



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE REFERENCES  
COMMITTEE

**Reference: Australia's relationship with Papua New Guinea and Pacific island  
nations**

THURSDAY, 20 FEBRUARY 2003

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BY AUTHORITY OF THE SENATE

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## SENATE

### FOREIGN AFFAIRS, DEFENCE AND TRADE REFERENCES COMMITTEE

Thursday, 20 February 2003

**Members:** Senator Cook (*Chair*), Senator Sandy Macdonald (*Deputy Chair*), Senators Hogg, Johnston, Marshall and Ridgeway

**Participating members:** Senators Abetz, Boswell, Brandis, Carr, Chapman, Collins, Coonan, Denman, Eggleston, Chris Evans, Faulkner, Ferguson, Ferris, Forshaw, Harradine, Harris, Knowles, Lees, Lightfoot, Mackay, Marshall, Mason, McGauran, Murphy, Nettle, Santoro, Stott Despoja, Tchen, Tierney and Watson

**Senators in attendance:** Senators Hogg, Sandy Macdonald and Marshall

#### **Terms of reference for the inquiry:**

To inquire into and report on:

Australia's relationship with Papua New Guinea and the island states of the south-west Pacific (known as Oceania or the South Pacific), with particular reference to:

- (a) the current state of political relations between regional states and Australia and New Zealand;
- (b) economic relations, including trade, tourism and investment;
- (c) development cooperation relationships with the various states of the region, including the future direction of the overall development cooperation program; and
- (d) the implications for Australia of political, economic and security developments in the region.

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**Committee met at 9.14 a.m.**

**ACTING CHAIR (Senator Sandy Macdonald)**—I call the committee to order. Today is the fourth of the committee's public hearings into Australia's relationship with Papua New Guinea and a number of Pacific island countries. The terms of reference set by the committee are available from the secretariat staff, and copies have been placed near the entrance of the room. Copies of the submissions from today's witnesses have been published by the committee and are also available. Today's hearing is open to the public. This could change if the committee decides to take any evidence in private.

Witnesses are reminded that the evidence given to the committee is protected by parliamentary privilege. It is important for witnesses to be assured that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. If, at any stage, a witness wishes to give part of their evidence in camera, they should make that request to me as chair and the committee will consider that request. Should a witness expect to present evidence to the committee that reflects adversely on a person, the witness should give consideration to that evidence being given in camera. The committee is obliged to draw to the attention of a person any evidence which, in the committee's view, reflects adversely on that person and to offer that person an opportunity to respond. Witnesses will be invited to make a brief opening statement to the committee before the committee embarks on questions.

[9.15 a.m.]

**BROWN, Mr David, Regional Manager, Overseas and Indigenous Australia Programs, Oxfam Community Aid Abroad**

**ENSOR, Mr James, Director, Public Policy, Oxfam Community Aid Abroad**

**ACTING CHAIR**—I welcome Mr James Ensor and Mr David Brown from Oxfam Community Aid Abroad. Would you like to make an opening statement?

**Mr Ensor**—We welcome the opportunity to give evidence to this committee and this inquiry. Our organisation has been working in Papua New Guinea and in other areas of the Pacific for up to 30 years, including Bougainville, Solomon Islands, Vanuatu and Fiji. We have relationships there with partner organisations which operate from village based community development organisations through to regional bodies such as the Pacific Concerns Resource Centre. Development issues in the Pacific and Papua New Guinea vary from country to country and depend on a range of historical, cultural, geographic and other factors. However, if you were to encapsulate the development challenges facing that region, we think the key common challenge is that of attempting to generate economic growth, poverty reduction and human development whilst maintaining the environmental sustainability, cultural identity and social values of the peoples of the Pacific.

Some of the social consequences of the loss of identity and traditional ways of life that often accompany economic growth are a major concern to many Pacific islanders, as is the need to integrate economic development with environmental sustainability and the maintenance of cultures and basic rights. The development challenges facing the Pacific are many and varied and include the spread of HIV-AIDS; youth alienation and unemployment; urban drift—from rural and remote areas to towns and cities; ethnic conflict and division; environmental degradation; global warming; gender inequity; and reconciling cultural and land rights issues of indigenous peoples to the demands of a free market global economy.

