the advice they have passed on to you in their recent conversations with you?

Dr Raby—Yes, I think I have indicated that.

Senator CROSSIN—So you are aware that that is the situation they are in if the 11 March deadline is not met?

Dr Raby—That is the situation that they have advised us that they believe they will face.

Senator CROSSIN—There is a long lead-in time for negotiating the unitisation agreement. Can you give me an explanation as to why it seems as though you are dragging the chain on this?

Dr Raby—To the contrary, I think we have made very good progress on the unitisation agreement. We had a couple of preliminary discussions after the 20 May signing of the Timor Sea Treaty last year, but real negotiations began only after October. In international experience we have made very quick progress, and I think it is a credit to the negotiation teams on both sides that this has been possible.

Senator CROSSIN—No matter how fast or slow the progress on the unitisation agreements has been, that is still not a reason to not have the Timor Sea Treaty ratified by this parliament. Is that correct?

Dr Raby—The unitisation agreement is a factor in the consideration of our national interest in this whole area.

Senator CROSSIN—But it is not explicitly linked to the Timor Sea Treaty being ratified by this parliament?

Dr Raby—It is not explicitly linked.

Senator CROSSIN—One could occur without the other? They are not linked in any way?

Dr Raby—That is possible. That goes back to my earlier point that there is no technical impediment to the ratification of the legislation for the Timor Sea Treaty.

Senator CROSSIN—Do you have a view as to whether there are other impediments?

Dr Raby—I think the point I have made before is that this is a decision for ministers, and ministers will make the decision on what they wish to do with this in the fullness of consideration of what advances Australia's national interest.

Senator CROSSIN—Are there any political impediments in this? Economic impediments?

Dr Raby—All I am prepared to say on this, because it is really for ministers to decide what they wish to do, is that they are looking at this in the context of Australia's national interest.

Dr Raby—That was an answer to a hypothetical question. The position that I have just articulated is consistent—that is, ministers will look at all factors as they bear on Australia's national interests.

Senator CROSSIN—Is that one of the impediments to getting the Timor treaty ratified, that this will all be put into a big bundle and we will trade one off for the other in order to get a better outcome in the second field?

Dr Raby—As I said, that is a decision for ministers.

Senator CROSSIN—I am led to believe that the Greater Sunrise joint venture partners have placed this project on hold due to the economic viability concerns, a lack of customers and the debate that I think is still raging about a floating LNG or onshore. Considering what you said about risking the projects in order to maximise the potential of all the fields across the area, how can the department justify risking the Bayu-Undan project when the Sunrise project could be described as better?

Dr Raby—With respect, Senator, the department is not justifying risking anything. Ministers will make the decision on what to do on this.

Senator CROSSIN—Is there any acceptance by the department that the loss of the Bayu-Undan project also means the substantial loss to Darwin of an LNG plant?

Dr Raby—The question of loss has not arisen.

Senator CROSSIN—Why is that not figured into consideration of this?

Dr Raby—At this stage it is hypothetical. What I can say is that we are very aware of the economic benefits of the entire Timor Sea resources for the Northern Territory government.

Senator CROSSIN—If you are aware of the benefits, you must be aware of the losses if all partners pull out, if contracts are not renegotiated post 11 March and everyone walks away from it. You must be equally aware of the losses as well as the benefits.

Dr Raby—It is your assumption, Senator, that that will happen.

Senator CROSSIN—No, I have said, since you have told me you are aware of the economic benefits, that you must also be aware of any losses in case projects do not proceed. Would that be correct?

Dr Raby—That is a hypothetical. We are aware of the projected benefits for the Northern Territory of the development of the resources in the Timor Sea area. Anyone can draw conclusions off a range of hypothetical scenarios.

Senator CROSSIN—I am asking: are you also aware of what losses there are to the Northern Territory if these projects do not proceed?

Dr Raby—The ‘if’ is the key thing, though, Senator.

Senator CROSSIN—You are assuming the projects will proceed, whether the treaty is through the parliament in the next week or not, are you?

Dr Raby—What I am saying is that we know what the resources potentially yield for the Northern Territory government. Other hypothetical extrapolations from various scenarios can be made, but I can only say what we know. What we know is the projected value of the resources to the Northern Territory.

CHAIR—I might stop you there, Senator Crossin. We are going to take a short break and reconvene—

Senator CROSSIN—I have only about three questions left.

CHAIR—It is half past nine and we have been running since a quarter to eight.

Senator FAULKNER—Mr Chairman, if Senator Crossin has only got a couple more questions, wouldn’t it be sensible to take the break in five minutes and then come back on the other programs? It is up to you.

CHAIR—I am happy to oblige, Senator Faulkner.

Senator CROSSIN—I do not think we are going to be very long here.

CHAIR—Fire away.

Senator CROSSIN—Has the department had any discussions with the joint partners—the Northern Territory government—about any financial loss that the Darwin LNG plant would present to the Northern Territory government if, in fact, this does not proceed?

Dr Raby—There have been no discussions of losses, as far as I am aware.

Senator CROSSIN—Have Phillips expressed concerns to your department about the project not proceeding or any losses if, in fact, the Timor treaty is not expedited as quickly as possible?

Dr Raby—Phillips have made representations on what they think might happen, and we have heard those representations.

Senator CROSSIN—And what are they?

Dr Raby—They were provided to us in a discussion between us and the company. I am not prepared to go into the detail of those discussions.

Senator CROSSIN—In your view, is there a matter of urgency in having the Timor treaty ratified?

Dr Raby—My view is not what matters here, but ministers have made it very clear that they wish to see the whole exercise concluded expeditiously.

Senator CROSSIN—But they have held that view for a number of months, no doubt.

