



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE  
AND TRADE

**Reference: Economic and security challenges facing Papua New Guinea and the island states of the southwest Pacific**

THURSDAY, 19 MARCH 2009

CANBERRA

BY AUTHORITY OF THE SENATE



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**SENATE STANDING COMMITTEE ON  
FOREIGN AFFAIRS, DEFENCE AND TRADE**

**Thursday, 19 March 2009**

**Members:** Senator Mark Bishop (*Chair*), Senator Trood (*Deputy Chair*), Senators Feeney, Ferguson, Forshaw, Kroger, Ludlam and McEwen

**Participating members:** Senators Abetz, Adams, Back, Barnett, Bernardi, Bilyk, Birmingham, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Crossin, Eggleston, Farrell, Fielding, Fierravanti-Wells, Fifield, Fisher, Furner, Hanson-Young, Heffernan, Humphries, Hurley, Hutchins, Johnston, Joyce, Lundy, Macdonald, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Moore, Nash, O'Brien, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Stephens, Sterle, Troeth, Williams, Wortley and Xenophon

**Senators in attendance:** Senators Bishop, Kroger and Trood

**Terms of reference for the inquiry:**

- (a) The following matter be referred to the Senate Standing Committee on Foreign Affairs, Defence and Trade for inquiry and report to the Senate by 30 May 2009.  
The major economic and security challenges facing Papua New Guinea and the island states of the southwest Pacific;
  - (i) the implications for Australia;
  - (ii) how the Australian Government can, in practical and concrete ways, assist these countries to meet the challenges.
- (b) The inquiry to include an examination of the following:
  - (i) employment opportunities, labour mobility, education and skilling;
  - (ii) barriers to trade, foreign investment, economic infrastructure, land ownership and private sector development; and
  - (iii) current regional organisations such as the Pacific Islands Forum and the Secretariat of Pacific Community.

**WITNESSES**

**MORAITIS, Mr Chris, Australian High Commissioner to Papua New Guinea ..... 1**



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**Committee met at 5.34 pm****MORAITIS, Mr Chris, Australian High Commissioner to Papua New Guinea**

**CHAIR (Senator Mark Bishop)**—I declare open this meeting of the Senate Standing Committee on Foreign Affairs, Defence and Trade and welcome our witness, Mr Chris Moraitis. Mr Moraitis has just advised us that he has been up in PNG for the last two years. He is back in Australia for two or three weeks doing his mid-term reporting and meeting with various groups of interest. We will take notes from the meeting and have them transcribed and we will circulate them to you for you to sign off prior to us publishing them. So you can be reasonably frank here and be assured that they will not get published until you have signed off on them. We are interested in a fairly open discussion. I understand there are limits on what you can say, but you can be frank. You are aware that we are part-way through an inquiry into economic and security challenges facing PNG and the island states.

**Mr Moraitis**—Yes.

**CHAIR**—We have had detailed evidence so far from a range of government agencies and AusAID. We are only part-way through evidence from AusAID, so we would be interested to hear your points also in the context of that inquiry. We might hand over to you now to give us a briefing on your impressions, your observations, of where PNG is at. We would be particularly interested in your comments on economic and security matters and, in that context, things that are inhibiting growth, cultural and land matters that might affect investment, how PNG relates to us and legitimate security concerns it might have. I would also be interested in your comments about PNG's wider role in the Pacific and the relationship with the Chinese up there.

**Mr Moraitis**—That is a pretty broad request.

**CHAIR**—It is very broad. We have very broad inquiries!

**Mr Moraitis**—I will try to remember all those things. Let me just, by way of introduction, thank you for giving me the opportunity to comment on my perceptions on PNG. Let me break down my introductory comments into three elements: (1) the political situation, (2) the economic situation and (3) bilateral relations. And obviously there are a whole bunch of micro-issues that you touched on in your introduction which we could pursue in further detail.

As a matter of general observation, Papua New Guinea has been going through a period of unprecedented economic and political good times and stability. On the political front, the Prime Minister, Sir Michael Somare, is now serving his fourth term as Prime Minister. Of course, he was the first Prime Minister of Papua New Guinea, back in 1975. He won the elections in 2002. He maintained control of the government till the 2007 elections, when he returned to power after a very successful election. His National Alliance Party received a plurality of seats and then developed a coalition which has the majority of seats by a very wide margin—about 80-plus in a parliament of about 109, which means there are about 20 or 22 opposition members. He has been benefiting from a period of political stability.

Before that period, the average duration of a government was about 26 or 27 months, give or take a few months. That was because there was a capability of MPs to move and swap parties and sides very quickly. The previous Prime Minister, Sir Mekere Morauta, brought in some laws called the Political Integrity laws, which basically precluded individual MPs moving for certain periods. For example, until last month, February, there was no way that there could have been a vote of no confidence against Prime Minister Somare's government. That period ended in mid-February and since that time there has been the theoretical possibility of a vote of no confidence taking place against Prime Minister Somare.

That will be possible until the last 12 months before the next elections, in 2012. So between now and 2011 there is the theoretical possibility of him being challenged with a vote of no confidence. My assessment is that that is looking unlikely. The numbers of coalition parties that are with the government are such that the arithmetic of it does not make sense to many observers as being a real possibility. Secondly, the government has been living in pretty good economic circumstances for the last four or five years. That is due essentially to the exceptionally strong economic good times in the commodities sector. As you can appreciate, for a country which exports mainly oil, gold and copper and a few agricultural commodities, they have done extremely well, if I may say so. In fact, 85 to 86 per cent of PNG's exports are essentially oil, copper and gold.

**CHAIR**—Do they run a current account surplus?

**Mr Moraitis**—They have for the last few years. The deficit has declined from about 70 per cent to about 30 per cent, but they have about US\$2 billion or US\$3 billion in reserves at the moment, which is extraordinarily good by PNG standards over a 33-year period. Of course, like all commodity exporters, there are a few clouds on the horizon, to put it mildly, and PNG will have to come to terms with that in due course—sooner rather than later. But PNG have had some exceptionally good times. Revenues have been extraordinarily good. Supplementary budgets have preserved windfall revenue that has been accumulating in various trust accounts which PNG now has the capacity to draw on in times of difficulty.