In our submission to the committee we have made a total of 40 policy recommendations to the Australian government to assist in meeting many of these development challenges facing the Pacific. It is important that Australian government policy responses to these challenges take into account the diversity and uniqueness of the region together with the existing limited capacities and responses of communities in dealing with the issues. The uniqueness of the region arises from its distinct geographic, historical and cultural backgrounds and the traditions of Pacific peoples. Features of the distinctiveness include the primacy of the community, the strong affinity of people to the land, indigenous belief systems, the principle of reciprocity and the uniting force of Christianity. The majority of land in the Pacific is held in customary tenure. The traditional culture of Pacific island societies is inextricably linked to their land and it is this link that forms the basis for people's economic, social, cultural and spiritual wellbeing.

Customary land tenure systems are, however, considered by business, government interests and international financial institutions to be a major stumbling block to economic development in the region. Changes to the customary system of land tenure and ownership have the potential to impact on social cohesion and the ability of people to be self-sufficient. Many factors,

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including the introduction of a cash economy and decisions about resource use, are placing serious strains on traditional communities and ways of life. Pacific governments are being forced to examine the appropriateness of customary institutions and laws in light of changing social conditions. The maintenance and improvement of sustainable livelihoods depend heavily on decisions made today with regard to the management of human, physical and cultural resources.

Pacific nations are undergoing a period of rapid social change, characterised by uncertainty and instability, as a result of the environment and development pressures—and we have outlined those in this opening statement. Due to our geographical proximity to the Pacific—our shared history with many Pacific nations and our former colonial status—we have a special relationship with the Pacific nations and, with it, a special responsibility and opportunity to engage with the region to address those development challenges.

Australian industry is heavily involved in both public and private investment in Papua New Guinea and the Pacific, especially in respect of the mining industry. Private sector investment can be an important driver of economic growth and poverty reduction in the region. This, however, requires Australian companies to contribute positively to poverty alleviation and development by protecting and upholding the basic rights of Pacific peoples affected by their activities. Similarly, Australia's development cooperation with the region is extremely important and there have been many examples of positive outcomes from this relationship. Greater emphasis should be placed on localised delivery of Australia's aid program in the region in key sectors. This should involve working through civil society and local structures and initiatives to combat the spread of HIV-AIDS and to reduce conflict through reconciliation initiatives and reconstruction where required.

**ACTING CHAIR**—What do you think of the way in which the Australian aid program has been managed over the years? Do you have some constructive things to say about it and some suggestions about changes that may be implemented?

**Mr Brown**—Our criticism of the aid program is that it has focused primarily on using delivery agents, consulting companies and commercial contractors that focus on the development of infrastructure and on targeting a society that is not necessarily the Pacific society. An example would be the recent evaluation of the electoral process in PNG, which I assume you are familiar with. That evaluation was quite critical of the money that has been invested in that process.

There are other processes, for example the \$60 million AIDS project in PNG, where the delivery mechanism—which is via consulting companies—assumes a degree of education and sophistication within a very traditional society which are simply not present and, therefore, doom some of the interventions to less than optimum success. Our agency feels—and we have said this in other submissions—that the use of Australian non-government organisations to link into local level organisations is a very appropriate way of delivering aid in the Pacific, particularly given the way in which the Pacific society is structured. It is very much a local village and kinship construct. For most Pacific inhabitants the notion of nation states is very foreign. We would say that there is an opportunity for the Australian aid budget and approach to be more focused on the delivery of local level aid.

**ACTING CHAIR**—You mentioned in your opening statement—and I think you said this in your submission too—that private sector investment is essential. Why do you think that it has not been more attractive for investment?

