

The AIC also successfully promoted the interests of Australian education providers, establishing an Australian studies fellowship program administered by a consortium of Australian universities. The first Indian scholars visited Australia under the program in 2003.

Australia–Indonesia Institute

The Australia–Indonesia Institute (All) initiated and supported a range of activities aimed at expanding and strengthening people-to-people contacts between Australia and Indonesia. The All promoted greater mutual religious understanding through a series of visits to Australia by prominent Indonesian Muslim leaders better to inform Indonesian perceptions of Islam in Australia. The All supported a second Young Leaders' Dialogue to develop further understanding between younger generations of leaders in politics, business, academia, the military and the media.

The All contributed to deeper understanding and more sophisticated reporting on Australia in Indonesian media by hosting the visit to Australia of senior Indonesian media editors. The All supported successful exchanges and visits by students, teachers and arts performers to broaden contact between young Australians and Indonesians and to improve knowledge about each other's culture and society.

Australia–Japan Foundation

The Australia–Japan Foundation (AJF) is a statutory body, and is therefore required to submit its own annual report to Parliament. The AJF's annual report contains a detailed account of its activities over the year.

Australia–Korea Foundation

The Australia–Korea Foundation (AKF) continued to play an important part in the Government's efforts to broaden and deepen relations with the Republic of Korea (ROK). The AKF lent its support to the Fourth Australia–Korea Forum held in Hobart to discuss matters of strategic, economic and cultural significance to both countries. In addition to providing substantial financial and intellectual support, AKF Board Chairman Don Stammer and other AKF Board members played prominent roles at the forum.

The forum identified information and communications technology as an area of unrealised potential in the Australia–Korea relationship. The AKF Board, including its telecommunications expert, Professor Mike Miller, approached mNet Corporation to organise an Australia–Korea Broadband Summit. The Minister for Communications, Information Technology and the Arts, Senator Alston, and the ROK Minister for Information and Communications, Dr Chin Daeje, provided key-note addresses at the summit, which was held on the Gold Coast. Dr Chin subsequently announced his intention to give priority to the ROK's relationship with Australia.

The AKF upgraded the *Investigating Australia* study kit, which portrays Australia as educationally, scientifically and technologically advanced, and culturally diverse. The kit and its website—www.auskorea.com—were upgraded to an interactive CD-ROM format and distributed to 3000 lower secondary schools in the ROK. The AKF launched the prototype of its Korean-language version of the kit at a well-attended ceremony in Seoul.

Council on Australia Latin America Relations (COALAR)

The Council on Australia Latin America Relations (COALAR) supports efforts to enhance Australia's economic, political and social relations with Latin American countries. The Council's priorities were to enhance Australia–Latin America education linkages, promote defence industry exports and improve awareness of business opportunities. Among other activities, the Council facilitated a well-attended Australia–Latin America Education Linkages Symposium, which led to the creation of the COALAR Education Action Group. The collaborative effort involving Australian and state government agencies, peak bodies and education providers aims to increase exchanges of students, teachers and researchers and to enhance institutional linkages. See sub-output 1.1.3 for more information.

Council for Australian–Arab Relations (CAAR)

Mr Downer and Mr Vaile announced the establishment of the Council for Australian–Arab Relations (CAAR) in December 2002, highlighting the depth and breadth of Australia's relations with the Arab world and the Government's commitment to strengthening all aspects of those ties. CAAR's first meeting was held in March 2003. It has quickly developed an active work program, including sponsoring a visit to Baghdad by an Australian archaeologist to help restore the records of the looted Iraq Museum; and organising a visit to Australia by a member of the Saudi Shura Council, which led to the establishment of a young business executive exchange program between Australia and Saudi Arabia. See sub-output 1.1.4 for more information.

ABC Asia Pacific satellite television

The ABC Asia Pacific (ABCAP) satellite television service, funded by the Government under contractual arrangements managed by the department, made a major breakthrough in March 2003 when it secured a channel on the major *I-Cable* network covering Hong Kong and Macau. With over 500 000 subscriber households, the network opens access to a major regional television market and creates marketing opportunities for ABCAP. ABCAP currently has re-broadcast arrangements in 25 out of a possible 35 countries in its satellite footprint. The department and posts worked closely with ABCAP to secure entry into regional markets.

ABCAP renewed its programming format in the first half of 2003. The new format seeks to present a more cosmopolitan, sophisticated and contemporary image of Australia, as well as engaging culturally and politically with audiences in the region.