In macroeconomic terms, they have done extremely well. Inflation has been under control until recently; it is now about 10 per cent. They have had a surplus and they have accumulated quite a few reserves and drawn down some of their debt. So in that respect the government has been living in some good times at the macroeconomic and political level.

The third element, the bilateral relationship, is in broad terms pretty good at the moment. There has been a lot of momentum built up in the last 12 months from a series of visits, starting with Prime Minister Rudd in March 2008—he visited Goroka and Port Moresby. We had the Ministerial Forum in Madang, which about six ministers and three parliamentary secretaries attended—almost a record in terms of numbers. We had a visit from the Governor-General and one from a couple of ministers. Parliamentary Secretary Kerr was there two weeks ago and we visited Bougainville. Mr Garrett was up there last week. We have the next forum happening pretty soon—probably before July—and we are hoping to have that momentum continued. On the diplomatic front, which is the interstate relations aspect of diplomacy, it has been a pretty good story.

On that score, that is the context in which I have been operating for the last few years. It has been a truism in observations on Papua New Guinea that it is the land of the unexpected. In my

experience of Papua New Guinea, having been there since late 2006, it has always been pretty predictable. Prime Minister Somare is governing with, I think, very good control of the party, and he is pretty well respected amongst his colleagues—or feared, or whatever you want to call it. He also has a strong profile in the Pacific region. He has been around for a very long time, of course. As a political player, he predates independence. He goes back to Gough Whitlam and even to pre-Whitlam days. He knows a whole series of prime ministers personally, going back to Gorton and others. So he has been around for a long, long time and he knows Australia well. There is a younger generation of politicians who are waiting in the wings, but it is another story as to who will succeed Prime Minister Somare. I do not want to speculate on what his plans are, because no-one really knows.

**CHAIR**—How old is he?

**Mr Moraitis**—He is 73 next month.

**Senator TROOD**—Has he given any intimation of thinking about moving on?

**Mr Moraitis**—Yes, he has informally. I think he enjoys being Prime Minister again for the fourth time. He has a very busy agenda travelling around the world. We are hoping to have him in Australia soon on an official visit. My experience of him is that he is pretty relentless in his travels and his desire to be Prime Minister. So I do not think he is very easily going to give up and retire. If you ask politicians in PNG, the speculation is that they bet on him staying until the next election and then perhaps moving on.

**Senator KROGER**—When is the next election?

**Mr Moraitis**—It is in 2012. It is a five-year term. It is every five years and the last one was in August 2007. So August 2012 is the next election at the national level. It is a 109-seat parliament, unicameral, based on 89 seats plus 20 provincial seats—which are basically governors' seats. For example, Prime Minister Somare is also the governor of a three-seat province. So you get the 89 plus 20. There is a governor for Port Moresby as well—who is actually, in this case, an Independent. So that is the climate which we are in at the moment. I think I will leave it at that and perhaps take questions on those specific points you asked me about.

**CHAIR**—Do you want to address some economic issues first: their dependence on commodities, inward investment, the relationship of the mining industry and the restrictions on access—whether they are business friendly—levels of corruption and those sorts of things?

**Senator TROOD**—And the impacts of the financial crisis?

**Mr Moraitis**—Yes, absolutely. As I said in my introductory comments, mining is obviously a significant part of the PNG economy. It provides 85 per cent of the exports. It provides about three per cent of the jobs. There is very much a mining enclave mentality. You would probably be aware of the names, but the main mines are: Porgera gold mine, Ok Tedi in Western province—a former BHP mine—Lihir Gold in New Ireland province and a couple of others that I cannot remember right now. There is also the LNG project which is around the corner and

which I will come to in a second. So those are the three main commodities—oil, gold and copper.

On the agricultural side are coffee and cocoa, and oil palm would be the other main one. Oil palm has been a great success in parts of PNG in the Oro area, East New Britain and West New Britain. It has been a great success and a very profitable crop for the last few years around the world. It is run in PNG by Malaysian companies, which have done a pretty good job and provided some income for the locals. The price of oil palm is declining as a result of the crisis. Coffee and cocoa are still relatively stable. The big losses are copper and oil, from record highs six months ago to what they are now. Gold remains pretty high, so that is okay. What it means, for example, is that in the last budget in PNG in November 2008 budget revenue was forecast to decline by 1.3 or 1.4 billion kina in 2009, which means about A\$500 million or A\$600 million has gone off the bottom line. The inflation rate is, as I said, 10 per cent plus. The reserves are still there. The kina is quite strong. It has actually held up quite well against the Australian dollar. The Australian dollar has fluctuated, as we know.

**CHAIR**—Is the kina a floating currency or a set currency?

**Mr Moraitis**—Floating, though the central bank has got involved from time to time.

**CHAIR**—What is it pegged to?

**Mr Moraitis**—It is not pegged to anything. It was trading at 2.5 kina to the dollar a year ago. Now it is 1.7, so it is quite expensive if you are looking at it in Australian dollars. There is an issue about whether PNG can sustain the strong kina policy and what it means for their reserves. Historically, PNG has been quite open to mining. It has had a history of successful mining ventures. On the other hand, some have not been so successful—Panguna in Bougainville, for example, has a historical legacy. Ok Tedi had some environmental problems, but generally speaking PNG has been as good as most places when it comes to mining. Lihir, Porgera and Ok Tedi have done quite well in the last few years. They have generated a lot of income for Papua New Guinea. As I said, there is a sense of mining enclave mentality, which has had an effect in some areas. But for most Papua New Guineans it really does not have any direct effect. There have essentially been boom times in Papua New Guinea. If you visit Port Moresby, you will see a lot of cranes building extra apartments and developments. People who have been travelling regularly to Papua New Guinea would say that the level of activity is the best they have seen.

