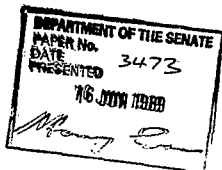


THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS



REPORT 297

MANAGEMENT OF THE ANTARCTIC DIVISION

Australian Government Publishing Service
CANBERRA 1989

Commonwealth of Australia 1989
ISBN 0 644 09910 0

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Antarctic Division**

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Ms C Conlan (from 30 Jan 1989)

Mrs A Garlick (until 30 Jan 1989)

DUTIES OF THE COMMITTEE

Section 8.(1) of the Public Accounts Committee Act 1951 reads as follows:

Subject to sub-section (2), the duties of the Committee are:

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth including the financial statements transmitted to the Auditor-General under sub-section (4) of section 50 of the Audit Act 1901;
- (aa) to examine the financial affairs of authorities of the Commonwealth to which this Act applies and of intergovernmental bodies to which the Act applies;
- (ab) to examine all reports of the Auditor-General (including reports of the results of efficiency audits) copies of which have been laid before the Houses of the Parliament;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

PREFACE

This report presents the Committee's findings following its inquiry into the management of the Antarctic Division.

At the beginning of 1988 the Division attracted some attention when the media reported allegations of irregularities in ship tender processes and certain payments. The Committee's initial interests were in the report of the Auditor-General into some of these matters. This led the Committee to examine the status of the existing charter party for the Division's main carrier, the MV Icebird, and fresh allegations regarding the Division's charter of the Lady Franklin for the 1988-89 season.

The Committee's findings were consistent with the results of other inquiries that followed the allegations in the media. These findings revealed a Division that had made significant headway with respect to financial, personnel and other management practices since the Joint Management Review of 1983. At the same time there had been an evident lack of attention to some of the processes and requirements expected of government agencies.

The Audit report recommended that greater attention be paid to obtaining legal advice and to adhering to the terms and conditions of contracts. The Division has accepted these recommendations and has demonstrated its compliance with regard to seeking legal advice and the arrangement of ship charters.

During the period of the inquiry the Committee was aware that the Division was subject to internal tensions. It was revealed that significant differences existed in the expectations of the former Department of Science and Technology and the current Department of the Arts, Sport, the Environment, Tourism and Territories.

The Committee moved further away from the allegations to examine the role of science in the Division and the level of resources available to the Division to achieve its purposes.

The Committee believed it was important for the Division to have an independent body to examine the scientific activities of the Division and recognised that the Antarctic Science Advisory Committee (ASAC) fulfilled part of that role. However the Committee believe the introduction of a wider cross-section of representatives on ASAC and a broader role for ASAC will provide a mechanism for better scrutiny and accountability of the Division's activities.

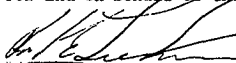
The Committee also believed that the Division's ability to arrange the most appropriate and relevant research programs will be enhanced by these changes.

It is clear to the Committee that the Division will need more resources to achieve ASAC's objectives. The question then becomes the degree of government commitment to the Antarctic program.

The Committee understood that the Division had a range of responsibilities but emphasised that it saw science as having a significant and important role. The Committee also recognised that environmental policy had an increasing role which would complement the role of science.

The Committee is vitally concerned about Australia's involvement in the Antarctic and wishes to see Australia's credibility maintained and enhanced by observing appropriate administrative environmental, safety and scientific programs that will demonstrate that commitment. To achieve the comprehensiveness of these programs requires good managers who will be sensitive to the accumulated knowledge of experienced expeditioners as well as the requirements of accountability provisions set by government and the Parliament.

For and on behalf of the Committee.



R E Tickner, MP
Chairman
8 June 1989

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RECOMMENDATIONS

The Committee has made a number of recommendations which are listed below, cross-referenced to their location in the text.

The Committee recommends that:

Funding

- . The Department of Finance give urgent consideration to providing additional resources to the Division. The Committee believes the Division's assessment of 20 staff and \$1.2m is a useful guideline for this task. (Paragraph 4.54)

Science

- . ASAC's terms of reference be altered as follows:
 - a. After 6 add:
 - 7. To advise the Minister, through the Secretary of the Department, on management matters in the Division when they have significant impact on the implementation of the scientific program.
 - b. In the concluding remarks delete:
 - b the management of the Antarctic Division. (Paragraph 5.18)
- . ASAC:
 - a. report to the Minister on the degree to which science should be conducted within the universities or research institutes as opposed to the Division but within ASAC's priority framework; the terms of reference should include ways in which scientific productivity can be increased; and
 - b. those recommendations should be implemented no sooner than two years hence and no later than five years hence. (Paragraph 5.60)

- . Consideration be given to the adoption of longer term appointments of scientists in line with the practices of the British Antarctic Survey. (Paragraph 5.59)
- . ASAC review, either by itself or through AREG, whether the results achieved by Antarctic researchers can be assessed for publication and establish a system by which publishable results are made available. (Paragraph 5.29)
- . The Department of ASETT supply ASAC with secretariat services and preclude Antarctic Division officers from those functions. (Paragraph 5.20)
- . The Director of the Antarctic Division be required to submit regular management reports to the Chairman of ASAC. (Paragraph 5.13)

Selection of Broker

- . The Department of Administrative Services or an appropriate inter departmental committee establish appropriate selection and ongoing review procedures for shipping brokers for vessels to be chartered by the Division. (Paragraph 3.54)

Staff Matters

- . The Director of the Antarctic Division continue to circulate information from Executive meetings to all Division staff especially directives to staff and policy changes. (Paragraph 4.26)
- . Directives issued by members of the executive, where applicable, be confirmed in writing. (Paragraph 4.26)
- . The Regional Consultative Committee or some mutually agreed alternative be the initial forum for raising and resolving staff/management issues. (Paragraph 4.26)

Lady Franklin

- Should the Lady Franklin be rechartered by the Antarctic Division Mr Schulz's allegations about the chartering process be subject to an independent review in order to resolve these issues once and for all. (Paragraph 3.38)

CONCLUSIONS

The Bonus Payment

The Committee found that there were no attempts to conceal the matter of the bonus payment from the Government auditors but that there was a lack of observance of contractual responsibilities on the part of the Division officers which generated perceptions of misconduct. (Paragraph 2.20)

Overtime

The Committee found that the payment of a flat annual overtime payment was a legitimate payment but that the circumstances leading to that arrangement were matters of concern in that there was a lack of administrative care with regard to the checking of claims and the definition of contractual obligations. (Paragraph 2.32)

Fruit and Vegetable Contract

The Committee found that there was insufficient evidence to confirm that the contract was not managed at arms length. The Committee did find that there was a lack of clear written direction from senior management and a resultant confusion as opinions differed on what were correct and appropriate courses of action. (Paragraph 2.39)

The Icebird Contract

The Committee believes its concerns were well founded as it was possible that the Icebird could have been withdrawn from service to the Division. The Committee considers that had the contract been properly entered into with appropriate legal advice and had the developments in the Icebird companies been properly monitored the unnecessary confusion and difficulties encountered would have been avoided. (Paragraphs 3.17 and 3.18)

The Lady Franklin

Evidence before the Committee indicates that the Lady Franklin complied with the relevant safety and shipping codes for the purposes for which she was chartered. The damage caused to ships in the Arctic and Antarctic regions in recent times only serves to remind the community and the Division that there must be complete compliance with respective safety regulations and that appropriate procedures are clearly stated in written instructions that include the operational limitations of the relevant vessel. (Paragraph 3.39)

Chapter 1

INTRODUCTION

Antarctica

1.1 The continent of Antarctica lies almost entirely within the Antarctic Circle (at 66°33'S). It is covered by 90 per cent of the world's ice which has an average thickness of about 2 000 metres. Scarcely five per cent of this land mass is without permanent ice or snow and only the coastal rock outcrops and highest mountain peaks project through the ice sheet¹.

1.2 The weather conditions in Antarctica are more extreme than anywhere else in the world. The seas around the continent freeze over each winter. The ice breaks up each summer allowing access to Australia's continental stations for a short 'summer window' each year². In the region of the South Pole about seven centimetres of snow accumulates annually and it has an annual mean temperature of -49° C. In May 1983 the world's lowest temperature (-89.6° C) was recorded at Vostok in the Australian Antarctic Territory³. Wind conditions are also extreme with blizzards of up to 200 kilometres per hour in Australia's area of inland operation⁴.

1.3 The Australian Antarctic Territory (AAT) has an area of approximately six million square kilometres⁵. This includes the sub-Antarctic Territory of Heard and McDonald Islands. This represents an area approximately the size of Australia less Queensland⁶. Australia's territorial claim of the mainland is 42 per cent of the land mass, and Australia is a claimant state along with six other nations. The USA and USSR are not claimant nations and do not recognise the territorial claims.

-
1. A visitor's introduction to the Antarctic and its environment, Antarctic Division, Department of Science, AGPS, Canberra, 1986, p.2.
 2. Joint Committee of Public Accounts, Management of the Antarctic Division, Minutes of Evidence, p.7.
 3. A visitor's introduction, op.cit., p.2.
 4. Minutes of Evidence, op.cit., p.7.
 5. An introduction to Australian Antarctic Division, Antarctic Division, Kingston, Tasmania, July 1987, p.7.
 6. Ibid.

1.4 The extremes of the continent and its unpredictable nature, sometimes referred to as the 'Antarctic factor', demand a requirement for special management.

The Antarctic Division

1.5 The Minister for the Arts, Sport, the Environment, Tourism and Territories has responsibility for:

- a. the administration of the Australian Antarctic Territory and sub-Antarctic Territory of Heard Island and the McDonald Islands; and
- b. the following enactments relating to the Antarctic:
 - . Antarctic Marine Living Resources Conservation Act 1981;
 - . Antarctic Treaty (Environment Protection) Act 1980 (including the Antarctic Seals Conservation Regulations);
 - . Antarctic Treaty Act 1960;
 - . Australian Antarctic Territory Acceptance Act 1933;
 - . Australian Antarctic Territory Act 1954;
 - . Heard Island and McDonald Islands Act 1953⁷.

1.6 Within the Department of the Arts, Sport, the Environment, Tourism and Territories (DASETT), the Antarctic function is carried out principally by the Antarctic Division. The Division was set up in 1948 in the then Department of External Affairs to formalise an interdepartmental arrangement for the co-ordination of Australian National Antarctic Research Expeditions (ANARE) and has since been part of nine different departments⁸.

1.7 In addition to the administration of the statutes above the Antarctic Division is involved, with other government agencies, in the oversight of Australia's objectives in Antarctica which have been summarised as follows:

7. Minutes of Evidence, op.cit., p.9.

8. Ibid, p.10.

- . to preserve our sovereignty over the AAT, including our sovereign rights over the adjacent offshore areas;
- . to maintain Antarctica free from strategic and/or political confrontation;
- . to protect the Antarctic environment, having regard both to its special qualities and its effects on our region;
- . to take advantage of the special opportunities Antarctica offers for scientific research;
- . to be informed about and able to influence developments in a region geographically proximate to Australia; and
- . to derive any reasonable economic benefits from the living and non-living resources of the Antarctic⁹.

1.8 Since the Committee ended its series of hearings the Government has decided to reject the proposed Antarctic minerals convention. Following requests from the peak conservation organisations the Minister for ASETT has agreed to reconsider the statement of policy interests above as the sixth policy interest might be misconstrued to endorse mining¹⁰.

1.9 The Antarctic Division's head office is in Kingston, Tasmania. Smaller, specialist groups of the Division are located at the University of Tasmania, Hobart (Cosmic Ray Physics) and the University of Melbourne (Glaciology)¹¹.

1.10 The Division maintains three permanent stations on the Antarctic continent:

- . Mawson, the furthest away, is about 5 450 kilometres from Hobart;
- . Davis, about 4 710 kilometres away; and
- . Casey, about 3 421 kilometres away¹².

9. Ibid, p.8.

10. PAC file 1988/5 B(9) Part 10, Document 60.

11. Ibid, p.10.

12. Office of the Public Service Board together with John P Young and Associates (Qld) Pty Ltd, Joint Management Review into the Antarctic Division of the Department of Science and Technology, December 1983, p.120.

1.11 A permanent station is also maintained at Macquarie Island 1 544 kilometres from Hobart although the island is formally part of Tasmania¹³. Over summer, up to three major field bases and smaller field camps have operated in the AAT. Each station is designed to operate unrelieved for up to two years¹⁴.