**Mr Ensor**—There are a few issues involved. If you look at investment in terms of extractive industries, it is a region where many countries are quite attractive in a technical sense. Papua New Guinea and other countries in the region have relatively very good mineral deposits and there have been significant degrees of investment. One of the issues emerging in the region now, however, is the risk associated with investment. In Papua New Guinea and the Solomon Islands the level of exploration investment and mining activity has plateaued. In some areas it is obviously decreasing. In the Solomons, mining operations have shut down and, in Bougainville, Rio Tinto's operations have shut down. There is a high risk associated with investment and one of the reasons for that is the political instability of the region, the social instability of many parts of the region, and the fact that mining and extractive investment has a history of exacerbating that tension.

**ACTING CHAIR**—Do you think the concerns about investing in mining or extractive industries has put a brake on the potential to invest in tourism? The first two things a developing state builds its wealth on are primary production of one form or another and the extraction of those mineral deposits. Then the next step is tourism, which has potential in the Pacific. But there has been no investment, apart from in Fiji, in tourism—and those reasons are the same.

**Mr Ensor**—Some of the issues in terms of extractives are to do with the ways in which certain operations have commenced. I think the industry now understands that securing a licence to operate is far more complicated than the industry thought 20 years ago. This is the case also in Indonesia, where traditionally the industry's approach has been, 'We will get a formal licence to operate from a central government and we will then take whatever steps are necessary to secure our operation—through the use of security forces or whatever.' That has been proved throughout the region to be an unsustainable way of conducting business, in a political and economic sense. Companies are now having to obtain a social licence to operate by demonstrating—whether it be a forestry, fishery or mining operation—not only the benefits to communities that are affected but also that the operation will take place in a manner consistent with the views of that community. So there is another issue emerging—that of licence to operate. Hence the emphasis in our submission, when we talk about private sector investment, on companies across the private sector engaging with local communities that are directly affected by their operations in a manner that secures benefits for them from those operations, and in a manner where those companies are in a position to be assured that communities directly affected are supportive of the operation taking place. If those preconditions are not met a centrally issued licence to operate—from Port Moresby, Jakarta or wherever—is not necessarily going to secure that as a safe business investment.

**ACTING CHAIR**—Do you support tourism and development?

**Mr Ensor**—Yes, broadly speaking. As an agency we call our approach to development as 'a rights based approach'. That means that we do not have pro or anti this or that pattern of development. So we are not pro or anti tourism or pro or anti mining. Our approach is very much around people at a local level being in a position to make choices about their own patterns of development from an informed basis. So that leads, in many instances, to us supporting, with communities, particular operations or activities.

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**ACTING CHAIR**—Yours is essentially a community based approach.

**Mr Ensor**—And community development oriented.

**Mr Brown**—Yes, but we would also like to take a broader view. I emphasised delivery made at the local level, but we have a regional strategy for the Pacific, and that means operating or thinking about issues not just at the local level but also at the national level and at the regional level. I would like to add something to what James was saying about the extractive industries. A lot of issues are linked to the way an industry goes about its operations, whether we are talking about the mining, logging or fishing sectors within the Pacific. A significant link goes to the issue of good governance, whereby it is very easy to begin operations in a particular part of the Pacific simply through less than legal connections with key people within government. By that I am simply saying that the checks and balances on governance at all different levels within the Pacific are not necessarily as robust as they would be in other societies. We had a recent example of this with logging companies. We work with an organisation in PNG that has been involved in litigation now for a number years over a particular case known as the Collingwood Bay case where a Malaysian company—simply through paying the necessary amounts under the table—achieved permission to log an area that was customary tenure. It took three years of litigation for this to be stopped. It was recognised by the court that this was totally illegal and it was thrown out, and logging was ceased. That is certainly an exception rather than the rule. Not many landowners have the resources or the connections to begin litigation processes or even to have the information. I would like to link it not only to the industry, whether it is any of those three extractive sectors that I mentioned, but also to the issue of governance.