Dr Raby—Yes, indeed, and presumably they still hold it.

Senator CROSSIN—And we have, in fact, only four sitting days of this parliament left before the 11 March deadline. We have already had seven sitting days, so perhaps if they held a view that it should be treated expeditiously we would have seen legislation in parliament by now, surely.

Dr Raby—Again, the question on legislation belongs with the department that is responsible for the legislation.

Senator CROSSIN—That is all I have got.

Proceedings suspended from 9.32 p.m. to 9.48 p.m.

CHAIR—We are continuing with output 1.1.2, South Asia and South-East Asia (including Australia-India Council, Australia-Indonesia Institute).

Senator FAULKNER—Does the department keep a record of the last occasion the Prime Minister has visited countries in respective regions, in this case South and South-East Asia?

Ms Rawson—As I think has been said earlier today, the Department of the Prime Minister and Cabinet has responsibility for the Prime Minister's travel abroad. There would be occasions when we might consult with the Department of the Prime Minister and Cabinet to confirm dates of the Prime Minister's travel and to collate information about it. One example would be with regard to Indonesia. We have at times referred to material requested by parliament. In our annual report we refer to prime ministerial visits. So for specific purposes we might pull that information together and consult with the Department of the Prime Minister and Cabinet if necessary. But the overall responsibility for the Prime Minister's overseas travel rests with PM&C.

Senator FAULKNER—Could you give us a brief status report of the department's assessment of our relationship with some of our key South-East Asian neighbours: Indonesia, Malaysia, Singapore and the Philippines? Are you able to quickly do that for the benefit of the committee?

Ms Rawson—Yes. Overall, the relationships with the countries of South-East Asia are very substantial across the economic links, the defence and security links and the people-to-people links. In terms of Indonesia, at the moment in particular, in the aftermath of the Bali bombings the cooperation between Indonesia and Australia, between our police forces, in the investigation of the bombings has been a very positive example of both countries working together to achieve mutually beneficial outcomes.

Senator FAULKNER—Have you made an assessment of the diplomatic response to the Prime Minister's announcement that he would support pre-emptive military action against targets in countries within the region? Has any such assessment been done internally in the department?

Ms Rawson—No such assessment has been made. I am not sure I would accept the premise of the question in terms of the Prime Minister's comments. As I understand it, he made a comment about the priority of the government to protect the security of Australians.

He also made it clear that his comments were not directed in any way against the governments and countries of the region.

Senator FAULKNER—So no assessment has been made by the department about that? What about reporting reaction? Was any attempt made by the department to see if reactions within the region were reported?

Ms Rawson—Yes. We certainly did monitor the reactions of countries in the region.

Senator FAULKNER—What did you do there? Did you task posts to do that?

Ms Rawson—Posts reported on it. There was also, in public, open sources, material in the media.

Senator FAULKNER—I was asking whether they were specifically tasked to do that.

Ms Rawson—My recollection is that they were not specifically tasked, but there would have been no reason to do so. Posts would regard it as an important part of their usual responsibilities to report the reactions of their host governments on issues of interest to Australia.

Senator FAULKNER—It was a pretty negative reaction, wasn't it?

Ms Rawson—There were several countries where both government representatives and media made some comments that indicated concern about at least what they thought the Prime Minister had said, in some cases based on media commentary. But it was not from every country in the region.

Senator FAULKNER—You were prepared to deal with that reaction, I suppose, by the time the announcement was made?

Ms Rawson—I am sorry?

Senator FAULKNER—You were aware the announcement was going to be made, surely.

Ms Rawson—I am not sure what you mean.

Senator FAULKNER—Was the Department of Foreign Affairs and Trade aware of the Prime Minister's pre-emptive strike doctrine prior to him publicly announcing it on 3 December 2002?

Ms Rawson—My recollection is that the Prime Minister made the comments to which you refer in response to questions in a media interview on 1 December. The Prime Minister would not normally tell the Department of Foreign Affairs and Trade what responses he proposes to give to questions in a media interview. Indeed, he might not know what questions he was going to be asked.

Senator FAULKNER—Fair enough. So you were not aware that he was going to make those statements?

Ms Rawson—I was not aware he was appearing on the program.

Senator FAULKNER—Okay—you were not aware. In relation to the monitoring of regional reactions we were speaking of, were reports of that monitoring passed to government, to the minister, Mr Downer?

Ms Rawson—In terms of the cables, as you would be aware, cables are for government, so they certainly are available to ministers. We did advise Mr Downer as reports came in of media reporting from around the region.

Senator FAULKNER—Given their negative nature, was there any action taken in terms of trying to repair the damage in the region?

Ms Rawson—Again, I am not sure I accept your premise about the damage in the region.

Senator FAULKNER—Fair enough; I appreciate you are in a difficult position. I will restate my question without the value judgment—even though I think it is a very fair one—and say ‘dealing with the issue in the region’.

Ms Rawson—Our posts in the region made available to host governments and, in some cases, media outlets in these countries the full text of the Prime Minister’s statement and subsequent coverage of the issue by the Prime Minister and Mr Downer both in the media and in parliament. In those instances where there was judged to be a misinterpretation of what had been said, the posts sought to set the record straight by handing over what had actually been said. So certainly the department posts were very active in ensuring that regional countries had the text of the Prime Minister’s comments correctly, rather than just media reports of it, and what was subsequently said in parliament and in the media on the issue.

Senator FAULKNER—Did the department seek or provide any advice or develop any advice on the international legal status or basis of a first strike?

Ms Rawson—I am not in a position to answer that. It was not relevant in terms of the work we did in the region. I think both the Prime Minister and Mr Downer in their comments in parliament and in the press made it clear that the Prime Minister had stated what was a basic principle of international law, that of self-defence.

