



COMMONWEALTH OF AUSTRALIA

# Proof Committee Hansard

PARLIAMENTARY JOINT COMMITTEE ON FOREIGN AFFAIRS,  
DEFENCE AND TRADE

**Australia's relationship with Timor-Leste**

(Public)

TUESDAY, 21 MAY 2013

CANBERRA

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**PARLIAMENTARY JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE**

**Tuesday, 21 May 2013**

**Members in attendance:** Senators Moore, Stephens and Ms Brodtmann, Mr Champion, Mr Griffin, Dr Stone.

**Terms of Reference for the Inquiry:**

To inquire into and report on:

Australia's relationship with Timor-Leste, with special emphasis on:

- bilateral relations at the parliamentary and government levels;
- aid, including support with governance issues;
- economic issues, including trade and investment;
- cultural, educational and scientific relations and exchanges;
- people to people links; and
- defence cooperation and those aspects of regional security that affect Timor-Leste.

The Committee will consider both the current situation and opportunities for the future.

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**SMITH, Mr Laurie, Executive Director, International Operations, Austrade**

**Subcommittee met at 09:01**

**CHAIR (Mr Champion):** I declare open this meeting of the Foreign Affairs Subcommittee into Australia's relationship with Timor-Leste. Timor-Leste is Australia's seventh largest recipient of official development assistance, receiving \$116.7 million in 2012-13. This comprises \$84 million provided by AusAID, about \$30 million provided through the Australian Federal Police and the rest delivered by a number of Australian government agencies. The committee will hear evidence from the Commonwealth government agencies as to how they provide the assistance to Timor-Leste and, more importantly, how they ensure programs are efficient, effective and address the needs of the Timorese people.

While Timor-Leste receives oil and gas revenues from the fields in the Timor Sea, it faces widespread poverty, especially in rural areas, a lack of infrastructure such as roads, and very high levels of unemployment, especially in the urban areas. Timor-Leste, however, has made remarkable progress in nation building since independence in 2002. It is embarking upon an ambitious 20-year strategic development plan, which aims to rapidly develop core infrastructure, human resources and encourage the growth of the private sector in order to raise living standards and boost economic growth.

Tomorrow the committee will continue taking evidence from Commonwealth agencies that provide development assistance, including capacity building. Proceedings will conclude with evidence from World Vision Australia about its programs in Timor-Leste, its achievements and the challenges it faces in delivering assistance at the grassroots.

I refer any members of the media who may be observing to the need to report fairly and accurately the proceedings of the committee as required by the Senate order concerning the broadcasting of Senate and committing proceedings. We will have at least one camera here today. On behalf of the committee, I welcome representatives from the Department of Foreign Affairs and Trade, and Austrade.

**Mr Cox:** It is a very great pleasure for me and colleagues from the department to be here with members of the committee today to discuss our bilateral relationship with Timor-Leste. It is a great opportunity for us to share with you some of our views on the relationship and to draw from our written submission, which we presented to you in the lead-up to the hearing today.

Australia greatly values the relationship we have forged with Timor-Leste over the years. It is based on our very close proximity as nations and our strong people-to-people ties. We have done a lot of work over more than a decade to build the strong government-to-government link between us.

This has been exemplified by a strong flow of political leaders, government leaders, between the two countries. Just in the last five or six months we have had a strong flow of leaders between the two countries. Mr Ferguson visited on 21 and 22 February. Mr Smith, the Minister for Defence, visited Dili on 4 and 5 April. We had a visit by Senator Carr in mid-December 2012. Timor-Leste's new foreign minister, Jose Luis Guterres, visited Australia as a guest of government last month. Earlier, Her Excellency the Governor-General visited Timor as a guest of the Timorese for the tenth anniversary of independence, which was yesterday—Timor's Independence Day was yesterday.

Australia has a strong interest in a secure, stable and prosperous Timor-Leste. As a strong neighbour and friend to us, we have a strong interest in the success and the prosperity of that country. We are always working to see how we can build and strengthen the relationships that Timor has both with us and with our region. In particular, we have been very heartened by the development of Timor-Leste's relationship with Indonesia over the last decade. We have been working with the leaders of Indonesia and Timor-Leste to build active trilateral cooperation between us. That has been facilitated by a very high degree of reconciliation between Timor-Leste and Indonesia, particularly over the last five or six years. I think that has been a truly remarkable development which has facilitated peace and stability and the potential for strong cross-border trade, economic and social links between Indonesia and Timor-Leste—and that is certainly something we want to see encouraged. If you think about the situation of Timor-Leste back in 1999-2000, and think about today, just 14 years later, it is hard in some respects to imagine how good those relationships now are compared with those times—and that is a very positive development for those two countries, for us and for our region.

As I said before, Timor-Leste celebrated its national Independence Day yesterday, which is a very positive thing to remember. We are very pleased now that, in 2013, the security situation in Timor has very much improved over the last few years, particularly compared with, say, 2006—and Australia has long been at the forefront of strengthening the security situation in Timor, leading international efforts, both in 1999 and thereafter, and then again in 2006. We had strong support for the UN-supported referendum in 1999 and the intervention thereafter.

The withdrawal of the Australian-led international stabilisation force, the ISF, was completed in March this year, and the UN-integrated mission, UNMIT, also closed this year. This transition from the security phase, or the securing phase, to a new phase of post-ISAF and post-UNMIT, represents a new phase in our bilateral relationship. So the work that this committee is doing in reviewing our relationship is very timely because it is a new era in Timor and a new era in our bilateral relationship.

But Australia continues to play an active role in helping the Timorese to strengthen security institutions, both through the Police Force and through the Timor Defence Force. During the course of this year, for example, we have continued to provide a range of police capacity-building, to the tune of about \$22 million in the financial year now coming to an end; and, similarly, around \$5 million in support for capacity-building for the Defence Force. And we will continue to do active work through the AFP, the ADF and the Department of Defence on security capacity-building in this new phase.

Moving to economic and development links, the Timorese economy is still a small one. We have a modest bilateral trade and investment relationship—Austrade can elaborate more on that. The total merchandise trade between Timor and Australia was valued at \$24 million in 2012. But there are significant commercial opportunities, even though the trade volume so far is low, particularly in the area of infrastructure development. As you rightly said, Mr Champion, the problems of infrastructure in Timor-Leste are significant.

We do want to see Timor diversify and build a non oil and gas economy—because, as you know, the oil and gas sector is a significant one in that economy, and the diversification of the economy away from oil and gas, and building other industries, particularly in agriculture, services and other sectors, is important to overcome the problem of significant unemployment. Our aid program, which you will hear more about from AusAID separately, is very much geared towards assisting in the policy development and capacity-building to try and improve the situation in the economy for employment growth.

Also, through the Timorese themselves, and bilaterally through the Strategic Planning Agreement for Development signed between Australia and Timor-Leste in November 2011, we are putting into practice the principles of a new deal for engagement in fragile states. This allows for a better alignment between the recipient priorities—that is, the priorities of the Timorese as aid recipients—and ourselves as aid donors, focusing very much on their priorities. This is something that has been very strongly driven by the Timorese leadership through what they call the G7-plus group of post-conflict fragile states. We are very happy to work on that with them, focusing the aid program very much on their priorities. This includes service delivery in health, education, water and sanitation, agriculture development and wider governance development support. As I said, our colleagues from AusAID will be able to share more on that with you later.

We are also engaging with the Timorese in the development of their employment sector by working with them on the seasonal worker program, which is an example of where we are moving in new directions in our relationship with Timor. This program is allowing young Timorese to undertake work placements. For example, in the last year there have been 12, and now there are more—maybe 16—in Broome, undertaking work placements in the tourism sector. This is an employer-led program in Australia, but I think you will hear from the

Timorese, including the ambassador, that they are very keen on this program. He has been doing a lot of work to promote it, and we are very happy to see that program developing.

Turning briefly to the oil and gas sector: as you know, the latest developments in this have been that Timor-Leste notified us on 23 April that they have initiated an arbitration over the validity of the certain maritime arrangements in the Timor Sea Treaty. They have initiated that arbitration under the separate Timor Sea Treaty 2002. For us, this is a disappointing development as we consider the CMATS, Certain Maritime Arrangements in the Timor Sea, is valid and we do consider that it remains in force.

The Australian government is now considering its position with respect to the arbitration notice that we received from the Timorese. We have continued to indicate that we remain ready to discuss development options for the Greater Sunrise field with a view to developing the resources for the benefit of both countries. We regard the CMATS treaty as very important to develop that resource and to continue the development of and the building of the sovereign wealth fund, which Timor now has. That fund has around US\$13 million, based on revenues earned from the Timor Sea Treaty and the joint petroleum development area, the two major fields there being Bayu-Undan and Kitan.

I might close these opening remarks by saying that while a lot of the work we have been doing at the government-to-government level is important, people-to-people links are at the foundation of this relationship. I think your committee will find, and has probably already seen through a number of these submissions and the hearings that you will have, that people to people links are an absolutely critical part of this relationship. The earliest bonds between Timorese and Australians were formed back before World War II. They were certainly strengthened by the special forces and other elements who were in Timor fighting against outside attacks by the Japanese in 1940 to 1941. Those links are very strong and enduring between the veterans. There are strong and enduring links between church groups, NGOs and a whole range of people who have worked with Timorese.

Many of the Timorese who came to Australia in the 1970s formed strong links here; many have become Australian citizens and have since gone back to Timor, forging business links. There are very strong people-to-people ties and very strong exchanges, and the enduring nature of those and the flexibility of those are what make this relationship unique. On a personal note, I went to the celebration of Timor National Day in November last year at the Albert Hall and I was struck by how many people were there and how many of them were Australians—not diplomats, not government officials but people from all walks of life. I think that reflects how well-founded this relationship is in the people-to-people ties.

They are some reflections on government links, on people-to-people ties, on economics and on oil and gas. We are ready to take your questions and have some dialogue with you. Thank you.

**CHAIR:** Thank you, Mr Cox. Could the other attendees say their names and positions for the record. Perhaps we will start with Dr French. Thank you.

**Mr Cox:** Dylan Fitzsimons has recently returned from our embassy in Dili where he was second secretary for the last three years. Dylan has very recent on-ground experience in Timor-Leste.

**CHAIR:** Talking about the economic ties and the resources industry, we suffer this problem in Australia. The resources industry provides rivers of gold in revenues to government but often there are very few jobs in that sector and they tend to be highly specialised and highly trained jobs, and that always causes an imbalance in an economy. When the committee visited Timor, there seemed to be a desire for mining-based employment, but it is clear from our own experience that you do not always get thousands of jobs for ordinary people. In your submission you talk a bit about the development of the non-oil and gas economy. How important are things like land title and rule of law in developing that and what can we do to help Timor in that process?

**Mr Cox:** Just as a point of principle, I think certainty about land tenure is very important in terms of creating a stable environment where you can then encourage people to invest in agricultural land and begin to develop it. I think that there is no doubt that agricultural employment and agriculture is a very critical area for employment generation in Timor in the future.

Timor is a very mountainous land and it does not have a large amount of arable land on the coastal areas. Some of it is quite difficult and swampy particularly on the southern coast. It is a difficult terrain in which to develop large-scale mass agriculture, but it certainly is an area where you can develop high-quality agriculture. During the Portuguese time coffee was very important, for example. So I think that the development of land titling, certainty about land ownership, the development of investment in agriculture and then employment generation in agriculture are very important. That is why through the Seasonal Worker Program one of the areas we are focusing on now, and one that the employers and the Timorese are interested in, is in the development of

horticulture, more and higher value-added agriculture. So certainly agriculture is one critical area where more people could be drawn into employment, which would be valuable for income generation and poverty reduction.

Another area that soaks up so many people is services. In urban areas, things like tourism, for example, and urban services and a range of service industries—small companies that provide employment for small groups of people—have a tremendous effect. It is not the employment of large groups. It is not like big factory work. But if you develop your service industry, particularly in areas like tourism with people doing work in small hotels and beachside accommodation and everything else, like renting bicycles et cetera, all these sorts of small touristic operations can be tremendously effectively, and we would like to encourage more skills development in that too. Again, this is why the Timorese have been focusing on this tourism exchange under the Seasonal Workers Program with a Broome.

I think that the Timorese policymakers do have an eye on areas that will generate employment for larger groups of people in areas like tourism, services and agriculture—in the development of the non-oil economy—but it is hard to do. It is slow work; it does not automatically happen; you have got to have the people readied and you have got to provide the infrastructure. But I certainly think that in land and in agriculture, getting the legal system right and land tenure, encouraging people to own land and then develop and invest in land and having a long-term perspective on land ownership, is critical. From the time of the Portuguese through to the Indonesian time, these sorts of institutions were not at all well developed.

In the Portuguese time, land was held by the state, by the Portuguese entities like Portuguese trading houses or others in large estates. The rest of was basically village and tribal land in the mountainous areas. I do not know that the Indonesians made tremendous progress on any of that issue during the Indonesian time. A lot of this has begun over the last decade and there is a lot of development work to do. Existing systems have to interact with new development. It is a slow process. Dylan, you were on the ground where. Do you have any observations on that?

**Mr Fitzsimons:** I think you have struck the nail on the head in talking about the difficulty that arises from having a series of overlapping legal systems over past years, through the Portuguese and the Indonesian presences in Timor-Leste. I know the Timorese parliament is in the process at the moment of trying to develop a set of land title laws that would be appropriate, given the varying cultural uses of land and also the economic interest in having secure title, the effect that has in enabling credit in the economy and those types of issues. I know the parliament is working on developing a set of legislation. I understand they are undertaking public consultations on that and expect to have some legislation towards the end of this year. It has been a long process to date. It is something that takes some time, given the complexities of land use in Timor-Leste.

**Mr Cox:** I think AusAID can probably help you further about what we are doing in a capacity-building sense to strengthen the capacity of the parliament to work through those laws and the government to develop the policy framework.

**CHAIR:** The seasonal worker program seems to be reasonably small at the moment. I know the Timorese are very keen to expand that. Is there anything more we can be doing to expand that program and reach out to more people with it?

**Mr Cox:** It is an employer led, demand driven program. Certainly we, together with the Timorese side, are doing what we can to encourage employers to think about drawing on Timorese young people to enter into the program. The ambassador, Mr Guterres, now has a labour attache, or will soon be getting one, at his embassy. They are fanning out around the country to various places looking for employers to take this on. I know Senator Carr in his meetings with Timorese leaders last year and again when he sat down with Foreign Minister Guterres in Sydney in April committed to do what he could in discussion with employers and business groups to promote the idea of the Timorese taking it up. As much as employers are demanding Timorese we will certainly try to facilitate it. The program has now grown from 12 last year to, I think, 16 and the target for this year is 24. If we can demand generate then we can try to fill those with more young people willing to take up positions. So it is small, but I think it is the direction that is important and it is something to keep working on and keep pushing ahead with.

**Senator MOORE:** The first issue I want to raise is about the impact of the removal of Australian and UN numbers in a very close period of time from a difficult economy, and how we are monitoring that. We have lots of Australians still there, but one of the things we have identified is that, by having the large number of Australian troops and the large number of UN employees in the major part of Dili, the amount of money they spend and the way they use all the facilities in the area are important parts of the economy. I am just wondering how we as a country are looking at what the post impact is going to be. I understand that, whilst the people were keen to have an end of that period of their history, there is a lot of worry amongst the businesses about what is going to happen



when all those people leave and what is going to happen to all the infrastructure that they had generated there. The last time I heard there were no clear plans for what was going to happen to that big UN centre in the centre of Dili when the people left. Is there a process in place to watch how that is happening and what we can do to help?

**Mr Cox:** First of all, I should say that I think you are right that the Timorese authorities wanted to transition; they wanted to send a signal that the nation and the society were moving post conflict. But I think you are right: there is concern about the impact, particularly the impact in the specific Dili context, of the removal of large numbers of foreigners and the demand they would have for goods and services. I think our embassy in Dili is monitoring that very closely and working very closely with the UN authorities that are still there—and of course there still is a UN representative in Dili. I recall discussions with that representative when I was there in December last year, and he said to me that the UN would be monitoring that very closely. They were very conscious of that. They did say that they thought that the micro impact in Dili would be more significant than the cross-economy impact of the move. The economy has, over the last decade, developed and grown, not just in Dili but elsewhere, so that the overall economic impact of the withdrawal of the ISF and the UNMIT elements would be less of an impact on the economy as a whole than it would have been maybe a decade ago.

**Senator MOORE:** When it did have that impact.

**Mr Cox:** But they admitted that the micro impacts in certain sectors, particularly on beachfront restaurants in Dili and in certain areas, would be significant. At this stage it is too early to say exactly what the impact is, but our embassy in Timor-Leste, in partnership with the UN and local authorities, will be monitoring that impact closely. One thing is to try and develop the tourism sector in and around Dili to pick up some of the slack that is left, because, as you say, a lot of it is in the services-to-foreigners sector—tourism, restaurants, small trading, that sort of area. I think at this stage we do not know what the cumulative impact of it is yet. We can guess that it might be not insignificant in the urban areas, but we will have to, I think, liaise further to come to a conclusion. What we can do about that, I suppose, is things like training and capacity building for people to develop those skills to take them to a slightly higher quality to then work with expatriates in hotels and to work with people employed in the oil and gas sector who are moving through East Timor, that sort of thing. That is what we will have to do. But we will certainly be working with the Timorese on that.

**Senator MOORE:** I am not going to ask about Sunrise. I am sure other people will. The department of resources—

**Mr Cox:** They are coming, yes.

**Senator MOORE:** There are a lot of issues around there. There are two other questions I have. One is to do with the mass of interests that you identified, Mr Cox, of various groups and people and jurisdictions in Australia with friendship groups with East Timor. There are so many in terms of the interest and the passion for the country. All over Australia, there are people who are caring, donating, wanting to be involved. What is the role the department has in terms of coordinating that so that people just are not all over the place doing little things? Is there a role for coordination, and do all the groups actually work through the embassy? One of the things we hear in other areas, not so much East Timor, is that people do not tell the embassy that they are hitting a country, and you only find out when they are in trouble or when they lose something or get injured. I am getting a sense that there is a really close community around East Timor. I just want to get an idea from the department about how you see this special relationship and how we can best use it in relation to the number of churches and local governments in particular. It is extraordinary how many local governments have individual relationships in East Timor. How does that work?

**Mr Cox:** The department is very active in that field through our embassy and through the ambassador in Dili in coordinating and organising activities and working with those groups. Our current ambassador, Miles Armitage, is very active in liaison with many of these groups who travel through Dili and are working on the ground. When he comes back here to Australia he is actively working with those groups all the time—and embassy colleagues as well—helping them to make connections with Timorese people, identifying potential projects and activities that can be undertaken, forging links between various people on the ground, both for humanitarian purposes and even to assist in the development and implementation of government policy in Timor.

One of the areas that is very relevant to this now is the whole program of decentralisation, which the Timorese government is wanting to implement down to the district level. Rather than delivering services from Dili, it wants to have coordinated service provision through the 13 districts of the country. To do that there is a lot of facilitation through the embassy going on with the local government associations. I think the local government associations in Victoria in particular have been very active in that. The embassy and the AusAID program are doing what they can to support that, then bringing together the local government associations with their experience of service delivery at the people level, at the community level. The embassy is very active in doing

that. A lot of that work takes place in Dili and the ambassador and his team are very much at the pointy end, the sharp end of that. Dylan, have you seen some of that? Would you like to comment?

**Mr Fitzsimons:** I would add that at the embassy I think we are very fortunate to have quite a number of the community groups come through. We tend to hear from them proactively. There are some very strong links that the ambassador and the team up there have made with these groups, and they remain on an ongoing basis. When community groups come through we quite often see them in the embassy and it is a chance to have a chat and liaise on what groups are doing and what other groups are doing.

I would also say that the community groups themselves are very good at coordinating with each other. I think the best example of that that I could draw would be the wide network of friendship groups that exist between municipalities in Australia and also in Timor-Leste and other community groups, which is supported by a very strong facilitation network. That is entirely community driven. The embassy and the government have a close link with those people and talk to them quite often. I would offer the comment that not only does the embassy liaise quite closely with these groups; they also have their own very strong support networks. That is very positive.

**Senator MOORE:** And it is driven out of Victoria—the work between Victoria and Timor is amazing.

**Mr Cox:** It is incredible. There is an important role for the embassy and for us in ensuring that everyone is working together and that there are not people duplicating effort. I think it is very important. Therefore, where things come together at the embassy there is an opportunity for all to work together to figure out how to do things—instead of splitting the effort, combining it, making for a much more effective whole.

**Mr Smith:** I was just going to add that, with the subset of organisations that we see, we see a lot of diversity of the sort you have talked about. The Northern Territory Chamber of Commerce and Industry is very active in sending missions into East Timor. As you said, the Victorian Employers' Chamber of Commerce and Industry has been supported to do a lot of capacity building in the market. We look to work with them on profile raising around commercial opportunities in East Timor. The bilateral business council, the Australia Timor-Leste Business Council, is moderately active. We look to work with them. I do not know that we can stitch together formal arrangements but, to the extent that we can have visibility of the range of those activities in the business sphere that we focus on and share with our colleagues here in Canberra, in DFAT as well as with the embassy, I guess it does help to provide a connected view of total Australian interests and maybe make the support we can provide as effective as possible.

**Senator MOORE:** My last question is to Austrade. You begin your submission by explaining why we do not have an Austrade office in East Timor. The East Timorese embassy's submission begins by saying we should have an Austrade office in East Timor. Certainly it is clear why you say it is not feasible yet and why they say they want one, but what is the ongoing discussion when there are such clearly different positions?

**Mr Smith:** We thought, to be frank, in the submission we should take that particular bull by the horns upfront rather than bury it.

**Senator MOORE:** Sure. I understand that—that is why I acknowledged that.

**Mr Smith:** We do see opportunities in Timor-Leste and we maintain engagement through visits, through support for other non-government business groups that are looking to do things into that market, and through raising the profile and the awareness of opportunities here in Australia. To be frank, what we sought to set out in the submission was the position that we have reached, thinking about the resources at our disposal and the range of other demands for support for bilateral relationships and for Australian companies' and other countries' business interests to build stronger economic links. Within the current resource envelope it is regrettable that we cannot have a permanent presence there, but we certainly do our best. We do that through Mr Brand, based in Brisbane, who has a broad range of responsibilities across the Pacific, supervising our team in PNG but also monitoring and visiting East Timor, through our Darwin office and also through our Jakarta team, keeping a watching brief and supporting companies that might use Jakarta as a base for work there. So we look to provide workarounds to provide the best support we can with the resources that we have, in the absence of an office.

**Mr Brand:** We do work closely with DFAT in identifying commercial service providers that can provide adjuncts, and there are a number of those in market that we refer to and also a number based in Darwin and elsewhere in Australia, to supplement the normal range of services that we would provide if we were in market. I can also add that we work extremely collaboratively on a whole-of-government basis with our DFAT colleagues in the provision of that service. Inquiries might be fielded on the ground in Dili and referred to us. Likewise, we may field inquiries on the ground in Australia and refer them back to the Dili embassy. So I have been grateful for the support and the relationship in that regard.