**ACTING CHAIR**—Do you consider that your programs have been successful as a growing number of Pacific governments come under increasing pressure.? Do you think that if you had not had that involvement through your programs on a community level things might have been worse?

**Mr Brown** —I definitely think things would have been worse. I think here we are talk about dimensions, if you like.

**ACTING CHAIR**—I have one more general question. We have had quite a lot of evidence—and it is obvious—of the difficulty of getting around the Pacific from a point of view of air links with Australia. Do you have a view on how we might encourage more air links? Are they necessary? Are they important to these communities?

**Mr Brown** —I have a personal view, but as an agency—as James was saying before—we have not developed a particular view on air links, but we know from our travel within the region that it is linked particularly to where tourism is functioning. I come back to your earlier point—

**ACTING CHAIR**—It is really only Fiji, isn't it?

**Mr Brown** —Exactly. For example, we have a project office working on peace building in Honiara. There are two flights a week. So, it is quite difficult making a visit; there is not a great deal of flexibility in organising our own activities. We are very aware that since the conflict in the Solomons, their traffic has dropped significantly and of course the air links have dropped severely. We would hope that it is possible to create greater air links but, as I said, as an agency we do not have—

**ACTING CHAIR**—It is the chicken and the egg situation.

**Mr Brown** —Yes.

**Mr Ensor**—From a development perspective, the other issue is that a lot of our work around the world involves learning by linking communities or organisations. In the Pacific the cost of travel is a significant inhibiting factor in doing that. For example, there would be enormous value in there being opportunities for learning by linking organisations working on HIV-AIDS prevention in the Pacific and organisations working in southern Africa, which arguably have 10 or 15 years of experience working on that issue. There would be opportunities for people in the Pacific to learn what does and does not work before the time bomb of HIV-AIDS really starts to tick in the Pacific.

**ACTING CHAIR**—How fast is it ticking in the Pacific?

**Mr Ensor**—The analysis we have had done shows that broadly speaking the Pacific is 10 years behind southern Africa. Social indicators, the similarity of culture and society, indicate that the epidemic could be in a decade—

**ACTING CHAIR**—Will it be predominantly a heterosexual disease or affliction, like in southern Africa?

**Mr Ensor**—That is difficult to say. I would want to take that on notice. I think so—that would be my initial reaction.

**Mr Brown**—One of the characteristics that distinguishes the Pacific from southern Africa—in southern Africa this was an issue too, but it is more so in the Pacific, perhaps because of the influence of the church—is the reluctance to discuss any matters relating to sexual behaviour such as safe sex and prevention. It is still very taboo. Certainly I have had anecdotal evidence from PNG that the extent of the penetration of HIV is far beyond even what AusAID have suggested in a study that they released in the middle of last year. That certainly corroborated what James has said about the profile of HIV infection in PNG compared with sub-Saharan Africa 10 years ago—exactly the same profile.

**Senator HOGG**—I think you said that aid needs to be more focused. How does one achieve that? Does it mean that aid that is given currently is wasted—not deliberately wasted but wasted in the sense of being misplaced or misspent? Do you know whether there has been a review of the aid that is given to the Pacific? If so, when was it last done; and, if not, what form should it take? Perhaps you could expand on that for us.

**Mr Brown**—In terms of the question about aid being more focused, my initial comment was intended to suggest that at the moment the aid budget covers a number of areas and is used for different activities—and we have mentioned some of them in our submission. My view, and the agency's view, is that the aid budget is largely focused on infrastructure and on working with companies to provide delivery of health or education services. Those services are important; I am not saying that they are not important. But there is a whole element of Pacific society that is locally based where there are very low education levels and where there are not the human resources to participate in and benefit from that approach of the aid budget.