Senator FAULKNER—Dr Raby, do you know whether any effort was made to try to nail down this issue of the status of this in terms of international law at the departmental level more broadly? I appreciate it may not have been done in Ms Rawson’s area of responsibility.

Dr Raby—Not that I am aware of.

Senator FAULKNER—So I can assume it did not happen then?

Dr French—Are you asking whether the advice had been sought from the Prime Minister with regard to the—

Senator FAULKNER—No. I wondered whether any advice was developed or sought by the department and provided on the international legal basis of a first strike. I was not specifically going to the issue of whether the Prime Minister sought such advice.

Dr French—It would not be appropriate to provide information with regard to advice that has been given—

Senator FAULKNER—It would certainly be appropriate to answer the question. You may consider it—but we could debate that—inappropriate to talk about the nature of advices. It is always accepted as appropriate to at least indicate whether such advices have been sought and, if they were sought, by whom and in what circumstances. Some officials and some ministers from time to time take a view that the substance and nature of such advices ought not be provided to these committees. So be it. I am not asking that; I am asking process questions.

Dr French—With regard to the process, as far as I am aware no advice has been given about pre-emption.

Dr Raby—That was my understanding, Senator.

Senator FAULKNER—Was any advice sought?

Dr French—Not that I am aware of.

Senator FAULKNER—Are you aware of any advice being generated at any stage, either internally or externally.

Dr French—No, Senator.

Senator FAULKNER—Thank you. Specifically, has the department made—or is it aware of—any representations to countries in the region as a result of the Prime Minister's comments?

Ms Rawson—There were no formal representations from countries in the region in terms of diplomatic demarches, et cetera.

Senator FAULKNER—No formal representations from countries?

Ms Rawson—There were no formal representations made through diplomatic channels of which I am aware.

Senator FAULKNER—Either to Australia or by Australia.

Ms Rawson—As I said in answer to an earlier question, our missions did, in instances where it was necessary to do so, provide to host governments an accurate account of what had been said. I would not characterise that as a representation but it was certainly ensuring that the record was correct in terms of the comments that had been made.

Senator FAULKNER—Are you able to say to which countries such information was provided?

Ms Rawson—I think there was information provided to the Indonesian and Malaysian governments, and other information was also provided to other governments in the region about the statements.

Senator FAULKNER—What was the status of Mr Varghese?

Dr Raby—He is the deputy secretary of the department.

Senator FAULKNER—When was the decision made to send Mr Varghese to South-East Asia, as I understood it, as a diplomatic envoy? Correct me if I am wrong, Dr Raby; is that right? He went to South-East Asia as a diplomatic envoy?

Dr Raby—Yes.

Senator FAULKNER—When was that decision made?

Ms Rawson—As I understand it, the decision was made very shortly before he departed for the region, and I think he departed on 13 January—

Dr Raby—I have just been advised: on 10 January the decision was made.

Senator FAULKNER—Thank you very much. And what was the basis of Mr Varghese's mission?

Ms Rawson—The basis of it was that the government attaches importance to engaging with countries in the region on key international security issues—Iraq is clearly one such issue—and it was considered to be important that at a senior level Australia's position in regard to Iraq be conveyed to those regional governments.

Senator FAULKNER—And which countries did he visit?

Ms Rawson—He visited Indonesia, Singapore, Malaysia, the Philippines and Thailand.

Senator FAULKNER—Why was the decision made to visit those countries specifically?

Ms Rawson—I do not know why those countries were chosen—

Senator FAULKNER—Can you help me with that?

Ms Rawson—other than that they are clearly very important bilateral partners in the region.

Senator FAULKNER—Who made the decision about which countries Mr Varghese would visit?

Dr Raby—I was not involved in the decision making.

Senator FAULKNER—Was it a departmental decision, a recommendation from the department to the minister or what was it?

Ms Rawson—I assume the countries were chosen obviously in consultation with Mr Downer.

Senator FAULKNER—Can we do any better than an assumption?

Dr Raby—What I do know is that, at some point, the recommendation was put to Mr Downer that Deputy Secretary Varghese should do this trip. On the selection of the countries, I simply don't know. We can take that on notice and find out, but it certainly was a ministerial decision that he should go. I think that is all I can say at this stage.

Senator FAULKNER—When did you say he left?

Ms Rawson—I stand to be corrected, but I think he departed on 13 January, if that was a Monday, and returned a week later.

Senator FAULKNER—And the decision to send him was made on 10 January?

Ms Rawson—Yes.

Senator FAULKNER—And the purpose was to explain Australia's approach in predeploying troops to Iraq, is that right? In a nutshell is that right?

Ms Rawson—It was the context of the decision but, as I said before, it was a visit that was done on the basis that this was a key international security issue, one that was relevant to Australia and regional countries, and it was important to have a dialogue with regional countries on that issue.

Senator FAULKNER—That is the context of the decision. A decision is made on 10 January for Mr Varghese to visit our neighbours in South-East Asia to explain Australia's approach in relation to the predeployment of troops to Iraq. He goes on the 13th. The decision is made on 10 January. That timing seems a little tight, given what the government has publicly said about the decision making processes, Dr Raby, in relation to this predeployment. How does that fit with the timetable as it has been explained to us?

Dr Raby—I am not across the timetable.

Senator FAULKNER—When did you first become aware of Mr Varghese's mission?

Dr Raby—I really have no idea. I was not involved in the decision.

Senator FAULKNER—Who was?

Dr Raby—Mr Varghese. But I have no idea at this stage.

Senator FAULKNER—You do not waltz off to South-East Asia as a result of some unilateral decision you make, do you?