**Senator MOORE:** Do you visit often?

**Mr Brand:** I get up annually at least. I am due next month. My colleagues in that past were working on a similar cycle. The thing that I have put on the table with the business community and the embassy is that, if there is a need for us to be there on a more regular basis, we would certainly fulfil that and would support events and activities in the market where there is a need. I also have an open invitation with the Australia Timor-Leste business council in regard to further support for a potential trade mission, and I will be meeting with the Victorian Employers Chamber of Commerce and Industry in July to run a seminar on business opportunities. So, yes, we do have a very close working relationship with some of those organisations you mentioned earlier.

**Ms BRODTMANN:** Just looking at Timor-Leste's score on the Transparency International scale, it is pretty ordinary. I am just wondering what your views are on the level of corruption there—whether it is a major problem.

**Mr Cox:** If you look at some of the settings—for example, the sovereign wealth fund, the petroleum fund, which is being created—Timor rates very highly. I think they have done particularly well in managing that fund. It now has \$13 billion in it, and it was set up with advice from Norway and others about how to set up institutional arrangements there. I think that is an example of getting things right in institutional design.

In Timor there has been a recent case where one minister has been arraigned and before the courts and has been tried and convicted for corruption offences. There are issues about corruption and lack of transparency reflected in that Transparency International rating, but the Timorese leadership is well aware of those. The development of the institutional arrangements to try to ensure that there is greater transparency, greater accountability within the system is something that is a strong commitment by the Prime Minister and other key government leaders in Timor.

When you come from a system that has been weakly institutionalised, where you have a village level system where you have strong links between people based on familial links and you have only evolving, developing institutional arrangements, then problems of lack of accountability are real and that is part of the development process. But to the credit of Timor and its government, there is a strong realisation of that. That is why they developed the petroleum fund with this good, open transparency process. We are trying to help through that, and AusAID can perhaps tell you more about work we are doing on governance reform.

The Timorese Minister of Finance, through her championing of the G7-plus framework of post-conflict fragile states is very aware of these issues as a global issue for fragile and post-conflict states. Yes, for many in the least developing countries, or even for many developing countries, weak institutional arrangements and lack of accountabilities are problems, but the benefit for Timor is from its leadership. This is the leadership from before, the Fretilin government, and now the current government—leaders like Jose Ramos Horta, the former president, and current leaders—and there is a strong realisation of this and I think there is a determined effort, step by step, to do something about it.

**Ms BRODTMANN:** So the frameworks are being established to improve accountability and transparency?

**Mr Cox:** Yes.

**Ms BRODTMANN:** Okay. Do they have an auditor-general appointed yet?

**Mr Cox:** I will have to take that on notice. Do we know whether they have an auditor-general?

**Mr Fitzsimons:** There is a range of institutions being established, one of which is an audit court, which borrows from the Portuguese model. There is an Anti-Corruption Commission that was established in 2009 and that had some assistance from AusAID. As Mr Cox just mentioned, it had its first success in having a former minister convicted on a corruption related charge. It is also doing a lot of work on preventative work, particularly in playing an educational role in those areas of government where there has been assessed to be a high risk of corrupt activities. There are also other institutions in the government system, such as the Ombudsman for Human Rights and Justice, which has played a role in recent years on issues of corruption and transparency as well.

**Ms BRODTMANN:** I would be interested to know if there is an auditor-general. It is that really firm framework that you need through every level of government to ensure that there are those checks and balances and accountability and transparencies.

**Mr Cox:** We can provide that answer to you specifically.

**Ms BRODTMANN:** Yes, that that framework is being established.

**Mr Cox:** I also think that AusAID can provide you with some further background on governance work and the governance frameworks and what we are doing to help, but we will certainly get you a specific answer on the auditor-general point.

**Ms BRODTMANN:** Going back to the land title issue, from the experience in Afghanistan—well, there was no paperwork; the land had been handed down for generations and generations and it was through the family. Is it a similar situation in East Timor? While this legislation is going through on land titles, I am wondering how long that is going to take rollout and be realised because it is critically important for them to establish a viable agriculture industry. Without that central underpinning you are not going to be able to have this agricultural industry. I just wanted to get a sense of whether that historical situation was true for Timor Leste as well in terms of lack of paperwork. Secondly, what is the timeline on the land title?

**Mr Cox:** I do not know the answer to the timeline. My colleagues may.

**Mr Fitzsimons:** My understanding is by the end of this year, but I cannot give you any clearer information than that.

**Mr Cox:** AusAID colleagues may know the answer to that question and we can follow the transcript and if we need to if we can provide you with a detailed answer on that we will. I suppose the timelines, like many timelines in political arrangements, depend on the politics. I am sure for the Timorese it would be as soon as possible. I think you are quite right: in paperless systems where title has been handed down through village arrangements and understandings of these things without the certainty of title investment and development just do not happen.

**Senator STEPHENS:** On page 9 of your submission you talk about economic trade and investment relations. At the bottom of page 9 you make reference to EFIC. In listing the Australian contributors and investors in Timor Leste you note a couple of large organisations, Toll Remote, WorleyParsons, those organisations that would be quite connected to the Woodside and Sunrise project. Has EFIC actually funded any Australian companies into East Timor?

**Mr Brand:** I would have to take that on notice as well. I am not aware specifically, no.

**Senator STEPHENS:** The EFIC bill is being amended to change the mandate to support small and medium enterprises, which might be where there is an opportunity in East Timor for some investment into some parts of the economy where the government has identified Australians through its strategic plan. If you could take that question on notice about whether any EFIC funds have gone into East Timor that would be helpful.

**Dr STONE:** We were in East Timor a little while back and we were shown the wharf or the port area and particularly a Chinese purchased vessel which had turned out to be not as appropriate and they had hoped for border management, border control and so on. There were issues of its maintenance and even its capacity to be dry-docked. We have got our police assisting in building capacity in the country. What sort of effort are we putting into border management with procurement of appropriate maritime vessels for that border management? Then there is the whole area of maritime-based tourism, the diving and fishing, which seems to be potentially as lucrative for them as agriculture yet it seems to be very underdone in terms of Australian aid. Or perhaps it is not. Could you tell me about that?

**Mr Cox:** From Foreign Affairs and Trade I am not that qualified to speak in detail. I would recommend that that you talk about this with the Department of Immigration and Citizenship or the customs and border agency about these areas. I know, though, that the development of border control arrangements between us is an important area of work and capacity building for the police program and for work with agencies to ensure that our borders are secure and that the Timorese have a good border control system and a good customs system. The security of Timor Leste in that regard is also part of our wider regional security. In terms of helping to facilitate actual training for that, AusAID may have some insight, but, certainly from the Department of Foreign Affairs and Trade's perspective, I do not have any particular insights to provide on that front in detail, beyond those sorts of general comments.

**Dr STONE:** Does anyone have any comments on aid that we are offering for the development of tourism, fishing, diving and that side of things? Do we have any investment in that area?

**Mr Smith:** Mr Brand commented earlier—

**Dr STONE:** Sorry—that was before I was here.

**Mr Smith:** not on this directly but that we are looking to partner with business groups here in Australia to highlight opportunities for export, investment and setting up businesses together in East Timor. Working with relevant authorities in East Timor, if they are able to provide the right sort of context so that potential investors or operators from Australia can get an understanding of that potential, would certainly be the sort of opportunity that we would like to share more widely with potential partners here in Australia.

**CHAIR:** There seems to be a suggestion about trilateral security arrangements and economic arrangements. We would like to know your views on that. I think there was a suggestion from the embassy in its submission

about a more formalised process. You could tell us now, but we have only a limited amount of time. Perhaps on notice you could provide us with a bit of information about what the department's thoughts are on that.

**Mr Cox:** I could briefly say that we have certainly had leaders' meetings involving the Prime Minister of Australia, the Prime Minister of Timor-Leste and the President of Indonesia, at which they discussed a range of initiatives including the economic development of the three countries—in the northern region of Australia, eastern Indonesia and Timor-Leste—and opportunities for investment and economic development there. Maritime security patrolling in the area of the Timor Sea and thereabouts is also something we would like to develop more. We are certainly looking for opportunities with the Timorese defence force, Australian authorities and Indonesians to develop those. We can give you a bit more specific information on that, but that is certainly on the agenda between our leaders. The last time they met was late last year in Bali, at the time of the Bali Democracy Forum. There is certainly a positive agenda going forward in developing those sorts of economic and security links. We will get you a bit more detail on that.

**CHAIR:** Thank you. If there are any matters on which we need additional information, the secretary will write to you. He will also provide you with a transcript of your evidence to which you can make any necessary corrections. Thank you very much for your evidence you today.

**BRAZIER Mr Rod, First Assistant Director General, East Asia Division, AusAID**

**CORCORAN Ms Angela, Assistant Director General, Indonesia and Timor-Leste, AusAID**

[10:00]

**CHAIR:** Welcome. Before proceeding to questions, we would ask you to make an opening statement but on the shorter side because we are already running over time. No doubt the committee will have plenty of questions for you.

**Mr Brazier:** The Australian aid program is an integral part of our bilateral relationship with Timor-Leste. We are Timor-Leste's biggest development partner and have been so since 1999. Since 1999 the Australian government has invested over \$1 billion in humanitarian and development aid to help Timor-Leste recover from conflict and establish the foundations of an enduring and stable state. Australia's aid to Timor-Leste makes up around a third of all global contributions to Timor-Leste over this period and today Australia makes up well over a third of all development assistance offered to Timor-Leste. The second most generous bilateral donor is the United States, which gives less than a third of Australia's annual contribution.

With support from Australia and the international community, Timor-Leste has really made remarkable progress. It has gone from almost complete devastation, following the events of 1998-99, when 70 per cent of national infrastructure was destroyed and hundreds of thousands of people were displaced, to a cohesive and increasingly confident nation.

Timor-Leste has defied the odds. Postconflict countries typically take around 40 years to recover from the sort of conflict that Timor-Leste experienced. Most lapse into cycles of instability and violence. Timor-Leste has had two bouts of instability but recovered quickly each time with a lot of help from Australia and its other friends. It has seen consolidation of democracy and healthy economic growth. This impressive achievement is foremost a testament to the commitment and resilience of the Timorese people and their leaders.

The role of Australia and other international donors has also been critical, though. In Australia's case we should be proud that our support to Timor-Leste through the Australian aid program has been instrumental. With Australia's assistance, the number of schoolteachers has doubled since 2002. Eighty-three per cent of children under the age of five are now immunised against avoidable disease. In 2003 that rate was 35 per cent. The mortality rate for children under five has reduced by 67 per cent, from 169 deaths per 1,000 live births to 55 deaths per 1,000 births, in 2010. That is the biggest reduction in the entire world for that period.

Monthly healthcare visits are reaching every one of Timor-Leste's 450 villages, providing pre- and post-natal care for women and babies; immunisation for children; treatment for and prevention of common diseases; and information on nutrition and hygiene. Before 2009, many villages in Timor-Leste had never seen a doctor.

Women and children fleeing domestic abuse are able to seek refuge in a network of safe houses. Prior to 2009 East Timorese fleeing violence had nowhere to go. I mention these examples of improvements in Timor-Leste, because they have been made with Australia's support. They demonstrate the real difference that AusAID is making to improve the lives of Timor-Leste's poor. Yet, despite these gains, Timor-Leste remains a challenging development environment. Progress is fragile and daunting challenges persist.

I mentioned earlier the dramatic improvement in the rate of deaths of children under the age of five, which has improved from 169 to 55 per 1,000 live births. In Australia the figure is five, so East Timor still has a long way to go. It remains quite poor, with nearly three-quarters of the population still living on under \$2 a day. Through our partnership with the Timorese government we have for the first time a joint and collective approach to tackling poverty. In 2011 Australia was the first country to endorse the principles of the new deal for engaging fragile and conflict affected countries. Under this approach, Australia's aid decisions are aligned with Timor-Leste's own development aspirations through a partnership. Next month AusAID's director-general will visit Dili to conduct a top-level review of progress under our programs with the national political leadership of Timor-Leste. In this way our two countries are working together to address Timor-Leste's own priorities. As my colleague Mr Cox mentioned a moment ago, our commitment to the new deal has been warmly received by the Timorese leaders and it has become a model for engagement with fragile and conflict affected states elsewhere.

As the Australian government's international aid agency, it is critical that we partner closely with the government of Timor-Leste. It is only by building Timor-Leste government's capacity that we will have a truly long-term and sustainable impact on poverty and development there. This does not come though at the expense of our commitment to deepening partnerships with other important stakeholders. In the case of Timor-Leste this includes a range of Commonwealth departments and agencies who manage in total nearly 30 per cent of the official overseas development assistance to Timor-Leste. Agencies such as the Australian Federal Police, the

Australian Centre for International Agricultural Research and the Australian Electoral Commission have managed successful multiyear development programs that have increased security and strengthened capacity of institutions.

Some other of our major stakeholders are Australian non-government organisations and civil society organisations, who continue to make substantial and important contributions to development in East Timor. Perhaps more so than anywhere else, the AusAID program in Timor-Leste benefits from a deep vein of community interest, expertise and goodwill. AusAID has supported a broad range of Australian civil society and friendship groups to carry out programs in Timor-Leste since 1999. During the current financial year alone AusAID provided around \$16 million to organisations such as CARE, Oxfam, Plan, Caritas, World Vision, the Royal Australasian College of Surgeons and others to deliver important services in Timor-Leste. Funding to these organisations makes up around 20 per cent of the AusAID budget for Timor-Leste this year. Our partnership with Australian international development organisations will remain a key feature of our aid program in Timor-Leste.

Looking ahead, AusAID will continue to advance its major programs in health, education, rural development and governance to improve the quality of vital services. We are undergoing a period of significant redesign where we are examining new and more effective ways to reduce poverty, based firmly on evidence and in line with the East Timor government's own articulated development needs. This work will result in a stronger, more robust aid program capable of achieving the goals of the Australian and Timor-Leste governments.

**CHAIR:** Thank you. I would certainly like to congratulate AusAID on the good work it does in Timor.

**Mr Brazier:** Thank you.

**CHAIR:** While on the committee's visit there we saw much of it. One thing that struck me on our visit to Timor was the seriousness of their hungry season with people going without food. We do very good work with Seeds of Life and those programs, but do we do enough in the agriculture area to boost productivity, storage and that sort of thing? Can we do more?

**Mr Brazier:** The hungry season is a serious problem for Timor-Leste. It occurs across the country sometimes at different times, as you may know, but for the bulk of poor rural Timorese it occurs between November and their maize harvest, which takes place around March-April. In that period in many parts of the country many segments of the population experience undernutrition. I am glad you mentioned Seeds of Life. It is a program that we and ACIAR are very proud of. It is doing several things. First of all, it is improving the productivity of farming in Timor-Leste. Productivity of farms in Timor Leste is usually less than half that of the productivity levels of neighbouring countries such as Indonesia and Vietnam. We are attempting to introduce seed varieties, and have done so, which improve the productivity of the land but also provide greater variety in the diets of the people producing those crops. Take, for example, sweet potatoes. Previously only one variety was grown. Under Seeds of Life, a number of varieties are now being grown which have different types of nutrient. They are more abundant at harvest time so in many cases the farmers have a surplus which they then can take to the market and sell in order to buy other things such as education for their children. We are increasing nutrition through that program but also providing a source of income which they can use in order to augment the crops that they grow.

Seeds of Life is continuing. We are hoping that it will expand to cover almost all farmers in Timor-Leste. At the moment I think it is covering between 30,000 and 40,000 farmers in Timor Leste. We expect that to expand to cover nearly all farmers in the country and, when it does, we think that will make a massive contribution to the nutrition status of Timorese including through the hungry season.

**Dr STONE:** Clearly, that is an enormous challenge and Australia has obviously helped a great deal. We are trying to engage the local people obviously in joint programs. I am particularly interested in the women and girls being empowered as well. East Timor still has one of the highest fertility rates in the world. Is that your understanding in terms of the biggest family sizes?

**Mr Brazier:** There are very high fertility levels—

**Dr STONE:** It is in the top three. Self-evidently, their poverty and education and a whole range of other criteria will be supported if they have good family planning support as well. In the first instance, I am wondering to what extent our health-related aid budget is focusing on women's reproductive health and contraception. That is my first question. My second one is about the National Program for Village Development. We are going to give \$50,000 for every village, which is huge money in those villages of course. To what extent is anyone making sure that women have an equal say in what those infrastructure programs, those small-scale infrastructure investments, might be in the villages?

**Mr Brazier:** Thank you very much, Dr Stone. Those are both very good questions which get to the core of our programs in Timor-Leste. You are absolutely right, one of the biggest problems facing women in Timor-Leste is the very large number of children that they are having, which is a big contributor to their poverty. Spacing is an

issue and you mentioned contraception. A key part of our program is support for the Timor-Leste government's own program called SISCa, which is a network of mobile clinics that visits every village in Timor-Leste every month—and that is 450 villages.

On those visits the medical staff do a number of things and, pertinent to your question, they have special sessions with pregnant women and mothers on family planning including contraception and birth spacing but also postnatal care of their children. Those mobile clinics conduct information sessions for mothers on nutrition for their children particularly encouraging breastfeeding, and also they conduct longitudinal weighing of the children to ensure that they are growing as healthily as they should. The fertility rate—

**Dr STONE:** So we contribute to those mobile vans, do we? AusAID helps pay for those?

**Mr Brazier:** Yes. I believe that we are the major contributor to that program, Dr Stone. We have also provided bachelor degree level training to 54 midwives, which is one-fifth of all midwives across the country. That was conducted in 2009-10. We have also delivered training in surgery and anaesthesia to assist with the delivery of healthy babies in hospitals. If I may add something on family planning to augment what I just said, we provided family planning and reproductive health clinical services through the mobile clinics to 40,000 people in 2011 and 40,000 people in 2012. Almost 62,000 community members have benefited over the past two years from the information sessions that I mentioned.

In relation to your question on the village development program, the community driven development, it is called the National Suko Development Program. It will provide annual grants of \$50,000 to every village in the country for communities to plan, build and maintain their own small-scale infrastructure. Depending on village priorities this could include irrigation, channels, bridges, motorbike paths, or marketplaces, as well as refurbishment of water systems, for example. Dr Stone, you asked about the systems we have in place to ensure that women are adequately represented in the identification of those priorities. That is top of mind for us. It is important to say that this is a government program, which they will be in the lead on, and we are supporting it financially and through technical assistance. We want to make sure that when the Timor-Leste government implements this program one of the key issues for us is how to ensure that marginalised members of the community—women, the disabled and the elderly—have an adequate say in identification of the priorities for the use of those village grants.

I would add a little on the community driven development. If any members of the committee are familiar with the Indonesian example, we are drawing a lot on the best practice from next door in Indonesia where the Indonesian government is spending more than \$1 billion a year to great effect, with support from AusAID and others, including the World Bank. The Indonesian government is reaching all corners of that country. We are drawing on that best practice in Timor-Leste and we have been really pleased with the enthusiasm of Timor-Leste officials in visiting parts of Indonesia, particularly parts of Indonesia that are nearby like West Timor, to see that best practice, to learn from it and to take the lessons they want back to Timor-Leste to apply when they run this program.

**Dr STONE:** Will someone from AusAID or an NGO tasked by AusAID look at the programs that are intended for the investment of the \$50,000 to make sure that money is not being spent on, say, political pork barrelling, particularly with the elections coming on? Given the women do most of the work anyway and so that they are not out of the loop, could they say that they want something like a refuge or some early childhood support rather than some of those other actions. Is anyone overseeing this—I would suggest in a very special way and not invasively saying that you cannot have that—or are we just giving the \$50,000 out and standing back, saying it was acquitted, and it is okay.

**Mr Brazier:** There will be a very thorough process of acquitting the expenses to ensure that the money has been spent appropriately, to ensure that there has been minimisation or eradication of any waste or corruption, and equally importantly to ensure that the activities that have been supported are in conformity with the guidelines that have been offered. In general these programs work well where there is a menu of activities that villages can choose from. On the political front, of course, international partners of East Timor do not object to political leaders being proud of good programs. That, of course, happens worldwide. We would ensure that the activities are, as I said, in conformity with the menu of infrastructure and other activities that are committed under the program.

**Senator STEPHENS:** I was quite interested in your submission in terms of both the department's submission and yours go to the issue of the informal economy and trying to build a formal economy. Your submission highlights one of the local women's cooperatives and the work that they are doing in the social enterprise space. Is AusAID funding other projects like that?



**Mr Brazier:** I think that the key thing for us on the economy is to sustain economic growth and to be generating jobs. Now whether those jobs are in the formal or the informal economy is not necessarily the first order issue for us. The main thing is that there are jobs being generated. On the economy, I think the top level issue to mention to you is that we are working very closely with the ministry of finance to ensure that the governance settings are right to permit ongoing sustainable economic growth and that there is a high and consistent degree of budget execution year on year. A few years ago the Timorese government had a great deal of trouble expending their budget. They spent one year, a few years ago, only 50 per cent of the annual allocation. With Australia's health and the help of others that percentage is approaching the high eighties or maybe around 90 per cent execution. Given that a very big part of the gross domestic product of the Timor-Leste these days is revenues from oil concessions in the Timor Sea, it is really important that good government spending continue to maintain economic activity and economic growth. So we are very occupied at that high level.

I think another important issue we confront is the very large number of jobseekers entering the economy every year. We think that there are around 20,000 people coming on to the job market each year out of school and there are around 400 or 500 jobs in the formal sector available to them each year. They then have a choice to compete for—and of course most will fail to secure—one of those 500 jobs and the alternative for them is to return to the village, essentially to subsistence agriculture, or be unemployed or underemployed in one of the urban centres. In contrast to many of the other places where we operate, certainly in East Asia, AusAID does run job-generating activities. Before the rainy season, in close cooperation with the Timor-Leste government, we run essentially pay for work activities to clean drains and culverts and the like. That is to prepare for the rainy season. More importantly, through our road maintenance and construction programs with the International Labour Organization, we have generated nearly 1.4 million days of paid labour for semiskilled Timorese people and around 32½ thousand people have benefited from that income. By doing that, of course, they are learning skills which they can then apply elsewhere when they seek to find jobs.

I think you have mentioned, Senator Stephens, the Inclusive Finance for the Under-Served Economy program, which we are running with the UN Capital Development Fund. The program aims to reduce poverty in rural areas by providing financial services to poor women and men. With access to loan, savings account and financial advice, the rural poor have opportunities to earn income and save money. Most Timorese, obviously, have never had a bank account and they have never participated in the cash economy, so this gives them a window into the cash economy and the financial services sector. They provide help to people to prepare for disasters or times of crisis, when normal income may be unavailable. The program also works with the government of Timor-Leste to develop a better policy and regulatory environment for the financial services sector. We are very proud of the achievement here: 5,300 additional clients, almost all women, have been registered with supported microfinance institutions in Timor-Leste.

Microfinance has not taken root as fast as we would like in Timor-Leste, possibly because of the lack of participation in the cash economy, but we see it as a key element in the future of Timor's development.

