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FASIP/OUT/2009/

17 June 2009

**Dr Kathleen Dermody**  
Committee Secretary  
Senate Standing Committee on  
Foreign Affairs, Defence and Trade  
Parliament House  
CANBERRA ACT 2600

Dear Dr Dermody

As you are aware, the Defence submission of 29 August 2008 to the Inquiry into the Main Economic and Security Challenges Facing Papua New Guinea and the Island States of the Southwest Pacific contained a statement that was included through an internal process error and was not suitable for publication. The statement had not been cleared through the usual process, which includes senior Defence leaders and the Minister for Defence.

Defence is fully supportive of the Pacific Patrol Boat Program (PPBP) and any follow-on program. As was noted in the submission, Defence provides significant funding to support the PPBP and has posted 30 ADF personnel to Pacific Island Countries to assist with the Patrol Boats' operations and upkeep. Defence stands ready to support any PPBP follow-on program, should Government decide to continue this form of engagement.

To amend the record, it would be appreciated if you could publish the following addendum to the submission (at Submission 18, page 4, paragraph 3, final sentence) as posted on the Inquiry's website, using the Hansard record from Brigadier Andrew Nikolic's testimony to the Inquiry given on 21 November 2008:

*The reference in the Defence submission to the committee relating to a follow-on Pacific patrol boat capability was inappropriate. It is a long-established principle, I am sure you will understand, that departments do not provide a running public commentary on issues still being considered and that are yet to be put before ministers. It should not have been in our submission. It was an internal process error that resulted in it going into our submission, and I do apologise for that.*

Thank you for your assistance with this matter.

Yours sincerely

**A. A. NIKOLIĆ, CSC**  
Brigadier  
Acting First Assistant Secretary  
Regional Engagement

June 2009



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ASMES/OUT/2008/139

29 August 2008

Dr Kathleen Dermody  
Committee Secretary  
Senate Standing Committee on  
Foreign Affairs, Defence and Trade  
Parliament House  
CANBERRA ACT 2600

Dear Dr Dermody,

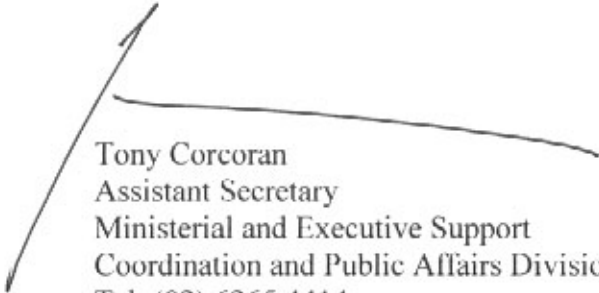
*Kathleen*

Please find attached the Defence submission to the Inquiry into the main economic and security challenges facing Papua New Guinea and the island states of the Southwest Pacific.

The submission has been cleared by the Minister for Defence, the Hon Joel Fitzgibbon MP.

Please do not hesitate to contact me if you require any clarification or would like to discuss further.

Yours sincerely

  
Tony Corcoran  
Assistant Secretary  
Ministerial and Executive Support  
Coordination and Public Affairs Division  
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**DEFENCE**

**DEPARTMENT OF DEFENCE SUBMISSION**

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

**INQUIRY INTO THE MAIN ECONOMIC AND SECURITY  
CHALLENGES FACING PAPUA NEW GUINEA AND THE  
ISLAND STATES OF THE SOUTHWEST PACIFIC**

**August 2008**

**A. The major economic and security challenges facing Papua New Guinea and the island states of the southwest Pacific;**

Despite being relatively stable in strategic terms, the region, which encompasses Papua New Guinea and the island states of the southwest Pacific, faces a number of significant security challenges. These include rapid population growth, an increase in youth unemployment, urban drift, environmental degradation, rising levels of criminality and limited provision of health and education services, all of which can destabilise societies and lead to an increase in violence. A key economic and security challenge for many island states in the southwest Pacific is managing their generally large economic exclusion zones (EEZs). Many of these states lack the capacity to effectively protect their EEZ resources from illegal fishing and other activities

There is also a continuing risk that these and other factors will contribute to government instability, ethnic tensions and domestic unrest in many Pacific island states. PNG and the Pacific island states are also constrained in their ability to respond to these problems due to poorly developed security structures and emergency response mechanisms, and a limited ability to provide essential public services.

**(i) Implications for Australia.**

Australia is inextricably linked to the region by our history and geography, resulting in an enduring commitment to help build stability and prosperity. Regional instability, civil unrest, humanitarian emergencies and natural disasters, are potential challenges for Australia. Many Australian nationals reside in regional countries and it is a security priority of the Australian Government to ensure their safety in the event of a significant breakdown of law of order, an outbreak of conflict, or a natural disaster.