Dr Raby—All I can say is what I have said—it was a decision of the minister. Certainly, I was not involved in that area. I was not acting in this role then.

Senator FAULKNER—Surely someone can help us. He is a senior departmental official, isn't he?

Mr Paterson—I was made aware of the minister's decision on 10 January that Deputy Secretary Varghese should undertake this mission as soon as possible as part of a process of consultation with key countries in the region.

Senator FAULKNER—Given your knowledge of this, how does this fit into the timing of the government's decision? This was after the National Security Committee of cabinet meeting, was it?

Mr Paterson—That is correct. You are aware of the decisions that followed that meeting. It was seen as appropriate to consult with key countries in the region on the development of our thinking on this issue. It was very much seen as a process of consultation with those countries.

Senator FAULKNER—So it was Mr Downer's decision?

Mr Paterson—It was the decision of ministers. Beyond that, to the best of my knowledge, it came out of a meeting of the National Security Committee, so I think it had a collective imprint upon it.

Senator FAULKNER—Had there been any discussion within DFAT about the appropriateness or otherwise of Mr Downer himself going to South-East Asia either in relation to the government's decision on predeployment or to explain Australia's pre-emptive strike doctrine?

Mr Paterson—I can answer only part of that and I might have to refer back to Mr Rawson. I simply say that I think the issue of the regularity of Mr Downer's travel in that region and in other regions is obviously reviewed in the light of developments and as they change at the time.

Senator FAULKNER—Was this motivated by concerns about the perception in the region that Australia is becoming more belligerent?

Mr Paterson—I could not comment on that. That goes beyond the area I work in, which is specifically on Iraq. On the Iraq issue, we thought it particularly appropriate to consult major neighbours, major regional countries, on the evolution of our thinking on this matter—not only as a courtesy but also so that their views would factor into our own thinking.

Senator FAULKNER—Had any of the countries that Mr Varghese visited called in our ambassadors or high commissioners prior to his visit to request some sort of explanation of the government's position? Can you help me with that, Ms Rawson?

Ms Rawson—No, they did not.

Senator FAULKNER—Are you able to say why those particular countries that you identified were chosen for Mr Varghese's visit?

Ms Rawson—I cannot add to what I have already said. I was not involved in the discussion.

Dr Raby—Also, as a ministerial decision, that goes to the heart of advice we give ministers and that is confidential.

Senator FAULKNER—Did the visit include consultations or just an explanation of Australian government decision making? What was Mr Varghese doing—explaining the government's decision or consulting with governments about it?

Ms Rawson—I am not sure I can appreciate the distinction in explaining a position. Usually that will result in consultation about it or involves consultation about it.

Senator FAULKNER—They did not have any input into the Australian decision about predeployment of troops, did they? It was a matter of saying to or explaining to these countries—or attempting to explain to these countries—why Australia was predeploying. I am assuming that, but I just want to be clear. Is that right?

Ms Rawson—As I say, it was to consult with, to have a dialogue with, these regional countries on the situation in Iraq and Australia's position on that.

Senator FAULKNER—I still don't quite understand why those particular countries were chosen and some others were not. For example, could you explain to us why Cambodia, Vietnam or Brunei were not chosen?

Ms Rawson—No.

Senator FAULKNER—You don't know?

Ms Rawson—No, I cannot explain to you.

Senator FAULKNER—Could you explain that, Dr Raby?

Dr Raby—My earlier comment was that I believe this goes to the heart of advice and communication between the department and the minister and I am not prepared to comment on that.

Senator FAULKNER—So you can't explain it.

Dr Raby—I am not prepared to comment on it.

Senator FAULKNER—Why aren't you prepared to comment on it?

CHAIR—I think he has given the answer.

Senator FAULKNER—No, he hasn't. It does not seem to be a very sensible response in the circumstances. Some countries are chosen and some countries are not. Either there is an explanation for it, which I would not have thought would be a matter that goes to—

CHAIR—He said three times that involves advice to ministers and he is not prepared to comment on it.

Senator FAULKNER—I am not asking what advice the department gave; I am asking for an explanation of why those countries were chosen. I do not care whether the department—I might care, but I am not going to ask—advised to go to countries X, Y and Z and not to A, B and C. All I am asking for, and I think this is perfectly reasonable and certainly proper and in order, is just an explanation of why those countries were chosen and others were not. I am not asking you what you advised the minister.

Senator Troeth—The explanation of why some countries were chosen and some were not is part of the advice given by the department to the minister and Dr Raby has already explained that he is not willing to comment on that.

Senator FAULKNER—It may have been. I don't know whether it was or it wasn't. You said it was. Thank you for that information. I hope that it is right. No doubt you will correct the record if it is not. I am just asking for what the public explanation is for certain countries being chosen and others not.

Mr Paterson—Perhaps I can elaborate on that on the basis of an informal discussion I had with Mr Varghese both before he left on the mission and on his return. The government was keen that we consult with key partners in the region in a fairly short period of time following the NSC meeting on 10 January with the aim of consulting with them on our position and informing them of the evolution of our thinking. The choice was really based on a range of key countries with whom we had extensive relations, including defence and security relations. I do not think you should read anything more into it than that.

Senator FAULKNER—I am not reading anything into it, Mr Paterson. That is the point I am making. I am actually just asking a question. But thank you at least for attempting to answer it. I do appreciate that. My next question I think is in Ms Rawson's area of responsibility. What is the current status of the counter-terrorism MOU with the Philippines?

Ms Rawson—I will have to look to my colleagues for that information.

Mr Stuart—The negotiations with the Philippines are quite advanced. We are quite confident of agreement fairly soon on that MOU.