**Senator STEPHENS:** I was struck with some of your earlier comments. Recently, a parliamentary delegation went to Paraguay and we were able to see the work of Foundation Paraguay, which is dealing with similar kinds of circumstances in remote villages. There is no banking—there is no anything—but they have actually developed quite a good model, which is worth having a look at, around building microbusinesses, microfranchising and those kinds of things in quite clever ways.

**Mr Brazier:** That is right. I am not familiar with Paraguay, but I am familiar with microfinance in some other parts of Asia, including Indonesia and Cambodia, both of which have very poor segments of population that now have access to microfinance. It is really crucial way of giving people access to capital. The experience globally has been that the poor are very bankable—very reliable borrowers with very high rates of repayment—because they tend not to be as mobile as other parts of the population, but also they take their obligations very seriously. In very innovative microfinance banks around the world, they are happy to accept as collateral moveable assets such as motorbikes, whereas, under some of the more rigid microfinance regimes around the world, land title was required. Of course, the poor often do not have that sort of collateral, but they often do have TVs and motorbikes which can be used as collateral.

**Senator STEPHENS:** We were talking just now about a cash economy. What I am thinking about is the use in some countries of 'tiga', which is kind of like money on your phone, because there are no banking facilities. Does that operate in East Timor?

**Mr Brazier:** I would have to take that specific question on notice.

**Senator STEPHENS:** But the issue of using technology rather than banks?

**Mr Brazier:** That is a rapidly developing and very promising area for development agencies to look at. In some of the more advanced developing countries of the region, such as the Philippines and Indonesia, there is a massive trade of phone credits and other sorts of credits through mobile technology. We have seen that opening up telecommunications and making it affordable to the poor has an enormously liberating effect on those people's lives because, again, it gives them access to networks and markets that they have never been in touch with before.

AusAID are very proud of the work we have done in Vanuatu on this, in support of telecommunications deregulation there. I have to say, without straying too far into an area that I am not an expert on, the telecommunications sector in Timor-Leste is still regulated and I think still relatively expensive by comparison with neighbouring countries. In Indonesia, even a poor person can get a free handset from most providers and need only charge the phone with a few dollars of credits to get going. That is the same in all of the bigger developing countries of the region. We would like to see that happen in Timor-Leste, and that is a regulatory issue they are grappling with.

My colleague has just noted that until recently telecommunications was a monopoly in Timor-Leste, so naturally that would usually lead to the issue that I mentioned—that is, high telecommunications cost. We are supporting the establishment of a regulator at the moment, and mobile banking will be a feature of our future support in Timor-Leste.

**Ms BRODTMANN:** You were here when I asked those questions about the governance and transparency frameworks?

**Mr Brazier:** Yes.

**Ms BRODTMANN:** I understand you have been doing a lot of work on capacity building in that area, so I would go back to those original questions about the frameworks that you are working on establishing to improve transparency and improve accountability. I am particularly interested in whether you have established or are looking to establish an auditor-general function.

**Mr Brazier:** Thank you very much, Ms Brodtmann. I am looking through my notes for the material on that. The auditor-general function does not exist in exactly the same way that it exists in Australia. The government of Timor-Leste submits its books annually to Deloitte for auditing, which we think is a good thing for them to be doing. There is a supreme national audit court being established at the moment. It is not in place yet, but that is something we are supporting.

**Ms BRODTMANN:** Does the audit cover every government agency?

**Mr Brazier:** It covers all government expenditure.

**Ms BRODTMANN:** Just expenditure?

**Mr Brazier:** Yes. I should add where there are weaknesses in government processes, that would be quite typical of a very young government like this; it has only been running for a decade or so. We think though, in comparison to most countries of Timor-Leste's vintage, they are doing very well on this score. The Anti-Corruption Commission is up and running and, as you heard from my DFAT colleagues earlier, it has had some success. There is an annual whole-of-government audit, as I mentioned. All procurements and tenders are published for scrutiny publicly—again something that most governments of this age would not have done yet. As I said, all books are submitted to Deloitte's each year, and—I got the name a little bit wrong—a supreme audit and taxation court is to be established in the near future.

**Ms BRODTMANN:** In terms of capacity building within those government agencies on establishing a culture of transparency and accountability, and also the appropriate guidelines of, say, the Financial Management Act, have you been working with the government on those guidelines as well? Okay, the Deloitte audit is one function, but as you know it is important that you build a multilayered approach for accountability mechanisms and controls throughout various levels of government as well as guidelines and a culture.

**Mr Brazier:** Yes. Just to add to what I have said already, AusAID did support the establishment of the Anti-Corruption Commission. We have also assisted in the establishment of the Civil Service Commission, which is an important backbone in the civil service of East Timor to ensure that decisions made by ministers and officials are transparent and defensible. Since its inception in 2009 the Civil Service Commission has ensured that appointments are made on the basis of merit and is addressing poor performance. In 2010 the Civil Service Commission, supported by AusAID, suspended the salaries of over 363 officers who had abandoned their employment. Ghost employees are a common feature in many developing countries, but in Timor-Leste this is being tackled and people who abandon their posts are being terminated. Salaries have been terminated. The Civil Service Commission has also played a key role in the development of the legislation that you referred to, Ms Brodtmann, to ensure that women employees can access maternity leave, for example. We are also strengthening

the capacity of public servants to perform effectively, including through leadership and administration training for 1,600 public servants in 2011.

The Ministry of Finance have responsibility for public financial management. They are our key point of contact, with whom we have our agreement. We have supported the Ministry of Finance since 1999. We are the main bilateral donor to the reform work of the Ministry of Finance, and our plan is to support the Ministry of Finance until 2017 at least.

**Ms BRODTMANN:** Thank you very much. Good work.

**Mr Brazier:** Thank you.

**Senator MOORE:** Mr Brazier, can you tell us whether any of the programs in East Timor have been affected by the decision in the last budget and the budget before that to defer some activities. Were any of the East Timorese programs subject to deferrals or restrictions as a result of those budget decisions?

**Mr Brazier:** No. With the reprioritisation that was conducted late last year, to achieve that in the case of Timor-Leste we made payment deferrals, which have not had an impact on the implementation of programs at the present time.

**Senator MOORE:** Can we have details of those deferrals on notice.

**Mr Brazier:** Certainly.

**Senator MOORE:** Thank you.

**Ms Corcoran:** I can tell you now.

**Senator MOORE:** We can get them very quickly. Thank you, Ms Corcoran.

**Ms Corcoran:** There was a deferral of payments to the coming financial year, 2013-14, in the health program of \$3 million and in the rural roads program of \$5 million. Payments were only deferred; they were not cut. So services delivered under these programs have not been affected.

**Senator MOORE:** So it will catch up.

**Ms Corcoran:** It will catch up.

**Senator MOORE:** I would imagine that the East Timorese program would be subject to discussion now with the decision in last week's budget to have further deferrals. So, if any information comes through, I want the impact on the East Timorese programs from last week's budget. Can we get details of that as well, please.

**Mr Brazier:** Thanks very much, Senator.

**Senator MOORE:** I know that is still happening, but this committee will still be happening as well. So, as you get the information, could we get that.

**Mr Brazier:** Certainly.

**Senator MOORE:** The other question is to do with the statement—with which I deeply agree—about the reprioritising of our aid budget to meet the needs of their government. It is an international program to have that happen. Can you give me any idea about what change has occurred as a result of that. The way the submission reads suggests that, up until 2010-11, we were running our AusAID budget with the processes that we always did and talking to the government but actually working through existing programs. The submission makes a lot of the fact that in 2011 we actually changed the way we developed our program in East Timor, and I am interested to see whether there was much change. Page 9 of your submission refers to 'health, education, agriculture, water and sanitation and governance'. It seems to me that they are all areas in which you would have been working before 2011, but I am just interested to know what change there was, if any. Apart from just saying that is what you did, what was the change?

**Mr Brazier:** You are absolutely right, Senator. The important thing to note is that 2011 did not mark a U-turn or anything, as you say. AusAID was very busy running good programs in Timor-Leste before that. I would note that, under global principles established under the Paris declaration and the Accra agreements, Australia already had an obligation to follow partner governments' priorities, to engage in consultation and to ensure that all our activities were wanted and were designed in cooperation with partner governments. So we had been doing that. I think the key change in 2011 was recognition of fragile states' unique needs. What you might call a cookie cutter approach was going to leave some of those fragile states in danger of not meeting or falling far short of the Millennium Development Goals for development.

The new deal, led in many ways by the government of Timor-Leste, was established to get donors to engage with fragile and conflict affected countries to give host countries greater leadership over the development process,

and for even closer alignment with donors. It is principally about promoting mutual trust, respect and accountability. The last word, accountability, is really important.

As I mentioned in my opening address, the director-general of AusAID, Mr Baxter, will be in Timor-Leste in a few weeks. In his meetings with the political leadership of Timor-Leste they will be going through a list of targets and essentially a stocktake to tick off whether we have, together, achieved the goals that we together set for ourselves. That is the first time that specific undertakings of that nature have been made between a donor and the government of Timor-Leste.

**Senator MOORE:** This question is on notice. Can you give us any information on how East Timor is going on the MDGs, because we have had some information over the years about individual goals, but I could not find anything on their web site to see how they were going and where the key difficulties were. You can probably think them out from when you see the different submissions. Also, can you let us know whether East Timor has submitted their ICPD review document, which is going through at the moment, because that picks up on a lot of the questions that Dr Stone was asking. I would be interested to see what they as a nation put forward, particularly as one of their politicians was on one of the review groups of the whole ICPD agenda. It is not on the public web site, either.

**Mr Brazier:** On the Millennium Development Goals, Timor-Leste is doing well on some and—

**Senator MOORE:** And not so well on others.

**Mr Brazier:** With its partners it is having difficulty with some of the others. I am happy to run through them with you.

**Senator MOORE:** If you would just like to take that on notice.

**Mr Brazier:** Okay.

**Senator MOORE:** I think it will be of interest to all of us, and then if we have any other questions we can do a follow-up with you. Where are they bombing out most?

**Mr Brazier:** I think one of the key areas where they are having difficulties is in eradicating extreme poverty.

**Senator MOORE:** Yes, because so many of their population are in the very lowest percentile.

**Mr Brazier:** They are living on less than \$1.25 a day.

**Senator MOORE:** Somewhere in your submission you gave us a statistic that was quite confronting.

**Mr Brazier:** It is still 37 per cent of the population.

**Senator MOORE:** About 60 per cent above that were close to it—it was like 90 per cent of the population.

**Mr Brazier:** That is right. Three-quarters of the population are living on less than \$2 a day. This is a common issue across some of the developing countries of South-East Asia, although in some of those the proportion of the population living on \$1 or \$1.25 a day is declining, there are still quite large parts of the population living just above that. They are vulnerable to crop failure or an economic shock or something unexpected that could plunge them back into poverty. So, eradication of extreme poverty and hunger are difficult ones.

On achievement of universal primary education, they have done very well, although they have not quite met the target of universal enrolment. They have got it up to 93 per cent. In some of these Millennium Development Goals they set targets that are sometimes absolute and sometimes relative. For Timor-Leste we must always remember where it has come from. As I said in my opening statement, 70 per cent of infrastructure was wiped out, almost all of the civil service sector left, and a huge proportion of the population were displaced. So, when they fall short of some of these absolute targets, I think that we need to dig a little deeper and look at some of the success that might be beneath that.

**Senator MOORE:** I cannot remember whether it is your submission or another that talks about the fact that they may have got people going to school but the quality when they get there—and the MDG process does not assess that. A couple of the submissions have made those particular points: it is one thing to get the kids there, but, when they get there, what are they learning?

**Dr STONE:** There is the difficulty of the official language being Portuguese, which is only spoken by the older seniors in the community but is still officially the language of education.

**Mr Brazier:** That is right.

**Dr STONE:** The kids are often sitting there and do not in fact have a working language that they are being taught in.

**Mr Brazier:** Yes. Education is a flagship program for AusAID globally and a very important part of our program in Timor-Leste. We do recognise the quality challenges. The MDGs have been a very good way of rallying interest and getting people focused on some of the right issues, getting resources behind some of those issues, but they are not a perfect proxy for everything we need to do in developing countries. Quality of education is really key, and that is why we have worked very hard on distribution of better materials and improvement of classrooms—we have built or renovated 2,100 classrooms across the country—so that students are attracted to school and want to stay there.

**Senator MOORE:** Do you get the Rotary and Lions groups going over and doing that as well?

**Mr Brazier:** Yes, we do.

**Senator MOORE:** They have a special program of doing up schools.

**Mr Brazier:** That is right.

**Senator MOORE:** So you get them there as well?

**Mr Brazier:** Rotary groups, Lions groups, Twin Towns groups, small NGOs—there is a very high engagement and interest from Australian community groups in Timor-Leste.

**Ms Corcoran:** I will just follow up Dr Stone's comment about language to note that we have teamed up with the Alola Foundation, which was run by Kirsty Sword Gusmao. Some of the work we are doing through that is around distributing mother tongue education materials. We have distributed something like 94,500—to be precise—books in Tetum to students. We are also working with Alola on improving education for girls. That is a big focus of what we are doing there. We are providing scholarships for girls to go to high school and to continue their high school there. Two hundred and eight high school scholarships have been awarded through that program—and also a mobile library so that all children can access reading material. I just wanted to pick up on the mother tongue issue because I think it is important.

**Mr Brazier:** I will just move on to Millennium Development Goal 3, because it links quite interestingly to the earlier one. That is on gender equality, where again Timor-Leste is falling short. There is an equal enrolment of boys and girls in primary school, but the enrolment by girls falls away quite markedly at high school. This links to some of the fertility issues that we were discussing earlier, Dr Stone, because when mothers have so many children they often call on the older daughters to look after the children while the women are fetching water or tending market gardens. Everything is connected, and these are difficult challenges.

On the reduction of child mortality—I mentioned this in my opening statement—Timor-Leste has done very well. Child mortality has fallen to 55 per 1,000 live births. That is still a tragic number, of course, when you compare it to developed countries. Australia has a figure of below five per thousand births. So there is a long way to go despite the good advances.

On improvement to maternal health: the maternal mortality ratio remains high at between 408 and 706 deaths per 100,000 live births—again linked to the issues that Dr Stone raised earlier. One in three married women has an unmet need for family planning too so that they are in charge of spacing and fertility issues.

**Senator MOORE:** Do you have any stats on unmarried women?

**Mr Brazier:** I would doubt it, but we can take that on notice.

**Senator MOORE:** I am sorry; it is just one of those things with that particular goal that so many countries are reporting on married women, but that is one of the elements of the need. Thank you for that.

**Mr Brazier:** On MDG 6—combating HIV/AIDS, malaria and other diseases—Timor-Leste has done very well. They are on track. They are also on track in ensuring environmental sustainability.

**Dr STONE:** Given that stunting is a major problem for the children and adults in the community, do we deliver any direct food aid? Do we literally deliver food into the country during those periods of very lean food supply that you described before?

**Mr Brazier:** We have in the past through the World Food Program delivered fortified biscuits and flour to pregnant and nursing mothers and to children. We do not at the moment deliver food aid to Timor-Leste.

**Dr STONE:** Have we been asked not to by the government? Or is this a policy decision we have made given the stunting of the children and the five months of undernutrition that is in the country?

**Mr Brazier:** The first thing to say is that food supply is only one strand in the malnutrition picture. Malnutrition is a cluster of problems, and one of the key problems is health status generally; the presence of intestinal parasites which stop people from absorbing nutrition when they eat food. Low productivity of the agricultural sector is around half the productivity of neighbouring countries. Even some of the poorer parts of

Indonesia have doubled the yields that most of East Timor has. There is also a lack of variety in the diet, with a heavy emphasis on staple foods. There is not a lack of staple foods for much of the year—cassava, rice, sweet potatoes, peanuts and other crops are grown reasonably successfully—but it is the accompanying nutrition which is absent, particularly some elements of protein.

The other feature of food aid is that, compared to the long-term productivity and health programs we are seeking to implement in Timor-Leste, it is quite expensive, even when conducted through the World Food Program, which has a global buying power and is poised to move at any moment in the case of an emergency. There is no substitute in efficiency terms for local production being met by local farmers.

**Dr STONE:** Except where they cannot meet them and the kids are stunted, and we have seven months of hard times. I just wonder why and when we stopped that food aid, because I see it as a parallel. Giving kids school lunches or school breakfasts, for example, means you do not have the stunting or the parasites. I am lecturing you, but it seems to me an interesting decision. When was the food aid stopped? In 2005?

**Ms Corcoran:** In 2013.

**Mr Brazier:** Earlier this year.

**CHAIR:** We saw the factory that made the particular substance you talked about on the trip.

**Dr STONE:** The biscuits.

**Mr Brazier:** This pertains to AusAID's program. We may be able to come back to you with more information on what the government of Timor-Leste is doing. The government of Timor-Leste has taken responsibility for the school feeding program. While the AusAID program is not engaged in that as deeply as it previously was, the government of Timor-Leste has taken ownership of that and is implementing it.

**Dr STONE:** Can you tell us when we stopped our actual food aid—that is, bags of milk powder, or whatever we were delivering? I would be very interested in the data, and whether that was precipitated by the Timor-Leste government, or as a result of a decision of ours based on it being very expensive.

**Mr Brazier:** We will take that on notice.

**CHAIR:** Thanks for your time. We ran a bit over time. There are obviously matters about which we will seek additional information from you. The secretary will write to you. He will also provide you with a transcript of your evidence, to which you can make any necessary corrections in transcription. The Hansard will see you if they need to, about errors in transcription.

**Mr Brazier:** Thank you very much, Mr Champion. And thank you to all committee members for your interest in the aid program.

**Proceedings suspended from 10:55 to 11:07**

**DA SILVA, Ms Elisa, First Secretary, Embassy of Timor-Leste**

**GUTERRES, Ambassador Abel, Democratic Republic of Timor-Leste**

**CHAIR:** On behalf of the committee, I welcome His Excellency Mr Abel Guterres, Ambassador for the Democratic Republic of Timor-Leste.

**Ambassador Guterres:** Thank you, honourable members. I would like to thank the Foreign Affairs Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade, the House of Representatives and the Hon. Bob Carr for inviting me to address the inquiry. I would like to open by delivering a simple message to the government of Australia and the people of Australia on behalf of the government and people of Timor-Leste. The relationship between our two nations is one of deep unity and friendship. The relationship is bonded in our shared values for liberal democracy, a relationship that is constantly evolving based on our mutual respect for human rights, international rule of law and pursuit of regional peace, stability and prosperity. Most importantly, together we are aligned to defend the ideas, freedoms and values that democracy yields. We in Timor-Leste fought for 24 years for those rights and freedoms, and we hold the relationship with Australia today as a testament of that achievement. Whatever challenges in different sectors arise—and they will, at varying times, by the nature of our close social, economic and geographic ties—the relationship between our nations is mature, steadfast and based on mutual respect. Our commonality is our national interests, which are to protect and preserve our democratic way of life and our region's stability first and foremost. It is important to evaluate relationships, and I would like to comment firstly on the process of the inquiry.

I would like to make note of the Hon. Senator John Madigan from Victoria, who expressed his trepidation about this inquiry, and would like to express some observations on his comments. The inquiry is on the relationship between our two nations, Timor-Leste and Australia. Of 72 submissions, two are from Timor-Leste and 70 are from various groups in Australia, albeit all with longstanding appreciated and best faith relationships with Timor-Leste. However, our relationship is marked by two parties engaging jointly and equally. When the spirit of engagement is balanced and level both parties receive maximum benefits by strengthening each side's understanding and cooperation. I believe Timor-Leste and Australia should aim to engage in processes that highlight collaborative and communal efforts, which give time for consideration, consultation and responses from a wide range of stakeholders in both nations. This ensures a robust output which can advantage all and only lead to further strengthening of bilateral relations.

That said, this inquiry is symptomatic of a wider global challenge that exists in the traditional relationships between developed and developing countries. Timor-Leste has been addressing these challenges through various global forums and mechanisms. Australia has been proactive while doing so as a steadfast partner to implement major step changes in improving the relationship from one of a donor supported to one that is partner supported. It will take time, patience and major behavioural changes to socialise this effort, but to date major successes have been achieved. In 2010 Timor-Leste hosted the first International Dialogue on Peacebuilding and Statebuilding, where Australia was a major conduit. It was at that conference that the G7+ was born. Timor-Leste is now the chair of the G7+, the first time in history that conflict affected countries have had a forum to contribute to global policy. Now, the G7+, mostly resource rich, is a recognised and respected forum of 18 countries, which has contributed to a new breadth of knowledge, research and policy. In 2012, the New Deal for Engagement in Fragile States was endorsed by 40 countries. The new deal is the first aid architecture that addresses the special circumstances of conflict affected states like Timor-Leste. Australia and Timor-Leste were the first two countries to sign the agreement and are now piloting the new deal.

If we were to be true to the new deal in this process, here, today, Timor-Leste and the Timorese would be represented in this forum, equal to the representatives and counterparts from Australia. You see, at the heart of the new deal is the notion that every country must have ownership of its national vision and planning in order to successfully transition to the next stage: in the case of Timor-Leste from fragility to sustainably development. Ownership is the foundation for inclusivity, national unity and citizen engagement. The history of Timor-Leste is a perfect case study. Between 1999 and 2007 \$8 billion was spent on aid and peacekeeping with persisting cyclical crises. The 2007 Timor-Leste standard of living study told us that despite all the investment poverty had doubled and conflict during this time had contributed to more untimely deaths. In 2007, when Timor-Leste took firm ownership of our own national planning, we were able to successfully reduce poverty. Most importantly, we began a new era of peace and stability guided by a long-term strategic development plan which sees Timor-Leste go from a low-income to upper middle income country in two decades.

While Timor-Leste has many challenges, we as a nation have made giant strides. Timor-Leste had a large regional vote of confidence when it was unanimously voted by 68 member countries to lead ESCAP, the

Economic and Social Commission for Asia and the Pacific. Timor-Leste was the first Asian country and the third in the world to join the Extractive Industries Transparency Initiative. Every dollar in from oil and gas is accounted for to the cent. Recently Timor-Leste ranked 13th out of 58 on the Resource Governance Index, which measures the quality of governance in the oil, gas and mining sectors.

I tell you this because, for Timor-Leste, oil and gas is not just an income; right now, it is our livelihood. The majority of our state budget is from resources, from oil and gas, so transparency and accountability is a cornerstone that has to mark our sector if we are to have any chance of survival. As our institutions and capacities have strengthened, so has our ability to perform regular due diligence which is the norm for developed countries. This should garner investor confidence and certainty, not diminish it. I note the calls from joint-venture partners that, to provide a climate of certainty, there must be a will for permanency, and that comes with a clearly defined maritime boundary. Every nation is defined by their delimitation, not to be confused with the economy within. Timor-Leste should be no exception.

Our financial management has been lauded, with the process of decentralisation completed on the national level and slowly on the district level, which has improved services delivery and our MDG indicators across the board are improving nowhere near those of the First World per capita and much more is required to build a nation totally destroyed in 1999.