There is also a risk that instability and the limited effectiveness of security structures in PNG and the Pacific island states could provide an opportunity for transnational threats to be further established in the region. The presence of such elements, whether terrorist or criminal, has the potential to harm Australian security interests.

**(ii) How the Australian Government can, in practical and concrete ways, assist these countries to meet these challenges.**

Responding to these challenges requires a broader, whole-of-government approach to address the underlying causes. This will require Defence planners to work more closely with other government agencies to develop effective interagency strategies. This approach increases the resources available to develop innovative solutions to complex policy challenges, avoids duplication, and ensures that governments have the widest possible range of responses at their disposal.

The Australian Government will continue to take a lead role in maintaining peace and stability in Melanesia. This will involve further strengthening of existing bilateral relationships and doing more on the capacity-building front, including promoting good governance and economic development. Defence will focus on building stability, mainly through our longstanding Defence Cooperation Program (DCP) and other forms of bilateral Defence cooperation. We will also support Papua New

Guinea in its development of a Defence Force, which is economically sustainable and supports Papua New Guinea's national interest.

### **Defence Cooperation Program**

The DCP is the primary means for Defence engagement in the South Pacific. In FY 08/09 it will provide \$51.11m in regional assistance. The DCP supports the Government's strategic objectives by:

- contributing to regional security;
- working with allies and regional partners to shape the global and regional environment in a way favourable to Australia and the Australian Defence Force (ADF);
- consolidating acceptance of Australia as an obvious and legitimate participant in deliberations on issues that affect regional security; and
- assisting with the development of defence self-reliance in regional countries.

These objectives are enhanced through direct assistance to regional security and police forces in areas such as reform and governance, strategic planning, command and control, maritime security, peacekeeping, humanitarian assistance and disaster relief, communications, logistic support, and education and training. Through partnering the development of professional and sustainable security forces, the DCP improves the ability of regional countries to contribute to their own national and regional security objectives.

The DCP engages 11 members of the Pacific Islands Forum: Papua New Guinea, Solomon Islands, Tonga, Samoa, Vanuatu, Palau, Republic of the Marshall Islands (RMI), Federated States of Micronesia (FSM), Tuvalu, Kiribati and Cook Islands. The DCP with Fiji is currently suspended because of the 2006 coup. Assistance to these countries includes advisers, a range of training initiatives and support for bilateral exercises, capacity-building initiatives, equipment and infrastructure projects, and the Pacific Patrol Boat program. PNG receives the largest share of DCP funds, comprising \$11m in 2007-08 and \$13.4m in 2008-09.

### **Pacific Patrol Boat Program**

Australian Government agencies play a leading role to improve the capacity of Southwest Pacific island countries to protect their sovereign rights and economic interests in their EEZs. This includes improving situational awareness, communications, and coordinated and cooperative multinational enforcement operations to deter illegal, unregulated and unreported (IUU) fishing and other forms of transnational crime. The Pacific Patrol Boat (PPB) Program is an important part of these endeavours. Defence does not lead in dealing with fishing and transnational crime, but supports other lead agencies as part of a whole-of-government approach.

Under the PPB Program, Australia donated 22 Pacific Class Patrol Boats to 12 Pacific island countries during 1987-1997. Only three of these countries (Fiji, PNG and Tonga) have military forces; in the remainder the boats are operated by national police forces. The PPBs provide a measure of independent capability to monitor and manage maritime resources. The 31-metre boats are also used for national activities

such as quarantine, search and rescue, transnational crime, humanitarian assistance/disaster relief, medical evacuations, ballot box collections, government transportation and police work, thereby contributing to general nation building in the region. In 2007-2008, direct Defence expenditure on the PPB program was \$23m and in 2008-09 it is expected to be \$28.5m.

Defence continues to provide technical and operational support to the PPB program with 30 Royal Australian Navy (RAN) Maritime Surveillance and Technical Advisers. These reside in each of the countries (except Fiji, where assistance remains suspended) and underpin local support and a broad defence engagement program. This covers training and maintenance, multinational fisheries/enforcement operations, ship and aircraft visits, joint projects, attachments, exchanges and visits. The presence of the Advisers also supports interoperability objectives between the Australian Defence Force (ADF) and regional forces, and promotes local goodwill and understanding.

Maritime aerial surveillance is an important contributor to the effectiveness of PPB patrol operations – it locates suspect IUU vessels and cues the PPB as the law enforcement response unit. Australia provides some maritime aerial surveillance support through Operation Solania – opportunity patrols by the Royal Australian Air Force P-3 aircraft. Whenever possible, these patrols coincide with major regional multinational operations involving PPBs conducted under Niue Treaty Subsidiary Agreements, which permit countries to patrol in each others' EEZs. Aerial surveillance uses scarce and expensive assets. It is coordinated with other air surveillance providers (New Zealand Air Force, US Navy, US Coast Guard and French Armed Forces in the Pacific), during annual Quadrilateral Defence Coordinating Group meetings and is managed through another RAN officer seconded to the Forum Fisheries Agency as the Surveillance Operations Officer in Honiara, Solomon Islands.