Senator FAULKNER—Have the Prime Minister's pre-emption comments last year on 1 December—as I am told by Ms Rawson, so I stand corrected and thank her for pointing out that date—had any impact on Australia's efforts to gain maximum regional cooperation to combat terrorism?

Ms Rawson—They have not had any impact at all of which I am aware. As Mr Stuart has said, the negotiations with the Philippines on the MOU on counter-terrorism proceed.

Senator FAULKNER—So they have had no negative impact at all?

Ms Rawson—No.

Senator FAULKNER—Have they been helpful?

Senator Troeth—That is asking for an expression of opinion, surely.

Senator FAULKNER—So is asking whether they have had any negative impact, and I got an answer to that. So now I am asking if they had a positive impact.

CHAIR—Clearly you did, Senator Faulkner, but it was borderline.

Senator FAULKNER—But that is yet another absurd intervention from the minister. Do you want to pick and choose the questions as well? If you want to take a point like that, take it on all the questions that are asked, not just ones that are asked in the negative; take it on a question that is asked in the positive. It is a preposterous intervention. You have got to keep up with the game.

CHAIR—I think both the minister and the departmental officers are trying to be as helpful as they can, Senator Faulkner. I think courtesy will get everybody a long way; I do not think we should forget that.

Senator FAULKNER—Yes, and I do hope that the departmental officers are trying to be helpful. If the minister is trying to be helpful she is not succeeding. I do not think she is capable of assisting.

CHAIR—I do not think comments like that are very helpful.

Senator FAULKNER—The minister has been unable to answer any question asked of her. That is the situation.

Senator FERRIS—She actually has answered the questions, Senator Faulkner; you just have not liked the answers.

Senator FAULKNER—You mean saying, ‘I’ll take that on notice,’ is an answer? I do not think it is a serious answer to a question, as we both know.

Senator FERRIS—Since I have been here this evening the minister has actually answered some questions. It is just that you have not enjoyed the answers.

Senator FAULKNER—I am surprised that the minister at the table has been able to answer no questions asked of her—it is going to be a world record.

Senator FERRIS—In a way that you consider satisfactory.

Senator FAULKNER—In any way, as a matter of fact. Have you got any questions you would care to ask? You ask yours, Senator Ferris, and then I will go on asking mine.

Senator FERRIS—I am afraid my questions would be so much more productive than yours that I am interested in listening to yours.

Senator FAULKNER—Fine, please ask them. I will take a break from asking questions until we have Senator Ferris’s productive questions and then we will get back to mine. Away you go.

Senator FERRIS—No, I am enjoying your attempt at questioning.

Senator FAULKNER—You don’t have any questions?

Senator FERRIS—Not at this moment.

Senator FAULKNER—That is fine; if you do not have an questions I will bat on. Isn’t it true that both Malaysia and the Philippines said that they would consider limiting cooperation in the fight against terrorism? I read that in the newspaper. Ms Rawson or Mr Stuart, can you tell me whether there is any truth to it or not?

Mr Stuart—There were some comments reported publicly by some people in those countries. However, the MOU is obviously negotiated with the government. We already have an MOU with Malaysia. In the case of the Philippines, with which we had proposed an MOU, the negotiations continued. The Foreign Secretary, Mr Ople, told Mr Downer that they remained positive about that, and the upshot of those negotiations is that we are approaching agreement on the MOU.

Senator FAULKNER—Is it true that the Philippines government announced that it may consider limiting cooperation on the war on terrorism as a result of the Prime Minister’s comments regarding pre-emption? Is that true or false?

Mr Stuart—To my knowledge, one adviser to the Philippines government was quoted making comments about going slow on this proposed memorandum of understanding. However, the foreign secretary, the relevant minister for the Philippines government, did not take that view. As I said, the negotiations have continued and the MOU is close to conclusion.

Senator FAULKNER—When that statement was made public, what was the response of the department? What did the department do in that instance?

Mr Stuart—We continued our dialogue with the Philippine authorities and confirmed that they remained positive about the proposal, and the negotiations continued.

Senator FAULKNER—Did you address the specific issue of concerns about limitations on cooperation as a result of the Prime Minister’s comments? Was that specifically addressed?

Mr Stuart—We confirmed, through our embassy in Manila, that the Philippines government remained positive about the proposal, and the negotiations continued. They were not disrupted.

Senator FAULKNER—So representations were made by the post in Manila. Is that right?

Mr Stuart—Yes, the post in Manila, which had already been in a process of liaison and close consultation with the Philippines authorities over the MOU, continued that and confirmed that they remained positive.

Senator FAULKNER—What sorts of representations were made by the post at that time? What did that envisage, or involve?

Mr Stuart—To my recollection, the post continued its contacts, which included contacts with the Foreign Secretary, Mr Ople, and contacts with other officials in that area. I can only repeat what I said, that the negotiations continued and the Philippine government remained positive about the proposal. The result is, we believe, that fairly soon we will have agreement and conclusion of that exercise.

Senator FAULKNER—When is ‘fairly soon’?

Mr Stuart—The negotiations are near conclusion. I am a bit reluctant to give a date. What do you want me to say?

Senator FAULKNER—I do not want to put words into your mouth. You said ‘fairly soon’ and I wondered what that meant.

Mr Stuart—I would estimate within the next month or two.

Senator FAULKNER—What about the situation with the Malaysian government? Was that a similar situation?

Mr Stuart—We have a memorandum—

Senator FAULKNER—But they also expressed concerns on this issue; they also announced that they might limit cooperation in the war on terror, didn’t they? This is after—

Mr Stuart—I am not aware of any comments by the Malaysian government suggesting that they would not abide by the terms of the memorandum of understanding. The memorandum of understanding provides a framework for cooperation. A lot of the day-to-day cooperation occurs between operational agencies. My understanding is that that has continued; operational agencies remain satisfied. Malaysia actually is vigorous in its pursuit of counter-terrorism measures.