During the year, ABCAP provided a platform for the projection of Australian views to the region. There was extensive Australian coverage of Iraq, including direct coverage of parliamentary debates, the Prime Minister's address to the nation and the daily Australian Department of Defence briefings. Similarly, the National Memorial Service held at Parliament House for the victims of the Bali bombings was broadcast live.

ABCAP assisted the department in producing and broadcasting a community awareness announcement on the travel advisory service (see sub-output 2.1.1 for more details on this service). Featuring Australian champion sprinter Patrick Johnson, a department-sponsored employee, the 35-second announcement has been broadcast as a service to Australians living and working throughout the Asia-Pacific region.

3.1.3 FREEDOM OF INFORMATION AND ARCHIVAL RESEARCH AND CLEARANCE

Freedom of Information

The department met its obligations under the provisions of the *Freedom of Information (FOI) Act 1982*. This Act extends the right to the Australian community to obtain access to information held by the Commonwealth Government. Access is limited only by exemptions protecting essential public interests and the business and private affairs of people about whom departments and statutory authorities collect and hold information.

The department processed 63 applications—seven more than in the previous year. Table 13 reflects the outcomes of applications. The small number of requests not met within the statutory deadlines generally reflected the need to retrieve documents from overseas. In these cases we kept applicants advised of progress.

Three complaints made to the Commonwealth Ombudsman about our handling of FOI cases were brought to our attention. The complaints were resolved to the satisfaction of the Commonwealth Ombudsman’s Office.

One appeal against a departmental decision was made to the Administrative Appeals Tribunal (AAT). No hearing date has yet been set. One appeal to the AAT from the 2000–01 financial year has yet to be heard.

See Appendix 5 for more information.

Table 13. Requests processed under the *Freedom of Information Act 1982*

	2002-03	2001-02	2000-01
Requests for information			
Access granted in full	8	11	22
Access granted in part	19	25	41
Access refused	*20	8	5
Requests transferred or withdrawn	16	12	5
Total	63	56	73
Requests subject to review or legal appeal			
Subject to internal review (s.54)	5	4	7
In Administrative Appeals Tribunal (s.55)	1	1	2
Ombudsman	3	2	3

* Thirteen applications were refused on the grounds that no documents existed (s.24A); six applications were refused as all documents were subject to exemption under Part IV provisions; one application was refused on the grounds that it would substantially and unreasonably divert the resources of the agency (s.24(1)).

Privacy Act 1988

No complaints were received by the department during the reporting period in relation to the *Privacy Act 1988*. The case outstanding at the end of 2001–02 has been finalised. The Federal Privacy Commissioner's Office advised the department had not been in breach of the Privacy Act and the matter was closed.

Historical documents publications

The department continued to produce well-received material documenting Australia's foreign and trade policy history. These publications are an important resource for researchers and academics, as well as useful tools for the promotion of the department and its operations.

In October 2002, the Attorney-General Mr Williams launched, on Mr Downer's behalf, *Australia and recognition of the People's Republic of China 1949–1972* to commemorate thirty years of diplomatic relations between Australia and China. This volume—part of the *Documents on Australian foreign policy* series developed by the department—was accompanied by the publication of *Australia–China: A photographic record*. Mr Williams and Mr Downer commented favourably on the publications, both of which have been disseminated widely in China.

In March 2003, the department and the New Zealand Ministry of Foreign Affairs and Trade published a joint collection of Australian and New Zealand documents titled *The negotiation of the Australia New Zealand Closer Economic Relations Trade Agreement 1983* to commemorate the twentieth anniversary of the signing of the bilateral CER agreement. Mr Downer launched the publication at Old Parliament House in conjunction with a pictorial exhibition illustrating the agreement. A large group consisting of former ministers and officials involved in the negotiation of the CER agreement, members of parliament, academics, media representatives, business people and officials from other agencies commented favourably on Mr Downer's launch of the book and the exhibition.

In May 2003, Mr Downer launched *Facing north: A century of Australian engagement with Asia: Volume 2 1970s to 2000* completing the department's two-volume project on Australia and Asia since 1901 that was part of the portfolio's contribution to the celebrations of the centenary of Australia's Federation. Mr Downer commended both volumes to a large audience consisting of representatives of Asian missions in Australia, academics, media representatives, and former senior ministers and officials involved in Australia's historic engagement with Asia. At the same time, Mr Downer launched a new online resource on the departmental website consisting of previously published volumes in the *Documents on Australian foreign policy* series. The website may be viewed at <http://www.info.dfat.gov.au/historical> and has been positively received by the media, researchers and academics. A link to the website has been placed on the official website of the Australian Historical Association and on the respective websites of the embassies in Washington and Tokyo and the high commission in London.