**CHAIR**—I was up there a few times about four or five years ago.

**Mr Moraitis**—You would not recognise it now. It has improved quite a bit. The government is making a bit of an effort to keep it clean.

**CHAIR**—I stayed at the Crown Plaza on two or three occasions. Each time I was accompanied by either an AFP person or someone from the ADF. I remember stepping out twice in the night time just to go for a walk and they would not let me out of the hotel. Is that still the case?

**Mr Moraitis**—Law and order are a problem. In fact, recently when we had ministers in town they all had close personal protection from Australia accompanying them. That is just the nature of the law and order situation in Port Moresby and, to an extent, in Lae. In the rest of the

country, it is much less of a problem. It is quite benign. But those two urban centres are problematic. You asked a question before we began about unemployment. It is a difficult concept to explain. If I told you there was 70 per cent youth unemployment in the urban centres, that would probably be conservative. Jobs are pretty scarce there, which raises the question: why is that? Why aren't businesses investing outside the mining sector? Why isn't more being done there? There are certain impediments to business in PNG. I saw that the INA put in a submission to you from Papua New Guinea, which I think was a survey of businesses in Papua New Guinea. They are pretty much on the ball when it comes to law and order and the difficulties of the bureaucracy. Bureaucracy has problems when it comes to visas and work permits. Essential infrastructure is problematic—for example, basic things like power generation, blackouts and the unreliability of power. If you were a business, you would have to invest in generators and water supply. You would have to find the very limited supply of skilled labour to help you in your business. That is expensive because you need to give them good salaries and also because of the security costs. As a rule of thumb, in my experience, a business in PNG spends up to 15 per cent of its budget on security.

**CHAIR**—Straight off the bottom line.

**Mr Moraitis**—Absolutely.

**Senator KROGER**—Presumably that is because of the high unemployment feeding into the law and order issue?

**Mr Moraitis**—Correct. It is a vicious circle. You cannot have growth and investment, because you have a law and order problem and you have a law and order problem because no-one is investing. This is where you have to break this vicious circle of underinvestment. Structural problems are the infrastructure, the bureaucracy and the capacity of labour—although Papua New Guineans are excellent in many facets of professional life. They make excellent pilots, who are exported around the world, engineers, doctors, nurses, so—

**CHAIR**—Do they have the wrong concentration in the education sector? One of the submissions I saw suggested that there is too much funding and too much of a priority given to the tertiary sector, as opposed to primary and lower secondary.

**Mr Moraitis**—The focus—and AusAID can speak on this—is universal basic education. Primary education is very important. It is a big focus there. The tertiary sector has been an important area for PNG, and I do not think you should dismiss one or the other. I think both should be an area of focus.

**CHAIR**—You don't think there is a misfocus?

**Mr Moraitis**—I do not think so. I think you have to focus on both. I admit that, in the primary sector, things could be better in terms of participation, enrolment rates and graduation rates, especially for girls. That is a fact.

**Senator KROGER**—Is it compulsory?

**Mr Moraitis**—No. If you can afford the fee—

**CHAIR**—Is it run by the church?

**Mr Moraitis**—Churches run about 50 per cent of the education system and 50 per cent of the health system. The churches play a very important role in Papua New Guinea. There is no doubt about that.

**CHAIR**—Are the churches welcome?

**Mr Moraitis**—Absolutely. The churches have a very important historical role in Papua New Guinea. Think about the history of Papua New Guinea in terms of colonisation—you had British Papua, where it was the Anglicans and the British churches; in the north were the Lutherans and Catholics. That is pretty much the spread of churches in Papua New Guinea. The missionaries have been there since the late 19th century and they have played a critical role in so many facets of Papua New Guinea life—and a pretty positive role in many ways, too. Recently, for example, on the HIV-AIDS front they have been very strong champions of the HIV-AIDS message, which you might think would be counterintuitive. That was my first response: were the churches helpful? Actually, they are. They have been champions.

**Senator KROGER**—Returning to the issue of primary education, you said it is not compulsory. You said, ‘If they could afford it,’ so that is—

**Mr Moraitis**—They pay fees. They have to pay fees.

**Senator KROGER**—Does everyone pay fees?

**Mr Moraitis**—The government has been arguing for free education for a while and there has been a policy to bring about free education. But, as of now, parents still pay fees. Every January or February, parents have to find whatever it is—300 or 400 kina for fees for their kids.

**Senator KROGER**—That is quite a lot.

**Mr Moraitis**—That is quite a lot, absolutely. This is the point I was making about the impacts of the global crisis. For example, smallholders in New Britain who deliver oil palm to the factories get cash and they can provide education, normally, for their kids. If that cash income goes—

**CHAIR**—It flows through.

**Mr Moraitis**—It is one thing to have a farm and to grow your own food—sweet potato, fish, pigs. You can live off that and no-one goes hungry, but there is nothing to generate cash to send your kids to school.

**Senator KROGER**—Is the low participation rate of girls because of choices about which child goes to school?

**Mr Moraitis**—That is exactly right. You hit the nail on the head. If you have three kids, say, one boy and two girls, and you have to send one of them to school, certainly you would send the

boy. That is the attitude, although it is changing to an extent. But you just have to look at the participation rates—there is a big effort to be put into girls' education.

**Senator KROGER**—What percentage of the students at that level would be girls? What would be the gender balance?

**Mr Moraitis**—I cannot remember the details, but—

**Senator KROGER**—Would it be significantly less?

**Mr Moraitis**—Yes, it is. One of our objectives and challenges under the Millennium Development Goals, with these partnerships that we are developing with Papua New Guinea, is to get that rate up. We can talk about the status of women in Papua New Guinea in general and the low participation rate in primary school is consistent with a whole bunch of other things—that is, the status of women is secondary in a way that would be shocking to us.

