

## Defence Cooperation Program

### Introduction

- 3.1 The Defence Cooperation Program (DCP)<sup>1</sup> is a 'core part of how the ADF engages with militaries via joint exercises, training and officer exchanges in our immediate neighbourhood'.<sup>2</sup> The DCP has the broad aim of enhancing defence-related capabilities of regional partner nations. During the 2012–13 financial year, approximately \$79 million was spent on the program.<sup>3</sup>

### Defence Cooperation Program priorities

- 3.2 The Committee enquired as to whether priorities and funding for the DCP had changed as a result of operational force adjustments, notably moves out of Afghanistan, East Timor and Solomon Islands. Defence stated:

Overall, I would say that it has not. The vast majority of the DCP program has, for a number of years, been spent in the South Pacific – particularly if you include Papua New Guinea in the term South Pacific – centred around the support provided to the Pacific Patrol Boat Program, and in Southeast Asia. But overall, the DCP

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1 The Defence Cooperation Program is known as the DCP, but this can sometimes be confused with Defence Capability Plan which is also referred to as the DCP. For this chapter, DCP will refer to the Defence Cooperation Program unless stated otherwise.

2 Australian Strategic Policy Institute, *Submission No. 2*, p. 11.

3 *Defence Annual Report 2012-13: Supplementary Online Content*, Ch 3.

itself has not really changed in terms of the overall nature of it and where it is spent.<sup>4</sup>

3.3 Defence also stated:

Our priorities have not changed in terms of the DCP. It has always remained focused largely on the Asia-Pacific region. The relevancy of the step down in Afghanistan has been the additional effort being put into the engagement in the Pacific and in particular in Southeast Asia.

I think the CDF has spoken publicly about this and certainly there are very significant things that we are doing of an enhanced nature in Southeast Asia, which enables us to take advantage of the step down in Afghanistan. We will be doing a lot more over the next few years. You will see that in an increased intensity in exercising. You will see that in an increased intensity in senior level engagement and the like. There are no changes in the priorities for the DCP as such, but there will be a lot more intense engagement in the region.<sup>5</sup>

3.4 In terms of determining priorities and spending, Defence stated that the level of engagement is largely determined by three factors:

I think there are three key ingredients to how we end up with the levels of expenditure that we have on certain countries, one being the interests that we are seeking to pursue through those relationships and so the activities that we are undertaking there. Second would be what priorities we mutually agree with that country through defence talks with them about areas where both countries see it being in their mutual benefit to engage. Then, thirdly, there is the capacity of that country and the nature of either its security or defence force – given that a number of countries that we engage with through the Defence Cooperation Program do not actually have defence forces but we are engaging with the police forces, particularly the police maritime wings – and their ability to undertake and to absorb activities.<sup>6</sup>

3.5 The DCP projected funding allocation for the top five recipient countries for FY 2014-15<sup>7</sup> is listed in the table below with historical spends for FY 2012-13.<sup>8</sup>

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4 Mr Birrer, Department of Defence, *Transcript*, 6 June 2014, p. 30.

5 Mr Richardson, Department of Defence, *Transcript*, 6 June 2014, p. 30.

6 Mr Birrer, Department of Defence, *Transcript*, 6 June 2014, p. 30.

7 Mr Birrer, Department of Defence, *Transcript*, 6 June 2014, p. 31.

8 *Defence Annual Report 2012-13: Supplementary Online Content*, Ch 3.

Table 1 Defence Cooperation Program Funding

Nation	Historical funding Financial Year 2012–13	Projected funding Financial Year 2014–15
Papua New Guinea	\$20 million	\$26 million
Tonga	\$2.7 million	\$4.9 million
Indonesia	\$3.4 million	\$3.8 million
Timor Leste	\$4.2 million	\$3.7 million
Malaysia	\$3.6 million	\$3.2 million