I could talk for two days about the strength and weakness of my country, about the support that has been given, the graciousness of and the gratitude for all Australians who have given their hearts, time and money to our journey from war to democracy. But in any good relationship listening is more important than talking, so that is what I plan to do over the next two days. However, in the first statement released by G7+ online, we believe our states are characterised and classified through the lens of the developed rather than through the eyes of the developing countries. Let us be careful that the relationship between our two countries is not defined in the same way: through the lens of the developed rather than through the eyes of developing countries.

Timor-Leste is committed to a hosting a joint engagement process following this two-day inquiry. We look forward to creating an ongoing evaluation process which strengthens our nations' partnership long term into the future. Thank you.

**CHAIR:** Thank you, Excellency. That is a very good opening statement. I think all the committee would certainly agree with you about partnership—Australians call it mateship—and that is certainly the spirit in which we want to approach things as well. In your submission you talk on page 7 about the possibility of establishing a trilateral economic, defence and security cooperation with Australia and Indonesia. I wonder if you want to comment on that or to flesh it out a bit more for the committee.

**Ambassador Guterres:** Trilateral cooperation has been discussed at the leadership level in Indonesia and we hope that the official levels will start to engage in putting the meat on the bone, I guess, to really strengthen the cooperation between the three countries—from, for example, the Northern Territory, Timor-Leste and eastern Indonesian provinces. Of course, Darwin is much closer to Timor-Leste than it is to Canberra.

**CHAIR:** Or to Adelaide.

**Ambassador Guterres:** It is a 50-minute jet-flight to Dili, rather than a four-hour flight to Canberra. So the proximity is great and it is very important that this trilateral cooperation take place. But what is the bottom line to this? This is to do with eradicating poverty in the region. When you talk about security issues it is to do with people. Everything is to do with the people. How the country engages is because of people's interests. Their living conditions need to be improved. If they were to live in abject poverty, there is potential for exploitation from unwanted elements. As we all know, there are non-state actors undermining the foundations of the states and people's liberty. So it is very important that the three countries, as sovereign states, cooperate to mitigate those potential threats. It is what we call 'the unseen enemy'. I think that is the importance of it. But there is also the issue of connectivity and communication—air links into the region. All in all, it is on a win-win basis for the three countries. And benefitting the people is the key element. Of course, we want to see people from Darwin spend their weekends in Dili rather than going to Canberra—or Adelaide. And there is not only Dili. They can go to the nearby islands—Flores and West Timor and all that area. So it is very important to have this trilateral cooperation on the move.

**CHAIR:** Dr Stone mentioned diving before and the potential for tourism. We have a seasonal worker program and I know that you are very keen to see that extended. I am just wondering how we could make that easier.

**Ambassador Guterres:** The seasonal worker program is very important for Timor-Leste. Why do I say this? The benefits are, of course, mutual: you have a labour shortage and we are supplying you with labour. So your industries have a guaranteed labour force to expand their business and the services they need to provide. For



Timor-Leste it is about developing their skills in the industrial system of working. Our system is not an industrial system of working; if you start work at seven o'clock you come home at 10 o'clock! People do not have experience of the industrial system of living like you have in Australia. When people come here they are exposed to work ethics and health and safety issues in the workplace.

But the seasonal worker program also exposes them to what democracy is all about. Australians enjoy democracy. You can criticise your leaders and you do not find yourself in prison. That exposure is important for our people. We are a young democracy and we are building the pillars of democracy. This exposure is very important for that. All in all, it is very important. It will support and help Timor-Leste to truly stand on its own feet but it will also help with the whole democratic process. When people are exposed they understand. Over the centuries, how do people learn? Because they travel, they learn from each other and bring new knowledge into the country. This is exactly what happened. You were talking about the Chinese having all the herbal medicines. Why do they do that? Because they went all over the world getting all the plants that people were using. This is how they have it. This is part of the learning process that is no different now than centuries ago. For us it is important that this takes place.

There is an issue which I have talked about with some of the industries, especially farmers in the horticultural industry. The rules are very tight. Bureaucracy is too cumbersome, they are reluctant to take on people and upfront costs are too high. That is what they told me. I have expressed this view to DEEWR and hopefully we can deal with that to make it easier for Australian farmers to take on these seasonal workers, especially in the horticultural industry. New Zealand has been very successful. It is important that Australia can also be successful. That benefits Timor-Leste and also the Pacific countries.

There are also concerns about people who overstay and run away into the community. I can tell you, and I can also guarantee, that with our people that will not happen. I will give you an example. When they leave the country, when they leave Dili and get on the flight, they have a number of families coming to say goodbye to them. Do you know what that means? That means each face that is looking at them needs he or her help. That means that every cent he or she is earning is shared with all the others. In a sense, the benefit is not only for the worker himself or his immediate family but there is also the extended family. When these people come they are on a mission and they must fulfil the mission. Running away is not an option, and they do not even think of it anyway because they have a responsibility to their family and country. And of course they do not want to bring shame on their country and their family, so they will not run away. That concern can be put away completely.

**Dr STONE:** In my electorate, we have a huge shortage of abattoir workers and workers in piggeries, which are very high-tech, very modern facilities. They cannot get enough people to do the tasks. Perhaps we need to further explore how an occupational workplace trainee might fit into that setting in addition to horticulture. All oil and gas fields, coalfields and goldfields run out of their minerals or resource eventually, and there will be no exception with Greater Sunrise, sadly. What sort of planning are you doing for life after Sunrise, in terms of employment prospects and new industries? You mentioned agriculture and tourism. Are they the areas in which you are doing preplanning for employment development post the period when you are dependent on the oil and gas fields?

**Ambassador Guterres:** Our strategic development plan 2030 is precisely for that purpose. Oil and gas, or any natural resource, are not forever. It will go. We need to develop other sectors of the economy. Timor-Leste will have three main industries to underpin its economy: oil, gas and other natural resources; tourism; and agriculture. It is a small country, a small space. We really need to develop tourism and agriculture as alternatives to oil and gas. Tourism, whether you are in Australia, Pacific countries or other countries, is a major employment generator for the people. It employs thousands of people.

The tourism industry is the one we really need to develop, and of course the oil and gas money that has come in is for that purpose. It is to develop other sectors of the economy so that when oil and gas, all the natural resources, are gone, we have these alternative industries that will sustain the country and economy in the long run. Of course, the major challenge we have is the capacity, the knowledge. This is the major challenge that we need to invest in: our human capital. But of course the tourism industry can only develop if you have the major infrastructure issues addressed. Airport and port facilities, clean water, sewerage systems, roads, bridges—all these are enabling factors for a tourism industry to take place.

To develop agriculture, yes, we have to build dams, because the country is like a horse's back. When it rains, all the water that comes in goes immediately into the sea. So we need to build dams to really harvest the water, which can be used for irrigation systems and clean water consumption. These are the things that we need to develop.

Of course, developing this costs, and we need to have the money. This is where the revenue from oil and gas resources is so important to us. This is where the management of it is also very important to us. This is where prudent management is very important. I suppose we are lucky in the sense that we have learned from many other countries that have failed—resource rich but absolutely poor because the money has gone to a small elite and the rest of the population really lives on rubbish bins. That is not on for us.

We are on the right track, and we will continue to further strengthen that in terms of managing, whichever government or political party comes in to manage the affairs of the state on behalf of the people through elections. The systems are the key element. Once you have good systems in place, everybody else can just follow. This is where the government is working hard to put in place good systems where the country's resources, income and revenues are well managed. That can benefit all members of society rather than a small elite group. So we are on the right track, and I am proud and pleased to share this with you.

**Senator STEPHENS:** Thank you very much for your statement today, which took us across the whole landscape of what is happening in Timor-Leste at the moment. Can you just tell us a little bit more about how civil society is being strengthened in Timor-Leste, what Australia is doing to assist, and if there are other things that you think could be done to help strengthen civil society organisations, to strengthen the democracy?

**Ambassador Guterres:** Civil society is, I suppose, imperative in a sense. Throughout the histories of many countries, where you lack civil society there is a dictatorship—yes, tyranny. We as a state, as a government, encourage the participation of civil society, because civil society is the eyes and ears of the silent majority of people who do not have access to newspapers, radios and so on to express their views. But they are also pillars of the society that complement government in service delivery and working to help the people, especially in remote areas, and this is very important.

As the budget finances become available they will access the funding from the government to do the work as a civil society in whatever field they specialise in, whether it is childcare, agriculture, health or any of the areas that the civil society engage in. Especially now civil society's role is very important. This is why I am also pleased to say that there are a lot of civil societies in Australia that have close links with our civil societies in Timor-Leste. This is very important. This is part of building this new state, new entity, new country, that deals with governance issues and everything there is in the society. The role of civil societies is paramount in this. For example, we have a civil society that is specifically watching how the government is managing the money in the trust fund.

One good thing is the government is becoming transparent in its system of governance of where the money has been invested, how much is there, how much has been taken out and how much has been spent. If the government says it will build a school in remote areas then people in that remote area want to know that that school really has been built. There is that kind of accountability and the role that the civil society plays in a country. We do encourage that. Perhaps because we fought for 24 years. There are civil societies around the world, many in Australia, who were our best allies. Knowing that fact, something has to be absolutely wrong for us not to encourage the role of civil society in state building and nation building. You can rest assured that the civil society role will go on in the future.

Again, like in any other society, you have to be on guard. There are always bad apples in our societies, so people have to be on guard. You do not allow a psychopath to run your country, which has happened in history. I am pleased that you asked that question. It is important we continue to encourage our civil societies both in Australia and Timor-Leste to engage. Beyond that is engaging with Indonesian civil society to also come together in that sense. We are forever neighbours. There is no choice in it, so we have to work together for the betterment of our people's living conditions, which in turn will ensure peace and security for all of us into the future.

**Senator STEPHENS:** I have a follow-up question. I am not sure if you were here when the AusAID representatives were presenting. Following a question from Dr Stone we heard that AusAID is no longer managing the food aid program in Timor-Leste; it has been handed over to the Timor government. Can you comment on that?

**Ambassador Guterres:** Timor-Leste every year goes through what we call the hungry season. As I said, I grew up with it. Each day you have a meal you are very lucky. I went through that as a kid, so it is not unusual to me. But the important thing is that the officers from the departments who are running the system in terms of food aid and whatever is required do it efficiently and fairly. That is the most important thing. As I said before, civil society are on watch all the time, and really the government officers which engage in these kinds of jobs are being watched, so they must do a good job. For the government, of course, the food issue is paramount. If you do not handle it properly or do not take preventive action until the crisis takes place, then you have problems. So planning ahead is very important, and I believe the government is doing that and knows that, if the agricultural production is not enough field is not enough in the harvesting is not enough, there is going to be a shortfall. Then

you take preventive action in supplying more food so that, when the crisis happens, you are on the ball straight away.

When people go hungry, it is a security issue. You do not want people to go on a rampage, breaking shops in order to get food to live when a preventive plan and action can be taking place. So I am confident of that in terms of food distribution it is good.

**Dr STONE:** Excellency, thanks for that response. It is an area of great interest to me. I guess I must declare some personal interest, because we this year in my region did not have any market for a lot of our fruit and dairy product, so it literally went to waste—hundreds of thousands of tons of good product. Meanwhile, we tend not to send food aid anywhere else in the world now; we just send a cheque for someone to buy something somewhere else. Yet right next door, it seems, in Australia we have a lot of very low cost, high quality food supply for times of great need for a neighbour.

I am wondering from your comments whether there was a problem with the way the food aid was managed which led you to a decision as a government not have any food aid? I am not quite sure what year it was, but it sounds like since a few years back there has been no actual food as such—real food—delivered to the country as aid. Was there mismanagement? Was there some problem? I understand exactly what you were saying about the need to develop your own agricultural capacity—I very much understand it—but I am thinking about the emergency situations or the every-year situation of some going hungry.

**Ambassador Guterres:** I am sure there were some logistics issues: the delivery process and fair distribution. All these things can happen, but having the systems and processes in place where fair distribution and efficient delivery can occur is most important. We do not necessarily just give out food for the sake of giving out food, because you really need to encourage people to be self-reliant. If you create dependency, that is a danger. This is why the government is trying to encourage people to do whatever they can to work on the land and produce, and, wherever there is a shortfall, the government will fill in the shortfall. I think that is the most important aspect of it.

Dealing with the logistics of distribution involves all these issues. Mostly it is unintentional, but, due to the fact that the country has an infrastructure issues—road collapses and all these things—especially in the rainy season, people in remote areas can never get anything. Cars cannot get there; road access is so difficult. Sometimes they have to take packs on ponies to an area or they tie packs onto their heads, but there is a limit to the amount that they can carry.

I want to go back to your point about the food security issue for us. We really need to build a critical mass of food producers. What we have now and what we have had is subsistence farming. There is never enough to feed the family let alone surplus to sell. I am trying to explore how we can do workplace training in Australia. Bring young, educated people here who are willing to become farmers, food producers for the country. If they come here on a two-year cycle, they could learn farming practices and learn the discipline and the management of it so that in, say, five or 10 years time we can count on this group of people to produce food for us, whether they are producing potatoes, beans, rice, corn or whatever.

We need to have the people who can produce the amount that will be required to feed our country, otherwise we will forever be waiting for the importation of food. What happens if the country we are importing from does not have enough? We will have no food. It is that simple. It is important that we explore this and I hope we can make this work and bring a few people here. The key is to have a critical mass who can do it. Others can learn from them as they progress. I hope that Australia can be open this, especially the farmers, so that the young people can learn.

**Senator MOORE:** Since your submission talked about the ongoing discussions about the Timor Sea Treaty, we have had the challenges going on. In your opening statement you did not mention the maturity of the relationship between our two countries or how you see that being progressed to maintain the strong relationship you identify whilst there is such a serious challenge going on. Could I get some comments from you on that?

**Ambassador Guterres:** For a start, we are geographically linked and in that we have no choice. In terms of dealing with our relationship, our relationship is big and broad, and this disagreement is one piece in that broader relationship. Because it is to do with legal issues, do we allow this one disagreement to overtake the relationship or do we quarantine this disagreement for our legal people to deal with and keep our relationship rolling? This issue is critical for Timor-Leste. It is almost a national security issue for Timor-Leste, for its survival. You are talking about the resources of the country. If you were to compare Australia and Timor-Leste, there is a huge difference. One country is a resource rich country that is well developed and Timor-Leste is a toddler that is learning to walk and stand its own feet. Australia is a good neighbour and it needs to take Timor-Leste as a

sovereign entity on an equal basis. I think that is very important. The present leadership wants to deal with this issue now rather than leave it for next month, because things could be different.

Our relationship is very important because of its geographic nature, but there are emotional ties between the two countries that we are loyal to. Governments come and go but, as a people, we are friends forever. This was tested in the Second World War. It was established then. So are we, the present generation, wanting to follow in those footsteps or do we want to go the other way? I think, overwhelmingly, that is the way to go—to build the friendship. Differences exist for reasons and therefore they must be dealt with as mature friends and neighbours. We can deal with these differences, through whichever means is possible, to come to a solution.

Australia and New Zealand are cousins. They have differences. New Zealand apples were stopped from being exported to Australia, but the relationship did not collapse, because of the maturity and the sense of friendship. You have one difference; you deal with it, you work through it. You negotiate and you go through the process until you come to a satisfactory outcome. For Australians it is small and minute but for Timor-Leste it is big. For a country in its early stages of building institutions, as a sovereign state you must have your boundary issues dealt with, but our legal people will be dealing with that. The important thing is that we do not allow that piece of difference to overtake the entire relationship. If that happens, then I think we might as well not have a relationship at all.

**Senator MOORE:** It is important to have that on record in terms of the comments you made about the confidence of the relationship, with this being one element in the whole thing. I did ask the Department of Foreign Affairs and Trade earlier about the impact on your country of the UN force ending its time there, from an economic position. Certainly it is clear, from an historical position, that it is important for that to be in the past and to move forward as a strong, independent nation. From the perspective of the removal of the numbers of people and the amount of infrastructure that the UN had in your country, do you have a plan for what will happen to the land and the facilities that the UN had? I do not think it went much beyond Dili, and that is an issue in itself. Within Dili, a lot of the hotels and recreational areas seem to me to be full of UN people and their families who are coming to visit. I know your country has been working on this issue, but could you give us some comments for the record?

**Ambassador Guterres:** We knew that the withdrawal of the UN would have some economic impact, in a sense, but there are two levels of economy. You have an economy with people who are paid \$100 a day compared to those who earn \$5 a day. So it is a huge disparity. With UN withdrawal, the economic sector will balance. There was some prediction of upheaval and so on, but that has not happened. People are prepared. People feel proud to stand on their own feet. Why are you forever leaning on somebody else?

Of course, there are employment issues: those who were employed by the UN, and many have been absorbed by the existing ministries, because those were the people with the skills, so they could be taken into other departments to work. Some have joined our Ministry of Foreign Affairs, for example. So, for us it is great. They went to work with the UN because the money Foreign Affairs was paying was not enough! That was the issue. But now economically it is balancing out. For us, there is a new plan going forward, although it was mostly concentrated in Dili. People in rural areas have no effect at all. So the planning now is how we will progress in terms of economic development and infrastructure development that needs to take place in the country, and following the strategic development plan for 2030. In a sense, you are building block by block.

But so far the management of that transition has been good, yes. There have been no riots, so it is fantastic. I visit often, and just early this month the Rotary club had its district conference. Rotary district 9550 encompasses North Queensland, the Northern Territory and Timor-Leste—so people in the north are already linking with Timor-Leste. For us it is fantastic. Over 200 people from different clubs around the country went to the district conference, and I went there to address the conference. They all want to go back, and they asked their friends to go back as tourists. The Rotarians do fantastic work.

**Senator MOORE:** They do great work, yes.

**Ambassador Guterres:** They do great work in terms of a hands-on approach in helping the local communities, especially those in remote areas where there are water issues, sanitation issues and issues with school classrooms. We are also working on a mission to furnish every school in East Timor by 2016. At the moment about 70 per cent of schools do not have tables and chairs. The idea is that they will collect unwanted furniture from Australia, because in Australia from time to time the schools change over their entire furniture, even those that are still good and can be used for another 20 or 30 years, but it will go into scrap. So the idea is to collect that and ship it so the kids in East Timor can have tables and chairs, at least until our government has enough money to change over as you do here.

**CHAIR:** On behalf of the committee, thanks very much for your evidence, Excellency. We certainly appreciate the sentiments with which you gave that evidence. We regard our relationship as very important and one of partnership and respect on both sides. So, thanks once again for your evidence here today.

**CONSTABLE, Ms Tania, Head of Resources Division, Department of Resources, Energy and Tourism**

**HOFFMAN, Mr Martin, Deputy Secretary, Department of Resources, Energy and Tourism**

[11:59]

**ACTING CHAIR (Dr Stone):** Welcome. Is there anything you would like to say about the capacity in which you appear before the committee?

**Ms Constable:** I am also the Australian Sunrise Commissioner and the Australian Joint Commissioner for Timor Leste and Australia.

**ACTING CHAIR:** Would you like to make an opening statement before we go to questions?

**Mr Hoffman:** I would like to make a short statement. The Department of Resources, Energy and Tourism welcome the opportunity to provide a submission to the committee's inquiry and to appear here this morning. There is a great story across RET's portfolio responsibilities as it relates to the important and strong bilateral relations between Australia and Timor Leste and I welcome the opportunity to outline this. In the period since the last inquiry conducted by the Senate Standing Committee on Foreign Affairs, Defence and Trade in 2000, a positive bilateral relationship coupled with significant social and economic progress is evident. I would like to note one recommendation from the previous inquiry which emphasised the need to develop good bilateral relations with East Timor and the need for East Timor to have sources of income that might reduce dependency on foreign aid. Engagement with Timor Leste on resource and tourism matters in particular has been a significant factor in ensuring that this recommendation has begun to materialise in the intervening period.

High-level engagement between our two countries has been established and strengthened. Most recently the former Minister for Resources and Energy and Minister for Tourism, the Hon. Martin Ferguson AM, travelled to Timor Leste in February this year where he met with the President and parliamentary leaders, including the Minister for Petroleum and Mineral Resources, His Excellency Alfredo Pires, the Minister for Finance, Her Excellency Emilia Pires, the Minister for Tourism and the President of the JPDA, His Excellency Francisco Cabul De Lei and the regulator of the resources industry, the ANP, Mr Gordino Da Silva. At the forefront of discussions was Australia and Timor Leste cooperative joint management of oil and gas resources in the joint petroleum development area, which includes the currently operating Bayu-Undan and Kitan developments as well as the Greater Sunrise gas fields. The ongoing management and regulation of the JPDA and Greater Sunrise takes place cooperatively through the joint commission and the Sunrise Commission respectively. The joint commission first met in April 2003 and has made a total of 36 times. Sunrise Commission first met in March 2008 and has met 13 times. These meetings alternate between Timor Leste and Australia. The most recent meetings were in March this year which were held in Dili. As Ms Constable said, she is Australia's representative on both those commissions.

The positive, open and constructive relationship shared between Australia and Timor Leste through these forums has seen significant benefits flow to both countries from the development and production of our shared petroleum resources. Since 2005 more than \$US12 billion has been earned and placed in Timor Leste's petroleum fund from both Bayu-Undan and Kitan. Around \$1 billion has accumulated to Australia through this arrangement over the same period. The Greater Sunrise development also has the potential to significantly add to this revenue, a resource which Australia remains firmly committed to working with Timor Leste to facilitate its development for the benefit of both countries. It is a valuable resource that properly developed will deliver significant economic and social benefits to both countries. We note that a field development form has not been agreed for Sunrise by the date set out in the CMATS treaty and that this gives rise to certain options for both parties. Nonetheless, as I said, we remain firmly committed to working with Timor Leste to facilitate this development.

In addition to revenue there are other benefits that have flowed to Timor Leste from the shared petroleum operations in the JPDA. For example, in 2011 across both ENI's Kitan operation and Conoco Phillips Bayu-Undan operation over 200 Timor Leste nationals were employed in areas including external relations, human resources, business services, IT and other roles. The governance of the resource sector is important to all nations, and Australia is pleased to be hosting the Extractive Industries Transparency Initiative international conference in Sydney later this week. Timor-Leste's Minister for Petroleum and Mineral Resources, Alfredo Perez, is attending that.

In July 2008 Timor-Leste's regulator of the sector, the ANP, was established as the national petroleum authority. The ANP is responsible for the day-to-day oversight and regulation of the JPDA on behalf of Timor-Leste and Australia. Our department played a significant role in the establishment of the ANP in 2008 through the provision of a four-person team to assist the former Timor Sea Designated Authority staff transition to the new regulatory arrangements.

In 2009 RET, the Department of Resources, Energy and Tourism, also facilitated the secondment of a senior inspector from the then National Offshore Petroleum Safety Authority, Australia's safety regulator, to provide training and support to the ANP in regulatory aspects of its health and safety role. Ongoing opportunities continue to be available to ANP inspectors for experience and training in different aspects of offshore petroleum health and safety regulation. Through the now NOPSEMA, the National Offshore Petroleum Safety and Environmental Management Authority, the ANP continues to build its capability by participating in international conferences as part of its ongoing development.

These are just some of the ways Australia shares its lessons and experience with Timor-Leste so that we may both contribute to safe and environmentally sound petroleum operations in our shared region of the world.

