



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE
LEGISLATION COMMITTEE

Estimates

THURSDAY, 2 JUNE 2011

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SENATE
FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE
Thursday, 2 June 2011

Senators in attendance: Senators Abetz, Bishop, Ferguson, Forshaw, Heffernan, Kroger, Ludlam, MacDonald, Sterle, Trood and Xenophon

FOREIGN AFFAIRS AND TRADE PORTFOLIO

In Attendance

Senator Conroy, Minister for Broadband, Communications and the Digital Economy

Department of Foreign Affairs and Trade

Portfolio Overview

Mr Dennis Richardson, Secretary

Mr Chris Moraitis, First Assistant Secretary, Corporate Management Division

Ms Ann Thorpe, Chief Finance Officer

Mr Bryce Hutchesson, Assistant Secretary, Executive Planning and Evaluation Branch

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

1.—Foreign affairs and trade operations

North Asia

Mr Peter Rowe, First Assistant Secretary, North Asia Division

South-East Asia

Mr Hugh Borrowman, First Assistant Secretary, South-East Asia Division

Americas

Mr Bill Tweddell, First Assistant Secretary, Americas and Africa Division

Ms Jane Hardy, Assistant Secretary, United States Branch

Ms Elizabeth Schick, Assistant Secretary, Canada, Latin America Branch

Africa

Mr Bill Tweddell, First Assistant Secretary, Americas and Africa Division

Ms Karen Lanyon, Assistant Secretary, Africa Branch

Europe

Mr Jeremy Newman, First Assistant Secretary, Europe Branch

Mr Neil Hawkins, Assistant Secretary, Northern, Southern and Eastern Europe Branch

Mr Peter Doyle, Assistant Secretary, EU and Western Europe Branch

South and West Asia, Middle East

Mr David Stuart, First Assistant Secretary, South and West Asia and Middle East Division

Mr Jon Merrill, Assistant Secretary, Pakistan and Afghanistan Branch

Ms Lynette Wood, Assistant Secretary, Middle East Branch

Mr Mark Pierce, Assistant Secretary, South and Central Asia Branch

Pacific

Ms Jennifer Rawson, First Assistant Secretary, Pacific Division

International organisations and legal issues

Ms Deborah Stokes, First Assistant Secretary, International Organisations and Legal Division

Mr Richard Rowe, Senior Legal Adviser

Ms Caroline Millar, Head, United Nations Security Council Task Force

Mr James Larsen, Ambassador for People Smuggling Issues

Mr Dominic Trindade, Assistant Secretary, Domestic Legal Branch

Mr Greg French, Assistant Secretary, International Legal Branch

National security, nuclear disarmament and non-proliferation

Mr Allan McKinnon, First Assistant Secretary, International Security Division

Mr Bill Paterson, Ambassador for Counter-Terrorism

Dr Robert Floyd, Director General, Australian Safeguards and Non-Proliferation Office

Services to other agencies

Mr Patrick Suckling, First Assistant Secretary, Consular, Public Diplomacy and Parliamentary Affairs Division

Mr Jon Philp, Assistant Secretary, Consular Operations Branch

Mr Steve Scott, Assistant Secretary, Consular Policy Branch

Services to diplomatic/consular representatives

Ms Anne Plunkett, Assistant Secretary, Protocol Branch

1.2—Payments to international organisations—administered**1.3—Public information services and public diplomacy**

Mr Patrick Suckling, First Assistant Secretary, Consular, Public Diplomacy and Parliamentary Affairs Division

Mr Jon Philp, Assistant Secretary, Consular Operations Branch

Mr Steve Scott, Assistant Secretary, Consular Policy Branch

Outcome 2—The protection and welfare of Australians abroad and access to secure international travel documentation through timely and responsive travel advice and consular and passport services in Australian and overseas

2.1—Consular Services

Mr Patrick Suckling, First Assistant Secretary, Consular, Public Diplomacy and Parliamentary Affairs Division

Mr Jon Philp, Assistant Secretary, Consular Operations Branch

Mr Steve Scott, Assistant Secretary, Consular Policy Branch

2.2—Passport Services

Ms Penny Williams, Executive Director, Australian Passport Office

Outcome 3—A secure Australian Government presence overseas through the provision of security services and information and communications technology infrastructure, and the management of the Commonwealth's overseas owned estate.

3.1—Foreign affairs and trade operations

Mr Tuan Dao, Chief Information Officer, Information Management and Technology Division

Mr Stuart Page, Assistant Secretary, Diplomatic Security Branch

Mr John Morrison, Assistant Secretary, ICT Services Branch

Mr David Nethery, Head, ICT Review Taskforce

Mr Ken Pascoe, Assistant Secretary, ICT Planning and Development Branch

3.2—Overseas property

Mr Peter Davin, Executive Director, Overseas Property Office and Services

Trade programs

Mr Bruce Gosper, Deputy Secretary

Bilateral, regional and multilateral trade negotiations

Ms Jan Adams, First Assistant Secretary, Free Trade Agreement Division

Mr Hamish McCormick, First Assistant Secretary, Office of Trade Negotiations

Mr James Baxter, Assistant Secretary, WTO Trade Law Branch

Mr George Mina, Assistant Secretary, Services and Intellectual Property Branch

Trade development/policy coordination and Asia-Pacific Economic Cooperation and Export Finance and Insurance Corporation

Mr Brendan Berne, Acting First Assistant Secretary, Trade and Economic Policy Division

Ms Nicola Gordon-Smith, Assistant Secretary, Trade Competitiveness and Advocacy Branch

Ms Rhonda Piggott, Assistant Secretary, G20 and International Economy Branch

Mr Angus Armour, Chief Executive Officer and Managing Director, EFIC

Mr Mathew Hocken, Associate Director, Government and Industry Relations, EFIC

Ms Amelia Joyner, Government and Industry Relations Officer, EFIC

Mr Jan Parsons, Director, Environmental and Technical Review, EFIC

Australian Trade Commission

Outcome 1—Advance Australia's trade and investment interests through information, advice and services to businesses, industry and governments

1.1—Trade and investment development

1.2—Trade development schemes (Export Market Development Grants)

Outcome 2—The protection and welfare of Australians abroad and through timely and responsive consular and passport services in specific locations overseas

2.1—Consular, passport services

Mr Peter Grey, Chief Executive Officer

Mr Peter Yuile, Deputy Chief Executive Officer
Ms Marcia Kimball, Director Human Resources
Mr David Crook, Corporate Secretary
Mr Ian Chesterfield, General Manager, Business Policy and Programmes
Mr Michael Vickers, National Manager, EMDG Policy and Scheme Development
Mr Quentin Stevenson-Perks, National Education Manager
Mr Brendan Jacomb, Group Manager, Business Effectiveness
Mr Rob O'Meara, Acting Chief Finance Officer

Australian Centre for International Agricultural Research

Outcome 1—To achieve more productive and sustainable agricultural systems for the benefit of developing countries and Australia through international agricultural research and training partnerships

1—International agricultural research for development for more productive and sustainable agriculture

Dr Nick Austin, Chief Executive Officer
Dr Simon Hearn, Principal Adviser, Strategy and Policy

Australian Agency for International Development

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

1.1—Official development assistance—PNG and Pacific

1.2—Official development assistance—East Asia

1.3—Official development assistance—Africa, South and Central Asia, Middle East and other

1.4—Official development assistance—Emergency, humanitarian and refugee program

1.5—Official development assistance—Multilateral replenishments

1.6—Official development assistance—UN, Commonwealth and other international organisations

1.7—Official development assistance—NGO, volunteer and community programs

Departmental support

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

2.1—East Asia

Departmental support

Mr Peter Baxter, Director General
Mr Richard Moore, First Assistant Director General, Asia Division
Mr Laurie Dunn, First Assistant Director General, Program Effectiveness and Performance Division
Mr Murray Proctor, First Assistant Director General, Sectoral Policy Division

Ms Catherine Walker, First Assistant Director General, Africa, West Asia, Middle East and Humanitarian Division

Mr Robin Davies, First Assistant Director General, International Programs and Partnerships Division

Mr Blair Exell, First Assistant Director General, Corporate Enabling Division

Mr James Gilling, First Assistant Director General, Pacific Division

Mr Paul Wood, Chief Financial Officer

Mr John Davidson, Assistant Director General, Office of Development Effectiveness

Ms Lisa Rauter, Assistant Director General, Africa and Middle East Branch

Mr Peter Versegi, Assistant Director General, Budget Branch

Ms Octavia Borthwick, Assistant Director General, Papua New Guinea and Solomon Islands Branch

Committee met at 9.02 am

Department of Foreign Affairs and Trade

CHAIR (Senator Mark Bishop): I declare open this meeting of the Senate Foreign Affairs, Defence, and Trade Legislation Committee. We continue our examination of budget estimates, and I think we are going to be receiving at the outset a status report from the secretary on matters relating to Syria.

Mr Richardson: Yes, Mr Chairman. Mr Stuart will address the questions left hanging from last night.

CHAIR: Mr Stuart, good morning.

Senator TROOD: May I have the floor, Chair.

CHAIR: Sorry. Senator Trood.

Senator TROOD: I wanted to catch up with the shifting sands of our policy towards Syria as a result of the statements yesterday. There were two matters I was particularly interested in. One was the sanctions matter—and I think you addressed that, Mr Stuart. I think you provided me with enough information to know where the policy is with regard to that. The matter about which there was lack of clarity was the reference of President Assad to the International Criminal Court, which was an announcement that Mr Rudd made at his speech to the Press Club yesterday, as I understand it. So can you tell us about that, please.

Mr Stuart: Yes. Mr Rudd, as you said—I think in answer to a question after he had spoken in the Press Club—said that he has written to the UN Secretary-General and separately to the current chairman of the Security Council to press that the members of the UN Security Council consider referring the situation in Syria to the International Criminal Court.

Senator TROOD: Has he done that?

Mr Stuart: The two letters have been sent, yes.

Senator TROOD: Okay. We are obviously signatories to the International Criminal Court treaty, but the referral of an individual has to come from the Security Council. Is that right?

Mr Rowe: Yes, the Security Council has the authority under the Rome Statute to refer a situation to the International Criminal Court to investigate that situation, and that investigation would be conducted by the office of the prosecutor.

Senator TROOD: Is the Australian government intending to press the Security Council to have a discussion about this?

Mr Rowe: Yes, that is the intent of the foreign minister's letter.

Senator TROOD: Is there anything else that we have not heard about in relation to this matter with regard to Syria? There is not an intention, for example, to refer anybody other than President Assad, is there?

Mr Stuart: What the foreign minister has called for is for members of the council to consider referring the situation in Syria. If it were a matter for the criminal court, that would cover the president but would extend to others. In other words, it would not just be limited to President Assad.

Senator TROOD: I see. There is a danger in this policy, isn't there, Mr Stuart?

Mr Stuart: Sorry?

Senator TROOD: Isn't there a risk in this policy that you will back President Assad into a corner and he will just fight more—he will be more determined to stay where he is and he will be more threatening, he will be more aggressive and he will visit more violence on his people than he has already done? Is that not a danger in this situation?

Mr Stuart: There are a number of things to be weighed up in the government's decision but, as the foreign minister said very clearly, it has reached the point where, with the abuse and the suppression of process there, at least there is a case that they amount to crimes against humanity, as can be prosecuted under the Rome Statute.

Senator TROOD: Do I take it, Mr Rowe, that your division has reached a view that there in fact are crimes against humanity which would mean that President Assad could be properly prosecuted by the court?

Mr Rowe: We have a very firm view that the facts as they have been reported and as we know them are sufficiently serious to warrant the referral that is being sought. We consider that the Security Council has to consider the situation and, as Mr Stuart has mentioned, the foreign minister has clearly instructed that action be taken to give consideration to the situation in Syria by the council. Of course, it is up to the council to make its own determination based on the situation as it sees it. I should mention, though, that the referral of the situation in a particular country is akin to what has occurred already in relation to Darfur and Libya, where the situation was referred by the council to the International Criminal Court, and that is strictly in accordance with the Rome Statute. An individual, per se, is not referred by the council; it is the situation. That is consistent with the Rome Statute.

Senator TROOD: I see. And is there a timeline or an expectation that you have as to how soon the Security Council would consider this matter? How quickly can it come on?

Mr Rowe: It will be up to the president of the council and the members of the council to consider the request that has been put forward. I cannot prejudge exactly how quickly they will take that action but obviously, from an Australian point of view, we would wish to see the council act very quickly in considering the request that has been put forward.

Senator TROOD: And we intend to lobby to that effect? Is that right?

Mr Rowe: Our position is very strongly in support of the council considering the situation and taking action. It would need to take action through a formal Security Council resolution.

Senator TROOD: On a matter of this type, does the Security Council need to be unanimous, or can it be a majority vote in favour—

Mr Rowe: Majority, as long as there is no veto.

Senator TROOD: Thank you.

CHAIR: Thank you, Senator Trood. In that case, we will now turn to the Pacific. Who is going to lead out there? I think you are, Senator Trood.

Senator TROOD: Thank you, Chair. Secretary, when did we begin our negotiation with the PNG government to open a possible detention centre on Manus Island?

Mr Richardson: I do have some information here relevant to that. I think it was early May, from memory.

Ms Rawson: There has been informal contact with Papua New Guinea on this issue over some period, but the more, if you like, formal discussions about it commenced, I think, in the last few weeks. I do not have the exact time of discussions at officials level, but I think you will be aware that Parliamentary Secretary Marles went in early May, on 2 or 3 May, and then returned to Papua New Guinea on 7 May. The Secretary of DIAC, Mr Metcalfe, also had discussions with PNG officials before that.

Senator TROOD: When you say 'over a period of time', Ms Rawson, is the period of time this year, or is it the last few weeks or months? What period of time are you referring to?

Ms Rawson: I am referring to towards the end of last year, in terms of the issue being raised when Parliamentary Secretary Marles visited Papua New Guinea last October. It certainly was not a focus of discussions, but there was an indication by PNG ministers at that time and references to the fact that PNG had before hosted a processing centre and might be interested in doing so again. At that time, of course, that was not the focus of the government's discussions on the issue and, as I say, the more intense and formal discussions started in the last month or so.

Senator TROOD: So we raised this matter with the PNG government, did we?

Ms Rawson: Certainly, in the visit made by Parliamentary Secretary Marles, it was raised by the Papua New Guinea government.

Mr Richardson: PNG has indicated to Australia for some time—I am not sure of the precise time frame—that it is possibly interested in hosting a processing centre. As Jennifer said, there were informal discussions late last year, but the first significant informal discussions occurred in mid-March of this year, and then, as Jennifer said, there was the meeting in early May.

Senator TROOD: Why haven't we explored this and taken these overtures more seriously?

Mr Richardson: We have. Since the possibility was raised, we have been testing the waters with them, and we have moved into that in quite a deliberate way, which is why it has progressed over the time frame it has.

Senator TROOD: There does not seem to have been a lot of urgency behind the response.

Mr Richardson: No, it has been taken forward with quite a deal of deliberation and both Parliamentary Secretary Marles and ministers have been involved.

Senator TROOD: What is the status of discussions at this point?

Senator Conroy: Ongoing.

Mr Richardson: Yes. In fact, that is precisely right.

Senator TROOD: Do we have the outline of a possible arrangement which might, perhaps, reflect the kind of arrangement which has apparently been secured with Malaysia?

Mr Richardson: We are still in the process of the discussions, and I do not believe I would help that process by speculating where precisely along that spectrum it is at.

Senator TROOD: In light of the indisposition of the Prime Minister of PNG, are we able to continue the discussion effectively?

Mr Richardson: Yes. The secretary of DIAC my good mate Andrew Metcalfe in fact informed the parliamentary committee on 23 May that a confidential MOU had been drafted and provided to PNG. So we have been able to progress it, but the discussions are continuing.

Senator TROOD: Around that MOU.

Mr Richardson: That is right.

Senator TROOD: And I assume you are telling the committee that you do not have any expectation as to when those discussions will be concluded.

Mr Richardson: No. I do not think it would helpful if I was to speculate on that, Senator.

Senator TROOD: I see, thank you.

CHAIR: Senator Kroger on the Pacific.

Senator KROGER: Thank you, Chair. I just wanted to touch on the Pacific Islands Forum firstly, and I was interested to know who was participating on behalf of the Australian government in the incoming Pacific Islands Forum which is to be held in, I think, September. Is that in New Zealand?

Mr Richardson: Yes, in Auckland. Normally, the Prime Minister attends or leads the Australian delegation. Obviously I cannot say anything that would commit a Prime Minister to any specific activity this far in advance, but I know the planning is there, all other things being equal, for the Prime Minister to attend.

Senator KROGER: I know the forum has its own board or executive—I am not quite sure what they are called—that actually organise that.

Mr Richardson: Yes, a secretariat, I think.

Ms Rawson: It is the Pacific Islands Forum Secretariat which is the organisational structure for the forum, and that is located in Suva in Fiji.

Senator KROGER: And presumably all the nation participants fund that secretariat. Is that right? Who actually funds it?

Ms Rawson: There are contributions from all members, but the bulk of the funding, as you would expect, in terms of percentages allocated to countries is from Australia and New Zealand.

Senator KROGER: Sure. So we would be clearly involved in the development of the agenda.

Ms Rawson: Yes, we will be. New Zealand, as the host country, will take a lead in discussions with the secretariat, but there will be consultations with all forum members. We will consult closely with the secretariat, the current chair, which is Vanuatu, and New Zealand on the agenda. But, yes, it is normally a very consultative process.

Senator KROGER: And have there been any discussions yet with the secretariat in terms of deliberations for that agenda, or are we too far out at this point?

Ms Rawson: I am not aware there is, as yet, a draft agenda circulating. I will check if I am correct in that, but as far as I am aware, there is not a draft yet.

Senator KROGER: If I recall correctly, I think Prime Minister Howard made a big effort to attend each of the Pacific Islands Forums when he was prime minister.

Mr Richardson: Yes, I think he missed one or two, but I think all Australian prime ministers make a big effort, and I have no doubt that Prime Minister Gillard intends to do precisely that.

Senator KROGER: And, do you recall, the one he missed, was he represented by the foreign minister?

Mr Richardson: Yes. I think he was represented by—

Ms Rawson: Yes. I think there were four of 12 forums during the terms of Prime Minister Howard that he did not attend, and I think on three or so of those occasions it would have been the foreign minister. I think on one occasion it was another minister. We can check, if you wish, to make sure those details are correct.

Senator KROGER: Sure. But the usual protocol, given the importance of the region, is that the Prime Minister attends, if the Prime Minister is able to, otherwise a senior minister.

Mr Richardson: Yes. And, certainly, current planning is that the Prime Minister will attend, and, like all her predecessors, she will make every effort to be there.

Senator FERGUSON: Chair, I think you will find that one of the ones that the Prime Minister did not attend was immediately following the election in 2002.

CHAIR: Yes, I think that is right.

Senator FERGUSON: And the foreign minister did not go either because I went.

CHAIR: Okay.

Senator Conroy: So we were not taking it seriously at all, then!

Senator KROGER: I should have been asking Senator Ferguson those questions. That is unkind, Minister.

Senator FERGUSON: It was because the ministry had not been formed completely, because it was so soon after the election.

Senator Conroy: Back then, he was not even the eldest statesmen!

Senator FERGUSON: And as I was chair of foreign affairs at that stage, I was asked would I go, I think, with Anne Plunkett, if I remember rightly.

Mr Richardson: And that was—

Senator FERGUSON: 2002.

Mr Richardson: But wasn't our election not in 2001?

Senator FERGUSON: It might have been 2001.

Mr Richardson: And then one in 2004.

Senator FERGUSON: That is right. In 2001, it was straight after the—

Mr Richardson: Yes.

Senator KROGER: Thank you, Senator Ferguson. If I could just turn to the Pacific Agreement on Closer Economic Relations, and I noted that there was no mention of this in the trade policy statement that was released last week. Could you give me an update on our commitment to that?

Ms Rawson: Yes. As you mentioned, Australia has been fully behind the PACER Plus negotiations since forum leaders decided to initiate those in 2009. I mentioned yesterday that Parliamentary Secretary Marles attended a forum trade ministers meeting in Tonga in mid-May, and PACER Plus was one of the main agenda items on that. I suppose, to summarise, Australia remains very solidly committed to the negotiation of the PACER Plus agreement. It is not going to be an easy, fast process. Apart from the usual detail of such negotiations, there is also a need for capacity building on the part of the Pacific Island country participants in those negotiations, but we remain committed to pursuing those.

Senator KROGER: Thank you. Because I noted that the Solomon Islands' trade envoy, Robert Sisilo, I think is how I say his name, commented, and I quote:

... we would certainly want some definitive confirmation from Australia where exactly or what exactly do they mean by that.

There was some concern in the area. And I raise the point because following the speculation on it, I understand that Parliamentary Secretary Richard Marles was reported to have said that PACER Plus is not like a traditional free trade agreement. And I would have thought that would come as a surprise to you, Mr Richardson, because it is listed as one of several free trade agreements that are currently under negotiation. Were you surprised? Did you hear his comments on that?

Mr Richardson: The comments that—

Senator KROGER: Mr Marles is reported to have commented in responding to speculation about our commitment that PACER Plus was not like a traditional free trade agreement.

Ms Rawson: Secretary, if I may respond to that.

Mr Richardson: Yes, please.

Ms Rawson: I think, Senator, that was—I have not the full text of his remarks, but if I may verbal the parliamentary secretary, I think what he would have been referring to was that unlike, say, an agreement, the negotiation of an FTA with China or Japan, which is the market access issues, in the Pacific the objective of the agreement is much more about promoting the economic development of the Pacific Island countries and the region promoting greater trade and economic integration. So it was a comment that was to distinguish it from the other free trade agreements on that list where, if you like, the objective is much more about opening up markets, et cetera. For Australia, as you would know, there is already the SPARTECA trade

agreement with Pacific Island countries, so they have duty-free access for goods to Australia. So that is not the objective of it for us and for the Pacific Island countries.

Senator KROGER: Thank you, Ms Rawson. That is very helpful. I just wanted to also now turn to Vanuatu—and I guess it is you, Mr Richardson—and ask what you know about the senior lawyer in AusAID who has been accused of espionage by that nation.

Mr Richardson: You might want to put that question subsequently to Peter Baxter, the Director General of AusAID, but my understanding of it is that we certainly do not consider him a guilty party in terms of the way it was described in the media. My understanding is that he was an official doing his job. He fell out with some others, and what you see is what has happened. But Mr Baxter has the details on it.

Senator KROGER: So what is the process, Mr Richardson? How is this dealt with now? There must be a diplomatic route and a rule of law route. What is the process? I am just wondering how we deal with these instances.

Mr Richardson: Yes, what we do.

Senator KROGER: I do not wish to identify the individual concerned.

Ms Rawson: Australia's high commissioner in Vanuatu has met the Vanuatu Prime Minister on two occasions to express our strong concerns about the circumstances of Mr Jenshel's departure, as the secretary said. The Australian government has no reason whatsoever to believe he acted inappropriately or unlawfully. On the contrary, he was doing his job professionally and effectively. We have not yet been provided with a reason, at a formal governmental level, for the departure of the adviser concerned, but certainly the Vanuatu government is well aware of the Australian government's concerns about how that issue was handled.

Senator KROGER: Ms Rawson, when did this happen? When did he cease—

Ms Rawson: The request that he leave Vanuatu was made on 14 May, and he left the next day.

Senator KROGER: We have sought representations in that time and had a couple of meetings. I guess, then, it is in the hands of the authorities in Vanuatu in terms of how they wish to proceed. How do you meld the two together?

Mr Richardson: I do not think the Vanuatu authorities will take any action against the person, apart from having asked him to leave, simply because he has not done anything wrong.

Senator KROGER: This is what I am trying to get to the bottom of. They have made a diplomatic gesture, and it will lie at that.

Mr Richardson: That is right. The reason for our concern is that we do not think there was a proper basis for him to be asked to leave.

Senator KROGER: Mr Richardson, I am not suggesting there is.

Mr Richardson: Yes, understood.

Senator KROGER: I was more wanting to put on the record what the process is and, in that regard, give you an opportunity to put that on the record as well.

Mr Richardson: Thank you.

Senator TROOD: Mr Richardson, what is the status of our relations with Fiji at the moment?

Ms Rawson: I think you might be aware that the minister, Mr Rudd, answered a question on this at the end of the Press Club speech yesterday and described the situation in Fiji in terms of the aggregation of the constitution, the fact that there is no space whatsoever for political opposition, media freedom, freedom of assembly, and other human rights are severely curtailed. In those circumstances, as you know, since the coup in 2006, Australia has imposed some sanctions in regard to the government, including travel sanctions, the suspension of defence cooperation, a more limited engagement with members of the Fiji interim government than we would have if we had normal relations. On the other hand, as Mr Rudd said in his response yesterday, our argument is with the regime, not with the people of Fiji, so Australia has not imposed economic trade sanctions on Fiji. The development assistance program has continued in order to provide assistance to the people of Fiji.

Senator TROOD: Ms Rawson, all that is true, of course, but our policy seems to have fallen into a huge hole here. We seem to be not moving forward. We do not seem to have engaged in any kind of dialogue, and we seem to have got ourselves into a position from which we do not seem to be able to escape. Perhaps you could tell me whether or not you agree with this observation about our policy: there is no clear mission or vision about where we are going with Fiji, yet we are going to continue doing whatever it is we are doing. It has produced no result in five years, so that does not seem to be a very sensible situation.

Mr Richardson: I might add that I think the direction of our policy is clear. Yes, there is a time frame that you have talked about and, yes, people do query that, but I think our commitment to a return to democracy and rule of law, respect for human rights in Fiji, I think must remain the core element of what our policy is about. That is an objective shared by the Pacific Islands Forum. It is shared by the Commonwealth. It is shared by the UN. It was expressed in the AUSMIN communique in November of last year with the US. It was expressed in the AUKMIN communique with the UK in January of this year. And, yes, it takes a long time, but we remain committed to that objective.

Senator TROOD: Secretary, I do not think there is any question about the clarity of the policy. In fact, that seems to me to be precisely the problem. It is clear that we have no intention apparently of doing anything. We have been in this situation for five years. I do not disagree, of course, with your position with regard to democracy. They are values which we all support in this building. But we seem to have absolutely no idea about how we are going to move the situation forward to achieve precisely those objectives which you have articulated.

Senator TROOD: We have always been prepared to engage in constructive dialogue with Fiji. You will recall a meeting last year between the Australian and New Zealand foreign ministers and the Fiji foreign minister. I think the Pacific Islands Forum Ministerial Contact Group are due to visit Fiji in June—aren't they, Jennifer?

Ms Rawson: Yes, the details have not yet been finalised, but that—

Mr Richardson: That invitation was issued by Fiji. We welcome that. We are prepared to do things. We do not simply articulate a policy objective and leave it at that. We have shown

a preparedness to engage. Each time we have shown a preparedness to engage, the Fiji authorities have sought to play a different game. We hope it is different on this occasion.

Senator TROOD: I am just wondering where our creative middle powerism here is, because we seem to be in want of ideas as to how to move this matter forward. And are we not in danger, Mr Richardson, of falling well behind the position taken by our allies?

Mr Richardson: As I said, the AUSMIN and AUKMIN communiques of November and January of this year are clear, and I do not believe we are falling behind where our allies might be at. Indeed, by and large, our allies look to us for the lead.

Senator TROOD: I understand that to be the case, but they seem to be getting impatient, and certainly Mr Campbell, the assistant secretary of state for East Asia, whom I know you know well, has said:

... the United States wanted the Pacific island nation again to be a close US partner as it was before Bainimarama's 2006 coup.

"We now hope, in close coordination with regional players, to seek more direct engagement with Prime Minister Bainimarama to encourage his government to take steps to restore democracy and freedom," Mr Campbell said.

So that seems to be a policy rather more creative, rather more on the front foot than we seem to be prepared to make.

Mr Richardson: Not quite. For instance, in the lead up to the general assembly in the UN last year—correct me if I am wrong, Jennifer—the US was looking at a meeting with Bainimarama. They laid down a couple of very minor preconditions for that, and that meeting did not go ahead. We would have welcomed that meeting. I do not think the United States is showing any more creativity than us, and, indeed, we welcome their engagement, but I think we all share precisely the same commitment and objective when it comes to Fiji.

Senator TROOD: The US congress also seems to be getting ahead of our position. In recent testimony, one congressman said:

Clearly the Australian and New Zealand policy of sanctions and isolating and punishing Fiji have not only failed, but have been totally counterproductive.

Mr Richardson: Senator, would that be the congressman from American Samoa?

Senator TROOD: It could be. I do not think he is quite identified, but it is a name that might suggest that.

Mr Richardson: Yes, that is right.

Senator TROOD: But he is a congressman.

Mr Richardson: And he has a well-known view, and any suggestion that he represents the views of the US congress would not be right.

Senator TROOD: I am not suggesting that he—

Mr Richardson: He speaks for himself and no doubt some other people might agree with him, but the US congress has not expressed any such view.

Senator TROOD: I am grateful for that clarification, but that is not just the opinion of a single US congressman, I think. The quote I originally drew to Ms Rawson's attention was a quote from Mr Rawlings from the Australian civil liberties group in testimony to the joint committee of the parliament just last week. So there are people beyond the United States who

express a measure of frustration, shall I say, about the progress we are making to try and achieve the very objectives that you have outlined.

Mr Richardson: And we share the frustration.

Senator TROOD: Maybe we need to look a little more creatively as to how we might advance the matter. We are not without resources, I would have thought. There seems to be a danger that we are being outmanoeuvred by Fiji in its desire to draw together a coalition of states within the Pacific, which causes our position perhaps to deteriorate.

Mr Richardson: I think the various communiqués issued by the Pacific Islands Forum are clear. There has been agreement. And as I mentioned, the Pacific Islands Forum Contact Group, we very much hope that that contact group is able to go to Fiji in June. We very much hope that Fiji does, in fact, follow through on that invitation, and that arrangements are in place. We want that to happen. So we are not sitting back, doing nothing. We are actively engaged, and I do not believe there is any other country outside the region that is more engaged than we are inside the region.

Senator TROOD: So the contact group you say during this month.

Mr Richardson: Yes.

Senator TROOD: Are there proposed dates for the meeting as yet?

Mr Richardson: No. Arrangements have not yet been put in place. As I said, we very much hope that Fiji follows through on the invitation, because we think that is an important development and we would like to see it followed through.

Senator TROOD: I will look upon that development with great interest, and I wish you well with that enterprise.

Mr Richardson: Thank you.

Senator FORSHAW: I have just been listening to the discussion between Senator Trood and you. There have been situations, we know, where Australian journalists have been effectively banned or barred from Fiji. That has happened to other journalists from other countries, foreign correspondents, I understand, has it not?

Mr Richardson: I would refer to Ms Rawson.

Ms Rawson: Yes, I think it has. I would have to look at the record to be sure, but I think it has to at least New Zealand journalists. I note that the journalist who asked Mr Rudd the question yesterday at the Press Club also made the point that he was not able to go back because he had written—

Senator FORSHAW: He was one of the foreign correspondents, yes.

Ms Rawson: It is just typical of—

Senator FORSHAW: In other words, Australia is not the only country —

Mr Richardson: Precisely.

Senator FORSHAW: I think it is important to have that on the record. Thank you.

Senator TROOD: I would like to explore, Mr Richardson, the status of the discussions the Australian government is having with the Solomon Islands government about the possibility of establishing a processing centre there.

Mr Richardson: I stand to be corrected. I do not think we are actively engaged in discussions at the moment are we, Jennifer?

Ms Rawson: No.

Senator TROOD: There have been some overtures from the Solomon Islands government, I think. Is that at least correct?

Mr Richardson: That is right.

Ms Rawson: Yes.

Senator TROOD: That is right, good. I am not being completely misinformed.

Ms Rawson: No.

Senator TROOD: So have we rejected these overtures, have we?

Mr Richardson: No, we have not rejected them. Our focus at the moment is on possible arrangements with Malaysia and Papua New Guinea.

Senator TROOD: Are we not able to simultaneously discuss the possibility of establishing a centre with the Solomon Islands as well?

Mr Richardson: We think it is best to focus where we are at the moment.

Senator TROOD: Why do we think that, Mr Richardson?

Mr Richardson: We have made good progress. There is an existing facility, albeit it needs work, on Manus, and the discussions with Malaysia so far have gone along quite well. We do not see a need just yet to put the Solomon Islands in precisely the same mix.

Senator TROOD: Do we think that there is likely to be sufficient capacity, if that is the government's view, in Malaysia, Manus Island, perhaps elsewhere, that any offer of facilities in the Solomon Islands will not be required?

Mr Richardson: We would need to measure that out as we go along.

Senator TROOD: So what have we told the Solomon Islands: 'Not yet, thank you. We may come back you.' Is that the essence of the policy?

Mr Richardson: That is essentially the essence. We have certainly thanked them. We have not closed off taking forward discussions at some point, but the focus is very much on Malaysia and PNG.

Senator TROOD: The report in the *Australian*, as recently as 31 May, said:

Negotiations between the Solomons and Australia reached a reasonably advanced state before being discontinued.

Is that an accurate report?

Mr Richardson: I do not believe that is accurate.

Senator TROOD: You did not say they were discontinued, but they are not being pursued at this stage?

Mr Richardson: Again I stand to be corrected, but I do not believe our discussions with the Solomons have yet reached a point where they could be described as 'advanced' and I am not playing around with words there. I just do not think they would come near to that definition or description.

Senator TROOD: And there are no continuing discussions on the subject at the moment.

Ms Rawson: No.

Senator TROOD: Thank you.

Senator KROGER: On that same point, with the discussions in relation to Manus Island, because we are dealing with the Pacific, do those discussions include financial support that are not directly related to running the detention centre on Manus Island?

Mr Richardson: I do not know. The discussions with PNG are still in play, and I would not want to speculate about those discussions and what may or may not be part of those discussions.

Senator KROGER: I understand the position you are in, Mr Richardson, and I am sure you can appreciate why we are sceptical of discussions.

Mr Richardson: Yes.

Senator KROGER: We had an East Timor solution flagged publicly and clearly there were no real discussions apparently happening behind the scenes, and we have the Malaysia solution being promoted at the moment, and we also have Manus Island running along a parallel course. We have seen speculation and comments in relation to Solomon Islands, but there is no clarity on our policy direction in this regard. Particularly in relation to Manus Island, I think it is a reasonable question to ask whether we are considering a different arrangement that requires financial support—for instance, in aid—given the Australian government's focus and level of support through AusAID. So I think it is a reasonable question to ask whether in fact other aid considerations are being considered in the mix.

Mr Richardson: Sure. I do understand the focus of your question, and I do understand the background to your question, but I am still not in a position to speculate about what might be part of discussions which are currently in play.

Senator KROGER: Is anyone in your department involved in those discussions?

Mr Richardson: Our Ambassador for People Smuggling Issues has been involved in those discussions.

Senator KROGER: Along with the ambassador are there any other DFAT officials involved in those discussions that are supporting the dialogue?

Mr Richardson: Our high commissioner in Port Moresby, Ian Kemish, would obviously be involved, and there might be one or two people in a supporting arrangement with James Larsen, but James Larsen is the key person in the department who becomes involved in those matters.

Senator KROGER: Can you confirm that there are one or two people in the department involved in those discussions?

Mr Richardson: No, I would need to take that on notice. James does not work on his Pat Malone but I just need to see precisely what support he may or may not be getting inside the department on these particular discussions.

Senator KROGER: That would be great if you could take that on notice and the level of those officials would also be helpful.

Mr Richardson: Sure.

Senator KROGER: Thanks, Senator.

CHAIR: Thank you. Further questions on the Pacific?

Senator STERLE: Yes, I do. Mr Richardson, did Mr Rudd attend all the PIF Summits?

Mr Richardson: Yes.

Ms Rawson: Yes, he did, Senator.

Senator STERLE: When did we last host the PIF Summit?

Ms Rawson: In 2009 in Cairns.

Mr Richardson: That is right.

Senator STERLE: How did Australia support Christchurch during the earthquake?

Mr Richardson: We responded immediately, as you know. I think a search and rescue team was despatched as soon as possible. There was a very big commitment of police, law enforcement officers. You will be aware that the different states got together with the AFP. I think they put together around 300 or so law enforcement officers, who, on walking through Christchurch Airport on arrival were given a standing ovation by the people who were at the airport. So I think our response to the devastating earthquake in Christchurch was immediate and it was substantive.

Senator Conroy: Can I just add to that that the role played by the department was also important. I know of examples, which Dennis may remember, even as estimates was taking place last time, there were Victorian Police needing urgent assistance to get on the plane, get passports and the department were fantastic in responding, working all night to make sure that particularly the Victorian Police were able to get their delegation across to help, and I just want to put on the record congratulations to the department and those who worked long and hard in a very short time overnight to make sure all the Victorian contingent could get there.

Senator STERLE: Mr Richardson, could you please tell us the benefits to Pacific Island countries that we expect to arise from PACER Plus?

Mr Richardson: PACER Plus would lead to more effective integration of regional economies. It would lead to, hopefully, some boost in trade, economic activity and employment. Jennifer, I don't know whether you wish to add to that.

Ms Rawson: Just to say that we would hope to see, with the opening up of the economies and PACER Plus, the kind of capacity building and restructuring that would take place as part of that. We will be able to boost jobs, private sector participation in growth, and raise standards of living.

Senator STERLE: Have we seen signs recently that RAMSI is having an impact against its objectives in the Solomon Islands?

Ms Rawson: Senator, I think we consider that RAMSI has made significant progress in its objectives in Solomon Islands in regard to certainly restoring stability, security. I think it would be fair to say there is still some fragility in the overall security situation, but that is mainly related to, if you like, more law and order issues than the kinds of tensions that were there before RAMSI's arrival. There has been progress made in terms of boosting the capacity of Solomon Island government authorities, particularly in terms of the financial systems and management, the accountability institutions. There has been some progress in terms of particularly providing the circumstances in which there can start to be some economic growth. I would add the caveat against that though, it is obviously a very complex and difficult

situation in the Solomon Islands, and any endeavour such as RAMSI, that nation-building sort of exercise, can take a long time.

[09:58]

CHAIR: We will now turn to International organisations and legal issues. Do you have any material there, Senator Trood?