Crewing, operating and maintaining the boats is a recipient nation responsibility, but it is a financial challenge for the countries. Defence encourages nations to achieve 50 sea days per year per boat – well within the capability of the PPB – but the average is only 36 days, largely due to in-country budget constraints. The rising costs of fuel, which varies greatly between the countries and can be up to \$10,000 per boat per sea day, has increased dependence on Australia for financial supplementation.

The PPB Systems Projects Office in the Defence Materiel Organisation provides materiel sustainment for the PPBs and associated support infrastructure. The RAN and the Australian Maritime College in Launceston continue to provide training for PPB crews, which encompasses technical, basic seamanship, operations and management courses.

#### *Future Considerations*

Palau, the Federated States of Micronesia and the Republic of the Marshall Islands, are in Compacts of Free Association with the US. Despite this, Australia remains the primary source of sustainment assistance. At the Micronesian Presidents' Summit in September 2007, Presidents agreed to write to the US to request funding support for surveillance operations, particularly fuel. To date Defence is not aware of any

response, noting that the US has previously rejected any linkage between assistance (such as fuel costs), and agreements under the Compacts. Although the Cook Islands is in free association with New Zealand, Australia exclusively funds and manages the PPB donated to that island territory, except for the provision of one Royal New Zealand Navy Technical Adviser. One way in which the effectiveness of the PPBs could be increased is through the provision of additional funding by other donor agencies, for fuel to increase the number of PPB sea days. Other ways would be to improve the capacity for intelligence, planning and good governance, tasking, reporting and a coordinated multi-agency approach – all major weaknesses in some PPB-operating countries.

Although the PPB Program is a major Defence contribution to the region's maritime and economic security, its future is subject to Government consideration and endorsement of White Paper 2008 recommendations. In 2000, the Government agreed to extend the design life of the boats through a Life Extension Program estimated at \$350m over 25 years (2003–2027), comprising \$50m in capital costs and \$12m per annum in maintenance, training, advisory and operational costs. To date, 10 PPBs have been refurbished, but the entire PPB Program remains under pressure. It is subject to increased costs (equipment age/obsolescence, ship repair labour, fuel and freight) and program funding shortfalls and, with increased pressures on the overall Defence budget, Defence's capacity to sustain the PPB program is under review.

Similarly, Defence support for any PPB replacement follow-on capability is under consideration as part of the Defence White Paper review. The first of the PPBs will reach the end of its extended design life in 2017 and the last in 2027. On the basis of White Paper consideration to date, Defence does not intend to recommend a Defence-led follow-on PPB program in the options taken forward to Government.

### **Papua New Guinea**

There are three components to Australia's bilateral defence relationship with Papua New Guinea:

- Bilateral Defence Cooperation Program;
- Australian assistance to the PNG Defence Reform Program; and
- Defence contribution to the whole-of-Australian Government Strongim Gavman Program (formerly the Enhanced Cooperation Program).

#### *Defence Cooperation Program*

Australia plays a major role in providing assistance through the DCP to the PNG Defence Force (PNGDF). The DCP budget for PNG is approximately A\$13 million per year and is focused on increasing the sustainability, professionalism and effectiveness of the PNGDF. Activities funded by the DCP include bilateral exercises, training and infrastructure projects. The DCP also funds the 23 Defence personnel who support the DCP in-country.

The DCP funds a variety of infrastructure projects in PNG. Two current significant projects are:

- PNGDF Armouries and Magazines – Seven high security armouries have been funded and built by the DCP at permanent PNGDF bases. Upgrades to the security and safety of all PNGDF magazines are ongoing, with a major project to increase security measures at the PNGDF Central Ammunition Depot at Goldie River Training Depot being completed last year. 19 Company Engineers are also putting the finishing touches on a magazine and armoury at the Forward Operating Base (FOB) at Kiunga.
- Barracks Refurbishment Program – The Barracks Refurbishment Program provides A\$1m a year for the refurbishment of PNG barracks infrastructure, with a particular focus on improving the living and working conditions of the PNGDF enlisted ranks. The program focused on water and sewerage issues at HQPNGDF, Murray Barracks in FY 07/08 and will concentrate on Taurama Barracks for FY 08/09.