### 3.6 ASPI noted that:

...the level of DCP spending has been falling as a proportion of total Defence spending. However, this might not be an accurate reflection of the situation, as other forms of defence regional engagement have increased. The emphasis of the DCP has shifted from assisting regional states to build their own defence forces towards education exchanges, and cooperative regional security efforts, such as Humanitarian Assistance and Disaster Relief (HADR), counter-terrorism and counter-improvised explosive devices. The cost of these activities are not attributed against the DCP.<sup>9</sup>

## Scholarships

### 3.7 The Committee noted the high level of education activities and English language training undertaken as part of the DCP. The Committee enquired about the scholarship programs. Defence responded:

In 2014, we had a total of 61 scholarships accepted across countries funded by the Defence Cooperation Program. They very much vary between countries and depend a bit on the capacity of the people in either the defence force or the ministry of defence in that country to undertake postgraduate studies in Australia – generally masters degrees. That is an arm of our engagement and often we find that it is linked very much to their capacity to undertake studies in Australia – in English, of course. It is focused on priority countries but it does have that human dimension that they need to

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9 Australian Strategic Policy Institute, *Submission No. 2*, p. 12.

have, the human capital, to be able to undertake the scholarship successfully.<sup>10</sup>

## **Other activities/countries**

- 3.8 Defence continued to work closely on security cooperation with partner countries in the region, specifically Brunei, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam. Priority areas for cooperation included counter-terrorism, peacekeeping, maritime security, defence reform and English language training. Defence continued to provide support to regional multilateral security institutions such as the Association of South East Asian Nations (ASEAN) Defence Minister's Meeting-Plus (ADMM-Plus) and the ASEAN Regional Forum.<sup>11</sup>

## **Pacific Patrol Boat Program**

### **Background**

- 3.9 The Pacific Patrol Boat (PPB) Program is a key element of Australia's defence engagement in the Pacific region and provides financial, technical, logistics, maintenance, training and other support to 22 patrol boats gifted to 12 Pacific island countries (including Fiji). The boats are the sovereign assets of the Pacific nations and are used principally for maritime surveillance and law enforcement tasks. Defence's support is underpinned by 26 Navy maritime surveillance and technical advisers located across the Pacific (two of whom are Royal New Zealand Navy personnel). In June 2013, a new training contract was established for the provision of training services in support of the program.<sup>12</sup>
- 3.10 Defence further elaborated on the background to the PPB Program:
- The Pacific Patrol Boat Program consists of 22 patrol boats that Australia gifted to 12 Pacific island countries between 1987 and 1999. Those boats are very much a sovereign asset of the country they were gifted to. But one of the unique aspects of the Defence Cooperation Program is our sustained cooperation with the recipients following the provision of the boats, in terms of providing technical advisers in country. There are Royal

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10 Mr Birrer, Department of Defence, *Transcript*, 6 June 2014, p. 31.

11 *Defence Annual Report 2012-13: Supplementary Online Content*, Ch 3.

12 *Defence Annual Report 2012-13: Supplementary Online Content*, Ch 3.

Australian Navy personnel and in one case, in the instance of the Cook Islands, there are New Zealand naval personnel who provide in-country technical support. We provide support to the maintenance and operation of the boats, given that these countries have very limited capacity to maintain the boats in service. We also provide comprehensive training to the crews at the Australian Maritime College in Launceston under contract to the Department of Defence. We are continuing to engage with all those countries, except for Fiji, where cooperation was suspended following the coup in 2006.

Another aspect of the assistance that we provide is in the coordination of maritime surveillance and response, including through the Forum Fisheries Agency that is hosted in Honiara in the Solomon Islands, where we have also posted an officer to assist with regional coordination, and there is another officer undertaking a similar role in Port Moresby. There is a total of 24 officers posted out into the region.<sup>13</sup>

## Program cost

- 3.11 The Committee sought information on the cost and the effectiveness of the PPB Program. As to the refit costs of the PPB Program, Defence responded:

We are now at the stage of going through the third refit program, which commenced in 2011, to extend the life of the boats from 2018 to 2027. Those refits are approximately \$2.5 million per boat. That varies a lot depending on the condition of the boat as it enters into the third refit. We are part way through that process now.<sup>14</sup>