1.12 The Antarctic Division is one of six Divisions in DASETT. Its current structure provides for a Director supported by the heads of five branches, viz: Projects and Policy, Operations, Science, Polar Medicine and Resource Management¹⁵.

Reviews of the Division

1.13 For over a decade the Division has been subject to a series of reviews, studies or reports. Some of these reviews have dwelt on the scientific committees and work beginning with the Advisory Committee on Antarctic Research in 1974 to the Senate Standing Committee on Natural Resources' inquiry on 'The natural resources of the Australian Antarctic Territory' in 1985. Other parliamentary inquiries have been conducted by the Public Works Committee into the rebuilding program. However, the administration and management of the Division has not been subject to parliamentary review.

1.14 There have been a series of administrative reviews looking at staffing structures, selection and management procedures and equipment needs. The major review in this series was the Joint Management Review (JMR) of 1983 with the subsequent Implementation Report of the Joint Management Review recommendations in 1986.

1.15 A significant development with the JMR was the use of consultants to conduct the review and this has been a pattern over the last five years for other reviews.

1.16 The JMR report noted that the Division had a history of managerial and operational problems exacerbated by:

- the constraints of Antarctica itself;
- the move, in 1981, of the Division's Head Office from Melbourne to Kingston, with a consequent loss of experienced staff; and

13. Minutes of Evidence, op.cit., p.11.

14. Ibid.

15. Ibid, p.10.

. an increasing level of complexity of operations¹⁶.

1.17 It is also probable that the constant surveillance of the Division has contributed to a sense of instability felt by staff.

1.18 Because of the nature of the Division's functions and the extreme conditions under which its major operations are conducted, a high degree of co-operation and sound personal relations are necessary to the success of the Division's tasks.

1.19 A major object of this inquiry was to ensure that allegations concerning management and stewardship issues were thoroughly investigated and that the Parliament be assured that the management of the Division was on a sound footing. The Division will then be able to more effectively carry out its vital responsibilities with the full confidence of all those who share its commitment to Antarctica including, we stress, the members of this Committee.

Overview of the Inquiry

1.20 The inquiry into the management of the Antarctic Division stemmed from a series of allegations reported in the press and the reaction to those reports.

1.21 The allegations in the press included:

- . Antarctic Division officers may have tried to conceal from Government auditors a bonus payment of more than \$100 000 to one ship owner;
- . Antarctic Division agreed to pay the same company a flat annual overtime payment of about \$105 000 while another had to submit detailed claims for only small overtime payments for its ship's crew;
- . a series of bills lodged by one shipping company was paid, despite recommendations by the Division's accounting staff that the claims were unjustified and should be rejected;
- . a tender for the replacement ship for the Nella Dan was substantially altered and that insufficient information was presented to Cabinet about alternative tenderers; and

16. Joint Management Review, op.cit., p.1.

- . concern over the use of a commercial broker rather than a formal tender board for the replacement ship.

1.22 The Australian Audit Office conducted an audit into certain payments to ship owners. The Australian Federal Police investigated allegations that tenders had been altered and DASETT appointed a committee to review the tendering process for the Antarctic replacement vessel in March 1988.

1.23 The Committee decided on 27 April 1988 to inquire into the management of the Antarctic Division, especially in relation to the tender procedures for ship charter services. The terms of reference are at Attachment A.

1.24 In the course of the inquiry a number of additional issues arose which broadened the scope of the inquiry. These were:

- . discerning the relationship between the Icebird related companies;
- . allegations that a ship chartered by the Division for the 1988-89 season was unsafe; and
- . the circumstances surrounding the retirement of the Director of the Division on 2 December 1988.

1.25 The inquiry focused on two major public administration issues:

- . the debate on management and accountability; and
- . the location of an organisation with international, logistic and scientific responsibilities in a Department with a disparate range of responsibilities.

1.26 The Committee hopes that this report will provide guidelines for accountable management and will achieve the provision of additional resources that will set the Division on a firmer foundation over the next decade and beyond.

1.27 The Committee held nine public hearings during the course of the inquiry. The two days of hearings held in Hobart were combined with an inspection of the Division's headquarters at Kingston and of the vessel MS Icebird. One public hearing was held in Sydney. The remainder of the hearings were held in Canberra.

1.28 A list of the organisations and individuals who provided written submissions as well as details of the Committee's hearings are at Attachments B and C.

Chapter 2

AUDIT INVESTIGATIONS

The Bonus Payment

2.1 Unsourcesd allegations were reported in the media that Antarctic Division officers may have tried to conceal from Government auditors a bonus payment of more than \$100 000 to one ship owner. The Committee sought a response to this allegation from the Division. The Australian Audit Office investigated this claim as part of its audit of the Division in May/June 1988. The Division pointed out that it was assumed this allegation referred to a payment incurred upon the early delivery of the German vessel Icebird.

2.2 The first charter party with the owners of the Icebird dated 18 May 1984 was for one year only and incorporated a provision in clause 58 for a bonus payment if the Icebird was delivered to Capetown by 30 October 1984, viz:

Clause 58:

In consideration of Owners delivery in Australia or Capetown on or before midnight (local time) of the 30th of October, 1984 the Antarctic Division of The Department of Science and Technology agree to pay a premium of US\$500.00 per day or pro-rata for the whole period of the Charter for 1984/85 Season only, payable monthly with the hire as earned.

Should the vessel not deliver by the 30th October, 1984 then Charterers have the option of cancelling the Charter as per Clause 22, however, should the Charterers decide to maintain the vessel then the above premium not to apply¹.

1. PAC file 1988/5 B(9) Part 1, Document 3.

2.3 The daily rate for the first charter of Icebird was US\$18 250 per day. The charter party provided for payment of a premium which would have amounted to US\$75 000 for the 150 days of the charter or a daily rate of US\$18 750. The premium was to compensate the then owner, Mr Guenther Schulz, for additional expenses incurred during construction, particularly overtime costs, in meeting the very short delivery time imposed by the Antarctic Division².

2.4 The vessel was ultimately delivered at 0900 hours on 2 November 1984, ie 57 hours late. However, on 28 November 1984 the owner claimed the premium on the grounds that delays of 72 hours had been incurred through extra requirements placed on the owner by the Division after the charter party had been signed. The claim was accompanied by the comment:

the following has been discussed with Whitelaw (Assistant Director, Operations) and Bleasel (Acting Director) who are in general agreement with the facts as presented³.

2.5 An internal minute in the Finance section of the Division dated 6 December 1984 expresses the initial reaction of the Division to the claim. The following four points were made:

- . on the basis of charter party clauses, commercially we have a clear option not to pay the damages (bonus);
- . because of our cargo loading and required changes there is probably a moral case for damages. In these circumstances we would revert to an ex gratia payment;
- . Wesfarmers (the shipping brokers) opinion is that commercially no damages are payable but considering the whole charter and efforts made there would be some moral commitment; and
- . it would be expedient to make an offer per diem against clause 58 given the time the charter was finalised, changes the Division caused to the schedule and the good faith shown by the owners in producing the goods⁴.

2. Minutes of Evidence, op.cit., p.183.

3. PAC file 1988/5 B(9) Part 1, Document 3.

4. Ibid.

2.6 Over four months elapsed from the time the claim had been made without any reaction from the Division and at this point there developed a shift in the Division's reasoning for desiring to pay the bonus. In April negotiations were under way for a further charter of the Icebird for a five year period. The owner raised the issue of the premium and stated that the price offered for the new charter was conditional on a five year charter and payment of the bonus.

2.7 The Antarctic Division's aim was to ensure that no cost penalty for non-payment of the premium was built into the second charter price as this would increase the base price on which possible future charges would be negotiated. The negotiations therefore proceeded on the basis that the premium would be paid⁵. This view was supported by the parent department of Science and Technology⁶.

2.8 On 8 May 1985 the Division sent a letter to the Director, Finance, in Australia House, London requesting the bonus payment be made and reiterating Mr Schulz's claim as the basis for that payment. The reaction of the Counsellor (Purchasing) at the Australian High Commission in London, the administrator of the contract, was that the payment was precluded under the provisions of clause 58 of the contract. In addition, no real support could be given to an agreement reached between the owner and the Division as it had been made in retrospect and without reference to London as administrators of the contract.

2.9 At the request of the Division, the Department of Science and Technology requested assistance from the Department of Finance in finding a mechanism for making the bonus payment. The Department of Finance suggested that the payment be made using a form OA2 which meant that the Division took responsibility for the validity of the claim. The payment was made in this manner in June 1985.

5. Minutes of Evidence, op.cit., p.184.

6. Ibid, p.186.

2.10 When Audit came to review the payment in May 1988 it stated:

Audit considers that the payment was contrary to Clause 58 of the Charter agreement and that the Division should have sought legal advice on its liability to pay the bonus, especially given the advice received from the Administrators of the contract. Audit notes the timing delay between the claim for the bonus (27 November 1984) and the negotiations for the next charter (April/May 1985). Audit considers that it would have been open to the Division to seek timely legal advice⁷.

2.11 The Australian Government Solicitor (AGS) in Hobart when asked to comment on Audit's report stated that:

whilst you (the Division) were not obliged to make the payment there are moral grounds for not taking advantage of the owner's failure to request the necessary extension⁸.

2.12 In a minute dated 23 August 1988⁹ to the Deputy Secretary of DASETT the then Director of the Division, Mr Bleasel, stated that he considered Audit's criticisms to be unreasonable given that the AGS considered the payment as legal and morally justifiable and that the Deputy Secretary, Department of Science, had instructed the payment.

2.13 In its September 1988 report to the Parliament, Audit noted:

that in the event the Division did not seek approval to make the payment as an act of grace but made the payment on the basis that the provisions of clause 58 had been fulfilled, when this was not the case¹⁰.

2.14 The Committee's concerns with this issue were twofold: the exercise of appropriate administrative procedures and the Division's attitude to legal documents.

7. PAC file 1988/5 B(9) Part 4, Document 12.
8. Ibid.
9. PAC file 1988/5 B(9) Part 5, Document 20.
10. The Auditor-General, Report on audits to 30 June 1988, September 1988, Canberra, AGPS, 1988, p.22.

2.15 The Committee believed these claims should have been paid in another way rather than by means of the bonus payment if the bonus clause was not amended. The Committee considered that there was justification for a management decision to make the bonus payment but it had serious doubts about the methodology employed.

2.16 The view of the Committee was that appropriate administrative procedures were not employed in arranging for extra cargo loading and arrangements with the ship owner. There was evidence that in late September 1984 Mr Schulz, the ship owner, indicated concern about the volume of extra cargo. There is also evidence that officers of the Division attempted to formalise some of the extra requirements with Mr Schulz but without success. There was evidence that in October 1984 Mr Schulz raised the question of the bonus with the Director. Mr Schulz's claims were investigated but there is no record of the scope or findings of this investigation and no attempt was made to alter the charter party or inform the High Commission of possible difficulties.

2.17 The Committee's further concern was with the attitude of the Division to legal agreements. The officers of the Division, the brokers, the Auditor-General and the AGS all agreed that on a strict legal basis there was no provision for payment of the bonus. No legal basis was provided to justify the payment - it was the moral argument that was the justification:

Dr Hewson - I put the proposition that the bonus claim in itself had absolutely no validity on the basis of the evidence that we have got ... It only got some sort of secondary validity when it was made a key element of the negotiation process for the second charter. Could I have your comments on that?

Mr Bleasel - I think that is much closer to it actually¹¹.

2.18 The Committee believed that had the contract provisions been administered properly the consequent difficulties in finding a legal or justifiable payment may have been avoided. Moreover the Committee believed that the delay in dealing with Mr Schulz's claim altered the basis for the negotiations for the second charter of the Icebird to a point where the Division was forced to consider the bonus payment in conjunction with the charter rate. The Committee also believed that the delay prevented the Division from considering alternative methods of paying the bonus¹².

11. Minutes of Evidence, op.cit., p.341.

12. Ibid, p.342.

2.19 There was widespread belief that there was a moral justification for the bonus payment.

2.20 In conclusion, the Committee found that there were no attempts to conceal the matter of the bonus payment from the Government auditors but that there was a lack of observance of contractual responsibilities on the part of Division officers which generated perceptions of misconduct.

Overtime

2.21 An allegation was made that the:

Antarctic Division agreed to pay the same company a flat annual overtime payment of about A\$105 000 and indexed for inflation, while another had to submit detailed claims for only small overtime payments for its ship's crew.