Of course, the committee would be aware of the announcement by the foreign minister on 3 May that Timor-Leste has initiated arbitration under the 2002 Timor Sea Treaty of a dispute related to the 2006 CMATS Treaty. Australia is considering its position in relation to the arbitration, and the Attorney-General's Department, which I understand is appearing before the committee later this afternoon, leads on this matter. Nonetheless, as we heard the ambassador comment earlier, the overall relationship remains very positive. Even within the petroleum sector, as I have outlined, there are many continuing, positive engagements and interactions.

Turning to the tourism sector, this has also done much for both countries. Timor-Leste, along with Australia, is a member of the Pacific regional commission. On joining, the Timor-Leste government confirmed that it viewed tourism as a tool for poverty alleviation, job creation and a way of promoting social welfare and economic growth. One initiative of our department, which has helped to assist this aspiration, is the Seasonal Worker Program. The program provides eligible Australian accommodation businesses in selective regions that are unable to find enough local Australian workers to meet their low-skill labour requirements, particularly in peak seasons, with an additional workforce option. The program accommodation trial began on 1 July 2012 and will run for three years. Since the commencement of the project, three resorts involved have employed 12 Timor-Leste seasonal workers. An additional eight seasonal workers are currently working with an approved employer in Broome with at least an additional six workers expected to commence this month. The three resorts have signalled their desire to accrue up to 30 seasonal workers next season depending on the demand and the results of local labour market testing for Australian job seekers. Overall the tourism industry has access to 1,550 places spread evenly across the accommodation, cotton, cane and aquaculture sectors under the Seasonal Worker Program pilot.

In the year ending September 2012 there were 4,000 Timor-Leste visitors to Australia. In the same period 17,400 Australians visited Timor-Leste. RET believes it is a credit to both countries that much progress has been made in the offshore petroleum and tourism sectors and believes a firm foundation has been set for future progress.

RET, in respect of our area of responsibility, remains committed to working with Timor-Leste under the auspices of the treaty regime to further opportunities in the JPDA for oil and gas developments to the benefit of the people of Timor-Leste and Australia. We will continue to do so also in the tourism sector.

Australia and Timor-Leste have a relationship based on mutual respect and we are confident that this will continue into the future. We look forward to further advancing the opportunities available to both countries and are confident that positive progress will continue to occur well into the future. Thank you for the opportunity to make that statement and we welcome any questions.

**ACTING CHAIR:** Do you wish to make an opening statement, Ms Constable?

**Ms Constable:** No, thank you.

**ACTING CHAIR:** We will go straight to questions then. I will ask the first question and it leads on from the whole business of the Greater Sunrise. You informed us that the development plan did not meet the deadline of 23 February 2013 for its final approval. What was the impediment there? Is it a problem that we should be concerned about and put more resources into? And what are the consequences of that development plan not having been completed and approved by the February deadline?

**Ms Constable:** Thank you; I will take that question. There was a requirement for a development plan to be submitted by February 2013 under the auspices of the CMATS treaty. The consequences of that development plan not actually being submitted on that date is that business continues. It is a matter for the two governments to continue their discussions within the Sunrise Commission to further the development of the Greater Sunrise field. We have had ongoing discussions. There have been 12 meetings of the Sunrise Commission over the last few years in which we have continued towards agreeing a concept. We have not yet got to that stage and the CMATS treaties did indicate the first stage of the development plan should be submitted or that both governments at that

point had an option to opt out of the CMATS treaty. Of course, that date has come and gone and both governments continue to have discussions on Sunrise.

**ACTING CHAIR:** With respect to the Timor Sea Treaty there are, allegedly, irregularities in the treaty on certain maritime arrangements, CMATS. Is that in any way impacting on this other planning exercise or are they two totally separate exercises?

**Ms Constable:** Could you repeat that?

**ACTING CHAIR:** We have the treaty on certain maritime arrangements. As Mr Hoffman said, we have a Timor Sea Treaty looking at actual boundaries and so on and that is now under contention. An issue is being discussed and the ambassador talked at length about this. Is there any relationship between what is happening with the arbitration process and the development plan issues and problems?

**Mr Hoffman:** No. The relationship is that there is a notice from the Timor-Leste government to have arbitration on the CMATS treaty. As I said, Attorney-General's Department will take the lead on that. Separate to that is the development plan date, which was set and, as Ms Constable indicated, although the date that was set down in the treaty has passed, neither party to this stage has used the options open to it because of the failure to meet that date and in fact work continues on the development plan in trying to reach a development concept. These are complex and large-scale projects. There are multiple issues in terms of the technology involved and in understanding the size and scope of the resource and so forth. It is not unusual that resource developments end up taking longer than dates that may have been first set down some years in the future. That work will continue through the Sunrise Commission. Separately, there is the matter of potential arbitration about the validity of the contract itself. But I think, as the ambassador himself indicated, it is a very discrete, specific issue. Wider matters in the relationship, including in the petroleum relationship, continue.

**Senator STEPHENS:** Thank you for your submission. It is very interesting. It is the elephant in the room. We have not really talked much about the anxiety that many people have expressed about the legal challenge. But I just want to go back to one earlier piece of evidence. In your submission on page 17, in the little extract 'Box 1', there is a footnote saying:

1 January 2012, NOPSA's functions were expanded to also incorporate the regulation of well management, facility integrity and protection of the environment, establishing the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA).

Can you just explain to us what the expansion of those responsibilities to include the environmental management aspects involves, and how is that actually being staffed?

**Mr Hoffman:** Sure—and Ms Constable will probably add to my answer. Every activity that is undertaken in the oil and gas sector in Commonwealth waters—and I will come to state waters in a second if you wish—requires the submission of an environmental plan to NOPSEMA, and those plans must be approved before that activity can progress. It might be seismic. It might be exploratory drilling. Or it might be actual production. Those plans must meet a two-tiered test. The risks to the environment must be reduced to as low as reasonably practical, so that is a technical test, and then the risks themselves must be at an acceptable level. The capability is through the recruitment and staffing of NOPSEMA to have environmental experts, environmental assessment capability, in order to assess those plans. The same thing also happens for well integrity, which means the ability, when you drill the well down, for it to be complete and whole, for the casing and the cementing to be complete and solid et cetera.

**Ms Constable:** If I could just add to that, just going back a step in terms of the new NOPSEMA functions: this became a single national regulatory function under NOPSEMA on 1 January 2012. It came about as the result of a Productivity Commission report that was put forward in 2009, and also you would be aware of the Montara incident that occurred in Australian waters. The regulatory function to bring together well integrity, environment and safety functions—before that, NOPSEMA just had responsibility under NOPSA for safety—brought a very cohesive, comprehensive approach to regulation of the offshore petroleum, oil and gas industry in Australia in Australian waters.

**Senator STEPHENS:** So the regulation requirements are Australia's environmental standards?

**Ms Constable:** That is correct.

**Senator STEPHENS:** How are those standards set? Are they international standards that we have adopted—

**Ms Constable:** We largely—

**Senator STEPHENS:** in the industry?

**Ms Constable:** Which standards are you talking about—the safety?



**Senator STEPHENS:** I am talking about the environmental management standards.

**Ms Constable:** On environmental management standards, we certainly have taken a lead from international standards that are occurring. We have done that through the International Regulators' Forum. Australia is a participant in and a member of that forum. They meet on a regular basis. They meet annually. In fact, the next meeting of the International Regulators' Forum will be held here in Australia in October. Largely, the membership has been made up of OECD countries, but it is expanding to producing countries that have an interest in making sure their regulations are indeed consistent at an international level. I think that in Australian standards we have pushed the benchmark up. Our standards in Australia have been quite rigorous, and certainly we are adding tremendous value at an international level by putting those standards forward as new benchmarks at an international level.

**Senator STEPHENS:** How do we engage with the Timor-Leste government on those standards that are required, and how are we helping to build capacity in their country to address these needs?

**Ms Constable:** This is one of the issues that we discuss on a regular basis through the joint commission. We have made the offer to Timor-Leste, and they have actually taken that offer up, to work with NOPSEMA. NOPSEMA has a fee-for-service option available to countries and certainly in the past has also offered advice and has had regular dialogue with Timor-Leste officials and with the ANP to try and build capacity. That dialogue is regular. They have participated in regulators' forums specific to Australia on an annual basis and, of course, have been invited to all the major meetings that we have held. I can recall one such discussion last year when the joint commission and Sunrise commission meetings were held in Melbourne. Ms Cutler, who is the CEO of NOPSEMA, did have a discussion with ANP officials about building further capacity in Timor-Leste.

**Senator STEPHENS:** I did ask DFAT earlier this morning about the role of EFIC and whether or not EFIC had provided funding to projects in Timor-Leste. They could not tell me. Are you able to advise whether that is the case?

**Ms Constable:** I do not know about providing funding into Timor-Leste. I do know that they have a facilitation role and that they are looking at projects that may be applicable to Timor-Leste from an Australian point of view. I think that is a question that would need to go to EFIC. I know that there is dialogue. I know that they have had some facilitation responsibilities but the exact nature of those I am not sure of.

**Senator STEPHENS:** You mentioned in your opening statement, Mr Hoffman, that there are 1,550 places for the seasonal workers. How many have actually been taken up in the last 12 months?

**Mr Hoffman:** I would have to take the question on notice. I am not sure of the actual number.

**Senator STEPHENS:** If you could it would be helpful. One of the other submissions suggested that there was a quite significant gap, and it would be something that we would be looking to see if we could bridge the gap by taking some further action.

**Ms Constable:** Senator, if I could make some comments on that, following the great meetings that were held between Timor-Leste and the former minister for resources, energy and tourism, Martin Ferguson, there was some activity that occurred in Australia about increasing supply for the seasonal worker program. The former minister did write to a number of accommodation providers in Australia, in the five destinations that have been mentioned for the seasonal worker program, to try and increase the supply of places to Timor workers.

**Senator STEPHENS:** So that is when he was the minister?

**Ms Constable:** Yes. That is actually under review.

**Senator STEPHENS:** It is under review at the moment?

**Ms Constable:** It is under review.

**Senator STEPHENS:** Thank you.

**Dr STONE:** This is the 1,500 places?

**Ms Constable:** No. This is specifically in relation to the accommodation component.

**Senator STEPHENS:** I wondered if you had any comments to make about any of the recommendations that came from the ambassador to East Timor. He made several recommendations and I presume that you would have read some of them. Aid obviously is not your space but there is the issue about scholarships, for example. How do we engage with the major companies investing in the resource industry to ensure that we are providing scholarships and opportunities for employment and further study for the Timorese people?

**Ms Constable:** This is a very important component of production-sharing contracts with the oil and gas companies that are participating in the joint petroleum development area and, of course, if they are participating

in the Timor-Leste area itself. Each of the production-sharing contracts refers to training, scholarships, local content, and those aspects of the production-sharing contract are taken very seriously—monitored, checked, discussed at a ministerial level. There have been several occasions where I have sat in meetings with the former minister and certainly the current minister about the operations within the JPDA. Each of those companies—and I can give you examples: ConocoPhillips, ENI, Shell, Woodside—have all offered opportunities to Timor-Leste nationals, from not just a scholarship but indeed an employment point of view. If I think of the Kitan development, of the 177 positions available, Timor-Leste nationals make up 77, so it is quite a great commitment that each of the companies is making. Of course, there is room for improvement and that is always something we are pushing with the oil and gas companies—to improve what they are doing with Timor-Leste on training, development and employment opportunities.

**Mr Hoffman:** I add that the companies operating in Australia and in the region generally have a very strong record, as Tania outlined, in community development components of their overall operations. The point for Timor is to continue to work as I outlined, cooperatively, such that further projects reach the development and production stage, and those agreements and those opportunities come to pass.

**Senator STEPHENS:** Thank you.

**CHAIR:** Senator Moore?

**Senator MOORE:** I will not go anywhere near the Sunrise stuff, because we will talk to the lawyers this afternoon and I think it is actually at that stage. Ms Constable, are the positions you hold a job lot—whichever is in your job gets all three positions? Is that how it works?

**Ms Constable:** No. I was personally appointed to those positions.

**Senator MOORE:** Right. So it is an individual position rather than one linked to your position in the department?

**Ms Constable:** That is correct.

**Senator MOORE:** Okay. I have a question on tourism. The figures in your submission say that there was a slight fall last year in both inbound and outbound tourism. Do you know why? I would have thought they would have been increasing over that period, but there has been a slight fall in both those figures in the last year.

**Mr Hoffman:** There is no particular reason that I am aware of at all. Often it can be in relation to flight schedules et cetera; I am not aware of any changes of those, but I will take that on notice and respond to you.

**Senator MOORE:** Sure. My second question is about the next couple of paragraphs in your submission which are about the flights. I am a Queensland senator but I work in the Northern Territory as well on different things, and everyone knows how easy it is to get across to East Timor; but everyone also says that it is very expensive compared to flights of that distance elsewhere. The current system is expensive, which may act as a deterrent. I note from your submission that there are ongoing discussions about changing it into a regulated system as opposed to the charter arrangements, which could add to the costs—I am not sure. Can you give us an update on where they are at? The submission came through in March, and it said:

Both countries have now settled the text of the ASA and Australia is in the initial stages of moving with its domestic treaty process. The treaty processes of both sides are not likely to take effect until late 2013.

Is the content of those treaty processes still confidential? Is it a commercial-in-confidence thing until it is public? What is happening with those flights?

**Mr Hoffman:** My understanding is that the discussions are continuing to progress well, as per the schedule that was outlined there, and there is no reason to expect that we will not reach a settlement on those. Again, I would be happy to take that on notice and give you any further information we have on that.

**Senator MOORE:** It would be really useful, because, in the rest of the discussions we have had, that whole idea of getting people to visit the beautiful place is most important. There are fewer soldiers on the planes now, which is a fact—so you might be able to get on them, which is useful! I think just getting it regulated so that we know where they are going would be useful.

I do work with the Sunshine Coast university, which has a very close link with areas of Indonesia that are working on tourism development, which is funded by AusAID. I did not get a chance to ask AusAID this question because I ran out of time. Is that work, with development in particular regions of tourism at a place like Sunshine Coast uni, which has well-developed expertise in this area, the kind of thing that you talk about in your department—the development of tourism skills? That process would cross through AusAID and DEEWR. Is that kind of significant professional expertise something that is considered through your department?

**Mr Hoffman:** Certainly, as I am sure you are aware, that is the sort of work that the tourism division in the department does in respect of areas and attractions in Australia. There are well-developed programs for that type of work. That capability can be translated, subject to resources offshore, if that is engaged and effectively funded through AusAID.

**Senator MOORE:** So it goes back through that link.

**Mr Hoffman:** Exactly.

**Senator MOORE:** I will put that question on notice to AusAID as well. It seems to have been working particularly well for particular regions. One of the things the ambassador was saying was that areas of East Timor have this potential but they need that support. Thank you.

**CHAIR:** Thank you for your attendance today. If there are matters on which we need additional information through questions on notice, the secretary will write to you.

**SARA, Mr Tyson, Assistant Secretary, Pacific and Timor-Leste, International Policy Division, Strategy Executive, Office of the Secretary and Chief of the Defence Force, Department of Defence**

**SARGEANT, Mr Brendan, Deputy Secretary, Strategy, Strategy Executive, Office of the Secretary and Chief of the Defence Force, Department of Defence**

[11:31]

**CHAIR:** Welcome. Before proceeding to questions, do you wish to make a short opening statement to the committee?

**Mr Sargeant:** I welcome the opportunity to talk to you today about a bilateral relationship that remains very important to Defence. In discussing Australia's strategic interests, the 2013 white paper identifies security stability in cohesion of our immediate neighbourhood as second only to the defence of Australia. As our close neighbour, the stability of Timor-Leste is of utmost importance to Australia. We are linked to Timor-Leste through geography and history and we have an enduring interest in helping to build stability and prosperity in the region.

Australia is proud to have assisted Timor-Leste in the restoration of peace and stability that began with the deployment of Australian Defence Force personnel in 1999 in support of International Force for East Timor, INTERFET, operations. Through the International Stabilisation Force, ISF, we have supported stability in Timor-Leste since 2006. Last year, in recognition of the success of the Australian led ISF mission, the ISF was awarded Timor-Leste's highest national honour, the Order of Timor-Leste.

The security situation in Timor-Leste has remained largely stable over recent years, with 2012 heralding the successful and peaceful conduct of national elections. During the election period, Timor-Leste security forces demonstrated their ability to respond to minor security incidents and successfully maintained national stability. In accordance with the wishes of the government of Timor-Leste, international forces departed Timor-Leste following the peaceful conclusion of the elections.

The Australian-led International Stabilisation Force completed its withdrawal on 27 March this year and its transition took place in close consultation with the government of Timor-Leste, the United Nations and their International Stabilisation Force partner, New Zealand. The withdrawal of the International Stabilisation Force troops does not signify the end to Defence's engagement with Timor-Leste. Defence looks forward to a maturing bilateral relationship that encompasses our shared interest in regional security including maritime security, which will be recognised through an invitation to the Timor-Leste Defence Force to be included in the Pacific Maritime Security Program. We remain in Timor-Leste under the auspices of the Defence Cooperation Program which has been in place since 2001 and will continue to be the cornerstone of our bilateral defence relationship.

Through the DCP we will strengthen the already close ties with Timor-Leste Defence Force and Secretariat of Defence. The DCP aims to support the development of the Timor-Leste Defence Force and Secretariat of Defence through training, infrastructure development, mentoring and exercises. There are 22 military and two civilian defence cooperation staff in Timor-Leste, undertaking roles in maritime training, the English language program, engineering training, specialist training and training coordination. In financial year 2012-13, our DCP in Timor-Leste operates with a budget of \$4,385,000. In recognition of the growing defence relationship between Australia and Timor-Leste, we are currently negotiating our Defence Cooperation Agreement which will provide the legal framework for Defence's continuing engagement.

Our submission to the committee refers to Australia's current defence relationship with Timor-Leste which builds upon the foundations established by the DCP to enhance the capability of the Timor-Leste Defence Force and Secretariat of Defence. The submission also describes the outlook for this relationship including challenges faced by Timor-Leste in its development. I would like to briefly discuss these ideas and also provide some further detail on defence cooperation activities we have approved for the coming financial year.

As noted in the Defence submission, we have achieved many notable outcomes through the DCP since 2001. Together with the Timor-Leste defence organisation, Defence has planned numerous activities for next financial year. These include: infrastructure works at the Metanaro military base including developing accommodation and upgrading water supply systems; Timor-Leste Defence Force participation in Defence Force led exercise activities such as the Australian Army Skill at Arms Meeting, and Exercise SAUNDERS, formerly known as the Army Aboriginal Community Assistance Program; Timorese attendance at Australia-based courses at establishments such as the Royal Military College of Duntroon and the Australian Defence College; and provision of advanced training for Timor-Leste Defence Force engineers including on-the-job training and train-the-trainer initiatives.

Over the past decade, the government and people of Timor-Leste have worked hard to achieve and maintain the current stable security situation. However, as Timor-Leste is still a developing state, there remains much to be done in its defence and security sector. Broadly, Timor-Leste faces resourcing capacity constraints in the short term and larger infrastructure challenges in the long term. Many of its official institutions are still young including the civilian Secretariat of Defence and the Timor-Leste Defence Force whose origins are rooted in guerrilla warfare.

While some resourcing or capacity constraints may be overcome with foreign donor assistance, large-scale international interest has resulted in a crowded donor environment, adding a layer of complexity to the provision of international assistance to Timor-Leste. Thus, it remains essential that defence is part of Australia's broader whole-of-government effort and continues to engage closely with Timor-Leste to ensure defence cooperation remains targeted and relevant. Defence also makes every effort to coordinate with other international donors to maximise efficiency and avoid duplication. I am happy to talk to you about any of the material I have covered here and in the submission. Thank you.

**CHAIR:** Thank you, Mr Sargeant. I just wonder about the maritime security aspect: illegal fishing and the like. When the committee visited Timor we had a look at some of the patrol boats. Do you think that that is an area that could be improved or cooperation could improve?

**Mr Sargeant:** In the white paper we discussed the nature of our strategic environment, which is predominantly a maritime environment, and one of the strategic policy objectives for Australia is to build both capacity within neighbouring countries and a capacity across our region to exercise sovereignty, particularly in the maritime domain. One of the means by which countries can do that is to have capabilities that support that, including the capacity to survey their maritime territories and enforce their jurisdictions. In that context, we have proposed that, as we develop the maritime security program, which is the provision of patrol boats and other support services to regional countries, particularly in the South Pacific, that Timor-Leste be part of that. We would propose that that be a framework for helping Timor-Leste develop its capacity to exercise sovereignty over its maritime borders into cooperating appropriately with neighbouring countries where their interests intersect.

**Senator MOORE:** Following up on that, we visited a facility in the Solomon Islands, which was kind of the focus to the Pacific aspects. Even though East Timor is in a different area, it is still quite a close neighbour. In terms of the extraordinary knowledge and expertise that was at that centre, is that the kind of thing that in the future we could be hoping that people from East Timor would be able to learn and perhaps even have placements in a place like that wonderful facility with all the computerised scrutiny? I was quite transfixed by it. I did not understand it, but it was pretty.

**Mr Sara:** I think the Forum Fisheries Agency surveillance coordination centre in Honiara works under an organisational basis under the Forum Fisheries Agency, which is subordinate to the Pacific Islands Forum. Obviously, Timor-Leste is outside some of those structures but we gain expertise from that for F-FDTL, Timorese defence force members, and also Australian Defence Force members who have spent a lot of time in the Pacific managing these maritime security issues, and we have a network of maritime security and technical advisers in nearly all of the Pacific Island countries with the exception of Fiji. We have gained expertise in understanding the illegal fisheries activities, the movement of drugs, people and other illegal activities and the management of EEZs with limited resources combined with some of the tools that they utilise at the FFA, which are low-tech but high impact in terms of using commercially available data that could be replicated on iPads and home computers subject to bandwidth. There is a lot that we can learn from that FFA model to improve the surveillance capabilities of the F-FDTL and then have a response option through the patrol boats that can go out and meet those surveillance issues.

**Senator MOORE:** Have we completed ISF drawdown? It was scheduled to be completed by the end of March.

**Mr Sara:** Yes, that is done.

**Senator MOORE:** It is totally ticked off now. In your submission, it seems that the focus left is development of skills at the local level and working cooperatively in that way, particularly with a maritime focus for naval engagement and also in the engineering area—is that right?

**Mr Sara:** That's right.

**Mr Sargeant:** Yes, it is a development of capacity within the Timor defence force to build and manage infrastructure and to modernise it to be a normal defence force, if I can put it that way.

**Senator MOORE:** There are extraordinary challenges in the engineering area across that country.

**Mr Sargeant:** It is huge and it is long term, and it means that our commitments have to be long term as well. But, from a strategic policy perspective, the stronger, the more cohesive and the more professional the armed forces are the more relevant they are likely to be not only to Timor security challenges but also to working in a broader regional context, particularly in the maritime domain. One of the strategic realities of the world that we live in is that most problems are interconnected and most problems extend beyond state boundaries, and so there is a real imperative to build policy and institutional frameworks that support cooperative capacity in that way.