Senator FAULKNER—So we can assume, can we, Minister, that the Prime Minister’s pre-emption comments have been a triumph in the region. Would that be a fair assessment? How would you describe them?

Senator Troeth—I would say that the Prime Minister’s comments have been received in the spirit in which they were made.

Senator FAULKNER—I think you have got that one right. Just look at the reaction of the governments. Let us move, then, having established that, to another issue. This is an issue of serious current concern. I would be interested in hearing what the department’s assessment is of the threat situation arising from protests in Indonesia throughout January. Again, Ms Rawson, you might give us a brief status report on that, if you or one of your officials can. I would appreciate that.

Ms Rawson—You said protests in January relating to the—

Senator FAULKNER—I am interested in the security situation in Indonesia, Ms Rawson.

Ms Rawson—There were some demonstrations in Indonesia in January in response to the government’s intention to remove subsidies from a range of products. They were

demonstrations but they were not of such a magnitude that they caused widespread disruption in Jakarta or elsewhere. In terms of numbers in Indonesia, they were quite limited. As far as I am aware, they presented no particular threat to Australians or Australian interests in Indonesia at that time. They may have required people, in accordance with the advice that we would normally give, to try to avoid those areas where demonstrations were occurring. But I am not aware that they posed any particular threats to Australians or Australian interests.

Senator FAULKNER—Is it your assessment that this situation has been contained by the Indonesian authorities?

Ms Rawson—The government made a decision not to proceed with the removal of most of the subsidy measures, and I am not aware that there have been any demonstrations on that issue since the government's decision not to proceed at this stage with the subsidies' removal.

Senator FAULKNER—Have there been any extra security measures or advice that the department has provided, either here generally or through the Australian Embassy in Jakarta, to ensure the safety of Australians in Indonesia? Has there been a need for any special measures or not?

Ms Rawson—As far as I am aware, and I stand to be corrected, I do not recall that the consular advice was changed or that the embassy issued any particular bulletins, but perhaps a colleague might correct me.

Mr Smith—Senator, as you would be aware from the attention that this issue has had in the media, we have had for some time a fairly strongly worded consular advice in relation to Indonesia, and that reflects the nature of the concerns that we have had for some time over the security situation there, ranging across a number of possible risk factors. The travel advice, which covers, of course, a range of different kinds of information for Australians, is kept under constant review and we do update it as we judge necessary.

Senator FAULKNER—What priority is the department placing in the broad, in terms of its policy and priorities, on ensuring peace and stability in the provinces of Indonesia?

Mr Smith—In terms of the advice we provide to Australians in Indonesia or to Australians who may consider travelling to Indonesia, we do look very closely at the security situation in the provinces. The advice that we have currently does advise Australians to avoid travel to a number of parts of regional Indonesia, so we look at that, and the embassy maintains a constant watching brief on the security situation in those areas so we can provide that sort of advice to Australians.

Senator FAULKNER—Can you say what the department's current assessment is of progress on the Aceh peace settlement? I hope I have used the right terminology there. Is that the right terminology?

Ms Rawson—The Indonesian government and the GAM, the separatist movement in Aceh, signed a cessation of hostilities agreement on 9 December. Since that agreement was signed, an international cease-fire monitoring group has been deployed into the province. There have been some violent incidents since the agreement was signed, and they are being investigated by the joint security committee that has been set up. To date, both the Indonesian government and the GAM have accepted responsibility for a number of violations. I should mention that, in terms of Australia's position on that, the government warmly welcomes the signature of the cessation of hostilities agreement and has made a contribution of \$2 million towards its implementation that will help to fund the cease-fire monitoring group.

Senator FAULKNER—That is a \$2 million contribution from the Australian government?

Ms Rawson—Yes.

Senator FAULKNER—What about any provision of cease-fire monitors to the international cease-fire monitoring group? I do not think there was any provision of monitors by Australia, was there?

Ms Rawson—No.

Senator FAULKNER—Can you explain why that was the case?

Ms Rawson—No approach was made to Australia to provide monitors. I think the international monitors are from Thailand and the Philippines.

Senator FAULKNER—So monitors would be provided on the basis of an invitation?

Ms Rawson—Certainly, if an invitation had been issued, I am sure the government would have given consideration to it.

Senator FAULKNER—Where would that come from? Would that come from Indonesia or elsewhere?

Ms Rawson—I do not know the technicalities of how that was set up, but I think an invitation would have to be on the basis that the parties to the agreement were comfortable with the monitors being approached.

Senator FAULKNER—Have you made any assessment of why Australia did not receive an invitation from Indonesia to supply monitors?

Ms Rawson—No.

Senator FAULKNER—You have not made any such assessment?

Ms Rawson—No.

Senator FAULKNER—So no-one would have any views on why that was the case?

Ms Rawson—No.

Senator FAULKNER—Has any thought been given to that?

Ms Rawson—I am not aware of any consideration of that issue. As I indicated, only two countries were approached. That means many countries were not approached. Australia was one of the ones that was not approached.

Senator FAULKNER—No assessment has been made of why that might be the case?

Ms Rawson—No.

Senator FAULKNER—When did the department become aware of the AFP's announcement that a second bombing of Bali was planned? You would recall that Commissioner Keelty made a public comment that investigators had foiled another planned attack by Jemaah Islamiah. That was in the aftermath of the Bali bombings on 12 October. I wondered when DFAT became aware of that issue.

Ms Rawson—I cannot speak for all of the department in this instance. In my own case, I became aware of it when it was stated by the commissioner, but we do not need to know the details of the investigation as it is ongoing. We look to the investigators to provide information as they see relevant.