Senator TROOD: I do. Secretary, I think the department is responsible for the contributions that Australia makes to UNHCR. Does that come from your appropriations, or does it come from AusAID's?

Mr Richardson: It does not come from departmental appropriations.

Senator TROOD: No, I realise it is not a part of the operational expenses of the department; I am wondering whether it is a particular appropriation for an international organisation.

Ms Stokes: I think that UNHCR would receive contributions from DIAC and AusAID.

Senator TROOD: So you are absolving yourself of any responsibility for this matter. Is that right?

Ms Stokes: We have a keen interest in UNHCR.

Senator TROOD: I do not suggest you do not, but I want to know who pays the bills. If you do not pay the bills, then I will move on to something else.

Mr Richardson: It is not us.

Senator TROOD: It is not you.

Mr Richardson: No.

Senator TROOD: We can ask AusAID in the hope that they pay the bills.

Senator KROGER: That was an effective hand ball.

Senator TROOD: I take it because you do not pay the bills you do not make any decisions about the size of the amount of money that we pay to the UNHCR?

Mr Richardson: I believe we would be consulted. I think we would—

Senator TROOD: Perhaps if Ms Stokes—

Mr Richardson: As a matter of normal practice we would be consulted in respect of the size of contributions to various UN bodies.

Ms Stokes: Yes. And also our ambassador in Geneva, of course, plays a key role in relation to the UNHCR.

Senator TROOD: Perhaps since you are here and I am on this theme, Ms Stokes, you are a target of opportunity, if I can put it that way. I just noticed the Australian government contribution to UNHCR has risen significantly since 2007 from \$16.6 million up to now in the vicinity of \$45 million. I would like an explanation, if you can give me one, as to why there has been such a very significant increase in that contribution.

Mr Richardson: I think it reflects government priorities, it reflects government concerns in respect of different refugee situations globally, it reflects government recognition of the important role played by the UNHCR in responding to the issues that arise in people

movement globally and it reflects the historical relationship that we have had with the UNHCR over many decades.

Senator TROOD: Is any proportion of this figure of \$45 million attributable to any particular programs?

Mr Richardson: We would have to take that on notice.

Senator TROOD: You cannot tell me that, Ms Stokes?

Ms Stokes: No, I am sorry. I do not have any information on that there.

Senator TROOD: I will seek to engage AusAID on this perhaps more productively. We, I assume, as a matter of government policy, continue to support the existence or the creation of a United Nations Green Climate Fund. Is that correct?

Ms Stokes: Yes, that is right.

Senator TROOD: That remains government policy?

Ms Stokes: That is right.

Senator TROOD: What proportion of the funds that are going to be raised from the carbon tax will be attributable to our contribution to the United Nations Green Climate Fund?

Mr Richardson: I do not think we are in a position to comment in respect of what disbursement there may or may not be off the back of any carbon tax.

Senator TROOD: Have there been any policy preparations in relation to this matter?

Mr Richardson: I think those questions should be addressed to the department of climate change.

Senator TROOD: We can certainly do that, but I am keen to know whether or not your department has had any contribution to the development of policy around this matter.

Mr Richardson: We have certainly had contributions to make in respect of the international dimensions and the potential trading dimensions of climate change. Whether we have on this particular matter, I would refer to Deborah.

Ms Stokes: With respect to the Green Climate Fund, Cancun, the meeting last year, created a transitional committee to design the fund in 2011, and AusAID's Deputy Director-General, Ewen McDonald, represents Australia on that committee. So AusAID is playing the lead role with respect to the shaping of the Green Climate Fund.

Senator TROOD: I see. Ms Stokes, has the government collected any comparative data as to the contributions that other countries are intending to make to the climate fund?

Ms Stokes: AusAID is investing a lot of time and effort into its role on this committee. I do not have the information in response to your question. They may have information on that.

Senator TROOD: You do not have any data about what other countries are doing and how much they are prepared to contribute?

Ms Stokes: I do not have that, no.

Senator TROOD: All right. Thank you for that.

Senator KROGER: Ms Stokes, you are saying that AusAID will have that information, as the lead agent?

Ms Stokes: They may have. They are participating on the committee that is designing the Green Climate Fund. It is an international committee.

Senator TROOD: I think this is in your bailiwick. It is not quite as clear in relation to the other matters I raised. Mr Rudd, earlier this year, spoke about the need for a new diplomatic forum in the Indian Ocean region—something apparently akin to the Asia-Pacific community. What is the status of that proposal?

Ms Stokes: I think my colleagues from another division might be able to respond on that. I do not know if David Stuart is here.

Senator TROOD: He was here, but I did see him leave.

Mr Richardson: There is an Indian Ocean grouping. I think India is about to take over the chair. We are about to take over the deputy chair, and then we will follow India into the chair. Mr Rudd's comments derive from a view that the Indian Ocean may, over the next 10 to 20 years, assume a significance which it has not always had. You have the growing weight of India. You have a US presence there. You have increased China interest. A lot happens around the rim of the Indian Ocean, both in terms of South and West Asia, but also along the eastern seaboard of Africa, particularly the Horn of Africa—piracy issues and the like. Mr Rudd's comments I think reflect that mix of factors.

Senator TROOD: Is this matter now under active consideration, Mr Richardson?

Mr Richardson: Yes. Both Foreign Minister Smith and Foreign Minister Rudd have taken an active interest in matters relating to the Indian Ocean and have sought to enhance Australia's engagement.

Senator TROOD: Insofar as this proposal has taken shape, is it a proposal that embraces both economic and security dimensions of the Indian Ocean region, or is it narrower than that?

Mr Richardson: No. There is already an Indian Ocean grouping of which we are part and which we will, over the next couple of years, take over the chairmanship of.

Senator TROOD: I am very familiar with this area, Mr Richardson. One of my earliest published works was on the Indian Ocean, and it is a fine work. It is a bit dated now, but I commend it to you. It is called—

Senator Conroy: Tell us all about it.

Senator TROOD: I will, Senator Conroy: *The Indian Ocean: perspectives on a strategic arena*. I am sure it is in the DFAT library.

Mr Richardson: What year was it, Senator?

Senator TROOD: It is a bit dated, as I say.

Mr Richardson: I would be genuinely interested.

Senator Conroy: 'Dated' in your terms could really date it.

Senator TROOD: Somewhere in the eighties.

Mr Richardson: Thank you.

Senator TROOD: When the world was rather different to the way it is now, Mr Richardson. To pursue the Asia-Pacific community ideal, Mr Rudd established Mr Woolcott

as an envoy and he spent a lot of time and money, indeed, pursuing that. Is that the similar proposal in relation to this matter?

Mr Richardson: No, because a grouping exists, a grouping is working and it has been re-energised over the last year or so.

Senator TROOD: I see. Is there anything on the horizon specifically that might advance the proposal?

Mr Richardson: I would need to take that on notice. I am not sufficiently personally familiar with it to give a confident answer to that question.

Senator TROOD: I see. I am happy for you to do that. Over the last two days you have taken a lot of issues on notice. Is there anything, having taken it on notice, that you are able to inform the committee about as yet?

Mr Richardson: Not yet. I would note that a lot of the questions did relate to negotiations currently underway and there are obvious sensitivities in relation to that.

Senator TROOD: I see. I assume this is in this area. Legal services—is that part of your area?

Mr Rowe: Yes, Senator.

Senator TROOD: Mr Rowe. I asked a question on notice. It was question 27, for which you gave me a very fulsome response, disaggregating the department's expenses in relation to internal and external legal expenses. I notice there has been quite a significant increase in costs of legal expenses. Has the department become particularly litigious lately? How do we explain the increase from \$3.2 million to, well, double, at \$6.5 million for that period of time? These are the internal legal costs.

Mr Rowe: Those reflect a calculation of the time spent within the department by officers in the legal area working on a range of issues. In fact, as a comparison, the figure for external legal services for the period of the current financial year is around \$414,000, so that reflects a reduction compared to previous years.

Senator TROOD: Do not misunderstand me, Mr Rowe. They may well be perfectly proper, and I do not doubt they are, but I am interested to know that they have doubled, and I wonder whether or not that fact reflects an expenditure on a particular group of issues. Is it just the consequence of some matters that departments have had to litigate, for example? Is it a reflection of the policy agenda that you are pursuing now? The amount has doubled.

Mr Rowe: There have been some matters that have required a lot of attention during the period.

Senator TROOD: Which are they?

Mr Rowe: I am not able, and it would not be appropriate, I think, to absolutely identify each particular matter, but there have been matters that have required quite a degree of focus and attention internally as well as externally. But our policy approach currently is to ensure that we are able to take a cost-effective approach, both internally and externally, to the handling of matters. As I said, that is reflected in the reduced figure for external legal advice in the current period so far in this financial year.

Senator TROOD: I would be astonished if you were profligate on these matters, so that is not the question. The question is: what have you been spending the money on? If there are

some broad categories, if there are some particular issues which have consumed large amounts of the budget, then I would be grateful for information on that point. If it is a lot of trivial matters, then I am not so interested. If this is a reflection of the fact that the department has had to expend good money, which it does not have, on particular issues, whether they be related to workplace relations or anything else, I would be interested to learn what they are.

Mr Rowe: Some of that figure, of course, obviously relates to amounts that have been paid in relation to settlement or administrative law matters that the department has settled. So cumulatively that adds up to quite a significant amount.

Senator TROOD: Well, Mr Rowe, you say 'of course', and you may well be right, but I do not know from what you have told me what this expenditure is. It is not transparent. You have told me that it is not internal matters—and I can guess the kind of things that might involve—but I do not have any clarity from the answer you have given to my question as to the kinds of things you have been spending the taxpayers' money on.

Mr Rowe: We can break that down in further advice to you.

Senator TROOD: Would you do that, please?

Mr Rowe: Yes.

Senator TROOD: You do not need to list every single cent that you have spent but, if you could indicate some broad areas of expenditure, that would be helpful.

Mr Rowe: Certainly. We can do that.

Senator KROGER: I wanted to discuss the vacancy that exists at the head of the IMF given the resignation of Mr Strauss-Kahn. Firstly, Mr Richardson, I was wanting to know if you have been involved in any discussions about Australia's position on the successor to Mr Strauss-Kahn.

Mr Richardson: No, I have not.

Senator KROGER: So there have been no discussions from the department at all in relation to it.

Mr Richardson: Certainly no discussions involving me. The department with principal responsibility for that is the Treasury, of course.

Senator KROGER: Minister, perhaps you can give us an update on whether the Australian government is taking a position, making any representations. I note that the last 10 heads of the IMF have all come from Europe. There are, though, some 187 countries that are members of the IMF. It is a 24 member executive. Given the emerging economic powerhouse of the Asia-Pacific region, is Australia making representations in terms of where the next successor should come from.

Senator Conroy: I think Mr Rudd did get asked a question along these lines at the Press Club yesterday by Phil Kourie, I think. I briefly saw it.

Senator KROGER: I did not see it.

Senator Conroy: I just saw it very briefly, either late last night or early this morning, but I do not have a copy of the transcript. I am happy to get you a copy of that, and also any further information from the minister on that.

Senator KROGER: If you would not mind coming back to us, Minister, and giving us an update of what our position is, if we are taking a position, because I think there are many in Australia who would consider that we could nominate a candidate who would be a very worthy head of the IMF. So if you could come back to us, that would be very helpful.

Senator Conroy: Who could that be? Any ideas, Senator Bishop?

Senator KROGER: We do have an outstanding track record of—

Senator Conroy: Senator Ludlum, any thoughts? This sort of soliciting in public is very embarrassing.

Senator KROGER: Hardly the case at all. I would have thought you would have wanted to push the credentials of Australia in leading such an organisation.

Senator Conroy: He is an Essendon fan; that rules him out.

Senator KROGER: To suggest that it was embarrassing would not be the case at all.

Senator Conroy: He is an Essendon fan, which means he cannot possibly be supported.

Senator KROGER: If you could come back to us, Senator Conroy, that would be great.

Senator Conroy: I will come back with any and all information we have for you, Senator Kroger.

Senator KROGER: Thank you.

Senator Conroy: But your solicitation on Mr Costello's behalf is noted.

Mr Richardson: I can inform you what Mr Rudd said yesterday in response to a question, as the minister said, from Mr Kourie. The minister, first of all, made reference to the fact that appointments to the IMF are within the Treasurer's portfolio, not his, so that was the first point he made. Secondly, he referred to the Treasurer's comment that appointments should be merit based. On the question of regional representation, Mr Rudd referred to a question he answered at a press conference in Oslo the previous week in which he said that he believed our friends around the world needed to take a lot of cognizance of the fact that the engine of the 21st century global economy is in our neighbourhood. It is the Asia Pacific region. He said that the projections are clear—that 40 per cent of the GDP will come from Asia. And, therefore, he said that we believe that any assumption that this position automatically flows to our good friends in Europe is of itself not only contestable but just wrong. He went on to say that he had not seen any Australian candidate formally put forward, that he was sure Mr Costello had a range of talents and strengths which were not all universally shared across the nation. Mr Rudd said that he had always had, in post-politics, a good working relationship with Mr Costello and that he believed Mr Costello had been an effective leader in Australian public life, but that the question of specific nominations did not lie within his province, nor would he seek to make any comment to that effect.

Senator KROGER: Thank you very much for those. And I look forward to the minister's update as to whether the Treasury is taking a bit of lead on it. It would be good to know.

Senator Conroy: Yes. That is slightly outside of Mr Rudd's responsibilities, as indicated, but we can see if Mr Swan has—

Senator KROGER: You have been very obliging in these estimates, Minister. I am sure you can do your very best.

Senator Conroy: I will see what we can do.

CHAIR: Now we will move on to national security, nuclear disarmament and non-proliferation.

Senator TROOD: In the DFAT budget statement, page 25, there is a reference to the new global terrorism forum. Can someone explain what that is for me, please?

Mr Paterson: The United States has proposed the creation of a new global counter-terrorism forum to work on better information exchange and the development of best practice across the counter-terrorism agenda. It hosted a first meeting of this forum in Washington in January comprised of, I think, around 23 or 24 countries of which Australia was one. A second preparatory meeting for this forum was held in Istanbul in April, and the forum itself is expected to be launched in Washington—probably New York, in fact—in the context of the UN General Assembly in September this year at foreign minister level. Australia has been a participant from the outset, and we expect to play a solid and creative role in the forum itself and in its working groups.

Senator TROOD: And what is the mandate of the forum, Mr Paterson?

Mr Paterson: The mandate is, in fact, pretty much as I explained: amongst a group of like-minded countries, to better exchange information on counter-terrorism. But I think 10 years out from the attacks in the US on 9/11, there is a growing realisation that we need to look to the long term and to develop long-term solutions. That is, simply, that pre-emption and law enforcement, whilst they have been quite effective, have not dealt a final blow to this problem, that we need to look at longer term issues such as criminal justice and longer term strategies to counter violent extremism.

Senator TROOD: And how many participants are there in the forum at the moment?

Mr Paterson: I stand to be corrected, but just on recollection around 24. But it is proposed to increase this number to around 30 by the time of the September meeting. It has a good geographic spread, and it does include a number of Muslim majority countries amongst its membership.

Senator TROOD: I see. But it is state members. Countries are members rather than NGOs or other organisations.

Mr Paterson: That is correct. But I think it is the intention, particularly in the working groups, to draw on NGOs' expertise.

Senator TROOD: I see. And does it have a secretariat somewhere?

Mr Paterson: The United States State Department has offered to provide the secretariat for the first couple of years. Turkey has been co-chairing some of these meetings to this point and has indicated a preparedness to take over the secretariat, again for a period to be decided by the membership, after that.

Senator TROOD: I see. And is there a formal constitution for the organisation?

Mr Paterson: No. There will be issued in September a statement of principles and operating procedures.

Senator TROOD: I see. And are we obliged to make a financial contribution to this activity?

Mr Paterson: No, we are not. The United States will host a small secretariat, and the only expenses specifically related to this forum will relate to our own participation.

Senator TROOD: I see. And you are representative at that forum, are you?

Mr Paterson: At this stage, yes, although I expect that the launch in September will be at foreign minister level.

Senator TROOD: I have some other questions relating to the International Commission on Nuclear Non-Proliferation and Disarmament, and, in particular, its recommendation that a global centre on nuclear non-proliferation and disarmament be established to focus and encourage the continuing interest of the whole international community, governments and civil society alike, in eliminating nuclear threats once and for all. Is there an intention to proceed with that recommendation or accept that recommendation, Secretary?

Mr Richardson: I think there is work going on on that, but, Allan, are you more up to date?

Mr McKinnon: Yes, there has been a little bit of a hiatus since the report was released as there have been efforts to gauge interest from around the world in a centre based in Canberra, and there is now one being established at the Australian National University. The Department of Foreign Affairs and Trade is making a contribution to the first two years' budget of that centre, and it is effectively going to be up and running any time now. The centre is going to be headed by Professor Ramesh Thakur, and he is already at the ANU.

Senator TROOD: I see. So Professor Thakur's centre is effectively a response to this recommendation from the commission. Is that right?

Mr McKinnon: Yes, it is. Professor Evans, who was of course the co-chair of the Commission, has been instrumental in organizing it and recruiting Professor Thakur.

Senator TROOD: I see. And what is the extent of the financial contribution that —

Mr Richardson: Ours will be 600,000 over two years.

Senator TROOD: 600,000 over two years. Do you know what the overall budget is, Mr McKinnon?

Mr Richardson: I don't know, Senator.

Mr McKinnon: The overall budget is roughly double that.

Senator TROOD: I see. So we are paying half of it, for the—is that right?

Mr McKinnon: That is right.

Senator TROOD: And, what are the other costs being met by the Australian National University?

Mr Richardson: There is a range of—it would be good if they did, they have a bigger budget than the Department of Foreign Affairs and Trade.

Senator TROOD: It is an embarrassment that that is the case.

Mr McKinnon: There is a number of international supporters, different think tanks and foundations and so forth, which make up the remaining money.

Senator TROOD: I see. And how many staff will attend, apart from Professor Thakur?

Mr McKinnon: The plan is to have—Professor Thakur will be half time dedicated to the centre, and my understanding is that there is another two fulltime staff, a researcher and a person who is more of in an administrative capacity.

Senator TROOD: All right. Thank you. Okay. I think we might take a break and come back at 10.45.

CHAIR: The committee is suspended.

Proceedings suspended from 10:31 to 10:46

CHAIR: We are on national security, nuclear disarmament and nonproliferation.

Senator TROOD: Ambassador Paterson, you received \$28 million in the 2009-10 budget, I think, for the funding for your area of activity—\$28.1 million, I think it was, over three years. Is that right?

Mr Paterson: Over three years.

Senator TROOD: Does that remain your budget for your activities?

Mr Paterson: That is correct.

Senator TROOD: You have had no supplementation since then?

Mr Paterson: No. From time to time, we discuss with AusAID—in particular, we did so after the terrorist attacks in Indonesia in July 2009—whether some funding proposals we had were eligible to be met from the aid budget and, in fact, it was agreed at that time to provide some additional money which was allocated to the Department of Infrastructure and Transport Office of Transport Security for things like aviation security in Indonesia.

Senator TROOD: Is that money that is available for your purposes?

Mr Paterson: It was transferred to us to administer, and we passed it on to the Office of Transport Security to implement.

Senator TROOD: So that was one of your programs, was it?

Mr Paterson: That is correct.

Senator TROOD: On this \$28 million: how have you focused the funding here? Have you focused on particulars programs or items, or is part of that for your staff—if indeed you have a staff? I would be grateful if you could just address that issue. I would just like to understand how you are operating, please.

Mr Paterson: Under my position there is a Counter-Terrorism Branch in the Department of Foreign Affairs and Trade, which, on a day-to-day basis, works directly to my colleague Allan McKinnon, largely because a fair slab of my time is spent out of Canberra. The numbers vary from time to time, but we would have an average of about 12 staff at any one time filling positions there. Aside from working the counterterrorism policy and supporting me in things like the global counterterrorism forum you just mentioned, there is a lot of work involved in the administration of the funding that you just mentioned. We operate, in fact, something like a small development assistance agency in terms of allocating that funding, monitoring implementations of projects in partner countries.

Senator TROOD: What sorts of projects are you putting the funding into?

Mr Paterson: We consult with our embassies in key countries of concern: in South-East Asia they have principally been Indonesia and the Philippines and, to a lesser extent, perhaps

Thailand; South Asia with a focus on Bangladesh and Pakistan, in particular; and elsewhere in the Middle East as opportunities permit. For instance, Minister Rudd is keen for us to develop some work in Yemen but, in the absence of an embassy and given the precarious security situation there, we have not been able to implement that as yet. I led a mission there at the end of January to look at what we might be able to do, working with other partners there.

Senator TROOD: How much of the \$28 million do you still have left?

Mr Paterson: I cannot give you an exact figure, but we are expending that on a pro rata basis over the three years, and we fully expend funds in each of those years. There has, at times, been some slowness in delivery on projects, but we have more projects than we can fund.

Senator TROOD: Are these projects with a limited life, or are they continuing? Are you contributing, for example, to multilateral projects which are part of the area of counterterrorism?

Mr Paterson: We do work with the United Nations Counter-Terrorism Committee Executive Directorate, which is headed, in fact, by my immediate predecessor, Mike Smith, and we have recently begun to work more closely with the UN Office on Drugs and Crime, UNODC. We do this in a project-by-project basis. With the Counter-Terrorism Committee Executive Directorate, we have been funding workshops for police and prosecutions from South Asia, which provides a very unusual opportunity, in fact, for police and prosecutors from the countries of South Asia to get together. As you would know, political developments there mean that much of the time they do not speak to each other, so this has proven to be quite productive.

Senator TROOD: Are the funds being directed in any significant proportion to a particular area, or are they spread fairly widely?

Mr Paterson: We work on an opportunity basis, but we consider Indonesia to be our No. 1 priority, simply because it is a very large country and there is a lot that, in our view, needs to be done there to support the impressive growth in effort and impressive effectiveness of effort, too, that has been applied in Indonesia since the first Bali bombing. But clearly there are a lot of areas that need attention there. One of the key ones we are working on at the moment is the corrections sector. We began by working with the Asia Foundation to assist them as implementing partner to develop a computerised database of prisoners within the Indonesian prison system. That led to the Indonesian cabinet adopting a prison reform program and, under that, we are now funding two Australian corrections officers from Corrective Services New South Wales who are working in one of the main prisons in Jakarta, which is home to quite a significant number of terrorist prisoners.

Senator TROOD: I want to ask you about Indonesia and, in particular, this recent ASPI report which I assume you have seen—*Jihadists in gaol* et cetera. Do you agree with the general conclusions that that report has reached about the state of terrorists in Indonesian prisons, at least the ones they have spoken to?

Mr Paterson: It is a point of concern, and it is one that is acknowledged by Indonesian officials themselves. It is a point of weakness, I think, in the system. Their corrections sector does require a significant input in facilities, in training, in reform, and there is evidence that the management of terrorist prisoners has been less than ideal and, indeed, that a small but

significant number of terrorist prisoners who have completed their sentences have reverted to joining extremist groups on release.

Senator TROOD: The report says 600 individuals were arrested on terrorism charges in Indonesia. Is that broadly in conformity with your understanding?

Mr Paterson: That is broadly. The figure last week that the Indonesian police were using had grown to 643. There are others that suggest it is maybe a little bit below that figure, but it is broadly of that order, with around 450 of those having been convicted on terrorism related charges.

Senator TROOD: Are they still in prison?

Mr Paterson: No. Probably close to half that number have completed sentences and have been released.

Senator TROOD: So 450 went to gaol. Half that number, 225, more or less, have now been released. Do you have any knowledge about whether they are recidivists? Have they repeated; have they gone back to their old ways? Is there any reason—

Mr Paterson: It is a mixed picture.

Senator TROOD: It seems to me that this is a good story, in a way. It is encouraging that Indonesia has been so assiduous in trying to track down terrorists and deal with them in an appropriate way in relation to the judicial system. That is terribly encouraging. They have been in goal. They have served their term, but, if they are actually then leaving prison and going back to their old ways, then that is a dimension of this activity that causes me some alarm.

Mr Paterson: Yes, it causes us concern too and it causes our Indonesian partners concern. Indonesia's record on counterterrorism is outstanding. I think it is probably the best example globally there has been over the last decade, but they would be the first to acknowledge that there are weaknesses. About 15 or 16 months ago, they discovered a terrorist training camp in Aceh. They have arrested around 100 people involved with that camp, and I think around 24 of those were people who had formerly served a time in prison on terrorism related charges. So there is certainly a degree of recidivism. One of the things that we would very much like to work on with Indonesia in the period ahead is to seek to work with them on developing a disengagement—some describe this as a deradicalisation program, but perhaps it is best described as rehabilitation/disengagement for terrorist prisoners.

Senator TROOD: It is a—

Mr Richardson: Senator, could I add to that just a couple of broad comments. The challenge of people being convicted and sentenced on terrorism related offences and then subsequently, once they serve their sentence, again engaging in that sort of activity is simply a risk inherent in the system. You can seek to minimise that risk through the programs that Ambassador Paterson is talking about, but you cannot eliminate it. We have all wanted to see Indonesia develop in the rule of law. We have wanted to see Indonesia become democratic, and Indonesia today is a vastly different country to what it was 15 years ago. Its record, as Ambassador Paterson said, in the counterterrorism area has been truly outstanding. As Ambassador Paterson said, this is a weakness in the system. It is a challenge, if you like. It is a challenge that we face; it is a challenge that the United States faces. About 10 to 20 or more per cent of the people who have been released from Guantanamo Bay have ended up back on

the battlefield. So you can seek to minimise a risk through your counter-radicalisation programs, but we will not eliminate it.

Senator TROOD: That is a salutary observation, Secretary. There is, in fact, a passage, I think, in the ASPI publication that says that 'counter-radicalisation programs in Indonesia are having a limited effect on the trajectory of terrorism and militancy and recidivism rates are on the rise.' Is any part of your work, Ambassador Paterson, directed to trying to address that problem?

Mr Paterson: It is.

Senator TROOD: Acknowledging the secretary's observation—with which, of course, I entirely agree—that that it is extremely difficult to deal with.

Mr Paterson: It is. That is true across the spread of countries we are concerned about. It is an area that we do not normally draw too much attention to publicly. We work with a range of governments, but more particularly we often operate through NGOs in partner countries largely because there is often sensitivity about the operations of external governments in this area. So we look for local partners who have sensible and effective local networks and local programs and seek to provide seed funding for activities that we jointly agree are likely to have some impact over the medium term. But I have to say we are reluctant to—I would be happy to talk perhaps privately a bit more about this to you, but we usually do not like to go on the public record because it can actually work against our longer term objectives.

Senator TROOD: It looks like you are doing some very good and valuable work and I hope someone will find some money to continue your activities because they seem to me to be dealing with an issue which we all have in common and we all recognise as serious. And you seem to be telling the committee that we are actually getting some good returns for a relatively small investment.

CHAIR: Thank you, Senator Trood. I think we should now go on to Senator Ludlam. You are on non-proliferation, Senator Ludlam?

Senator LUDLAM: I think I will probably direct most of my questions to Mr Floyd. Before I get into detail perhaps you might provide us with what your current work plan is and what is occupying most of your time.

Dr Floyd: The focus of activities in ASNO covers a number of areas. A major area is the establishment and the administration of our bilateral agreements for nuclear cooperation with other nations, the negotiation of arrangements, renewal of arrangements and then the implementation. A large part of the effort of ASNO is the accountancy and control around Australian uranium and Australian obligated nuclear material broadly, as it is then exported to other countries and then it is tracked through those countries and to any other place that it would go only by permission of Australia, of course. Another portion of our time and effort is working in the disarmament space in the work with the Comprehensive Test Ban Treaty Office and working towards the establishment of that treaty and the implementation of the international monitoring system globally to do with the Comprehensive Test Ban Treaty Office arrangements. We are assisting in the work towards getting the fissile material cut-off topic discussed such that there might be a treaty there. Again, it is one of those disarmament type elements. The office is not responsible only for nuclear matters; we also have responsibility around chemical weapons and the commitments of Australia in the chemical

weapons convention and ensuring that no industries or activities in Australia would contribute towards chemical weapons globally. So we work across both the chemical and the nuclear space. We do a lot of outreach work into the Asian region in working to see best practice established in the areas of safeguards practices, et cetera, and we are heavily engaged technically and in various policy ways with the international architecture around non-proliferation and disarmament.

Senator LUDLAM: Can you confirm for us that the Australian government policy still precludes uranium supply to countries that lie outside the NPT framework?

Dr Floyd: The current Australian government policy is that we do not. We must have a bilateral agreement for nuclear cooperation and one of the conditions of that is that they are a member of the non-proliferation treaty.

Senator LUDLAM: Has ASNO at any time supplied any advice to any Australian government minister or the Prime Minister on a bilateral nuclear deal with India?

Dr Floyd: No, we have not.

Senator LUDLAM: I understand that resources minister, Martin Ferguson, has told the United States embassy in Canberra that a deal to supply India with nuclear fuel could be reached in three to five years. But your office has not been approached to provide advice in that regard?

Mr Richardson: We have no comment in respect of any reports relating to another minister's communication with an embassy.

Senator LUDLAM: Why is that?

Mr Richardson: Because they are reports.

Senator LUDLAM: We raise matters that have been raised in open source reporting all the time.

Mr Richardson: Yes.

Senator LUDLAM: Just because it is in a newspaper does not preclude you from commenting.

Mr Richardson: No, I understand that, Senator, but—

Senator LUDLAM: Is it because it was Wikileaks?

Mr Richardson: From the very beginning the Australian government has had a consistent response in respect of Wikileaks, and that is we do not comment, full stop.

Senator LUDLAM: I do not think there is anywhere in any standing order or anything at all in terms of public interest immunity that is a special Wikileaks get-out clause.

Mr Richardson: No, but I am only stating that we do not comment.

Senator LUDLAM: I am not sure you are not able to comment just because Wikileaks happens to have been the source.

Mr Richardson: That has been the consistent government position.

Senator LUDLAM: I understand it is the government's position; I am just not sure that that gets you off the hook from answering legitimate questions in an estimates committee.

Mr Richardson: I am unable to answer questions relating to the substance of any Wikileaks.

Senator Conroy: We can take it on notice to see—

Senator LUDLAM: Taking it on notice is just a way of fobbing it off. If there is not going to be an answer—

Senator Conroy: if the minister has any further information he would like to give the committee.

Senator LUDLAM: I know I did mention Minister Ferguson before, but Minister Rudd was quoted in the press reports as being involved in those discussions that in fact it may be Australia's policy in the future to open bilateral negotiations with India about nuclear fuel supply. So I am not seeking to take this outside your portfolio. I will put my question again whether ASNO has been requested or supplied advice to the foreign minister on a nuclear deal with India and what would be required.

Mr Richardson: And I think the answer to that was no.

Senator LUDLAM: That is definitely a no?

Mr Richardson: Yes, Senator.

Senator LUDLAM: Does ASNO acknowledge that the 1995 Review and Extension Conference says that all states parties to the NPT agreed that full-scope safeguards should be recognised as a condition of uranium supply to anybody?

Mr Richardson: Yes.

Dr Floyd: Yes.

Senator LUDLAM: There is one that is afoot that you probably can tell us a bit about. I understand that negotiations have commenced on an agreement to amend or to supplement whatever is required in annexe D of the Australia-China Nuclear Safeguards Agreement to facilitate BHP Billiton's plan to export radioactive copper concentrates to China. Can you update the committee on those negotiations?

Dr Floyd: As you would be aware, Senator, the BHP Billiton Olympic Dam expansion has put in a final environmental impact statement which is being considered by governments at the moment. Pending the outcome of that, BHP Billiton may wish to explore further this idea of copper ore concentrates to China. If that was the case there would be a need for there to be some amendment to the current agreement or a supplementary agreement to be established. There was an early negotiation session—I think it was back in 2009—where there were some broad discussions and some text that was bounced around.

Senator LUDLAM: Yes.

Dr Floyd: I was in Beijing just recently and met with the officials that side to establish some link with them in my new role and mentioned that this may come back on to the agenda, but we are just waiting to see how other processes develop on that.

Senator LUDLAM: So, apart from the discussions that occurred in 2009, you have introduced yourself but nothing has actually been formally initiated yet?

Dr Floyd: That is correct. There were those discussions and some draft exchanges in 2009, and my contact with them just a couple of weeks ago was the first contact on this particular issue since then.

Senator LUDLAM: And the trigger for initiating formal negotiations will be a signal from BHP that they intend to proceed with that?

Dr Floyd: Yes. We tend not to do our work in the bilateral area on a speculative basis of trying to go ahead of industry or need. And what we would be looking for is a reasonably clear signal from BHP Billiton or the China side that there was a need to address this issue and when that signal is clear enough then we would start to do the work at the intergovernmental level to explore this further.

Senator LUDLAM: And the reason that that would have to happen eventually would be, according to what I have seen are the most recent pile of documentation that has fallen out of the EIS process, that the uranium from the underground operations at Olympic Dam—from the open cut, I should say—will be exported in the copper concentrates and then refined and separated in China. Is that your understanding of the process?

Dr Floyd: Yes. The flow charts are quite complicated as to where the copper ore concentrate would be treated and separated, et cetera.

Senator LUDLAM: They are.

Dr Floyd: I am glad you have seen them. But the guts of why we have to look at the treaty arrangement is that there is a proposal that they may have some of the copper ore concentrate going to China and in China the uranium which is mixed with a large amount of copper may well be extracted. If it was then we would want to make sure that in those circumstances then it was treated as Australian obligated nuclear material and the tracking and accounting would take place.

Senator LUDLAM: I think the proposal is to export the jobs and the downstream processing to China, but then you end up with a copper product and a uranium product concentrated in China. Do we have any obligations at all relating to the tailings waste and the processing waste that would result from concentrating it over there?

Dr Floyd: The waste is not in a separated form and is largely the responsibility, therefore, of the country in which the waste occurs.

Senator LUDLAM: I suppose we are all waiting, as are you, on a signal from BHP. I want to pick up on the situation of concern on Burma's possible nuclear program which we have not had a chance to speak about. I hope Mr Richardson is not going to shut you down here because this was another extremely valuable insight from the Wikileaks document drop that shed a little bit more light on the collaboration—or, I should say, alleged collaboration—between North Korea and Russia on the nuclear weapons program in Burma. Is Mr Floyd going to be precluded from speaking on that?

Mr Richardson: If it is a question about a Wikileaks document then we do not comment on leaked US documents.

Senator LUDLAM: I will put the substantive question to Mr Floyd in a second and see if he is willing to take it on. Could you provide me with the public interest immunity ground on

which you are denying to provide us with information, because I think that is a unique interpretation?

Mr Richardson: Since Wikileaks the government has consistently stated publicly, and it has also stated in the parliament, that it will not comment on leaked US documents. I am doing no more than stating that.

Senator LUDLAM: Yes, but you might be in violation of either standing orders or the way that these committees run.

Mr Richardson: I respect the committee; I would always seek to cooperate.

Senator Conroy: It is the government's position. If you have got a problem with the officer you can take it up with the government. It is the government position.

Senator LUDLAM: I will take it up with the government right now: whether you, Minister, or Mr Richardson can provide me with a public interest immunity ground on which anything related to Wikileaks somehow becomes immune from questioning in a senate committee. I think that is absolutely outrageous.

Senator CONROY: No, you can ask questions.

Senator LUDLAM: I am asking you now. Yes, that is what I have been doing.

Senator CONROY: You can ask questions, but the government's position is not to comment. It is the government's position.

Senator LUDLAM: Well, I do not think you can do that, to be quite honest, Minister.

Mr Richardson: Senator, if you are asking us to comment on a leaked US document, we cannot. If you are asking us to comment on matters relating to Burma and its possible nuclear ambitions or the like, then we can answer those questions. But if it is a specific question in relation to a specific US leaked document, then I cannot. But if you go to the substance of the question, we may well be able to answer.

Senator CONROY: I think Mr Richardson is providing you an opportunity to discuss the issues that I think you are actually trying to discuss.

Senator LUDLAM: I had quite informative conversations with ASIO and with the AFP and with Defence—

Senator CONROY: I find that hard to believe, but I am shocked and horrified, and—

Senator LUDLAM: on exactly these subjects, and at no point did anybody—

Senator CONROY: Senator, Mr Richardson will have to speak—

Senator LUDLAM: attempt to evade the questions simply because I used the word 'Wikileaks'. It is extraordinary. I have two questions. Can you provide us with the public interest immunity ground on which the officer is refusing to answer what I think is a legitimate question, and have you taken—

Senator CONROY: I am happy to take that on notice, but let us be clear: ministers take the questions and we can delay—

Senator LUDLAM: I am putting it to you.

Senator Conroy: So it is a question to the government and myself. We will take that on notice.

Senator LUDLAM: I do not think the officer is able to deny a legitimate question on the basis that I used the word 'Wikileaks'.

Senator CONROY: No, but all questions are to me.

Senator LUDLAM: I am putting that to you.

Senator CONROY: And I will take that on notice.

Senator FORSHAW: Chair, on a point of order. It is important that the witness's evidence not be misrepresented. As I have understood what Mr Richardson has said, and I agree, because it has been said before in other proceedings, specifically saying that he would not answer questions or comment on leaked US documents. I do not think that you can extrapolate on that to say that once you used the word 'Wikileaks', he was not prepared to answer any questions. I mean, that is just a total misrepresentation of what the witness has said. And I do not think questions should be put and demands made of witnesses, based upon a false representation of the evidence.

Senator FERGUSON: Chair, can I just make a comment on the point of order—

CHAIR: Senator Ferguson, on the point of order.

Senator FERGUSON: The minister is quite right. To claim public immunity—that there is, you know, public immunity in the way that Senator Ludlam has described—if the minister chooses not to answer a question or answer on behalf of the secretary of the department, he is certainly entitled to. And so I can only support the point of order that Senator Forshaw makes.

CHAIR: Okay. Thank you, Senator Ferguson. Senator Forshaw has raised a point of order. It is correct, as the minister said yesterday and said today, that all questions are directed to the government. The minister may choose to respond to any, or all, or none. The second point, the secretary has outlined the position of the government. He has indicated that he is willing to take questions and give responses now on matters of substance that are identified in the cables. For instance, the issue of Burma and nuclear development. The government has a position of no response by members of the government or officials to the issue of Wikileaked cables in the US. The minister has outlined the reasoning for that, and all that has occurred is consistent with the standing orders. The point of order taken by Senator Forshaw is upheld. And if members of the committee wish to ask further questions on the content of Wikileak cables, and the minister's position and the government's position does not change, they will be taken on notice and a response issued in due course.