**Mr Sara:** It is worth noting in that context in terms of building a maritime capability, which is starting from almost a zero base of capability, to develop that from a guerilla based force where infantry skills probably come a little bit easier. But, likewise, in the engineering sphere, we have gone from an almost zero base to a point where F-FDTL engineers have deployed on UN peacekeeping operations in places like Lebanon. So they have gone from a recipient of a blue beret operation to being active members of a blue beret operation. So the leaps that the F-FDTL has made through some of that capacity building have been pretty remarkable.

I guess one of the bedrocks of our cooperation, whether it be in maritime, engineering, infantry or any line of operation, is English language. The English language program that we run up there is probably the most important institution element that allows for more complex training to be either undertaken in Australia or delivered in-country or in places like the UK, US and Canada.

**Senator MOORE:** I have questions about the background of the East Timor military, but that is not your area so I will go back to the ambassador on that later. In terms of the focus, Mr Sargeant, you made a particularly diplomatic statement about a crowded donor environment in this area. Can you talk with us a little bit—as much as you can, considering the issues around it—about how we could cooperate. Across the donor areas in many spheres internationally, there is this focus on trying to get donor countries to work together so that we are not competing and falling over one another and not doing as well as we can. I know defence is a very specialised area, but is there a methodology with that term? There are a lot of people interested in this area. How do we work effectively with other nations who have interests in this area to work this out so that we are not all making difficulty rather than progress?

**Mr Sargeant:** We have had some experience with that in a range of countries, but essentially there are two ways in which you do it. One is that it is important to work with the Timorese to understand what their priorities are and the extent to which we can support them. That usually becomes the basis for one set of inputs into what you might do, and that is probably the most important. In doing that, you will have discussions ranging from national priorities through to where around the world there are relevant capabilities, what the institution boarding priorities are and so on. It is also important to talk to other actual or potential providers of assistance to deconflict, and there are two levels at which that conversation takes place. One is to ensure that you are not competing inappropriately and the other is to ensure that you do not duplicate what the other is doing and so waste money and resources. Our experience is that—and I am making very broad generalisations—countries generally know what they need and want, and so it is about ensuring that you put yourself in a position where you have the conversation.

There are some situations where you might find yourself competing with another country for various reasons, and I just think it is important to avoid that. It does not help anyone. Normally, in my experience, if the recipient country is clear about its objectives and what it wants to achieve, then that is probably the most powerful intervention.

**Senator MOORE:** Is it appropriate to ask who the interested parties are? Is that something you can openly discuss, or not?

**Mr Sargeant:** There are a number of countries that want to support Timor-Leste. Portugal, China, Indonesia and the United States are all countries which are in some way seeking to engage. They are all countries which we would seek to talk to, or engage with, appropriately, with the Timorese, in ensuring that what is provided is relevant and makes sense.

**Mr Sara:** I think on the ground in Timor there is institutional familiarity that we have with New Zealand and the United States that makes a lot of that coordination quite simple, both at the attache level in country with Timor and strategically where we have a lot of dialogues. In Portugal we have a lot of contact in country but not much contact in regular dialogues outside of Timor-Leste. Our coordination there has been about understanding the levels of autonomy that local Portuguese staff are authorised to approve and to plan programs. Where that does not exist we resort to Lisbon and utilise DFAT's post in Lisbon to resolve some of those issues. We have been quite successful in building our own understanding of that and resolving some of those easy levels of miscommunication. So I think our familiarity with the country's planning and systems the way to solve some of those conflicts. If you look at engineering and specialist training in maritime, we have taken a lead role in that.

Portugal has taken a lead role in infantry training at Bacao. That delineation has happened in country and it seems to work.

**CHAIR:** And China has just given equipment, hasn't it?

**Mr Sara:** China has given equipment and infrastructure. Again it is important to maintain a conversation with other donors and the government of Timor-Leste to ensure that what is being provided meets the needs. We have often provided assistance in project management and scoping of large projects where perhaps the facility or the infrastructure has been provided by another donor—so that it meets the needs of the organisation and avoids the problems that sometimes happen in donor recipient environments where they can receive things that do not meet the needs of the country that they are being provided to.

**CHAIR:** I think that might happen in defence procurement sometimes in any event.

**Mr Sara:** I will defer to other committees on that topic.

**Dr STONE:** Before we go to the issue of gender balance in defence force training, are you able to accommodate women who are coming forward in the defence forces in Timor-Leste? Ambassador, we should have talked to you about that. Are women engaged in officer training, in particular, as much as men? Do they have the same access to training?

**Mr Sara:** It is not at the same level as men—and obviously that is an issue for the F-FDTL to manage through—but anecdotally we are seeing an increase in the number of women. I would have take it notice to provide the figures, but we are seeing an increase in the number of women being employed by the F-FDTL and in the nature of the roles that they are undertaking. Also, we have a significant number of women in our defence cooperation program. We are providing education as part of the English language program but it is also in things like medical training, engineering training and roles that would perhaps be viewed as non-traditional for women in the emerging situation that is the F-FDTL. Some of that role modelling that occurs through the DCP we think is positive and it is something that we emphasise to the F-FDTL in our annual talks.

**Dr STONE:** That sounds good. Let me move on to the defence cooperative agreement that you have just referred to. You have told us it has been sitting for about two years for a formal response to that agreement with the Timor-Leste government. Are you aware of the problems or difficulties in having that draft agreement agree to? What is the cause of the delay?

**Mr Sara:** Because it is a treaty level document, it is a legally binding level agreement, there is greater care and scrutiny being undertaken at the political level of the document than would be the case, for example, for a less than treaty level document, similar to the one that we recently signed with Papua New Guinea. Because it is at that level, I am content with the fact that it needs to receive a level of scrutiny within the Timorese system, cognisant as I am that, once it returns to us for final approval and signature, we will have our own JSCOT process to take the document through. We are obviously keen to get that agreement signed and enforced as quickly as we can. It is a topic of our discussions when we undertake our defence talks and bilateral talks that we undertake at ministerial and senior official level. I have every confidence that it is an issue that will be raised during meetings between the minister and his Timorese counterparts in Singapore as part of the Shangri-La Dialogue.

**Mr Sargeant:** I have never seen these things happen quickly.

**Dr STONE:** So two years is about standard?

**Mr Sargeant:** I would not say 'standard'. I have seen some take longer. It just takes a long time for these things to work through national government processes.

**Dr STONE:** Is it appropriate for us to put on the record what the key elements of the cooperative agreement are? Are they joint exercises or exchanges in personnel?

**Mr Sara:** It is a fairly standard defence cooperation arrangement that establishes the legal parameters for the forces of each country to operate in each other's territory. It is about establishing the limits of law for liability and immunity and all of those things that go into most status of visiting forces arrangements. All of those provisions are in there and they are reciprocal. The provisions that apply for Australians in Timor-Leste apply to Timor-Leste soldiers and personnel in Australia. There is also an overarching component of the agreement to talk about the emphasis of why we are cooperating. We have shared strategic interests and a shared geographic neighbourhood, and understanding that building the capacity of the F-FDTL to become a partner in defence in our region is the overarching goal of that. It does not necessarily restrict us to lines of engagement but it does emphasise the fact that we have undertaken a range of different types of engagement to date and would want to progress that further. Exercises, the continuing DCP presence and the ability to have exercises there and exercises here under a solid legal framework are the goals.

**CHAIR:** You could take this on notice if you would like. Are there going to be any reviews into our previous deployments in Timor? Is there going to be a lessons-learnt type evaluation by Defence?

**Mr Sara:** There will be a standard operational lessons-learnt out of the ISF deployment but that has occurred all the way along with the deployment in its different forms. Some of those, naturally, are operational documents that look at our techniques and procedures and are not things that we would necessarily open to release. In terms of a review of our relationship and the sort of assistance that we provide—what is working, what we can improve and areas where we want to cooperate with the F-FDTL and the SED in greater detail—that is the basis of continuing discussions that I have nearly every day about the training programs that are effective and the training programs we can look to improve. We do that on an ongoing basis. Whether that turns into a formal review, we will look at that in time.

**Mr Sargeant:** We are looking at what we do all the time and make judgments about success. When things come up, we look at the past and reflect on what has happened and the lessons that might apply to situations that are emerging. It is an ongoing process. As part of the operational activities, there is a constant process of reviewing activities as we go along. So there is, as a result, quite a large body of accumulated information about that that is held within Defence. But Timor was such a significant event for Australia and for Timor-Leste that there is quite a large body of academic work on this as well, and that is all taken into account when the department reviews its past activities.

**CHAIR:** Excellent. If there are no more questions, thanks for your attendance here today. For the matters that we need additional information on, the secretary will write to you. He will also provide you with a transcript of your evidence, to which any necessary corrections to errors of transcription can be made. Thank you very much for your attendance here today.

**Proceedings suspended from 13:00 to 14:00**



**MANNING, Mr Greg, First Assistant Secretary, International Law and Human Rights Division, International Law, Trade and Security Branch, Attorney-General's Department**

**REID, Mr John, Assistant Secretary, International Law and Human Rights Division, International Law, Trade and Security Branch, Attorney-General's Department**

**CHAIR:** On behalf of the committee, I welcome representatives from the Attorney-General's Department. Before proceeding to questions, do you want to make a short opening statement?

**Mr Manning:** Thank you. We welcome the opportunity to appear before the committee today and refer the committee to our written submission that was provided on 6 May, which I think is submission No. 72 on the committee's website. As the committee may be aware, the Attorney-General's Department and in particular the Office of International Law, which is part of the division John and I belong to, along with the Department of Foreign Affairs and Trade, has responsibility within the Australian government to advise on treaties and matters of international law generally.

The treaty arrangements between Australia and Timor-Leste in the Timor Sea are set out in detail in our submission to the committee. In brief, the three Timor Sea treaties together provide a framework for the joint management and development of the hydrocarbon resources in the Timor Sea and these treaties were the subject of negotiation and agreement between Australia and Timor-Leste and entered into force after ratification by both countries. As the committee has heard today, the Australian government is committed to the current Timor Sea treaty regime which allows for the resources to be explored and exploited for the benefit of both countries and to provide certainty for investors. In this context and to clarify an issue raised in some of the submissions made to the committee I would like to make a couple of observations about the general issue of maritime boundaries.

Firstly, it is important to note that Australia and Timor-Leste have not delimited their maritime boundaries to date and that none of the Timor Sea treaties have the effect of delimiting those boundaries. Rather, under the Timor Sea treaties, Australia and Timor-Leste have jointly agreed to set aside their negotiations over permanent maritime boundaries and instead establish a joint development framework for the Timor Sea to allow the exploitation of those resources. That framework is set out in the three treaties described in our submission and the benefits that flow to both countries. Accordingly, the negotiation of permanent maritime boundaries is currently on hold through the agreement of Australia and Timor-Leste.

Secondly and in light of a number of comments made in the submissions on the question of maritime boundaries, it is important to note that under international law the negotiation of maritime boundaries is first and foremost a question of agreement between the relevant countries. The United Nations Convention on the Law of the Sea provides that overlapping maritime claims are to be resolved by agreement on the basis of international law in order to provide an equitable solution. Accordingly, the establishment of permanent maritime boundaries between Timor-Leste and Australia will, when it occurs, be an issue for negotiation and agreement between the two countries, taking into account particular circumstances of the delimitation in order to find a solution acceptable to both parties. However, as I have noted, this question is presently moot since both countries have agreed to place maritime delimitation on hold for 50 years and proceed with the joint development framework established in the treaty regime.

In concluding this opening statement I wish to draw the committee's attention to some limitations as to the scope of the matters that this department can discuss before the committee. Firstly, as the committee may be aware, Timor commenced arbitration against Australia under the Timor Sea treaty on 23 April this year. As that litigation is currently on foot we are unable to comment further on the matter other than to note that the Australian government is considering its response, as indicated in the joint media statement issued by the Attorney-General and the Minister for Foreign Affairs earlier this month, a copy of which was attached to our written submission.

More broadly and consistent with the longstanding practice of successive governments, we are not able to comment on or disclose any legal advice provided or received in respect of issues associated with Timor-Leste, including treaty negotiations and maritime boundary issues. Likewise, we are not able to comment on the detail of any negotiations between Australia and Timor-Leste as those negotiations are confidential in accordance with both general international practice and the specific agreement of the two countries at the time. There is one other matter that I may not be able to comment on should there be questions directed at it, but I will mention that if I need to at the time.

In conclusion, I would like to say that while we are restrained in what we are able to discuss on these issues, we are here to assist the committee to the best of our ability and we will endeavour to answer the questions on any other matters where we can provide clarification.

**CHAIR:** Thank you, Mr Manning. I trust you will just let us know if we are putting you in a difficult position. I want to focus on your opening statement. Your contention would be, or perhaps the approach of both Timor and Australia has been that it is better to have development agreements, have the revenues and the economic growth that come from them, rather than having an argument about the maritime boundaries and that delaying development. Have I grasped the concept appropriately?

**Mr Manning:** Certainly in the absence of agreement about maritime boundaries it is open to, and the two countries have agreed on this, provisional arrangements to permit the exploitation of the relevant resources. As I said in my opening statement, Australia and Timor-Leste have agreed to do that and, in doing so, both agreed to put a moratorium on maritime boundary negotiations for 50 years from the date of commencement of the—it is called the CMATS treaty; I think you heard the full name earlier today.

**CHAIR:** And does that approach contrast with what goes on elsewhere? I mean, have there been other situations around the world where economic development has been delayed because the parties have been arguing about where the boundary is?

**Mr Manning:** Certainly it is a development that is envisaged under the legal regime, that there would be provisional arrangements put in place to allow development. Of course, where countries cannot agree, it necessarily would delay exploitation of resources should such arrangements not be entered into. There are certainly cases where—even cases before international courts have taken up to 10 years, for example, to resolve contested cases, and I am sure there are cases where negotiations have gone on for a long time as well.

**Senator STEPHENS:** I want to ask about the arbitration. I know you do not want to go into the issue, but can you explain to us how that would work? How does the arbitration process work?

**Mr Manning:** Timor-Leste has alleged that there is a dispute under the Timor Sea Treaty. That treaty contains a dispute resolution regime. So today Timor-Leste has served notice of arbitration on Australia, and Australia, under the treaty, has 60 days within which to notify East Timor of its arbitrator—each party nominates an arbitrator. Those two parties would then nominate a third arbitrator or try to seek agreement on that, and there are some arrangements where, if there cannot be agreement, that presiding arbitrator then establishes an initial meeting of the arbitral tribunal. The tribunal as a whole decides its methods and procedures from then. There are a number of sets of rules in international arbitrations, and they may adopt one of those sets of rules to govern it. Essentially, these things are at the discretion of the arbitral tribunal. So issues like when a submission is lodged and the timing of it et cetera are all up to the tribunal once it is established. Save that, there is a requirement under the treaty for the tribunal to hand down its judgement within six months of its first meeting—that first meeting I mentioned.

**Senator STEPHENS:** And so the arbitrators are nominated by the two parties, and then a third arbitrator—would that come from an international arbitrators panel or something like that?

**Mr Manning:** It may do. My recollection is the only restriction is that it has to be a nation or a country with whom both Australia and East Timor have diplomatic relations. There are no other limitations on who it could be, but certainly there are people who have expertise in this or it may be that the two arbitrators know of a third arbitrator who they think would be suitable. As I said, it is largely up to them, although the states have to sign off on it as well.

**Senator STEPHENS:** So what resources would be given to this whole arbitration process? Would that come from the Attorney-General's Department?

**Mr Manning:** The countries would pay their own costs and split the costs of the arbitration.

**Senator STEPHENS:** Fifty-fifty?

**Mr Manning:** I would imagine so, yes.

**Senator STEPHENS:** Thank you for that. It is quite interesting. When was the last time Australia was involved in an arbitration like that?

**Mr Manning:** 'Like that'? I am struggling to remember. Certainly we were involved in what is called investor-state dispute, whereby a private company has taken us to arbitration in relation to tobacco plain packaging at the moment. I am remembering the ICJ disputes and disputes before the International Tribunal the Law of the Sea, but I would have to take on notice if and when there has been a previous arbitral tribunal.

**Senator STEPHENS:** Okay. It is interesting. I went been looking and could not find anything.

Again, not trying to speculate, but if Timor-Leste were successful, would that then mean that CMAT would be declared invalid?

**Mr Manning:** Australia does not think that Timor-Leste is going to be successful, I think it is safe to say. But that is the decision that Timor-Leste is seeking.

**Senator STEPHENS:** Hypothetically, again, if they did get that outcome, would that mean that there would be an entitlement to renegotiate the maritime boundary with Australia or is that tied up with the other business about not negotiating maritime boundaries for 50 years?

**Mr Manning:** No, it is the treaty that imposes the moratorium on negotiating maritime boundaries which Timor-Leste has alleged is invalid.

**Senator STEPHENS:** Oh, I see. Right.

**Mr Manning:** So if the treaty was invalid then that moratorium would—

**Senator STEPHENS:** So that particular issue is what that are challenging?

**Mr Manning:** That is not the issue they say they are challenging in the sense that they have made an allegation which they said makes the treaty invalid. But as to whether or not that is a factor in their consideration, I do not know.

**CHAIR:** Can we ask you about the consequences for economic development of a treaty becoming invalid? Would that be out of your remit?

**Mr Manning:** There isn't really anything I could say about the consequences for economic development. It would be a bit out of my remit. As I said earlier, Australia's view is that the treaty is valid and that there is a regime in place under which economic development can proceed. Obviously there would be a question about certainty, which underpins any form of economic development, if that treaty were not in place. But I am not able to—and prefer not to—engage in hypotheticals.

**CHAIR:** Understandably.

**Senator STEPHENS:** But in terms of the arbitration process, if it proceeds and so we are looking at perhaps a six-month process, has that the potential to delay significant investment decisions?

**Mr Manning:** Firstly, I would just clarify that the process would be longer than six months in that the six-month time line is from the date of the first meeting of the arbitral panel, but there would be at least six months before then in selecting the arbitrators et cetera. The treaty says that Australia must respond within two months and then within two months the third arbitrator—and, as I said, there is potential for there to be not agreement, which could delay the process more. It is more 12 to 18 months than it is six months.

In relation to your second question, I am just unable to answer that, because investment decisions are something the companies who are doing the investing would decide.

**Senator STEPHENS:** Yes, but CMAT has had a provision about terminating the development plan for Greater Sunrise not being approved by February. So I am wondering whether or not an arbitration process that took 12 to 18 months could further jeopardise that?

**Mr Manning:** It certainly may, but, again, the decisions and the appetite for risk of the companies who would be doing the investing is not something I am qualified to talk about.

**Senator STEPHENS:** But there would not be any regulatory issue that would occur because this had not been resolved?

**Mr Manning:** No. I think the Department of Resources said in their evidence earlier that I was listening to that, even though there is a date by which if there is not an approved plan either country could terminate the treaty, that has not been pursued and so certainly there is no reason why the treaty regime could not be implemented as it was intended when the parties agreed to it. That does not change while this arbitration is going on although, as I said earlier, obviously there would be issues of certainty and they are matters for the companies which would be doing the investing to decide.

**Dr STONE:** You may have already covered these topics. I am sorry I was late in returning.

**CHAIR:** I might say to you that there is a limit to their answers because of legal advice. Ask away but they might not answer.

**Dr STONE:** Fair enough. Are they able to talk about the ISF, the intervention in Timor Leste? Let me ask the question. In 2006 Australia led the International Stabilisation Force, usually called ISF, to restore stability. We have information that suggests that there were issues of its constitutionality because it was not approved by the council of ministers or the national parliament. Is that an issue? Is this something that exercises minds at Attorney-General's? Are there any impacts or consequences of that force, which I sure did a great deal of good at the time, including the support of my son. What is behind such a suggestion?

**Mr Manning:** I do not know. It is not an issue that fell within the limitations I outlined at the start of my presentation but it is not an issue I know anything about other than to say we have not been asked to look into matters of East Timorese domestic law given that our responsibilities are in relation to Australia's international obligations.

**Dr STONE:** We have not had any official complaints that there was a force supporting the situation without any—

**Mr Manning:** I am not aware of that. If that was brought to the attention of the Australian government it would not necessarily come to the Attorney-General's Department. I am unable to help.

**Dr STONE:** Okay. I have got a general question. We heard a little this morning about the complication that between Timor Leste and Australia there is not a natural geographic divide like a continental shelf ending and another one starting. So it is a political outcome that is needed to settle the border issues between Australia and Timor Leste. Is that the case?

**Mr Manning:** No, that is not something the Australian government agrees with. I did not hear that evidence.

**Dr STONE:** As you are no doubt aware, currently the Timor Leste government is concerned to revisit the actual maritime borders between the two countries. Quite clearly revisiting those borders has major impacts on both countries in terms of natural resources and national security responsibilities and so on. So none of those issues exercise you in the Attorney-General's area?

**Mr Manning:** Those issues do exercise us. What I was saying was that the Australian government does not agree with the premise of the question.

**Dr STONE:** The allegation.

**Mr Manning:** That is right, the assessment of the geomorphology or the assessment of the consequences flowing from it. They are matters that would be very much in play in any negotiation of maritime boundaries, as they were when there were previous efforts to do it, although details of that were one of the things I mentioned I am unable to talk about. That said, to be frank, they are largely irrelevant to the current treaty arrangements because both countries have agreed to a moratorium on maritime negotiations for 50 years. So in 2057, which is 50 years from when the treaty came into place, it could be that there would be negotiations to resolve it, but the Australian government's position is that in the meantime there is a regime that facilitates development of those resources which should be implemented.

**Dr STONE:** I did not understand there was a moratorium.

**Mr Manning:** There is. Under what is called the CMATS treaty—Certain Maritime Arrangements in the Timor Sea—both countries agreed that there should be put in place a moratorium, and indeed they agreed that neither of them would raise anything about maritime boundary claims as a result of that treaty. That moratorium is for 50 years, and that treaty came into force in 2007. As things stand at the moment, both countries have agreed to put off maritime boundary negotiations to 2057. As was pointed out, that is a treaty that East Timor is currently challenging the validity of.

**Dr STONE:** Indeed. So they are challenging the treaty itself at this point.

**Mr Manning:** They are.

**Dr STONE:** And embedded within is reference to the maritime border.

**Mr Manning:** To a moratorium on maritime negotiations, yes.

**Senator STEPHENS:** On a totally different issue, some of the other submissions we have received raise issues around human rights in Timor-Leste. One, from Strategic and Defence Studies at the ANU, has suggested that the Timor-Leste Ministry of Justice, in cooperation with the UNDP, began developing a draft customary law in 2008, and the submission suggests that Australia could actually assist by providing some clarity about the content and the hierarchy of laws. In terms of our relationship with Timor-Leste, is the Attorney-General providing that kind of capacity-building support, or do you think there is a role for Australia's Attorney-General to do some of that work?

**Mr Manning:** I do not know. I am not aware of any engagement by the Attorney-General's Department in that area at the moment. Certainly there are programs—generally AusAID programs—which the Attorney-General's Department may be part of, whereby they work on laws of other countries. For example, they have done that in relation to certain countries in the Asia-Pacific area. Whether or not there is any scope for such engagement with East Timor I just do not know. I would have to have a bit of information about exactly what they required.