The Committee sought a response to this allegation from the Division, and the Audit Office also investigated this matter.

2.22 The first charter of the Icebird provided for all overtime worked by the ship's officers and crew to be incorporated in the charter rate for each day. In other words there was no separate overtime charge. The second charter of the Icebird provided:

Clause 47:

..... Charterers are to indemnify Owners for two thirds of the crew's overtime as a full compensation for all requirements caused by discharging and loading at stations, working the workboat and any other work wanted by Charterers This overtime to be paid for all persons other than the Officers¹³.

2.23 The overtime bills for its first three seasons under the second charter were as follows:

1985/86	A\$ 97 905
1986/87	A\$ 167 128
1987/88	A\$ 101 487 ¹⁴

13. PAC file 1988/5 B(9) Part 3.

14. Minutes of Evidence, op.cit., p.190.

2.24 The rate for 1987/88 reflects a flat fee overtime arrangement concluded after some concerns were raised by the Division at the escalation in overtime accounts in the second season 1986/87.

2.25 The Department's submission indicated that the Division was

not happy with the situation outlined and took positive steps to remedy the problems. When the concerns were raised with the Owners it was requested that Icebird adopt the scheme used on Nella Dan, which had been proved to operate successfully. The Owners indicated that Icebird's operating company was moving towards a flat rate overtime package for crew members and put a proposal to the Division that a flat rate overtime fee be paid¹⁵.

2.26 Before discussing the revised rate of overtime it is necessary to point out two major problems. Firstly, referring to the actual overtime worked, Audit was

unable to locate any evidence that the Division had analysed the increase in overtime hours. It was also noted that overtime claims for the Icebird were not supported by adequate evidence that the overtime was actually worked¹⁶.

2.27 The second problem was determining what actually constituted overtime. The Logistics Manager in the Division was aware of problems with the overtime before writing the Voyage Leaders brief in August 1987 and asked clarification of certain points from the Deputy Director. The correspondence indicated fundamental differences in interpretation of clause 47 of the charter including the problem that the radio officer was being paid overtime when officers were precluded from overtime payments by the charter. It is significant that it took the Division more than two years since the charter party was signed for the details of clause 47 to be clarified.

15. Ibid.

16. The Auditor-General's report, September 1988, op. cit., p.22.

2.28 Audit concluded that the negotiations on the flat rate may have been impaired by the failure to challenge previous overtime claims¹⁷. The Division has not addressed this problem in its responses to the Committee or Audit but has concentrated on the positive nature of the new arrangement and the savings realised by the Commonwealth in that arrangement. It has indicated however that investigations are underway to determine whether the flat rate arrived at is a reasonable figure¹⁸.

2.29 The Division has also continued to seek a recovery of money paid for overtime worked by the radio officer.

2.30 The Committee is concerned with the substance of Audit's findings that fundamental accounting procedures of checking that work was actually performed and that supporting documents were actually in order were not carried out. The Committee is also concerned that legal documents such as the charter party could be prepared by the Division or at least in conjunction with the Division without those who were responsible for administering the contract understanding the correct interpretation of its clauses.

2.31 The Committee has doubts whether the original method of paying overtime was satisfactory and has serious doubts about the administration of the overtime claims that left too many questions unable to be answered.

2.32 The Committee found that the payment of a flat annual overtime payment was a legitimate method of payment but that the circumstances leading to that arrangement were matters of concern in that there was a lack of administrative care with regard to the checking of claims and the definition of contractual obligations.

Fruit and Vegetable Contract

2.33 The Committee inquired into the circumstances of a fruit and vegetable contract let to Stokes and Hammond for a three year period from August 1986. The submission of Mr Dannock, a Division officer contributing as a private citizen, raised a series of concerns that suggested normal Commonwealth procurement procedures had not been complied with.

17. Ibid, p.23.

18. PAC file 1988/5 B(9) Part 4, Document 12.

2.34 As background to this issue it is important to note that the supply of fresh fruit and vegetables to Antarctic bases is critical to morale as well as health. It is also important to note that for over ten years there had been problems with the supply of these items¹⁹.

2.35 The concerns were part of a list of concerns passed to Audit while it was examining ship chartering matters and were thus not investigated by Audit but referred to the Department. Rather, they were investigated by the Director, Internal Audit, DASETT. His inquiry concentrated on compliance with procurement procedures.

2.36 The conclusion of the Internal Auditor was that there were two major problems²⁰. Firstly, some fruit and vegetables had been supplied to the Antarctic bases in a manner which did not meet the requirements of the contract. The Internal Auditor established that in trying to solve the problem the Antarctic Division did not comply with the Commonwealth procurement procedures when it purchased some fruit and vegetables from W Chung Sing and Co Pty Ltd rather than Stokes and Hammond for the 1987/88 summer expedition season.

2.37 Secondly, the Antarctic Division did not satisfactorily discharge its responsibility to accept or reject the fresh fruit and vegetables delivered by Stokes and Hammond (to the ship), or to ensure that the packaging and transport of the fresh fruit and vegetables both from Stokes and Hammond to the ship and on the ship from Hobart to the bases was adequate.

2.38 The Committee notes that the Division has moved to rectify the problems in the fruit and vegetable contract. The Division has developed improved arrangements for the transport and storage of fresh fruit and vegetables. The Division has also sought DAS advice in the event of doubts over procurement action and has invited DAS staff to address Division staff on purchasing matters²¹.

2.39 The Committee found that there was insufficient evidence to confirm that the contract was not managed at arms length. The Committee did find that there was a lack of clear written direction from senior management and a resultant confusion as opinions differed on what were correct and appropriate courses of action. (Paragraph 2.39)

19. Minutes of Evidence, op.cit., p.291.

20. PAC file 1988/5 B(9) Part 8, Document 44.

21. Ibid.

Chapter 3

SHIP CONTRACTS AND CHARTERING

The Icebird Contract

3.1 The Icebird is a modern Antarctic vessel, conforming to the latest international safety codes. She has been the main carrier for Australia's Antarctic program since the 1984-85 season. The first charter for the vessel was for one year only and was signed on 18 May 1984. The second charter was signed on 27 May 1985 for a five year period.

3.2 The Committee's investigation of the bonus and overtime issues revealed other matters in the Icebird contracts that appeared to be irregular or invited questioning. The name of the owning company on the charter party for the Icebird had changed twice in the space of one year and the signatory for the Icebird companies, Mr Schulz, was apparently no longer a member of those companies yet had maintained a considerable influence in Hobart on matters affecting the Icebird.

3.3 The first question put to the Division at the hearing in Hobart on 11 July 1988 was about the ownership of the Icebird¹. Mr Moncur was able to tell the Committee that the Commonwealth had 'a charter arrangement with an operating company' and that this company was Antarktis und Spezialfahrt Schiffahrtsgesellschaft GmbH², hereinafter called ASS. When asked about the owners of the company Mr Moncur said 'I do not think I can answer that in detail in fact, I am not even sure that we have current accurate information within the Division'³. This evidence was of considerable concern to the Committee in view of the crucial role the Icebird played in the Division's Antarctic program.

1. Minutes of Evidence, op.cit., p.249.

2. Ibid.

3. Ibid, p.250.

3.4 The issue of the name of the owner of Icebird in the charter party was raised in the Committee's hearing of 5 October 1988. Mr Nehl questioned representatives of the broking firm South West Chartering on their advice on the charter saying:

you advised us, the Commonwealth, to sign a charter, a contract, with somebody who does not have any right to sign the contract. Am I wrong in saying that?

Mr Byrne -

No, as events have turned out, I think that is probably correct⁴.

3.5 The Chairman pursued this issue and asked:

..... so far things have worked out without a legal dispute arising? What would happen if the owners decided to walk away? What is there to protect the Commonwealth's interests? If there is something, would you please tell me.

Mr Byrne -

We have a contract with someone who is not the party that he purported to be at the time. In that situation which you have mentioned, the charter is incorrect. I agree with you on that point⁵.

3.6 It also appears that Mr Schulz knew that the charter party was incorrect. In evidence on 5 October 1988 he said,

..... When you sign a contract on your own and you make a subsequent agreement to manage it for others then you should have 'TC' inserted.

Chairman -

Did you ask Wesfarmers to do that?

Mr Schulz -

I overlooked that and I see today I should have done that⁶.

4. Ibid, p.643
5. Ibid, p.649.
6. Ibid, p.839-40.

3.7 The contract for the Icebird was for a five year period and the estimated costs for chartering the vessel for the 1988-89 season alone were A\$7.7m⁷. The Committee was concerned about the contract on the following grounds:

- . the status of the contract was unclear. If a conflict were to occur between ASS and Partenreederei MS Icebird, who were understood to be the owners of the vessel, it was unclear who had obligations to the Commonwealth;
- . the charter was not adjusted after request to do so and nor were attempts made by the brokers or the Division to ensure the request was carried out; and
- . there was no recorded legal input to the charter.

3.8 South West Chartering reminded the Division in a telex of 18 July 1988 that the first Icebird charter party had been cleared with the Legal Section of the Department of Science and Technology which had raised three minor points⁸. In their submission to the Committee of 22 July 1988 South West Chartering pointed out that approximately 95% of the second Icebird charter was based on the first and that 'it could be reasonable that further legal scrutiny was not deemed necessary'⁹.

3.9 South West Chartering also pointed out that due to the large amount of case law built around charter parties it was not normally considered necessary to have any legal review of the document prior to signing¹⁰.

3.10 They further pointed out that in the event of disputation nearly all charter parties call for those disputes to be referred to Arbitration. Moreover the shipping industry tried to settle disputes amicably without legal intervention and on the basis of the integrity of its fraternity.

3.11 The Committee, having registered its concerns about the status of the contract and unable to receive satisfactory answers, became privy to documents and details of negotiations to determine the nature of the contract. Indeed, the Committee was met with disturbing and conflicting evidence from both the Partenreederei MS Icebird, the owning company, and Mr Schulz on behalf of his various involvements with Icebird-related companies. This line of inquiry was thus prolonged unnecessarily.

7. PAC file 1988/5 B(9) Part 5, Document 25.

8. PAC file 1988/5 B(9) Part 4, Document 12.

9. Minutes of Evidence, op.cit., p.604, PAC file 1988/5 B(1).

10. Minutes of Evidence, op.cit., p.603-4, PAC file 1988/5 B(1).

3.12 The documents submitted to the Committee and some of the subsequent negotiations are not a concern of this report as not only are many of those documents commercial-in-confidence but distract from the purposes of the inquiry to investigate the Division's management of these issues.

3.13 The status of the charter was finally resolved in a statement dated 14 February 1989 signed by Partenreederei and ASS stating:

1. Parties of the charter party dated May 27, 1985 are the Commonwealth of Australia, Department of Science / Antarctic Division and Partenreederei MS Icebird.
2. All revenues due to MV Icebird are payable to owners bank account with Bremen Landesbank.
3. ASS acknowledges that the managing owners for MV Icebird from the November 22, 1988 onwards are Messrs Icebird Management GmbH, Hamburg.
4. ASS confirm that it has no claim of whatsoever nature against the Commonwealth of Australia arising out of the employment of the MV Icebird and will withdraw from any legal actions commenced on ASS' behalf against Charterers¹¹.

3.14 The issue of legal advice on the contract was raised earlier. The Division claimed that the Legal Section of the Department of Science and Technology had scrutinised the first charter. However, a file note¹² indicates that the opinion given was very qualified and that assurances were given by Mr Bleasel that future charters would be referred to the section at an earlier stage of negotiation.

3.15 The Committee was not aware of any evidence that the Division sought legal advice on the second time charter nor did the Division indicate in its response to Audit that it was aware of any legal advice. Rather it stated that the second time-charter was prepared by the brokers and based on the 1984 time-charter 'which had been subjected to legal review'¹³!

11. PAC file 1988/5 A(3).

12. PAC file 1988/5, Day 10.

13. PAC file 1988/5 B(9) Part 4, Document 12.

3.16 The Division has been assiduous from the time of the Audit management letter in gaining legal advice in the contractual dispute. Part of the reason has been to adhere to Audit advice. A second reason has been to secure the best interests of the Commonwealth in a potentially delicate situation and thirdly, legal notices were being served on the Division by one of the parties. In such circumstances the use of legal counsel was not only wise, it was imperative.

3.17 The Committee's concerns were well founded as it was possible that the Icebird could have been withdrawn from service to the Division.