Senator LUDLAM: Well, the minister has undertaken to do so. I will be fascinated to see on what basis you are preventing the officer from answering questions. I will come to you—

Senator CONROY: I answer the questions unless I pass the questions and I am taking it on notice.

Senator LUDLAM: You have offered to take it on notice; I leave it there. Dr Floyd, can you provide us with an update, with as much info as you are able to tell us, about anything that we might have learned recently on Burma's alleged nuclear weapons program?

Dr Floyd: The role of the Safeguards and Non-Proliferation Office in these kinds of matters is more at the technical end, and we work very closely with the international security division that works the policy end of that spectrum. The two are not completely separated, of course. I would like to pass to Allan McKinnon in his role to respond to your question.

Mr McKinnon: As you know, Burma has signed the NPT as a non-weapons state, and has undertaken to place all of its nuclear material under IAEA safeguards. And they have what is known as a 'small quantities protocol' in place. I am sure you are aware of what that means, but essentially, having that protocol in place means that it holds in abeyance most of the normal IAEA inspections while they still only have small quantities of nuclear material, and while they do not have a reactor. And as for the update on the way the IAEA regards Burma's compliance with its obligations, in 2010, they stated—that is, the IAEA—that declared nuclear material in Burma remained in peaceful use. Now, the IAEA has stated that it is investigating allegations that Burma is pursuing a nuclear weapons program, and in December 2010 they formally requested access for its nuclear inspectors to visit Burmese nuclear sites and facilities. As yet, they have not received that access, and nor are we aware of any results of their investigations, either through inspection or by consideration of other material.

It might be worthwhile just to say what would happen if Burma was found to have a clandestine nuclear program, as a sort of general framework for how these issues of interest are addressed. Under the IAEA statute, the IAEA director general would report any safeguards' noncompliance by Burma to the board of governors. But recall what I said, that in their 2010 report they were in compliance with their small quantities protocol—that is, they do not have a nuclear reactor, and the small quantities they do have are being used for peaceful purposes. But were they found to be in noncompliance, the IAEA board of governors would call upon Burma to remedy that situation. They would then have the option of reporting noncompliance to the UN Security Council and to the General Assembly, and of course, as you are well aware, the UN Security Council is a competent body to consider appropriate actions in the case of safeguards' noncompliance with the full range of measures that they have at their discretion.

In relation to DPRK, I would just say that we have an expectation that Burma would abide by UN Security Council resolutions 1718 and 1874, which prohibit the procurement from the DPRK of arms and related material, as well as anything related to weapons of mass destruction.

Senator LUDLAM: What happens if IAEA inspectors continue to not be granted access? How do they proceed through the UN formal mechanisms if they cannot even get people in there to have a look?

Mr McKinnon: That is just a matter of conjecture, and I really could not offer any firmer observations there. But the board of governors' reports on a particular country comprise all of their assessments, from on-the-spot assessments to investigations, so conceptually at least they can include other sorts of material in their consideration.

Senator LUDLAM: All right. Could you find out for us when that request was made at the end of 2010, whether there was a deadline on it and what conditions might have been attached to that please?

Mr McKinnon: All right. I will find that out.

Senator LUDLAM: Thank you. So it does not appear that we know a great deal more. Has ASNO provided advice to Western Australian government officials on the operation of the Nuclear Non-Proliferation (Safeguards) Act 1987, as it applies to uranium mines that are proposed to open in WA?

Dr Floyd: We have had a number of discussions with the Western Australian government as well as with industries in Western Australia regarding uranium mining. Those discussions are ongoing on a number of fronts. We certainly have spoken with some companies in WA, including Toro Energy, with regard to a proposal that they have. We have had broader discussions around transport security and transport routes in WA, and we have certainly talked to the WA government about their complimentary roles and responsibilities to us with regard to uranium mining in WA.

Senator LUDLAM: Okay. Who is paying for that? Do you just see that as part of your role as part of the regulatory structure, or when a company asks you for advice, do you send people to WA? Or how does that all work?

Dr Floyd: We certainly need to be engaging with industry so that we can guide them on what their regulatory responsibilities are for compliance. And we would see that as a part of our role. You may recall that there is a uranium producers charge which is levied against industry, and the range of roles that we have in engaging with the uranium industry are factored into the rather complex calculation of what that charge would be in any given year. And these parts of our role are included in that calculation.

Senator LUDLAM: I am not sure how that is levied on an explorer though. I mean, these are not producers. They do not have a revenue stream.

Dr Floyd: That is correct. It is based on production, but we look more broadly at our role in the support of uranium mining.

Senator LUDLAM: Okay. I do not expect you to have this at the table, but if you could provide us for calendar year 2011 the dates and the subjects of meetings between ASNO and WA government departments, and anything else that you think is relevant in terms of industry liaison.

Dr Floyd: I would be happy to take that on notice.

Senator LUDLAM: Much appreciated. Thanks. Look, the final matter that I wanted to ask about was the high-level meeting of world leaders on nuclear security, which was to be convened by the UN secretary general on 22 September this year. I am interested to know whether ASNO has begun any preparations, or whether you are aware of that meeting.

Dr Floyd: This is the high-level meeting on nuclear safety?

Senator LUDLAM: Yes. I think it has come about as a result of the accident in Japan.

Dr Floyd: I just have to clarify just which meeting that is. Can you just mention that again? Is it the one in the margins of UNGA that Ban Ki-moon has called?

Senator LUDLAM: Yes, that is correct.

Dr Floyd: I think that meeting is focusing on nuclear safety, not nuclear security.

Senator LUDLAM: The issues are intertwined, but, yes, I suspect that is the case. I am just wondering whether you have any formal role, or if it is out of the proliferation domain and you do not take part?

Dr Floyd: No. It is one that Mr McKinnon and I both have a keen interest in. There is a whole series of high-level meetings on nuclear safety in particular that arise from the Fukushima incident, and reflection globally about the nuclear safety arrangements, and we certainly are working together on a strategy of engagement for Australia in those various

meetings, and the last of those kind of culminates in some way with the nuclear safety meeting that Secretary-General Ban has been planning for New York in September.

Senator LUDLAM: Great. Okay. So I am going to take that as a yes. You have started preparations. Have you provided a briefing to our mission in New York on that matter?

Dr Floyd: There are various communications between officers here in Australia and those at post in New York on this issue.

Senator LUDLAM: All right, so I guess that is a yes as well.

Dr Floyd: Sorry, I should be not so expansive. It is yes.

Senator LUDLAM: Expansive is fine. It is better than the alternative. Have you provided advice to the Australian government on what position Australia might take in that meeting, understanding that the secretary-general has said:

This exercise ... will also need a serious global debate on broader issues, including assessment of the costs, risks and benefits of nuclear energy and stronger connections between nuclear safety, nuclear security and nuclear non-proliferation.

So I guess that is why it is fair and square in your domain. My understanding, again, from press reporting, not from Wikileaks, is that a number of countries are extremely concerned that this is basically going to be a cover for a phase out of nuclear energy altogether.

Dr Floyd: It is fair to say that the agenda for the meeting in September is not yet set, and it is the subject of ongoing discussions with various member nations.

Senator LUDLAM: Okay. I understand that the UN is conducting a system-wide study on the whole issue, and that some countries are a bit worried about that as well. Is Australia involved in that, in terms of nuclear safety?

Dr Floyd: There are so many initiatives in the area of nuclear safety that are running at the moment. I may need to take that on notice, or Mr McKinnon take it on notice, about a specific initiative and about our level of engagement. We certainly have engagement on many different fronts, but I could not be confident about that particular one.

Senator LUDLAM: It is a system-wide study conducted by the United Nations, presumably initiated by the SG. I wonder whether ASNO is aware or whether you would care to provide a comment on coming now to TEPCO's track record of failing to report and in some cases actively concealing safety incidents in nuclear power plants in Japan, what kind of role does your office have in monitoring or providing views to the Australian government on nuclear safety in our customer countries?

Dr Floyd: Senator, the responsibility on nuclear safety in Australia is that of the Australian Radiation Protection and Nuclear Safety Agency, ARPANSA, thank goodness it has got an acronym, and not the responsibility of my office. We do nuclear security and safeguards, making sure things do not get into weapons programs. Of course, as you mentioned earlier, a number of those issues are intertwined, and so we have certainly more than a passing interest in those aspects, but a comment on safety performance in Japan would be best sought from ARPANSA.

Senator LUDLAM: That is ARPANSA.

Dr Floyd: Yes.

Senator LUDLAM: And you have got a perfectly good acronym as well.

Dr Floyd: Thank you, Senator.

Senator LUDLAM: I will leave it there, Chair, thanks very much.

CHAIR: You are completed, Senator?

Senator LUDLAM: I am.

CHAIR: Thank you. Do we have further questions on the topic under discussion, national security, et cetera? No. We will move on then to services to other agencies. Services to parliament-attached agencies, business, state governments, other agencies overseas and in Australia.

Senator TROOD: I do have some questions on this. It is a very general question that I wanted to explore, which I perhaps thought you were the person to provide—I just wonder whether you could tell me whether or not you have a list of the other agencies to which you provide services.

Ms Thorpe: Yes.

Senator TROOD: And whether or not you can give me a figure of the extent of those services, or can you refer to me some part of a document somewhere which would provide me with that information?

Ms Thorpe: Senator, Ann Thorpe, Chief Finance Officer. In the annual report at the end of each year we have an attachment which lists all the purchaser provider type agreements that we provide. We have two sorts. We have the service level agreement, and we also have one relating to our IT services. It does not give the amounts in it, Senator, but most of our section 31 revenue which we talked a little bit about yesterday, most of that is actually related to those services.

Senator TROOD: Why don't you publish the amounts in relation to those services?

Ms Thorpe: It is just this is the way the finance—this is within requirements to do. We need to, under the guidelines, I think, for publishing. We are not keeping it a secret but it is just something that is the way it has always been done where we list the—and I think it also gets a bit complicated to try and publish the amounts.

Senator TROOD: Can you tell me what the approximate value is of those services that you provide?

Ms Thorpe: I think, Senator—I know roughly usually when I am doing the budget. I am assuming we receive overall, in terms of all our various service level type agreements, the IT and that, it is around about \$40 million, I think, Senator. But that might have some other money in it as well. They are all cost-recovery type arrangements because that is all we are allowed to do under section 31.

Senator TROOD: So these are services you are providing, or being provided with?

Ms Thorpe: No, services we are providing to other agencies. Most of it happens at post, although the IT one happens sort of more broadly because it is international communications.

Senator TROOD: So all of these services provided are actually on a full cost-recovery basis?

Ms Thorpe: Yes, Senator, under the guidelines under section 31.

Senator TROOD: So the department isn't having to stand the cost of other agencies' activities?

Ms Thorpe: No, no.

Senator TROOD: Does that include accommodation, admissions, and things of that kind?

Ms Thorpe: Agencies pay their own accommodation, they pay their own rent.

Senator TROOD: So that does not wash through this budget.

Ms Thorpe: No, and the actual—in terms of rent that they pay to the owned estate as opposed to the leased estate, that gets picked up, and if you saw any statements, it is picked up in our accounts under revenue because the special account that is run, manages the overseas estate, their revenue is consolidated with our accounts. So the revenue you see in our financial statements is a combination of our service level agreements, which we do through department, and then it has also got the special accounts revenue.

Senator TROOD: So the information that is there is in relation to services that come through the department in some fashion.

Ms Thorpe: That is correct.

Senator TROOD: Is that—

Ms Thorpe: Yes, purchaser provider type arrangements.

Senator TROOD: I think that is—thank you.

CHAIR: We now move to services to diplomatic and consular representatives, and I think Senator Birmingham has got the call there, no.

Senator BIRMINGHAM: No.

CHAIR: No, alright.

Senator BIRMINGHAM: Public information and public diplomacy.

CHAIR: Who is that then? That was in the previous section, services by other agencies.

Senator TROOD: Public information services and public diplomacy.

CHAIR: Any questions on services to diplomatic and consular reps, no. We now turn to program 1.2 and program 1.3, public information services and public diplomacy. Senator Birmingham.

Senator BIRMINGHAM: Thank you, Chair. I want to ask some questions about the Australian network contract.

Ms Thorpe: Yes, Senator.

Senator BIRMINGHAM: Come to the table, thank you, Mr Richardson. Have final contract negotiations started with one of the tendering parties?

Mr Richardson: No, Senator.

Senator BIRMINGHAM: Is this running behind schedule?

Mr Richardson: The current contract expires on 7, 8 August of this year.

Senator BIRMINGHAM: Mr Scott, in ABC estimates, indicated that his understanding was the tender document identified 8 June as being the indicative date for all negotiations to have been completed. Is that your understanding?

Mr Richardson: If he said that, that is in the tender documents, then it must be. I cannot personally recall the precise date.

Senator BIRMINGHAM: Obviously we are only six days away from 8 June. If contract negotiations started or commenced with one of the tendering parties, what likelihood is there of that deadline being reached?

Mr Richardson: A decision still has to be made in terms of the preferred tenderer.

Senator BIRMINGHAM: What seems to be the delay? There appears to be a delay, given 8 June is meant to be a date for concluding contract negotiations, and you have not even started them yet.

Mr Richardson: Yes. It is simply a consideration in respect of the tenderers.

Senator BIRMINGHAM: Has the tender evaluation board had to seek further information from the tenderers, or is there some understandable or logical reason as to why this delay is occurring?

Mr Richardson: It is a big contract and careful consideration needs to be given to the decision. I should say I have just got a note saying that in the tender documents 8 June is given as an indicative date. It is not provided as a fixed date.

Senator BIRMINGHAM: Okay. If that is an indicative not fixed date, that is probably a good thing because it does not look like that indicative date is going to be met, does it?

Mr Richardson: I have already answered questions in relation to that.

Senator BIRMINGHAM: Mr Richardson, when would you expect to commence negotiations with one of the tendering parties?

Mr Richardson: When a decision is made on the preferred tenderer.

Senator BIRMINGHAM: Is there a new indicative date for that?

Mr Richardson: No.

Senator BIRMINGHAM: Is there an indicative—

Mr Richardson: Because I do not believe there was ever an indicative date on which a decision would be made.

Senator BIRMINGHAM: Is there a new indicative date on which negotiations might be completed?

Mr Richardson: Not at this point.

Senator Conroy: I think the answer to that flows from the previous answer.

Senator BIRMINGHAM: No, the previous question was about the commencement of negotiations, Minister, and the next question was about the conclusion of negotiations.

Senator Conroy: And given there is no commencement date, by definition there would be no conclusion date.

Senator BIRMINGHAM: Mr Richardson has confirmed that the tender documents did have an indicative conclusion date of 8 June. It is apparent—

Senator Conroy: And he has indicated there is not one at the moment.

Senator BIRMINGHAM: I am awaiting an answer from Mr Richardson on that question.

Mr Richardson: You asked whether there was a new indicative date and I said no.

Senator Conroy: And you said no. Therefore a question about a—

Senator BIRMINGHAM: In relation to the conclusion of negotiations.

Mr Richardson: A decision must be made first on the preferred tenderer.

Senator BIRMINGHAM: I understand that, Mr Richardson.

Senator Conroy: I think perhaps we are all a little lost and at cross-purposes in the questions and answers.

Senator BIRMINGHAM: If I can be quite clear and confirm, the tender document issued by your department had an indicative date for the conclusion of negotiations of 8 June. Is that correct in the advice to which you understand, Mr Richardson?

Senator Conroy: The word 'indicative' is fairly well understood in the English language.

Senator BIRMINGHAM: Thank you, Minister. If Mr Richardson could confirm so that we are not lost in the confusion.

Mr Richardson: I would agree with the minister's comment.

Senator BIRMINGHAM: Can you just confirm that the original tender document had an indicative date for the conclusion of negotiations of 8 June?

Senator Conroy: And that included the word 'indicative.'

Senator BIRMINGHAM: The Minister suggested we were getting confused here and so as to eliminate any sense of confusion, I am attempting to ensure that we are not confused, and so I am just looking for a single confirmation—

Senator Conroy: We are not confused.

Senator BIRMINGHAM: From Mr Richardson that the original tender document had an indicative conclusion date of 8 June.

Mr Richardson: I have advised that the advice I have is that it did have 8 June as an indicative date, not a fixed date.

Senator BIRMINGHAM: Thank you, Mr Richardson. You informed me that there is no revision to that in terms of a new target that the department is working towards.

Mr Richardson: Not at this point.

Senator BIRMINGHAM: Thank you for that, Mr Richardson. The contract expires, you indicate, on 7, 8 August. Is that correct?

Mr Richardson: That is correct. I am told the current contract expires on 8 August.

Senator BIRMINGHAM: Is there a capacity to maintain the existing contract or the existing contractor for an extended period of time if negotiations have not been concluded?

Mr Richardson: No, that would depend upon the outcome of the tender decision, and it would depend upon the outcome of discussions that then might follow with the successful tenderer.

Senator BIRMINGHAM: I assume such a capacity would actually exist under the existing contractual arrangements and so I am not asking to reflect on the outcome of the tender considerations.

Mr Richardson: Yes.

Senator BIRMINGHAM: Yes, there is a capacity to extend the contract if negotiations are not concluded for an 8 August—

Mr Richardson: I would need to take that on notice.

Mr Suckling: Patrick Suckling, yes, there is a transition call.

Senator BIRMINGHAM: Thank you, Mr Suckling. Who comprises the tender evaluation board?

Mr Richardson: The tender evaluation board consisted of a number of representatives across different parts of government.

Senator BIRMINGHAM: So it is a multi-departmental agency.

Mr Richardson: That is right.

Senator BIRMINGHAM: Are you able to provide me with a little more detail on that, Mr Richardson?

Mr Richardson: The tender board was chaired by someone from outside government.

Senator BIRMINGHAM: Is there a reason why the membership of the tender board is—

Mr Richardson: I would simply need to take advice as to whether it is appropriate to state publicly the names of the tender board. I genuinely do not know the answer to that, and I would simply need to take advice to ensure that I do not do something which, in a legal tender process, I should not be doing.

Senator BIRMINGHAM: I appreciate that, Mr Richardson, and if you could take the question on notice to provide the names if that is possible. The language you were just using around the tender evaluation board was in a past tense. Has it concluded its evaluations?

Mr Richardson: It has submitted its report.

Senator BIRMINGHAM: Yes. And it submitted that report to you or to whom?

Mr Richardson: It has submitted that report to the Department of Foreign Affairs and Trade.

Senator BIRMINGHAM: And when was that submitted?

Mr Richardson: Again, the precise date I would need to take on notice, as I do not have the precise date in my head.

Senator BIRMINGHAM: Days or weeks or months ago?

Mr Richardson: Days or weeks. It was not months.

Senator BIRMINGHAM: Who is the final decision-maker in relation to this contract?

Mr Richardson: The tender process is still in play at this point, so I cannot comment on the final decision-maker. Ultimately, the final decision-maker is the government.

Senator BIRMINGHAM: Somebody within the government has to be the final decision-maker. It could be cabinet. It could be the minister. It could be you. I do not understand why it is any type of secret.

Mr Richardson: I would need to take that on advice, Senator.

Senator BIRMINGHAM: Can you explain to me why you think there is a problem in advising who actually within government is the final decision-maker for this contract?

Mr Richardson: I can only say that I would need to take that on advice.

Senator BIRMINGHAM: Mr Rudd's office has previously responded to a journalist and have said—and I am quoting from the *Financial Review* of 21 April—that the recommendation of the tender evaluation board will be considered by the approver, who is the secretary of DFAT.

Mr Richardson: I still need to take the question on advice.

Senator BIRMINGHAM: So you cannot confirm what Mr Rudd's office has already publicly said, which is that you are the decision-maker?

Mr Richardson: I can only take the question on advice.

Senator BIRMINGHAM: To whom has the evaluation of the tender evaluation board been provided?

Mr Richardson: It has been provided to the Department of Foreign Affairs and Trade.

Senator BIRMINGHAM: Has it been provided to you?

Mr Richardson: And it has been provided to me.

Senator BIRMINGHAM: It has been provided to you. Have you provided a briefing or advice to Minister Rudd in relation to the findings of the tender evaluation board?

Mr Richardson: He has not yet been advised of the recommendation of the tender board.

Senator BIRMINGHAM: Have you provided briefing to him on their findings overall?

Mr Richardson: No, I have not.

Senator BIRMINGHAM: Thank you. In terms of the tender process to date, were there occasions when additional information was sought from either tender party subsequent to the initial tender documents?

Mr Richardson: I am not sure of that. John, are you aware of that?

Mr Morrison: I am not aware.

Mr Richardson: Whether there was further advice sought in the context of the tender process after the tender documents were given to the tender board, whether the tender board sought further interaction with the tenderers, I do not know.

Senator BIRMINGHAM: If you could take that on notice and provide that information it would be helpful. In terms of the tender documents that were prepared by DFAT, who signed off on those tender documents?

Mr Richardson: It was either me or the minister. I would need to confirm that.

Senator BIRMINGHAM: Could confirm that and whether the minister was consulted about the content of those tender documents.

Mr Richardson: He was consulted I believe.

Senator BIRMINGHAM: And did the minister seek any changes to those tender documents?

Mr Richardson: I would need to take that on notice.

Senator BIRMINGHAM: Can I go to some of the content of the tender documents. My understanding is that they seek particular penetration rates in particular countries. On what basis were those countries identified or those penetration rates set?

Mr Richardson: They were set in the context of Australian foreign policy priorities, and they were also set in terms of potential penetration rates following some technical advice from technical experts as to what was a reasonable expectation.

Senator BIRMINGHAM: From whom did the department seek that advice?

Mr Richardson: I would need to take that on notice. Again, you are asking for the name of an individual, and I do not want to do the wrong thing by the tender process.

Senator BIRMINGHAM: Could you provide information on who provided that advice and the nature of that advice. Was it an external consultant report? If so, is it able to be made public? If so, could it be provided to the committee. Thank you, Mr Richardson. The tender documents call for the successful tenderer to take targeted actions in respect of China and reserve the right, I understand, to do so for other priority markets or countries. What type of targeted actions do you have in mind?

Mr Richardson: It is seeing what the networks are prepared to offer in terms of getting signals into China. The Australia Network is seeking landing rights to be included in the officially sanctioned list of international broadcasters allowed access to China. No licences have been granted in recent years, and we have been seeking to assist the Australia Network in its effort to achieve that. And looking ahead, we see value in the Australia Network's future in having access to the China market.

Senator BIRMINGHAM: Do those type of targeted actions or the decisions in relation to how you pitch to get access to the China market involve decisions on content?

Mr Richardson: I am not sure I understand the question.

Senator BIRMINGHAM: Is the department seeking to influence the content aired by the Australia Network, the programs shown by the Australia Network, to achieve the objective of market penetration in China?

Mr Richardson: They are seeking to influence only in terms consistent with the tender documents.

Senator BIRMINGHAM: On that, the tender documents are extremely sweeping. Clause 3.5, which has been identified for some media commentary, requires the contractor to promptly comply with DFAT instructions not to broadcast in any manner any program or material which DFAT considers in its absolute opinion not to be in the interest of Australia and not to be consistent with Commonwealth objectives, breaches the code of practice or is otherwise inappropriate. The catch-all phrase 'otherwise inappropriate' leaves a lot of scope for the department to attempt to set programming decisions. So, in relation to access to China, is it the department's expectation that there would need to be a consideration of the programs aired to achieve that access?

Mr Richardson: What you read out there would apply across the network regardless of country, and I can add no more to what you have already read out.

Senator BIRMINGHAM: In terms of the sweeping nature of that clause, is that consistent with the current contract?

Mr Richardson: In terms of the precise wording of the current contract, I would need to check.

Senator BIRMINGHAM: Could you check both the precise wording and the general direction from DFAT—essentially, compliance instructions—to the ABC in regard to the current contract. Is that discretion or ability present?

Mr Richardson: I would want to look at the precise wording before I made generalised comments.

Senator BIRMINGHAM: Has DFAT made any compliance instructions to the ABC in the life of the current contract?

Mr Richardson: I am not aware. In the time that I have been in my job, I do not believe so. As to whether there were any occurrences before I took up my job, I would need to check.

Senator BIRMINGHAM: The tender documents require the contractor to provide weekly programming schedules to DFAT. Who would you expect to review those?

Mr Richardson: That would be within the public diplomacy area of the department. There could be consultation elsewhere depending upon that initial consultation.

Senator BIRMINGHAM: Is there an existing requirement for that to occur with the current contractor?

Mr Richardson: I would need to check.

Senator BIRMINGHAM: None of the other officials would know at present whether a weekly schedule of programs happens to land in the in-tray?

Mr Richardson: It certainly does not land in my in-tray.

Mr Philp: I am not aware, Senator, though it is worth noting that there is an existing editorial board, as there will be under the new contract, which provides guidance.

Senator BIRMINGHAM: Could you check whether there are existing provisions for weekly programming to be advised to the department. Under the current contract, does the ABC provide financial payments back to DFAT?

Mr Richardson: I would need to check. I am not familiar with that level of detail.

Senator BIRMINGHAM: Again, nobody else is able to advise whether there are financial payments or returns made to the department?

Mr Richardson: I am not aware of any but, rather than speculate, I would need to check.

Senator BIRMINGHAM: The tender documents provide for a contractor contribution to be made. What is the background to that decision of requiring a contractor contribution presumably from the successful contractor to make payments back to DFAT?

Mr Richardson: In what area?

Senator BIRMINGHAM: This is in the tender documents that are out there.

Mr Richardson: I cannot add any more than what is in the tender documents. The tender documents have been put there. There have been two tenders. I am unable to go beyond what is already in the tender documents. I think there has been a tender process. There has been a tender board. The tenderers have had opportunities to discuss those matters and to make their presentations. Rightly I was not involved in that, and I do not wish to second guess or to explain beyond what is in the tender documents.

Senator BIRMINGHAM: Is the notion of the contractor contribution one where the tenderer will make predetermined payments to the department?

Mr Richardson: It is whatever is in the tender documents.

Senator BIRMINGHAM: The tender documents talk about this notion of a contractor contribution. Can you explain to me what that is?

Mr Richardson: There have been discussions between the tenderers and the tender board, and I am unable to go beyond that. I am unable to go into that.

Senator BIRMINGHAM: Has the department provided written explanations of the aspects of the tender document to the tenderers at any stage during the process?

Mr Richardson: I would need to check.

Mr Philp: There was an information exercise where all interested tenderers were able to come and ask questions about the tender documents and how it was to be applied.

Mr Richardson: But whether anything written, I think you asked.

Senator BIRMINGHAM: Yes. So that was a verbal information session. Often in tender processes, if the parties wish to seek clarification, they can lodge questions and written responses to those questions are made available to all tendering parties. Did that occur in relation to this?

Mr Philp: I am not aware either.

Senator BIRMINGHAM: If you could take that on notice as well, that would be appreciated. Lastly, do you expect to have a new contract up and running in time for the 8 August conclusion of the current contract?

Mr Richardson: Yes.

Senator BIRMINGHAM: But you are unable to provide any other details of timelines.

Mr Richardson: That is right.

Senator BIRMINGHAM: Thank you.

Senator FORSHAW: Chair, can I just ask a follow up question?

CHAIR: Yes, Senator.

Senator FORSHAW: It may have been covered in an earlier answer, and I appreciate that you are still in the consideration of tenders situation. Is there a requirement in the tender with respect to guaranteeing this service?

Mr Richardson: Guaranteeing in what way?

Senator FORSHAW: In my recollection of the previous history, was it that Channel 7 at one stage took it, the original Australia Television, over and then it ceased and then it was started up again?

Mr Richardson: Yes.

Senator FORSHAW: I recall it was part of a government decision following the Mansfield review of the ABC operations.

Mr Richardson: That is right.

Senator FORSHAW: So what I am expressing is that there is a real concern. I have followed this issue for some years. As for whoever wins it, we have got to be certain that they are going to continue with it.

Mr Richardson: That is absolutely right.

Senator FORSHAW: So are you able to say what is the length of any successful agreement?

Mr Richardson: I think this tender is for 10 years.

Senator FORSHAW: Thank you.

Senator TROOD: I have a question about public diplomacy. Mr Suckling, you have provided me with an answer to some questions I put on notice. On question 1, with regard to our public diplomacy program, you added a note to this that the department was aware that it had failed to respond to the committee's report in relation to public diplomacy. It is now nearly two years overdue, this being your response. Can you explain to me why it has been delayed?

Mr Richardson: Sorry, Senator? I am sorry, I was—

Senator TROOD: I directed my question to Mr Suckling, since it is his area. The question was in respect of the committee's recommendation 18, which the department accepted. The report was tabled in August 2007. Recommendation 18 said that the department would respond to the matter in relation to implementation in two years—so that is August 2009. We are getting up to two years beyond the response that you undertook to make in recommendation 18. I just want to know why we still have not got the updated response and why it has taken two years.

Mr Suckling: As I understand it, there has been a series of internal reviews being conducted on how DFAT does its public diplomacy, including in the context of those sorts of questions asked. Those reviews have taken quite a bit of time. There has been a response prepared, which is close to finalisation. I think it is in final draft form, and we will meet the commitment that I think was given in that question on notice to provide you with a response by the end of this financial year.

Senator TROOD: You have provided me with some information, but that was in relation to the very particular question I invited. May I suggest that it would have been at least a courtesy to the committee that you might have written to the committee and explained why the delay has occurred. In fact, if indeed it is imminent, then you might have allayed some of the committee's concerns if you had indicated that was the case. I have some questions about the material that you have provided me with. First of all, I am not sure when this was prepared, but is it up to date as of today? Has anything changed in this material that you have provided me with in relation to the question on notice?

Mr Suckling: Not that I am aware of.

Senator TROOD: Good; thank you. One of the things you have provided information on is in attachment A to the document. There is a list of public diplomacy branch programs and there are a couple of large figures, one of which is for public diplomacy posts, which is \$1.9 million. You have said earlier in the document that there are full-time Australia-based public diplomacy officers in several posts, and two in the case of Jakarta. Can you perhaps explain to

me how they are designated? Are they third secretaries, counsellors? What sort of classification do they have at these posts?

Mr Suckling: As I understand it, there are a range of classifications for the public diplomacy officers serving over at posts. For example, in Washington, it is a counsellor level, which is a direct level and which is one below the SES level. In other posts there are other levels of people doing public diplomacy work.

Senator TROOD: You say these are full-time positions. Are these people designated counsellor, public diplomacy?

Mr Suckling: Yes.

Mr Richardson: They are normally either first secretary or counsellor.

Senator TROOD: I see. But they are specifically designated as having public diplomacy responsibilities. Is that correct?

Mr Suckling: Yes.

Senator TROOD: And there are two of those in Jakarta. What level are they? Mr Suckling, do you know?

Mr Suckling: No.

Senator TROOD: Perhaps you could find that out for me.

Mr Suckling: Yes, we will.

Mr Richardson: Given that there were two, one would almost certainly be at a counsellor level and one junior, but we will come back and confirm. Certainly we do not have a public affairs officer in Jakarta who is SES, so it is below SES. It is either counsellor or first secretary. We will check. It is probably counsellor, given the size of the post.

Senator TROOD: I see. I realise you may not have this information at hand, but none of these positions are likely to be higher than counsellor.

Mr Richardson: We do not have any public affairs positions overseas that are SES although heads of mission, of course, do get involved quite extensively in public diplomacy.

Senator TROOD: As for those public diplomacy posts to which you have attributed \$1.9 million, are they costs which relate to the administration of programs that those officers manage, or does that figure include staff costs as well?

Mr Suckling: No, as I understand it, the \$1.94 million is an allocation for global public diplomacy as done out of posts. Posts put up every year ideas and strategies for public diplomacy. Some of them are run out of these specific public diplomacy offices. People that do the public diplomacy function at posts come up with, in consultation with ambassadors in the context of Australia's foreign policy priorities, some ideas which are then vetted centrally. Then moneys are allocated for posts to conduct public diplomacy activities out of that \$1.94 million.

Senator TROOD: So this does not include the establishment costs of maintaining those individuals?

Mr Suckling: No. If they say they want to hold a photographic exhibition or have a cultural program—or whatever idea they come up with—then they can bid for those moneys in a competitive—

Senator TROOD: So you have a pot of money that is available each year for bids, if you like.

Mr Suckling: That is right.

Senator TROOD: And the department in Canberra determines which of those bids should succeed. Is that correct?

Mr Suckling: Yes, in consultation with the posts.

Senator TROOD: Perhaps you could advise me, Mr Suckling, as to when you do this. Would you do this at the start of each financial year?

Mr Suckling: It is done at the start of the financial year. Posts come in with their ideas. There is a two-tiered system. There are category 1 posts, which are the bigger, more high profile posts, such as—as you mentioned—Jakarta. They are generally given a bigger budget for public diplomacy. The smaller posts have a public diplomacy opportunity as well. But there is a two-tiered system. The bigger posts, the more important posts, have an opportunity to have more money, but it is not to say that other posts are precluded from obtaining money to run public diplomacy programs.

Senator TROOD: 1.9 is a kind of odd figure.

Mr Richardson: I might add that this \$1.9 million is not the totality that we spend on public diplomacy on, for instance, cultural activities and the activities of the foundations and institutions and the like. This is simply a smallish amount of money which is given to the posts to help in some of their local activities, but what we do overseas in public diplomacy goes well beyond that \$1.9 million.

Senator TROOD: I understand that, Mr Richardson. In fact, Mr Suckling has provided me—or somebody in his section has provided me—with this helpful attachment A, which lists all sorts of things which amount to \$24 million. But the \$1,940,629 is an odd figure. I do not know whether that is an accumulation or just a summing up of how much you distributed last year, or whether that is the bucket of money from which the bids are taken.

Mr Richardson: I think you will find it is in part an ad hoc figure, in that Mr Suckling mentioned the two categories of posts, and category posts at one level get a certain amount of money, categories at the second level get a certain amount of money. You multiply that out across the number of posts we have and you essentially get an odd figure like that.

Senator TROOD: I see.

Mr Richardson: And you also get exchange rate movements that can affect how much we get from year to year.

Mr Suckling: I have just been advised in relation to those two public diplomacy positions in Jakarta: one is a counsellor level, which is director level, and one is a first secretary.

Senator TROOD: Thank you, Mr Suckling. There is a figure of \$115,000 for administration on this list. What are you administering? It is second from the bottom.

Mr Suckling: I would have to come back to you on that. I do not have a detailed breakdown on all the administration elements of the program.

Senator TROOD: Thank you. Just finally on this area, have you seen the remarks of former Ambassador McCarthy on the nature of Australia's public diplomacy program? I know

he has made some public remarks on this subject and he published an article late last year on this in which he said:

Australia's public diplomacy expenditure is well behind that of comparable countries in absolute and relative terms.

He then made some other observations about what he sees as the weakness of the program.

Mr Richardson: Senator, I would comment on that. His general comment about our funding being behind others': that is right. However, other judgments he has made are his own and I would not want to get into a public discussion with him about the merits or otherwise of what he has written in a newspaper.

Senator TROOD: Given the accuracy of his remarks about expenditure of other countries, Mr Richardson, can you tell me whether or not this is an area of particular interest to the department at the moment? Is it an area where you think there is need for additional resources to be directed?

Mr Richardson: If additional resources were available then, yes, but as I mentioned yesterday, earlier on in the hearing, Senator, we live in a tight fiscal environment and those additional resources are not available.

Senator TROOD: All right, thank you. That is all I had in that area.

[12:17]

CHAIR: Further questions on program 1.3? Okay. We now turn to outcome 2, program 2.1, Consular services.

Senator TROOD: I have some questions there. Is this you, Mr Suckling?

Mr Suckling: Yes.

Senator TROOD: Question 42 was one you took on notice for me. It is the Brennan review—an answer to the Brennan review which was undertaken, I think, by the said Ambassador McCarthy. The contract dates were April 2010 to June 2010. Can you tell me when that review was completed?

Mr Richardson: It was completed within the time frame of the contract, from memory.

Mr Suckling: I do not have an exact date with me, Senator, of when it was complete.

Senator TROOD: It is around that time, is it?

Mr Richardson: Yes, that is right. There was no overly significant delay with it.

Senator TROOD: All right. We seem to have taken a long while to respond to the findings of the review. You have given me an answer in relation to question (f):

The department will convene an interdepartmental roundtable soon to discuss the recommendations.

We are nearly 12 months on. Is this not a matter of urgency?

Mr Richardson: I think it is a fair observation, Senator. We were required to consult with the minister and others, obviously. There was also a need for some discussions with the family and with others, and that did spread out over time.

Senator TROOD: When is this roundtable to take place?

Mr Suckling: It is currently booked in for 23 June.

Senator TROOD: So this month?

Mr Suckling: Yes.

Senator TROOD: Is that a purely internal, as you say, interdepartmental roundtable?

Mr Suckling: Yes.

Senator TROOD: I see. I have not seen the report and it has not been made public, but apparently the Canadians have seen a sanitised version of it. Has it been shared with anybody else?

Mr Suckling: Yes, the Canadians.

Senator TROOD: Nobody else?

Mr Suckling: No.

Senator TROOD: Is there any reason why the report cannot be made public or at least the sanitised version that was given to our friends across the Pacific?

Mr Suckling: In my understanding, one of the reasons is it gets to a matter of policy in terms of how you handle hostage cases and discussions around that, and to the extent that we have strategies in place to handle future cases then we do not want to telegraph those to potential hostage takers.

Senator TROOD: Perhaps you could consider the possibility, Secretary, of making the sanitised version of the report available to the committee on a confidential basis.

Mr Richardson: I could seek advice on that from the minister.

Senator TROOD: These are important issues.

Mr Richardson: Yes.

Senator TROOD: We have had, thankfully, not terribly many instances of Australians getting into this kind of difficulty, but there is a likelihood they may repeat themselves. It is a matter on which the committee has expressed considerable interest.

Mr Richardson: Sure.

Senator TROOD: I think there would be very little danger in providing it to the committee on a confidential basis.

