

Let's find out from our spooks in Iraq

Canberra observed
Laura Tingle

Cast your minds back to late March. Then let's play a spooky game of join the dots. In late March, Labor had screamed ahead of the coalition on the primary vote for the first time and, as the month waned, was leading by a gap of 5 percentage points.

But Mark Latham was about to run into some trouble. During March, he had made his declaration that Labor wanted to bring Australian troops home by Christmas. US Ambassador Tom Schieffer bought into the local political debate, and the government sensed an opportunity at last to try to damage the new kid on the block.

The government charged that Latham's troops policy was policy on the run, made by an uninformed and inexperienced leader who, most seriously, had lied about receiving bureaucratic briefings on Iraq.

The following days were among the most dramatic we have had in the parliament in recent times.

At issue were Latham's claims that he had met with and discussed Iraq with Defence and Foreign Affairs officials.

On March 30, the Prime Minister told parliament there had been no such briefings.

Latham hotly disputed this and provided dates for the meetings.

Howard returned to the chamber at 7pm and took the extraordinary step of reading from two letters from two of Australia's "spook" organisations – the Defence Signals Directorate and the overseas spy agency, the Australian Secret Intelligence Service (Asis) – which he said contradicted Latham's claims.

The brawl went on for days. But what is the significance of these events?

Well, for the past couple of weeks the issue of what Australia knew about Iraqi war prisoners has been bobbing in and out of the headlines and occupying a great deal of parliamentary time.

The focus has been on what Defence and its agencies knew.

But on March 30 John Howard opened a window on the as yet largely untold story about what Asis – which is connected to Foreign



Lifting the lid... John Howard could hardly complain when Mark Latham also discussed Asis.

photo: PENNY BRADFIELD

Affairs rather than Defence – might have been doing in Iraq. And this is where we start playing join the dots.

It's an unwritten rule in federal parliament that politicians don't speculate too widely on the activities of our intelligence agencies.

But having used them improperly for political purposes on March 30, the Prime Minister could hardly complain when Latham also spoke about Asis in his own defence.

"On the question of the Asis briefing," he told the House on March 31, "my briefing with Asis on February 11 included substantial security matters relevant to Iraq."

"As the Prime Minister knows full well, Asis has relevant responsibilities beyond those mentioned in the Prime Minister's statement at 7pm yesterday."

Latham continued in a subsequent censure debate that Howard had made much of the fact that the letter from Asis director-general David Irvine had said that, "according to my recollection, there was no discussions [with Latham] on strategic policy relating to Iraq".

Latham observed: "Of course

that does not rule out what actually happened – discussion of Asis security matters relevant to Iraq." The heavy hints were there about on what Latham might have been briefed.

Earlier this month Brian Toohey reported in *The Australian Financial Review* that Asis officers in Baghdad had been reporting back to Canberra on intelligence obtained

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from Iraqi detainees subjected to brutal interrogation by US intelligence officials.

Although Toohey's report said the Asis reports did not say how the interrogations were conducted, they said some of the material was of low value because of the circumstances in which it was collected.

Toohey's sources in Canberra said it was unclear from the reports if Asis officers were referring indirectly to the use of torture and other abuses under investigation by

US authorities, and it was not known if any Asis officers were present while detainees were interrogated.

"The Asis officers in Baghdad work with CIA and US military intelligence officials, analysing material obtained from interrogations, which one US general has described in an official report as 'sadistic' in some cases," the report said.

It added: "Canberra sources familiar with the Asis reports say it is difficult to believe that well-trained intelligence officials in Baghdad could not have deduced what was happening in some of the interrogations conducted by the organisations with which they were closely liaising."

Toohey's report observed that the public controversy about the prisoner abuse scandal, and the government's defence of diplomats and military officers, "has made no reference to its most important source of information about the interrogations: the reports from its unusually large Asis contingent in Baghdad".

Toohey said the Asis detachment in Baghdad was the biggest ad hoc

deployment by the organisation so far, to the point where there "have often been more Asis officers in Iraq than diplomats".

(This wouldn't be hard, since there are just six or seven diplomats in our representative office there.) Another intriguing insight into what Australia might be up to in Iraq comes from oblique references in documents tabled by Defence Minister Robert Hill on Wednesday.

According to those, there was a range of Defence "non-legal" officers visiting Abu Ghraib and other prisons on "orientation tours", visiting as part of their duties and "witnessing the prisoner receipt process".

Senior legal officers visited a number of jails, including "to interview two Ukrainian criminal detainees", for a "criminal detainee interview", and for "info re killed Spanish officers".