Mr Downer commissioned the department to prepare two further volumes in the *Documents on Australian foreign policy* series: one on the negotiation of the Nuclear Non-Proliferation

Treaty and another on Australia and the Cairns Group. In addition to these volumes, work continued on three other volumes: *Australia and the Colombo Plan*, *Australia and Malaysia, 1962–1966* and *Australia and the independence of Papua New Guinea*.

In collaboration with the Russian Embassy, we displayed an exhibition of historical images and documents marking 60 years of diplomatic relations with Russia in the atrium of the department's Canberra headquarters, the R G Casey Building, in October 2002. The exhibition was opened on 3 October by the Secretary, and the Deputy Foreign Minister of the Russian Federation, Mr Alexander Losyukov. The exhibition also toured Russia.

Historical research and access

Departmental records more than 30 years old are available for public access under the *Archives Act 1983*. The National Archives of Australia refers highly classified records for expert assessment of sensitivities relating to intelligence, security, defence or international relations before public release.

Table 14 describes requests assessed by the department under the Act. During the year in review, we assessed 546 files comprising 107 591 folios for public access, including 19 requests for clearance from foreign governments (United Kingdom and United States) and 37 requests from the Department of Defence. Of these, 490 file assessments were completed, 275 containing at least one exemption on national security or international relations grounds. We referred 56 files to other agencies (ASIO and the Department of Defence) and 80 requests to foreign governments (United Kingdom, United States and New Zealand) for clearance. There were no appeals against our decisions to the Administrative Appeals Tribunal.

Table 14. Requests assessed under the *Archives Act 1983*

	2002–03	2001–02	2000–01
Files received	461	922	657
Total files assessed	546	–	–
Files completed	490	974	675
Number of folios assessed	107 591	190 562	136 109
Open access	198	313	182
Wholly or partly exempt	275	661	460
Subject to review	1	17	10
Subject to appeal	0	0	0

The decline in the number of files completed for assessment compared to the previous year reflected a reduction in staff and a change in the method of collating statistics. In previous years, file assessments were counted as completed when they were referred to another agency for advice. Now, records are counted as completed only when they are returned and a decision is taken by the department.

See Appendix 5 for more information.

During the year in review we dealt with 156 requests for historical and administrative information from public and official researchers. In most cases we answered these from departmental material. In some cases, inquiries were referred to other agencies. We also granted 17 applications for special or privileged access to records not available to the public.

OUTPUT 3.1 QUALITY AND QUANTITY INFORMATION

Quality indicators

- Satisfaction, particularly of ministers, with the provision and impact of public diplomacy and information activities in Australia and the degree to which a positive image of Australia is projected internationally and Australia's profile raised
- Timeliness and relevance of cultural and media activities and publications
- Number of departmentally processed Freedom of Information and Archives requests not subject to requests for review and appeal

Quantity indicators

- Number of Australian performing groups, artists, exhibitors and other cultural visitors supported
- Number of public briefings given by departmental staff in Australia and overseas
- Number of other public diplomacy/cultural activities organised
- Number of media-related inquiries handled by the media liaison section
- Number of visits organised under the International Media and Special Visits Programs and the Cultural Awards Scheme
- Number of publications produced and number of copies distributed
- Number of statistical services provided to external clients
- Number of treaties maintained on, and added to, the international treaties database
- Number of Freedom of Information requests processed
- Number of records assessed for international relations sensitivities before release under the *Archives Act 1983* and number of completed requests for archival information

Satisfaction with public diplomacy

Mr Vaile highly praised the content and design of the department's public affairs kit *Australia—Trading with the world*, distributed widely in Australia and internationally. Mr Vaile expressed similar satisfaction with arrangements for a media briefing at the International Media Centre (IMC) in Sydney on the informal meeting of WTO trade ministers in Sydney in November 2002, attended by 35 Australian and international media visitors.

Philip Flood, chairman of the Australia–Indonesia Institute (All), praised the IMC for the quality of the program it arranged for a visit to Australia by a group of senior Indonesian editors sponsored by the All. Mr Flood noted that these visits were an important opportunity to expose influential Indonesian opinion-makers to representatives of

government, business and the media, as well as respected social commentators, and thus to encourage more accurate reporting on Australia.