**Senator KROGER**—What is the engagement of women in business or of those who are in paid employment? Is it very low?

**Mr Moraitis**—There are quite a few women in business—very successful women. Papua New Guinea has very complex and different cultures. You have matriarchal, matrilineal societies in places like Bougainville and the islands, where women have very important roles. So you have very outspoken, articulate, successful women in these parts of the country. In other parts of PNG, it is very much a patrilineal, patriarchal, hierarchical society and women are second-class citizens in many ways. Even then, they succeed in being very articulate champions in Papua New Guinea for a whole variety of issues—in business, in law.

**Senator KROGER**—So are many in politics?

**Mr Moraitis**—No. There is one woman in parliament out of 109. Last week the government tried to introduce legislation creating three special seats for women and it was defeated in the House vote.

**Senator KROGER**—So 108 men voted against it and one woman voted for it!

**Mr Moraitis**—The one woman is Dame Carol Kidu, an expatriate Australian who was married to Sir Buri Kidu, the first Chief Justice of Papua New Guinea. She is a Papua New Guinean in her heart through and through. She is a great champion of many issues in Papua New Guinea and she was pushing this. There were some issues with the opposition. Hopefully they will come back and redo that and get it in. It is very disappointing to have one woman in parliament and it is an issue of perennial concern and angst in Papua New Guinea. Everyone would like more women in parliament.

**CHAIR**—But no-one can find a door to open.

**Mr Moraitis**—That is it, unfortunately.

**Senator TROOD**—What are the participation rates in primary school, then, across the whole population?

**Mr Moraitis**—I would say it is about 40-something per cent. I would have to check the details, but it is in that area—40 or 45 per cent. A lot of kids drop out.

**Senator TROOD**—That means, presumably, that the participation rate at high school is—

**Mr Moraitis**—Much lower. By getting into university you are in a very elite group of people.

**Senator KROGER**—Do many of those who head to university level—you have to commend them for getting there—study overseas? Do they come to Australia?

**Mr Moraitis**—Yes. The Australians have a longstanding scholarship program. I think most recently about 150 or so have come down to Australia to study. It has been a longstanding tradition, even before independence. Many Papua New Guineans have studied in Australia. We have actually established an Australia-Papua New Guinea alumni association, which is about two or three years old now. There are hundreds of alumni. It is actually a good body of civil society who have good connections with Australia. There are lawyers, doctors, engineers—a whole variety of areas. That is something that AusAID continues to provide.

**CHAIR**—Can you talk a bit about the PPDs?

**Mr Moraitis**—Yes, we can. As you know, an agreement was signed last year, and we have been working since then at the AusAID/ National Planning level to advance five schedules, which are the first five schedules we would like to have finished before the Ministerial Forum, before the end of June-July this year. They are in the areas of transport, education, health, statistics and public sector improvements. Once we have those out of the way we would like to focus on two other areas, higher education and HIV-AIDS.

The process at the moment is that we would like to have those finalised before the Australia-Papua New Guinea Ministerial Forum, the annual get-together of our ministers, which, as I said, is due in the next few months—before July, we hope. The negotiations go on as I speak. The head of AusAID in PNG has been talking to his colleagues in the Papua New Guinea system. There have been a whole series of workshops and discussions with every agency to develop those schedules. The hope is that the AusAID planning talks, the so-called high-level consultations, which are annual talks between the head of AusAID and the head of their development agency, the Department of National Planning, are scheduled to take place before the forum. Hopefully they can develop those schedules to a bit more finality so that we can get the details of the funding implications, what the funding gap are, for these initiatives. They are all focused on the Millennium Development Goals, as you know, and they also require some funding contributions from both Australia and Papua New Guinea, which is the mutuality aspect of the partnership.

**CHAIR**—Is that going to be problematic, do you think, from the PNG aspect?

**Mr Moraitis**—If you had asked me that a year ago I would have said no.

**CHAIR**—But now?

**Mr Moraitis**—Given what has happened now with PNG government revenue, I can imagine there is going to be a bit of discussion about what the relevant figures and priorities to be given to various sectors are. It is also good to have this process happening because it will focus Australia as a major partner—PNG is the primary stakeholder of course in this—to determine what the priorities actually are. If you have a finite amount of money to play with, what are the priorities? Is education more important than the series of roads, or is this more important than that? It is going to be a difficult process, but hopefully it will be a productive one. But I cannot speculate any further. There is still work in progress between now and June. There have been some delays, which are bureaucratic in nature. I will not bore you with them, but we have had to deal with those.

**Senator TROOD**—That seems to be an important issue. There is no shortage of revenue coming into the national coffers, but it does not seem to be manifest in building infrastructure, energy, roads and things of that sort.

**Mr Moraitis**—Absolutely. That is the fundamental—

**Senator TROOD**—So what is the disjunction there?

**Mr Moraitis**—The capacity of the bureaucracy to deliver.

**CHAIR**—They are just not sufficiently skilled?

**Mr Moraitis**—The public service pretty much across the board has some real challenges, and service delivery is a big problem, including at the provincial level. One of the areas we need to look at in the partnerships is working at the provincial level, for example in health. You cannot deliver health services in the country without a very active and focused provincial level administration which has the capacity and the skills to deliver medicine, for example. How do you deliver medicine from Port Moresby to a remote village in the highlands? You require the provincial administration.

To give you an example, there is no point sending a medical kit with basic things like aspirin through to antimalarials out to Milne Bay or the highlands—I am giving you a hypothetical example—because they will just sit there at the district headquarters because no-one factored in a budget for transport. I can assure you transport is not a small expense in Papua New Guinea. Some remote places in Papua New Guinea are extremely expensive to get to and delivering packages of medical assistance can be problematic, so you have to fix those systems as well.

That is one of the main constraints—the provincial administration's incapacity or lack of funding to deliver the next part of the chain. You cannot have a central body like the Moresby health department saying, 'Let's deliver these 100 packages to these areas. Let's go through Lae ports.' They will get delivered to Mount Hagen or Milne Bay, where they will just sit because no-one has thought about paying the transport costs to get them out to where they are needed, which might require a six-hour banana boat ride through some choppy seas.