The DCP also offers the PNGDF approximately 20 Australia-based military training positions each year. Training for the PNGDF in Australia focuses on basic and intermediate Army and Navy skills (such as engineering and navigation courses), and includes positions at Australian Defence College and the Royal Military College. Additionally, Defence offers the PNG Department of Defence and PNGDF 20-30 places on a series of Australia-based courses aimed at improving governance, finance, management, and accountability. Defence also provides funding and advisory support for the conduct of approximately 50 training courses per year within PNG.

#### *Defence Reform Program*

The PNG Defence Reform Program (DRP) was initiated by the Morauta Government in 2001. It comprises two components: a first phase, to downsize the PNGDF from over 3300 personnel to no more than 2000 personnel; and a second phase to start rebuilding PNGDF capabilities. Australia provided A\$38 million in assistance to the PNG Government for Phase One of the DRP, which was successfully concluded in 2006.

At Defence policy talks in December 2007, PNG agreed to Australia's package of support to Phase II of the Reform Program valued at A\$48 million over 10 years. At the Ministerial Forum, held in Madang, PNG, in April 2008, it was agreed that this support would be conditional on the PNG Government meeting its obligation to invest adequately in the sustainability of the PNGDF. The Phase II support package will focus on assisting the PNGDF to reconstitute its border security role, primarily through support to FOBs and border patrols. This will involve infrastructure upgrades, capital equipment, personal military equipment and ongoing sustainment of FOBs.

#### *Strongim Gavman Program (SGP)*

Australia is committed to helping PNG address its core development challenges through the SGP. Currently, 43 Australian civilians are deployed under the SGP to a range of PNG Government agencies. They work closely with their PNG counterparts to improve economic governance, strengthen law enforcement and judicial independence, improve border management and strengthen transport security.

Defence has a modest role in the SGP, deploying a financial specialist into the PNG Department of Defence, who undertakes financial management, budgetary accountability and mentoring assistance.

#### **Tonga**

The focus of the DCP with Tonga is to promote the development of a small,



professional and sustainable regional military partner. The DCP budget is approximately \$2.05 million supported by five ADF personnel in-country. Our DCP engagement involves assistance to the PPB Program in support of Tonga's three patrol boats and an extensive training program for Tonga Defence Services (TDS) personnel. Despite the small size of its military (550 personnel), the TDS is an active regional and global contributor and provides military personnel to the Australia-led Regional Assistance Mission to the Solomon Islands (RAMSI).

### **Solomon Islands**

Australia's defence engagement with the Solomon Islands comprises three distinct components: military support to RAMSI; the provision of assistance under the DCP; and the provision of a RAN Surveillance Operations Officer to the Forum Fisheries Agency in Honiara.

The Defence Cooperation relationship with the Solomon Islands is relatively modest, noting it does not have a defence force. Our cooperation is focused on the PPB Program and support to the Solomon Islands Police Force (SIPF) Maritime Wing and other niche initiatives. The DCP budget for 2008/09 is approximately \$1.69 million, encompassing:

- funding support for the two Solomon Islands patrol boats;
- three in-country RAN technical and maritime surveillance advisers to support the SIPF Maritime Wing;
- major infrastructure projects such as the refurbishment of the SIPF Wharf; and
- training for the SIPF Explosive Ordnance Disposal team.

Separate to the DCP, Defence also provides assistance to RAMSI. Alongside military personnel from New Zealand, PNG and Tonga, ADF's support to RAMSI is linked to the creation and maintenance of conditions suitable for the Participating Police Force to restore law and order, and to provide logistic and operational support to the overall military effort.

### **Vanuatu**

The focus of Defence Cooperation with the Vanuatu Police Force (VPF) is to improve its maritime surveillance capabilities and assist in the development of a sustainable and appropriate security force. Defence maintains its engagement with the VPF through: two RAN advisers who provide operational advice and technical assistance to the VPF Maritime Wing for Vanuatu's patrol boat; an adviser to assist the Mobile Force element of the VPF develop operational, leadership and field skills; and an adviser to assist the VPF establish a functional Joint Plans and Operations Centre. The DCP budget for the 2008/09 financial year for Vanuatu is approximately \$1.37 million.

The VPF has general duties police, a police maritime wing and a mobile force (VMF) that has a paramilitary role. Rivalry between the VPF and VMF is an ongoing challenge and Defence carefully manages its relationship with the VMF to dampen its enthusiasm to break away and establish itself as a defence force.

### **Fiji**

Australia's DCP with Fiji was suspended as a consequence of the 2006 coup. Prior to this suspension, the DCP provided ongoing assistance and support to Fiji's three PPBs

and extensive training to the Republic of Fiji Military Force (RFMF), including leadership and management training to improve professionalism. Major infrastructure projects were another feature of DCP and included the construction and refurbishment of magazines and armouries at key RFMF facilities.