3.18 The Committee considers that had the contract been properly entered into with appropriate legal advice and had the developments in the Icebird companies been properly monitored the unnecessary confusion and difficulties encountered would have been avoided.

The Lady Franklin

3.19 The loss of the vessel Nella Dan at Macquarie Island in December 1987 required the Division to charter another vessel at short notice to complete the 1987-88 season commitments. It also meant that the Division would need to charter a ship for the 1988-89 season.

3.20 The Department of Administrative Services (DAS) was asked to secure a replacement vessel for the 1988-89 season on the basis of a specification prepared by the Division. DAS engaged the services of shipping brokers South West Chartering to assist in the tendering process. The ship selected for both these commitments was the Lady Franklin, a Canadian owned vessel built in 1970.

3.21 In his submission of 1 September 1988 Mr Schulz alleged that the Lady Franklin was unsafe and that there were irregularities in the tender process. The Hon. Michael Hodgman, QC, made further allegations about the Lady Franklin's safety in a letter to the Committee dated 25 October 1988.

3.22 The Committee wrote to DASETT asking for responses to these allegations and also put some questions to the brokers, South West Chartering and Mr Schulz at a hearing.

3.23 The Division maintained that appropriate procedures were in place and were being followed through to ensure the safety of the vessel.

3.24 Certain of the allegations had their basis in the International Maritime Organisation (IMO) Special Purpose Ships (SPS) Code. The Department of Transport and Communications (DOTAC) supplied information to DASETT¹⁴ indicating that the IMO SPS Code did not apply to the Lady Franklin or any of the other ships offered to the Division. The IMO Code of Safety for Special Purpose Ships was adopted on 17 November 1983 by the Assembly of the International Maritime Organisation and expresses no intention or requirement to apply the provisions of the Code to existing ships.

3.25 DOTAC also advised that the vessel complied with the Safety of Life At Sea (SOLAS) Convention, was a well-found ship, had an ice experienced crew and had appropriate safety and ice class certificates¹⁵.

3.26 The Division contacted heads of the French, Italian, German and Swedish Antarctic organisations in response to the allegations that they had rejected the Lady Franklin on the basis of its non-compliance with the IMO SPS Code. All responses indicated that safety factors or compliance with the Code were not considerations in their use of alternate vessels¹⁶.

3.27 A further allegation was that the ship was vulnerable due to its stern door and that associated stairways from the accommodation hold could not be used in certain situations. The Division responded to the Committee stating that the rear door fully met the strength requirements of its classification, was compatible with its ice class and would not be opened during Antarctic operations. Moreover the associated stairways were in accordance with SOLAS regulations¹⁷.

3.28 Following an allegation that the Lady Franklin's deck was not safe for helicopters the Division sought and received advice that the helicopter operations were in order in that they complied with Departmental regulations. The helicopter operators confirmed that the helideck on Lady Franklin could be legally used. Certain other precautionary measures were also indicated by the Division¹⁸.

14. PAC file 1988/5 A(2).

15. Ibid.

16. PAC file 1988/5 A(3).

17. PAC file 1988/5 A(2).

18. PAC file 1988/5 A(2) and PAC file 1988/5 A(3).

3.29 Questions were also raised about the level of ice build up in Antarctica and the ability of the Lady Franklin to perform her tasks so early in the season. A press release had been issued by the Minister's office before Mr Hodgman's allegations and Mr Hodgman questioned the Minister's assertions that the Lady Franklin would not encounter heavy ice. He cited CSIRO satellite data and statements to the contrary by the Leader of the New Zealand Antarctic Division.

3.30 The Division stated to the Committee that the majority of the Lady Franklin's early season work would be at Macquarie Island which is ice free. The Division also asserted that

in terms of safety the critical question is the experience of the officers in avoiding situations where the vessel is exposed to high ice pressure. The officers of the Lady Franklin have extensive ice experience to make the required operational decisions¹⁹.

3.31 On the final day of hearings on 13 April 1989 Mr Moncur was asked about the instruction given regarding safety in heavy ice conditions, particularly near Commonwealth Bay. Mr Moncur indicated²⁰ that a general instruction not to take risks was issued to the captain of the ship and to the voyage leader. When appearing before the Senate Estimates Committee later the same day Mr Moncur agreed²¹ that the captain of the Lady Franklin was given specific instructions not to enter heavy ice.

3.32 When alerted to the apparent discrepancy in answers the Department of ASETT confirmed, in a letter to the Senate Estimates Committee, that in oral briefings to the voyage leader and captain the following concerns were raised:

- . to avoid dangerous situations;
- . to not go into heavy ice; and
- . to operate conservatively²².

19. PAC file 1988/5 B(9) Part 8, Document 35.

20. Minutes of Evidence, op.cit., p.1116.

21. Senate Hansard, Estimates Committee D, 13 April 1989, p.D23.

22. PAC file 1988/5 B(9) Part 10, Document 58.

3.33 Although written briefs were given to those responsible for the Lady Franklin's voyages the Committee believes that they lacked specific instructions relating to care near pack ice and dangerous conditions. In future more explicit written instructions or guidelines should be provided to the captain and the voyage leader with respect to the operational limitations of the relevant ship.

3.34 The Committee has received an assurance that in terms of safety the Division had taken appropriate action to ensure the vessel complied with all relevant regulations for cargo and passengers to be transported to the Antarctic. The Committee expects that these measures would be taken even if allegations of the kind above had not been raised.

3.35 The Committee notes that Mr Schulz had originally offered a ship, the Baltwind (sometimes known as Barken) to the Division. The Baltwind, along with other ship offers for the 1988-89 season, had been assessed by a team of officers from DAS and the Division utilising the broking services of South West Chartering. The ship selected by the team was the Lady Franklin and the Committee is not aware of the selection process being challenged by any tenderer including the owners of the Baltwind. Indeed, the Committee notes that the owners of the Baltwind indicated that Mr Schulz had no authority to offer the ship²³.

3.36 Following the release by the Committee of the correspondence on the safety allegations, Mr Schulz has continued to supply the Committee with assertions that there are technical and procedural deficiencies in relation to the charter of the Lady Franklin. The Committee has continued to refer Mr Schulz's allegations to the Department of ASETT for comment.

3.37 The Division is seeking to charter a second vessel for the 1989-90 season. Mr Schulz has again raised concerns about the tendering process.

3.38 The Committee recommends that:

Should the Lady Franklin be rechartered by the Antarctic Division Mr Schulz's allegations about the chartering process be subject to an independent review in order to resolve these issues once and for all.

23. PAC file 1988/5 B(9) Part 7, (3).

3.39 Evidence before the Committee indicates that the Lady Franklin complied with the relevant safety and shipping codes for the purposes for which she was chartered. The damage caused to ships in the Arctic and Antarctic regions in recent times only serves to remind the community and the Division that there must be complete compliance with respective safety regulations and that appropriate procedures are clearly stated in written instructions that include the operational limitations of the relevant vessel.

3.40 The Committee is also concerned to clarify its function and points out that it should not be viewed as a clearing house for disaffected tenderers for Commonwealth projects. There are courts and tribunals where facts can be ascertained and disputes settled.

The Role of South West Chartering

3.41 Although the Antarctic Division's operations are based on sea transport, the Division has never owned its own vessel and so is required to hire or charter vessels to conduct its program. The Division uses a broker to negotiate and arrange its charters.

3.42 The Division has used Westralian Farmers Transport Pty Ltd, known as Wesfarmers and later renamed South West Chartering Pty Ltd after a merger with Southern Chartering Pty Ltd, as its exclusive shipping broker since 1951²⁴. South West Chartering has thus been involved in the charter and arrangements for the three vessels discussed in this chapter.

3.43 The role of ship brokers is summarised in Attachment 3 of the final report of the Review of the Tendering Process for the Antarctic Replacement Vessel. This information acts as a yardstick for measuring the broker's performance.

3.44 Some of the basic points are:

- . brokers have an informative, intermediary and co-ordinating role in the shipping industry;
- . they tend to specialise in one or other of a variety of areas eg sale and purchase, chartering, polar vessels; and
- . negotiations between owners and charterers are normally carried out by respective brokers²⁵.

24. Minutes of Evidence, op.cit., p.24.

25. Review of the Tendering Process for the Antarctic Replacement Vessel - Final Report, September 1988, Attachment 3.

3.45 The appendix also states some of the responsibilities of brokers:

- . should not advance shipment or vessel proposals to his principal if the business is not seriously founded or if there may be doubts about the counter part's honesty or solvency;
- . should protect his principal's interests by preventing orders which have been worded wrongfully or incompletely from being sent until they have been corrected or completed; and
- . has a duty to take an active part in the negotiations giving advice and recommendation with respect to appropriate offers.

3.46 The final sentence in the appendix had a particular poignancy for the Committee:

In shipping the terminology is not very clearly defined and does not seem to be fully in line with legal theory.

3.47 At the outset it must be recognised that South West Chartering has been involved with Australia's Antarctic interests for a long period of time and the Committee is aware of considerable pressure being placed on the brokers to satisfy the Division's interests at different times. The Committee also notes that the Review of the Tendering Process for the Antarctic Replacement Vessel found that South West Chartering had provided good service to the Division and had performed its tasks competently and professionally²⁶. However, there are some points which the Committee wishes to highlight.

3.48 Firstly, as pointed out earlier in this chapter the brokers admitted errors in the second contract for the Icebird. The brokers were clearly aware of both the irregularity of the nominated owner and the possible financial difficulties faced by Mr Schulz. This is evident from Mr O'Rourke's letters of 3 October 1985 and 11 October 1985²⁷.

3.49 The Committee was concerned that the brokers took almost four months to note the irregularity with the nominated owner and secondly that action was not taken to rectify the problem. According to the criteria listed above, the brokers were clearly negligent.

26. Ibid, p.52.

27. PAC file 1988/5 B(9) Part 2, Document 4.

3.50 As pointed out earlier the contractual difficulty could have reached a situation where the Division was denied the use of its major carrier vessel.

3.51 The second point the Committee wished to raise was the inability of South West Chartering to explain what its role was or to express clearly its expertise in the ship chartering field. When questioned at the hearing on 5 October 1988 the broker's representatives were unable to answer what, in the Committee's view, were basic questions on the operations and procedures of a broker²⁸.

3.52 Mr Dannock in his submission proposed that DAS award brokerage services under a competitive process²⁹. This was proposed in the context of what he considered to be high brokerage fees. On the other hand the Auditor-General has suggested that the broker's activities and performance should be reviewed periodically, possibly drawing on the expertise of the Departments of Administrative Services and Transport and Communications³⁰.

3.53 South West Chartering, understandably, rejected the basis for Mr Dannock's proposal³¹. However the Committee finds merit in the Auditor-General's proposal. As the Committee understands it, the Auditor-General is not suggesting any faults with the operation of the brokers. Rather, the proposal is based on a view that such a long standing relationship runs the risk of complacency from all quarters, against which the Commonwealth should make provision.

3.54 The Committee recommends that:

The Department of Administrative Services or an appropriate inter departmental committee establish appropriate selection and ongoing review procedures for shipping brokers for vessels to be chartered by the Division.

3.55 The Committee believes this should be given a high priority to give a greater measure of assurance to the Parliament on the appropriateness of the brokers appointed.

28. Minutes of Evidence, op.cit., pp 625-627.

29. Ibid, p.354.

30. Auditor-General's Report, September 1988, p.21.

31. Minutes of Evidence, op.cit., p.611.

3.56 The Committee noted that DASETT's response to the Auditor-General has been to request DAS to arrange all shipping charters on its behalf. The Committee also noted that DAS arranged the charter of the Lady Franklin and that South West Chartering was employed by DAS to engage in brokerage activity on its behalf.

The Tender for Aurora Australis

3.57 For some years there has been consideration given to building a new vessel to replace the ageing Nella Dan and to meet the Division's expanding needs. Some controversy surrounded the awarding of the contract for this vessel.

3.58 In August 1983 the Government announced its intention to acquire a new purpose-built research-passenger vessel as a major component of the replacement Antarctic transport system³². Subsequently a detailed process was started whereby consultants, tender boards and brokers were used at varying stages to arrive at a point where tenders could be invited.

3.59 On 1 September 1986 Wesfarmers sent out a formal Request for Proposal to potential suppliers identified by the Division and others known to the brokers³³. Another detailed selection process followed.

3.60 With the portfolio restructuring following the 1987 general election came a decision by the Division's new Minister to alter some criteria for selection of a new vessel. The vessel which was now to be chartered was to be Australian built and crewed³⁴.