- 3.12 The Committee noted that some of the PPB refits cost significantly more than the \$2.5 million and sought clarification on this point. Defence replied:

Defence contractor, DMS Maritime, has conducted Half Life Refits on four Pacific Patrol Boats to date. The cost has ranged from \$3,599,000 to \$7,555,000.<sup>15</sup>

- 3.13 Defence also noted that, in anticipation of full re-engagement with Fiji, the cost of refitting the three Fijian PPBs remains unknown until a detailed survey of the boats can be undertaken.<sup>16</sup>

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13 Mr Birrer, Department of Defence, *Transcript*, 6 June 2014, p. 32.

14 Mr Birrer, Department of Defence, *Transcript*, 6 June 2014, p. 32.

15 Department of Defence, *Submission No. 4*, p. 8.

16 Mr Birrer, Department of Defence, *Transcript*, 6 June 2014, p. 32.

## Program effectiveness

3.14 The Committee enquired as to the effectiveness of the PPB Program and the number of sea days achieved by each nation. In effect, the Committee sought to determine the value for money of the PPB Program. Defence provided details contained in the following table.<sup>17</sup>

Table 2 Pacific Patrol Boat Sea Days 2013

Pacific Patrol Boat Sea Days 2013		
PPB Name	Country	Sea Days Achieved
CIPPB TE KUKUPA	Cook Islands	62
MV NAFANUA	Samoa	61
HMTSS TE MATAILI	Tuvalu	75
RKS TEANOAI	Kiribati	52
RVS TUKURO	Vanuatu	48
RMIS LOMOR	RMI	88
PSS PRESIDENT REMELIIK	Palau	68
FSS PALIKIR	Federated States of Micronesia	66
FSS MICRONESIA	Federated States of Micronesia	139
FSS INDEPENDENCE	Federated States of Micronesia	90
VOEA NEIAFU	Tonga	13
VOEA PANGAI	Tonga	61
VOEA SAVEA	Tonga	62
RSIPV LATA	Solomon Islands	133
RSIPV AUKI	Solomon Islands	9
HMPNGS RABAU	Papua New Guinea	27
HMPNGS DREGER	Papua New Guinea	31
HMPNGS SEEDLER	Papua New Guinea	22
HMPNGS MORESBY	Papua New Guinea	3
RFNS KULA	Fiji	<i>Cessation of support under PPB Program following suspension of defence engagement.</i>
RFNS KIKAU	Fiji	
RFNS KIRO	Fiji	

3.15 The Committee sought further detail relating to Economic Exclusion Zone (EEZ) monitoring and enforcement missions performed by the PPBs; however, Defence advised it was unable to provide specific details.<sup>18</sup>

<sup>17</sup> Department of Defence, *Submission No. 4*, p. 9.

<sup>18</sup> Mr Birrer, Department of Defence, *Transcript*, 6 June 2014, p. 33 and Department of Defence, *Submission No. 4*, p. 10.

- 3.16 In relation to the effectiveness of EEZ enforcement more broadly, Defence noted that:

The Forum Fisheries Agency in Honiara provides an ability to monitor licensed fishing vessels through the vessel monitoring system, which is a transmitter system that allows them to monitor and identify licensed vessels. That can be married up with other surveillance data which detects vessels that are operating outside of areas they are licensed or that are unlicensed. But the Forum Fisheries Agency also assists in coordinating responses between countries. We have a number of arrangements now in place where countries can help enforce each other's EEZs and coordinate patrols and enforcement activities. That provides, in addition to the actual prosecutions achieved, very much a deterrent effect amongst those who would otherwise undertake illegal fishing activities.<sup>19</sup>

## Future options

- 3.17 The Committee considered future options for the PPB Program and the vessels themselves, noting lessons learned to date. The Committee examined which agency would be best positioned to take the lead in the future iteration of the program noting that it has become a multi-agency activity. The Committee also considered what the recipient countries needed from their PPBs and what the region needed in terms of a broader coordinated approach.