My suggestion is that there should be consideration—and this has been raised before—of the creation of a Pacific window whereby Australian organisations can be involved in the skilling up of Pacific islanders and the delivery of aid. Many Australian organisations are present in the Pacific. They have a lot of local intelligence and information about what is happening in the Pacific, in ways that are different to the government, simply because of the connections at the local level, and many of them implement. By that I mean they have their own staff on the ground and they provide the training and the building of capacity within Pacific societies. We certainly do that in the Solomon Islands in the peace building project that we are running at the moment. We employ our own staff in the Solomons to support the building of capacity in a whole lot of sectors—whether it is in microfinance or working with young ex-combatants. My point is that the aid budget could be spent in additional ways.

Your question about whether there is waste in the aid budget: I would prefer not to say yes or no one way or the other. I would prefer to talk about the delivery. In terms of the review of aid within the Pacific, I am not able to give you a strong answer on that in terms of when the last review was done specifically on the delivery of aid in the Pacific. AusAID have just recently finished a series of new strategies related to their work in the Pacific, and that is linked to a review of what has gone on.

**Senator HOGG**—That is an internal review. The point that I was trying to get to, which I probably was not clear enough on, is external reviews. It seems to me that an AusAID review of its own programs is all well and good, but there should be external reviews as well. I was wanting to find out whether you knew of any external reviews.

**Mr Ensor**—No.

**Mr Brown**—No, I certainly do not.

**Senator HOGG**—This committee is not really the forum for that sort of review. This committee is a forum to open up the idea that there needs to be a review, taking into consideration a number of priorities to determine the effectiveness and the efficiency of the aid that is currently being delivered.

**Mr Brown**—There have been different reviews that are more, I suppose, externally looking at the focus of the aid program in general. But you are specifically referring to review of aid in the Pacific?

**Senator HOGG**—Yes.

**Mr Brown**—We have said for a number of years that we would be interested in participating and supporting an external process. The last time it was particularly around the work in Bougainville. We are very interested in seeing some sort of evaluation of the AusAID work in Bougainville as a learning mechanism for people who are working in Bougainville as much as anything, and this includes our own agency. It does not have to be an excuse for simply negative thinking about the way a program is delivered, but it is an opportunity to learn and share that learning with all the other different actors in the sector.

**Senator MARSHALL**—I think you touched on this in your submission—and I am sorry I am late; you might have already touched on it today—the effectiveness of aid. It has been put to

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us in a lot of submissions that the aid is in fact designed to benefit Australia as opposed to benefiting the recipient of the aid, and it is done by employing primarily consultants or contractors who have based in other countries, even outside Australia, and not much of the money, apart from the finished product, gets to benefit the recipients. Do you have some comment on that and the way we actually deal with that?

**Mr Brown**—I think I probably made reference to this at the start.

**Senator MARSHALL**—I am sorry.

**Mr Brown**—It is okay. The comment was that I would agree with your analysis. In our submission, we talk about the fact that we think the aid program needs to take into account reaching the communities, reaching local levels and reaching people who are not benefiting by the current method of delivering certain programs, whether it be through infrastructure programs or civil society support for election processes. A lot of this is to do with levels of education and sophistication of Pacific societies. My opening comment was that I thought the aid could be targeted in a different way, taking into account Australian NGOs that have programs in the Pacific. These are often based in the Pacific, often with their own implementation of programs in the Pacific and they have those strong links with communities.

The use of the commercial sector to deliver certain types of aid is certainly very valid. If we are talking about the building of hospitals and schools, highways or infrastructure, an organisation like Oxfam Community Aid Abroad, which is interested in the rights of people, particularly those who are suffering poverty or exclusion or suffering in their own societies, thinks that is very positive. The building of infrastructure alone will not resolve some of the complex issues and problems within communities—peculiar issues which communities face and which, I would argue, is the case in the Pacific. The building of a new hospital might benefit the contractor and in a sense it certainly benefits the community, but if it is not accompanied by training of local staff, some very pervasive work around health systems and does not take traditional health systems and knowledge into account, it is doomed to failure.

**Senator MARSHALL**—There has been some suggestion that the best way for Australia to get best value for their aid is to simply give the money to NGOs, church groups et cetera, and allow them, in consultation with local communities, to work out how that money should be spent. Would that be something that you would support?