3.61 On 15 December 1987 the Government agreed to the selection of the P&O-Polar consortium as the contractor-designate to receive a ten year charter for an Antarctic research vessel, subject to negotiation of a charter acceptable to the Commonwealth³⁵.

32. Review of the Tendering Process, op.cit., p.9. See also PAC file 1988/5 B(9) Part 9.

33. Review of the Tendering Process, op.cit., p.18.

34. Ibid, p.30 and Senate Hansard, op.cit., p.D15. For a full list of the new Minister's preferences see Review of the Tendering Process, op.cit., p.31.

35. Review of the Tendering Process, op.cit., p.35.

3.62 The new vessel, to be named the Aurora Australis included ice-breaking capacity significantly greater than that of the Icebird. The ship's marine research facilities will enhance Australia's role in support of conservation of marine living resources. The ship will carry 70 expeditioners as well as cargo and fuel to Australia's Antarctic stations and bases³⁶.

3.63 On 15 March 1988, the Sydney Morning Herald published an article critical of the tendering process. The article contained allegations by an unsuccessful tenderer, Mr Keith Ralfs, of Australian Antarctic Adventures, that tenders were altered. The Minister for ASETT, Senator Richardson, in response to a question in the Senate, announced an inquiry into these allegations on 17 March 1988³⁷.

3.64 The report of that inquiry admitted that some incorrect information had been given in one Ministerial briefing. However the inquiry found that

the alleged alteration of the Australian Antarctic Adventures' offer did not occur, and this allegation was brought about through possession by Mr Ralfs of a document containing incorrect information³⁸.

3.65 The final report of the inquiry dated September 1988 found that there were lapses in the observance of certain administrative practices but the inquiry

did not find any action so serious as to have vitiated the selection process, or to have led to a different result³⁹.

3.66 The Committee's attention was drawn to a minute dated 2 December 1988 from Mr Bleasel to Mr Peter Kennedy, Deputy Secretary of DASETT, in which Mr Bleasel responded to the findings of the report. The minute stated, inter alia, that there was undue emphasis on the supposed expertise of DAS, there was little recognition of the effort made by the Division given the time frame, and that there appeared to have been politicisation of the selection process with the intervention of the Minister's office⁴⁰.

36. Department of the Arts, Sport, the Environment, Tourism and Territories, Annual Report 1987-88 Volume 1, AGPS, Canberra, p.51.

37. Review of the Tendering Process, op.cit., pp 36-38.

38. Ibid, Attachment 2.

39. Ibid, p.120.

40. PAC file 1988/5 A(3). See also Minutes of Evidence, op.cit., pp 1053-1060.

3.67 When questioned by the Committee on these assertions Mr Blunn, Secretary of DASETT, stated that he was 'satisfied that things were done properly and above board'⁴¹. He also stated that:

in so far as the Department's actions were concerned, that they were not influenced by political pressure from the Minister⁴².

41. Minutes of Evidence, op.cit., p.1084.

42. Ibid, p.1083.

Chapter 4

MANAGEMENT OF RESOURCES

Management Reviews

4.1 In Chapter 1 it was pointed out that the Division had been the subject of numerous reviews over the last ten years. The major review was the Joint Management Review (JMR) of 1983 conducted by the Public Service Board together with J.P. Young and Associates.

4.2 The review was commissioned as it was considered the Division was showing signs of great managerial stress and was not well placed to respond to developing Government policy for Antarctica. Thus the review set out to examine:

- . the objectives and functions of the Division;
- . the efficiency and effectiveness with which current functions and objectives were being met; and
- . changes which would be necessary to efficiently and effectively meet future objectives¹.

4.3 The JMR team made a total of 86 recommendations covering most aspects of the Division's management.

4.4 The Division's implementation of the JMR recommendations was reviewed in 1986 by Marinex Pty Ltd. Among other things, Marinex stated that:

In the three years since the JMR reported the Division has substantially improved its overall performance, with the improvement in some areas being quite dramatic....

1. Joint Management Review into the Antarctic Division, op.cit., p.ii.

This has taken place against a background of increased activity and a reduction in staff resources as against those recommended by the JMR....

The quality of management has generally improved substantially, although there are still areas of weakness, particularly in terms of communication with staff. This is not surprising in view of the concentration in recent years on effecting the changes required....

Financial controls have improved beyond recognition...²

4.5 The Committee notes that a number of submissions commented on the significant improvement in management in the Division, including increased standing in the international Antarctic community, and that this improvement occurred under the directorship of Mr Bleasel.

4.6 Before examining issues raised in the management reviews the Committee notes that despite the size of the Division numerous major inquiries have been conducted into the Division over the last five years. Senior management needs to be able to concentrate on their tasks and the Division warrants a period of management consolidation.

4.7 The two issues pursued by the Committee in the context of the Marinex report were the matters of staff relations and limited resources. The matter of staff relations, however, also relates to the management style of the Director and that issue is also canvassed.

Staff Relations

4.8 The Marinex report identified areas of concern relating to staff relations some of which are:

- . less than effective communications within some branches;
- . some lack of delegation leading to a staff perception of lack of trust by management;

2. Marinex Pty Ltd Management Services, Implementation Review of the Antarctic Division Joint Management Review, December 1986, Chapter 2. Minutes of Evidence, op.cit., pp 12-13.

- . perception by staff of inconsistencies in staff selection procedures;
- . the effect on staff of long term vacant positions;
- . lack of staff assessment and development programs; and
- . a failure in some instances to take into account OIC and Voyage Leader reports particularly as regards the screening of expedition applicants with poor records³.

4.9 These concerns were reflected in other information presented to the Committee. Firstly, several confidential submissions by Division staff expressed concern at the lack of consultation between management and operational areas and the lack of communication from executive to administrative levels. Some of this concern was directed specifically at the Director.

4.10 It was stated that certain members of the Executive had little knowledge of Antarctica when joining the Division and should therefore have utilised the knowledge available in the Division from Antarctic-experienced staff. There was a strong feeling that often this was not done and on occasions advice was ignored. This also gave rise to the allegation that senior management was split into an inner and outer executive, the inner executive being those who had less Antarctic experience and thus less able to oppose the Director's initiatives.

4.11 It was further alleged that certain initiatives such as the station manager concept and the station development program were hasty decisions that were not only regarded with scepticism by staff but also were a wasteful and inefficient use of limited resources. In the case of the station manager concept, individuals were redeployed to oversight each of the four permanent bases when one officer had co-ordinated that oversight previously. Moreover, potential existed for operational decisions to be made regarding one station that may conflict with the interests of other stations.

4.12 Evidence received by the Committee indicated that there were serious concerns that detailed information about decisions of the Executive was not conveyed by the Executive which affected the ability of the staff to carry out their tasks.

 3. Marinex Review, op.cit., Chapter 2. Minutes of Evidence, op.cit., p.74.

4.13 The second source of information confirming the staffing concerns came from the unions. The Committee received a copy of a letter of 9 April 1986 from a combined group of unions to the Director⁴. The letter set out to inform the Director of 'profound dissatisfaction of staff in all areas with the executive's style of management' and listed the fundamental issues and provided some specific examples.

4.14 The Antarctic Division Branch of the Administrative and Clerical Officers Association (ACOA) made a submission to the Committee in July 1988⁵ and drew attention to the poor record of management/staff relations within the Division particularly regarding ineffective industrial democracy and internal communications. The submission drew attention to matters on staffing cited by the JMR report and also referred to the correspondence mentioned above.

4.15 The overall thrust of the submission was a concern that problems raised by unions were deflected by management rather than being constructively addressed and that the creation of an effective working environment sought by the JMR had not been created. The union admitted that not all staff shared these concerns to the same extent, and even those who did, did not agree on the kind of approaches made to management.

4.16 The Committee took evidence from Dr Green, the former Deputy Secretary of the Department of Science and Technology, and from Mr Bleasel indicating that the problems in the Division raised by the JMR were quite profound and necessitated firm action. Dr Green explained that any change to the status quo was bound to arouse some kind of dissension. His strategy had been to ensure that Mr Bleasel as Director would make the hard decisions whilst Mr Moncur's role, as Deputy Director, would be to smooth things over following the decisions⁶.

4.17 The Committee also heard evidence that there was significant dissent and disloyalty within the Division, causing severe disruptions to the tasks at hand resulting on one occasion in disciplinary action being taken⁷.

4. PAC file 1988/5 A(1) and PAC file 1988/5 B(9) Part 5, Document 15.

5. PAC file 1988/5 B(1).

6. Minutes of evidence, op.cit., p.980.

7. Ibid, pp 976-7.

4.18 Dr Green pointed out that disloyalty and letter writing campaigns to the press had undermined the management in the Division, placed considerable demands on both the Division and the Department and impacted on morale⁸.

4.19 Mr Bleasel responded to the unions on 14 April 1986 with a lengthy reply rebutting their assertions. In this letter he argued that there would always be decisions that some would not agree with, and there would always be differing perceptions or activities within an organisation. Moreover he stated that the matters raised could have come through management/staff association consultative meetings, a process he reintroduced soon after joining the Division⁹.

4.20 The Committee was concerned at the exchange between Mr Bleasel and the unions in April 1986. The records of Regional Consultative Council meetings, the forum for staff-management discussions, show that some issues had been raised in the meeting prior to the ACOA's letter of 9 April and that Mr Bleasel had attended the meeting following his reply of 14 April to ask if there were any issues that delegates wished to discuss. The minutes of the meeting state that no issues were raised¹⁰.

4.21 The Committee believes that more concerted attempts to resolve issues should be made within appropriate consultative mechanisms. The Committee considers that open letters or media contacts are not an appropriate alternative to proper consultation and consultative mechanisms.

4.22 In its hearing of 6 April 1989 the Committee affirmed the prerogatives of managers to take hard decisions and to exercise their management responsibilities. Mr Bleasel stated that full executive meetings had been regularly held but that other meetings had been held with certain members of the Executive concerning particular aspects of the Division's functions. The Committee acknowledged that this was a usual management practice¹¹

8. Ibid, pp 978-9.

9. PAC file 1988/5 B(9) Part 5, Document 15.

10. Ibid.

11. Minutes of Evidence, op.cit., p.1061.

4.23 The Committee asked the current administration about its views on staff communication and staff assessment. Mr Moncur stated that executive decisions are formally circulated as a staff circular which is signed by him. Furthermore, other instructions from the Director's office are written and in the case of instructions to voyage leaders, they are confirmed in writing by telex¹².

4.24 Mr Moncur stated to the Committee that a staff assessment scheme designed to improve communication between staff and management had not yet been established despite a JMR recommendation. However, both he and Mr Kennedy stressed the desirability of ensuring a viable and productive scheme. They pointed out that there was little point in establishing a scheme that could get staff offside and also that industrial sensitivities had to be taken into account¹³.

4.25 The Committee recognises that good staff relations are vital to the productivity of any organisation. It is therefore important that appropriate management techniques be applied and maintained to ensure harmony and productivity.

4.26 The Committee recommends that:

- . The Director of the Antarctic Division continue to circulate information from Executive meetings to all Division staff especially directives to staff and policy changes.
- . Directives issued by members of the executive, where applicable, be confirmed in writing.
- . The Regional Consultative Committee or some mutually agreed alternative be the initial forum for raising and resolving staff/management issues.

The Director

4.27 The role of the Director is obviously fundamental to the tone and direction of the Antarctic Division. Moreover, there is a certain status attached to the position as its occupant is the most senior Commonwealth public servant in Tasmania.

12. Ibid, p.902.
13. Ibid, p.901.

4.28 While a number of submissions¹⁴ to the Committee have been critical, both implicitly and explicitly, of the role of the former Director and his style of management, the JMR Implementation Review commended the Division on its substantial management improvement in the first two years of Mr Bleasel's directorship.

4.29 The submission of Dr Green, the former Deputy Secretary of the Department of Science and Technology, stated that following the Joint Management Review (JMR) of the Division, the Secretary of that Department moved quickly to strengthen the management structure. Mr Bleasel was seconded to the Division as Acting Director and was subsequently appointed Director through normal competitive processes¹⁵.

4.30 Dr Green further stated that Mr Bleasel had gained a reputation as a strong and entrepreneurial manager and was an enthusiastic individual intent on achieving results. This perception has been supported by other submissions to the Committee.