- 3.18 In terms of the lead agency, Defence advised:

I think that there is a strong case for us to continue to take the lead. But, quite obviously, what we do in respect of the Pacific Patrol Boat Program, or indeed, any other – our DCP generally – must be contextualised within a broader strategic and broader relationship context. Yes, we should take the lead on it; yes, we should drive it, in my view; but, obviously, it needs to be consistent with and complementary to what other arms of government are doing in any particular relationship.<sup>20</sup>

- 3.19 Further to this, Defence advised it was taking a more holistic approach to the future of the Program and the replacement PPB vessels.

If you look at the break up of boats, 10 of them belong to defence forces and 12 of them belong to non-defence forces, so police, customs or whatever. So if you want one head it is either all

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19 Mr Birrer, Department of Defence, *Transcript*, 6 June 2014, p. 33.

20 Mr Richardson, Department of Defence, *Transcript*, 6 June 2014, p. 34.

defence or all non-defence because of the mixture of boats in there. When we first ventured into looking to where we go from the Pacific patrol boat into the future, we tried all the innovative ideas you would expect from the ADF – how do we share assets, how do we have bigger boats or smaller boats, how do we mix, could you move your boats over to someone else’s EZ to help out at this time of year and so forth. There is a strong sense of ownership of these boats. It is very hard at times to break through that. We have tried to come at it in a different way in terms of coordinating the assets rather than looking at a mix of fleets and so forth because, frankly, some of the countries out there do not need patrol boats. They need LCHs or a multipurpose vessel that can carry things plus do patrols.

Then you have speed issues, so we have looked at ship design and boat design to see what you could offer. We keep coming back to a similar construct to what we have got. If that is where we are going to land... how do we utilise it better and what are the other assets we have to bring in, who are the other agencies we have to bring in, what exists out there at the present time, what can be introduced and what can be improved upon?

So that is where we are in the patrol boat replacement program at the moment, acknowledging that there really is a strong sense of sovereignty about the assets. We will keep working this, but I think it will be more the integrated, coordinated, user Forum Fisheries Agency and so forth to try to get everyone in the right place. It is a big step to go from where they are now to where we might want to take them. If the next step is seen to be successful, they will get a sense that their fisheries are being protected – and many countries, like Tonga, lose hundreds of millions; an opportunity cost every year just disappears out of their waters. They want to prevent it and we have to get them all to that point where we can help them get there.<sup>21</sup>

## Pacific Maritime Security Program

3.20 The Committee sought further detail about the Pacific Maritime Security Program (PMSP). Defence responded:

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21 Gen Hurley, Department of Defence, *Transcript*, 6 June 2014, pp. 34-35.



The maritime program is more about coordinated maritime surveillance and response in the region – using the assets more interconnectedly between the various nations and knitting them into the Forum Fisheries Agency in Honiara. The idea is to develop situational awareness and the capability to target and understand, for example, the habitual paths of fishing vessels, their seasonal usage and where they should go. You then knit that into programs that the ADF runs, like Operation Solonia, in which we send P3s out to the region, and into Kura Kura, which is the maritime surveillance exercise.

We want to lift it up to that level, but that takes a fair bit of discussion, frankly. One of the ways we have approached that is by inaugurating the South Pacific Defence Ministers Meetings and the Asia-Pacific Chiefs of Defence Force Meeting last year to see if we can get a broader view of everyone's programs. Chile is involved, as is Papua New Guinea, the French, New Zealand, Australia and Tonga. Vanuatu will come as an observer... and we will get Fiji in when she comes alongside. The aim is to lift all that up and say: 'Here are all the exercises we are doing. Here are all the assets we have in the region. How do we coordinate that now?' – with the aim of getting exactly the outcome you are pointing to as the required return on our investment of dollars.