Senator FAULKNER—I hear and accept what Ms Rawson has told us, Dr Raby. Would you be able to indicate to us whether that is true in relation to the department more broadly?

Dr Raby—I have nothing to add to Ms Rawson's reply.

Senator FAULKNER—Ms Rawson can only speak for the area of her responsibility in the department. This is an important issue and I wondered if you would be able to say more broadly whether the department was aware of this before the commissioner's comments.

Dr Raby—I would if I could but I cannot. I do not have any further information but we can take that on notice if you wish.

Senator FAULKNER—Thank you. Are you aware—and you may not be, given the comments you have made, but you may have become subsequently aware of it, Ms Rawson—of any cooperation with the Indonesian authorities that took place to ensure that the other planned attack was foiled? Are you able to share with the committee any of the information that has come to the attention of the department?

Ms Rawson—No, Senator Faulkner. I am aware, of course, that there is ongoing close cooperation between, as I said earlier, the Indonesian police force and the AFP, but I do not know and I do not have a need to know the detail of that investigation.

Senator FAULKNER—At the last estimates, you would recall that we received an assessment from you about the extent of the JI network across South-East Asia and I wondered if you might be able to provide any updated assessment of the extent of that network at all.

Ms Rawson—I think you did not get such an assessment from me. I do not recall that.

Senator FAULKNER—I think we received one from the department. I am not suggesting it was necessarily from you but it was from someone. Was it from you, Dr Raby?

Dr Raby—Most definitely not, Senator.

Senator FAULKNER—We are not keeping you up, are we?

Dr Raby—It has been a long day, Senator.

CHAIR—You are keeping us up, Senator Faulkner.

Senator FAULKNER—I am keeping myself up too. Is someone able to briefly provide us with the department's assessment of the extent of the JI network across South-East Asia? Could someone assist us there, please. Just a brief update or a status report, if you feel you did not do it before.

Mr Stuart—I must say I do not recall the terms in which we gave you an earlier brief, but since the last such hearing in November there have been more arrests of JI members, particularly in Malaysia and obviously in Indonesia. The investigation of the Bali bombing has brought to light the extent of, or at least the quite extensive network of, JI membership in Indonesia. There is no longer any public dispute about the existence of that network.

Two particular things have happened: Jemaah Islamiah has been listed in the United Nations as an organisation with links to al-Qaeda and, more recently, two individual members of Jemaah Islamiah have been listed by the United Nations Security Council. One is Hambali, who is considered to be the operational head—he has various aliases but I think he is well known in the newspapers as Hambali. He was listed in late January. A second figure, again, known by various names—and Abu Jibril is one of the names used in the newspapers—is considered a figure connected with the financing of Jemaah Islamiah. He is currently in detention in Malaysia and he, too, has been listed. In summary, one would say that what had been suspicions, and a certain amount of evidence about the extent of the network in Singapore, Malaysia and Indonesia and its connections into Southern Philippines and its connections back to al-Qaeda, have been confirmed and the picture has been filled out.

Senator FAULKNER—Are you able to make any assessment of the threat that this network poses to Australia and Australian interests in the region? Is there any change in that?

Mr Stuart—I think our formal level of assessment of the threat from Jemaah Islamiah has remained constant over the last few months at a relatively high level. As the government has said on a number of occasions, the threat of terrorism from this group and others with connections with al-Qaeda and that sort of motivation is very serious.

Senator FAULKNER—Have you any details there about what the staffing levels at the Australian embassy in Jakarta were on 11 October 2002?

Dr Raby—Could we just come back to that in a minute? I do not know what has happened but I am afraid I have just lost my corporate management team—

CHAIR—Had you noticed they had gone, Dr Raby?

Dr Raby—Yes, but I did not think we were going to get onto corporate management issues, so I thought they deserved a walk outside after all this time.

Senator FAULKNER—I had assumed this was in South and South-East Asia, to be honest with you, but if it is in corporate management, I am happy to come back to it.

CHAIR—They will be back tomorrow, presumably.

Dr Raby—They will be back in a few minutes if you wish.

Senator FAULKNER—No problem. I have a general question about travel advisories specifically in relation to Indonesia. Does DFAT refer to the travel advisories in the security reports of other countries in compiling Australian travel advisories?

Mr Smith—We have a very close consular relationship, a cooperation relationship, with a number of countries, in particular the United States, the United Kingdom, Canada and New Zealand, with whom we work very closely on a range of consular issues. We do discuss with them the way they read a security situation in a particular country. We take that into account, amongst a number of other things, in formulating the advice we provide to Australians.

Senator FAULKNER—So a range of other countries' travel advisories are considered—that is correct, is it?

Mr Smith—We look at what some of our consular partners provide to their own citizens to ensure that we are giving the best information possible to Australians. There are occasions when we make different judgments about the sort of threat environment or risk environment that Australians face, so you will not always see exact symmetry between our advice and that of others. But generally there is a very strong degree of commonality.

Senator FAULKNER—Are you suggesting in broad terms that we place a higher regard on, say, the reports of our allies—the UK and the US, for example—over other countries? I think that is the substance of what you are saying, but I want to be sure.

Mr Smith—We have a closer relationship on consular issues with those countries than we do with many others. We work closely with them partly because the sorts of considerations that they look at are similar to the considerations that we look at, so there is greater complementarity in our approach to our consular responsibilities.

Senator FAULKNER—So it is true that we place greater store in those—which is fair; I am just trying to understand it.

Mr Smith—Yes.

Dr Raby—Senator Faulkner, unfortunately, we do not have the numbers that you requested. Can I have the request exactly please, and we will take it on notice if you wish.