A number of posts expressed enthusiasm for our public affairs kit, and our posts in Beijing and Tokyo distributed local language versions to target audiences by email. Attached agencies were also satisfied with the kit as a tool for their outreach work.

Cultural activities

The department's Aboriginal and Torres Strait Islander program was praised in the northern, Kimberley and Arnhem Aboriginal artists' newsletter for its role in developing the *Kiripuranji* Indigenous art exhibition. The newsletter said the exhibition was 'a fantastic initiative, which allows not only the visual images of a rich and diverse culture to be seen, but the voices of the Tiwi Islander people to be heard across the world.'

Our Australia International Cultural Council (AICC) *Celebrate Australia 2002* initiative was praised by arts organisations for raising Australia's cultural profile in China. The event attracted high-level government attendance, 70 media articles and 400 minutes of local television coverage, raising Australia's profile in the sophisticated Shanghai market.

Demand from overseas posts for places in our Cultural Awards Scheme continued to be high, reflecting its value as an effective public diplomacy tool. Scheme visits resulted in a range of significant outcomes, including:

- five 30-minute documentaries on Australian art broadcast in 2003 on Chinese Central Television, with a national audience of 12 million, resulting from a visit by Chinese arts documentary-maker Liu Junhui
- up to six arts exhibition exchanges with New Zealand expected to result from a visit by Museum of New Zealand executive, Te Taru White
- Australia at the centre of a major Triennial of Art in Japan in 2003 as a result of a visit by a Japanese arts entrepreneur
- Australian participation in France's Biennale de Danse in November 2002 (and positive press coverage in *Le Monde*), resulting from a visit by the festival's director
- an extensive feature article in the *New York Times* on Australian theatre in four states following the visit by the newspaper's art critic Robert Brustein.

Publications

Mr Downer commended the report *Globalisation: Keeping the gains* and highlighted its findings in several of his domestic and international presentations.

Mr Vaile congratulated the department on the release of its reports *China embraces the world market* and *Connecting with Asia's tech future: ICT export opportunities* when he launched them in Melbourne in November 2002.

Freedom of information requests

The department met its obligations under the reporting requirements of sections 8 and 9 of the Act. We were asked to make five internal reviews of decisions under the provisions of section 54 of the Act. One request was for a review of the decision to levy a fee and charges and four requested a review of the exemption of documents or parts of documents. One application was made to the Administrative Appeals Tribunal (AAT) in accordance with section 55 of the Act. One appeal to the AAT from 2001–02 has yet to be heard. For further reporting on the department's Freedom of Information arrangements and activities, see Appendix 5.

Quantity information for output 3.1

Indicators	2002–03	2001–02
Number of Australian performing groups, artists, exhibitors and other cultural visitors supported	1 616	1 687
Number of public briefings given by departmental staff in Australia and overseas	2 517	3 073
Number of other public diplomacy/cultural activities organised	1 608	1 427
Number of media-related enquiries handled by the media liaison section ¹	15 250	8 250
Number of visits organised under:		
International Media Program ²	42	68
Special Visits Program	31	37
Cultural Awards Scheme	21	15
Number of publications produced and number of copies distributed ³	419	403
Number of statistical services provided to external clients	8 805	7 400
Number of treaties maintained on, and added to, the international treaties database ⁴	2 659	2 629
Number of Freedom of Information requests processed	63	56
Number of records assessed for international relations sensitivities before release under the Archives Act 1983 and number of completed requests for archival information ⁵	824	1 616

1 This figure reflects a large number of inquiries following the Bali bombings and the SARS virus outbreak.

2 A number of media visits scheduled in 2002–03 did not eventuate because of SARS and the international security situation. Additionally, the higher figure in the previous year included about 30 media journalists who were assisted by the department but who were not funded under the IMV program.

3 The department produces publications available to the public in hard copy, on CD-ROM or on our website. Approximately 1.8 million copies of publications were printed in hard copy during 2002–03. Details of publications produced or updated during the year in review are at www.dfat.gov.au.

4 For information on treaties, see the Australian Treaties Database at www.info.dfat.gov.au/treaties.

5 The figure reflects the variability of public requests for access to departmental records and a lower number of such requests in 2002–03.