Mr Richardson: As you will appreciate, Senator, it could not be made public. However, I will seek advice as to whether it is not possible to provide a briefing to the committee and also to give the committee access.

Senator TROOD: Thank you. Does Smartraveller come under this section?

Mr Richardson: Yes.

Senator TROOD: Yes. I want to ask about something very briefly, I imagine. It is the travel advice in relation to Chad, which is obviously not the highest priority for Australian foreign policy, or at least I do not think it is. But the warning says:

The Department of Foreign Affairs and Trade does not issue a travel advice for Chad at this time.

The next sentence says:

However, we strongly advise that you do not travel to Chad.

That seems to be a somewhat inconsistent message, if I may say so. Can someone explain?

Mr Suckling: I can just explain that on the basis of—

Senator TROOD: 'We strongly advise that you do not travel to Chad due to the volatile security situation': is that not travel advice?

Mr Suckling: We have a general sense of a volatile security situation presenting high degrees of risk for people travelling there, but we do not have a sufficiently robust, detailed sense of the entire situation in Chad to provide the sorts of detailed travel advice that we normally do.

Senator TROOD: That may be the case but I think this is sending a confused message, Mr Suckling. On the one hand you are saying, 'We do not give travel advice,' and the next minute you are saying to somebody, 'Don't go.' I think you, at the very least, need to change your language here.

Mr Suckling: We will have a look at that.

Senator TROOD: If someone is going to look at this they are going to say that on the one hand it seems to be okay and in the next sentence they are saying to me it is not.

Mr Suckling: Yes, we will have a look at it.

Senator TROOD: You just need to sort that out, I think.

Mr Suckling: Yes.

Senator TROOD: I have completed what I had to do there, Chair. We did canvass this yesterday.

CHAIR: Yes, we did. We will go to program 2.2, Passport services. Senator Ferguson has the call.

Senator FERGUSON: Thank you, Chair. I have spoken to Ms Williams privately on some of these matters but I do want to put some of them on the public record. So I can say you weren't without warning, Ms Williams! During my time in the Senate I have held an official passport except for a short period when I had a diplomatic passport. When my passport was reissued as an official passport it expired at the time my term in the Senate was due to expire. The unfortunate thing is, of course, that some places request that you have six months left on your passport in order to use it. I am wondering why there is a requirement to have your passport expire on 30 June when the term expires. Because we have to give the passports back when we leave the place, I am wondering why it could not be possible for official passports to have six months longer than the term of your service so that the passport can be used. I represented the President in the Yukon, and rather than get another official passport I had a blue passport and went with that. So I am just wondering whether you can explain why we have a policy of 30 June.

Mr Richardson: I think in the particular case you mentioned we should seek to rectify that. Clearly, as a senator you are entitled to travel on an official passport up until the time you cease being a senator. I think it is our obligation and that of Parliamentary Services to ensure that that happens. As you know, the trouble we run into is that a number of countries impose their own rules here and will not provide a visa to someone travelling on a passport with six or fewer months validity left in it. In general terms, that is something we are looking at in terms of passports generally, but we are still working through whether there are cost implications and the like. But I think that is a separate issue to your case—to the case of a member of parliament. We will take on to work with Parliamentary Services to see what we

can do about that, because if you need to travel overseas tomorrow you should be able to travel on an official passport.

Senator FERGUSON: It does not bother me particularly because you can get there just as well on another passport.

Mr Richardson: No, but it is a courtesy and it is an expectation, and it is reasonable that you do so.

Senator FERGUSON: Who makes the decision?

Ms Williams: For the background of the committee, we actually have ministerial guidelines that set out the eligibility and also the length of a passport for diplomatic and official passports, and that was established in 2006 by the then minister. We still follow that. It also sets out obligations on the sponsoring authority or the sponsoring agency, and in the case of parliamentarians obviously that is the parliament. There have been no adjustments made to that except where there have been changes to agencies, so quite purely technical things since that was established in 2006.

Senator FERGUSON: Okay. For the sake of my future colleagues, if you are going to look into it I would be very pleased. There is one other issue, and that is, being the technological whiz that I am, I tried to get my wife's passport changed online. In fact, I was going quite well until I got to the stage where I had to put in my wife's current passport number, and of course if you have got an official passport you then can't get a standard passport or a blue passport online if you already hold an official passport. I understand you can go the other way but you cannot go from having an official passport to a blue passport. What is the reason for that?

Ms Williams: Actually, unfortunately for your wife and for you, you can now. Earlier this month we changed that because it had been brought to our attention. Just as background as well on our online application process, we get quite a lot of positive feedback and our uptake rate is increasing. We keep trying to improve it; we know that that is the way our clients want to move, while maintaining the security. So there are some particular anomalies, and others had brought to our attention being able to enter an official passport document number to trigger the renewal process online. I think that was actually on 23 May.

Senator FERGUSON: Was it?

Ms Williams: Yes.

Senator FERGUSON: What was the reason before for not being able to do it—from an official to a blue passport?

Ms Williams: I think, honestly, it was more of an oversight, and I think at one stage you could use a blue passport to renew a blue passport, an official to review an official and a diplomatic to review a diplomatic. In reviewing that, and realising that of course there was no need for that process to work like that, perhaps the online was not picked up. So that was actually changed. Others had made the point to us and we picked that up on 23 May.

Senator FERGUSON: Thank you, Chair. I have had a good morning: one problem already solved and the other one in the pipeline.

CHAIR: Always quit when you are ahead, Senator.

Senator KROGER: I just wanted to know whether you could provide a status report on the new passport series. I understand that there is one underway.

Ms Williams: Yes, the new passport.

Senator KROGER: Can you just give us an update of where we are at with it.

Ms Williams: We are in the design phase at the moment. We are looking at releasing that. It is the P series passport. I think my predecessor, Mr Nash, might have explained that we are not having an O series. We currently have the N series, but we are not having an O series because of the potential to confuse the letter O with zero. So we are moving to a P series. We are in the design phase now. It should outwardly look quite similar and will have a number of the features of the current N series, some of which will be enhanced. We will look to release that in 2014. We have a new series of passports every five years. That is the sort of program—the rhythm and pattern that we try to work for.

Senator KROGER: From what you said, I presume it is as much a security upgrade as anything in terms of making sure that clever and modern technology—my colleague here being such an IT whiz—is keeping ahead of what is happening in terms of fraud.

Ms Williams: That is correct.

Senator KROGER: So is it ASIO? The AFP? Who has input into that in a formal way?

Ms Williams: We have an area in the passport office that works on it. We have a number of people who have specialist knowledge. We also call in consultants and contractors, but we also look for international standards as well. We are quite active members of ICAO, the International Civil Aviation Organisation, who set standards, and we also work with partner countries—the five nations: the UK, the US, New Zealand and Canada—to make sure that we are constantly on top of the technology. Quite frankly, there are also a number of companies. There is an industry in providing security to documents of all sizes, so we also make sure that we keep abreast of the latest technological developments from industry as well.

CHAIR: Let me just interrupt you there, Senator Kroger. For advice for members of the committee and those officials here, we will continue working through on program 2 and program 3 and then take lunch when we have concluded in 10 or 15 minutes.

Senator Conroy: I have an appointment at 20 to.

CHAIR: All right. We will try and get there.

Senator KROGER: We will try and be quick.

CHAIR: I do not think passport services is going to break the government.

Senator KROGER: One further question really quickly: how do we compare, in terms of the sophistication and security of our systems, to those other countries that you mentioned?

Ms Williams: We compare very well. I have only recently taken over this position and had the opportunity to meet with my counterparts from the five nations, and I came away very satisfied with where we are in terms of the sophistication of the security around our passport.

Senator KROGER: Do you think we are better?

Ms Williams: I think we should be very pleased with where we are.

Senator KROGER: Thanks very much, Ms Williams.

Senator TROOD: Ms Williams, did the new series you are speaking about relate to the new tender you have sought in relation to biometric passports? I think you have led a tender for higher grade security and using biometric measures.

Ms Williams: The tender that we sought was in terms of a panel to provide advice and, I suppose, technology on biometrics, but it is not specifically related to the new passport itself.

Senator TROOD: I see. That is part of a—

Ms Williams: Biometrics is obviously an important part of what we do in the passport office.

Senator TROOD: And what specifically are you seeking advice about? What is the tender for?

Ms Williams: We are seeking expertise on the use of biometrics in our travel documents. You are probably aware that we use facial recognition, and that gives us a particular edge in the security of our documents. But once again, as Senator Kroger said, we need to make sure that we can call on—as I said, it is a panel arrangement—quality advice, cutting edge advice, in the use of biometrics in passports. So it is a panel arrangement. We are looking for potential suppliers who we can go to for advice on biometrics.

Senator TROOD: This is for a panel to serve for a period of time.

Ms Williams: Yes.

Senator TROOD: Who will be readily available to—

Ms Williams: Who would be readily available to provide advice.

Senator TROOD: When will the tender close for that? When are you hoping the panel will be in place?

Ms Williams: I do not have the details of that tender with me, so I would need to check back with the department and perhaps we could provide that later in the day. I just do not have the material.

Senator TROOD: Can you tell me how much biometric data DFAT now holds?

Ms Williams: I would have to check that for you as well.

Senator TROOD: Okay.

Ms Williams: In terms of facial recognition images—

Senator TROOD: Yes. I presume, since—

Ms Williams: Significant holdings that go back.

Senator TROOD: I imagine it is significant. I would be interested to know how much biometric data you hold in relation to passport holders.

Mr Richardson: Expressed in terms of gigabytes or terabytes? Do you want it—

Senator TROOD: I think that would be interesting but rather meaningless. I think what I am really interested in is—if, indeed, 'images' is a term, or individuals—

Mr Richardson: Okay. Numbers of—

Senator TROOD: I do not quite know how you—

Ms Williams: That would probably be easier for us. I could give you an indication off the top of my head that we hold images going back for applications to the early 2000s, but I can give you the exact number of facial images we hold.

Senator TROOD: I am struggling, because I do not know how you hold data or how you categorise it, but if—

Ms Williams: It would be on facial images.

Senator TROOD: So if you have numbers—

Ms Williams: I can check that for you.

Senator TROOD: Okay. Is that stored in the department?

Ms Williams: Yes, it is.

Senator TROOD: On some secure system that you have?

Ms Williams: Yes, it is.

Senator TROOD: Is it shared with any other agency?

Ms Williams: Obviously it is available at the border. I am walking very carefully, and I am not an expert, so I am walking and I do not want to be misleading—

Senator TROOD: It is available—

Ms Williams: Certainly there are opportunities where we can provide that information. Under our act we can provide information that is provided in a passport application—and part of that is a photo—on request from certain agencies.

Senator TROOD: But it is available at our entry points, the Australian entry points.

Ms Williams: Exactly.

Senator TROOD: So it is not shared with any agencies other than those who have a need for it in relation to movement in and out of the country. Is that right?

Mr Richardson: It is shared only consistently with the provisions of the act.

Senator TROOD: The Australian Passports Act.

Ms Williams: The Australian Passports Act.

Senator TROOD: I see. Thank you. I just have another issue with regard to the ombudsman's report on passports, which made some observations not entirely flattering about some of the things that were done. They were not damning by any means, but have you responded to that—

Ms Williams: Which ombudsman's report? Are you talking about the one on the postal industry ?

Senator TROOD: I am.

Ms Williams: It was a Postal Industry Ombudsman inquiry into Australia Post's handling of passports going through the mail, more generally. That was the focus of it. Obviously DFAT was involved as the issuing authority of passports, and I think that there were two recommendations that were made in relation to us. But it was initially directed at Australia Post, as I understand, because issues had been raised about the compensation they were providing to people when passports had been lost in the mail. So that was the direction of it, but we were involved in that and, as I said, there were the two recommendations.

Senator TROOD: There are two recommendations. The first two recommendations relate to DFAT recording case details of loss, and also in relation to the most secure way to—

Ms Williams: It was to provide advice to people. So it was to provide advice to passport holders that if they were sending their passport, say, to an embassy to get a visa then they should use a secure way of sending it rather than sending it through ordinary mail.

Senator TROOD: Have you responded to these recommendations?

Ms Williams: Yes, we have, and we have advice on our website about how to send passports securely through the mail. On the other one about enhancing the recording of data in terms of passports being lost or missing, as you know, Senator, we have a passport redevelopment program, which is a development of the new back end—the new computer system—and that will be built into it so that we can better and more easily collate data on the particular reasons the passport might be lost or stolen. We can do it at the moment but it is quite laborious, so we want to be able to refine it.

Senator TROOD: As long as you can provide me with assurance that you have responded to the auditor's observations, comments, recommendations, then that is fine.

Ms Williams: Yes, we are.

Senator TROOD: Thank you very much. I have nothing further in this passports area, Chair.

CHAIR: Do you have anything in program 3.1?

Senator TROOD: I have some material in relation to IT security, which I think is—

CHAIR: Okay. Why don't you go to that?

[12:41]

Senator TROOD: Thank you. I have two items left which I want to canvass. Mr Richardson, in February we discussed possible security breaches in the department, and I think you said that your record was very good but mistakes do happen. Do you keep a record of the security breaches to the department's networks and things?

Mr Richardson: Sorry, security breaches?

Senator TROOD: Yes, that take place on the department's networks. I suppose all security breaches, but I am really thinking about the IT security breaches.

Mr Richardson: Yes, we keep records of security breaches full stop.

Senator TROOD: Right. And I assume you keep records of security breaches in relation to your IT system and your computer networks and things of that kind, should they occur.

Mr Richardson: Yes.

Senator TROOD: Can you tell me how many have occurred?

Mr Richardson: I need to refer that to Mr Morrison.

Mr Morrison: In what period are you referring to, Senator?

Senator TROOD: Just give me an idea of how many have occurred over the last 12 months or so.

Mr Morrison: In the last 12 months I am aware of two of what we call data spills, where information has been loaded onto our unclassified system from a higher system from two other agencies and we had to go back and eradicate that information.

Senator TROOD: And that comes within the definition of a breach of the system?

Mr Morrison: Yes.

Senator TROOD: Does that mean it is an unauthorised entry? Is that—

Mr Morrison: No.

Mr Richardson: It is the unauthorised release onto SATIN Low of material that is classified. The SATIN Low system is unclassified, and you are not meant to put classified material on it. Indeed, if you transfer classified material onto the unclassified network and that transfer is unauthorised then that is a security breach. Mr Morrison has said there have been two occasions in the past 12 months where other agencies have inadvertently transferred classified material onto SATIN Low.

Senator TROOD: Have you had any breaches that were attempts to try and penetrate the system?

Mr Richardson: We have. Consistent with the public reporting and media commentary, there are regular attempts to penetrate our systems.

Senator TROOD: Which you take to be what—cyber-espionage or something like that?

Mr Richardson: They can be anything ranging from skilled kids seeing what they can do to sophisticated hackers getting a kick out of it, through to attempted espionage.

Senator TROOD: How regularly do these attempts at penetration occur?

Mr Richardson: I stand to be corrected but I doubt whether there would be any 24-hour period of any day in which you would not get something.

Senator TROOD: Do you keep a notation of those attempts?

Mr Richardson: We have protective systems in place. We obviously work closely with the Defence Signals Directorate, and we keep as good a record of it as we can. The key thing here is, of course, our classified system, SATIN High, and we are confident of the security of that system, which is regularly tested so that is very different from our unclassified system.

Senator TROOD: I am encouraged by your confidence, but is the tender that you have issued seeking an intrusion prevention system for SATIN High is a reflection of some concern that you have about its security?

Mr Richardson: You regularly update. You have always got to keep up with what people might be attempting, but Mr Morrison might have more information in respect of that.

Mr Morrison: In September 2009 DSD released some new guidelines on the physical attributes of secret systems, and that penetration system is in response to that. They also released guidelines on cross-domain transfer of information and stuff like that.

Senator TROOD: How much is that contract for, do you know?

Mr Morrison: I would have to take that on notice. If memory serves me right it is \$164,000, but I would need to confirm that.

Senator TROOD: When you do anticipate having the new system in place?

Mr Morrison: I would expect that to be finished by the end of August.

Senator TROOD: The tender has been let and you will have the work done by the end of August?

Mr Morrison: That is my understanding, yes.

Senator TROOD: It is responding to a specific advice from DSD but, nevertheless, part of a regular program of upgrading the system to maintain contemporary security?

Mr Morrison: That is correct.

Senator TROOD: I want to ask some questions about the ANAO report in the management of overseas leased estates. Mr Davin, I do not think I have seen you since we spoke about the Holy See and the status of the embassy there. The ANAO report was critical of DFAT in the way in which it had undertaken some of its activities in relation to the administration of the estate. It made the point that there was no single area of functional level of accountability in the overall management of the lease system, and it made the point that the auditor had previously drawn the department's attention to the absence of strategic planning and that it was too reactive. I am not sure when the last report was done, but this most recent report said that, in the auditor's view, that had not been attended to. So the obvious question is: do you accept these criticisms in the auditor's report and, if so, have you done anything about them?

Mr Richardson: I might just make a general comment before Mr Davin responds in more detail. You are right in what you say, but, in fairness, I would like to put on the record that the ANAO was generally positive about the department's management of the overseas owned estates, and that is clear in the report. It did make some criticisms, and it did make some recommendations, and they are recommendations which we accepted. But Mr Davin will have more.

Mr Davin: I should just clarify the ANAO report to which you are referring is on the overseas leased estate, not a follow-up report to an earlier one done on the overseas owned estate. The observation in the report on the overseas leased estate repeats an observation from the earlier report that there should be more strategic forward-planning. That is the observation. It is not saying we not have addressed an earlier recommendation. We are very active in that area.

Senator TROOD: I can see the point you are making. Nevertheless, it seems a bit pedantic.

Mr Davin: The two reports, whilst they deal with property, are quite distinctive when they talk about role, and the overseas owned estate is the core business of the overseas property office. When we talk about the overseas leased estate, there are shared responsibilities there, particularly in the funding of that estate. That is a responsibility I share with the chief financial officer in funding. The audit made the observation that that shared responsibility does cause some confusion at overseas posts about where they should go for advice or funds. In fact, the sole recommendation from that audit was that we should clarify that chain of responsibility, and we are doing that.

Senator TROOD: In relation to owned estate, it made a point about your inclination to be 'reactive in nature', These are not my terms, these are from the auditor's report, and, although they were referring to the owned estate, they seemed to be repeating the same observation in

relation to leased property. That is to say, you are being reactive rather than preparing to address the circumstances which are arising which regard to leased property.

Mr Davin: And we have accepted that recommendation. We do need to be much more proactive in our management of property, and that is an area into which we have put a lot of time and energy. I think the last time we spoke at a Senate estimates committee you asked me to provide, on notice, some of the forward planning—where are we spending money over the next five years. That is an area into which we are putting a lot of work, and it was a completely legitimate criticism from the Audit Office that we need to more proactive. Naturally, we are always focusing on the crisis of the moment which, in property work, is always ongoing, and we need to lift our eyes to the forward plan. We are doing that, but it is a challenge.

Senator TROOD: When you say crisis, this is leaking ceilings and things like that.

Mr Davin: Exactly. It is hard to be looking five years ahead when you had an ambassador on the phone saying that they cannot use the residence for an important ministerial visit because of a leaking roof or something like that, so our energies are very much focused on the reactive issue of the moment.

Senator TROOD: It seems a reasonable complaint on the part of the ambassador.

Mr Davin: Exactly. But, at the same time, we need to be looking forward and putting in place long-term maintenance regimes, which we are doing.

Senator TROOD: Tell me what you have done about these properties that have attracted the auditor's concerns: I have never been to our chancery in Brussels, but this is what the auditor said about it:

Staff at the post all raise the current presentation of the chancery as an issue, with some staff reporting that they preferred not to hold meetings at the chancery due to its dated presentation.

Mr Davin: Yes, that is a leased chancery in an office building. We rent three floors in a building in Brussels. The response to that is that we are relocating that chancery. It is a project we have in hand. It has been some years since that office was established. It has been regularly painted and maintained, but it is showing its age and that is what the audit report reflects.

Senator TROOD: What about these other properties? The consulate in Hong Kong, I think, is mentioned as needing something done to it.

Mr Davin: For the consulate in Hong Kong a lease renewal is required with the owners, and the office layout will be refreshed at that time. As you are aware, we have 92 embassies around the world. They are all in various states of repair, and work is ongoing to try to keep them at an appropriate standard.

Senator TROOD: Finally, what have you done to try to put in place this proactiveness that the auditor is urging upon you?

Mr Davin: There are two elements running to it. One is what we are doing on the leased estate and the other is what we are doing on owned property. We have developed asset plans which identify every owned property in some detail: the age of the various plant and equipment in those offices; when they may have last been refurbished or had a mid-life services upgrade; when they should next be refurbished or have an upgrade. We put that work

into a forward program, with the budgets, that will need to go to the government. In many instances, there are substantial amounts of money involved.

Senator TROOD: I think I asked you about this previously, and I now must say I cannot remember whether you gave me a figure. Do you have a projection as to the kind of money that you are going to need to spend on estates in the next five years or so?

Mr Davin: Certainly.

Senator TROOD: What is that figure?

Mr Davin: The annual spend on property maintenance is around \$30 million, and that varies up and down between properties. But the much more substantial budget program we have running is the construction of new chanceries, which runs into many hundreds of millions of dollars over the next five years.

Senator TROOD: I presume you will get some money from the government to build new chanceries; they will not expect you to find that from your working budget. But is it also true that the maintenance that is required on these properties and these estates is something for which you can get regular supplementation or appropriations?

Mr Davin: We run the maintenance of the owned estate through what is called a special account. This is money which is not part of the annual appropriation.

Senator TROOD: I remember.

Mr Davin: Yesterday you were discussing the annual rents with the CFO. The special account receives revenue from agencies that occupy government owned property. That revenue is the basis of our forward-spending programs.

Senator TROOD: Is the revenue enough?

Mr Davin: It is. It does meet our current forward program. We have had a joint review with the department of finance recently that looked in some detail at our forward obligations, our current funding situation and how we might build a better model going forward. That has resulted in quite a good sustainable funding model going forward. If we do have very substantial construction obligations in the future, the option is always there for us to go to the government and seek an appropriation to carry out those works. But currently we can fund our forward program from the overseas property special account.

Senator TROOD: Thank you, Mr Davin. Chair, I do not have anything further.

CHAIR: Thank you, Senator Trood. That brings to a conclusion the non-trade areas of the Department of Foreign Affairs and Trade.

Mr Richardson: Chair, could I have your indulgence just to say something?

CHAIR: Yes.

Mr Richardson: I understand that for Senator Ferguson this is his last estimates, and also for Senator Trood and Senator Forshaw, and Senator Ferguson just signalled that he would not be back this afternoon. I would simply like, on behalf of the department, to thank Senator Ferguson, Senator Trood and also Senator Forshaw. Senate estimates is an important part of the Public Service's accountability. I have worked with Senator Ferguson over a long period of time. I have appeared before a number of committees that he has chaired and committees that he has been on. Senator Trood has consistently put us through our paces in the time that I

have been in this job, and I know that he has put others through their paces before me, and the same with Senator Forshaw. I simply wanted to say that each of you has the respect of the department. We have thoroughly enjoyed appearing before you. We have not always enjoyed the questioning, of course, but we understand the process which we are involved in, and I simply say that the department looks forward to working with each of you in whatever capacity you now go to. We wish you the very best.

CHAIR: Thank you very much for those very gracious remarks, Mr Richardson. I am sure they are much appreciated. Does either senator wish to respond?

Senator FERGUSON: I will just respond briefly. Thanks very much for your very kind words. I know that our association goes back a long way through intelligence and security and a few other things. I have thoroughly enjoyed working with the officials of the Department of Foreign Affairs and Trade. I have got to know many of your officials very well and have been served by them very well whenever I have run into them when they have been on postings. I want to thank you very much for the efficient manner in which the department runs and also wish you and all of those people I have had dealings with all the best in the future. Thank you.

Mr Richardson: Thank you, Senator.

Senator TROOD: Thank you very much, Secretary Richardson, for your very gracious remarks in relation to my contribution, as modest as it has been. I would particularly like to take the opportunity to recognise the fact that you, as secretary of the department, have agreed to submit yourself to this process. It was a source of immense frustration, certainly to me, and I think to other members of the committee, that previous governments were reluctant—if indeed that was the source of the problem—to permit or allow secretaries to come to the committee. You have now appeared before the committee. I think that is an important element of the accountability procedures that should apply in this department, and I know that every single member of the committee is very grateful for the fact that you see that as your responsibility and that you have come and engaged with the department as fully as you have been able to do. I think it is an important step forward for parliamentary accountability.

As I think most people know, I have an enormous respect for the Australian foreign service. I think it is profoundly underfunded, and I think it needs a government at some point to recognise the great contribution it makes to Australia's national security and to all the work that Australia has needed to do overseas. I hope that at some point someone will recognise that further attention should be paid to its resourcing, not without necessarily making changes in the department—but certainly some attention needs to be given to its resourcing. Thank you.

CHAIR: Thank you, Senator Trood. Thank you, Mr Richardson.

Proceedings suspended from 13:04 to 14:07

CHAIR: We resume our discussions on budget estimates relating to the trade section of the portfolio of Department of Foreign Affairs and Trade, and the officials from the Department of Foreign Affairs and Trade trade program are joined by relevant officials from Austrade. Welcome Mr Yuile, Mr Grey and Mr Gosper.

I have had a discussion with opposition people and Senator Xenophon. What we intend to do is to start on trade programs, work through the bilateral regional and multilateral—Japan, China, South Korea and all the usuals—and then, once that is concluded, we will move to the

rest of the program and whoever gets the nod from me will ask questions and we will work them together. That seems to be what happens in practice anyway. On that basis, Mr Richardson, do you or the minister wish to make an opening statement here? No? In that case, Senator Kroger.

Senator KROGER: Thanks very much, Chair. I want to lead off and get an update on the status of the ongoing free trade agreement with China.

Senator ABETZ: Before Senator Kroger asks particularly about China, can I be reminded of all the negotiations we currently have underway—China, South Korea, Japan, India, the gulf. Are there any others?

Mr Richardson: Indonesia. Not formally so, but the button has been pressed on Indonesia.

Senator ABETZ: Any others?

Mr Gosper: The FTAs that we currently have under negotiation are Malaysia; Indonesia; China; Japan; Korea; the Trans-Pacific Partnership, which is an agreement involving nine countries; the Gulf Cooperation Council, India, which was recently launched; and the PACER negotiation, which was mentioned this morning.

Senator ABETZ: Excuse my ignorance. The Trans-Pacific Partnership of nine countries?

Mr Gosper: The Trans-Pacific Partnership is a negotiation which involves Chile, New Zealand, Brunei, Singapore, Australia, Malaysia, the United States and Vietnam.

Senator ABETZ: Well done! Thanks for that.

Senator KROGER: We were going to get an update from the officer who could give us where we are at in terms of ongoing discussions. Is that you, Mr Gosper, in relation to China?

Mr Gosper: I will lead the way on that. In respect of the China FTA, we had the 15th round in June 2010. Since then we have had a number of discussions with the Chinese about resuming and continuing negotiations. We will be holding a 16th^h round in July here in Canberra.

Senator KROGER: In relation to those discussions, were there any areas that were of particular concern to us?

Mr Gosper: As I said in the last Senate estimates briefing, the negotiations are hard going. We are seeking access for agricultural products and services industries in particular and we are not producing at this stage sufficient momentum to suggest we can close those negotiations. In addition, of course, China is seeking the elimination of tariffs in this market and it is also raising issues relating to investment and the movement of people. So it is a difficult set of issues, and it continues to be very hard going.

Senator KROGER: In raising the issue of tariffs, it brings to mind—and I think Senator Colbeck raised this at the last estimates—the issue that our rock lobster industry is facing at the moment. Has there been ongoing dialogue about that? I understand we still have pens brimming with rock lobster, and it has brought the industry to a standstill, particularly along the coast of Tasmania and Western Australia. Can you give us any assurance that those discussions are progressing?

Mr Gosper: I will ask my colleague Mr Rowe to comment, but at this stage we can confirm that there is no ban on Australian rock lobster at this time. We continue to have talks

with the Chinese at official and ministerial level. Just a few weeks ago during a visit to Beijing Dr Emerson raised with his counterpart our desire to in fact remove the tariff that applies to Australian rock lobster.

Senator KROGER: And that tariff is 15 per cent. Is that right?

Mr Gosper: I believe that is correct.

Senator ABETZ: When was that imposed, if I may ask?

Senator KROGER: When was it imposed?

Mr Gosper: It has been in place for many years.

Senator ABETZ: So it was not that which stopped the importation of rock lobster?

Mr Gosper: No. I will ask Mr Rowe to go through the history of the recent problems that have been encountered by the rock lobster industry in relation to the so-called grey trade through Hong Kong, recent indications of increasing the basis for valuation of rock lobsters and, of course, the question I referred to, which is the tariff that applies to rock lobster. That is important not only in its own sake but because New Zealand does not face that tariff at this point because of its FTA with China. I will ask Mr Rowe to continue.

Mr Rowe: Mr Gosper has got the essence of that. I think the tariff of 15 per cent has been there for more years than we can recall. I think the point was that until late last year importers had been able to bring lobsters in through Hong Kong clandestinely and there was then no tariff on those lobsters because lobsters into Hong Kong are tariff free.

When the Chinese authorities clamped down on the trade there, importers and our exporters had to take it through normal channels, and this is where the problem began with the imposition of the 15 per cent. That made it difficult to raise the price and made it difficult to compete with other markets.

Senator HEFFERNAN: Isn't the concept of a tariff out of date, given the non-market currency situation of China and given the terms of trade? We are at a 61 per cent trade disadvantage with the United States since we first wrote the agreement and we enacted it in January 2005. We are now at a 61 per cent trade disadvantage, which is bigger and better and more powerful than any tariff you blokes will ever come across. Isn't that true?

Mr Rowe: I certainly agree the tariffs are out of date. We would like to negotiate the end of all of them but the Chinese impose them. There is nothing we can do about it.

Senator HEFFERNAN: How can we negotiate with China when they have a non-market currency—for God's sake!—a free trade arrangement?

Senator Conroy: Because your party was in favour of it.

Senator HEFFERNAN: Mate, the reality of a free trade agreement with China while they have got a non-market currency is that we will get eaten.

Senator ABETZ: We want the rock lobster to get eaten in China.

Senator HEFFERNAN: If you want me to take you through the technical details of why that is so, I soon will.

Senator ABETZ: We want the rock lobster to be eaten in China, so what do we need to do to get them back into the marketplace, Mr Rowe? What you are telling us is that the tariff of 15 per cent has always been there but through other methodologies Australian rock lobster

found its way into China via Hong Kong, which somehow avoided the attachment of the 15 per cent tariff.

Mr Rowe: That is more or less the situation.

Senator ABETZ: That is our difficulty. So it is simply now a matter of price?

Mr Rowe: Yes. The successful negotiation of an FTA would, of course, in the long term solve the problem.

Senator ABETZ: Of course.

Mr Rowe: A lot of it is the commercial issue, which government cannot do anything about. But one of the things we are doing is looking at helping the rock lobster fishermen diversify their markets. Part of the problem is that they are too dependent on the Chinese market and we need to look at if there are other markets they can break into, like South Korea, Taiwan, the United States.

Senator ABETZ: In my home state of Tasmania the rock lobster industry is very important and a great employer in regional areas. The difficulties they face are now sending reverberations throughout regional economies and areas. I know that Senator Colbeck, if he could have been here, would have been prosecuting this, I am sure, a lot better than I am but I do have some slight understanding of the difficulties being faced by the rock lobster sector in Tasmania. Are you engaged in active dialogue with relevant rock lobster associations to pursue alternative markets?

Mr Rowe: Yes.

Senator ABETZ: Are you at liberty to disclose where you are trying to tempt residents to eat these great rock lobsters?

Mr Rowe: I will leave the promotion of rock lobsters to Austrade, but we are in close contact with industry representatives. Mr Treløkken is in China at the moment and our mission there—

Senator ABETZ: A very good man and a lifetime exponent of the wonders of rock lobster.

Mr Rowe: We have been in contact with him and looking at ways we might facilitate his visit. We are also looking at reports that there is an implied minimum value being put on Australian rock lobsters, as opposed to other rock lobsters, in what might be a discriminatory way. We are investigating whether it is the case that we are being singled out here and what ways we can solve that problem.

Senator HEFFERNAN: What currency is that definition defined in?

Mr Gosper: Are you asking about the tariff?

Senator HEFFERNAN: You just said there is a discrimination. What currency is that discrimination defined in: Chinese or US dollar?

Mr Rowe: It is Australian dollars, as far as I know.

Senator HEFFERNAN: Can you take that on notice?

Mr Rowe: Yes.

Senator KROGER: Mr Rowe, what is this impasse costing the rock lobster industry? Have estimations been undertaken of what it is costing the Australian rock lobster industry overall?

Mr Rowe: Sorry, I do not have it. According to what they say themselves, they are not breaking even because the price of lobster is too low and then they cannot make a profit on it. I think that is both the fact that the price these days is not as high as it was and also that it faces competition from lower quality rock lobster which the market is prepared to put up with rather than the premium that Tasmania produces. The price has gone down, plus New Zealand in particular has a three per cent tariff.

Senator KROGER: Are you aware of what price the rock lobster industry has put on the financial cost of this? I understand that there are many who fear that they will go out of business, but what is the actual cost to the overall industry.

Mr Rowe: I am sorry, I do not have figures for that.

Senator KROGER: No problem. Chair, unless anybody else has any other issues in relation to China.

CHAIR: Do no other people want to talk about China? Senator Heffernan.

Senator HEFFERNAN: When did you start the negotiations on the free trade agreement with China?

Mr Gosper: If you just give me a moment I will ask a colleague if they have that question. It has been a number of years, of course. We are now contemplating the 16th round next month, but negotiations have been going a number of years.

Senator HEFFERNAN: I know, but what year? I want to know what the currency was valued at in the year you started.

Mr Gosper: The negotiations began in 2005.

Senator HEFFERNAN: So it is the same time as we signed the free trade agreement with the US and the dollar was at about 70c. The American situation, which ties us into the arrangements with the free trade agreement, is that America, being technically insolvent, and because of the amount of capital that China has invested in the United States and because China has a non-market currency and because the US is going to use inflation to diminish the \$2.89 trillion of toxic debt and the 63 per cent of public debt to GDP—which will be 100 per cent in six years—is trying to strike a free trade arrangement with China, who has a non-market currency, and it has this terrible bind between protecting its capital investment in the US and its ability to trade, with the value of the currency. In the poorer areas of China they have got a 35 to one labour disadvantage. The fact is that since we agreed to, signed up and implemented the free trade agreement with the United States, we are now suffering a 61 per cent tariff because the trade terms changed. The effect of that, since that date until now, has been a 17 per cent decline in exports into the United States versus their imports into Australia. Can you explain to me how it is in the national interest to commit yourself to a free trade arrangement with the currency that is on market?

Mr Gosper: I am not sure where to begin with your question.

Senator HEFFERNAN: It is very complex, but I can give you more detail if you want it.

Mr Gosper: The reality is that we have export industries who want better access to the Chinese market. Obviously, the Chinese are reluctant to lower tariffs because they understand that our export industries in agriculture and services are very competitive and provide a threat to the market, if tariffs are lowered, of increased market access.

Senator HEFFERNAN: Their safeguard is the non-market currency. We have got the double-whammy. In the US free trade agreement we have dropped most tariffs, but we now have the artificial tariff because of their insolvency situation, and China's policy is being determined by its capital protection versus its capacity to trade. You expect our exporters to come out of a free trade arrangement with a country which says to the rest of the world, 'Go and bite yourself, because we're going to have a non-market currency.' That is more powerful than any tariff arrangement that we put on any commodity going into China. China put a 150 per cent tariff on its fertiliser—

Senator Conroy: Senator Heffernan, you are asking the officers to comment on policy decisions.

Senator HEFFERNAN: No, I am trying to get—

Senator Conroy: If you have a specific question on the agreement, please ask them that, but the government has made a policy decision and the officers are just implementing it.

Senator HEFFERNAN: Okay.

Senator XENOPHON: Can I ask a specific question?

CHAIR: Senator Xenophon.

Senator XENOPHON: If I may, Chair. Further to Senator Heffernan's line of questioning, my question, Mr Gosper, is to what extent in any free trade negotiations with China do we consider the fact that the Chinese currency is a fixed currency, not a tradeable currency?

Many commentators, I think universally, say that it is quite overvalued. To what extent is that taken into account in any negotiations?

Mr Gosper: It is not taken into account at all.

Senator XENOPHON: Ought it to be? It can act as a trade barrier.

Mr Gosper: Currency and currency issues are of course addressed in the international system—for instance, the G20 discussion that has been under way for some time on this issue—but they are not addressed directly in either the WTO or in individual free trade agreements.

Senator XENOPHON: Mr Gosper, I find that extraordinary. You are the deputy secretary of the department that specialises in trade. Are you saying that the impact of currency, if it is fixed, if it is overvalued, would have no bearing on Australia's trade competitiveness and our relationship with another country, just as a general principle?

Mr Gosper: Currency, of course, does have an impact on competitiveness. That is why we are seeking freer access to China.

Senator HEFFERNAN: But with the greatest of respect, through the minister, the actual touch and feel outcome of what you are proposing with China is best demonstrated by what

has already happened with the United States, where we have a serious disadvantage in exports into the United States because we now are—

Senator Conroy: You are expressing an opinion.

Senator HEFFERNAN: Excuse me, I am telling the facts.

Senator Conroy: You are expressing an opinion.

Senator HEFFERNAN: With great respect, we have a 61 per cent and a 40 per cent decline average.

Senator Conroy: Do you have a question?

Senator HEFFERNAN: In developing the policy, how can you not understand that, with a free trade arrangement where you do not take account of the currency tariff, we cannot possibly come out with a commercial advantage?

Senator Conroy: The government has taken a decision and the officers are implementing the decision.

Senator HEFFERNAN: All right. I will rephrase the question with your guidance.

Senator Conroy: If you would like to ask the government or me a question about this, I am happy to have an argument with you or a discussion with you or exchange opinions or facts.

Senator HEFFERNAN: You would want to know your facts if you are going to have an argument with me, and not just a whole lot of political blather. What is the impact in practical terms of this currency tariff disadvantage in a free trade—

Senator Conroy: I will take that on notice and get you an answer.