4.31 Mr Bleasel explained in evidence before the Committee¹⁶ that he inherited an extremely difficult situation, an environment hostile to newcomers and change. He came in with a specific task to put the Division on a much sounder management footing. The Committee believes that in circumstances where managers are given such specific tasks which in themselves will create tensions, the tasks should be performed for a short term only particularly in close knit functional units in remote locations.

4.32 As indicated in Chapter 1 there have been numerous Departmental changes affecting the Division, the latest occurring in 1987 as part of the Federal Government's reorganisation of Departments. This change also resulted in a change in management style. It is clear that a tension existed between the management approach of the different Departments in which the Division has been placed. The Committee believes this has contributed to a view that the management of the Division has been less than satisfactory.

14. PAC files 1988/5 B(1) and B(2).

15. PAC file 1988/5 B(1). Minutes of Evidence, op.cit., p.972.

16. Minutes of Evidence, op.cit., pp 909-10, 948, 1012.

4.33 In evidence before the Committee Mr Bleasel explained the results of some of these tensions. He was seconded to the Department to write the submission to this Committee. In doing so he was relieved of his duties as Director¹⁷. He was not allowed to be present at the Audit Office exit interview¹⁸. He was not allowed to speak to members of the Division¹⁹ or be shown Divisional documents²⁰. In response to a question from the Acting Chairman, Mr Bleasel agreed that he had been 'absolutely' removed from his position as Director²¹.

4.34 Mr Bleasel had also attempted to explain to the incoming administration that there were dissidents in the Division who would cause trouble. One person had been disciplined in the previous administration. However it appeared that the dissidents were placed in a strong position and the 'management was knobbled by the ease with which complaints about the organisation were able to obtain extensive publicity'²².

4.35 Matters such as the above led the former Deputy Secretary of the Department of Science and Technology to state:

I really am quite upset by the treatment of Mr Bleasel, which I think is quite unjustified²³.

4.36 The tension finally resulted in a request for Mr Bleasel to move to Canberra. As Mr Blunn explained in evidence the changes in management style had reached a point where

Mr Bleasel did not enjoy the confidence of the Minister and nor did he, I think, enjoy the confidence of the Deputy Secretary Mr Bleasel's management style, which may have been entirely appropriate, was not consistent with what we had agreed with Mr Bleasel were the primary needs in the Division subsequent to his promotion to that job.'

17. Ibid, p.1029.
18. Ibid, p.1028.
19. Ibid, pp 1029 and 1032.
20. Ibid, p.1030.
21. Ibid, p.1029.
22. Ibid, p.988.
23. Ibid.

.... Mr Bleasel's management style was not achieving the objectives that we had agreed with him were to be achieved, and they related significantly to procedures and systems and reliabilities of procedures and systems, so that the Antarctic Division could run itself within the broad parameters that were agreed and decided upon by Government and by departmental management²⁴.

4.37 Mr Bleasel has responded to these comments²⁵ indicating that he was not aware of occasions when information he provided was found faulty. In fact, he recalled occasions when he had been praised by the Secretary and Deputy Secretary for the speed and accuracy of information provided. Mr Bleasel also believed that his record in the Department of Science and Technology and his attention to proper processes throughout his term as Director provided no evidence to describe his management style as 'crash-through'.

4.38 In an environment such as the Antarctic Division with a range of demanding requirements there is obviously a need to operate with some flexibility. It is an area where risk management is an appropriate tool of trade. In hindsight, however, the Committee believes Mr Bleasel took this concept too literally and the control mechanisms that must exist alongside risk management were not exercised enough.

4.39 It is important to note that the desire of the current Department is to allow the Division to run itself. It was suggested that in bringing about the accountability mechanisms in the Division to what they consider to be acceptable standards there may have been an overreaction²⁶. The Committee agrees with the view that the managers of the Division should be allowed to manage and that there should not be an undue restriction on delegation of authority and excessive reporting requirements which would jeopardise the efficient management of the Division.

Resources

4.40 During the course of the inquiry the Committee became increasingly aware of the stresses placed on the Division not merely due to the pressures of expeditions and various inquiries but also due to the lack of resources within the Division to meet its various responsibilities.

24. Ibid, p.1103.

25. PAC file 1988/5 A(3).

26. Minutes of Evidence, op.cit., p.1105.

4.41 The matter of resources was examined by the JMR which recommended an increase in staffing 'to be essential to the successful outcome of the Review'²⁷. That increase was only partly met and the JMR implementation review in 1986 noted a shortfall of 13 from their recommendations. Moreover, government requirements to effect staff savings have further reduced the staff increases recommended by the JMR.

4.42 The matter of safety was also raised in the context of resources. There are references in a recent Antarctic book to the dangers involved in loading and unloading at Antarctic bases²⁸ yet the Division does not have a safety officer. Furthermore, due to the expansion of numbers travelling to the Antarctic over the past few seasons, stores and equipment have run down to critical levels²⁹.

4.43 The pressure of the combination of increased Antarctic activity together with resource constraints in the public sector has told on staff. Many staff have worked excessive hours, have worked unpaid overtime and deferred leave³⁰.

4.44 Confronted by such a scenario the Committee requested the Division to prepare a submission commenting on the impact of resource constraints on the operations of the Division³¹.

4.45 The submission³² points out that there has been a substantial increase in expeditioners to Antarctica since the JMR, the number of scientists increasing from 40 to around 120 per annum. In addition the cargo volume has increased from 8-12 000 cubic metres to 15-21 000 cubic metres. The increased number of people has resulted in significant strains on resources to clothe, feed, accommodate, supervise, train, conduct medical assessments for expeditioners and to provide communication, transport and field and administrative support.

4.46 The onset of the new vessel, the Aurora Australis, will necessitate additional support staff to effectively utilise the capabilities requested for this vessel. The investment in the new ship, particularly its marine science capabilities, needs to be matched by the provision of appropriate technical staff.

27. PAC file 1988/5 B(9) Part 10, Document 55.

28. Stephen Murray-Smith, Sitting on Penguins: People and Politics in Australian Antarctica, Century Hutchinson, Sydney, 1988, pp 122-3.

29. Minutes of Evidence, op.cit., p.881.

30. Ibid, pp 885-7.

31. Minutes of Evidence, op.cit., p.888.

32. PAC file 1988/5 B(9) Part 10, Document 55.

4.47 The Committee is concerned that the scientific programs identified by the Antarctic Science Advisory Committee (ASAC) will have to be curtailed. An additional \$4.3 million and 34 staff would be required to undertake the full program.

4.48 The Division identified a minimum requirement for 20 staff and a total of just under \$1.2 million to finance the inclusion of the additional staff. These additional resources would provide:

- . the ability to meet appropriate accountability and safety standards without further long-term reductions in planned program delivery;
- . effective support for the new research vessel, Aurora Australis; and
- . for increased productivity of Division scientists.

4.49 The Department of Finance, however, was not convinced that the problems of the Division are those of resources but rather of management. Finance cited the Division's submission on resources as showing that the Division itself recognised the need to focus its activities more, to stick to plans and generally to take the approach of doing fewer things better³³. Finance, however did not totally resile from the fact that the Division's problems may only be able to be solved by additional resources³⁴.

4.50 The Committee is concerned that the science programs not be curtailed due to lack of resources and that the priority areas identified by ASAC for research not be jeopardised. The Committee is aware that only substantial resources could achieve this latter target but believes the submission put by the Division promotes responsible action and maintains scientific endeavour at a reasonable cost.

4.51 The Committee requested DASETT to respond to the Department of Finance's comments. DASETT maintained that it had taken a rigorous approach to its resources assessment, that it had acted within the objectives of financial restraint and indeed only requested half of the total proposals put by Division managers³⁵.

4.52 DASETT reiterated its concerns that reasonable limits have already been stretched with regard to resources and staff, and that greater demands were likely to be placed on resources and administration as a result of new management regimes.

33. PAC file 1988/5 A(3).

34. Ibid.

35. PAC file 1988/5 B(9) Part 10, Document 59.

4.53 The announcement by the Government on 22 May 1989 that it will not be ratifying the Antarctic minerals convention undoubtedly places a greater responsibility on the Division to support this act of principle with increased Antarctic activity, especially science. Moreover, the Government's intention to pursue a comprehensive environmental protection convention will be ineffective unless adequate staff and resources are made available to the Division. Failure to allocate the necessary resources will place at risk the Government's announced strategy for the future.

4.54 The Committee recommends that:

The Department of Finance give urgent consideration to providing additional resources to the Division. The Committee believes the Division's assessment of 20 staff and \$1.2m is a useful guideline for this task.

Chapter 5

THE BEST PLACE FOR SCIENCE

5.1 It is argued that a nation's standing amongst Antarctic Treaty nations or nations with an interest in Antarctica is judged by its presence on the continent and contribution to Antarctic scientific endeavour. Thus the extent of the Division's commitment to science is important because it enables Australia to have a continuing voice in shaping the direction of Antarctic agreements and policy.

5.2 Australian scientific research in Antarctica forms a significant data base that is used both locally and internationally in developing policies and establishing effective management systems for Antarctica. Australia has been able to contribute significantly to the world's Antarctic scientific knowledge and is a leader in several areas of Antarctic research¹.

5.3 The concern of the Committee in the area of science is to determine how well Australia's scientific programs are managed and the extent to which the Division's structure is the most appropriate to facilitate that management.

5.4 According to Mr Moncur there are three main types of scientific activity assisted by the Division:

- a. data gathering - largely conducted by the Division because it can provide commitment on a long-term basis;
- b. tactical research - the ability to focus research to push Australia's policy options with the Division fulfilling an important role; and
- c. basic research - this is best done by the universities where it can be done alongside people who have specialist skills².

1. DASETT Annual Report, op.cit., p.56.

2. Minutes of Evidence, op.cit., pp 866-7.

5.5 Australia's scientific priorities in Antarctica were formerly set by the Antarctic Research Policy Advisory Committee (ARPAC). Some difficulties were experienced with this Committee, one of them being their involvement in the day to day management of the Division. Another body was formed to supersede ARPAC. This was the Antarctic Science Advisory Committee (ASAC).

ASAC

5.6 ASAC was established in 1985 to assist the development of Australia's scientific programs, policies and interests in the Antarctic³. Soon after its establishment, ASAC identified four key matters for initial consideration:

- . the form of an independent scheme for funding Antarctic research;
- . priorities for Australia's Science Program;
- . Australia's environmental responsibilities in Antarctica; and
- . the development of greater national and international awareness of Australia's Antarctic Program.

5.7 Following the formulation of the priorities for science, the Division devised a five year strategic plan incorporating these priorities. In its advisory role ASAC had the responsibility to make comment on the plan before it went to the Minister⁴. In addition, changes to the plan by the Division were submitted to ASAC for comment so that a continuous harmony was exercised between what ASAC views as scientific priorities and the Division's operational requirements and resources.

5.8 The ASAC membership consisted of a small core group of Antarctic experts including the Division's Director. Full-time observers came from the Australian Science and Technology Council (ASTECC) and the Department of Foreign Affairs and Trade. A number of part-time observers were also involved in the advisory process.

3. Antarctic Science Advisory Committee, Report on Australia's Antarctic Science Program for the period 1 September 1985 to 31 December 1987, Department of the Arts, Sport, the Environment, Tourism and Territories, Canberra, pp 13-14.

4. Ibid, Terms of Reference 2a and 3b, p.129.

5.9 One of the Committee's concerns with the advisory role of ASAC has been the breadth of input and the degree to which Divisional scientific interests are represented. In evidence given on 15 December Mr Moncur informed the Committee that the Division's Assistant Director, Science, has been appointed to the Committee in his role as Chairman of the Australian National Committee for Antarctic Research (ANCAR)⁵.

5.10 A further development in ASAC's breadth of input has been the appointment of a person to represent environmental groups⁶. The Committee commends this initiative.

5.11 ASAC's terms of reference preclude it from entering into matters directly related to 'the management of the Antarctic Division'⁷. The Committee recognizes that this preclusion resulted from the difficulties with ARPAC but believes that ASAC can provide better informed advice if it is aware of management issues.

5.12 The Committee was given evidence from Mr Moncur that a process has begun where he has provided the Chairman of ASAC with information on management issues⁸. The Committee believes that this is a positive step and recommends that the Director of the Antarctic Division be required to submit regular management reports to the Chairman of ASAC.

5.13 The Committee recommends that:

The Director of the Antarctic Division be required to submit regular management reports to the Chairman of ASAC.

5.14 The Committee also believes that scientific outcomes are affected by management issues ranging from the number of voyages each year to the career structure for scientists within the Division.