ADMINISTERED ITEMS FOR OUTCOME 3

Grants

Quality indicator

- Grants administered in accordance with Government guidelines on the administration of the Discretionary Grants Program

Quantity indicator

- Number of grants

Grants were administered in accordance with Government guidelines on the administration of the Discretionary Grants Program. See Appendix 11 for more information about these grants.

Quantity information

Ten grants were administered in 2002–03.

ABC Asia Pacific (ABCAP) television service

Quality indicator

- ABCAP television service to meet its contractual obligations with the department in regard to the quality, coverage and management of the new television service

Quantity indicator

- ABCAP's performance measured by the tests and assessments prescribed in the DFAT–ABCAP contract.

The department completed its first review of ABCAP in October 2002. The review found that the satellite television service had satisfactorily met its key performance indicators set out in the contract between the department and the Australian Broadcasting Corporation (ABC). It operated within its budget parameters and met its advertising target. It also met requirements relating to the development of re-broadcasting arrangements, which it has continued to expand and develop since the completion of the review.

Quantity information

ABCAP is currently available in 25 of 35 countries within the range of its present satellite footprint. It is available to be accessed in ten million households via re-broadcast arrangements, and an unknown number via its free direct-to-home signal. ABCAP estimates that it is available in 36 000 hotel rooms across the region.



The internal courtyard of the new Australian embassy in Berlin. The building of the chancery was one of the department's most significant construction projects. The embassy was officially opened by the Minister for Foreign Affairs, Mr Alexander Downer, in January 2003.



Embassy staff inspect the layout of the new chancery in Manila, which was completed in May 2003. From left to right: Alan Morrell, Austrade Senior Trade Commissioner in the Philippines, Mike Moignard, Austrade Executive General Manager South East Asia, departmental staff member Jamie Troup, and Miles Armitage, Deputy Head of Mission, Manila.



The department's Overseas Property Office organised an International Property Management Conference held in Canberra in April 2003. Delegates were senior property managers from foreign ministries from Australia, New Zealand, Canada, the United Kingdom, the United States and the Netherlands.

OUTCOME

4

**Efficient management of the
Commonwealth Overseas Owned Estate**

OUTPUT 4.1

EFFECTIVENESS

QUALITY AND QUANTITY

OUTPUT 4.2

EFFECTIVENESS

QUALITY AND QUANTITY

PERFORMANCE INFORMATION FOR OUTCOME 4

EFFECTIVENESS INDICATORS—OVERALL ACHIEVEMENT OF THE OUTCOME

Indicators to assist in assessing the success of the department's contribution to the achievement of this outcome are:

- Management of the owned overseas property estate meets the Government's property needs, and achieves the agreed dividend and return on investment in accordance with the Government's overseas property principles
 - Australian Government representatives overseas provided with appropriate accommodation, including through effective management of the United Process Solutions strategic alliance contract
 - Efficient financial and physical management of assets.

Outcome 4: Financial and staffing resources summary (Table 15)

Efficient management of the Commonwealth overseas owned estate.

	Budget* 2002–2003 (\$'000)	Actual expenses 2002–2003 (\$'000)	Variation (expenses less budget) (\$'000)	Budget** 2003–2004 (\$'000)
Administered expenses	0	0	0	0
Total administered expenses	0	0	0	0
Price of departmental outputs				
Output 4.1—Property management	0	0	0	0
Output 4.2—Contract management	0	0	0	0
Revenue from government (appropriation) for departmental outputs	0	0	0	0
Revenue from other sources ¹	52 764	79 174	26 410	58 989
Total price of departmental outputs	52 764	79 174	26 410	58 989
Total resourcing for Outcome 4 (Price of departmental outputs plus administered expenses)	52 764	79 174	26 410	58 989

* Full year budget, including additional estimates.

** Budget prior to additional estimates.

1 Budget estimate for 2003–04 excludes revenue from related entities, being rent paid by the department to the Overseas Property Office for services provided to our overseas diplomatic network. This amount is excluded in calculating the overall price of departmental outputs.

	2002–2003 Budget	2002–2003 (Actual)	2003–2004 (Estimate)
Average staffing level (number) *	16	16	12

* Includes overseas locally engaged staff.

Output 4.1 Property management**Overview**

This reporting period covers the department's first full year of responsibility for managing all aspects of the Government's overseas owned property estate. We took over that function from the Department of Finance and Administration in November 2001.