Senator HEFFERNAN: What, the minister? Not you?

Senator Conroy: No. The way the estimates works, as I have explained to a number of other senators, is that the minister takes the questions or passes them on. So I will take that on notice and get you some information.

Senator XENOPHON: Further to that, Chair, if I may, there is perhaps another way of putting it to Mr Gosper and also to the minister. To what extent do you consider issues of a fixed currency and the overvaluation of currency, if you like, as being a barrier to trade or being something that puts Australia at a disadvantage, and is that factored in in any negotiations? I am not sure if you can answer that now.

Senator Conroy: The minister?

Senator XENOPHON: Either the minister or Mr Gosper.

Senator Conroy: I will seek some information from the minister and take that on notice for you.

Senator XENOPHON: Just finally to Mr Gosper: if a currency is artificially overvalued, as the Chinese one is, then surely that is something that does affect trade with this country? Are you able to answer that?

Senator Conroy: I am happy to take that on notice and seek some information from the minister.

Senator XENOPHON: But, Minister, that is just a very straightforward question.

Senator Conroy: And I have taken it on notice. I have given you a very straightforward answer, which is that I will take it on notice and see what the minister would like to provide to you.

Senator XENOPHON: If I may, through you, Chair?

CHAIR: You may.

Senator XENOPHON: Mr Gosper, is it acknowledged by the department that the Chinese yuan is overvalued?

Mr Richardson: We are talking about being undervalued, aren't we?

Senator XENOPHON: Sorry. Undervalued, rather. Thank you for correcting me, Mr Richardson.

Senator Conroy: I think there is a worldwide debate. In America there has been a fair degree of debate that the Chinese currency is not at the right value and there has been much debate about that worldwide. The Chinese, of course, would disagree entirely.

Senator HEFFERNAN: Minister, do you understand the influence of the insolvency problem that the US has in the global commercial market, which is much dominated by the capital capacity of China?

Senator Conroy: I have not followed the American insolvency issue as closely as you, Senator Heffernan, but I am happy to take that on notice and see if the minister has something he would like to add.

Senator HEFFERNAN: This is the gravest of issues for the global economy if China, as you correctly point out, Minister, is being urged to come to the market with its currency. The United States—and having been to the Harvard think tank, by the way, to argue this with them—think the weight of the economy and technology is going to get them out of the soup, but it is not. What is going to get them out of the soup is a serious bout of inflation to diminish not only the toxic debt they are not going to bring to the market—

Senator Conroy: I am sure the Chinese will welcome your economic advice, Senator Heffernan.

Senator HEFFERNAN: This is the impact of the free trade arrangements we have with the United States now coming back to bedevil us and we have no capacity to renegotiate our position, as far as I know. It is serious. There is a 40-odd per cent tariff decline in the value of the currency from 2005 till now. At this moment there is a 61 per cent tariff disadvantage in the currency terms of trade. And there you have China, which is between the devil and the deep blue sea, and the US, who are held to ransom by the capital investments of the Chinese currency, and we are trying to negotiate a free trade agreement in those conditions? Pull my other leg. Thanks.

Senator Conroy: Thanks for the offer, but no.

Senator KROGER: I wanted to ask a question in relation to the ongoing discussions with China. With the government introducing a carbon tax, which is obviously a subject of great debate in this country, is that being included in your discussions and has modelling been done in terms of the way that that will affect an ongoing free trade agreement?

Mr Gosper: No, it is not part of FTA discussion.

Senator KROGER: Mr Gosper, can I then ask why it would not be, given the significant price difference it will make to our exports? Why would that not be a consideration and taken on board? At the very least I would have thought that modelling for various levels of a carbon tax would have been undertaken to give us an understanding of where our position is on exports, how it changes them, and that would feed into our platform in further dialogue with China.

Mr Gosper: The government has yet to completely decide its position on carbon tax arrangements.

Senator KROGER: Has there been any request to the department for input into the government's position on this in their considerations? Has there been any request from the multiparty committee, for instance, from cabinet, for information from you in relation to the implications for the export market?

Mr Richardson: The economic modelling in respect of any carbon tax is undertaken by Treasury, and Treasury does the modelling in terms of a carbon tax potential impact on the economy in all its dimensions. We were questioned yesterday in respect of climate change and we advised the committee at that time that, in our involvement in the climate change issue, our advice has been by way of departmental comment in respect of cabinet submissions. Our focus there is the international dimensions and also some trade related aspects in respect of some of the climate change debate. As we advised yesterday, we have not been approached by the multiparty parliamentary committee.

Senator KROGER: Thanks, Mr Richardson. Mr Gosper, you said that the next meeting, which I think you said was to be held here—

Mr Gosper: In Canberra.

Senator KROGER: —is in July this year. Is that correct?

Mr Gosper: Yes.

Senator KROGER: So if a carbon tax is introduced before then, will that be a significant part of your considerations in further discussions and dialogue with China on free trade agreements?

Mr Gosper: No, we would not be proposing to raise that with China in the context of an FTA discussion. Whether the Chinese choose to raise it is a matter for them.

Senator KROGER: So you do not think it would have any implications on our export capacity and therefore flowing into any free trade agreement that is negotiated?

Mr Gosper: The free trade agreement negotiation concerns primarily the access conditions that apply to Australian exporters who seek to export to the Chinese market and it is very clear that many Australian industries will, whatever the policy settings here, continue to be interested in those exports.

Senator KROGER: I would have just thought that a lot of businesses would need a bit of a leg-up after a carbon tax imposition.

Mr Richardson: I might add that you will be aware that the government has not yet finalised a possible carbon tax and the debate about how a carbon tax relates to trade exposed industries is still being discussed. So it is not possible for us here to really go very far in terms

of what a carbon tax may or may not be and what other detailed arrangements might be wrapped around trade exposed industries.

Senator KROGER: Sure. Thank you.

CHAIR: Further questions on China FTA?

Senator ABETZ: Yes, if I may.

CHAIR: Senator Abetz.

Senator ABETZ: How are we going in our negotiations in relation to matters pertaining to the motor vehicle sector in particular? As I understand it, currently there is a lot of pressure on the local manufacturing sector from Chinese imports, without the free trade agreement in place.

Ms Adams: The free trade agreement negotiations of course do cover tariffs applying to all goods in both countries, so in the Australian market and in the Chinese market, so all of those tariffs are in principle up for negotiation and the intent of a free trade agreement would be at some point as agreed in the phase-out schedules for tariffs to be eliminated. However, those negotiations are ongoing.

Senator ABETZ: What is our tariff at the moment on car imports?

Ms Adams: It is five per cent.

Senator ABETZ: And in China?

Ms Adams: We do not export cars to China.

Senator ABETZ: No, but does China have an import tariff on motor vehicles?

Ms Adams: I do not know off the top of my head. It probably does.

Senator ABETZ: Probably does? If you could take that on notice.

Ms Adams: Certainly.

Senator ABETZ: That would just be a matter of some interest. Could I just quickly return to Senator Kroger's questioning about the carbon tax. In our free trade agreements do we only talk matters of economics or do we also talk about matters of, let's say, certain principles or standards of behaviour? I understand, for example, that employment conditions are not necessarily discussed. Is that correct?

Mr Gosper: Yes. The FTAs are primarily about reducing tariff and non-tariff barriers to exports in both directions. So for Australia we seek, as a preference, as a strong priority, the complete removal of all tariffs and, as far as possible, non-tariff barriers in markets of interest. Sometimes these agreements cover economic cooperation type provisions, but they are not very substantive, frankly. And sometimes these agreements cover labour provisions, as you call them, typically where both sides agree to abide by the normal conventions agreed in the ILO, for instance. With China, we do not anticipate that will be the case.

Senator ABETZ: In relation to labour standards?

Mr Gosper: That is right.

Senator ABETZ: All right.

CHAIR: Further questions on China FTA or other FTAs? Senator Kroger.

Senator KROGER: Yes, if we could move on to another country of much discussion at the moment, and that is Indonesia, could you give us a status update on our discussions there and where we are at.

Mr Gosper: Indonesia has of course recently made the decision to ratify the ASEAN-Australia-New Zealand FTA.

Senator KROGER: When was that?

Mr Gosper: Within the last month.

Senator KROGER: Thank you.

Mr Gosper: We have now, of course, launched the economic partnership agreement negotiations with Indonesia. We have held a number of meetings with them, pre-negotiating meetings to determine how best to take this negotiation, this agreement, forward. I believe it was in December last year and then again in April this year and we will be continuing that work. Of course this negotiation involves not just a tariff component but a technical assistance capacity-building component and a component built around investment, in particular reflecting Indonesia's desire for greater Australian investment.

Senator KROGER: We have ratified that, so the substance of that now is much broader than mere trade. Is that what you are telling me?

Mr Gosper: That is right. We are in the preliminary stages of the agreement negotiations.

Senator KROGER: When is the next meeting to take place in relation to that? Given that the agreement has been ratified, what is the process from here? Are there more regular meetings, like monthly meetings? Just take me through the process of it.

Mr Gosper: The process is a rather informal one at this moment, where we exchange documents regularly—documents; conversations between officials. We are not at the stage yet to actually schedule the first formal round of negotiations which might bring teams of negotiators together. Rather, we are working through in particular how the economic assistance part of the negotiation might be best advanced, so jointly looking at areas of particular priority with respect to both our capacity and Indonesia's need.

Senator KROGER: Just in relation to that process, when you speak of officials that hold informal discussions, what level officials are we talking about here? Who do we deal with in Indonesia?

Mr Gosper: I deal with my counterpart, who is a vice-minister of the coordinating ministry. Our lead negotiator, Michael Mugliston, who works to Ms Adams, talks with his counterpart in the ministry of trade. Those are the sorts of meetings and conversations we have been having.

Senator KROGER: Thank you very much. In relation to the live export discussion that is taking place at the moment, what is the value of the live export industry to Indonesia?

Mr Gosper: I will ask Ms Gordon-Smith if she can give us that figure: A\$319 million in 2010 for live animal exports.

Senator KROGER: So it is a pretty substantial industry for us. If you could just firstly take me through our practice in terms of supplying to facilities that meet the standards that we have agreed to. Could you take me through that?

Mr Gosper: This, of course, is primarily a matter that is regulated and dealt with by the department of agriculture, as I think you would understand. I do not know if there is anything we could add at this point.

Senator KROGER: There are agreed World Health Organisation standards in relation to animal health standards that we support, and I know that both previous governments and this government have sought and seek to apply that. I am concerned, though, about media coverage that has been given, the footage that was on *Four Corners* recently in relation to animal cruelty and so on. I am just wondering whether any discussion or dialogue has been directed to you from Indonesia, or whether there have been any representations made in relation to this issue, which is clearly one that is of great concern to a number of people at the moment.

Mr Gosper: I understand. This live cattle trade, of course, has been the subject of many discussions over the years between authorities and between industries in Australia and Indonesia, but it is not primarily the responsibility of this portfolio. I think I would be misleading you to attempt to give you detail of that. We could take it on notice, but I think it is, nevertheless, a question that is best directed to the department of agriculture.

Senator KROGER: Sure. I was really just seeking, Mr Gosper, whether you had been asked to be engaged in any discussions on this, because clearly departments cannot work as silos and there is—

Mr Gosper: Absolutely. I understand, and of course we support our colleagues in the department of agriculture and our mission in Jakarta works very closely to support these sorts of activities, but the primary responsibility does, indeed, reside in the department of agriculture.

Senator KROGER: Sure. Thanks, Mr Gosper.

Senator RONALDSON: Just in response to Senator Kroger's question, are you involved in discussions with the department of agriculture or not in relation to this issue?

Mr Gosper: Yes, we are talking to them, of course.

Senator RONALDSON: I wonder if Senator Kroger then wants to take it further.

Senator KROGER: The follow-on then, of course, is the nature of those discussions.

Mr Richardson: Our focus is on market access and supporting industry overseas, particularly in dealings with foreign officials. So our focus is on market access and discussions between Australian and Indonesian officials and also industry. We are not involved in decision making relating to the regulatory aspects of it. We have a particular focus, drawing on our own particular departmental responsibilities.

Senator KROGER: Have you received any representations from industry seeking your guidance or support or assistance on these matters?

Mr Richardson: Since *Four Corners*?

Senator KROGER: Yes.

Mr Richardson: So that would be since Monday night? No.

Senator KROGER: Okay. Thanks.

CHAIR: Further FTAs? We have done China and we have done Indonesia.

Senator ABETZ: Can I ask, in relation to the gulf, whether the minister has been personally involved in any of the negotiations?

Mr Gosper: The negotiations have been effectively in abeyance for some time now.

Senator ABETZ: Since when?

Mr Gosper: Since 2009. We are just checking on that now. So there have been no negotiating sessions, as such, during that period of time. Essentially, we remain ready to move quickly to conclude the negotiations, but the Gulf Cooperation Council, in particular, has been reviewing its negotiating position and has been reluctant to engage over that period.

Senator ABETZ: Has the minister personally injected himself into any of these discussions or negotiations since 2009?

Mr Gosper: There have been no such negotiations since that time, since 2009—none for the minister to inject himself into. It has been raised, I understand, by ministers and with—

Senator ABETZ: By the foreign minister?

Mr Gosper: Yes, it has been raised by the foreign minister.

Senator ABETZ: With whom has the foreign minister been raising the issues?

Mr McCormick: We have, as a standing item in all ministerial meetings with UAE and other members of the Gulf Cooperation Council, queries about when the Gulf Cooperation Council will have finished its review and when we can look forward to proceeding with the FTA negotiations. So it is a regular item on any ministerial meeting with ministers from the gulf.

Senator ABETZ: Thank you, but the minister is known to from time to time inject his own personal issues or issues that he has thought of personally into international discussions. He is not the ventriloquist doll of the department in these discussions. So are you able to tell us whether the minister himself has offered certain things to try to expedite the review, or has he indicated a willingness to go soft in other areas to expedite a review which might allow the negotiations to recommence?

Mr Richardson: I think the answer to that is no.

Senator ABETZ: If you think it is 'no', could I invite you then, through the minister, to take that on notice so that we can get an absolute assurance?

Mr Richardson: Sure.

Senator ABETZ: There are certain suggestions that the minister has made unilateral comments or suggestions that might undercut our previous negotiating position with the Gulf Cooperation Council, and in the event that he has, could you advise what those changes were, please?

Mr Richardson: Of course, the answer to that second question is dependent upon the answer to the first one.

Senator ABETZ: Of course.

Mr Richardson: If the answer to the first one is 'no', then the second question is redundant.

Senator ABETZ: Exactly, yes. Even I worked that out. But fair enough, for clarity. Understood, thank you.

CHAIR: Further FTA issues? Senator Trood.

Senator TROOD: Thank you, Chair. Mr Gosper, could you perhaps give us an update on where we are with the Australia-Japan free trade negotiations?

Mr Gosper: As you might have gathered, of course progress has been rather limited of late, slowed down by the tsunami and the related issues that the government of Japan has been dealing with. We have continued to talk with the Japanese, of course, about when we can move to resume negotiations. They will have a services team here later this month, in Canberra, to continue negotiations on the services part of the negotiations and will be looking to pick up further negotiating rounds over coming months.

Senator TROOD: How serious an interruption has this caused, Mr Gosper? I appreciate that the catastrophes which Japan has had to deal with over the last few months have preoccupied many in government, but how much has this caused delays? We seemed to be getting a bit of momentum there for a bit.

Senator Conroy: I have seen online this afternoon that the Japanese Prime Minister has offered to resign, so I am sure they are focused on a few other things at the moment.

Senator TROOD: That is precisely what I am saying, Minister; they have other issues on their agenda, and understandably so. No-one is criticising them for that, of course. But I am interested to know what sort of impact you are expecting this to have on the progress of negotiations.

Mr Gosper: Obviously it has caused a substantial delay, partly because they are now involved in a very substantial agricultural restructuring program. They clearly indicated that what they do on agricultural reform is related to how they would manage agriculture in an FTA negotiation with Australia. However, the political signals have been very strong, including during the Prime Minister's recent visit, that they want to continue with the trade liberalisation agenda and negotiation of an FTA. So we have to be a little patient. We will reciprocate and respond to whatever the Japanese can do, and continue to encourage them to move as quickly as possible.

Senator TROOD: So, allowing for the altered priorities that the Japanese government understandably has at the moment, do you still sense that the commitment that was evident in some quarters in Japan to address the longstanding agricultural issue remains part of their determination?

Mr Gosper: If we take the expressions of the Prime Minister and other senior leaders in Japan, yes.

Senator TROOD: We are having another meeting on services here in Canberra later this month.

Mr Gosper: That is right.

Senator TROOD: Is there another round of negotiations scheduled at this stage?

Mr Gosper: Not scheduled at this stage.

Senator TROOD: Remind me when the last one was.

Mr Gosper: The last round was in Canberra in April of this year.

Senator TROOD: Thank you. Tell me about the progress of Korea.

Mr Gosper: There have been some delays in the Korean negotiation, primarily relating to the renegotiation of the Korea-US agreement and some problems that the Koreans have come across in the translation of their own FTA with the European Union. However, we have a very strong commitment at the highest levels in Korea. Again during the Prime Minister's recent visit there was a strong affirmation from the two prime ministers that they would like to see this negotiation concluded within this year.

Dr Emerson met with his counterpart at the APEC meeting in Montana the week before last to talk about the detailed schedule for resuming negotiations. We expect to have a Korean team here. Ms Adams's counterpart will visit with others in July to recommence those negotiations and we will do everything possible to have them concluded this year.

Senator TROOD: What remains to be done? What are the issues that remain outstanding?

Mr Gosper: As is typical with these negotiations, the big issues are never fully resolved until right at the end, but there has been an immense amount of work done in progressing the text that makes up the body of the agreement and dealing with many issues. I might ask if Ms Adams wants to add anything.

Ms Adams: Most of the text of the agreement is agreed but there are some major market access issues, on both the goods and services sides, that need to be brought together to conclude the overall negotiation.

Senator TROOD: Do you think that another round of negotiations might get us there, or are we looking at a succession of further negotiations?

Ms Adams: It is always risky to predict when a big negotiation will conclude. My expectation is that it is a bit more than one more go-around.

Mr Richardson: I might repeat what Mr Gosper said. During the Prime Minister's recent visit to Korea, both the Prime Minister and President Lee said publicly that they wanted to see the negotiations finalised by the end of this year.

Ms Adams: That is right.

Mr Richardson: However many meetings that might take, that is the goal that both governments have set themselves.

Senator TROOD: Do you think, from a Korean perspective, this is contingent upon the conclusion of the US-Korea Free Trade Agreement?

Mr Richardson: It is essentially concluded, isn't it?

Mr Gosper: That negotiation has essentially concluded.

Senator TROOD: But it has not been ratified yet, as I understand it.

Mr Gosper: The US has to ratify it but, if one understands the lawmakers in Washington clearly, there is every prospect that that will happen perhaps in July-August.

Mr Richardson: There were some issues on the Korean side with the new agreement, weren't there, in translation and the like?

Mr Gosper: Yes.

Mr Richardson: The US and EU have preoccupied the Koreans over the last little bit.

Mr Gosper: The question has not strictly been the sequence of negotiations but, rather, the way the negotiators have been completely occupied by these other two tasks.

Senator TROOD: I see.

Mr Gosper: But that is concluded more or less with respect to the US agreement. They are still tidying up some of the translation problems from the EU agreement, but that is not completed. Nevertheless, we hope that over the next month or so they will be free from those issues and able to more or less allocate themselves to our agreement.

Senator TROOD: It would be good to get this concluded. For the purposes of trade, of course, it would be good to get it concluded proximate to the anniversary of the recognition, which is where we are. What about the PACER? What is happening there?

Mr Gosper: Not a lot is happening on the PACER negotiation. We are waiting for a decision from Pacific ministers about whether they want to continue with that negotiation. It is a negotiation on which we are not pressing for quick action. It is a negotiation which involves considerable sensitivities in the region. We are not the demander, nor are we going to press these negotiations to move more quickly than the Pacific countries are willing and able to move. Ms Rawson will add some further detail.

Ms Rawson: I think we had this discussion this morning, for the most part. I mentioned that, at the Forum Trade Ministers Meeting that Parliamentary Secretary Marles attended in Tonga last week, PACER Plus was an important part of the discussion, including the way forward. There was agreement by the trade ministers that the next meeting of PACER Plus officials would be held before the end of 2011, preferably in November—in fact, Australia will host that meeting—and they noted the possibility of another meeting of PACER Plus officials being held in early 2012 before the next Forum Trade Ministers Meeting. They also agreed that at the next meeting—the one before the end of 2011—officials' discussions would focus on customs procedures, rules of origin and labour mobility, including related development assistance issues, with other priority areas to be discussed at subsequent meetings.

Senator TROOD: So there is a forward agenda here, which is good.

Ms Rawson: Yes.

Senator TROOD: What importance should we attach to the observation which was made after Mr Emerson made his trade statement? There was an observation from the Solomon Islands trade envoy Mr Sisilo about the fact that there was no mention of PACER in the trade statement, and Mr Sisilo, at least, seemed to have taken this as an indication of Australia's reluctance to proceed with the negotiations. You have no doubt seen those remarks.

Ms Rawson: And indeed, we discussed those this morning.

Senator TROOD: I must have been somewhere else. I am sorry, Ms Rawson.

Ms Rawson: You must have been out of the room. We had a discussion around the fact that it was not improving there because it is not in the nature of a traditional free trade agreement where the real focus is market access, as is being discussed in Japan and China and Korea. Certainly from Australia's perspective, and that of our Pacific Island partner countries, the real objective of that is promoting economic growth and development and economic integration in the region. It was not included in the statement for that reason.

Senator TROOD: It does not seem to have convinced—

Ms Rawson: It is not the same sort of negotiation that we have had with China and Japan.

Senator TROOD: I can see that point. I am not sure I am persuaded by it but I can see it. I am not sure you have necessarily persuaded Mr Sisilo. Were those views that he articulated reflected anywhere else around the region in relation to the statement?

Ms Rawson: I am not aware. There may have been one or two other comments but those comments would have preceded the meeting that Parliamentary Secretary Marles attended. Australia's position and commitment to the negotiations would be quite clear, including that we will hold the next officials meeting.

Senator TROOD: Mr Gosper, when you say there are sensitivities involved in this—and most trade negotiations have sensitivities, of course—is that an allusion to the anxiety that Australia has about not pressing these countries to negotiate at a speed beyond which they are able to accommodate or wish to proceed, because we are anxious about not being seen to push them around?

Mr Gosper: Partly. It is an allusion to that but also to the fact that, as Ms Rawson has said, we are not in these negotiations to extract a better position for Australian exporters. Our primary reason for being in it is in response to these countries, to help find ways to enable the sustainable development of their economies. There have from time to time been suggestions, not necessarily from the countries mentioned before but from other commentators, who have suggested otherwise as being the objective for Australian engagement in PACER.

Senator TROOD: What, because of another manifestation of efforts to imperialise the Pacific or something like that?

Mr Gosper: Yes, Senator.

Senator TROOD: How are we getting on with the Indian prenegotiations? What is the status of those?

Mr Gosper: That negotiation has been announced. We will be having preliminary talks in Delhi in the week of 25 July. In the interim we are beginning consultations with stakeholders, with those in Australia who have an interest in this negotiation, to get their input. That will be part of our preparation for this discussion, which will of course be about the nature of the negotiation, how we will structure it and how we will develop the program, which will enable us to take that forward.

Senator TROOD: Is this intended to be a broad free trade agreement between the two countries?

Mr Gosper: Both sides have said that, yes.

Senator TROOD: Is Australian business enthusiastic about it?

Mr Gosper: I believe so.

Senator TROOD: So the indications you are getting from your consultations are that there is a contrast, at least in some quarters, to the China agreement where there are clearly some reservations about things. Are any of those kinds of reservations being expressed in relation to India?

Mr Gosper: We are going through the process now. We have strong support from the business community for this negotiation.

Senator TROOD: I see. Are you getting strong support from SMEs as well as large business enterprises?

Mr Gosper: I suspect we will, particularly in the services sector.

Senator TROOD: What have we got left? Malaysia. Tell us about that.

Mr Gosper: The two prime ministers met on the Malaysia agreement in Canberra a month or so ago to indicate, amongst other things, that they did want to progress this negotiation. We have had a number of discussions with the Malaysians. We will be meeting with them in Kuala Lumpur in early July. We have also had discussions recently at senior official level about how we might bring these negotiations to some conclusion. There is some work ahead of us but we would hope, over the remainder of this year, to clarify whether or not we can bring it to a conclusion.

Senator TROOD: Is the 'some work ahead of us' the same kind of 'some work ahead of us' as existed in relation to Korea or is that less demanding?

Mr Gosper: In particular with Malaysia, the focus of our efforts will be with those issues that were left more or less unaddressed in the ASEAN Australia-New Zealand FTA. That will include access for motor vehicle parts to Malaysia, for wine, for government procurement, for financial services and those sorts of issues. That is where our priority will be.

Senator TROOD: I hope you will be focused on the motor vehicle side of that negotiation in a way that we seem not to have been in relation to an earlier agreement. Finally, the Trans-Pacific Partnership. Can you tell me where we are on that?

Mr Gosper: We have had six rounds of the Trans-Pacific Partnership, most recently in Singapore, I understand. I am sure Mr McCormick will join us to talk about the forthcoming rounds. A good deal of progress has been made in these negotiations in developing texts in a number of areas. We, of course, are looking for the APEC meeting in Honolulu in November this year as an opportunity to reach some form of conclusion on parts of this negotiation. It will not be a completion, by any means, but we are all aiming to make sure that we have made substantial progress by that time. We have three rounds of negotiations scheduled between now and November.

Senator TROOD: I see.

Mr McCormick: The next round is in Vietnam in about a week, in the middle of June, and then we will have a round in the United States in September and a round in Peru in October before the APEC ministerial leaders meetings in November in Honolulu.

Senator TROOD: Where is the momentum coming from for this? Is it coming out of Washington?

Mr McCormick: Clearly the United States is very keen on this, but I think all the other members are also very keen on it. There is a general view that there is a real opportunity here amongst economies that are committed to a very high standard of free trade agreements. There is an opportunity here to set a standard for regional integration in the Asia-Pacific and it is often said that this could be a platform for a broader free trade area of the Asia-Pacific.

There is an incredibly good feeling about the negotiations, with people trying to work through things. There are countries with different issues, but people genuinely think this is something where we need to try and establish effectively a gold standard for FTAs, which is very important for how they link in with the multilateral system as well.

Senator TROOD: How many participants have we got at the moment?

Mr McCormick: There are nine at the moment.

Senator TROOD: Yes, I thought so. That is a long way off. I know you have indicated further agreements but we are some distance from getting to a point where we can be confident of concluding negotiations.

Mr McCormick: The focus at this stage is on trying to get the quality right, rather than trying to set deadlines. What ministers have said to the negotiators is that they want at least a broad outline by Honolulu. That means essentially we could then try and make sure it is concluded as soon as possible after Honolulu. We are certainly not putting years and years on it. I think there is a desire to do high quality in that timely fashion. Nobody wants to have the negotiations drag on, but it has only really been going on for a year, so it has not been going on for that long.

Senator TROOD: Thank you.

CHAIR: Thank you, Senator Trood. We now go to Senator Heffernan who wants to raise the existing American FTA.

Senator HEFFERNAN: Thanks very much. As I said earlier, we negotiated this in 2004, signed up to it in January 2005, and we have now got a 61 per cent currency movement against us in terms of trade with the US. Consequentially, in what you have just taken us through there is the global desire for a free trade agreement, which in some way puts into question the old concept of sovereignty. When you are negotiating a free trade agreement, do you consider the implications for a nation's sovereignty?

Senator Conroy: When they are negotiating it they are usually implementing the government's policy, as they did when they followed the Howard government's policy. So it is probably more of a policy question and I am happy to take that on notice.

Senator HEFFERNAN: Do you give consideration—

Senator Conroy: I am happy to take that on notice, as it is a policy question to the minister and I am not the minister at the table.

Senator HEFFERNAN: In giving advice to the government and negotiating the free trade agreement, is consideration given to the question of the impact on sovereignty?

Senator Conroy: Unfortunately you cannot ask the departmental officers what advice they give to government, so I am happy to take your question on notice.

Senator HEFFERNAN: Thank you. So we negotiated the US free trade agreement and we now have, as I said, a 61 per cent artificial tariffs barrier because of the currency—which is going to get a lot worse by the way—and in coming to terms with the impact of that on the free trade arrangements, we had a recent example of the United States and Canada putting pressure on Minister Crean, in the last year or so, on the importation, under the free trade arrangements—because I had the discussion with Mr Crean at the time—of beef from Canada and the United States, even though the United States and Canada have BSE.

Senator Conroy: Is there a question?

Senator HEFFERNAN: Yes, there is—a serious question.

Senator Conroy: I am sure it is a serious question. I would just like you to ask it.

Senator HEFFERNAN: Have you given consideration to the impact on biosecurity of the overpowering obligations to a free trade agreement?

Senator Conroy: I am happy to take that on notice and see if there is any information that Mr Emerson would like to share with the committee.

Senator HEFFERNAN: Could I just progress that a bit further, with your indulgence, Minister?

Senator Conroy: Certainly.

Senator HEFFERNAN: During estimates on biosecurity and AQIS we discovered an inspector of biosecurity—who is not an inspector-general like Mick Palmer of airport security; he is just an inspector of biosecurity—and when we asked, ‘This person, this James Bond of the biosecurity world, does he report to DAFF?’—which you would have thought was a normal consideration—the answer was, ‘He doesn’t.’ ‘Is he staffed by DAFF?’ ‘He is’—\$400,000 worth of staff. ‘Who does he report to?’ ‘He reports to the minister.’ We asked the minister, ‘What does this man do?’ ‘I don’t know, but he sets his own agenda and priorities as the inspector of biosecurity.’ ‘Where is he?’ ‘He’s in the United States.’ ‘What is he doing in the United States?’ ‘I don’t know.’ One of the things that he is doing in the United States—which brings it back to where we are here today—is trying to find a way around, with their trade officials, our phytosanitary provisions.

We have the highest agricultural status in the world—we do not have BSE, foot and mouth et cetera—and he is over there trying to figure a way around our provisions because of the obligations that we have under the free trade agreement and because the US and Canada are mightily peed off, to say the least, that we want to protect our industries, which gives us an advantage into Korea and Japan every time they get a reactor. They want to lower the bar. This is because of the obligations under the free trade agreement. Is there a way, under the free trade agreements that have been negotiated, to give a higher priority to phytosanitary protection for our agricultural industries?

If I could take that further before you answer it: in the last couple of weeks New Zealand came under the same pressure that we came under with the American beef for pork, from the same series of countries, with porcine respiratory and reproductive syndrome, which is an HIV-like disease of pigs which has a mortality rate for piglets of about 70 per cent. The New Zealand government agreed that they would allow the importation of that fresh pork into New Zealand and the New Zealand growers took it to the High Court, where it is now for decision in August. Does Austrade have a way of protecting, under these free trade agreements, the power of those trade negotiations against the wellbeing of our agricultural industries?

Mr Richardson: I might just make a few general comments. Others might have more to say. As you know, New Zealand does not have a free trade agreement with the United States. On the issues of biosecurity that you refer to, I think with or without a free trade agreement with the United States, both the United States and Canada would be seeking access for their beef into Australia, and questions of biosecurity in that context would need to be addressed on their merits by the biosecurity authority. So I think the issue you raise in relation to beef, BSE, access into Australia, would be there with or without our free trade agreement with the US. You cited Canada, and of course we do not have a free trade agreement with Canada.

You cited New Zealand, and of course there is no free trade agreement between New Zealand and the US.

Senator HEFFERNAN: Thank you very much, Mr Secretary, but my problem is—and obviously at the time Minister Burke came onside with us—what the US is seeking to do is to lower the access bar into Japan and Korea. They want to be able to argue to Japan and Korea that because they have access into Australia—shall I say ‘pressured’ by the good terms of a free trade arrangement, and maybe it is not appropriate to talk about the pressures that go on in the government talks—because of the free trade agreement, because of the sense of cooperation, if they can get that beef into here every time they have a BSE reactor—and bear in mind the CJD variant of BSE does not have any sterilisation; there is no way to sterilise against it—they can continue to have the access into Korea and Japan that we would get when they lose their market share because they have had a reactor because of a period of non-export.

What I am saying is that in the case of New Zealand, because they are very close to accepting the proposition that phytosanitary provisions in trade agreements are being overpowered by the trade considerations, that sets a precedent. Even though we are not in a position, without an import risk analysis, to take pork from New Zealand, it sets a precedent when the people who are taking it in in New Zealand go to the WTO when we will not take it and argue that New Zealand has taken it. That is precisely the problem we have with beef. In the case of apples, they have absolutely dropped the phytosanitary provisions for preference under trade arrangements for farm management practices.

Senator Conroy: Bill, please, a question.

Senator HEFFERNAN: There is. So is there some way, in these negotiations, that we can give serious consideration to the protection of the one asset that we have in export—which is going back the other way—and bear in mind we have lost 10 per cent since we signed the free trade agreement as a proportion of annual export and imports to the US because of the currency—is there some way, under the terms of these free trade agreements, that we can protect and give priority to—and which would stand up in the World Trade Organisation—phytosanitary protection of our industries? It is the one thing that we can argue, when we go somewhere to export our agriculture, is better than anyone else’s.

Mr Gosper: Under our FTAs, often they do have references to sanitary and phytosanitary conditions, but we do not give priority or preference to an FTA partner with respect to sanitary and phytosanitary conditions. What we always do is reference the rights and obligations that exist under the WTO. Sometimes there are consultation provisions, as there are with the US, but we always take it back to the WTO rights and obligations, which include the right for us to set our own level of risk and to undertake a risk assessment process in accordance with the sanitary and phytosanitary provisions. That is our safety, if you like: that there is a regulated system through the WTO which allows us in a certain way to set our own level of protection and equally requires others to ensure that their protection is provided in a certain way. And we do not do it in FTAs.

Senator HEFFERNAN: I was instructed by the minister last year when we had agreed to let this BSE beef into Australia because of the trade pressures under the free trade agreement bill, you must understand; and I have to say the Cattle Council of Australia also agreed with the minister on this. I strongly disagreed and, thank God, eventually Tony Burke did also. We

gave approval and then reversed it. Because of the free trade agreements we had we said, 'Well, let's do an import risk analysis.' You may be aware of the response of the three applicants—Japan, Korea and the US. And the minister might be interested to know of this. Japan sadly got a foot and mouth outbreak. Korea wrote back and said, 'We do not have the resources to respond to your import risk analysis detail,' so we stopped the clock. The US wrote back, because they have serious problems with the Cattlemen's Association over there, and said, 'We're not cooperating.' That is what they said, in plain language, so we have stopped the clock there. Yet, if we had not put on the blue, there would have been automatic entry of their beef into Australia. I do not think the government was clearly aware—and all human endeavour has some failure—of the open border situation with Canada and Mexico.

CHAIR: Senator Heffernan, is there a question?

Senator HEFFERNAN: Yes. I am trying to make a point.

CHAIR: No, we are not interested in the point. Is there a question?

Senator Conroy: This is to ask questions, Senator Heffernan.

Senator HEFFERNAN: I am wanting to know if we can be more explicit in free trade agreements and negotiations of the right of phytosanitary provisions to overpower trade provisions?

Mr Gosper: I think that is more or less what I have just said. What we say in the FTAs is that we have rights with regard to sanitary and phytosanitary conditions. We have rights and obligations that are enshrined in the WTO agreement, including that we can provide a level of protection based on science through a process that is set out in the WTO agreement. That is where we say that we have the right to have a level of protection and to put in place a process to assess the level of risk that would apply to any imports and the import conditions that would consequently apply.

Senator HEFFERNAN: So in terms of global trade and going to Geneva and negotiating—and the less negotiating you can do, the more red wine you can drink—and lowering the standards, this is what I see is happening: the trade lobby globally is once again putting a new interpretation on sovereignty and the power of countries to make their own decisions and not be overpowered by OECD or OIE provisions. How do we avoid the continuing pressure—the pigs into New Zealand is a perfect example of that—under trade agreements and trade arrangements through Austrade, not necessarily FTA, to ensure phytosanitary protection? As we sit here today following the announcement by the Prime Minister of New Zealand, we have decided to drop phytosanitary protection for Australia from fire blight. We are one of only three countries in the world with commercial apple growers that do not have it, and no-one who has it has ever got rid of it.

How do we ensure that what is happening now with the apples does not continue to happen in the future—that is, they have completely dropped the impetus on phytosanitary protection to go to the easier farm management practices as protection. Every farm is managed differently. How do we, under the trade arrangements we have, give an indication to ourselves? We have been overpowered in the case of apples. Our phytosanitary provisions have been dropped as a priority. Bear in mind that the New Zealanders are going to supervise their own—

CHAIR: Senator Heffernan, is there a question there?

Senator HEFFERNAN: Yes.

CHAIR: What is the question?

Senator HEFFERNAN: The question is, how the hell do we protect the phytosanitary? You say it is in there, but in practice, as demonstrated with the apple decision right now, it has been dropped. What comeback do we have as Australians?

Mr Gosper: Without going into particular cases on apples—

Senator HEFFERNAN: You can go into as many as you like, because I will be across them.

Mr Gosper: We will continue to insist on the rights and obligations that we have available under the relevant WTO agreement, and that includes the right to set a level of protection when determined in a particular way and applied in a particular manner.

Senator HEFFERNAN: So you are saying that under the present arrangements—and Minister Emerson is saying, ‘We’re going to be more free with all this stuff and make it all easy for everyone to trade around the world’—we can at the end of the day insist on the priority of phytosanitary protection against farm management practices with New Zealand?

Mr Gosper: We have rights and obligations that are available in how we set protection for biosecurity reasons.

Senator HEFFERNAN: We obviously base our protection—

Mr Richardson: We cannot add any more, Mr Chair.

Senator HEFFERNAN: Righto. I do not surrender but I will give up and go home.

CHAIR: Thank you, Senator Heffernan.

Senator HEFFERNAN: Anyone want to come home to Junee and cut some Bathurst burrs with me?

CHAIR: Senator Forshaw? I will go to someone else.

Senator ABETZ: Are we on free trade agreements?