**Senator TROOD**—Is there enough focus in our aid programs to address these bureaucratic difficulties?

**Mr Moraitis**—Very much so. The whole focus of the aid program is really developing the capacities of the bureaucracies—the health department, the education department, transport. Transport is a pretty well functioning department, so there is a bit of a success story there—roads in particular. Again on building the civil service, leadership at the middle management level is a priority, including in one of the partnerships. One of the elements of the aid program—and I am sure AusAID have mentioned this to you in their presentation—has recently been a greater focus on what they are calling the subnational program. They are deploying AusAID officers outside Port Moresby. They have, for example—and I am very supportive of this—officers based in Kokopo, Buka (Bougainville), Goroka, Milne Bay and Central Province, which is technically inside Port Moresby but covers that province. Those are people on the ground, AusAID officers and locally engaged people, working with the provincial administration to strengthen it, and I think that is the way to go.

We are also supporting the National Economic and Fiscal Commission, which basically looks at revenue to the centre and how it is distributed around the provinces equitably, making up for differences in revenue, income and population. There has been a lot of work strengthening that commission and its findings so that there will be a more equitable distribution of revenue to provinces that have probably missed out. The observation I would make is that—

**CHAIR**—The job of the local MP is to get money for the province back home, isn't it? Is that one of his primary roles?

**Mr Moraitis**—Yes, very much so. One of the things that has happened recently is that the government has given every MP, theoretically, 10 million kina to spend in their electorate—the district support improvement program, it is called—and some of them are quite assiduous in delivering pretty good services. But the problem with that program, of course, is that the legislator becomes an administrator. They become de facto administrators. If an MP is a former businessman who has a can-do mentality and attitude, he can deliver things. He can build a road, he can develop a medical centre and he can even install telephone booths in remote villages, which I have seen for myself. Other ones do not have that capacity. They are too busy working out what to do and the money disappears. It is a very complicated area—why all these revenues are not delivering services on the ground.

**CHAIR**—How much of a problem is it?

**Mr Moraitis**—It is a problem.

**CHAIR**—Are you alluding to the fact that corruption and theft is a major problem with government revenues?

**Mr Moraitis**—Corruption and theft is a factor, sure.

**CHAIR**—A factor or a major factor?

**Mr Moraitis**—It is more than that; it is the incapacity of the system to deliver services.

**Senator TROOD**—Even if they have such good revenue flows—

**Mr Moraitis**—Yes, exactly. I will put it this way. People who have been in PNG for a long time say, ‘When PNG had no money, the bureaucracy couldn’t deliver anything because they didn’t have any money, but now they have money they still can’t deliver because they don’t have the capacity to deliver.’ There has been a hollowing out of capacity. You said, ‘Are you talking about corruption?’ Quite a bit of money has been lost over the years.

**CHAIR**—Is that recognised within their elites?

**Mr Moraitis**—Very much so.

**CHAIR**—What is their solution?

**Mr Moraitis**—Their solution? They have bodies such as the Ombudsman Commission, for example, which looks at these cases. They have the public accounts committees in parliament which try to disclose what has been going on. There is a commission of inquiry into a longstanding scam, I think you could call it, whereby out-of-court settlements have been occurring for the last few years whereby parties settle out of court, the state pays up and people take percentages. You are looking at hundreds of millions of kina disappearing through dodgy out-of-court settlements. The commission of inquiry is looking into that and seeing what the history is there. The officials who are there from Australia working in the ECP-SGP context have a role in finance and in the Auditor-General’s office in trying to—

**CHAIR**—But, at a very senior level, the level of corruption—getting away from just poor administration or maladministration—must be tacitly tolerated.

**Mr Moraitis**—No, I even heard today in parliament the Attorney-General raging against corruption in Papua New Guinea. When I was in parliament last week, one of the opposition members asked about a certain member’s hire car company and its lucrative contracts with the police force so it is raised, it is an issue and people do fulminate against it. It is good to see that they themselves raise these questions; it is not just the outsiders who raise these questions.

**Senator TROOD**—Is the bureaucratic or administrative deficit, if you like, at the highest levels of the public service, or is it at the lower or middle level?

**Mr Moraitis**—Yes, leadership is a problem. There are good leaders in the public service. There are good agents of change, as you call them in the APS context, who provide leadership at an ethical level. I know some who are very able who would do very well in an Australian context. Others are challenged, to put it mildly. Some who are able and brought in to fix it are just defeated by the chronic incapacity and unwillingness of their senior managers to respond because there are entrenched interests at play. That is the reality, unfortunately.

**Senator TROOD**—If they could, as it were, get their act together—

**Mr Moraitis**—If they could get their act together.

**Senator TROOD**—are there private enterprises on the ground that could actually undertake the responsibility of developing these services, if the administrative and bureaucratic problems could be overcome?

**Mr Moraitis**—Yes. In the road transport area, for example, we have done some good work on the road maintenance system. There are what we call 22 priority roads in PNG, not least the Highlands Highway. There are quite a few local contractors who do a good job maintaining that. The private sector could probably do more in other areas, I imagine, but, as I said, there are a lot of constraints to setting up private sector successful businesses in PNG. It is not easy. To be fair, it is a very difficult terrain in many ways. We cannot imagine what it is—

**CHAIR**—It is very harsh.

**Mr Moraitis**—It is extremely difficult getting from A to B. You cannot drive anywhere from Port Moresby, for example. You have to fly. It is not cheap. If you want to transport anything, it is by aircraft or by slow-moving vessels from Moresby and Lae. I was talking to one MP who is out in the north-west of PNG near Indonesia. He said that to get to his electorate he has to fly in charter planes, so the price of a bag of rice is five times what it is in the provincial capital. This is for people who are behind the eight ball, as it were, in generating income anyway because they are in the middle of nowhere. So you can imagine the challenges for any government in a context like that. It is not a benign environment. Even building roads—every wet season they will get washed away. It is just the nature of the terrain. You have natural disasters. You have tsunamis and volcanoes. The city of Rabaul was destroyed by a volcano in the early nineties. An entire city is just defunct now.