We manage the overseas estate through our Overseas Property Office (OPO), which operates within the terms of the Commonwealth Property Principles, the standard adopted by the Government to ensure that the value of the Government's property assets is maintained. In accordance with these principles, OPO applied rigorous commercial practice to all aspects of management of the estate throughout 2002–03.

In 2002–03, the department met indicative targets relating to the maintenance of the overseas property portfolio. We paid a dividend to the Government as agreed by ministers, returned expected equity from the property divestment program, and maintained a management expense ratio consistent with property industry guidelines. Return on investment on the portfolio was influenced by short-term factors including increased value from major construction projects brought to completion and the relatively low level of capital expenditure in the period. We consulted regularly with other Australian Government agencies represented at our overseas posts to ensure effective inter-agency communication on relevant property management issues.

The changed international security environment affected management of the overseas estate forward program, with some reallocation of project priorities.

Provision of accommodation overseas

The Government's overseas property needs are met through a combination of owned property and property leased from private landlords (see Section 3—Corporate management and accountability on page 213 for information about the department's leased estate).

In 2002–03, we managed 132 owned properties in 50 countries, comprising offices and residences. The estimated market value of the estate at 30 June 2003 was \$1.2 billion. This value was assessed by a global real estate services firm we engaged for this purpose.

Throughout the year, we met the wide range of office and staff accommodation requirements of agencies representing the Government's interests overseas. We were also able to respond effectively to special concerns arising from the adverse international security environment. This included managing the urgent relocation of a major chancery—the embassy in Manila—to new and secure accommodation following a credible security threat (see box on page 182 for further information).

Physical management of assets

The department maintained a program of continuous assessment of all overseas property, involving annual inspections by qualified facilities managers and consultation with post management and agencies.

Properties are assessed using a model developed by OPO for measuring and monitoring their physical condition. The model is based on property industry standards including: expenditure on repairs and maintenance as a percentage of asset value; compliance with safety and storage codes; structural soundness; strategic importance of the individual properties; age of the properties with allowance for mid-life upgrades and refurbishments; and functionality and amenity of the properties. The model applies a four-point scale (unsatisfactory, poor, satisfactory, good).

The overall condition of the overseas-owned estate in 2002 was judged satisfactory. A review in 2003 showed an improvement in its overall condition (see quality information for more details).

The model also provides a basis for determining priorities for upgrading, disposal or acquisition of property, and for refurbishment under a five-year rolling program approved by the department's senior executive (see quality and quantity information).

Financial management of assets

For the OPO, the department operates a Special Account, separate from our Budget appropriations. The account was established in May 2002 by the Minister for Finance and Administration under the *Financial Management and Accountability Act 1997*. Revenue into the Special Account is derived from commercially based rents paid by agencies that occupy government-owned property overseas, and interest earned on the account balance.

We return an annual dividend to government, the quantum being agreed between the Minister for Finance and Administration and the Minister for Foreign Affairs. In 2002–03 an annual dividend of \$90.75 million was paid to the Government.

The high rate of return on investment of 16.1 per cent reflected the unusual combination of factors in 2002–03 referred to in the quantity information below and is unlikely to be replicated. The result is consistent with projections of a 7 to 8 per cent return over the next five years.

Overseas property sales returned \$15.1 million in net proceeds during 2002–03, the final year of a divestment program put in place by the Government.

We achieved a management expense ratio of 0.76 per cent in 2002–03, which was consistent with industry benchmarks determined by reference to the performance of listed Australian property management companies.

Relocation of the Australian embassy in Manila

The urgent relocation of the Australian embassy offices in Manila to more secure office accommodation following a credible security threat was successfully completed on schedule and within budget on 16 May 2003.

The new offices, located on floors 22 to 24 in the RCBC Plaza complex in central Manila, provide a high level of physical security for staff and visitors.

We completed the project within a very demanding timeframe—six months from initial temporary closure of the old chancery to complete relocation. The highly integrated project involved detailed commercial planning, a complex timeline for refit, the construction, shipping and installation of Australian-made equipment and fittings, and a 24-hour, seven days a week construction schedule. There was close oversight of the project by the department, and strong commitment and involvement by post management and staff. Local authorities were most cooperative.

The success of the operation owed much to the performance of the Australian head contractor (Bovis Lendlease) and departmental staff based in Manila and Canberra.

The quick relocation of one of our key regional missions in response to urgent security concerns demonstrated the benefits of having overseas property management fully within the portfolio.