CHAIR: We have a bit less than 30 minutes to go. Senator Ronaldson has indicated he wants to talk about EFIC. What else does anyone want to talk about? People want to talk about EFIC. What else do people want to talk about?

Senator FORSHAW: I have a quick question about Africa.

Senator ABETZ: I want to ask a few questions about the trade minister’s speech and quarantine matters.

CHAIR: Senator Forshaw will go first.

Senator FORSHAW: I am just getting this article photocopied.

CHAIR: We cannot wait.

Senator FORSHAW: Keep going.

CHAIR: Senator Abetz.

Senator ABETZ: Thank you very much. The trade minister, I understand, gave a speech on 12 April 2011 and made some comments about protectionism, saying that quarantine provisions would no longer be allowed to be used as a back door for protectionism or keeping

out competition. So can we be given an indication as to what industries and what products he was actually talking about?

Mr Gosper: I do not think the minister was talking about any particular industries or products. He was simply affirming a longstanding position of the Australian government that we will not use sanitary and phytosanitary measures as a means of undisguised protection.

Senator ABETZ: Unfortunately, he said the policy would also end the use of phony quarantine concerns to exclude imports, so it was not just a general statement. He was undoubtedly having something in his mind that was excluding imports and that people were raising phony quarantine concerns to stop those imports. He must have had something in mind. I know this government is very evidence based in its approach, so I am sure there is a lot of evidence that the department and minister can provide in support of that assertion.

Mr Gosper: I do not know of any particular reference the minister had in mind, but of course I am happy to ask him.

Senator ABETZ: All right. Through you, Parliamentary Secretary, if the minister could take that on notice, please, as to what industries he was specifically referring to, if any, in his speech on 12 April 2011, when he said:

What we are saying, however, is that you wouldn't want to be using quarantine provisions as a back-door protectionism of keeping out competition ...

And, as I understand it, it was reported in the *Australian* that he was talking about 'phony quarantine concerns'.

Senator Lundy: If the minister has anything to add to the answer of the officials, I am sure he will provide it.

Senator ABETZ: The department is unable to know what is in the minister's mind, which is a fair enough comment. So if the minister could assist us with that, that would be very helpful. Are there any changes being proposed or suggested by the Minister for Trade in relation to imports?

Mr Gosper: Could you be a little more specific?

Senator ABETZ: The problem is that the minister was not specific. He said that the phony quarantine concerns to exclude imports needed to be ended. We do not know what products he was talking about. That has been taken on notice. If there is such a thing as 'phony quarantine concerns' then one wonders if the minister has in mind a change to the quarantine regime to ensure these alleged phony concerns cannot be used.

Mr Gosper: The answer is no.

Senator ABETZ: Possibly the parliamentary secretary might need to take this on notice: is the government aware that any industry or any sector is using quarantine as a back-door protectionism measure?

Senator Lundy: It would be pertinent of me to take that on notice.

Senator ABETZ: Of course.

CHAIR: Thank you, Senator Abetz. Senator Forshaw.

Senator FORSHAW: I want to draw your attention to an article that was in the *Australian Financial Review* on 31 May, which was Tuesday. Have you been given a copy of the article? Yes. I just wanted to refer you to a section in the third column:

Austrade's global leader for infrastructure, mining and resources, Peter Harrison, acknowledged industry concerns over the potential for the 'nationalisation of the South Africa mining industry' in correspondence with mining executives last year.

It refers to a meeting of Austrade officials and mining executives in December and then goes on to refer to possible action. Could somebody give me an update? Firstly, is this article an accurate reflection and, secondly, where is it at now?

Mr Grey: The gist of that action is there in the article. To explain it a bit more carefully, the ANC secretary-general, Mr Mantashe, visited Australia in October 2010 and Austrade hosted a business forum lunch in Sydney which had a number of mining companies there. The Australian companies during that meeting noted there were regulatory and other practical barriers to investment in South Africa. For example, the nationalisation debate and the process of applying for mining development applications in South Africa was causing some concern. The secretary-general suggested that the Australian companies write to him and the ANC on these issues, as well as the South African government, and the companies said that they would write to Mr Mantashe with recommendations to reduce the barriers. Austrade's role in this was simply to offer to help coordinate that work. The letter itself will be the views of the mining companies, not the Australian government, so we are sort of facilitating the Australian companies.

Senator FORSHAW: Are you aware if that letter has actually been written?

Mr Grey: I am not sure whether a response has gone out yet. I can check that for you and take it on notice. It may have, but I am not sure. There has been some response from the African side in terms of indicating that nationalisation is not on the agenda—but in terms of a specific letter—

Senator FORSHAW: Could I ask you to provide that information as soon as you can, picking up on your last point about what the African government has said?

Mr Grey: Yes.

Senator FORSHAW: I am sure the department is aware that the joint committee is finalising a report on Australia's relations with Africa, and obviously mining is a significant development and part of that whole relationship. So I would be interested to get that reply because the time line is rather tight. The second question I have then is in relation to the last paragraph, where it says:

The agency is preparing to overhaul its approach to minerals investment in Africa as part of the biggest strategic review of the trade and investment development agency in 20 years.

This is probably picking up on earlier questions but can you tell me if that is the case? Is it what you are proposing to do in respect of minerals investment in Africa or is it too early to say?

Mr Grey: It is probably a little heavy in terms of ambition there, but it is certainly that part of—

Senator FORSHAW: Is it accurate or is it gross exaggeration?

Mr Grey: It is a little bit of an exaggeration. It is part of the overall review which the minister announced a week or so ago. He indicated that we would be trying to enhance the very limited resources that Austrade currently has in Africa. For example, we have one Australia based trade commissioner in Johannesburg covering all of sub-Saharan Africa. We have a couple of business development managers in Nairobi and Accra. We are looking to try and bolster that somewhat by probably putting in one or two more Australian trade commissioners. Clearly they will have a strong interest in mining, and not just mining per se but mining related services.

Senator FORSHAW: You sound like you may be agreeing to one of our recommendations before we have even made it.

Mr Grey: I hope we can—

Senator FORSHAW: I am not in any way canvassing what we will recommend. Thanks for that. Could you get that response to us fairly quickly.

Mr Grey: Yes, we will.

Senator TROOD: Could you give us a comment on the appropriateness of how much optimism we should have about the likelihood of the Doha round being concluded? I note that Minister Emerson said earlier this year that it was within reach, an assessment which would seem to have been confounded so far this year. Perhaps you can give us some clear indications of where we are going here.

Mr Gosper: There have been a number of discussions recently about the negotiations. It is perfectly true that we felt like there was some momentum in the negotiations at the beginning of the year—because of a number of discussions between the Americans and the Chinese because of the G20 leaders' statement, because of the meetings that were held in January in Davos on the margins of the WEF, we felt like we had every prospect of concluding this year. But there were a series of developments between the United States and other major trading partners, in particular China, over the last few months and it now seems clear to us, and indeed to all other members, that in fact there is little prospect of the round concluding in 2011.

Senator TROOD: Or at all?

Mr Gosper: That remains to be seen. We would certainly hope so. The week before last, APEC trade ministers met to have a dedicated discussion on Doha. Last week Dr Emerson chaired a meeting of 22 trade ministers on the margins of the OECD Ministerial Meeting in Paris and there have been a number of discussions in Geneva over the last week or so.

Members have stepped back from the brink of failure of the round, if I can use that expression, and are now looking at the possibility of securing, at the time of the WTO ministerial meeting, which is scheduled for December—this is the meeting of all WTO members and ministers held every two years—a package of outcomes from the negotiations, which might hopefully, if I can put it this way, secure some dividend from 10 years of negotiations, albeit not completion of the round. Then, having secured that dividend, we would continue our negotiations beyond 2011. The problem we do face, however, is that the key market access issues, not just in industrial tariffs but also in agriculture and services, are at the heart of the difference between major members, in particular between the United States

and the emerging developing economies of China, India and Brazil. It is those issues that we cannot quite get to some resolution on at this point.

So it continues to be a very fraught path for the negotiation. No-one wants to admit failure. No-one wants to be responsible for the round failing. That is very clear now, on the part of all members, but finding a way to actually conclude the negotiations is something members have not yet been able to come to.

CHAIR: Thank you, Mr Gosper. We will go now to Senator Ronaldson, who has questions on EFIC as this session comes to an end.

Senator RONALDSON: Thank you, Chair. It is not EFIC as such; it is under the trade development policy coordination section. Can I double-check some figures, please, in relation to coal exports and ask some questions about that. The international price of coal is set by global markets, isn't it?

Mr Berne: Yes, it is set on global markets, particularly through contracts between large players.

Senator RONALDSON: Australia is the world's largest coal exporter. That is right, I think, isn't it?

Mr Berne: That is correct.

Senator RONALDSON: In 2009-10 Australia exported about \$12 billion worth of coal. Is that correct? Are my figures right?

Mr Berne: I could not give you the precise figure, but I will take it on notice.

Senator RONALDSON: Take it on notice for me. I am also advised that by 2015-16 it is predicted that our coal exports will increase by about 70 per cent and that this will result in revenue doubling to \$24.4 billion each year. Are you aware of whether that is correct or not?

Mr Berne: I know that Treasury is forecasting optimistic figures, but again that precise figure I will need to take on notice.

Senator RONALDSON: What are the top 10 importers of Australian coal? Do you know off the top of your head or do you want to take that on notice?

Mr Berne: I will take that on notice.

Senator RONALDSON: Do you know which countries are Australia's top 10 competitors when it comes to selling coal on the world market?

Mr Berne: I would have to take that on notice. I have figures here, but I would rather not waste the committee's time.

Senator RONALDSON: I understand. Australia's reputation for producing and exporting coal that is cleaner than coal from other countries I think is acknowledged, is it not?

Mr Berne: It is.

Senator RONALDSON: You are aware, of course, of the debate surrounding the quite dramatic impact on the coal industry of a carbon tax. Have you done any work in relation to the outcome of that?

Mr Berne: This issue, as I think we have made clear throughout this session, is the subject of discussion across government and is currently before ministers, so I am unable to comment on that process, but we are certainly offering comment where it is sought.

Senator RONALDSON: But you are obviously engaged in the process.

Mr Berne: Certainly.

Senator RONALDSON: I am not asking you what your input has been, but you are engaged in the process.

Mr Berne: As the trade department, we certainly are.

Senator RONALDSON: There was an article in the *Australian* by Matt Chambers on 26 May and it said, amongst other things:

Stopping the expansion of Australia's \$36 billion coal export industry without an international agreement on global warming could boost global carbon emissions because Asian power stations are likely to plug the big supply gap with even dirtier coal from China, Indonesia and Russia.

It goes on:

Academics and industry sources say the higher temperatures needed to burn poorer-quality coal, and the extra processing and transporting of greater quantities needed to release the same energy, would emit more carbon dioxide than when Australian export coal was used.

Are you able to comment on that?

Mr Richardson: No, we are not.

Senator RONALDSON: The article goes on:

The head of Queensland University's mining energy division, Peter Knights, said slowing the growth of Australian thermal coal exports could increase carbon emissions through extra processing of poorer-quality coals.

'This is something that needs to be evaluated in the context of the debate we're having around closing our coal industry,' Professor Knights said.

Are you able to comment on that?

Mr Richardson: I would just make a general comment. As I mentioned in answer to an earlier question, modelling in respect of the impact on different aspects of the economy of a carbon tax is done by the Treasury. Also in answer to an earlier question, in the absence of knowing the price on carbon and in the absence of knowing what might be done in respect of trade related export industries, both of which matters are under active discussion, we are not in a position to comment.

Senator RONALDSON: There is a further quote here which you might be able to comment on:

If Australia was to wind down exports of thermal coal, China and other countries would need to look to substitute those coal suppliers and they would look at countries such as Indonesia, Mongolia and Russia, but these coals are not as highly ranked as Australia's.

The question I asked you was whether Australian coal was cleaner than coal from other countries, and the answer was yes. Are you able to comment on whether, if Australian coal exports diminished, it would be Indonesia, Mongolia and Russia that would be likely to supply these other countries?

Mr Richardson: We are unable to comment. The only comment I would add, without involving myself in a wider debate outside the portfolio, is that I do believe the government has made it very clear that it does support Australian export industries.

CHAIR: Thank you.

Senator RONALDSON: Hang on.

CHAIR: No, not 'hang on'.

Senator RONALDSON: I have not finished.

CHAIR: Senator Ludlam is going to get the call.

Senator RONALDSON: I have not finished.

CHAIR: Bad luck. Senator Ludlam?

Senator RONALDSON: What do you mean, 'Bad luck'?

CHAIR: Senator Ludlam has the call.

Senator LUDLAM: Because Heffernan blew 40 minutes on nothing in particular.

Senator RONALDSON: Chair, I—

CHAIR: You are finished! Senator Ludlam has the call.

Senator RONALDSON: If you ask me to wind up, I am happy and I will only take another minute.

CHAIR: We have seven minutes left. Senator Ludlam?

Senator RONALDSON: I am sorry, Chair, I am halfway through a question. I have been waiting patiently. If you want me to wind it up and do it in a minute, I am happy to do so, but don't just tell me I have to stop, for goodness sake!

CHAIR: You have had an hour and 50 minutes.

Senator RONALDSON: I have not got an hour and 50 minutes!

CHAIR: The opposition had an hour and 50 minutes. You have had seven different people.

Senator RONALDSON: Why didn't you just indicate to me that you wanted me to wind up? I would be happy to do so.

CHAIR: I indicated it to you before.

Senator RONALDSON: Don't just cut me off in midstream like that! I am not going to be cut off in midstream when I am halfway through a question! If you want me to wind it up, I will, but—

CHAIR: Yes, well, wind it up now!

Senator RONALDSON: Let me finish, please, as a matter of courtesy. Thank you very much.

CHAIR: Senator Ludlam has the call.

Senator RONALDSON: I have one more question.

CHAIR: You do not!

Senator RONALDSON: Please don't—

CHAIR: We can do this for another five minutes. Senator Ludlam has the call.

Senator RONALDSON: Right. I have one more question.

CHAIR: Officials will not answer any questions from Senator Ronaldson.

Senator RONALDSON: It goes on:

Indonesian coal that could replace lost Australian production has about 70 per cent of the energy value of thermal coal exported from Newcastle, meaning extra would be needed to be mined, processed and shipped to provide the same amount of power.

Do you have any comments on that?

CHAIR: Senator Ludlam has the call.

Senator RONALDSON: That is the end of my questions, thank you.

CHAIR: Senator Ludlam.

Senator LUDLAM: Chair, can I propose that we go a couple of minutes past four o'clock?

CHAIR: You can.

Senator LUDLAM: Thanks. My questions specifically relate to EFIC, if some representatives of EFIC are at the table.

Senator RONALDSON: You cannot just cut me off in midstream.

CHAIR: Senator Ludlam.

Senator RONALDSON: You will be here until 11 o'clock if you pull a stunt like that.

Senator LUDLAM: I am just waiting for an indication from the table. Have we got anybody here who can speak for EFIC?

Mr Armour: Yes.

Senator LUDLAM: Great. Thanks very much. Thanks for the answers to questions on notice that I received. There are three or four subsequent to the last session. You indicated that you have, as far as back as you went in your records, funded one renewable energy related project, which was in Sri Lanka. Can you just tell us how much that one was worth, what we invested?

Mr Armour: I would have to take that question on notice, I am sorry.

Senator LUDLAM: Thank you. We are short of time, so take that, if you can. You also, in your answer to question 349, said that you do provide support to coal projects or companies, or basically anything at all, if they comply with EFIC's environmental and social requirements, if they are technically and commercially viable and there is a market gap. Can you help me understand what it means if a project could be commercially viable but still have a market gap requiring Australian financing?

Mr Armour: It could be quite a long answer, but in the interests of time I will shorten it. A market gap concept typically relates to a risk or a capacity issue. For example, if an Australian company is working in an emerging market where the banking systems are less developed, it is quite possible that they will not be able to access the commercial finance they need in order to complete a project. That is not to say the project is not viable. It is simply that the banking system that is located in that country cannot support it, for example. The other significant market gap we encounter is one of capacity. There are some projects, particularly in our own infrastructure, that are so large that, in the current financial markets, financing from agencies like EFIC—so not just EFIC but our equivalents overseas—are increasingly needed.

CHAIR: How does that principle apply in the case of our substantial investment in the PNG LNG Project? Can you just provide for us the example of what the market gap is in funding ExxonMobil and their project joint venturers.

Mr Armour: That project in fact is a case study in the second scenario outlined for you in terms of capacity. So if you look at a \$10 billion capital expenditure or a debt funding requirement, there was \$2 billion from the commercial markets, there was \$4 billion from export credit agencies like EFIC and there was \$4 billion from ExxonMobil itself as a lender. So there was actually very little commercial market financing available for PNG, because it is perceived to be an emerging market with significant risk.

Senator LUDLAM: Can you characterise for us how Australia's national strategic interest is advanced by providing finance to ExxonMobil?

Mr Armour: We provided finance to a project that was sponsored by ExxonMobil. The advantage or the benefits that EFIC considered in providing commercial account support for the project related to the Australian export involvement, so there was a significant amount of procurement from Australian firms in the development of that project. I cannot speak to the considerations that might have been weighed by government on the national interest account.

Senator LUDLAM: Is any of that written down, given there is a substantial amount of public funding gone into that? Could you point me to where I could find out how our national interest has been advanced?

Mr Armour: I would have to take that question on notice. Certainly from the perspective of EFIC, we disclose our involvement in the project, we indicate the exports that are involved which are our principal drivers.

Senator LUDLAM: No, I understand that. That was not the question I asked you. These funds disbursements are always justified on the basis of national interest, otherwise we should not be handing money over. I am really struggling to understand how our national interest is advanced in providing export credit funding for one of the world's largest oil and gas companies.

Mr Armour: When you use the phrase 'national interest', are you referring to the national interest account under the EFIC legislation or are you speaking in broader terms?

Senator LUDLAM: The funding is coming out of a national interest account?

Mr Armour: There are two accounts. There is the commercial account, which is EFIC's—and that is what I am comfortable speaking to—and there is a second account called the national interest account, under the EFIC legislation, which is a government decision on whether it decides to provide that funding or not.

Senator LUDLAM: And in the instance of the PNG LNG Project, is funding coming from both accounts?

Mr Armour: Correct.

Senator LUDLAM: Both. So you are happy to speak in terms of the first but not the latter. Is that correct?

Mr Armour: Correct.

Senator LUDLAM: Okay.

Mr Armour: On the first, the answer I responded with was on the basis of the exports that were involved in the project.

Senator LUDLAM: But that is nothing to do with national interest, is it? That is just a commercial decision.

Mr Armour: The legislation was established, presumably with a national interest in mind, and the exports are considered to be in the national interest.

Senator LUDLAM: That is the 'but'. That is the part I do not understand. How is enabling a large American oil and gas major to export gas from PNG in Australia's national interest? That is what I cannot figure out.

Mr Armour: No, the Australian exports are the principal reason for us to be involved. There are Australian engineering companies involved in the construction of the actual facilities, and that is the enabling factor for us.

Senator LUDLAM: That is it?

Mr Armour: That is why we are involved.

Senator LUDLAM: With the second question, which you said you were unwilling to comment on, could you take that question on notice, please. Is there some written documentation showing how the government arrived at the view that it was in the national interest from that second account.

Mr Armour: I expect my colleagues are better qualified than me to reply. This would be a cabinet-in-confidence issue, but I do not know.

Mr Berne: In addition to those benefits mentioned by Mr Armour, including export of content, which we would regard to be consistent with a national interest, we and others have estimated that during the course of this project, during its peak production, we would expect an increase in PNG's GDP of the order of 20 per cent to 25 per cent. That has clear national interest implications for Australia as a major development assistance partner in the region. We know that GDP is a key driver of poverty reduction. It would, in our assessment, increase the revenues available to the PNG government to undertake a range of development assistance activities.

Senator LUDLAM: Is there any expectation within the department that this project will allow for a reduction in the overseas development aid that we provide to PNG?

Mr Berne: I would direct that question, through the chair, to colleagues from AusAID. I understand there is an opportunity to raise that at some point today. That is a question for that part of the portfolio.

Senator LUDLAM: We will see how much time is left for that. Does EFIC have corporate social responsibility expertise in-house, or do you engage that externally through consultants?

Mr Armour: We have both. We have trained engineers on staff who have experience in principles and matters of corporate social responsibility, as well as other engineering disciplines, and—

Senator LUDLAM: I did not realise that was a subset of engineering. Am I misunderstanding you there? Corporate social responsibility is a branch of engineering?

Mr Armour: In our structure we have a technical and environment area where they handle these issues, they give advice to the underwriters, the people who are actually negotiating and documenting the transaction.

Senator LUDLAM: Could you maybe table for the committee the qualifications and expertise of relevant staff in that area?

Mr Armour: We will take that on notice.

Senator LUDLAM: Yes, I would appreciate that.

Mr Armour: But a full answer to your question is that we do also routinely engage external advice on these matters, particularly for large and complex projects.

Senator LUDLAM: Have you done so in the case of the PNG LNG?

Mr Armour: Yes, we have. I think we have tabled our responses on that.

Senator LUDLAM: That is the D'Appolonia.

Mr Armour: Yes.

Senator LUDLAM: That is those people? Okay.

CHAIR: I think I am going to have to interrupt you, Senator Ludlam, and return to Senator Ronaldson. I have been requested to do so and I will do so. Senator Ronaldson.

Senator RONALDSON: Thank you very much, Chair. Just a couple of further questions. This same article from the *Australian* says:

Removing Australian coal from the market would also boost the economics of mining poor-quality coal from China, the world's biggest coal producer, according to Australian Coal Association executive director Ralph Hillman.

In your discussions with Treasury, have you asked them to model anything, whether they are general questions or specific modelling questions that you have?

Mr Richardson: The Treasury does the modelling. We are not involved in that side of that.

Senator RONALDSON: I appreciate that you are not.

Mr Richardson: I am not aware that we have sought any specific modelling by them.

Senator RONALDSON: Sorry?

Mr Richardson: We have not sought any specific modelling by them.

Senator RONALDSON: Yes, okay. Thank you, Mr Richardson. Thank you, Chair.

CHAIR: Thank you, Senator Ronaldson. If you want to finish off, you can, Senator Ludlam.

Senator LUDLAM: I will put the rest on notice.

CHAIR: Okay, thank you. That concludes our discussions with the trade areas of DFAT and concludes our discussions with Austrade. I thank the officials for attending and being of assistance. We will take a break now and resume at 4.20 when we will do AusAID. The committee stands adjourned.

Proceedings suspended from 16.05 to 16.21

Australian Centre for International Agricultural Research

CHAIR: The committee will come to order. Before we go to AusAID, we will deal with the Australian Centre of International Agricultural Research. Welcome gentlemen.

Senator KROGER: Welcome. It is good to see you again. Firstly, I want to briefly go to your budget statement on page 141. I note that your budget for 2011-12 is fairly consistent with the previous 12 months. There is not much change there. Have you been asked to factor in an efficiency dividend in your activities?

Dr Austin: As with all agencies, we have factored in an efficiency dividend. You point out that our appropriation both departmental and administered is fairly consistent with the previous year, and that is indeed the case.

Senator KROGER: I was wondering whether you could give us a bit of an update on what you see as some of your more primary research activities in the coming 12 months and where they are focused—what nations.

Dr Austin: ACIAR's focus across all of our programs is on smallholders and on livelihoods. Our focus is particularly around agricultural productivity growth. Within that, and in part due to the government's food security budget measure from 2009-10, we have new programs particularly focusing on safeguarding food security in rice-based farming systems in Mekong countries and in south Asia. We have new work and an expanding program in adaptation to climate change, again, with rice-based farming and this is focused on the Mekong Delta region.

Within the Pacific, we have programs that are focused on high-value agricultural products including fisheries and forestry products. Our program in Africa is built around sustainable intensification of maize-based farming systems incorporating legumes into the farming systems and is focused on five countries in eastern and southern Africa. Finally, there is our increased focus on the international research system, the Consultative Group on International Agricultural Research, where the government through ACIAR is doubling contribution between 2010 and 2014.

Senator KROGER: Could you just expand on the last one that you mentioned, that in relation to broadening an international approach?

Dr Austin: We are actively involved with the Consultative Group on International Agricultural Research, or the CGIAR. Australia has been a donor to the CG system since its establishment in 1971 so this is a significant anniversary this year of the CG system. Until recent years, ACIAR's contribution has typically been around \$11 million or so a year. That is increasing—\$7 million, \$10 million, \$13 million and \$14 million year on year—so this year there is an additional \$13 million over that base level of about \$11 million a year. That supports increasingly core activities of the centre, while a proportion is also for bilateral projects with the 15 centres that comprise the Consultative Group on the International Agricultural Research.

Senator KROGER: What sort of control do you have in relation to those bilateral research undertakings in terms of involvement, engagement and control over the direction and so on?

Dr Austin: Each of the bilateral projects is based on a project agreement developed through standard processes from a concept note and two phases of project development with

external review and they are assessed in house. Many of these projects involve multiple partners so they involve the relevant CG centre. For example, a livestock project may be developed bilaterally with the International Livestock Research Institute headquartered in Nairobi in Kenya. So the projects are developed around our standard systems and the government's processes around those and subject to the usual scrutiny that we have with any of our bilateral projects whether they are with an international centre or with another research commissioned organisation.

Senator KROGER: What process do you take in determining the research projects you undertake particularly those where you have full carriage of that decision? How are the issues identified? How is it determined where the research will be undertaken? The agency does tremendous work and you have a great reputation for the work that you undertake, but how is that decision-making process undertaken?

Dr Austin: Thank you for those comments, Senator. I will answer the question by stepping back a little and just describing the approach that we use with any project development. It is really driven by consultations with the partner country, first and foremost. The priorities for work arise from those formal consultations which are undertaken every four to five years and through informal consultations which are undertaken on an ongoing basis. That establishes the priorities.

Then we look to where Australia has research capability or where the international system is best positioned to respond. That is clearly dependent on the country context and where institutions are able to work and have capacity. So the first question is establishing the priority—which sector it is in and then what is the research question. Being a small agency, we very much target our work where there is the research question and look to partners for scale-up and development impact particularly with AusAID but around the identification of who is the best provider. It then comes back to where the skills reside, and that is where in-house ACIAR needs to have a good understanding of capability nationally and internationally to draw on that to address the research questions.

Senator KROGER: Thank for that. What engagement and what level of involvement does the government have in the prioritisation of assignments? For example, what input would AusAID directly have in relation to research that would assist them in effectively determining the best direction of money—for instance, in PNG? What involvement is there?

Dr Austin: We work very closely with AusAID on developing those priorities and ACIAR's research priorities are effectively a subset of the broader aid program priorities. In some cases they are reflected directly in the country's strategies. In other cases it is not as direct. Our balance of effort reflects in a reasonable way the balance of effort of the broader aid program. But in some cases, very clearly, there are different parameters around agricultural research questions than there are about the broader aid program.

Senator KROGER: So, if there were an area of interest that was highlighted and discussed—for instance, at the Pacific Islands Forum—would that be an avenue that would be directed back to your agency as an area that you would be encouraged to give prioritisation to in terms of research? Is that one of the ways that this will happen?

Dr Austin: There is a broad range of ways that those priorities are directed back to ACIAR, very definitely, through similar fora. We also have a governance body in ACIAR's

commission, the Commission for International Agricultural Research, which also plays role in providing advice to the minister on priorities for ACIAR work. That is an influential means of setting ACIAR's project portfolio directions.

Senator KROGER: To conclude this particular line of questioning—which is very helpful—is it your understanding that the strategic approach that is taken in relation to aid that is provided by us—or in a broader sense, our overseas development assistance—would be a primary consideration in determining the allocation of your resources?

Dr Austin: It is one of many considerations. Clearly, the priorities within the broader aid program influence the research projects that ACIAR supports. In the coming year, about a quarter of the funds that ACIAR has under management are funds that come to us from AusAID. So that gives an indication of the close relationship in priorities and in projects within our portfolio. I have emphasised the consultation with partner countries around particular project questions, but, clearly, the priorities of the broader aid program are a significant driver of ACIAR's work.

Senator KROGER: Thanks, Dr Austin.

CHAIR: I thank the officials from ACIAR for making themselves available and being of assistance to the committee.

Australian Agency for International Development

[16:33]

CHAIR: Welcome, Mr Baxter, and your officials, to this session of budget estimates.

Senator KROGER: Good afternoon, Mr Baxter. Good to see you again.

Mr P Baxter: And you, Senator.

Senator KROGER: Mr Baxter, I noted with interest in the PBS that AusAID is increasing funding allocations through NGOs.

Mr P Baxter: That is right.

Senator KROGER: I am happy to be corrected, but it seems that there was about a 40 per cent increase this year on top of an increase of about 50 per cent in the last financial year. Would that be roughly right?

Mr P Baxter: That is about right, yes.

Senator KROGER: My question is: how was this determined, what was the reasoning behind it and what are the implications this has on the NGOs? Firstly, could you take me through your observations for the rationalisation of this.

Mr P Baxter: The government announced in the budget in May that the AusAID-NGO Cooperation Program, or ANCP, will double to \$150 million by 2014-15, and that will allow us to expand the number of NGOs that we currently fund under that program. These are NGOs that have gone through an accreditation process with AusAID, which is quite a rigorous process, and they would be eligible for funding. At the moment we support around 40 accredited NGOs through that program. As part of the funding increase, we will also increase the number of volunteers that we send abroad as part of the government's commitment to increase the number of volunteers to 1,000 per year by 2012-13. The reasoning behind the increase is really because NGOs are very effective deliverers of

development assistance, particularly at the grassroots and community levels, and they are able both to address long-term development needs but also to move very quickly in emergencies—natural disasters and the like—to get assistance directly into the communities.

Senator KROGER: When you say you are sending volunteers in, could you just expand on that in terms of sourcing them and whether we are sending them in with the NGOs. Could you put that in some sort of perspective?

Mr P Baxter: Sure. It was last week here in Parliament House that we launched a new phase of our volunteer program where we have combined three separate volunteer programs which were previously run by three NGOs into one new volunteer program and branded it as Australian Volunteers for International Development, or AVID, as the acronym goes. Australia has been sending volunteers overseas for about 60 years now. Those volunteers do a variety of things. They may be placed with an international NGO to provide expertise or they may work with a local NGO or with a local government instrumentality at either the national, provincial or local government level. They do a whole variety of things. We have people, for instance, with backgrounds in pharmacy working in Malawi in remote communities, looking to distribute drugs as part of the volunteer effort. We have people who work in sport and promoting healthy lifestyles through coaching communities in different sports, whether it is rugby league in Papua New Guinea or other sports in other countries. We have people who take up what you would describe as administrative roles in particular organisations overseas. One of our volunteers, last week, at the launch of our new program, described his experience working for a group called Habitat for Humanity in Bangladesh, where they were building low-cost houses using local building materials and local labour. So there is a whole spectrum of activities that they undertake. We are not only expanding the number of volunteers but also expanding the number of countries to which we send them. Predominantly, volunteers are sent to countries in the Asia-Pacific, but we are sending more people into Africa, more people into the Caribbean and more people into Latin America.

Senator KROGER: I did see the event go around on a circular. I was occupied in another estimates hearing; otherwise, I would have been there to support it. In relation to that, clearly you are increasing your campaigning and awareness of the opportunity for Australians to volunteer. Is there a recruitment or screening process which they have to comply with? Secondly, do you identify locations where you need more volunteers and then on the basis of that seek to fill the positions or is it a broad campaign to try to recruit more people to be interested and then find places for them to be sent to?

Mr P Baxter: What happens—and it will be made more efficient as a result of combining three separate volunteer streams into one—is that there is a combined website now, which is under the Australian Volunteers for International Development, where members of the public can go and express interest in being selected as a volunteer and provide information about their background and skill sets. If they are judged as suitable they will go through a vetting process of security and background checks which we require—police checks and the like. There is a combination of factors relating to how volunteers are deployed. Some meet particular requests that we have had from countries that want volunteers in particular areas. They may not come from countries; they may come from non-government organisations or community groups that are seeking particular assistance. Some do work with NGOs that we fund overseas separately from the volunteer program. There are a number of ways. We do not

make this a supply driven exercise. We seek to meet real needs in communities. As I said, people are working in a whole range of fields now in a whole range of countries.

Senator KROGER: We will come to the Hollway review that has just been undertaken a little bit later. Certainly the focus of estimates has been on improving the transparency and accountability of money that is directed through AusAID to receiver countries. I am curious as to what provisions have been made. If we are increasing the amount of money that is being directed through NGOs, what are the processes there to ensure that the same high standards which we are developing are carried across so that they can be appropriately scrutinised as well?

Mr P Baxter: The first thing that we do before we enter into a funding agreement with an NGO is that we require them to go through our accreditation processes. That includes a very rigorous examination of things like their financial management capability, their program design and implementation capability and the like. It is quite a rigorous process, but we have no qualms about the rigorous nature of that because it gives assurance that we are actually funding the right people. We also audit a number of NGOs on an annual basis. We have a rolling program of audits where we select a group of NGOs and put them through an internal audit that is managed by AusAID to check that the processes and procedures that they follow are in accordance with the agreements that we have signed with them on funding.

Senator KROGER: And that auditing process is undertaken in AusAID?

Mr P Baxter: That is right. We undertake that. We also undertake similar audits of managing contractors that we work with. This year we are doing about 17 of those particular audits. We have regular dialogue with the NGOs throughout the financial year. They are required to report to us the results of their activities as well.

Senator KROGER: In terms of the allocation of the funds received, do we provide guidelines? You have established remuneration guidelines that include thresholds for technical advisers, for instance.

Mr P Baxter: Yes.

Senator KROGER: Does that apply to the NGOs? Are there guidelines in relation to the amount of funds that can be used for administrative purposes? I guess I am asking: is it strictly prescribed how these funds can be used?

Mr P Baxter: There are a variety of ways in which they use the funds. Some of the funding that we give them is core funding, so they have the discretion to determine where they spend the money. But we obviously liaise very closely with the NGO community about our broader aid priorities and what we see as the core development issues in particular countries. There is a high degree of convergence of thinking between the NGO community and AusAID on what particular development challenges particular countries face. We have a particular relationship with the six largest NGOs in terms of the amount of funding that they raise from the Australian community. Those six NGOs, amongst the 40 that I mentioned, we have multiyear funding agreements with. They are World Vision, Oxfam, Caritas, ChildFund, Plan and CBM Australia. I meet at least twice a year with the CEOs of those organisations, and they have very detailed reporting requirements to us in terms their activities and the like. We may expand the number of NGOs that we have multiyear partnership agreements with, with the increased funding over the coming years, but at the moment it is six. They have

specific agreements with us by virtue of their size and global reach. As you would know, many of them are plugged in to broader global networks, whether it be Oxfam, World Vision or Care, and they can access those networks.

Senator KROGER: I understand that the Auditor-General has done numerous audits on various aspects. So the detail of the reporting that they provide would be sufficient for the Auditor-General, if he was going to do an audit on, for instance, the effectiveness of aid delivery through NGOs? If that was the brief, the information that they provide would be sufficient for a proper review of that?

Mr P Baxter: I think it would be. One of the things about the NGOs of course is that they have a responsibility to report in great detail on the costs that they incur in delivering their programs and the outcomes they achieve to the people who donate to them. So there is an in-built incentive for NGOs to be very transparent because the Australian community funds the vast bulk of their activity, not the Australian government. We are, in most cases, a minority funder of those organisations. They have very strong adherence to the principles of transparency. Also, ACFID, the Australian Council for International Development, have developed a code of conduct for NGOs, and we have supported them in developing that code of conduct. That code of conduct carries real penalties when NGOs that are part of the ACFID group do not conduct their work in accordance with that code of conduct. So there are quite rigorous checks and balances within the NGO community, for good reason. But on top of that we still audit them and on top of that we still require them to do specific reporting to us.

Senator KROGER: I presume that if I went to the website I would be able to find that code of conduct?

Mr P Baxter: You would find it on the ACFID website, yes.

Senator Conroy: Senator Kroger, I was just looking at the 2010 Liberal Party election policy, which says:

The Coalition will increase foreign aid spending to 0.5 per cent of our gross National Income by 2015-16. Congratulations. It is an excellent policy.

Senator KROGER: You are coming up with some really inspired comments and observations, Minister—absolutely inspired.

Senator Conroy: I thought it should be put on the public record.

Senator ABETZ: You bagged us out throughout the 2010 campaign for having all these bad policies, and you are just discovering them.

Senator Conroy: Maybe we did not notice the only good one you had. Maybe we only just discovered it.

Senator ABETZ: We had many good ones. That is why we got more votes than you did.

Senator Conroy: I do not think that is how it finally ended up.

Senator KROGER: Mr Baxter, rather than lose our valuable time and waste your valuable time, let us move on.

Mr P Baxter: Certainly, yes.

Senator KROGER: I also want to commend you—and I have to say, Minister, that it is fantastic to sit here and be commending someone who heads up an organisation that really is

trying to make a significant difference to the impact of that organisation. I understand that for the first time you are publishing figures in relation to aid that is distributed through other government agencies and in relation to new staffing that may come from other government agencies. Is that right? I am happy to be corrected.

Mr P Baxter: In what is known as the blue book, the ministerial statement on the aid program, we have made considerable effort this year to make it much more transparent. As an example, last year we reported on 17 results in the blue book. This year it is over 200. We have provided information for the first time on the funding received by other government departments under the official development assistance program and we have tried to provide significant detail on a country by country basis of what we are committing in terms of our objectives for the next year so that this committee and others can see how we rate against those objectives.

Senator KROGER: I am presuming that the aid that is distributed through other departments in other ways—and I will come to that in a minute—is coordinated through you or in dialogue with you?

Mr P Baxter: At officials level there is a body called the Development Effectiveness Steering Committee, which I chair, which is comprised of deputy secretaries from Prime Minister and Cabinet, Treasury, Finance and Deregulation and DFAT. That committee plays a role of screening proposals from across government that may be eligible for aid funding. It provides advice to the budget cabinet process on ODA eligible proposals. Ultimately, of course, it is for the ministers who are in the relevant budget committees to make decisions on what is funded, but we at officials level play a screening role, ensuring that those proposals that come forward are consistent with our country strategies for particular country programs and more broadly with the direction that the government wants the aid program to go in.