5.15 The number of voyages to Antarctica is being reduced from ten voyages in the 1988-89 season to seven voyages in the 1989-90 season. The reduction in voyages will cause significant pressure on the availability of berths for scientists, bearing in mind the requirements of the construction program. Mr Moncur also points out that the geographic coverage will also be limited with potential implications for Australia's sovereignty goal.

5. Minutes of Evidence, op.cit., p.1133.

6. Ibid, p.864.

7. ASAC Report, op.cit., p.130.

8. Minutes of Evidence, op.cit., p.1138.

5.16 The resources submission also referred to inequities and inefficiencies in the career structure for scientists within the Division. The claim related particularly to the Experimental Officer ranks and that both promotion prospects and duties of individuals were affected by the lack of an appropriate gradation system⁹. The outcome of these issues is a reduction in harmony, morale and, particularly, productivity.

5.17 The Committee therefore believes ASAC should have an opportunity to make comment on management issues as they affect the scientific program. This is not to infer that ASAC should have a watch-dog role but rather that of an interested observer with advisory responsibilities and opportunities.

5.18 The Committee recommends that:

. ASAC's terms of reference be altered as follows:

a. After 6 add:

7. To advise the Minister, through the Secretary of the Department, on management matters in the Division when they have significant impact on the implementation of the scientific program.

b. In the concluding remarks delete:

b the management of the Antarctic Division.

5.19 In line with this amended role and in the interests of the independence of ASAC the Committee also believe that the ASAC Secretariat should come from the Department rather than the Division.

5.20 The Committee recommends that:

. The Department of ASETT supply ASAC with Secretariat Services and preclude Division officers from those functions.

9. PAC file 1988/5 B(9) Part 10, Document 55.

5.21 The ASAC Grants Scheme introduced in 1986 is an important element in ASAC's role. The aim, according to ASAC's 1987 report¹⁰, is to increase the effectiveness of Australia's scientific activities, making Antarctica accessible to more scientists and in encouraging more tertiary-institution-based interest in Antarctic research.

5.22 Initially the grants were worth a total of \$300 000 but have been increased to a level of \$400 000. The Committee understood that the grants scheme was very successful because it gave teeth to ASAC to implement its recommendations¹¹. The Chairma of ASAC, Professor Lovering, has also pointed to an increase from 40 to 130 scientists involved in summer research¹².

5.23 Each year, following the acceptance of the five year plan, expressions of interest are called for scientists to conduct research. These expressions of interest are assessed by the Antarctic Research Evaluation Group (AREG).

5.24 The Division pointed out in its submission that part of AREG's role is to support ASAC in determining the thrust of Australia's Antarctic program. In evidence to the Committee Mr Moncur pointed out that the Division's Science Director had recently been appointed to AREG thus strengthening the Division's input to the assessment process.

5.25 The Committee notes that the Division now produces three booklets containing information about scientific research projects:

- Antarctic Treaty Exchange Information. This document is produced under the requirement of Article 7(5) of the Antarctic Treaty;
- Approved ANARE Scientific Program. This document describes planned scientific programs for the following austral summer; and
- Australian Antarctic Research Program - Initial Summary of Research Activity. This booklet contains summary reports on research conducted during the previous austral summer.

10. Ibid, p.14.

11. Minutes of Evidence, op.cit., p.522.

12. PAC file 1988/5 B(1).

5.26 These booklets are produced on an annual basis and provide an opportunity for the scientific and general communities to monitor proposed research programs and developments. They also provide an opportunity for those communities to monitor the extent to which the results of the programs are published.

5.27 The Committee commends the Division for the production of these documents and considers that they should continue to be published annually and made publicly available.

5.28 The Committee believes, however, that reforms are necessary in the analysis of what is being achieved by research in the priority areas. Mr Moncur maintains that the result of a lot of research are not publishable but it is unclear whether this is determined through formal assessment. Moreover, as he has also pointed out, there are different categories of research. For example, long term data gathering exercises are not likely to be publishable in the same way that research on a specific problem might.

5.29 The Committee recommends that:

ASAC review, either by itself or through AREG, whether the results achieved by Antarctic researchers can be assessed for publication and establish a system by which publishable results are made available.

Some Problems

5.30 Both through submissions and other evidence the Committee was made aware of problems that are encountered by some scientists. The two areas of particular concern were funding and property.

5.31 One concern expressed by several scientists was that they were not employed by the Division for a long enough period. There was insufficient time to both analyse and write up the data collected ready for publication. It followed that unless funding continued to publication stage there would be no value for money¹³

13. Minutes of Evidence, op.cit., p.463.

5.32 The Division acknowledged that it is unable to extend the employment of scientific expeditioners even when there are projects to be followed up and completed. The Division's submission on resources goes on to state that

already during 1989, four scientists have continued at the Division unpaid to complete further aspects of their work¹⁴.

5.33 The argument was expressed that the British Antarctic Survey (BAS) employ scientists for up to five years and this enabled them to be trained for expedition service, participate in two expeditions and manage all the research to the point of publication¹⁵. Stephen Murray-Smith pointed out that BAS thus produces about twice the volume of scientific material that Australia does, for significantly less overall cost¹⁶.

5.34 A second problem raised about funding was that a number of scientists participate in expeditions with approved projects but have to be self-supporting. The data from their research goes to the Antarctic Division but is not managed from that point on and is thus 'lost'¹⁷. A similar situation is referred to in the Division's resources submission when it refers to using unpaid volunteers to support programs in Antarctica¹⁸.

5.35 A related issue is that these scientists have to participate in the normal duties associated with expedition life. There is no complaint by scientists that they should participate but the argument is that Division staff are paid allowances for various responsibilities whereas the 'self-supporting' scientists are not.

5.36 The Committee is aware that the Division is preparing a policy position on the issue of the 'self-supporting' scientists.

5.37 The third issue on funding was that some of the best science was done through the means of ASAC grants yet the current level of funding was only \$40 000¹⁹. Thus there is a call for continuity of funding of research through ASAC grants. This has already been recommended by ASAC.

14. PAC file 1988/5 B(9) Part 10, Document 55.

15. Ibid, p.870.

16. Sitting on Penguins, op.cit., p.157.

17. Minutes of Evidence, op.cit., p.463.

18. PAC file 1988/5 B(9) Part 10, Document 55.

19. ASAC Report, op.cit., p.7.

5.38 The second type of problem encountered by scientists concerned property. Dr Hallam gave evidence of equipment being left at Hobart which should have accompanied a scientist²⁰. The purpose of the research was thus compromised. In addition Dr Hallam also suggested that the Division stock bases with certain basic equipment, eg specimen bottles, that could be used in the event of equipment being left in Australia or damaged en route²¹.

5.39 In correspondence with the Division the Committee has been informed that there have been other incidents of cargo not being correctly delivered²².

5.40 Correspondence from Mr Kennedy is instructive in understanding the logistical problems and the Division's response:

..... The Antarctic Division ships typically 16 000 cubic metres of cargo each season; comprising several thousand cargo units each of which can have many items of the size of the trunk that was lost²³.

5.41 Nevertheless, the Antarctic Division recognised that the misdelivery of specialist scientific stores or equipment can have a critical effect on a scientist's program. Accordingly, the Division is investigating the deficiencies that have been found with a view to modifying its stores control and ship board delivery procedures so as to minimise such occurrences²⁴.

5.42 The Committee is satisfied that the Division has responded with appropriate measures.

Alternative Structures for the Division

5.43 The Committee is aware that for an agency such as the Antarctic Division there are peculiar interrelationships that make it unlike a normal departmental division. It combines the administration of policy in a remote overseas territory with massive and expensive logistical concerns and scientific research. It does this from a regional centre rather than from Canberra and has a high proportion of staff fluctuation due to the inclusion of expeditioners in its staffing formulas.

20. Minutes of Evidence, op.cit., p.449 and 454-6.

21. Ibid, p.477.

22. PAC file 1988/5 B(9) Part 10, Document 46.

23. Ibid.

24. Ibid.

5.44 It has been put to the Committee that consideration should be given to setting up the Division as a statutory authority. Such a development would incorporate expertise in a board, should be appropriation funded and should have the ability to generate income from other sources²⁵.

5.45 It was explained that the expertise gathered together in the board would be able to set the priorities for Australia's involvement in Antarctica.

5.46 The Committee was also made aware of other models of management. The British Antarctic Survey (BAS) has only one administrator amongst the scientists on the executive and, as an independent research institute within the Natural Environment Research Council, reports directly to the Minister for Education and Science²⁶. Mr Moncur indicated that their logistics and most of their science is done within BAS and that they are very strong in tactical research²⁷.

5.47 The United States and New Zealand models reflect far more independence for scientific activity in that the emphasis of their divisions is on providing logistical support with scientific activity generated through universities and scientific agencies. A variation on this model is the Japanese model where the logistical support is provided by the paramilitary²⁸.

5.48 In evidence to the Committee Mr Kennedy and Mr Moncur put different views on the question of statutory authorities. Mr Moncur identified the issue as wanting some management input external to government²⁹. Mr Kennedy identified funding, access to the Minister and closeness to the policy processes as the critical issues³⁰.

5.49 Dr Green saw no particular advantage in moving to a statutory authority structure³¹. He did not believe that the Division's perception in the world community would be enhanced by changing its status to a statutory authority. He observed that the quality of the management team of the Division was more significant than providing a different structure to cope with the pressures, particularly shipping, facing the Division.

25. Minutes of Evidence, op.cit., p.501. Also PAC file 1988/5 B(1).

26. Sitting on Penguins, op.cit., p.157.

27. Minutes of Evidence, op.cit., p.870.

28. Ibid.

29. Ibid, p.877.

30. Ibid.

31. Ibid, p.982-3.

5.50 Mr Bleasel³² saw both advantages and disadvantages in moving to another structure. He believed the Division could work better as a statutory authority because there would be less interference from parent departments and the changeovers that have occurred following elections or departmental restructuring would not have the same impact.

5.51 On the negative side Mr Bleasel recognised that Division staff needed experience with people in Canberra to understand the operations of 'client' departments such as the Department of Foreign Affairs and Trade and experience with staff in different universities with Antarctic interests. The second disadvantage was that when funding cuts were made, heavier costs were borne by statutory authorities.

5.52 The Committee believes that an agency such as the Antarctic Division needs to be close to sources of funding and has policy responsibilities that a statutory authority would not resolve any better. The Division suffers from a lack of funding now and would not be guaranteed any more funds under an authority. Its policy responsibilities need to be considered together with other agencies such as the Department of Foreign Affairs and again an authority would not provide any greater capacity for this.

5.53 The Committee considers that the existing problem of monopoly of information may be exacerbated in a statutory authority. There are few opportunities for those outside the Division to challenge the opinions and findings of the Division as it operates in a quasi independent mode. A move to a statutory authority would not necessarily open up the information flow but rather, in the view of the Committee, would run the risk of becoming more of an enclave.

5.54 Mr Kennedy mentioned the use of an advisory body as a mechanism used by government to provide input on some of its agencies and stated that a number already existed in the DASETT portfolio³³. Mr Moncur suggested that ASAC performed a similar function and that the broadening of ASAC's membership enhanced that function³⁴.

5.55 The Committee is therefore not convinced that at this point of time a statutory authority is an appropriate mechanism for the Division. The Committee believes that ASAC has the potential to provide input on the Division's performance through broadening of its membership and loosening of its terms of reference. In addition, the accountability requirements of the Division are being pursued by the senior officers of the Department.

32. Ibid, p.952.

33. Ibid, p.877.

34. Ibid.

5.56 A related issue raised in evidence to the Committee was the degree of science carried out by the Division. This naturally arises out of consideration of alternative Division models and the fact that in the United States and New Zealand the Division equivalent carries out little or no science³⁵.

5.57 Mr Moncur explained to the Committee that it was important for the Division to carry out certain types of science because they support Australia's policy positions³⁶. The danger of allowing all science to be carried out in scientific institutions is that the scientists' own interests would be catered for but no specific tactical research would necessarily be carried out.

5.58 The Committee, however, is concerned that so much more science can be produced through the BAS model.

5.59 The Committee recommends that:

- Consideration be given to the adoption of longer term appointments of scientists in line with the practices of the British Antarctic Survey.

5.60 The Committee recommends that:

- ASAC:

- a. report to the Minister on the degree to which science should be conducted within the universities or research institutions as opposed to the Division but within ASAC's priority framework; the terms of reference should include ways in which scientific productivity can be increased; and

- b. this recommendation should be implemented no sooner than two years hence and no later than five years hence.