**CHAIR**—Is PNG in the Pacific guest worker scheme?

**Mr Moraitis**—It is. It is part of the first wave, but it is not in the first group of people who are actually on the ground.

**CHAIR**—Has there been a hold-up?

**Mr Moraitis**—It is not a hold-up. There was a recognition when we announced it that PNG have no tradition at all of guest workers or seasonal workers going to New Zealand or anywhere else, so they had no systemic capacity to deal with it. They were the first to recognise that they were not ready to deal with organising workers to Australia.

**CHAIR**—The capacity has to be built first in PNG.

**Mr Moraitis**—We are having discussions next week about this. This is the next round of discussions with officials from DEEWR and DFAT who are talking to the PNG immigration and foreign affairs people about it. There are a whole variety of issues they want to work out beforehand. The view was that PNG would be able to go in later on in the year. PNG were the first to realise that they do not have the capacity at this stage to go earlier.

**CHAIR**—Are they interested in participating in due course?

**Mr Moraitis**—Yes, they were from the start. They indicated that they were interested. The foreign minister was very much in favour and the High Commissioner, Charles Lepani, was a

strong advocate for it I gather. The government was happy that PNG was included. They recognised that they were not ready, but they wanted to be in the first wave.

**Senator TROOD**—The demand is not as great as it was here.

**Mr Moraitis**—I would not be surprised if that were the case given what is going on. That is the reason for that and that is why PNG is delayed by 12 months.

**Senator TROOD**—I would be interested to have your views on Somare's view. He has been there for quite a long period of time as you rightly point out. He has status and seniority within the context of the Pacific. Does he see himself as being a Pacific leader and what are the implications of that for PNG's foreign policy?

**Mr Moraitis**—I think first of all that PNG sees itself as a larger regional Pacific state. That goes without saying. Papua New Guinea's population is over six million people. It is by far the largest country in the Pacific apart from Australia and New Zealand obviously, so they see themselves as quite a significant player. Coupled with that is the history, as you have said, of Sir Michael's longevity in politics. He knows everyone. He goes way back. He was present at the creation of so many things in the Pacific context. Yes, he does see himself as an elder statesman. He is seen as such by many others. That was reflected in his hosting the PIF special leaders meeting on Fiji. He certainly regards Papua New Guinea as a state which has that *primus inter pares* role among others in the Pacific. I think many recognise that. PNG is a very positive contributor in regional contexts. For example it has been very positive in RAMSI both in the policing and in the armed forces context. It has been an active participant there. Certainly in the Pacific Island Forum context PNG is an important player and we would deal with it on a whole variety of issues covering all the challenges in the Pacific. Obviously, Papua New Guinea has different challenges to the smaller island states. For example if the price of oil goes up, Papua New Guinea is rejoicing whereas Tuvalu is in despair and vice versa. That is just the nature of the economy. But in many other ways they share some of the challenges facing the Pacific, climate change and things like that.

**CHAIR**—Are their police and military trained down here?

**Mr Moraitis**—The military are, yes. They have exercises that include exercises in Australia in places like Darwin and Townsville. I think there are still a few at Duntroon. There is a whole defence cooperation program. It might be worth while talking to the Defence department about that but my recollection is that about \$13 million per annum. Defence has about 27 staff who are trainers and advisors in PNG.

**CHAIR**—So we have close relationships at that level.

**Mr Moraitis**—Absolutely. The defence cooperation relationship is a very important one. The defence minister of PNG was down in January and he had a very positive series of meetings here. We have a series of exercises up in Papua New Guinea. Because of the difficult terrain it is a very attractive place for training for helicopters for example, C130s do a lot of training up there. There is a lot of joint training. It comes in handy of course when you have natural disasters. There have been three natural disasters while I have been there, which is an average of one a year, starting with the Oro disaster in 2007 where about 100 people were killed by the

floods. We had a king tide late last year and we had a mudslide in a goldmine a couple of months ago.

**Senator KROGER**—Given the problems in dealing with infrastructure and all these sorts of things I would presume that the response to natural disasters would be pretty slow there.

**Mr Moraitis**—Yes. The natural disaster system requires a lot of work and assistance. For example, we support the vulcanological work up in Rabaul. There are quite a few active volcanoes there. Up in East New Britain there are active volcanoes. The one that destroyed Rabaul is still pretty active. We have had some early tsunami warning systems installed, including in Papua New Guinea, for the Pacific, so Papua New Guinea benefits from that. We are doing a lot of work with the National Disaster Centre, which is the body that coordinates responses. They have a very good secretary of the relevant department who deals with that; we dealt with him quite well in the last disaster, but a lot of capacity building is required there, including with the UN through the Office for the Coordination of Humanitarian Affairs. In a context like PNG, you would obviously work closely with key NGOs, and in that case I would call churches key NGOs. For example, in the case of Oro, historically the north coast of Papua was a strong Anglican missionary zone. The Anglican church had excellent networks through all of the villages, and they were excellent stakeholders and interlocutors when we helped deploy C130s and Blackhawks and Caribou.

**Senator KROGER**—Even using the tsunami early warning system that you are talking about, it would be challenging to respond to that if you are dealing with remote places with poor access.