OUTPUT 4.1: QUALITY AND QUANTITY INFORMATION

Quality indicators

- Portfolio condition to be maintained to industry standards
- Tenant satisfaction to be reviewed by annual survey

Quantity indicators

- Return on investment to be compared with external industry benchmarks and the agreed annual requirement as determined each year
- Management expense ratio to be consistent with external industry benchmarks
- Pay agreed annual dividend to Government
- Return equity from proceeds of divestment program

Portfolio condition

OPO assessed the overall condition of the overseas owned estate in 2002 to be satisfactory, using the assessment model described on page 181. A review in 2003 showed an improvement in the overall condition of the estate. This was primarily due to the completion of the construction project for the new Berlin chancery, and increased levels of expenditure on repairs and compliance resulting from OPO's rolling five-year program of repairs, refurbishment and construction, directed at ensuring that properties meet requisite standards.

The condition of properties in the estate can be expected to improve significantly as a result of planned refurbishments and proposed major construction projects (see output 4.2).

Tenant satisfaction

OPO conducts twice-yearly overseas tenant surveys on property management issues. The surveys deal with the services provided through the department's overseas property management alliance with United Process Solutions (UPS)—formerly PricewaterhouseCoopers (see output 4.2). Survey results during 2002–03 reflected general tenant satisfaction with services provided where UPS facilities managers were attached to posts.

The results were mixed where tenants used services coordinated through UPS's Australia-based call service, which responds to direct requests from posts on a 24-hour a day basis. Tenants were satisfied, however, with call centre access. During the year, following a departmental review of the service contract, an estate management group was set up in OPO to oversee and manage liaison between tenants and the service provider (see also output 4.2).

Quantity information for Output 4.1

Return on investment

The rate of return on investment on the overseas owned estate in 2002–03 was 16.1 per cent. This was considerably higher than the 5 per cent returned in the previous year, reflecting the increased value of major projects completed, especially the Berlin chancery. In contrast, the level of capital expenditure was relatively low, but it is anticipated to increase significantly over the next five years. Income from the recently concluded divestment program also influenced the rate of return.

These results are not expected to be replicated in 2003–04 but are consistent with achieving a long-term return on investment of the order of 7 to 8 per cent.

It is not possible to establish a truly comparative industry benchmark for the overseas owned estate, due to the estate's geographic diversity and composition, and the fact that it includes residential as well as commercial property.

Management expense ratio

The management expense ratio indicates the relationship between costs of management and value of the estate. For 2002–03 the ratio is assessed at 0.76 per cent, which was consistent with external industry benchmarks derived from data measuring the performance of listed Australian property management companies.

Annual dividend

The department paid the Government an agreed dividend of \$90.75 million relating to the overseas portfolio for the financial year.

Returned equity

The department returned to the Government \$15.1 million, the agreed divestment target for 2002–03.

Output 4.2 **Contract management****Overview**

In discharging our responsibilities for managing the overseas owned estate through the Overseas Property Office (OPO), the department made extensive use of contracted service providers selected in accordance with our competitive tendering and contracting procedures.

Contract services provided included project management and delivery, design and documentation, construction and refurbishment, asset management, property disposal and audit. We maintained our contract with United Process Solutions (UPS) for the provision of property services for the overseas owned estate.

Both Australia-based services and local services overseas were contracted for major overseas projects. Construction services were also provided on a sub-contracted basis. In the owned overseas estate, our contract with UPS makes provision for project services to be supplied, where required, by the Australian project management company Multiplex.

Construction projects

The department efficiently managed the planning and implementation of a significant construction program in the overseas estate throughout 2002–03. Some projects encountered delays due mainly to local factors, but all were completed within acceptable timing and budget parameters. Some proposed leased estate projects had to be deferred because of an urgent funds requirement for the relocation on security grounds of the Manila chancery.

The largest project completed during the year was the new chancery for the embassy in Berlin, which involved the restoration and refurbishment of two adjacent heritage-listed buildings for use as chancery and apartments. The completed project attracted positive public attention in Germany for the sensitive way in which a state-of-the-art office and accommodation complex was created while preserving the heritage character of the original buildings. The new embassy is an exceptional representational facility for Australia and adds considerable value to the overseas estate.

We carried out preparatory work towards the construction of new chanceries in Colombo and New Delhi. The Colombo project was presented to the Parliamentary Joint Standing Committee on Public Works in June 2003 and the New Delhi proposal was tabled for Committee consideration in the same month. Other significant projects in development or construction stage include new consulate offices in Bali, new staff housing in Honiara, and refurbishment of staff apartments in Paris.