5.61 The delay should ensure a period of stability for the Division. Furthermore, as the final chapter points out, certain potential developments in the next few years could well affect the nature of the review.

35. Ibid, p.870.
36. Ibid, p.867.

5.62 On a final matter the Committee is concerned that the Antarctic Division does not become separated from the mainstream of science policy and policy development. It is also concerned that proper processes and mechanisms be established to ensure that the Division has proper links with the science community.

Chapter 6

CONCLUSION

Management Reforms

6.1 During the course of this inquiry the Committee's attention was drawn to different approaches to management within the Division which reflected the wider debate in the community concerning management reforms within the public sector. On the subject of risk management the Secretary of the Department of Finance has stated that:

the question is whether Parliament and auditors will accept this approach or rest on more traditional notions of compliance and risk avoidance. That is a question which will only be answered when we see their reaction to mistakes which are inevitable under risk management, but whose total prevention is inefficient¹.

6.2 Recent management reforms in the Public Service have given managers more freedom to manage. A precondition to public confidence in those reforms is the quid pro quo of greater accountability. Essential to achieving that accountability is the role of the Audit Office.

6.3 This inquiry has provided further confirmation of the validity of the recommendations expressed in the Committee's Report 296, The Auditor-General: Ally of the People and Parliament - Reform of the Australian Audit Office.

6.4 The Committee is deeply committed to the view that unless the government acts to reform and strengthen the Audit Office in line with the recommendations in Report 296, public confidence in the public sector management will be severely diminished.

1. Dr M Keating, 'Managing Change in the Public Sector', in Canberra Bulletin of Public Administration No.55, June 1988, p.59.

6.5 The Secretary of the Department of Finance has gone on public record as follows:

Removing constraints to allow the managers to manage is being accompanied by increased responsibility and accountability on the part of those managers².

6.6 The Committee believes that public accountability will be illusory and mythical unless the Audit Office is reformed in line with Report 296. The current inquiry has cemented the Committee's concerns on this issue.

A Division of Purpose and Commitment

6.7 The Committee is aware that those who work for the Division are highly committed to the cause of Antarctica. This has been evident to those on the Committee who have had contact with the Division over a period of time and from evidence presented to the Committee.

6.8 Some measures of commitment are the preparedness of staff to work long hours, often not credited, and to act in positions for long periods without due resolution of staffing arrangements. It is not that these measures are peculiar to the Antarctic Division but they are exacerbated by the fact that the downtime in most areas of employment in the country is the Christmas New Year period whereas this is the peak time for sending ships to Antarctica and turning them around on arrival in Hobart. Once the shipping season is over the intervening period is spent preparing for the next season.

6.9 Working for the Antarctic Division is more than a Public Service career step. The ANARE Club Incorporated is an association that used to comprise only those who had spent at least a year in total south of 60° S. It now has a broader membership including many Division officers and is one indication that involvement with the Division involves one in a far wider community.

6.10 It is also clear that working for the Division offers staff a level of involvement not available in many other spheres of public service. The opportunity to participate in voyages is a significant breeder of emotional attachment. To Mr Bleasel it was a 'fantastic time'.

2. Dr M Keating, 'Purpose rather than process now the bureaucratic creed', in The Canberra Times, Tuesday 2 May 1989, p.9.

The Future

6.11 It is highly likely that the next ten years will see a number of changes that will have a dramatic effect on the operations of the Division and for this reason it is vital that the management of the Division have the full support of the Parliament and the public.

6.12 The first change could be a shift from sea based transport to a combination of sea and air based transport. There has been considerable press coverage of the fact that the French are building a sizeable airstrip near Dumont D'Urville and in submissions and evidence the Committee has been informed of the value of an airstrip on Australian Antarctic Territory (AAT)³. In the Senate Estimates Committee hearing of 13 April 1989 Mr Moncur stated that a 'RAAF inspection team went to Antarctica to look at the question of landing RAAF Hercules on blue ice at Casey. It has reported to us that this is a very promising possibility; in fact, it sees no reasons why it cannot work'⁴.

6.13 There are significant ramifications for Australia's Antarctic interests with the completion of these airstrips. Firstly, there could be a massive increase by scientists, tourists and politicians in visiting Antarctica. Secondly, Australian cities could offer staging post facilities for other nations to enter Antarctica by air. This could be possible for French activity and perhaps for other nations with bases in or near AAT. Thirdly, it could mean a reduction in Australia's shipping needs.

6.14 The second change could be the advent of tourism to the AAT. Tourism voyages are already conducted to other parts of Antarctica and there have been proposals to conduct tourist voyages to the AAT. The Committee is cognisant of the stress this will place on the environment, stations, station leaders and legal regimes within the Territory.

6.15 Finally, the Antarctic Treaty is open for review by the consulting parties in 1991. Already, some nations not part of the Treaty system have indicated dissatisfaction with aspects of its operation. The possibility exists for the creation of an internationalised control system over the Treaty area through the United Nations.

6.16 Antarctica is a special place. It is the last discovered continent and has the potential, more than anywhere else, to remain in a pristine condition.

3. PAC file 1988/5 B(1).

4. Senate Estimates, op.cit., p.D17.

6.17 There has been a long and special relationship between Australia and Antarctica. The first expeditions last century included Australians and we have been part of a permanent presence there for over 60 years.

6.18 The Division thus has a great responsibility in maintaining and nurturing this responsibility. The Division must not merely be a cog in the apparatus of the public service but under the auspices of the Minister take on an educational role and establish a stronger liaison with the Parliament. While not supporting a statutory authority role for the Division, the Committee nevertheless believes that the Minister should investigate a new administrative arrangement which would upgrade and enhance the standing of the Division in the Public Service in keeping with the Government's international initiative for a conservation strategy for the Antarctic.

6.19 It follows that the Committee believes that Antarctica and the work of the Division should have a higher public profile under the auspices of the Minister.

6.20 There is a need for the international community to have its consciousness raised about Antarctica. This can be achieved by diverse initiatives such as conferences and seminars and by the media. The Committee is supportive of travel to the Antarctic by media representatives and by others who can actively assist in promoting the cause of Antarctica.

6.21 This inquiry began as an administrative review. However, the Committee has been willingly and actively caught up in the developing momentum to preserve Antarctica. The Committee believes that the work of the Division has a crucial role to play in the preservation of the outstanding Antarctic environment.

TERMS OF REFERENCE

The terms of reference of the Inquiry were to investigate:

- the management of the Antarctic Division, especially in relation to the tender procedures for Ship Charter Services.

SUBMISSIONS RECEIVED

- Amalgamated Metal Workers Union, Tasmanian State Council
- Antarctic and Southern Ocean Coalition
- Australian Commonwealth Officers Association (ACOA)
- Australian Marine Science Association Inc
- Bounty Voyages Pty Ltd
- Department of the Arts, Sport, the Environment, Tourism and Territories
- Department of Foreign Affairs and Trade
- Department of Premier and Cabinet (Tasmania)
- Department of Primary Industries and Energy
- Department of Transport and Communications
- South West Chartering Pty Ltd
- W Chung Sing and Co Pty Ltd

Dannock, G
Green, Dr R M
Hallam, Dr N
Imms, Rev R J
Law, Dr P G
Lovering, Prof J F
MacKenzie, Hon R and Young, W
Martin, N
Oliver, Dr R L
Schulz, G
Scott, J
Smith, D
Syme, J E
Walch, R
Wood, Dr W
Wright, P D A
Zillman, Dr J W

- Some of the above departments, organisations and individuals have forwarded more than one submission to the Committee during the Inquiry.

- In addition a number of confidential submissions have been considered by the Committee. Parts of some of the submissions listed above have been supplied on a confidential basis.

CONDUCT OF THE INQUIRY

List of hearings and witnesses

11 July 1988, Hobart

Department of the Arts, Sport, the
Environment, Tourism and Territories

Mr J Bleasel
Mr P Kennedy
Mr R Moncur

Observers

Australian Audit Office
Department of Finance

Mr P Farrelly
Mr A Smith

12 July 1988, Hobart

Department of the Arts, Sport, the
Environment, Tourism and Territories

Mr J Bleasel
Mr P Kennedy
Mr R Moncur

Private capacity

Mr G Dannock

Observers

Australian Audit Office
Department of Finance

Mr P Farrelly
Mr A Smith

26 July 1988, Canberra

Private capacity

Dr N Hallam

Private capacity

Mr P D A Wright

Private capacity

Dr R Oliver

Observers

Australian Audit Office
Department of Finance

Mr P Farrelly
Mr L Crossfield

9 September 1988, Sydney

Partenreederei MS Icebird

Mr E Buening
Mr F Herzog
Mr K Steuringer

Observers

Australian Audit Office
Department of Finance

Mr P Farrelly
Mr L Crossfield

5 October 1988, Canberra

South West Chartering Pty Ltd

Mr M Byrne
Mr R Sanderson

Private Capacity

Mr G Schulz

Observers

Australian Audit Office
Department of Finance

Mr P Farrelly
Mr L Crossfield

15 December 1988, Canberra

Department of the Arts, Sport the
Environment, Tourism and Territories

Mr P Kennedy
Mr R Moncur

Observers

Australian Audit Office
Department of Finance

Mr P Farrelly
Mr L Crossfield

9 March 1989, Canberra

Private capacity

Mr J Bleasel

Observers

Australian Audit Office
Department of Finance

Mr P Farrelly
Mr L Crossfield

6 April 1989, Canberra

Private capacity

Dr R Green

Private capacity

Mr J Bleasel

Observers

Australian Audit Office
Department of Finance

Mr P Farrelly
Mr L Crossfield

13 April 1989, Canberra

Department of the Arts, Sport, the
Environment, Tourism and Territories

Mr A Blunn
Mr P Kennedy
Mr R Moncur

Observers

Australian Audit Office
Department of Finance

Mr P Farrelly
Mr L Crossfield

LIST OF EXHIBITS

1. File note dated 23 June 1987 by Lorraine Francis, Acting Assistant Director, Resource Management relating to the fruit and vegetable contract.
2. Letter dated 27 March 1987 from Mr Schulz to Mr Bleasel.
3. Antarctic Tourism Proposal, letter dated 30 September 1988 together with enclosures.
4. Contract dated 2 September 1987 and an agreement dated 14 December 1987 between Antarktis and Polar Schiffahrts Consulting together with a translation.
5. Bank statements dated 5 September 1988 from Dresdner Bank showing Polar Schiffahrts Consulting receiving payment from Antarktis.
6. Statement dated 16 October 1987 from Leonhardt and Blumberg to Partenreederei MS Icebird/Antarktis.
7. Final freight account dated 8 September from Polar Schiffahrts Consulting to Sohio Petroleum Company together with telex dated 28 August 1986 from Gibbs and Cosgriff to Antarktis/Guenther Schulz.
8. Account dated 16 February 1987 from Polar Schiffahrts Consulting to Antarctic Division together with account dated 17 February 1987 from Polar Schiffahrts Consulting to Antarctic Division.
9. Copy of a letter dated 26 October 1987 from Antarktis to Mrs Schulz, care of Polar Schiffahrts Consulting together with an English translation.
10. Letter dated 25 September 1987 from Mr Graf of Antarktis to Mr Moncur of the Antarctic Division.

11. Letter dated 24 September 1987 from Mr Moncur of the Antarctic Division to Mr Graf of Antarktis.
12. Letter dated 10 November 1986 from Partenreederei MS Icebird to German Department of Transport re inclusion of a ship in the shipping subsidy program 1986 together with an English translation and another letter dated 17 November 1986.
13. Letter dated 4 September 1987 from Mr Moncur of the Antarctic Division to Mr Graf of Antarktis.
14. Letters dated 25 September 1986 from Mr Reith of Antarktis to Westralian Farmers Transport Pty Ltd re Antarctic Science Support Vessel.
15. Letter dated 1 September 1986 from Staniforth of Wesfarmers (UK) Limited to Mr Schulz of Polar Schifffahrts Consulting re Antarctic Science Support Vessel.
16. Letter dated 11 June 1987 from Antarktis to Mr Schulz together with an English translation.
17. Statement of agreement (in German) dated 18 November 1987 between Mr Graf of Antarktis and Mr Buening.
18. Opening statement by Mr Guenther Schulz to the Public Accounts Committee hearing on Wednesday 5 October 1988.