Senator FAULKNER—We can come back to that. We can do it on the morrow, can't we?

Dr Raby—Yes.

Senator FAULKNER—Let's do that. I am happy to give you a bit of a heads up if that is any help. I am interested in staffing levels and how they may have changed or evolved in the embassy in Indonesia, among a range of other issues.

Dr Raby—Total staff numbers or just DFAT?

Senator FAULKNER—If you are able to provide the staff numbers of other agencies, that would be helpful too.

Dr Raby—We will do our best.

Senator FAULKNER—I was not sure whether you had that information available. I assumed you did. So if you can, that would be fine—what the numbers were at the time of the Bali bombings and where they are now.

Dr Raby—Yes.

Senator FAULKNER—I suppose you have caught up with the British parliament's intelligence and security committee's report on Britain's intelligence assessments and travel advisories in relation to the Bali bombings?

Mr Smith—Yes.

Senator FAULKNER—Has the department developed any views in relation to that report?

Mr Smith—We would not normally take a position on the report of another government or another parliament.

Senator FAULKNER—Has the department given any consideration to that report's findings? They are pretty clear, and I wondered whether you have taken any account of them.

Mr Smith—We have looked at the report, yes.

Senator FAULKNER—Do you think they have any applicability in the Australian context at all?

Mr Smith—In what respect?

Senator FAULKNER—In any respect. You have had a look at the report, you have had a look at the findings and I wonder whether you have made any assessments about any applicability or otherwise in the Australian context.

Mr Smith—Are you referring to the issue of the use of intelligence material in consular travel advice?

Senator FAULKNER—In part. We have also had the advantage of Mr Blix's inquiry, as you can appreciate. Some similar issues obviously were dealt with by the British parliamentary committee. My recollection on reading their report was that there were concerns about the threat assessment level. I think that is it in a nutshell—there were obviously concerns about that. There were concerns about the development of the British travel advices, as they describe them. Of course, I am interested in any lessons that might be learnt from that, and that is really the point of my question.

Mr Smith—Let me see if I can answer the question this way. We keep under constant review our own approach to the provision of advice to Australians. We look at a number of

different ways that we can improve that. When another government conducts an inquiry of a similar kind, we look at the results to see if there are lessons which can be drawn and which we can apply in the Australian context. One of the outcomes of that inquiry in the UK was a fairly substantial change to the way in which the United Kingdom produces its advice to its citizens. What they have done, interestingly, is to draw very heavily from the Australian model for travel advice, because they had seen it, in the context of that review, as a model and as something that they could themselves learn some lessons from.

Senator FAULKNER—Has any brief or report been developed in the department about the British committee's decisions?

Mr Smith—I am not aware of any specific report being produced.

Senator FAULKNER—I just wondered how close an examination you might have made with regard to this.

Mr Smith—We have not done a detailed, formal review culminating in a report. We have looked it in the context of this ongoing review that we have of our own approach to the provision of travel advice. That is one of the elements that we have looked at, and we are undergoing this process of review.

Senator FAULKNER—Of course, but where is that review up to now?

Mr Smith—It is not a formal review. It is an ongoing process of improvement. One of the things that we have been looking at is, for example, ways in which we can strengthen the promotion and dissemination of our own travel advice. There are a number of mechanisms that we are looking at to do that. Mr Downer made some announcements last month on that and we are taking those forward. That is one element of this ongoing process. There are others. We are always looking at ways in which we can make the product itself, our own travel advice, more digestible, more user friendly for the travelling Australian public. All of that is a process of continuous improvement.

Senator FAULKNER—You are reporting to the minister, I assume, on a regular basis about this issue. It is certainly an issue that is pretty significant, I would have thought.

Mr Smith—Yes, we are. It is an issue in which the minister takes a great deal of interest.

Senator FAULKNER—But you are saying that you are not putting this process to the level of any formal review or formal assessment.

Mr Smith—It is an ongoing process, and periodically we are making recommendations to the minister.

Senator FAULKNER—How many recommendations have now been accepted? Are they in the public arena?

Mr Smith—To give one example: the announcement that Mr Downer made last month regarding that promotion and dissemination of travel advice resulted from this process of review. He accepted the recommendations the department put to him.

Senator FAULKNER—What sorts of departmental resources are going into this at the moment?

Mr Smith—One of the sections in my branch has responsibility for the production, promotion and dissemination of travel advice. There is one officer who is working more or less full time on the promotion and dissemination side of that work.

Senator FAULKNER—Thanks for that.

CHAIR—It being nearly 11 o'clock, we will adjourn shortly but, before we do, Senator Faulkner, to assist the departmental officers tomorrow, may I get a steer from you as to how you will use the time tomorrow morning? The committee will sit between 9 a.m. and 12.30 p.m. I understand that that is agreed. If that is the case, would you like to indicate the areas that you may not be exploring tomorrow?

Senator FAULKNER—On output 1.1.2, I really want to go only to the issue that we started to raise with Dr Raby a little earlier about staff levels and a range of issues in relation to the Indonesian embassy, so I can limit questioning in that subprogram to that. Then there will be output 1.1.4, output 1.1.7, output 1.2, output 2.1.1 and output 4.1 and enabling services. How about that, Dr Raby; does that sound reasonable?

Dr Raby—Yes, indeed.

Senator FAULKNER—I thought you would be pleased.

CHAIR—Is that clear to you, Dr Raby, as to whom you might bring tomorrow?

Senator FAULKNER—That makes a lot of people very sad; they have been sitting here waiting for their output.

CHAIR—That is why we are letting them know that they will not have to come tomorrow.

Dr Raby—It is very helpful. Thank you very much.

Committee adjourned at 11.01 p.m.