When you talk of customary law, presumably that is East Timorese customary law. I am certainly not aware of any expertise within the Attorney-General's Department on that and how it interacts with other East Timorese law and their international legal obligations, but to me it sounds that if the Australian government through AusAID decided it was something they wanted to support, then they would come to departments, including us, to see if we could assist. And if we could not then they might go to private consultants, for example, or other international experts.

**Senator STEPHENS:** As a general principle, in Australia's international relationships with countries with treaties or international agreements, where on the scale of things do issues around human rights appear? Are there core principles or clauses that are written into international cooperation agreements?

**Mr Manning:** Are you asking where issues that are fundamental to Australia's interests appear?

**Senator STEPHENS:** Well, we are signatories to international human rights conventions. So, what are our expectations of other countries generally in the negotiation of treaties?

**Mr Manning:** For example, with human rights treaties, essentially what is occurring is that the countries that are a party to the treaty are agreeing with each other that they will ensure certain minimum standards of treatment of people within their jurisdiction. The countries, again pursuant to those treaties, establish committees which essentially are seized with the responsibility to monitor the implementation of those treaties. And then there are other processes in the UN system generally. In relation to human rights and the human rights council there is what is called a system of universal periodic review—essentially peer review. So, once every four or five years, each state appears and is asked questions on its human rights record by its peers. Underpinning that are its treaty obligations as well as gaps, perhaps, in its treaty obligations in the mind of other states. Australia participates in that type of process. Australia is obviously a very active participant in general issues before the human rights council, even if it is not a member of the council. And through programs I mentioned before, like AusAID programs, Australia is very mindful of human rights and implementing those standards where relevant. I do not have details about whether there are specific arrangements between Australia and East Timor about that. I am not sure if AusAID is appearing or has appeared, but they may know.

**Senator STEPHENS:** So generally speaking, even when a cooperation agreement is being developed between Australia and another country, are their standard clauses around human rights and international obligations that are usually included in those agreements?

**Mr Manning:** It depends on the nature of the cooperation. I am unable to answer with great certainty because our role in the office of international law is to give advice about international law and how to interpret treaties, rather than ownership of all treaties so I do not necessarily have ownership. But, for example, say if Australia and another country were entering into a treaty that did not specifically deal with human rights—and there would not necessarily be any words to do with human rights but say if there were a cooperation agreement. It would probably be a memorandum of understanding, rather than a treaty, because it is probably not imposing obligations as a matter of international law. It may be that in the preamble paragraphs they mention that one of the purposes is to, for example, help in relation to the rule of law or address corruption or some other matter that falls under a broad banner of human rights. So the purpose could be dealt with in that way but it is not normal practice in relation to non-human-rights-specific treaties.

**Senator STEPHENS:** Thank you.

**CHAIR:** It appears that you have exhausted the committee! Thank you for your attendance here today. If there are any matters that might need additional information the secretary will write to you. The secretary will also send you a copy of the transcript of your evidence to which you may make any necessary corrections to errors of transcription. Hansard will talk to you if they need to. Thanks very much for your evidence here today.

**ROTHWELL, Professor Donald, Professor of International Law and Head of School, College of Law, Australian National University**

[14:27]

**CHAIR:** On behalf of the committee I welcome Professor Rothwell from the Australian National University. Before proceeding to questions, do you want to make a short opening statement?

**Prof. Rothwell:** Yes, thank you, Chair. My appearance here today is really designed to assist the committee in matters as they relate predominantly to the law of the sea. I am very pleased to be able to answer any questions as they relate to the current maritime boundary arrangements between Australia and Timor-Leste. I can also assist the committee with any inquiries as to the arbitration that has been instituted against Australia by Timor-Leste. Prior to doing that I want to sketch a bit of the basic legal framework for the committee's deliberations on this matter.

The dominant international legal instrument concerning the law of the sea is the 1982 United Nations Convention on the Law of the Sea. The convention has a total of 165 state parties and has been in force since 16 November 1994. Australia ratified the convention on 5 October 1994 and Timor-Leste acceded to the convention on 8 January 2013. The convention resolved uncertainties as to the outer limits of the continental shelf. It did this by defining the continental shelf of the coastal state as comprising the seabed and the subsoil of the submarine areas beyond the territorial sea, to a distance of 200 nautical miles, and in some instances beyond that distance, in the case of where certain geological and geomorphological criteria have been met.

In the case of two neighbouring states having overlapping entitlements to these maritime zones, the convention provides a framework for the delimitation of maritime boundaries. With respect to the determination of maritime boundaries, there are three approaches that can be applied consistently with the convention. The first is that the states can agree to permanently delimit their maritime boundary by way of an agreement, on whatever principles the two states mutually agree upon. Australia's continental shelf seabed boundaries with Indonesia, for example, reflect that type of approach. The second is that in the absence of an agreement the two states may enter into a 'provisional arrangement' pending future finalisation of the maritime boundary. The 2002 Timor Sea Treaty is an example of such an approach. Third, the states may refer the delimitation of the maritime boundary to an international court or tribunal for resolution.

It is important to observe that each of these approaches may result in a different outcome with different delimitation techniques and legal approaches applied. As to the third approach, the International Court of Justice has in recent cases applied what it is calling a 'delimitation methodology' that involves three stages. The first is the establishment of a provisional delimitation line, which, in the case of adjacent coasts, will be an equidistance line, and, in the case of opposite coasts, a median line. The second is consideration as to whether there are any factors that call for an adjustment of the provisional line in order to achieve an equitable result. Finally, and after having made any adjustments to the provisional line as a result of the second stage, the International Court will seek to verify that the line does not lead to what it calls an 'inequitable result' by reason of any marked disproportion between the ratio of the respective coastal lengths and the ratio between the relative maritime area of each state, by reference to the delimitation line. This process thereby ensures that there is no great disproportionality between the division of the maritime area under the limitation and the relevant coastal lengths.

A crucial element of this methodology is the determination of the relevant area. This area will depend upon the configuration of the relevant coasts within their geographical context, and a consideration of the seaward projections of those coasts, which will differ depending on whether a territorial sea or much larger maritime boundary, such as a continental shelf, has been delimited, and indeed the interests of any third states.

**CHAIR:** How long do these cases take to reach a final conclusion if they go to the International Court of Justice?

**Prof. Rothwell:** The standard answer for any academic international lawyer to their students has always been that it takes approximately seven years. There are a range of factors. As the committee might be aware, Australia is appearing in the International Court of Justice in the case concerning whaling in the Southern Ocean, with Japan, only three years after having commenced litigation in that matter. So there are a range of circumstances, but seven years is seen to be the average time for international litigation before an international court of that type.

**CHAIR:** What effect does that have on certainty for development and the like? Does it put everything on hold, or do you find cases are going on while development is going on? This might be out of your area of expertise.

**Prof. Rothwell:** I think it very much depends upon the circumstances in which litigation has been commenced. So, in the case of where two states have not concluded any maritime boundary, presumably in those

situations there has been a great deal of uncertainty about the ability for any form of development, seabed activity or fishing activity to proceed with any certainty, in which case the outcome of a maritime boundary determination by an international court would be quite pivotal to bring certainty to that process.

In other instances, where there may well be a dispute that has arisen with respect to an existing treaty arrangement, that existing treaty arrangement will of course remain on foot until such time as there has been a determination by the international court or tribunal.

**Dr STONE:** Is the 50-year moratorium on revisiting the maritime boundaries within the treaty an unusual thing for two countries to agree to?

**Prof. Rothwell:** In my experience I would say yes, but it needs to be understood in the context of Australia and Timor-Leste having entered into the joint development of the area in the Timor Sea. The two states have effectively decided that, because they have been unable to reach a permanent delimitation of the maritime boundary, they have set up an alternative framework whereby both states can go on with the business of exploring, exploiting and enjoying the resources of the seabed area through that joint development framework. So they do not wish to have that framework disturbed for a certain period of time. The committee needs to appreciate that it is the 2002 Timor Sea Treaty which provides the fundamental legal framework for the current joint petroleum development area. Under that treaty, of course, it was provided that there would be predominantly a 30-year period of operation. Then subsequently, under the 2006 CMATS treaty, that has been amended to include this 50-year period. That in itself is a little unusual—that a treaty concluded in 2002 has been subsequently amended by a treaty concluded very shortly thereafter to extend the life and the period of operation and to also place a moratorium on the ability of the two states to seek to negotiate a permanent boundary in the Timor Sea.

**Dr STONE:** Is that problematic if there comes to be a dispute over the division of the resources of the Sunrise development, for example? Is this a stable thing to do? Who recognises a moratorium in the treaty? Is it just a bilateral thing between the two nations, or does the UN Law of the Sea convention have something to say about two countries agreeing to put off their problem for a period of time while they exploit the resources?

**Prof. Rothwell:** The relevant operative provision of the UN Convention on the Law of the Sea is article 83. Article 83, as I indicated in my opening remarks, predominantly envisages that countries will enter into a permanent maritime boundary delimitation. So Australia's boundary arrangements with New Zealand, for example, reflect that. But likewise the convention indicates that, in the absence of two countries being able to reach an agreement, it is entirely appropriate for them to enter into what are called provisional arrangements—an interim approach, so to speak. Indeed, that has consistently been the position that Australia has adopted in the Timor Sea—first of all with Indonesia under the so-called Timor Gap treaty, and then subsequently with Timor-Leste under the provisions of both the Timor Sea Treaty of 2002 and the CMATS treaty. Those treaties do not impact upon the rights and interests of other states, because it is only Australia and Timor-Leste which have an entitlement to the area of the seabed in the Timor Sea, so such an arrangement does not concern other states to that end. Obviously Indonesia is an interested party in terms of how those arrangements have been settled.

**Dr STONE:** That is right.

**Prof. Rothwell:** But the treaty as such does not seek to impact upon the rights and interests of Indonesia. Indeed, a basic provision of treaty law is that a treaty will not bind the interests of a third state which is not a party to that treaty.

**Senator MOORE:** I have a question about the interest in this area. Certainly there has been discussion going on about the whole interaction between Australia and East Timor since the original discussion around the 2002 treaty. So, in your area of expertise, is this an area that creates a great deal of interest from scholars and people in the industry?

**Prof. Rothwell:** Most certainly, and I think there are two principal reasons for that. One is that the history of the boundary arrangements that Australia has in place in the Timor Sea is, of course, particularly complex and reflects the changing nature of Australia's relations with, first of all, Indonesia and then Timor-Leste. I probably cannot think of any other equivalent situation in the world where one country—in this case, Australia—has had to enter into so many boundary treaties dealing with precisely the same body of water. So that in itself creates interest.

Secondly, the interest relates to the complexity of the arrangements that have been entered into. Joint development zones of the type that we see in the Timor Sea provided for in the 2002 treaty are not of themselves extraordinary; there are other examples of joint development zones around the world. But the joint development zone framework that has been established by effectively the three treaties that are currently in place—the 2002 Timor Sea treaty, the 2006 CMATS treaty and then the Sunrise unitisation agreement—is an incredibly complex

set of treaty arrangements in which those three treaties are closely interacted and there are amendments provided for under the 2006 treaty in terms of the 2002 treaty. So, for international lawyers interested in looking at these questions, yes, they are very interesting. And that is irrespective of the commercial and economic consequences arising from such complex sets of arrangements.

**Senator MOORE:** And there are a range of opinions?

**Prof. Rothwell:** Yes, most definitely, and obviously, because of the history and the background associated with the negotiations, first of all with UNTAET, in terms of its position between 1999 and 2002, and the strongly expressed positions of the East Timorese leadership about aspects of the treaty negotiations, this is not a treaty regime that can only be looked at solely from an international lawyer's perspective. One clearly needs to understand a range of other dimensions that are associated with it, in addition to the fact that, of course, one of the treaty parties is a newly formed state which has only recently become a member of the international community.

**Senator MOORE:** Thank you. I am tempted to ask for a reading list, Professor, but I will not.

**CHAIR:** As there are no further questions, we thank you for your attendance today, Professor Rothwell. If there are any matters on which we might need additional information, the secretary will write to you. We may need your assistance further on into the inquiry, no doubt. The secretary will send you a copy of the transcript of your evidence to which you can make any necessary corrections to errors of transcription. Thank you very much for your attendance here today.

**Prof. Rothwell:** Thank you, Chair.

**Proceedings suspended from 14:43 to 15:03**



**LARKINS, Ms Alison, First Assistant Secretary, Refugee, Humanitarian and International Policy Division, Department of Immigration and Citizenship**

**SCHIWY, Mr Simon, Assistant Secretary, International Cooperation Branch, Department of Immigration and Citizenship**

**CHAIR:** Welcome. Before proceeding to questions, do you wish to make a short opening statement?

**Ms Larkins:** I do not wish to make a short opening statement but just to say thank you for the opportunity.

**CHAIR:** We can go directly to questions. One issue is people smuggling and the involvement of Timor-Leste in the Bali process. Can you give us a background to that?

**Mr Schiwy:** We have funded Timor-Leste's participation in the Bali process and they have participated in a number of training programs. Our capacity-building work is designed to assist them in enhancing their capacity to manage migration. Those are two general statements, but there is not much more to say.

**Ms Larkins:** We there more specific questions that you had in relation to their engagement?

**CHAIR:** No, I was just curious about it.

**Senator MOORE:** In the wider debate around people smuggling East Timor is not brought up in the general discussion. In your submission there are cases in the wider Indonesia archipelago and so on that have had involvement, placement or landing somewhere in East Timor. Is it a big issue for East Timor?

**Ms Larkins:** No. It is not a big issue, and it is not a big focus of ours. In terms of capacity building we are doing similar things that we are doing in the region generally, which is focusing on improving migration systems and movement at the border, but in terms of the people smuggling issues we face as a country East Timor is a tiny proportion.

**Senator MOORE:** And you have no information to say that the smugglers are looking at East Timor as another outlet?

**Ms Larkins:** Not in any systematic way.

**Senator MOORE:** Is it more a mistake than a plan?

**Mr Schiwy:** I do not know about a mistake but, regarding the care arrangements we provide for East Timor to assist in the burden sharing, there is only one person currently under care as a regular migrant. In total, last calendar year, there were a about 30.

**Ms Larkins:** I am saying there is no evidence of it being an organised route.

**Senator MOORE:** The other issue with immigration and East Timor is that, in the various submissions of various government departments we have data about how many people of East Timorese background are living in Australia, and the areas they are most numerous—Sydney, Melbourne and Darwin. Do we have any ongoing issues around people on work visas or family reunion visas or any of those things? Is there a great number of East Timorese there, or are most of them people who have come to Australia and, over the years, taken out citizenship?

**Ms Larkins:** I am not aware of that.

**Mr Schiwy:** I do not have the details of citizenship, but I am aware that the last census recorded 9,226 people of East Timor descent. We can get the figures for you.

**Senator MOORE:** I would be interested to know the immigration status of that 9,226.

**Ms Larkins:** We can do that.

**Senator MOORE:** After the 2006 troubles there were questions about people—particularly those living in Darwin—and whether they would go back or stay. There was a lot of discussion around it. My understanding is that most people at that time decided to stay, and part of that was due to the expectation that they would stay and move towards getting citizenship if possible. That was the general public discussion. I would like to have a snapshot of where that has happened.

**Ms Larkins:** I will get you that.

**Senator MOORE:** We had a lot of discussion this morning with different places, including the embassy, about the seasonal workers program. We also had from the ambassador a clear statement that there would be no danger of East Timorese people absconding; they would return home because of links with family. Within your department is there any evidence of people who have disappeared or who are questionable about their overstaying?

**Ms Larkins:** We would have to look at overstay rates for East Timorese people, and we could do that. I would imagine it is very small.

**Senator MOORE:** If we can get that data it is just one more snapshot of the interrelationship between East Timor and Australia.

**Mr Schiwy:** The current figures as of April this year show about 28 East Timorese had a visa under the seasonal worker program, and 16 of those people with visas are working in Australia at this time.

**Ms Larkins:** We could give you compliance issues more broadly regarding the East Timorese.

**Senator MOORE:** More broadly—people have come over here for tourism and study; there has been some study going on all the time—where they fit as far as overstayers are concerned.

**Dr STONE:** We have had the Seasonal Worker Program for a couple of years, and specifically Islanders as well as East Timorese may participate in that, as far as I am aware. It is divided into horticulture, hospitality and tourism, which I suppose is the same as hospitality, and there was a fourth in terms of the areas in which they might work.

**Mr Schiwy:** The cane and cotton sectors, I believe.

**Dr STONE:** In terms of expanding those categories of potential employment, do they come about as a result of the skills shortages in Australia—people lobbying the government of the day? Is that how you might expand that? There are other jobs in other sectors besides those. We were told there are 1,500-odd places for those seasonal workers today, and the East Timorese are taking a tiny proportion of those and yet there is enormous unemployment—70 or 80 per cent—in Timor-Leste particularly with their young graduates and school-leaver people. Is the East Timorese government making some requests for an expansion into, say, child care, aged care, in-home nannying and that sort of thing?

**Ms Larkins:** Not that we are aware, but the policy responsibility sits with DEEWR, who I understand are appearing a bit later. That is a question best put to them because they are responsible for the sectors in which people can work. That is really a question for that agency. I am not aware of any representations by the government about which sectors the scheme would apply to, but they would know rather than—

**Dr STONE:** In effect, given huge unemployment in Timor-Leste and the huge skills shortage in Australia, it seems extraordinary that there is such a small proportion participating in the scheme. Obviously there are a lot of impediments, like the six months only before you have to move on. That is a major impediment if you are working in something other than picking cane. We will talk to DEEWR about that. In terms of the regional access quota, do you have any comment about that, where we might have a program specifically for Timor-Leste, looking at them as our nearest neighbour and as them having the highest unemployment in the region?

**Mr Schiwy:** In broad terms, the answer to your question is that Australia's skilled migration program is non-discriminatory. It is open to those from all countries to apply. The issue is being able to meet the conditions of the particular visa class that individuals are applying for. Having quotas is not consistent with that policy.

**Dr STONE:** We have chosen the Pacific in terms of our seasonal harvest workforce. We have not said that the Chinese can participate, for example, although they want to. So we do discriminate, I am sorry. We do have quotas—

**Ms Larkins:** Making a distinction between the rest of our programs and seasonal workers.

**Mr Schiwy:** Skilled versus—

**Dr STONE:** But we do have regional-specific programs and we say Vanuatu only or Tonga only. I think four countries may participate at this stage. Has there been any pressure on Timor-Leste to have a Timor-Leste-specific program?

**Ms Larkins:** Again, we are probably the wrong agency to ask. We do not have policy responsibility for it. We run the migration aspects of it, but DEEWR is the policy agency.

**Dr STONE:** I had better save my questions for DEEWR.

**Ms Larkins:** It is lucky they are after us!

**Senator MOORE:** In terms of work with the public sector of Timor-Leste, I would have thought that immigration would be one area where there would be a great desire from Timor-Leste. I have just spoken to the chair about whether I call it Timor-Leste or East Timor, so I will just swap between them. From where Timor-Leste is located, I would have thought that immigration would be something they would want to learn about—how they would establish their own systems. I know that is something that you have been working on. Could you

give me some idea about the long-term program? Is it your agency that does not have anything this year because of budget constraints? One of the agencies is not doing something this year because of budget constraints.

**Ms Larkins:** I think it is next year. We have been doing—

**Senator MOORE:** Next year you have not budgeted for it because of internal budget issues, but you do have a long-term plan to continue some developmental work so that people can be upskilled and learn how to set up their own immigration program—is that right?

**Ms Larkins:** Yes. It is a core part of the work that we do in that region working with other public services.

**Senator MOORE:** Can you tell us a little bit about how it is going? There is another country involved that has been working with them in this particular area—just how you work together, because I think it is an important element of nationhood to have your own immigration status.

**Mr Schiwy:** We have run for a number of years a program called the enhanced migration management program, for which we use the International Organization for Migration as a delivery agent. That has been successful in transiting the migration service, which used to be part of the police force, into its own entity, putting in place new legislation to support that new organisation and implementing personal statutes to define employment conditions of service et cetera—so establishing the institution to take forward the issue of migration. We have also run quite a number of training programs. Some of those are technically related—for example, document examination or investigations—and some of them are broader in terms of English-language training to increase their skills to enable them to participate with regional partners et cetera. Some of the English-language training is conducted in Australia, of three months duration, and some of it is conducted in-country in Timor-Leste. On top of that we also provide support to immigration service officials to undertake educational studies as well. It is quite a broad range of capacity building and establishing an institution, providing the legislation to take forward its roles and responsibilities and providing the skills for people within the organisation.

**Ms Larkins:** Through the Bali process, which is another regional forum, we are bringing officers together across countries in the region on a regular basis. That is an important capacity building set of work that we do.

**Senator MOORE:** Is there any special link between Darwin and East Timor of immigration stuff, seeing they are so close?

**Ms Larkins:** It really depends on the work we are doing, but, no, I do not think there is any specific link. People will come from a post overseas or from somewhere in Australia who will have skills relevant to the particular issue we are dealing with at the time.

**Senator MOORE:** It seems that a lot of our departments—we have had evidence today from a couple and I think there are two more to come—work on English-language training with their areas in East Timor. Is there any coordination of that? Defence talked about the fact that they are doing English training with people in East Timor, you are doing it and I think transport is as well. Is there any coordination between the different Australian departments about how this English-language training is working or who does it? I would imagine it is all contracted out.

**Mr Schiwy:** For us, I guess, we would engage through the International Organization for Migration, but we also have a presence at post that would be vetting the people offered the training et cetera. I cannot talk of a specific mechanism back here in Canberra, but at post level you would assume that.

**Senator MOORE:** And it is contracted out to other organisations to provide the training?

**Mr Schiwy:** IOM provide in-country in Timor-Leste. In Australia we use two universities; I think they are in Adelaide and Brisbane.

**Senator MOORE:** It is not internal?

**Mr Schiwy:** No.

**CHAIR:** The seasonal work program is quite small; do we keep records of whether East Timorese are using the 457 visa category at all?

**Ms Larkins:** We should be able to give you a breakdown of that, because we usually keep that by nationality. We will add that to the list of information that we will come back to you with.

**CHAIR:** That would help, because then we can get a picture of whether they are maybe using a different category or the 457 visa category.

**Ms Larkins:** Actually, we do have that information.

**Mr Schiwy:** For the program year 2011-12 there were five East Timorese who were granted 457 visas. For the year to date there have been fewer than five.

**Ms Larkins:** As a comparison, we have had 213 people here on a student visa for the same year.

**CHAIR:** It is actually quite small at the moment—even if you add the seasonal work program—isn't it?

**Mr Schiwy:** I think it totals around 1,500 people here on a temporary visa arrangement. In 2011-12 there were 1,111 visitor visas and a small number of temporary resident visas—80 in total—granted.