**Mr Brown**—Yes.

**Mr Ensor**—We would broadly support that position, but that is not to say that support for national level processes like elections or large scale infrastructure should not happen. We are arguing that there needs to be a much greater diversity of approach that encapsulates getting our aid program to deal directly at community level and assist communities to meet their particular challenges. For those elements, the most effective delivery mechanism will generally be an NGO sector approach rather than a contractor or consultant approach.

**Senator MARSHALL**—I came in late, as I said, and I think you were saying that aid ought to be linked to commitments to good governance and the rule of law. Is that the concept you were—

**Mr Brown**—Indirectly that is correct; I was making a comment on extractive industries and the problems that extractive industries have in investing in the Pacific because of some technical considerations and also because of the costs related to making sure that their investment is done in a best practice scenario. I simply added the point that good governance is a crucial issue in the Pacific, because often industries are able to operate in the Pacific through their use of nepotism, corruption or—

**Senator MARSHALL**—Using PNG specifically as the example, again it has been put to us that the institutions are either on the verge of collapse or have effectively collapsed anyway; that there is no real will on behalf of the government to do anything about that. In fact, it has been put that the very people who are required to drive that reform, to make that change, would be the people that will potentially suffer: the outcome may be that they find themselves in jail. So there is a circular argument about what is the motive. It has been put strongly in some submissions that we should simply say: there will be no money until you address these problems. But it appears that the problems cannot be addressed; there is no will to address them.

As a consequence, we have a humanitarian disaster at the base level. It is a depressing problem and one that, on the surface, seems hopeless. Do you have any ideas about that? The idea of giving money directly to the NGOs and churches is something that the committee will probably discuss and debate. But that, in itself, cannot be used as a lever to strengthen the institutions, to get the rule of law applied and to remove corruption from the process.

**Mr Ensor**—This issue has come up not only in the Pacific; at the moment it is rattling around in relation to issues like Zimbabwe: how do you deal with a situation where you have appalling governance but you are having a humanitarian catastrophe? Agencies like ours are really grappling with how we operate in environments like that. In the case of the Pacific, I do not think an either/or approach is appropriate. Strengthening institutions, good governance and the rule of law are essential in the medium to long term. To do that requires targeted direct assistance—

**ACTING CHAIR**—Official aid.

**Mr Ensor**—Yes. But, by the same token, there is also a feedback loop that drives that process. Targeting assistance to local communities and local organisations who apply pressure internally can be a driver for improvement around governance and the rule of law. I will give you an example by way of an issue that we are dealing with in Papua New Guinea at the moment concerning a gold operation about 100 kilometres north of Port Moresby called the Tolukuma goldmine, which was operated by Dome Resources, an Australian company, and is now operated by a South African company. Very poor regulation and governance have led to a situation where the company has been directly depositing mine waste into a river system. Independent reports received by the company operating the mine that we have been provided access to—not by the company but by a third party—confirm that the company has been consistently in breach of environmental regulations on mercury, zinc and arsenic levels in the river system. This has not been picked up by regulatory authorities for reasons to do with political will, resourcing or what have you. We are now supporting local communities and organisations in Port Moresby who are applying pressure to both the company and the regulatory authorities to deal with the situation. However, that approach alone is not sustainable. This is one particular case illustrative of the issues across the country. Unless you tackle both

that and the broader issues of direct support for good governance and the rule of law, you are not going to solve the problem at a macro level.

**Senator MARSHALL**—How was your engagement in those activities viewed by the government? I would think that they would see you as meddling in internal affairs because, effectively, what you are saying is that you are agitating people to protest, to lobby and to exert their rights—and obviously their rights have been contravened by what has happened, because deals have been done to allow these things to take place in the first place. How are you viewed? This is probably getting away from the subject.