Senator KROGER: So they would comply with your overall guidelines on, as I mentioned before, remuneration thresholds and all those sorts of things? They comply with the same sorts of standards and discipline that AusAID does?

Mr P Baxter: They do. There are rules that are issued by the OECD's Development Assistance Committee on what can and cannot be classified as official development assistance. We provide an advisory service, if you like, to other government agencies that might come forward with an activity and ask: 'Is this something that is eligible for funding from the aid program?' We provide that advice. We also provide advice on development effectiveness, which is whether or not a program has been designed in a way that can actually achieve its outcome. Obviously that is in an area where we have considerable expertise. How you design and implement a program is obviously related to the outcomes you are going to achieve. Some of the government departments avail themselves of our advice when they are developing their proposals.

Senator KROGER: In speaking with the Auditor-General recently, I was advised by him of a couple of personnel who come within the ambit of his department who are on secondment to Jakarta and PNG—I think that is right. I presume the funding for them would be accounted for in the Auditor-General's department. Is that right?

Mr P Baxter: That is right. We report only on our appropriation as AusAID.

Senator KROGER: So when we talk about our official ODA percentage, do we incorporate those others in that percentage, towards that, or is that an extra?

Mr P Baxter: No, that is counted as part of our ODA to GNI ratio. As an example, in this year's budget there is just over \$500 million allocated over the forward estimates to other government departments. That is all included as part of the percentage of GNI to ODA.

Senator KROGER: That is terrific. Could you just take me through the adviser remuneration framework again. I mentioned it before.

Mr P Baxter: Sure. Just give me one second and I will find the relevant advice. I will ask my colleague Mr Dunn to come up to the table. Last time we spoke I said that it was a little early to—

Senator KROGER: You were just about there but not quite.

Mr P Baxter: I can report to you that we have begun phasing out positions. We talked about phasing out 257 positions of the 952 positions reviewed. As an example, in East Timor we have already phased out 16. We have developed internal policy guidance for staff on the use of advisers which are much more rigorous in terms of when we make a decision that an adviser is the most appropriate way of dealing with a particular development issue. The standardised adviser remuneration framework is now in operation and it is having an impact. The framework fundamentally ensures a consistent market based approach to remunerating advisers. It establishes a ceiling on the fees advisers can be paid. That ceiling is linked to the technical expertise and the level of responsibility required for the position the adviser would occupy. We are placing a much greater emphasis on performance assessments to ensure that advisers are cost-effective and represent value for money. That is going well so far.

In terms of the impact of the remuneration framework so far, we have engaged 52 advisers that are being paid according to the framework. Some of those are positions that were already in place but we have renegotiated the contracts at a lower level. The rates that we have been able to negotiate are between 10 per cent and 40 per cent lower than the advisers' proposed or previous fee rates. So it is imposing discipline on the market.

Senator KROGER: Can I just follow up with a couple of questions there. Of the 52 you have engaged or re-engaged under the new remuneration regime, how many were previously employed and have renegotiated a new contract?

Mr P Baxter: I will ask my colleague Mr Dunn if he has that information. I do not have that level of detail with me at the moment.

Mr Dunn: I am sorry, Senator, I do not have that break-up with me. We can get it for you before the end of today.

Senator KROGER: That would be helpful. I would also be interested in knowing to what extent their contracts have been renegotiated. Since I have been advised that it is between 10 per cent and 40 per cent less than their original contracts, I would like to know what the quantum value of that is.

Mr Dunn: I do have the number of those. I can give you an indication of the sort of magnitude of the savings, if that would be of assistance to you.

Senator KROGER: That would be helpful.

Mr Dunn: Examples include Papua New Guinea, where we have achieved a 42 per cent reduction in a particular position. That has seen a previous or requested rate of some \$34,696 per month negotiated down to \$20,000, a saving of some \$14,058. We have seen savings of the order of 33 per cent in other positions, seeing a monthly package reduced from some \$28,500 down to \$18,811. There have been others ranging from 29 per cent down to one per cent or two per cent. The savings have been dramatic in some parts. In others they have been more consistent with what was paid previously.

Senator KROGER: The very fact that there are individuals who have been prepared to stay in the job at a significantly lower rate would suggest either that they love their job and their place of abode or that we were paying significantly above the market rate.

Mr P Baxter: I think I said last time that there is no question that the controls around what we were paying for advisers were not rigorous enough. You can see from the results that we have achieved since the review was completed that that has been demonstrated. I should say that not everyone has accepted our remuneration framework. We are getting people who would rather not work for us under the new regime. We do not think that that is having an impact on the quality of our programs, but I am aware that, since the framework was introduced, some 16 offers have been rejected. For some of those positions we have been able to find alternatives and for others we are still looking for alternatives.

Senator KROGER: Thank you very much. I am not wishing to have names disclosed, but I would be interested in getting a handle on how much we have actually saved in this process, and using those 52 as an example would be very helpful.

Mr P Baxter: Can I just correct something I said earlier. The Australian National Audit Office staff in Jakarta and Moresby are part of a governance program that AusAID runs, so the expenditure on those officers would be reported under AusAID, not the ANAO. I was incorrect there.

Senator KROGER: So the woman who works from ANAO—

Mr P Baxter: Would be reported under our expenditure.

Senator KROGER: How do you determine that? The one in Jakarta clearly is under the ANAO and the other one is under you. How is that worked out?

Mr P Baxter: If they are employed in a broader governance program, as in this case, that AusAID is managing then they will become an input into that program that AusAID is responsible for managing and there will be a number of moving parts for it. Compare that with the Federal Police. They run their own program, separate from AusAID, given that they are specialist law enforcement officers. So under the AFP budget you will see that in the forthcoming financial year they have been allocated about \$212 million. That will be reported separately as an AFP expenditure of the aid budget. That is the difference: whether it is a stand-alone activity conducted by a specialist organisation within the Commonwealth or whether they are incorporated, as the ANAO personnel are, in a broader governance program that AusAID is running.

Senator KROGER: Do we have any situations where somebody is contracted out and actually resigns from a department and signs a contract with you for a three-year period or whatever?

Mr P Baxter: I am not aware of that. Normally they are released by their home departments and agencies for the duration of their posting, whether they are from ANAO or Treasury or Finance or elsewhere.

Senator KROGER: Thank you very much. Can I once again really commend you for taking this on board, because it is not that you have been in that job such a long time, Mr Baxter. There has been a dramatically different approach taken in the time that you have been there. When were you appointed? It would not be two years, would it?

Mr P Baxter: Budget night last year.

Senator KROGER: Crikey! I was thinking it would be longer than that. It really has seen a dramatic turnaround. Well done.

Mr P Baxter: I appreciate that.

Senator KROGER: I will turn to staffing levels. I have noticed that there is an estimated increase of 73 new positions for 2011-12. Is that correct?

Mr P Baxter: I will just ask my colleague Mr Wood to answer that.

Mr Wood: There is a net increase of 55 in our average staffing level. The portfolio budget statements, under outcome 1, show an increase from 1,000 to 1,073. We have an outcome 2, where we are showing a reduction of 18, so it is the net impact of those two. That figure is reported in Budget Paper No. 1.

Senator KROGER: Thank you. I am very happy to be corrected on that. What positions are those net 55 going to be allocated to?

Mr Wood: They are allocated across a range of our programs, essentially relating to some of the new funding measures that we received both in this year's budget and in the previous year's budget.

Senator KROGER: Where do you anticipate the new funding initiatives will be directed?

Mr P Baxter: The main new funding initiatives are to implement in the next financial year a very large increase in our program aimed at eliminating violence against women. So we will apply more staff to that. We talked earlier about the NGO and volunteer program. We are going to need more personnel to run our relationships with the NGO community and the volunteer community. When we put forward a budget measure we estimate what kind of additional staff we will need to implement those new activities, or activities on a bigger scale than were doing before. All of the resources that we receive for new staff we apply against those new budget measures.

Senator KROGER: Thank you for the update on the net increase. There has been a significant increase in the number of staff since 2007 or even 2008-09. Am I correct in suggesting that the staffing level was 649 then? Does that sound about right?

Mr Exell: In which year?

Senator KROGER: In 2008-09.

Mr Exell: Our annual report recorded our staff numbers in 2008-09 as 914.

Senator KROGER: I have been ill-advised. So it was 914?

Mr Exell: Correct.

Senator KROGER: So you are looking at an increase of just over 100 in those two years, then.

Mr Exell: It is 10 per cent from 2008-09 to 2009-10.

Senator KROGER: In previous estimates we have talked about a fairly high churn, a bit of a turnover. How are the separation rates going? Has that remained fairly consistent in the last 12 months or has there been any real change in that?

Mr Exell: There are two elements to that. The separation rate from AusAID remains about the same, which is about on average with the APS. That was never a major issue for us. There were previous comments about churn. I can report that in September last year we introduced a new policy around lateral transfers. That has seen a net reduction in our lateral transfers within the agency, so we are on track for a reduction in that churn factor.

Senator KROGER: I think the issue there was developing a whole swag of skill sets which you were losing very rapidly. You have clearly put together a program to encourage a bit more interest, to hold staff. Is that what you are saying?

Mr Exell: When you look at our attrition rate, it has not really changed much. We did have a period of growth where we were putting more people overseas and responding to a range of government priorities overseas, so we were seeing people move. When those figures were calculated, they actually included overseas postings as part of what was called churn. We would not see that necessarily as churn; we would see that as part of our business. So we are talking about lateral transfers within AusAID and we are working on how we can improve that.

Mr P Baxter: I should also add that one of the things that we have done in recent months is introduce a workforce plan into AusAID. There had not previously been one. I think it is on our website. If it is not, it should be. We will make sure it is. Basically, what we have done is try to take a much more systematic and long-term view of what our staffing needs will be as we move to achieve the target of 0.5 of GNI by 2015-16. We recognise that we are moving now into a period where we need some new skill sets within the organisation. When I say new skill sets, I am particularly talking about specialist expertise in sectors that we focus on in the aid program, like education and health et cetera. Up until the release of the workforce plan we had not really addressed that issue of growing in-house groups of officers who would spend significant parts of their career working on particular areas so that they could develop that expertise. We had either tended to buy in that expertise or use consultants or other forms of expert advice. We are going to put a much stronger emphasis on recruiting people and bringing them through the organisation.

We have brought in a rule that means that people need to stay in their positions for at least two years before they can move. The churn was in part caused by people leaving their positions after only being there a year or so. That is not a sufficient period of time to build up the expertise and corporate knowledge that makes you a fully effective officer. We have realigned our posting time frames to coincide with DFAT. In a number of posts we had officers on two-year posting rotations where DFAT had them on three, so we have synchronised those posting times, and that, over time, is reducing the churn as well.

Senator KROGER: I read somewhere that the foreign minister had received the Hollway review into aid. Have you been given a copy?

Mr P Baxter: Yes, I have. The agency provided the secretariat services to the review that was led by Sandy Hollway. It was an independent review but they consulted obviously very closely with AusAID and particularly closely with me as part of that process.

Senator KROGER: So you did the editing, the proofreading?

Mr P Baxter: No. I answered a lot of questions to the five panel members but I was not involved in any way in the drafting or the proofreading or the production of the report. It is an independent report. That is what the government wanted. As you know, the report was handed to the foreign minister on 29 April.

Senator KROGER: Can you give us any update as to when you think we might all see that?

Mr P Baxter: Yes, I can. The minister announced on budget night that the government's response to the review and the report would be released around the middle of the year.

Senator KROGER: So we do not have a more specific time frame than that.

Mr P Baxter: No. That was the minister's advice.

Senator ABETZ: Other than we are now around the middle of the year.

Senator KROGER: Exactly. That is not far from now, so one would hope that it would be soon.

Senator Conroy: I have some more great quotes from Mr Downer speaking about Australian foreign aid. He said:

Increasing global aid volumes are encouraging ...

There are some great quotes here from Alexander. He has been very out there. I am full of interesting things.

Senator ABETZ: You ought to read some quotes on the NBN and you might learn something.

Senator Conroy: I could begin the 'who said this' game with you, Senator Abetz, but I will desist. But he has some great quotes. He said:

Mass poverty is the single most important economic and social issue on our planet today.

Senator KROGER: Minister, are you trying to prove that you have some IT competency?

Senator Conroy: No, I would fail.

Senator KROGER: That you can actually Google.

Senator ABETZ: No. I am sure there are bits of paper behind the screen.

Senator Conroy: That is exactly right.

Senator KROGER: In relation to the Hollway report, I understand that the members of that review committee did travel around the various countries where we provide aid, to do a firsthand assessment. Is that correct?

Mr P Baxter: Yes, that is true. They travelled to quite a number of places, literally from Afghanistan to Zimbabwe. They visited Indonesia, Papua New Guinea, Vanuatu, Bangladesh, Zimbabwe and Afghanistan. They also went to Washington to meet with the President of the World Bank, Mr Zoellick, and with other aid organisations. They held discussions with the OECD in Paris. They met with the British aid agency, the Department for International

Development, in London. So they undertook very extensive travel as part of their fact-finding to ensure that their review was thorough. They took account, in particular, of any trends in international development that might have informed the outcome of the review.

Senator KROGER: Did they travel independently? Did they conduct reviews individually in different places or did they travel as a pack, so to speak?

Mr P Baxter: They split up. They did it usually in groups of two or three. Some trips were taken by individual members of the panel. They talked to governments that receive Australian aid. They visited programs that we are running to see for themselves what the effectiveness of those programs was. They did, I think, a very thorough job of consultation in that international sphere.

Senator KROGER: With this review, was the brief to conduct an analysis of the effectiveness of our aid program in broad terms, or was the brief to include consideration of our strategic approach? In other words, has the review been conducted so that it can provide you with the necessary broader parameters on how to direct aid more effectively or is it very much a brief for the government to take on board in its deliberations about aid and how they can best be applied in Australia?

Mr P Baxter: It was a review for the government, and the government will consider the response to the review, not AusAID.

Senator KROGER: I appreciate that it was a review for the government which would then be forwarded to the department. I guess what I am saying is: does it include policy considerations in relation to the determination and application of aid in the broader scheme of things or is it a review in relation to, as you said, a comparison of the effectiveness in the delivery of aid and so on?

Mr P Baxter: The answer to that is yes. As you are probably aware, this is the first independent review of the aid program that has been commissioned in 15 years. It is probably fair to say it was timely in that respect. The terms of reference of the review were quite broad. I will very quickly run through some of the key ones. It looked at the appropriate geographic focus of the aid program and the appropriate sectoral focus of the aid program. It looked at the relative costs and benefits of different forms of aid, whether through non-government organisations, bilateral aid or multilateral organisations. The review panel were asked to look at the performance of the aid program and lessons learned from Australia's approach to aid effectiveness to date. It had a focus on the program's approach to efficiency and effectiveness and whether the current systems and policies and procedures that we have in place actually maximise effectiveness or not.

It looked at AusAID's organisational structure: how aid is coordinated across government, the various departments that we spoke about earlier that help to deliver the aid program. It also, importantly, looked at the issue of fraud and risk management, which was something the minister was particularly keen to have an independent view of—that is, whether our processes around fraud prevention and detection and our approach to risk in the program were suitable for a program that is obviously going to grow quite rapidly. They are the sorts of main areas. You can see from that that there will be significant implications for the policies that we adopt, depending on how the government responds to the recommendations of the review.

Senator KROGER: I really look forward to seeing it because I think it is terrific that we have a review of our whole strategy in relation to aid, for the first time, as you said, in 15 years. I look forward to seeing it. You touched on fraud, which is the perfect segue to my next question. I saw very recently that there were a couple of articles, in the *Australian* and other newspapers, in relation to the fraud cases that are currently being investigated. I think we touched on this at the last estimates. I am wondering if you could provide me with an update of the situation: how many cases we have outstanding, where we have fraud being investigated, how many have been looked into and how many have been resolved.

Mr P Baxter: I certainly can. As you say, there has been quite a bit of media coverage of the issue of fraud in the aid program. I must say a significant amount of that has been quite inaccurate and unhelpful from that perspective. We take fraud very seriously in AusAID. The government has a zero tolerance approach to fraud. Obviously we want to do all we can to ensure that every dollar in aid gets to its actual destination and helps the poor people that we are trying to assist through the program. We accept that the public has every right to expect that we would do that, that we would take every effort to minimise fraud—and we do. There is no question about that.

As of 30 April there are 195 cases that are being investigated by AusAID. It is important to understand what we record as fraud. If somebody steals a laptop from a car in a street in a developing country where we are working and that laptop belongs to AusAID it is recorded as a fraud. So some of the cases are theft. Some of the cases are people trying to defraud the Commonwealth through deception, the presentation of false invoices or other false documentation. There are a whole range of things that are classified as fraud under the Commonwealth fraud guidelines. We use very strenuous methods to try to investigate and recover any money that might have been the subject of fraud and to prosecute the offenders of fraud.

Those 195 cases have a potential loss—and I say potential loss because they are under investigation and some of them may not end up being fraud—in the vicinity of \$3.93 million. That represents slightly less than 0.02 of a per cent of our expenditure. While any fraud is obviously serious and bad, our record is very strong. Of that \$3.93 million that we are currently investigating, one case alone, in Eritrea in 2006, involved a potential loss of \$1.25 million. That was when the Eritrean government seized a shipment of food aid, which we had provided part of the funding for, from the World Food Program. Obviously, we are continuing to work with the World Food Program to put pressure on the Eritrean government to make reparation for that. Since that fraud, the World Food Program have not conducted any operations in Eritrea. They have suspended operations pending the resolution of that.

There were two other quite significant frauds in Papua New Guinea at around the same time, 2006-07, that we continue to investigate. There was a case in PNG in April 2003 involving the misappropriation of \$258,000 and a case in October 2007 where there was an attempt to misappropriate \$522,000. In both those cases the matters are still open, in that we are still seeking prosecutions through the Papua New Guinea police. In the case of the \$522,000 we prevented the fraud but the amount remains on our books as an unresolved fraud until such time as the prosecution takes its course and then we can close the case.

Senator ABETZ: But are the funds guaranteed, the \$522,000?

Mr P Baxter: Yes. As I understand it, an individual was trying to deposit a cheque made out to AusAID into a private bank account. Helpfully, the bank rang us and said, 'You might not want us to cash this cheque,' which was very good of them.

Senator ABETZ: Yes.

Mr P Baxter: So the fraud was prevented. There was no loss to AusAID. But, because it is still a matter that we are trying to recover the funds and seek a prosecution, it remains an open case. A lot of our cases are relatively small, but the small size of the case does not mean we do not record it as a fraud. We put a lot of effort into training our staff, both in Australia and overseas, on fraud detection and fraud prevention.

Senator KROGER: Without naming any countries, in many of the countries it would be a difficult process to go through the appropriate channels for a successful prosecution. Would I be correct in putting it in that fairly cautious way?

Mr P Baxter: You would be. I think it is a correct characterisation. We do successfully mount prosecutions. I have examples of where we have done so.

Senator KROGER: In what sorts of countries have you mounted successful prosecutions, or are they here?

Mr P Baxter: I will give you an example. In the Solomon Islands in 2004 a Ministry of Health employee forged signatures to misappropriate \$20,000 worth of aid program funds. We reported the matter to police. Charges were laid and the person was ultimately sentenced to four years imprisonment. So we do get people prosecuted and we do get people put in prison. If we have recovered the funds sometimes it is hard to get local law enforcement authorities to pursue the case because—

Senator KROGER: They consider it closed.

Mr P Baxter: They have other challenges as well in some of the places where we work, as you would imagine, because of other security issues and law and order problems that they are trying to deal with. But that does not stop us from continuing to pursue the cases. If the person involved in the fraud is somebody that either we have employed or has been employed through a managing contractor that we use or an NGO that we are working with then dismissal is usually one of the sanctions that we can apply. We certainly do that. From 2005 to 2010 there were 132 penalties imposed against individuals who committed fraud against AusAID. It was 132 over that five-year period.

Senator KROGER: Do you have any cases of fraud here in Australia?

Mr P Baxter: There have been in the past. In 2007 a former AusAID employee pleaded guilty to having received a bribe from an office supplier in 2005. That employee was sentenced by the ACT Supreme Court to nine months periodic detention. It is unusual. Only two per cent of the fraud cases involve AusAID employees. They are largely overseas. That, basically, is five individuals that we are talking about over the period since 2004.

Senator KROGER: Acting Chair, I have other things to go on with, but I thought I would allow the very patient Senator Abetz to ask a question.

ACTING CHAIR: I am happy to oblige in that regard.

Senator ABETZ: Thank you, Acting Chair, and thank you, Senator Kroger. I have been deep in thought on other matters but I am more than happy to ask a few questions. I was in the

climate change Senate estimates and was told to bring my questions in relation to this matter to AusAID. This matter is the shindig in Trinidad and Tobago, which sounds like a fun event. Is anybody able to tell us about that? That was hosted, I think, about a week or so ago and allegedly funded by the Australian government. It was a conference co-hosted by Australia and the South Pacific Regional Environment Program. It was to bring together delegates from small island developing states from the Caribbean and the Pacific and Indian oceans, including Australia.

Mr P Baxter: There was no event that I am aware of in Trinidad and Tobago. There certainly was a conference in Apia, Samoa, from 23 to 26 May. The conference was jointly convened by the Department of Climate Change and Energy Efficiency and AusAID and the logistics were handled by the secretariat of the South Pacific Regional Environment Program, or SPREP. The conference brought together experts from small island developing states, principally from the Pacific and the Caribbean regions. Funding from the conference came from a program called the Pacific Adaptation Strategy Assistance Program, which is managed by the Department of Climate Change and Energy Efficiency and funded by the Australian aid program. Costs of \$500,000 were allocated to the conference but, because it has only just been held, the final bills have not come in. There were seven officials from AusAID attending, including one of the directors-general from AusAID, and officials from our post in Suva, from our Pacific area and from our UN and climate change area. There were a number of outcomes from the conference, including the proposed development of a regional framework for capacity building on climate change and the fostering of collaborative research networks between small island states in the Caribbean and in the Pacific. Obviously they face similar challenges in terms of sea level rises and other impacts of climate change.

Senator ABETZ: Thank you for all that. Could you possibly take on notice how many countries did attend and what the actual outcomes were—I would assume what you have just provided me is simply a precis.

Mr P Baxter: Yes.

Senator ABETZ: And could you provide on notice the total cost of the exercise, please. I accept that that is not to hand as yet. Aid to the Palestinians: I understand that that has been doubled in this year's budget—is that right?

Mr P Baxter: That is correct.

Senator ABETZ: To about \$70 million?

Mr P Baxter: Eventually, over the forward period.

Senator ABETZ: Yes, over the forward estimates. Are you able to confirm—I daresay there is no controversy here—that Fatah and Hamas have recently concluded a power-sharing agreement to jointly run the Palestinian Authority?

Mr P Baxter: I think that in the broad that is correct. This is obviously an area for DFAT rather than AusAID, but the implications of the Hamas-Fatah reconciliation agreement are not yet clear, and Hamas is not currently represented in the Palestinian Authority. We are aware that Prime Minister Abbas has stated that Hamas will have no direct role in the new government.

Senator ABETZ: Well, that is as it is. Can you confirm to me that the military wing of Hamas is proscribed in Australia?

Mr P Baxter: Providing funding to Hamas is illegal under Australia's Criminal Code, yes.

Senator ABETZ: Thank you. And the Hamas charter calls for the violent destruction of Israel, and that is one of the reasons why it is a proscribed organisation. Are you able to shed any light as to whether the power-sharing agreement requires Hamas to amend its charter?

Mr P Baxter: I do not want to be unhelpful but it is really the province of Foreign Affairs and Trade.

Senator ABETZ: Which is fair enough, so I simply ask that that question be taken on notice, and the department hopefully after reading the transcripts will answer that question. I accept that. Will Australia withhold funding from the Palestinian Authority until such time as this issue is absolutely clear and certain—that Hamas has no say in the running of the government? It sounds a bit strange that they have entered into this agreement yet Hamas allegedly has no role in the government.

Mr P Baxter: Our aid goes towards supporting the development of a more transparent and responsible Palestinian Authority which is capable of achieving a negotiated peaceful two-state solution with Israel. We do not know yet what the implications of this reconciliation agreement are, as I mentioned. But at the moment we provide our funding to the Palestinian Authority through the World Bank's Palestinian Reform and Development Plan Trust Fund. We have funded the Palestinian Authority through that trust fund since 2007, alongside the United Kingdom, Canada, France and a number of other donors. And since 2007 we have had in place safeguards that help ensure our funds are not provided directly or indirectly to terrorist entities. Those safeguards include counterterrorism clauses in the AusAID-World Bank administration agreement for our contribution to the trust fund; that international advisers working in all Palestinian ministries provide scrutiny over how budget finances are used, so the people within the Palestinian Authority; a World Bank implemented electronic financial management system which meets international best practice standards to follow where the funding actually goes; and the establishment of a Palestinian Authority anticorruption commission and a corruption crimes court.

The trust fund finances are disbursed following World Bank approval of the Palestinian Authority's execution of budget and reform processes. We have also, along with other donors, required the consolidation of the Palestinian Authority's commercial operations within an audited and transparent entity, the Palestinian Investment Fund. It is our assessment that the trust fund has the highest potential development impact amongst the available systems that we can use to disburse funds, and that it does so at an acceptable level of fiduciary risk. Should the situation change as a result of the reconciliation agreement, of course the government will take that into consideration. We are watching that quite closely. But, as I have already said, there is no indication at the moment that there has been any significant or any change in the way in which the Palestinian Authority is running itself.

Senator ABETZ: So the government, though AusAID, guarantees that this is being monitored on a very regular basis?

Mr P Baxter: Absolutely.

Ms Walker: As well as the safeguards Mr Baxter has mentioned we have an AusAID representative at the Australian representative office in Ramallah, and obviously a DFAT head of post in Ramallah, and they liaise very closely with the World Bank and IMF

representatives in the Palestinian territories and with the representatives of other donor countries. They attend regular meetings of a fiscal sector working group co-chaired by the Palestinian Authority's ministry of finance and the IMF which considers, in the broad, financial management questions across the Palestinian Authority. In addition we regularly send AusAID officers from Canberra to monitor our aid program in the Palestinian territories and they conduct discussions with the World Bank representatives, with the representatives of other donors and directly with the Palestinian Authority. So it is an additional layer of monitoring of the program.

Senator ABETZ: What motivated the doubling of the aid to the Palestinian Authority? What is the correct term—Palestinian Authority or—

Mr P Baxter: Palestinian Authority.

Senator ABETZ: Yes.

Mr P Baxter: There are two things. First, as I mentioned, Australia supports the development of a more transparent and responsible Palestinian Authority as part of achieving a negotiated peaceful two-state solution. There is also enormous need in areas of the Palestinian territories, as you would be aware, in Gaza and the like.

Senator ABETZ: Were there any areas in our aid budget where we doubled the funding to a particular area or a particular people?

Mr P Baxter: Yes, there have been over the last few years.

Senator ABETZ: In this budget?

Mr P Baxter: I do not think so, but say in the last 18 months. Pakistan and Sri Lanka come to mind as countries where we have doubled our programs, obviously because of particular development issues but also because of security issues.

Senator ABETZ: You told us about the AusAID funding via the World Bank et cetera to the Palestinian Authority. Do you also give money to Palestinian type aid projects through third parties, and how much is that expected to be as a result of this budget or this financial year?

Ms Walker: There are four elements of our support to the Palestinian territories. The first we have described: our support to the Palestinian Authority. The second element is our support to the United Nations Relief and Works Agency, UNRWA. That support goes to the provision of basic health and education services and technical and vocational education and so on in both the West Bank and Gaza, and also for Palestinian refugees in Lebanon, Syria and Jordan. The third element is our support for the Australia-Middle East NGO cooperation program known as AMENCA. It is in its second phase. It involves a partnership between four Australian NGOs and quite a large number of civil society organisations.

Senator ABETZ: So it is an acronym of acronyms, is it?

Ms Walker: That is right.

Senator ABETZ: What are those four organisations?

Ms Walker: The four organisations are ActionAid Australia, largely working in the West Bank with the Asala Palestinian Business Women's Association involving provision of microfinance and microcredit to women; APHEDA, also working in the West Bank and Gaza, in partnership with the Palestinian NGO the Ma'an Development Center but also involved

with a number of community based organisations; CARE Australia, working in the West Bank and Gaza in a program that is designed to improve livelihoods and to help strengthen civil society; and World Vision, also working in the livelihoods area in Gaza. The total funding for the AMENCA program is \$30 million over four years. The estimated expenditure in 2011-12 is \$6 million.

Senator ABETZ: How much are we anticipating giving to APHEDA?

Ms Walker: APHEDA has received \$6,922,000.

Senator ABETZ: In this—

Ms Walker: No, that is over the life of the program.

Senator ABETZ: And it is still ongoing?

Ms Walker: It is a five-year program. It is in its second year.

Senator ABETZ: Are you aware of the proportion of APHEDA's budget which is provided by AusAID?

Mr P Baxter: Do you mean the total APHEDA budget, Senator? I am not sure we would have that.

Ms Walker: I think we will need to take that on notice.

Senator ABETZ: I accept that. What criteria does AusAID use to allocate funds to APHEDA?

Ms Walker: In relation to this program in the Palestinian territories, clearly one of the criteria that we accepted was the extent of the relationships which various organisations have with their partner organisations in the Palestinian territories. APHEDA has been working in the West Bank and Gaza for many years—and so, I must say, have ActionAid, CARE and World Vision. It was a competitive tendering process and we worked in the second phase of the AMENCA program to develop with each of the four selected NGOs their detailed design work for the programs that they are supporting. So it was a collaborative exercise between AusAID and the four NGOs.

Senator ABETZ: What are the safeguards in place that prevent AusAID funding being used by APHEDA or any of the others in a manner that contravenes Australian government policy on Israel? Let us just pluck an example out of the air like BDS—Boycott, Divestment and Sanctions.

Ms Walker: We have no information that any of the NGOs we are supporting through this program are involved with that program. We regularly review the activities of the AMENCA program. We have a contracted monitoring and evaluation specialist who assists us in this task. Our AusAID officer in Ramallah and AusAID staff from Canberra regularly conduct reviews of all of the AMENCA activities. And of course we seek the normal reporting from each of the NGOs.

Mr P Baxter: And I note that those organisations have gone through our accreditation process that I mentioned in an earlier answer.

Senator ABETZ: You have already confirmed, as I understand it, that AusAID is aware that APHEDA funds the Ma'an Development Center.

Ms Walker: The Ma'an Development Center is APHEDA's main partner organisation; that is right.

Senator ABETZ: It is heavily involved in the BDS campaign, is it not?

Ms Walker: I am not able to confirm that. I would have to take that on notice.

Senator ABETZ: Please do, because it is a matter of great concern, at least to me, that that suggestion has been made. From what you were saying, Ms Walker, I understand that money AusAID provides to APHEDA does go to the Ma'an Development Center. I think we have established that as being agreed. Is that correct—that is the money trail: from AusAID to APHEDA by—

Ms Walker: The Ma'an Development Center is APHEDA's main partner but not its only partner in implementing the program that we have agreed with APHEDA under the AMENCA program.

Senator ABETZ: But I trust it would be a matter of concern if AusAID became aware that the Ma'an Development Center was heavily involved in the BDS campaign. Would it not?

Mr P Baxter: The issue that you have raised with us is whether funding that we provide to APHEDA is then passed on to the Ma'an Development Center.

Senator ABETZ: Yes, and I think we are agreed on that, from what Ms Walker's evidence has been. The only issue then is whether the Ma'an Development Center is involved with the BDS campaign. My information is that it is, and is so heavily. I cannot vouch for that but that is what I have been informed. So I invite AusAID to check that out very carefully and come back to me and the committee on notice because, as you might imagine, that is a matter of some substantial concern. According to APHEDA's annual reports all of APHEDA's funds for Middle East projects originate from AusAID. Would the money that APHEDA gets be allowed to be used for a 'study tour' of individuals from Australia to go over to have a look at how things are progressing?

Ms Walker: Senator, no AusAID funds are contributed to the BDS campaign. I believe that we have provided that information to you in relation to an earlier question on notice. And I understand that no AusAID funds are contributed to visiting union delegations.

Senator ABETZ: Can you check that for me on notice? Also, whilst I know what may have been said in the past, I would not mind having it absolutely checked out to ensure that the Ma'an Development Center is not involved in supporting the BDS campaign. On their website the Ma'an Development Center published a guide to grassroots and international BDS campaigns in 2009. That is the information I have been provided. It appears that Australian taxpayers' money, via the money trail that we have agreed upon, unfortunately ends up with the Ma'an Development Center courtesy of the trade union movement. There was a recent Senate motion about this listing a whole host of Australian trade unions that support this offensive campaign. The ACTU has the APHEDA program and it is quite clear that the ACTU and APHEDA have no difficulty with the BDS campaign. It would appear that the Ma'an Development Center has on its website a guide to grassroots and international BDS campaigns, and that is why I have asked this bracket of questions—to express great concern about that and to ensure that AusAID is very vigilant to ensure that the money is withdrawn in the event that that assertion is correct.

Mr P Baxter: We have undertaken to again look at those details that you have raised with us and that, as Ms Walker has said, we have provided information on in the past. We will have a look at it on notice and come back to you.

Senator ABETZ: I am indebted to you for that. If I have a follow-up question I will either come back to it or simply put it on notice. Thank you very much.

Senator KROGER: I understand there was an ANAO review that came out last Friday on the scholarship program.

Mr P Baxter: That is right.

Senator KROGER: I declare that I have not had an opportunity to go through that line by line, by virtue of my attendance here. I know it is no excuse but I have to declare it up front. I understand that it is a review of AusAID's tertiary training assistance program—is that correct?

Mr P Baxter: Yes, it is. It is part of the annual ANAO reviews of elements of AusAID programs that they started in 2009 and we very much welcome. It was what is described as a performance audit of AusAID's management of tertiary training assistance. There were three recommendations made as a result of the audit. We agree fully with two of them and almost fully with one of them.

Senator KROGER: Perhaps you would like to share those recommendations and your observations on them.

Mr P Baxter: The first recommendation was:

To support the provision of more balanced and predictable aid for tertiary training, and in a way that appropriately reflects Australia's foreign policy priorities, the ANAO recommends that, as part of its strategic planning process, AusAID:

(a) develops indicative multi-year resource commitments for its education program, by region, country and sector; and

(b) provides options to its Minister for publicly reporting these resource commitments.

AusAID has agreed to that recommendation with qualification. The government has announced multiyear education commitments, including in November 2010 a commitment to a \$500 million five-year Australia-Indonesia education partnership which was announced in this year's budget—that is, the budget that was released in May last year. In planning for an expanded aid program AusAID has been evaluating the budgetary implications at the country, regional, global and sectoral levels, and the government's response to the independent review of aid effectiveness, which we discussed earlier, will help inform future aid allocations and how they will be reported. We certainly agree with the principle that multiyear resource commitments provide greater budget certainty, but some flexibility will always be necessary in the aid program to respond to emerging needs and priorities.

The second recommendation was:

Consistent with current efforts to streamline scholarship programs and provide greater visibility to, and recognition of, their contribution to development efforts, the ANAO recommends that AusAID:

(a) progressively integrates scholarships information management systems so that they support the implementation of, and provide consolidated information about, all AusAID scholarship programs; and

(b) attributes tertiary training expenditure in a manner that is both consistent with OECD guidelines and sufficiently granular to enable ready identification of expenditure on each of its major tertiary training programs.

We agree with the recommendation, and its implementation is already under way. In May 2010 AusAID's new online Australian scholarship information system, OASIS, became operational. It is a centralised management system designed to manage up-to-date data on all scholarship recipients over the life of their award. In the first phase it covers Australian development scholarships and Australian leadership award scholarships, with other scholarship programs to be incorporated as that system is developed further. That OASIS system has improved our scholarship reporting and it enables us to produce detailed reports, including on individual scholars' progress, to help our monitoring of performance and to provide support if needed. The system also enables us to provide increased financial reporting with sufficient detail to monitor expenditure at the country and sector levels.

The final recommendation was:

To strengthen evaluation of the short and long-term impacts of scholarship programs, the ANAO recommends that AusAID:

(a) develops a consistent approach to post-award monitoring so that a representative proportion of scholarship alumni can be contacted to assess scholarship program outcomes;

(b) establishes a consistent methodological approach to evaluating the impacts of scholarship programs; and

(c) develops a forward program of evaluations that provides a balanced coverage of the regions and countries where scholarship programs are implemented.

We agree with that recommendation and, again, this is already being addressed through enhanced monitoring and evaluation processes that have been implemented through the first half of this year. Our post-award monitoring is being standardised across all of our programs. So post-award monitoring will use a consistent methodology that allows us to collate information to support analysis of scholarships across the whole aid program. We have also developed a consistent methodology for reaching a representative sample of the alumni. Interviews rather than paper or web based surveys will be used to ensure that statistically significant numbers of alumni are reached. The improvements in that methodology will be complemented with a research schedule that ensures that over a three-year cycle all geographic regions are included in post-award monitoring. There are some other elements as well that we have implemented.

I would like to say that the overall findings of the review were positive. The audit found that AusAID's tertiary training assistance is having a positive impact, that it targets the needs of recipients and is implemented in ways that are appropriate to local contexts, that AusAID's regular monitoring and review of the performance of tertiary training initiatives are robust and are a major influence on the design of future initiatives—so we learn from what is working—and that we have made good progress in coordinating with other donors, particularly in the Pacific, where we are working much more closely with New Zealand.

Senator KROGER: I want to take up on a couple of the recommendations, but I think Senator Abetz found that item that he was missing.

Senator ABETZ: Thank you. Can you confirm that the funding to APHEDA of \$6 million or something like that is doled out on an annual basis?

Mr P Baxter: I will ask Ms Walker to answer that.

Senator ABETZ: Then I have a follow-up question on that.

Senator KROGER: You said there was only one!

Senator ABETZ: The Senate always allows supplementary questions.

Ms Walker: My understanding is that the funding for the APHEDA and the other NGOs that are part of this program is provided on an annual basis.

Senator ABETZ: Can you possibly take this notice: if it is established that APHEDA's official position is to support the BDS campaign, would AusAID reconsider its funding of APHEDA?