**Mr Moraitis**—True. I will give you a recent example of the king tides. They hit parts of Papua New Guinea and obviously the critical time is the first 24 hours. You hear various rumours—2,000 villagers have been affected or 200, and what do you mean by ‘affected’? In the case of New Ireland—it is a low-lying island, it is a very flat island, there is a highway called the Boluminski that goes along the length of New Ireland—there are quite a few villages but, in that case, the villagers just moved to higher ground. They had relatives look after them and that was okay. Conversely, in places like Manus, which is in the far north of Papua New Guinea, there were king tides up there as well. It was hard to discern what had happened in parts of those groups of islands. On one island, Tench Island, people had to be evacuated. Fortunately, there was a PNGDF vessel in Kavieng, which was deployed to help them. We had a C130 doing training up there at the time, and we diverted that to a real-life scenario: delivering humanitarian aid in Kavieng and in Manus. But information is a problem.

The great revolution in Papua New Guinea socially and economically in the last few years has been the introduction of mobile phone competition. I say that because it means that you can ring people in remote areas and know what is going on. When I arrived in late 2006, early 2007 mobile phones were a monopoly and not very reliable, with all due respect to PNG Telikom. But a West Indian-Irish company called Digicel—you have probably seen them when you watch the cricket; they sponsor the West Indian team—have come in with quite an aggressive campaign in PNG and revolutionised telecommunications in PNG. In effect, you can always ring people’s mobiles to find out what is going on. People love it; they will spend two or three kina topping up their phones and talking to their relatives.

**Senator KROGER**—So they have obviously been successful in putting in the infrastructure and towers and all of that to do that: there was supply and demand.

**Mr Moraitis**—It is a great success story. There was a pent-up demand for that and they did really well. GDP grew by about 1.82 per cent as a result of that. All of those reports you read about the impact of mobile phones in developing countries, it certainly played out in PNG. There was an attempt to roll back the liberalisation once the monopoly provider realised that they were going to be clobbered. Unfortunately for them, but fortunately for the people, it was too late. There were facts on the ground, as you would call them. You could not roll back the situation. People, including MPs, would have been pretty reluctant to give up good signals. If you think about it, three years ago, if you were in Highlands and you wanted to sell your coffee, you had to get on a bus or a truck and you spent money on petrol and wear and tear on the roads that affect the car. Now you would ring up your friend 50 miles away and say, ‘What’s the price today, the spot rate?’ You save a lot of money now. People can ring their relatives and find out what is going on. They do not have to take a bus, which costs 30 or 40 kina, or even a plane fare, to deliver these. You know what is going on. The only people I have heard who have lost out on this are Coca-Cola. If you have discretionary income of four or five kina—

**CHAIR**—It goes on the phone, not the drink!

**Mr Moraitis**—It is in that area. If they have two or three kina, they spend it on the phone or they spend it on Coca-Cola, and people tend to spend it on the phone. Even Coca-Cola—

**Senator TROOD**—They need to get into phones.

**Mr Moraitis**—Yes.

**CHAIR**—How much of a problem is HIV-AIDS up there?

**Mr Moraitis**—It is a significant problem. It is one of the areas where the Australian government has been trying for a long time now. We have a major program of \$170 million, the so-called ‘sanap wantain’ program, which means ‘to stand up together’ in Tok Pisin. At the moment, PNG is what you call a generalised epidemic.

**CHAIR**—Epidemic?

**Mr Moraitis**—Two per cent of the population would have it. It is generalised in the sense that it is not related to any specific group, so in some parts it is drug users or—

**CHAIR**—It is heterosexual up there, isn’t it?

**Mr Moraitis**—It is heterosexual across-the-board and it is affecting quite a few people. The projections are it will hit six per cent in 2015, despite the best efforts of many of us. Australia is a major donor; the Clinton Foundation and the Global Fund are there; the churches are strong participants, as I said.

**CHAIR**—Six per cent is hundreds of thousands of people.

**Mr Moraitis**—Two hundred thousand, certainly. It is about 60,000 positives now; it will be 200,000-plus by then.

**Senator TROOD**—So do you think the government appreciates the size of the problem? Is it putting the resources into it that it needs—the energy and commitment?

**Mr Moraitis**—Key players, such as Sir Peter Barter, who was a former health minister, do recognise this. He has just been nominated as a Pacific friend for the Global Fund. There is a very active business community called the BAHA—Business Against HIV-AIDS coalition. They have been very active in mobilising people against HIV-AIDS threat because of the economic impacts, of course, because it affects working age people.

**CHAIR**—Is multiple partners a customary feature of life up there? Or is it an acquired—

**Mr Moraitis**—Polygamy certainly is traditional. You are picking out a good point there. I am always asking what the magic thing here is. Is it condoms? What is it? Behaviour and prevention are obviously the keys. Concurrency of partners is an issue there. Not multiple, but concurrent multiple partners. I have obviously read up on it a lot since I have been up there, and looking at experiences elsewhere. I have a view about concurrency of partners. You also have, and this is related to the status of—

**CHAIR**—Is it a male spread thing?

**Mr Moraitis**—Yes. But, unfortunately, the person most likely to suffer is a monogamous female—the wife, who stays at home and gets infected—for a variety of reasons, not least the status of women is low and it is related to gender violence, which I think is out of control in Papua New Guinea.

**CHAIR**—Is that fuelled by alcohol in turn?

**Mr Moraitis**—It is cultural; it is alcohol. It is a very unfortunate mix.

**CHAIR**—So you have the whole cocktail of—

**Mr Moraitis**—Yes. Women do not have economic power therefore they have transactional sex to make some money. Men are in positions of power, and women cannot negotiate choice. Multiplicity of partners is a factor.

**CHAIR**—Once you start to get into figures of hundreds of thousands of people with AIDS in a relatively small population of six or eight million people—

**Mr Moraitis**—Six million. And it affects the productive part of the population, of course.

**CHAIR**—it must be a huge drain.

**Mr Moraitis**—It will be.

**Senator TROOD**—It works through security forces and police and army and so on.

**Mr Moraitis**—That is absolutely right. It is a worry, and everyone is concerned about it despite a lot of effort being put into it. It is something to keep an eye on.