Now, your guess is as good as mine about what all this means. But seriously, *orientation tours*? In Baghdad?

The point here? Well, there are several.

The first is, we have a whole bunch of spooks in Iraq who directly and indirectly are seeking to gain intelligence from Iraqi prisoners.

That means, despite all the legalistic nonsense about how we are not an occupying or detaining power, we have a legal and moral obligation to know about how those prisoners are being treated and ensure that they are protected, and it means we have a much greater vested interest in the prisons issue in Iraq than the government has let on to date.

The second is that the 86 soldiers at the greatest risk in Iraq are the ones guarding the six people in the Australian representative office.

The government insists this protection squad can't leave and leave those six unprotected.

Well, what about all those Asis officers? Who's protecting them?

Iraq as a political issue will wobble back and forth across the party divide for months. But be assured we haven't heard the last of those unfortunate prisoners yet.

And the Prime Minister may long regret bringing Asis into the public domain.

■ Laura Tingle is The Australian Financial Review's chief political correspondent.

Naval contracts chart new course in tendering

There's up to \$8 billion worth of naval construction up for grabs. South Australia is landlord to the commonwealth-owned Australian Submarine Corporation, which needs extra work to remain viable.

Mitsubishi has just dealt a blow to manufacturing employment in the state, which also happens to be home to three senior cabinet members, including Defence Minister Robert Hill. So it's just a matter of time before the election-year announcement of big ships being built down there – right?

Not necessarily so. The government says that if the next generation of naval ships is built in South Australia it will be because a competitive tender has been won. This is a marked departure from the Department of Defence's 2002 plan, which envisaged a monopoly prime contractor and strongly implied that Adelaide would be the site for assembling vessels.

Instead, the government has accepted the recommendations of a report it commissioned from

Real competition, not industry outcomes or political considerations, must guide the new round of naval ship-building tenders, writes **Mark Thomson**.

merchant banker John Wylie. The report has not been released publicly, but it's understood to propose the use of "managed competition" to award contracts for the air warfare destroyer and amphibious ship projects.

Together, these projects will cost between \$6 billion and \$8 billion and account for 85 per cent of planned naval construction to 2020.

Sounds good, but what is

"managed competition"? The details are being worked out, but the broad scheme will have three key aspects. First, the government will use its single-buyer power to prevent "anti-competitive" arrangements. The aim is to stop firms from conspiring to divide the work or otherwise

unreasonably reduce competition. At the same time, third parties such as Leighon and Austal, which have both shown an interest, can partner with an existing ship builder or even enter the competition outright.

Second, it won't be winner-takes-all. The successful prime contractors will be required to subcontract work to the losers, including module construction and high-end tasks such as systems integration.

This is not (or at least it shouldn't be) a sop to regional sensitivities or industry welfare. It's about maintaining the viability of the sector and ensuring the strategic capacity to repair and maintain the fleet at or near the ships' home bases.

Third, to make sure there is real competition, ASC will be allowed to bid for the projects as a government business enterprise. Once all the work is settled, ASC will then be offered for sale, with or without a contract, depending on its success in the tenders.

It's possible that one firm could even end up winning both prime contracts. That's fine. What matters is getting the best possible deal on these two big projects, not the

industry structure that emerges to fight over the remaining 15 per cent of work.

In both competitions, best price will not be the sole criteria. The projects will be managed under alliance contracts that will share risk and benefit between the government and the contractor, with contracts awarded on the basis of forming a workable partnership.

This will take into account the managerial and technical capacity of the contenders and the resulting impact on strategic national capabilities. This will give state governments the opportunity and incentive to work with contenders to develop attractive packages.

The risks are many. Managed competition will make for an interesting game between Defence and industry, and alliance contracts are largely unknown territory. The projects themselves will stretch industry in scale and

technological sophistication, especially if the Navy fails to constrain its aspirations. A lot will depend on the new head of the Defence Materiel Organisation, Stephen Gunley. As the former head of ASC and a former Boeing executive, Gunley is a poacher turned gamekeeper. Success will depend on him getting a fair deal from industry while keeping the Navy's dreams in check. Neither task will be easy.

The final factor that will

determine success or failure is the discipline the government imposes on itself to keep politics out of the decision-making. There is little doubt that vested interests will try to have the competition managed to their benefit.

The best thing the government can do is to remain true to its word and let competition determine the outcome.

■ Mark Thomson is the Australian Strategic Policy Institute's budget and management analyst. These are personal views.