In addition to major projects in the owned estate, the department provided planning and project assistance for our leased estate projects, including the fitting out of new chanceries in Abuja, Amman and Moscow, and the urgent relocation on security grounds of the embassy in Manila. We also gave priority to project planning for the Australian Representative Office in Baghdad.

Contract with United Process Solutions Pty Ltd (UPS)

The department retained its outsourcing contract with UPS for the provision of property services in the overseas owned estate. The contract is designed to provide effective service delivery to posts, the department and other Australian Government agencies operating overseas. (UPS took over the contract from PricewaterhouseCoopers when, in consultation with the department, the latter sold the business to United Group Limited, effective from 30 September 2002.)

The contract incorporates key performance indicators under six headings: financial, business processes, tenant satisfaction, portfolio strategy, divestments and capital works. OPO maintained a dialogue with UPS throughout the year to ensure that services were effectively delivered under the contract (for information on contractual outcomes see quality information).

The contract with UPS remained important in providing facilities management in the owned overseas estate, including servicing of plant and equipment and preventive maintenance programs in posts. In some larger posts UPS provides on-site facilities managers who oversee locally employed UPS staff. Posts can also report faults or problems to UPS's 24-hour call service in Australia. Posts' satisfaction with services provided by UPS was surveyed through the year as a measure of the contract's effectiveness (see output 4.1 quality information and output 4.2 quality and quantity information).

OUTPUT 4.2: QUALITY AND QUANTITY INFORMATION

Quality indicators

- Efficient and effective management of construction projects for new capital works
- Ensuring measurement of contractual outcomes required of United Process Solutions
- Tenant satisfaction with United Process Solutions contract delivery

Quantity indicators

- Number of project contracts managed
- Number of calls answered by United Process Solutions call centre and agreed response times for successful service delivery achieved

Management of construction projects

Projects completed in the owned estate:

- restoration and refurbishment of the new chancery in Berlin (January 2003)
- refurbishment of the official residence in Jakarta (December 2002).

Construction projects under way:

- preparatory approvals, planning, design and documentation for new chanceries in Colombo and New Delhi
- staff apartments refurbishment in Paris.

Projects completed in the leased estate:

- relocation of three chanceries: Moscow, Manila and Amman.

Projects for new capital works were managed efficiently and effectively. Several projects are nearing completion or at the planning stage (see paragraph below on number of projects managed). While some delays were encountered, all projects in the owned overseas estate were completed within acceptable timing and budget parameters.

Contractual outcomes required of United Process Solutions (UPS)

The performance of UPS is measured against contractual indicators relating to financial and business processes, tenant satisfaction, portfolio condition, divestments and capital works. Overall, the contract delivered acceptable outcomes, with UPS providing assistance to the department in meeting its obligations to the Government in relation to

payment of dividend and return on investment. The level of tenant satisfaction with services provided under the contract increased. Some adjustments to the scope of services provided under the contract were made to enhance the department's role in property planning and strategy.

Tenant satisfaction with UPS

Tenant surveys are conducted annually to provide tenant satisfaction ratings with UPS services. The survey result for 2002–03 indicated improved general satisfaction with the service provided. A majority of tenants were satisfied with call centre access. Areas identified for improvement included delivery of services through the call centre process (see also output 4.1).

Quantity information for output 4.2

Number of project contracts managed

The department managed more than 20 substantial construction or refurbishment projects in the overseas owned and leased estate, at various stages of completion. Of these, five (restoration of the new chancery in Berlin, relocation of chanceries in Amman, Moscow and Manila, and refurbishment of the official residence in Jakarta) were completed during the year. Relocation of the chancery in Nigeria from Lagos to Abuja, and construction of Honiara staff housing were nearing completion, while arrangements for relocation of the Dublin chancery offices and refurbishment of the chancery in Pohnpei were under way. We completed significant work on approvals, design and planning for new chanceries in Colombo and New Delhi, and for refurbishment of staff apartments in Paris and Hanoi and of the official residence in Washington. Consultancy and preparatory work was under way on the remaining projects.

Number of calls answered and response times

A total of 8048 calls were made to the call centre. This was consistent with the number recorded in 2001–02.

Ninety-seven per cent of calls were responded to within key performance indicator response times.