Senator Conroy: Can I add some information for you. I think we had a response to a question on notice. I do not have the number, but this is what it said: no AusAID or other Australian official development and assistance funds are provided to any groups for the Boycott, Divestment and Sanctions campaign. AusAID is aware of the Ma'an Development Centre. AusAID does not directly fund the Ma'an Development Centre; however, under the Australian Middle East NGO Cooperation Agreement, AusAID provides funding to Union Aid Abroad-APHEDA to undertake development activities in Gaza and the West Bank. Ma'an Development Centre works in partnership with Union Aid Abroad-APHEDA to undertake these activities. The Australian NGOs funded by AusAID to undertake work in the Palestinian territories have confirmed that no AusAID funds are being used to support the BDS campaign, nor are they involved in the campaign. We are hoping that settles your mind on some of the issues.

Senator ABETZ: That basically confirms what Ms Walker had told us, other than the fact that Ma'an Development Centre has on its website the campaign basis for a local and global pro-BDS campaign. That is new information, and AusAID has kindly agreed to go away and investigate that and come back with an answer on notice. In relation to APHEDA, if it could be established that APHEDA itself is supporting the BDS campaign, would that mean that funding to APHEDA would stop?

Mr P Baxter: It would be a decision for the minister to make if there were information that caused us to question the way in which Australian aid funds were being used.

Senator ABETZ: I thought there was a government ruling or principle or whatever it is called that no aid would be given to an organisation that supports the BDS campaign.

Mr P Baxter: That may be so, but it would still be the minister's decision, not AusAID's decision. You asked if AusAID would cut funding. I am just saying that this is a decision for the minister to make.

Senator ABETZ: Thank you for that, because I had been under the misapprehension that, given the government policy, AusAID would be duty-bound to cut funding if this were to become known. But, if it were to become known, it would then go to the minister for the minister to make that decision?

Mr P Baxter: That is right.

Senator ABETZ: Thank you for that. I look forward to the answers that will be provided on notice.

Senator KROGER: There are a couple of things that I wanted to touch base on. I do put this in the context that I have looked at this only very quickly. I noted that page 15 of the report actually says there is a 'potential for misalignment between aid allocations and needs on the ground' and 'the impact of this gap has been particularly evident in the Pacific, where AusAID has struggled to develop a well-balanced and predictable program of tertiary training assistance'. Cutting to the chase there, is the assessment that we are not targeting the right people with the right tertiary training or that, essentially, we are providing scholarships to the wrong people? I am interested in your reflection on that.

Mr P Baxter: We do not agree with the ANAO's view there. In terms of AusAID providing a predictable program of tertiary sector support in the Pacific, as you know, Senator, we have concluded 11 Pacific Partnerships for Development with our Pacific Islands neighbours over the last couple of years. Five of those partnerships give priority to technical and vocational training. Under those jointly negotiated partnerships, we have identified targets in terms of technical and vocational training for Samoa, Kiribati, Nauru, Tonga and Palau. Only two weeks ago, I reached agreement with Papua New Guinea officials for a new education schedule in the PNG Pacific Partnership for Development. That will cover the whole of the education sector, including technical and vocational education, training and the university sector. We have a comprehensive program of support for tertiary education in the Pacific, particularly through our support for regional universities like the University of the South Pacific and the Fiji School of Medicine. We have an extensive program—the Regional Development Scholarships program—that allows students from the Pacific to study at tertiary institutions in the Pacific. So we have a very comprehensive and thorough approach to the provision of tertiary education in the Pacific region.

Senator KROGER: I take it then that you would not agree with the suggestion that the report goes on to make. I am condensing, so please feel free to correct me. My reading of it in essence is that the observation is that the scholarship program is too diverse in what it is offering and that it is perhaps because of the degree of diversity in terms of the ground it is trying to cover that it is requiring a great degree of complexity in the administration of the program, so that it is becoming inefficient. That is in terms of the number of scholarship schemes that are being offered. Essentially it says that the scholarship schemes would be more effective if there were fewer in terms of the nature and the variety of them and it were more concentrated. I got that general sense from doing a quick read.

Mr P Baxter: Our scholarship programs are tied to the development needs of the countries that we work with. We work very closely with our partner governments to identify what areas of expertise are needed in those countries that we can help them to develop through our scholarship program. I will give an example. About 10 per cent of the scholarships that we provide to Africa at the moment are for students who come to study disciplines related to the extractive industries—because many African countries have mining sectors—whether it be engineering or legal studies or other aspects that will provide them with those. So we do align the awarding of scholarships with our broader country programs, which are, of course, based on the development needs of the countries that we are working with. The only exceptions to that are that we have a pilot this year of a scholarship program in Burma. We, of course, do not accept the nominations of the Burmese government; we work with NGOs and community groups and Australia makes the selection of people who will

come to study. We do a lot of work to make sure that none of them are connected with the regime. So, in the broad, we think we do target our scholarship program well. There has been a consolidation of scholarship programs. There were 23 separate scholarship schemes in 2008 and they have been consolidated into the main scholarship programs and the Australian Regional Development Scholarships or they have been discontinued. So there may have been a historical problem, but it is a problem that has been addressed over the last couple of years. From 2011 the Australian Leadership Awards scholarships are also being consolidated with the Australian Regional Development Scholarships and they are all being branded as Australia Awards, as are the scholarships that are offered by the Department of Education, Employment and Workplace Relations.

Senator KROGER: Can you take this on notice: I would be interested in having the breakdown of the scholarships—how many apply, how many students we had from how many different countries and what countries they were and so on. It would be interesting to have that breakdown.

Mr P Baxter: Over a particular period?

Senator KROGER: This report was in 2009, was it not?

Mr P Baxter: Yes, I think that is right. We are happy to—

Senator KROGER: Even from the period that the report was looking at would be useful.

Mr P Baxter: In the recently announced budget there is provision for us to increase to 2,400 scholarships a year. We are very happy to provide you with a breakdown of what we have done this year and last year by country and any information we can give you on what people were studying as well.

Senator KROGER: That would be great. You touched on alumni in your opening statement. Do you believe that we are adequately providing follow-up and assessment of where people are returning to, if they are finding employment and if the scholarship has added to the goals in offering that particular scholarship program? In essence, are these scholarship schemes actually ultimately helping us to achieve our MDGs?

Mr P Baxter: We do track scholarship recipients when they have finished their study. We are putting a lot more effort into doing that as it becomes a bigger part of a program. I mentioned the software system that we have developed. We are also taking a standard approach now across countries in terms of tracking our alumni. We are going to be doing person-to-person interviews to capture information rather than using web-based surveys or other things to make sure that they are more accurate. But I can tell you, for instance, that our analysis shows that 85 per cent of alumni were still living and working in their home country at the time they were surveyed between two and 10 years after their return home.

Senator KROGER: Can you say that again?

Mr P Baxter: An average of 85 per cent of the alumni were still living and working in their home country at the time that they were surveyed, and that was between two and 10 years after they had returned from their study in Australia.

Senator KROGER: Is that in the area they studied, though?

Mr P Baxter: I do not have that information. Ninety-nine per cent of scholars return to their home countries, so I think our success rate in actually putting people back into their

communities who have much higher level skills as a result of their study in Australia is excellent. We require scholarship recipients to return home and they cannot come back to Australia for two years after they have completed their study. That is one of the ways in which we seek to ensure that we are not training people to go off and get jobs in other parts of the world. I think the success of our programs is also demonstrated by the fact that developing country governments are consistently asking us for more. They value these awards very highly. If you look at the impact that we have had in our own near region, the current Vice-President of Indonesia, the foreign minister of Indonesia, the trade minister of Indonesia, senior ministers in the Vietnamese government, senior officials all across the Pacific and a very significant number of the senior officials in the Mongolian government are AusAID scholarship alumni. The impact has been quite significant in terms of seeing Australian scholarship recipients, obviously, over a period of years after they have completed their study here, rise to very significant positions. I think in Indonesia 17 per cent of the 4,000 Indonesian alumni that we have been tracking have gone into senior positions in government, academia and the private sector.

Senator KROGER: There have been some suggestions—and I do not think I have it on me—in the media at various times that it is an area that encourages nepotism and that it is the sons and daughters of those in influential positions that may be the recipients of scholarships. Do you have any observations in relation to that?

Mr P Baxter: I do. All of our scholarship recipients are selected through a transparent and competitive process. Decisions are based on merit. Selections are based on the quality of the candidates determined by their academic history, professional experience and ability. We go to considerable lengths to ensure that scholarships are accessible to all members of the communities in the countries we are operating in, providing that they meet the academic requirements. Women, people with disability, ethnic minorities and other marginalised groups are actively encouraged to apply through targeted advertising and nomination guidelines that we provide to our partner governments. We also put in place measures to support marginalised groups, including specific predeparture support, support for language training and testing and additional support while they are in Australia. In Indonesia, 30 per cent of our scholarships are awarded to the poorest provinces—so one-third of our scholarships in Indonesia are targeted at the poorest provinces. In 2011, this year, 23 per cent of our scholarships so far have gone to the poorest provinces in Indonesia. In Bangladesh between 2007 and 2010, we provided 100 scholarships to the ethnic minorities from the Chittagong Hill Tracts. From 2012 that program will be expanded to include ethnic minorities from across the country. In the Philippines since 2006 about two-thirds of our scholarships have been awarded to applicants from provincial areas, with a particular focus on the southern Philippines, where poverty is obviously a very significant issue. So we do have targets in terms of trying to ensure equity in the way in which we distribute scholarships.

Senator KROGER: Thank you.

Senator LUDLAM: I have a couple of questions relating to Burma as it relates to our aid program. I understand there was a recent Burma conference at ANU called Burma/Myanmar Update, held on 16 and 17 May in Canberra. I understand that this conference was funded by AusAID—or that is what the conference convener said. Can you confirm for us whether or not AusAID funded that conference?

Mr Moore: Yes, we have provided funding to that Burma update conference for some years. We were a funder this year as well.

Senator LUDLAM: How much funding was given to that conference this year?

Mr Moore: I would have to take that on notice and get back to you on the precise level of funding.

Senator LUDLAM: I would also be interested to know in some detail the process by which the decision to fund this conference was made. Was it a competitive process or does ANU put in a bid? How do you decide what to fund?

Mr Moore: Again, I will have to confirm the detail, but I think we fund several of the ANU update conferences where there is a particular focus on a country—for example, Indonesia or Vietnam. That reflects the expertise at ANU and their interest in hosting conferences. They obviously extend the invitation to participants from a wide range of academic and other institutions. But I will get details about the precise procurement arrangements.

Senator LUDLAM: I would appreciate that. I want to go to the issue of cross-border aid. Some of the departmental officials told us earlier today, or it might have been yesterday—it all blends together—that the department has opened up the question of cross-border aid from the Thai side of the border into Burma. I understand that AusAID has a number of concerns regarding monitoring and evaluation—how we keep track of where the funds are going and how they are being used. I am wondering if you could tell us what efforts AusAID has taken to find out more about this issue and whether we have talked about it with any of our partner aid agencies from other countries?

Mr Moore: I can certainly confirm Mr Borrowman's advice from earlier that the minister has been having discussions with interested parties, non-government organisations, refugees and displaced people. He has said that he is willing to look in more depth at this issue. Consequently, that is happening across government. We are working with the department of foreign affairs to provide that advice. As you know, we fund organisations that work along the Thai-Burma border. We are also active within the country. We are constantly liaising with organisations, partners and countries that have different policies and different views on these issues. That process of updating our thinking is ongoing.

Senator LUDLAM: I would congratulate the minister for opening that question up again. In the brief time that I spent on the border, that was the No. 1 issue that was raised by the aid groups that we spoke to, so I am glad it is being looked at. My specific question was whether we are in contact on that specific issue with other countries. For example, UK's development agency, DFID, within the last five years has changed its policy relating to cross-border aid after a parliamentary inquiry. I do not believe they have raised any issues of negative impacts, for example, on their in-country aid program. Have you spoken to officials from that agency on this question?

Mr Moore: We have spoken to the UK and to other countries about their cross-border assistance.

Senator LUDLAM: Do you have a deadline to provide advice to the minister? Are we working to any particular time line?

Mr Moore: I think the minister is eager to get advice on this question as soon as possible.

Senator LUDLAM: Good. Can you perhaps provide us with an update on the distribution of Australia's aid funding into Burma? I understand it has gone up reasonably significantly in the last two or three years. Can you tell us what where we are up to and what fraction of that is making its way up to the eastern part of the country?

Mr Moore: I can certainly advise you that we have expanded the Burma program very greatly—not in the most recent budget, because in the previous budget it expanded very considerably. Now we are in a process of consolidating that expansion. As a result of previous interest and questions on your part, we have been looking at the distribution of funding across programs in Burma. I think there has been a suggestion in the past that a very large proportion of our assistance is concentrated in and around Yangon. That is not the case. I can tell you that, on the basis of our estimates, we are working with a lot of partners—non-government partners such as Care and World Vision and United Nations agencies like UNICEF and the World Food Program—and we are looking at the distribution of funding across the programs that we are supporting. We believe that the funding going to the Yangon area is about six per cent of our total funding. The pattern of funding obviously differs across states, but across Shan state I believe it is in the order of about 11 to 12 per cent. In Mon state it is around seven per cent.

Senator LUDLAM: Can you provide for us on notice—I do not expect you to have all of this on you at the moment—rough orders of magnitude on the distribution within the country and also what we might send to the border areas, from either the Indian side or the Thai side?

Mr Moore: On the question of the border areas, we estimate that somewhere in the vicinity of 16 per cent of our assistance is in the south-east. On the Thai-Burma border we have tripled assistance. Traditionally, we have assisted the Thailand Burma Border Consortium to run the camps, in which there are 140,000 refugees. We are broadening that assistance, working through the Adventist Development and Relief Agency Australia—ADRA—to provide vocational training. We are providing health support to the Mae Sot clinic. We have volunteers working with women's organisations on the Thai-Burma border.

Senator LUDLAM: That is great. Can you take on notice the rough distribution of the different states and provinces where the aid money is going and perhaps a bit more detail if you could, in dollar figures and as a rough breakdown, on what we are contributing to up in the region around Mae Sot and the refugee camps up there.

Mr Moore: Certainly—we can give you more details on that.

Senator LUDLAM: Thank you. I will shift to Afghanistan, if I may. 2011-12 sees the total AusAID administered ODA to Afghanistan increase from \$141 million to \$165 million, with \$38 million to be spent by other government departments. Is that consistent with what you have in front of you?

Mr Wood: That is correct.

Senator LUDLAM: Which government agencies administer the other \$38 million?

Mr P Baxter: That would largely be the Australian Federal Police. They have a training mission.

Senator LUDLAM: How much would you be able to tell me about that—or should I raise that with the AFP?

Mr Wood: It is \$18.13 million in 2011-12.

Senator LUDLAM: That is the AFP?

Mr Wood: Yes.

Senator LUDLAM: And the balance?

Mr Wood: The Department of Defence, \$13.8 million; the Department of Immigration and Citizenship, \$16.1 million; and there is a small amount for the Department of Education, Employment and Workplace Relations.

Senator LUDLAM: AusAID is subject to certain disciplines and requirements when it is disbursing overseas aid. Are those other agencies subject to the same processes? I am not asking you to speak for them, but are you aware of whether they are required to have the same reporting obligations and so on?

Mr P Baxter: All government agencies have to report on their expenditure, including in forums such as this committee. I am not aware of their specific reporting formats or requirements. We obviously report on that element of the official development assistance budget that is appropriated to this agency.

Senator LUDLAM: Minister, that is a cross-portfolio spread of issues—can I ask you to take that on notice. The three that we just mentioned were the Federal Police, Defence and the department of immigration.

Senator Conroy: No problem.

Senator LUDLAM: Can you tell us what the total percentage of Australia's overseas development eligible assistance is going into Oruzgan province?

Mr P Baxter: In Oruzgan province this year, we expect to spend about \$23 million out of our AusAID appropriation.

Senator LUDLAM: That is out of the total of \$165 million?

Mr P Baxter: The AusAID appropriation is less than that.

Senator LUDLAM: Do you want to break it down for us?

Senator Conroy: While Mr Baxter is doing that, I have some information on the Burma cross-border assistance. I understand the minister met with the Burma Campaign Australia and some associated NGOs a few weeks ago, where he heard a number of views on the issue of cross-border assistance. I understand that the minister would be happy to discuss this with you in more detail.

Senator LUDLAM: That is great. Thank you.

Mr P Baxter: I will ask Ms Walker for a breakdown of the AusAID allocation.

Ms Walker: For the current financial year of the AusAID country program for Afghanistan it is estimated at around \$106 million. Of that, \$23 million will be expended in Oruzgan. The estimate for our expenditure in Oruzgan next year is \$30 million.

Senator LUDLAM: We are a bit short of time, so could you perhaps table for us where the balance of that funding is being disbursed within Afghanistan. So it is \$23 million of \$106 million?

Ms Walker: Yes. We are providing a significant amount of funding for national programs, principally through the Afghanistan Reconstruction Trust Fund. That is for health, for education, for rural development and so on. We also have some additional programs including, for example, the Malaysia-Australia education program, which provides training in Malaysia for master teacher trainers. So there are other elements to our program. I can provide you with those on notice.

Senator LUDLAM: That would be great, thanks. The Dutch government—this is one instance that I know of—has noted that Oruzgan province is being 'aid saturated', and other observers have stated the same. Is the issue of aid saturation a concern for the Australian government in that province in particular?

Mr P Baxter: No, it is not. I have not seen that quote before, but the development indicators in Oruzgan are some of the worst in Afghanistan and it would be very difficult to describe a province with the maternal mortality and the child mortality rates that Oruzgan has as 'aid saturated'.

Senator LUDLAM: What fraction of our aid spend is going into things like maternal mortality?

Mr P Baxter: If you want a percentage I would have to take that on notice—

Senator LUDLAM: Yes, I would not mind.

Mr P Baxter: but we spend quite a lot of our funding on basic education and on providing assistance to health care through both national programs and bilateral programs.

Senator LUDLAM: Thank you. Are you aware of how much donor funding in total is being provided to Oruzgan by other countries?

Mr P Baxter: That would be something that we would take on notice.

Senator LUDLAM: Thank you. Does Australia provide a contribution, or are we considering making a contribution, to the annual Afghanistan Consolidated Appeals Process?

Ms Walker: We have provided assistance to UN agencies in the past for their humanitarian programs, including UNHCR and the World Food Program. We are currently considering whether we can provide additional humanitarian assistance this year. It would come under the Consolidated Appeals Process.

Senator LUDLAM: Good. I think we are out about \$400,000 so far, or invested in the UNHCR under the CAP. Is that approximately correct?

Ms Walker: Is that \$400,000 this financial year? That does not—

Senator LUDLAM: No, in total. I think that was our total investment to date. That is the figure I have.

Ms Walker: I think we have provided more funding than that for the Afghan refugee case load. As you know, it is in neighbouring Pakistan and Iran. Of course the UNHCR is also looking after displaced people in Afghanistan, returnees. I think the funding is higher than that. It depends over what period we are talking and it probably depends when the consolidated appeal was released. I will have a look at that and we will take it on notice.

Senator LUDLAM: If you could. But my specific question was whether we are considering making a greater contribution, and your answer was yes.

Ms Walker: Yes.

Senator LUDLAM: Thank you very much. Can AusAID provide us with an update on Afghanistan's participation in phase 2 of the international evaluation of the implementation of the Paris declaration?

Ms Walker: I will take that on notice.

Senator LUDLAM: All right, thanks. And could you also take on notice whether our total ODA on dual aid efforts in Afghanistan will be examined as a part of that evaluation?

Ms Walker: Yes.

Senator LUDLAM: Thanks. To dodge to a different part of the world—and this might need someone else to come to the table—what diplomatic and funding assistance is Australia providing or will Australia provide specifically to North Sudan, as opposed to south, in the coming financial year?

Mr P Baxter: You have been lucky, Senator; it is the same people at the table.

Senator LUDLAM: You cover a fair scope of terrain. I know that most development assistance, in the light of the referendum, is focused in South Sudan, which is entirely worthy; but I am wondering whether you could provide us with any detail on North Sudan.

Mr P Baxter: I can tell you, Senator, while colleagues are getting the specific information, that our program in Sudan is our second largest in Africa after Zimbabwe. We have provided \$23 million in humanitarian assistance and support for the referendum so far this financial year. You would probably be aware that the largest number of people of Sudanese descent who voted in the referendum outside Sudan was actually here in Australia—

Senator LUDLAM: No, I did not know that.

Mr P Baxter: and we provided some assistance for them to vote as well.

Senator LUDLAM: Is there such a thing as a break-up of funding between north and south?

Ms Walker: Yes, we can provide that. Could I just clarify over what period you are seeking that breakdown?

Senator LUDLAM: Across the forward estimates but specifically 2011-12 if you have that information.

Ms Walker: I do not believe that we have made the decisions yet on what we might allocate for either South Sudan or North Sudan.

Senator LUDLAM: All right. That is an answer.

Mr P Baxter: We have provided \$136 million in assistance to Sudan as a whole since 2004. Over \$50 million of that has been provided primarily for South Sudan and more than \$71 million primarily for Darfur, and over \$13 million has been provided to address the spillover effects of the Sudan conflict in neighbouring countries.

Senator LUDLAM: Okay. So it is not possible to look forward to the forthcoming financial year—but I guess I will leave those thoughts with you as to whether it would be worth funding anything in the north. Is it possible across the figures you just gave me—since 2004—to identify whether we have specifically funded the north?

Mr P Baxter: Yes, it will be. We will have to take that on notice.

Senator LUDLAM: That is great. I will leave it there.

Senator KROGER: I will go to the issue of microfinance, if I may. In the ministerial statement on the aid program it states that the commitment for aid for microfinance has increased to at least \$18 million per annum by 2012-13. What are the estimates for assistance to microfinance in 2010-11 and expected assistance in 2011-12? Could you just clarify that for me?

Mr P Baxter: As you said, Senator, we expect our microfinance expenditure to double over the period 2007-08 to 2012-13 to at least \$18 million per annum. We fund bilateral or global microfinance activities in the Pacific, Asia, Latin America and Africa. We provide that funding under a policy strategy launched in 2010 entitled Financial Services for the Poor. We are continuing to provide microfinance assistance—I think the government's commitment was to gradually increase funding till it reached \$20 million a year, so we are well on track to achieve that. We have done some very good things in recent years in the microfinance area, including providing support for mobile phone based banking for people who previously did not have access to bank accounts, in both Fiji and PNG. We have microfinance schemes in Peru and Colombia at the moment that are helping a couple of hundred thousand people. In Peru it is 100,000 women who are being trained in financial literacy so they can take advantage of financial services. So, as I say, we are on track to meet the government's commitment.

Senator KROGER: Okay. I do not need it now, but do you have a breakdown of that by region—so how much of that is in each of the areas you mentioned: the Pacific, Asia, Latin America and Africa? I am happy for you to put that on notice.

Mr P Baxter: Yes.

Senator KROGER: To date, do you believe that this approach has been more successful in one region over another? For instance I have been in Cambodia and Vietnam and the microfinance approach there, particularly with women, is particularly effective. Is there a region where this approach is more effective than it is in another?

Mr P Baxter: I am very happy to give you our assessment of that. We think overall that well-targeted microfinance schemes are an effective way of delivering aid. In particular those programs, as you have mentioned, that are focused on women tend to have a much better record than those that are not.

Senator KROGER: Yes, it is interesting. Is that the case in Africa?

Mr P Baxter: It is the case in Africa. I do not think there is much variation between regions in terms of those microfinance schemes that have a particular focus on women tending to do better.

Senator KROGER: It is very interesting. Thank you very much. There has been some coverage also about the government's announcement that the TB clinics in the Torres Strait will be closed because they are unsustainable. I visited the Torres Strait last year on a Senate inquiry and one of the things that were of particular concern there was access to health care and the problems people in the Torres Strait were experiencing or could potentially experience because of the difficulty those in PNG have in accessing appropriate health care—

and the incidence of TB over there. I would like your observations on that. Does AusAID provide those clinics?

Mr P Baxter: No; the Queensland department of health is the provider of services to the Torres Strait. My colleague Mr Gilling will give a more detailed answer. There are obviously significant issues in relation to Papua New Guinea citizens coming into the Torres Strait seeking medical assistance. As you know, TB is a particular problem in PNG, and there have been other health problems on the PNG side of the border over recent years, including cholera. But I will ask Mr Gilling to give a detailed response.

Mr Gilling: In the Western Province the Australian aid program provides \$2.4 million over the period of 2008-11. We contribute, amongst other measures, to a joint package of measures managed by our Department of Health and Ageing which is designed to respond to the cross-border issues that you alluded to. We have been working on tuberculosis laboratories and clinical management capacity-building projects, and we have also been working on other issues in health within Western Province, because of course the core of this problem is really the capacity of the government of PNG to respond to this challenge itself. Our engagement, as I think we discussed last time in relation to maternal mortality in PNG, is that whilst we can provide short-term support the big challenge for us as an agency is how we support the government of PNG's own systems to address this significant problem. Nevertheless, as the Queensland government has made a decision to cut back on its capacity to support people from Papua New Guinea who have TB, we have ourselves responded by increasing our own activities in Western Province. Over the last few weeks—

Senator KROGER: Since that decision was made by the Queensland health department?

Mr Gilling: Yes. We are very conscious of the health needs in Western Province. It is one of our most high-profile and high-priority provinces in Papua New Guinea. We are in the process of purchasing a vessel to do outreach work along the coast of Western Province to provide TB services. We have funded a TB medical officer and a program officer within Daru, the capital of Western Province. We are negotiating with the Queensland government for a handover of the information of the patients who they have up to now been managing. We have organised for a monthly visit from Port Moresby's TB medical officer to do a complete assessment of the situation. We are also scoping—by which I mean we are looking at the costs and viability of—building a new TB ward in the hospital in Daru, refurbishing laboratories and refurbishing housing and health centres. On that latter point, it sounds banal but at the end of the day if you want to have nurses or doctors you have got to have houses for them.

Senator KROGER: Absolutely. Given the scope of what you have just outlined, what is the estimate of the cost involved in all of that?

Mr Gilling: The full costs we would have to take on notice because we are still in the process of tendering for some of those services.

Senator KROGER: Sure. Thank you very much. You may be able to help me with this too. At the last estimates we discussed a carjacking that had happened in PNG. I do not know whether you are able to assist in that regard. I see that there has been another carjacking of an AusAID worker since. Is there any information that you want to provide on that?

Mr P Baxter: We have had a number of incidents over the past six months or so involving AusAID staff being caught up in incidents of robbery and carjackings. We are very concerned about it, as is the government, and we have put in place some new measures to protect our staff. As you would imagine, I do not want to go on the public record about what those measures are, but we are providing our staff with a much higher level of security than was the case this time last year, say, in response to that.

Senator KROGER: Do you think the security situation is getting worse?

Mr P Baxter: I think that there are issues associated with the capacity of the PNG law enforcement authorities to manage the law and order issues relating to the development of the very large LNG project and construction of the pipeline associated with that project through the Southern Highlands and the deployment of police in Port Moresby. There are, I think, issues there, and they affect Papua New Guineans as much as they affect AusAID workers—but obviously given our duty of care responsibilities we are very concerned about this. We have worked very hard with the high commissioner in Port Moresby to identify what we think are sensible measures. It costs, obviously, to put those measures in place, but I think our staff are feeling more satisfied now that those measures have been put in place, both to ensure their safety travelling to and from work and to ensure their safety outside work hours.

Senator KROGER: Has the government ever been asked—and I understand that this would be cross-agency—for assistance in this regard? I understand that there has been a withdrawal of their own police force into the Highlands. Have we been approached to assist in that regard at all, as far as you know?

Mr P Baxter: In the law and order sector?

Senator KROGER: Yes.

Mr P Baxter: We have been going through a process over the last year of reaching agreement with Papua New Guinea on a narrower focus for our aid program—from eight schedules under the Pacific Partnerships for Development, narrowing down to four. They are education, health, road maintenance and law and justice, so we are staying in the law and justice sector. The real issue is the contribution Papua New Guinea makes to its own police force and other law enforcement agencies through its own budget. It is a national responsibility. We have, I think from memory, about 12 Australian Federal Police advisers working in Papua New Guinea very closely with the PNG police, but we can only support the efforts of the Papua New Guinea government; we cannot lead those efforts, obviously, given the national nature of the responsibility for law and order. You will remember that some years ago there was a program to put Australian officers on the ground in line positions, but because of issues relating to immunities those officers were subsequently withdrawn.

Only two weeks ago we held high-level consultations with PNG in Sydney. The acting police commissioner attended those consultations, as did the chief justice of Papua New Guinea. I think there is concern within the Papua New Guinea government about law and order issues. But the issue is the allocation of resources in the PNG budget to ensure that they have the capacity to deal with the challenges they face. I think in the next year it is going to be particularly important to see some improvements in this area because, as you are probably aware, next year we will have a general election in Papua New Guinea. Ensuring that that election takes place with a minimum of violence will be something that we will want to see

and PNG, of course, will want to see. Ensuring that there are adequate resources provided to the police will be an important element in achieving that.

Senator KROGER: That is all on PNG, thank you. I am interested in but will put on notice a breakdown of our budget and how it will be apportioned to Indonesia in relation to our program supporting schools there and how that is rolled out. I am very interested in the year levels and what it entails. But I will put that on notice because it is something that I think everyone is very interested in—I think it is a great program. Can I turn for a couple of moments to Africa. I understand that the budget provides an additional \$827 million over five years to expand our measures in Africa, South and Central Asia and the Middle East. Is that right? I have included a few regions there, obviously.

Mr P Baxter: In terms of new budget measures expanding our aid program to Africa and the Middle East, the funding provided through the forward estimates in the budget recently announced is \$462.6 million. That is the new funding.

Senator KROGER: That is additional funding?

Mr P Baxter: That is right.

Senator KROGER: Could you provide me with a breakdown of that? I am happy for it to be on notice. Can you give me a breakdown of how that is applied?

Mr P Baxter: I am very happy to provide that. But I can tell you what the Africa part of that is. The Africa part is \$334.5 million over five years. That will be used principally for benefiting 1.2 million people through improved water and sanitation. It will include a \$140 million program for maternal and child health in East Africa, initially focusing on Ethiopia, Tanzania and South Sudan.

Senator KROGER: Where is the water program?

Mr P Baxter: I think that is in Malawi, Mozambique and Zimbabwe. We will also continue to provide support to the Hamlin fistula hospital in Ethiopia, which Catherine Hamlin still continues to run well into her eighties. We will continue to build capacity across West Africa in dryland agriculture and to improve the functioning of rural markets and the resilience of communities most vulnerable to food insecurity. I am sure that you are aware that food security is becoming a much bigger issue globally. We will also continue to increase our scholarship program in Africa. We will be providing 400 Australia Awards in up to about 40 countries. We will work with our partners in delivering those programs, particularly the partnerships that we have with the World Bank, the African Development Bank and other bilateral donors like the UK agency DFID.

Senator KROGER: Will most of those programs be through partnership arrangements or will they be stand-alone?

Mr P Baxter: Most of them will be through partnership arrangements.

Senator KROGER: I will also get you to provide me with the Middle East breakdown as well. If you do not have that here, I am happy to put that on notice too.

Mr P Baxter: We discussed earlier the increase in aid to the Palestinian territories.

Senator KROGER: Yes, I got that bit.

Mr P Baxter: That is \$128.1 million over the forward estimates. I am happy to provide you with a breakdown of that as well.

Senator KROGER: That is our only funding in the Middle East?

Mr P Baxter: It gets pretty close: the 462 is broken down into 334.5 and 128. That is the vast bulk of it, I think.

Ms Walker: We do have a program with Iraq, but it was funded through a previous budget measure. We provide some funding for Palestinian refugees, as I mentioned, in Syria, Jordan and Lebanon. From time to time, we assess the humanitarian needs and have provided assistance in Yemen and Syria.

Senator KROGER: Was the program under the previous appropriation for a camp in Iraq? What was that for?

Ms Walker: No, our Iraq program has focused very much on agricultural production and improving productivity—one of the key elements of it has been a scholarship program here in Australia—and also on basic health and education support for vulnerable populations.

Senator KROGER: Thank you very much. I also notice that the foreign minister made a couple of statements in relation to our assistance in the continuing support for clearing landmines—funding the clearance of landmines in Vietnam, Laos and also in Afghanistan. Is that in addition to previous appropriations? Historically, we have supported landmine clearing in Cambodia and Laos and clearly we are extending that for the first time to Afghanistan?

Mr P Baxter: I will ask Ms Walker to answer that.

Ms Walker: The current support for mine action comes under our \$100 million five-year Mine Action Strategy that was announced late in 2009. It builds on the previous—

Senator KROGER: Okay, so it is included in that?

Ms Walker: It is included in that. Afghanistan and Sri Lanka are the two key bilateral program commitments. It is \$20 million in each country over the next four years. We have provided demining assistance in both countries in previous years, but we have now confirmed a multiyear partnership with both Sri Lanka and Afghanistan to assist with mine action programs over the next four years.

Senator KROGER: Who actually carries out the program in Afghanistan?

Ms Walker: Our partner is the United Nations mine action co-ordination program. It comes under the UN framework. UNMACCA, as it is known, works with a variety of local partners—in fact, in Oruzgan province I think our supporters helped to train 100 Afghan people in mine education and mine awareness and also supported their training to clear landmines. Our funding support goes to the UN body, but they engage many local Afghan people in their work.

Senator KROGER: So clearing areas of IEDs would be part of the training of probably the Afghan National Army and Afghan police as well. Would that be right?

Ms Walker: No, that is not correct in the case of our assistance, which is very much directed at civilian demining programs.

Senator KROGER: Thank you. In conclusion, I want to go to UN Women. I note that this was established under the leadership of Under Secretary General Michelle Bachelet and we are one of the first countries to pledge multicore funding for it.

Mr P Baxter: That is right.

Senator KROGER: We are not on the board, are we?

Mr P Baxter: Not at the moment, but we do participate in the various executive board meetings. There is no prohibition on us participating. For instance, we participated in the first regular session of the executive board in January and we intend to participate in the annual session 2011, to be held later this month from 27 to 30 June, where the draft strategic plan for UN Women will be considered.

Senator KROGER: Who is on the board and how many people are on the board?

Mr P Baxter: I will ask Mr Moore to answer that.

Mr Moore: The executive board is composed of 35 representatives from the five regional groupings that are UN wide. Those regional groupings are Africa; Asia, includes the Pacific; Eastern Europe; Latin America and the Caribbean; and Western European and other states.

Senator KROGER: I hope they are not all women. They would never finish a meeting.

Mr P Baxter: Our group will have a seat on the board in the third year—in 2013.

Senator KROGER: How was it formed? It was clearly on a regional basis. Were they elected for nominal terms?

Mr Moore: I believe that members serve a two-year term. Obviously, there are discussions and negotiations within groups. We are in the Western European and other states group. As the director general said, though, decisions in UN Women are made by consensus, so there is not a lot of practical difference if you are an active member of the organisation between being a formal member of the board and being an active participant. We will be at the meetings and we will participate and encourage others, including our Pacific colleagues, to do likewise.

Senator KROGER: So there is no voting that takes place, where only the board members vote or anything like that?

Mr Moore: There are no formal votes.

Mr P Baxter: There was an election for the executive board through ECOSOC last November for the initial constitution of the board. But the Western European and other states group will have a board seat in the third year and obviously we are part of that. So that gives us an opportunity, along with our other colleagues in the Western European and other states group. There are five members of that group, whereas there are 10 Africans; 10 Asians, as Mr Moore said, including the Pacific; for Eastern European, six; Latin America and the Caribbean and then representatives of other contributing countries.

Senator KROGER: What are we supporting them to the tune of?

Mr P Baxter: \$14.5 million over two years.

Senator KROGER: Do we have the total budget for UN Women?

Mr P Baxter: They have set a national operating budget of a minimum of US\$500 million, which would be filled by voluntary contributions from member states, foundations, corporations et cetera.

Senator KROGER: Over what period of time—two years or one year?

Mr P Baxter: No, that is the annual operating budget.

Senator KROGER: The annual operating budget is \$500 million?

Mr P Baxter: That is right.

Senator KROGER: And we are supporting them for—

Mr P Baxter: 14.5.

Senator KROGER: Over two years?

Mr P Baxter: Yes. Our support is aimed at strengthening women's leadership and participation, ending violence against women and enhancing women's economic development.

Senator KROGER: What is the decision-making process in terms of the investment of those moneys and how they will be applied?

Mr P Baxter: I think I just mentioned that there will be a meeting later this month from 27 to 30 June to adopt the first strategic plan. It is at that meeting that the priorities of UN Women will be set out.

Senator KROGER: Who feeds into that strategic plan?

Mr P Baxter: The members and the contributing countries.

Senator KROGER: I am thinking of a group of 35, with perhaps the same number of people again putting together a program for the divestment of those funds.

Mr P Baxter: It is the multilateral system in action.

Senator KROGER: Yes, it is great.

Mr P Baxter: We have provided support also for the establishment of UN Women through the deployment of a senior Australian public servant funded by AusAID who has helped the under secretary merge the four separate entities that have come together to form UN Women. He has played a very critical role in doing that. As you would imagine, it was quite a difficult administrative and probably political task to bring separate organisations into one under more senior leadership—under Under Secretary General Bachelet.

Senator KROGER: I presume he forms part of a secretariat. Do they have a secretariat that actually runs it?

Mr P Baxter: His role has been to not only help bring about the organisational reforms that have led to the creation of UN Women—and that is a very big role in terms of developing the corporate structure, the management of staff through the transition and helping strengthen the capacity of UN Women to deliver programs—but also to provide assistance in developing the strategic plan.

Senator KROGER: I notice that ACFID a little while ago called for an ambassador for women. Has that been given any consideration?

Mr P Baxter: I am aware that ACFID have put their idea directly to the minister. I am sure he is considering it.

Senator KROGER: Thank you very much. Chair, I have a few other things but they are what I would call rats and mice, to put it nicely, so I am very happy, given that we have been

keeping Mr Baxter going for some time, to put them on notice. Thank you very much for your assistance today.

CHAIR: Thank you very much, Senator Kroger. Thank you, Mr Baxter, for your attendance and assistance and that of your officials.

Committee adjourned at 19:08