**Ms Larkins:** So yes, the number is up. It is small.

**CHAIR:** The one around work, which—

**Ms Larkins:** We will provide that to you.

**Senator MOORE:** Do we know what industry those five have gone to?

**Ms Larkins:** We can find that out for you.

**Mr Schiwy:** We do not have the detail here, Senator.

**Senator MOORE:** I am trying to think of a comparable nation.

**CHAIR:** In China and Vietnam, in the abattoir industry, there would be hundreds, I would imagine.

**Ms Larkins:** You would like a comparison?

**Senator MOORE:** I am thinking of one that would be relevant. China, because of its size, is so big, but somewhere like Samoa or Tonga.

**Mr Schiwy:** We could find a Pacific country.

**Senator MOORE:** Small countries in the Pacific area. In one submission there was a comparison of some of the import/export dollars. There was a table showing East Timor compared with Pacific nations. I would just like an idea of those numbers, because they are very small. Even allowing for the fact that East Timor is quite a small population, that number is particularly small. When you think of all those friendship groups that have links, you would think there would be people coming in and out all the time.

**Dr STONE:** That is the question I was trying to get to before. The problem is that they do not have the tertiary qualifications to be eligible for the holiday visa. The very restricted areas in which they might work excludes them from a lot of other work that is in Australia, such as in abattoirs and piggeries, which are more eastern Australian destinations for them. It is not targeted at meeting their particular skills, aptitudes or entry level requirements at the moment. That is why I suggest that we could look at a region specific (*indistinct*), but we do not do that. Yes, we do. So it is a DEEWR question.

**Ms Larkins:** It is a DEEWR question. In terms of a time frame, when would you like information by?

**CHAIR:** We will give you one day!

**Ms Larkins:** Next week?

**CHAIR:** The required amount of time you need. There is no rush. The secretary will advise you.

**Ms Larkins:** Thank you.

**CHAIR:** Thank you for your attendance here today. If there are any matters that we have discussed about which we need to contact you, the secretary will write to you. He will also provide you with a transcript of your evidence. So if there are any errors in transcription—I doubt there will be—feel free to advise of those. Thank you.

**Proceedings suspended from 15:22 to 15:36**

**BORTHWICK, Mr Stephen, Acting Executive Director, Aviation and Airports Division, Department of Infrastructure and Transport**

**CLARK, Mr Brenton, Assistant Director, Air Services Negotiations, Aviation Industry Policy Branch, Aviation and Airports Division, Department of Infrastructure and Transport**

**RETTET, Mr Paul, Executive Director, Office of Transport Security, Department of Infrastructure and Transport**

**CHAIR:** On behalf of the committee I welcome representatives from the Department of Infrastructure and Transport. Before proceeding to questions, do you wish to make a short opening statement?

**Mr Borthwick:** With your indulgence, Chair, I would like to make a short statement.

**CHAIR:** Away you go.

**Mr Borthwick:** First of all, thank you for the opportunity to appear today. Obviously, we have put in a submission. I will briefly address matters relating to our air services matters and hand over to Mr Retter to cover transport security issues. We have developed a strong working relationship with Timor-Leste in recent years facilitated by our embassy in Dili. In early 2012 we held air services talks with Timor-Leste aimed at establishing the inaugural set of bilateral air services arrangements between our two countries. We have now settled the English language text of that agreement and we have also settled the package of commercial entitlements to be exercised by airlines of both sides. We will be seeking to bring these air services arrangements into effect as soon as we can.

Airline services between Australia and Timor-Leste are currently provided by Airnorth, a Darwin-based Australian airline. In the absence of formal air services arrangements between us, the Airnorth flights are currently operated under charter flight permissions issued by the department. The establishment of formal air services arrangements between us will enable airlines such as Airnorth to transition from charters to scheduled services, providing greater certainty for airlines in relation to capacity, market access and regulatory approvals. Airnorth is currently the only airline providing regular passenger services between Darwin and Dili. The airline currently operates eight services a week, increasing to nine from next month.

In the 12 months to February 2013 around 42,000 passengers travelled between Australia and Timor-Leste. Passenger numbers have grown by an average of nearly 10 per cent per annum over the last five years. Around 80 per cent of the passengers are Australian residents travelling to and from Timor-Leste.

The Civil Aviation Safety Authority, one of our portfolio agencies, has also been engaged with its counterpart agency in Timor-Leste on matters related to capacity building and technical assistance. While no programs are currently underway CASA is considering the means by which it could provide support for an initial safety inspection regime and longer term technical training for aviation safety officers from Timor-Leste.

Airservices, which is another portfolio agency of the department and which manages Australia's air traffic control operations, currently engages with Timor Leste on a project aimed at providing its aeronautical authority with the ability to send flight plan messages that are compliant with international standards. The project includes providing access to a modern software platform that sends and receives by ICAO compliant messages such as notices to airmen, operational weather information and flight plans.

I now ask Mr Retter to address the transport security issues.

**Mr Retter:** Chair, with your indulgence I will just briefly address the matters which relate to the department's interaction with Timor Leste from a transport security perspective.

The department, through the Office of Transport Security, regulates the transport security of Australia's aviation and maritime sectors. The aviation sector is regulated under the Aviation and Transport Security Act and the associated regulations. The maritime sector is regulated under the Maritime Transport and Offshore Facilities Security Act and associated regulations.

Our formal mandate in OTS is to facilitate the development and maintenance of transport systems that are more secure against the threat of terrorism and other acts of unlawful interference. We do this by providing expert advice and regulatory oversight for the government. We work closely with both Australian and overseas transport industry participants. We also work closely with those countries and governments with whom we are connected by air and sea. There are 50 airports around the globe which facilitate direct flights to Australia every day. One of these airports is the Dili airport in Timor Leste.

OTS manages its bilateral transport security relationship with Timor Leste through the department's staff who are posted to the Australian Embassy in Jakarta. The department's engagement activities are closely coordinated

with the Australian embassy in Dili. Since formally establishing a relationship with Timor Leste in 2007, the department has conducted regular meetings utilising our Jakarta based staff and undertaken the delivery of a number of capacity-building projects designed to enhance aviation security effectiveness in Dili. We also conduct aviation security assessments at Dili airport on an annual basis.

The department's capacity-building program with Timor Leste has included targeted training and mentoring activities designed to strengthen capability within the Timor Leste civil aviation division in order to effectively plan, implement and regulate aviation security at the international airport in Delhi to a level consistent with that which is required under by ICAO standards.

The delivery of a capacity-building program by our Jakarta based staff has ensured and resulted in a cooperative relationship with senior transport officials and responsible ministers in Timor Leste. These officials have demonstrated a willingness to engage cooperatively with the department on transport security issues and to work together to address transport challenges and policy priorities.

As the relationship with Timor Leste matures, the department's intention is to review and adapt our current engagement activities with an increasing focus on mentoring to support the achievement of transport security requirements through regulatory reform and governance. Skills-based capacity-building activities will continue to feature in our program, which is developed in close consultation with the Timorese government. Currently we are working closely with the East Timorese government to deliver a suite of activities designed to build skills in designing and conducting emergency management training and crisis management in airport contingency planning in order to develop an emergency response capability at Dili airport.

**Mr Borthwick:** Chair, I also introduce Richard Batt who is from the Australian Transport Safety Bureau and who is available to answer questions on the cooperative activities which the ATSB undertakes with their counterparts in Timor Leste. There is an MOU between the ATSB and their counterpart relating to accident investigation. The main areas of cooperation covered by the MOU are activities such as investigation assistance and the provision of training. With that, we are able to answer any questions you may have. Thank you.

**CHAIR:** Thank you for that. You talked in your opening statement about 10 per cent growth each year. Is that projected to continue at that sort of rate? How do you see that maturing? Is some of that driven by the UN and Australian Defence Force personnel going backwards and forwards?

**Mr Borthwick:** We do not have any detailed forecasts. What we have tried to do in relation to our activities in catering for forecast aviation demand is to assume that level of growth going forward. There are a range of factors which you mentioned which will impact on that ongoing demand, but we are hopeful that, once we have a formal air-services arrangement in place which gives airlines certainty going forward, we might see some new entrants into the market, which will help facilitate growth, but we cannot be certain of that.

**CHAIR:** Presumably, that will facilitate competition, too, and the price of seats?

**Mr Borthwick:** Hopefully so.

**Dr STONE:** Obviously you are doing a great job in the country, particularly in Dili, training people. Does this involve bringing Timor-Leste officers and staff to Australia for periods of work experience or internship or traineeship?

**Mr Retter:** Yes it does. There have been a number of activities in our capacity-building programs which have involved East Timorese officials working either directly at the airport or with the civil aviation department, travelling to Darwin on a number of occasions but also more widely to other parts of Australia to work with our own Australian staff to give them some idea of the way in which a more mature regulator undertakes their business, to expose them to various skills and methods that we use at our airports and ports to give them some idea of what is going on.

**Dr STONE:** So have you got an agreement, an MOU or some sort of arrangement? What is the nature of that arrangement with the Timor-Leste government in terms of your training and capacity building?

**Mr Retter:** At this stage it is reasonably informal. I think that, over the period 2009 through to now, we have probably spent, on average, around \$80,000 per annum in very targeted activities. In formulating those activities, we do undertake assessments at Dili's airport. Those airport assessments tend to give us a feel for both the security environment and the capacity of the staff who work there. We then sit down with the East Timorese officials and work through some pretty targeted activities designed to bolster their skill sets and provide them with best practice. And, over time, we have seen a development in their policy, regulatory and on-the-ground security skills. I would have to say that that work continues.

**Dr STONE:** As to your \$80,000 or so a year—a little more when you are doing the evaluations—is that part of the AusAID budget or is that something separate that you have a line item for?

**Mr Retter:** There is a portion of that money that comes from AusAID. We also have another small bucket of money which is linked directly to last-port-of-call assessments, and we can draw from that bucket of money as well in terms of targeted activities to address a specific issue that needs to be addressed at, say, Dili airport.

**Dr STONE:** You mentioned terrorism as one of the things that you watch out for. What about smuggling? I am talking about drugs or types of tobacco or some other contraband. Are you also training the East Timorese to be vigilant about that? Or are you training up dogs or making some other assessment?

**Mr Retter:** I understand that those types of activities, if they are occurring, would normally be under the purview of AGD or border agencies. I am not in a position to give you any detail on that matter. In my experience, we have focused directly on the aviation requirements and not more broadly than that. In a previous life, when I was in Defence, there was a fair bit of interaction with the Australian Federal Police and other agencies, but that is going back a number of years.

**CHAIR:** Are there any other questions?

**Senator STEPHENS:** Yes, please. Is Dili the only international airport in Timor-Leste?

**Mr Borthwick:** I would have to check that, but that is my understanding.

**Mr Retter:** I can answer that: yes.

**Senator STEPHENS:** How many other airports are there?

**Mr Retter:** There are no active airports, per se. Going back a number of years, there were two other airports that were regularly used when the UN was in East Timor in large numbers, but those airports are no longer active per se—though I do understand, from anecdotes, that there are plans to redevelop the Suai airport, which is on the southern side of the country. But that is not the case at the moment. There is only one international airport.

**Senator STEPHENS:** Were those two airports used for international flights for the UN?

**Mr Retter:** In my time there, most if not all aircraft flying internationally—and I am going back as far as 2003—were flying into Dili, but I am aware that the other two airports that I am thinking of, Baucau and Suai, were operational and could have taken international flights at the time if required, though I would have to say that most of the flights that were flying in and out there were military.

**Dr Batt:** There were some unscheduled flights. For instance, there was a crash of a UN cargo aircraft, an Ilyushin Il-76, at Baucau in 2003 doing unscheduled cargo operations. The ATSB conducted that investigation.

**Senator STEPHENS:** I am interested really in the maintenance of the infrastructure. Senator Moore has asked several questions about the impacts of the UN withdrawing their presence from Timor-Leste and thinking, in Dili in particular, about some of their infrastructure. But some of this infrastructure is also quite important. Is there the capacity for Australia to assist Timor-Leste to maintain and promote activity into those regional airports as part of continuing economic development support?

**Mr Retter:** These are really good questions which perhaps are outside our purview directly. My personal experience is that one of the great challenges in East Timor is how the population moves around the country without access to air, but there is an additional problem, of course, which is the affordability of air services if you even had those airports open. In a sense, my personal view—and it is a personal view, not the department's view—is that they have come a long way since I was based there for 16 months in 2003-04, when the infrastructure was in very bad shape but was being progressively built up by the combination of efforts of various donor countries, including Australia, as well as the UN.

In recent times, that has started to bear some fruit and, hence, some optimism is apparent in the discussions anecdotally that I have heard between government officials in terms of where they might go and invest some of their moneys towards improving infrastructure. Whether that is aligned with other regional developments I am not aware.

**Senator STEPHENS:** If, as Dr Stone was suggesting, there was the opportunity for Australian foodstuffs to be provided during the hunger season in East Timor, would they have to be flown in to Dili or could they perhaps be taken as freight into these regional airports? Are the regional airports still operating?

**Mr Retter:** No.

**Senator STEPHENS:** They have ceased?

**Mr Retter:** They were closed in the middle of 2004 as the UN downsized at that time from about 5,000 to about 500. As I say, there is only anecdotal discussion of whether those airports will be reopened.

**Senator STEPHENS:** We have had a little discussion about security and illegal activities, whether it is tobacco or whatever—illegal goods or trade. You made some comments in your opening statements about where the department is focusing its collaborative efforts and support for Timor-Leste at the moment. Are there areas of concern to you from the Australian government's point of view that you are not being able to address?

**Mr Retter:** The first point I would make is that we work very closely with the Australian embassy in Dili and the ambassador there, who has, I think, a much greater holistic view of the needs of the East Timorese government in terms of where Australia might assist. From our perspective, and I am speaking now from a security perspective, I work closely with the ambassador in terms of where we direct our efforts, as do our staff, who are based in Jakarta but fly there often. From my perspective we are covering off on those things that need to be done. I could not speak from a wider perspective on that issue.

**Senator STEPHENS:** That is fair enough. On the issue of transport safety investigations, your submission suggests that Timor-Leste does not have the capacity to undertake those investigations themselves. That is absolutely fair enough. How does the ATSB mobilise in the case of an incident?

**Dr Batt:** I guess there are two aspects to that. One is that there is an aspect to our work that is very reactive. If there is an accident, whether it be in Australia or in our region, often in our region Australia will be involved. That has historically happened and will continue. To that extent we would have contact with our counterpart agencies and if there were a significant accident we would expect Australia and the ATSB to be requested to assist, as we have in the past. The ATSB has a program of regional engagement. We are only a small agency but we have an active program to work with our counterpart agencies to help them build some capability themselves. Often that is and only needs to be quite rudimentary, so, in the smaller countries, like Timor-Leste or south-west Pacific countries, it might be just one or two people who have some training and awareness of what the immediate response should be when there has been an aircraft accident, because they are the people close to the scene and need to contain the matter and take necessary actions perhaps in the first 12 to 24 hours and then contact us or other countries in the region for more ongoing assistance for the investigation.

**Senator STEPHENS:** What is the air traffic like over Timor-Leste? Is it busy? Are there a significant number of flight paths over Dili?

**Dr Batt:** That is an area on which I would defer to our Airservices Australia colleagues.

**Mr Borthwick:** I would have to take that on notice. We do not have a detailed understanding of traffic flows within Timor-Leste, in aviation terms. I am happy to take that on notice and provide you with some advice.

**Senator STEPHENS:** Would our air safety systems pick up a plane that went off a flight path as far north as Dili?

**Mr Borthwick:** As I said, we are not experts in the air traffic management side. I would have to take that on notice and get some advice from Airservices Australia.

**Senator STEPHENS:** Mr Retter, you referred to '50 international flights'.

**Mr Retter:** The number 50 was referring to the number of locations from where you can fly direct to Australia.

**Senator STEPHENS:** And Dili is one of those.

**Mr Retter:** Yes. And I think the number of flights, certainly commercial flights, in and out of Dili airport from Australia is about eight a week, and it will be nine from next month.

**CHAIR:** Thank you for your attendance here today. If there are any matters on which we might need additional information and question you have taken on notice the Secretary will write to you. We will provide you with a transcript of your evidence to which any necessary corrections can be made to errors in transcription.



**MADDEN, Ms Shannon, Branch Head, Department of Education, Employment and Workplace Relations**

**RODDAM, Mr Mark, Group Manager, Department of Education, Employment and Workplace Relations**

[16:00]

**CHAIR:** Welcome. Before we proceed to questions, do you wish to make a short opening statement to the committee?

**Mr Roddam:** I am pleased to provide the committee with information about Timor-Leste's involvement in the Pacific Seasonal Worker Pilot Scheme and the Seasonal Worker Program. The Seasonal Worker Program is the centrepiece of the Department of Education, Employment and Workplace Relations's involvement with Timor-Leste. The three-year Pacific Seasonal Worker Pilot Scheme, which concluded on 30 June 2012, tested whether a seasonal labour mobility program could contribute to the economic development of participating Pacific island countries through seasonal employment experience, remittances and training. The Seasonal Worker Program commenced on 1 July 2012 and builds on the Pacific Seasonal Worker Pilot Scheme in contributing to the economic development of participating countries. The program is ongoing for the horticulture sector and involves eight participating Pacific island countries and Timor-Leste. A small-scale three-year trial is also being undertaken in the accommodation, aquaculture, cane and cotton sectors in selected regions.

Timor-Leste was invited to participate in the pilot scheme during its final year, from September 2011, in a small-scale trial of labour mobility arrangements with accommodation providers in Broome, Western Australia. Twelve workers were recruited from Timor-Leste by three approved employers under the trial. The employers were pleased with the workers and at the time indicated their intention to recruit from Timor-Leste again during the 2013 season. Two of the three employers have had the workers return in 2013. In terms of the Seasonal Worker Program, Timor-Leste has been participating in that program since its inception on 1 July 2012. As at 30 April 2013, 28 seasonal workers have come to Australia from Timor-Leste collectively under the pilot and the Seasonal Worker Program. Of these, 26 have been employed in the accommodation sector and two in the horticulture sector.

Timor-Leste and DEEWR have worked together to develop labour-sending arrangements for Timor-Leste to send workers to Australia under the Seasonal Worker Program. As well a labour-sending unit in Timor-Leste, Timor-Leste has a labour attache based at the embassy here in Canberra who is very focused on the program. Both the labour-sending unit in Timor-Leste and the Timor-Leste labour attache in Canberra are efficient and responsive and have strong working relationships with Australian government officials. DEEWR has worked closely with Timor-Leste to develop relationships with Australian employers in the horticulture and accommodation sectors. For example, DEEWR has facilitated a marketing visit by the Timor-Leste labour attache to Australian employers in both the horticulture and accommodation sectors to promote Timor-Leste workers. Timor-Leste workers have now been recruited into both of these sectors, and the participation in the Seasonal Worker Program is increasing. Timor-Leste is proving to be a competitive participating country and has impressed Australian approved employers by supplying hardworking seasonal workers. We expect Timor-Leste's participation in the Seasonal Worker Program to continue to grow. My colleague Ms Madden and I are very happy to answer your questions about Timor-Leste's participation in the Seasonal Worker Program.

**Dr STONE:** We have had some suggestions that there could be a special regional access quota for Timor-Leste workers into Australia, in particular looking at the tertiary entrance qualifications needed. For example, a lot of 457 visas might be waived if people had skills in, say, something like an abattoir or the pig industry, because the numbers are very low given there is 70 per cent unemployment in Timor-Leste and there are a huge number of young people graduating from school with no jobs. Have you had any direct request from the Timor-Leste government or have you looked at something beyond just the Pacific islander Seasonal Work Program, which has only six-month work opportunities? At the moment it tends to be very high cost for the employer in Australia. When it was trialled in my part of the world it has been abandoned by the growers in the Swan Hill area because of the cost per worker being far higher than a local worker engaged.

**Mr Roddam:** We have had representations about expanding the number of industries under the programs both domestically and from international countries, and the industries you mentioned are among those. That is really a decision for government about whether they want to expand the program. What I would say is that obviously to expand into those industries would take it beyond a seasonal program. The horticulture industry as well as the industries that we are trialling have those defined seasons and an important part of that is the idea that workers come to Australia, work for that period and then go back and remit that money and make a contribution to their families and their communities. That is really the good news part of the program where we have seen people make a real difference to their lives with money they have earned working in Australia. We certainly have those

representations but it would take possibly a separate program or it would take this program down a different track. I am aware of other opportunities, though, through the system that Timor Leste have taken up, such as occupational trainee visas in Broome with pearling, and I am sure there are others as well. But we have had those representations.

**Dr STONE:** Is there a quota on the number of occupational traineeships?

**Mr Roddam:** That is administered by the Department of Immigration. I am not aware, sorry.

**Dr STONE:** There are a lot of Indonesian horticultural workers who come to southern Australia on these traineeships.

**Mr Roddam:** There may be. I am unsure of that.

**Dr STONE:** Given that if the object is remittance support, you would be able to remit even more if you had a more than six-month opportunity, and our international backpacker visas allow up to two years in Australia if you work in a regional area. They still require you to move on every six months, which is an issue we need to deal with in a policy sense in Australia too. It is early days, as you say, but we are really not doing much for the people of East Timor at this stage with the numbers coming in.

**Mr Roddam:** Numbers are growing and particularly the experience in Broome with the Timor Leste workers was a very positive one not only in terms of work ethic and how pleased the employers were with those workers but also the links they were able to establish with the local indigenous communities and the links they established with the Catholic Church as well. They were really an excellent part of the local community and the standard of how we like this program to work. Timor Leste is the only country that has the labour attache arrangement working on the program out of the nine participating countries that we have in the program. I think it is a real benefit to have someone based in Australia who is marketing on behalf of the workers. There are challenges in the program that we continue to work through. We have got a good relationship with the Timor Leste embassy here and we continue to work through those issues.

**Dr STONE:** When you say some working in accommodation, you mean hospitality, hotels and that sort of thing.

**Mr Roddam:** That is right.

**Dr STONE:** What proportion of women were there to men amongst the East Timor candidates?

**Ms Madden:** In the pilot scheme we had a 50-50 break-up in Timor Leste. I do not have the breakdown for the accommodation sector but under the program most workers from Timor Leste are in the accommodation sector and it is currently about 44 per cent female and 56 per cent male.

**Dr STONE:** Do you know how they are actually recruited back in Timor Leste? Is it a competitive field or are people chosen on the basis of some other criteria?

**Mr Roddam:** There is a work ready pool that the government maintains. For example, the first accommodation business that recruited workers was presented with a pool of perhaps around 30 workers and they then selected the best 12 they wanted from there. The idea with all participating countries is that we try to have the program extended to those that are unlikely to have work opportunities otherwise or would not have work opportunities otherwise. Often those outside the city areas and that sort of thing are what we encourage. We do not have enormous oversight of where they come from but that is what we encourage.

**CHAIR:** As we have no further questions, thank you for attending today. If there are any matters we might need additional information on, the secretary will write to you. The secretary will also send you a copy of the transcript of your evidence, to which you can make any necessary corrections to errors of transcription. Hansard may want to check details of what they have taken down concerning your evidence. Other than that, thank you very much.

Resolved (on motion by **Mr Griffin**):

That the committee authorise publication of the evidence given at the public hearing this day.

**Committee adjourned at 16:10**