**CHAIR**—And churches do not have sufficient influence on behaviour that they can restrict it?

**Mr Moraitis**—They are trying. They are supportive. They have a view about abstinence and chastity and fidelity, which is a traditional thing, but they are also open to distribution of condoms, for example. They have voluntary counselling and testing centres that are run by the churches. I have visited many throughout Papua New Guinea where they have been set up in the last few years. Dozens have been set up in the last couple of years—where people have been tested. We need more baseline information. We look at antenatal and postnatal clinics to find out what is happening with women, but the churches have been very positive. The only ones I would have reservations about would be some of the more evangelical churches who have a much more traditional approach to these issues and would not countenance, say, condoms. The big problem is getting the message outside the urban centres. What we are finding in some areas of PNG, in the rural areas, is that they are being affected by HIV. In some areas of PNG, you are looking at epidemic rates—over 10 per cent in some towns.

**CHAIR**—Is it understood that there is a relationship between AIDS and multiple sex partners?

**Mr Moraitis**—It is understood there is a relationship between unprotected sex and HIV. That is big progress in itself, having an understanding of what this is all about. But you also pick up stories in Australia, the media reports about women being killed and all that sort of stuff because people die from AIDS and it is attributed to sorcery. So there is that traditional misunderstanding of what is going on here—cause and effect. One of the big things they are working on now is research into Papua New Guinean practices and the implications for HIV. There is another complicating factor apart from the geography, lack of information and literacy and the status of women, and that is the cultural diversity of Papua New Guinea. This is a country of 800-plus languages, and I do not mean variations of the same language but distinct languages where people cannot comprehend each other in the native language and have different cultural mores.

**CHAIR**—Is there a uniform language?

**Mr Moraitis**—English and Tok Pisin—which is pidgin English, and most people would understand it. Most people also have a language called Tok Ples, which is the talk of their place—‘talk place’. Bougainville, for example, a small island, has 40 languages. It is extraordinary.

**CHAIR**—Are they dialects or languages?

**Mr Moraitis**—They are languages, not dialects.

**Senator KROGER**—That would have to present a real problem for education, going to your primary—

**Mr Moraitis**—Exactly. What language do you teach a six-year-old or a five-year-old? Do you teach them Tok Ples, Tok Pisin or English? I have had some discussions with some educators about this. There are views that the child should learn in both Tok Ples and English so there is that transition period. It is a big one. There are so many different languages over there.

**Senator KROGER**—On the AIDS issue, have there been studies in terms of the incidence of transmission to the next generation?

**Mr Moraitis**—Yes. That is obviously a concern, because of breastfeeding—

**CHAIR**—Does breastfeeding transmit AIDS?

**Mr Moraitis**—That is my understanding, yes. That is one area you have got to keep an eye on. It is a bit of dilemma: do you breastfeed your child and avoid malnutrition, or do you risk HIV? There is talk of PNG orphans, because the parents are dying. Obviously the family looks after them, but there are cases where the families will not look after them. I hear stories of shelters where kids are looked after by priests, nuns and that sort of thing. There is transmission to the younger generation, yes.

**CHAIR**—So the problem is growing.

**Mr Moraitis**—Yes. I have to be frank. It is despite the best efforts of a whole variety of people, not least AusAID, and the Clinton Foundation, leaders in the business community and others. Everyone recognises that it is really serious problem.

**Senator TROOD**—You need national leadership for these problems.

**Mr Moraitis**—I totally agree.

**CHAIR**—But that is not recognised at an elite level in PNG society?

**Mr Moraitis**—At the elite level, yes. There are people who understand it. It is just not translated at a level where people are able to talk about it and lead by example. The Governor-General, for example, is strong. He has been tested publicly. Younger people in city centres understand it, but there are a whole variety of factors at play.

Coming back to the issue of the status of women and violence, there is an excellent AusAID report prepared on gender violence in the Pacific and in East Timor. You should obtain a copy of it so that you can get an idea of what we are talking about. The figures are quite horrific.

**CHAIR**—What about relationships between Indonesia and PNG?

**Mr Moraitis**—It is not as dramatic or difficult as you would imagine. There is talk of the president and the prime minister meeting up in Vanimo, which is the border town, but that has not happened. They get on well. There are Papuans, refugees, living in Papua New Guinea. Some have been there for decades.

**CHAIR**—No major problems?

**Mr Moraitis**—No.

**Senator TROOD**—How many refugees would there be?

**Mr Moraitis**—I could not tell you the numbers. There are some in Manus, who have been there for decades; there are some in Port Moresby and some in the border area in camps. Many of them have kids now and they are obviously very poor, and they are outsiders but settling in eventually. Indonesia and PNG relations seem to be quite uneventful.

**Senator TROOD**—You said that the bilateral relationship between Australia and PNG is pretty good at the moment. A couple of years ago it was testy.

**Mr Moraitis**—I was there.

**Senator TROOD**—Were you? That seemed to be the function of some particular incidents in relation to the Solomons and things. Has the general attitude towards Australia transcended those particular difficulties, or was it a function of personalities?

**Mr Moraitis**—When I was there, my view was that the general view of Australia in Papua New Guinea was a very benign one. The general mood about Australia has always been positive. You have just got to watch State of Origin in Papua New Guinea to understand the depth of understanding and appreciation for Australia at the popular level. I never had any problems anywhere in Papua New Guinea.

**Senator TROOD**—They are running the country, are they?

**Mr Moraitis**—Rugby league is, very much, despite my best efforts. AFL is another story.

**Senator TROOD**—Good luck to you on that.

**Mr Moraitis**—It is an uphill battle. The under-18 PNG and Australian teams played last Friday; PNG won by one point on the last kick of the day, so it was a good outcome for diplomacy.

**Senator TROOD**—Did you orchestrate that?

**Mr Moraitis**—No.

**CHAIR**—Mr Moraitis, thank you very much for coming in and sharing your report with us. It has been very valuable. We will get a copy of the *Hansard* to you for approval prior to its release.

**Mr Moraitis**—Thank you.

**Committee adjourned at 6.30 pm**