Even going beyond that, the aim is to coordinate better in HADR situations, particularly how France, Australia and New Zealand, as the major players, coordinate better with the assets we know are in each of the islands. We are really trying to lift the whole view of what we are doing in the Pacific, integrate assets and get far better outcomes for the dollar and for the people in the region. That is the next big step.<sup>22</sup>

- 3.21 Defence advised that it is developing advice to Government on the Pacific Maritime Security Program for consideration in 2014.<sup>23</sup>

### **Pacific Patrol Boat replacement**

- 3.22 ASPI noted that the PPBs will need replacing between 2018 and 2028. However, in a period where Defence is facing significant budgetary constraints, there is concern that a least-cost solution will be implemented

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22 Gen Hurley, Department of Defence, *Transcript*, 6 June 2014, p. 33.

23 Department of Defence, *Submission No. 4*, p. 11.

which will not be in the best interests of Australia or Pacific Island states.<sup>24</sup> The Committee requested an update on progress of the replacement process. Defence replied:

This morning [6 June 2014] the Minister made an announcement that the government has brought forward a competition with Australian industry to construct more than 20 replacement Pacific patrol boats and that there will be additional work around the selection of the design and the shipyards that would be involved in the replacement Pacific patrol boats.<sup>25</sup>

- 3.23 Defence noted that it was integrating design of the replacement boats with the various components of the Pacific Maritime Security Program; however, a lesson from the current PPB was that a simple design offered several advantages.

...one of the aspects and ingredients of the success we have had in terms of sustainment and the ability of the countries to operate them largely by themselves is the simplicity of the design. They are very much based upon fairly simple, commercially derived designs rather than more sophisticated platforms, and it is also a common design so we do not have other versions out there. The fleet maintenance aspect, the fleet sustainment aspect, has been an important ingredient in the success of the program.<sup>26</sup>

- 3.24 The Committee asked whether consideration was being given to providing smaller vessels, in addition to the PPB, to facilitate increasing patrolling sea-days as well as a potential development and progression stream given manning difficulties experienced by some countries. Defence advised:

We have very much done that in the past, in Vanuatu specifically, but also in other countries we have gifted to them smaller inshore boats – similar to the design of a recreational type boat. Part of that too is their broader skill set. If you train a police officer to become a mechanic in Australia, he or she can then use those skills in helping to maintain vehicles for the police force or whatever. So there is the broader skills development but what you mentioned about crew numbers, like a lot of countries do have problems with maintaining sufficient crew numbers.<sup>27</sup>

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24 Australian Strategic Policy Institute, *Submission No. 2*, p. 11.

25 Mr Birrer, Department of Defence, *Transcript*, 6 June 2014, p. 35.

26 Mr Birrer, Department of Defence, *Transcript*, 6 June 2014, p. 35.

27 Mr Birrer, Department of Defence, *Transcript*, 6 June 2014, p. 35.

## Committee comment

- 3.25 The Committee notes ASPI's comment regarding the DCP's shift of emphasis towards cooperative regional security efforts without attribution of costs of the relevant activities to the DCP. In order to accurately reflect the level of Defence cooperation with regional nations, Defence's annual reporting of the DCP could include an annotation noting the value of cooperative regional security activities.
- 3.26 The Committee notes the complexities of achieving a structured and coordinated regional security effect and it commends Defence on the development of a future framework. However, the Committee notes that a mature Pacific Maritime Security Program framework may take several years to develop and Australia needs to ensure it is achieving value for money with the Defence Cooperation Program and specifically, the PPB Program.
- 3.27 While noting Defence's desire to continue to head up the Pacific Maritime Security Program, the Committee considers that the Program has the potential to see a more integrated whole-of-government approach, whereby assets and contracts held by various departments could be utilised to provide cost effective improvements to the outcomes envisaged by the Program.
- 3.28 The Committee encourages Defence to refine the goals it sets for PPB Program outcomes and ensure they assist with the transition to the future PMSP.
- 3.29 The Committee recognises the RAAF's recent contribution to maritime surveillance in the Pacific as part of Operation Island Chief 2014. Working with members of the Quadrilateral Defence Coordinating Group; New Zealand, France and the US, and coordinated through the Regional Fisheries Surveillance Centre, Pacific Island Forum Fisheries Agency Secretariat in Honiara, the Committee regards Operation Island Chief to be an important contribution to maritime surveillance in the Pacific.