**Senator HOGG**—I think it is very important.

**Mr Ensor**—In relation to this particular matter—

**Senator MARSHALL**—I assume that this is just an example of a number of activities.

**Mr Ensor**—Yes, this is an example of the issue. Certainly I think agencies and NGOs across the region have a history of supporting communities to uphold basic rights themselves by providing financial in-kind support. That is our approach, and we have been drawn into tension with regulatory authorities and governments at a range of levels. We are extremely careful, if we engage in those activities, to articulate what we believe is our role, and our role is not to be speaking on behalf of people directly. Our role is not to be representing those communities; our role is as a facilitator, where requested, that enables those communities to raise their voices as citizens of a particular country. It is very important that organisations like ours that get involved in those sorts of issues are very clear about what we are doing and what we are not doing, because it is inappropriate in many instances for organisations like ours to be seen as representing people or agitating. Our approach is very much led by communities on the ground. We are a facilitator; we are not a representative or a spokesperson.

**Senator HOGG**—What happens if your judgment—I am not saying you personally but in the broader sense—is that what is transpiring is wrong but that, no matter what you might do to convince the local population, they cannot see that? Does that happen much? How do you handle that? They might see your actions as being wrong. Let us take the mining case, for example—where there was no employment there now may be some level of employment. If one were to stop the arsenic, the mercury and everything else going into the river, as that is the correct thing to do, they would not see that as being the case. They would say, ‘That’s our livelihood, our jobs; sustainability in another way’. How do you deal with that?

**Mr Ensor**—That is a very good question. As our submission indicates, three years ago we established a mining ombudsman to try to facilitate mechanisms to resolve grievances between communities and mining and exploration firms. The methodology we use for it is that we do not take any action whatsoever unless, firstly, we have a very clear request from a community to do so and, secondly, we have investigated on site and in person the issue that the community is raising. Part of that investigation is getting a very clear sense of what the community’s views are.

If we have a case, for example, where we investigate and find that this section of the community has this view and that section of the community has that view, generally speaking we would not engage in the process of facilitating dialogue through the ombudsman mechanism

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with the company because, clearly, if there is a division of views within a community, it is not our role to be saying, 'This section of the community is right and this one is wrong.'

But where there are cases where we have a very clear sense of both a request and the legitimacy of the grievance, then we do think it is appropriate for us as an agency to facilitate a process that can hopefully resolve those grievances. Our experience has been that, when we have done that, in many instances it has initially created tension with companies, regulatory authorities and governments at various levels, but it has drawn the problem to the attention of those parties and they have been able to deal with before it has escalated. If you look at the history of company-community relations where things are not dealt with early on in the process, it is not a good history. It generally results in either operations being shut down or escalation of tension. It is almost as though a demilitarised zone between extractive operations and communities has been created.

**Senator HOGG**—How then do you interact with companies that want to operate in the field? Do they encourage you—not on but removed from the local site; say, an Australian or an American based firm—to interact with them to find out how they should behave?

**Mr Ensor**—We have taken a number of initiatives recently to do that. Many companies are starting to address the issues around licence to operate and in engaging with communities. We have had most engagement with BHP Billiton. We have jointly developed an initiative called a corporate community leadership program, the first of which ran last year. That exercise involved taking a group of senior managers of the company from around the world to Orissa and Andhra Pradesh in India. We have a very strong development program there, which works with indigenous peoples—in a region where there is quite a lot of extractive industry and tensions arising from that. The aim of that exercise is to expose managers from BHP Billiton to the community development practices of NGOs in those states—how to sit down in a village and talk to people—and to the broader issues of extractive industries in that very complex environment where you have tensions similar to those in other parts of the developing world.

It is a learning exercise for the company. They have decided that this is an exercise worth investing in not only for their management of these issues but also for their learning. The second corporate community leadership program is taking place next week with another group. There are a number of other initiatives we have taken, but that is an example of working with an industry leader to raise understanding and capacity within the industry to deal with these issues.

**ACTING CHAIR**—I have a question about Australia's role in disaster management in the Pacific. It revolves around the sort of criticism that flowed from Cyclone Zoe and Cyclone Ami and the suggestion that perhaps Australia could take a lead to establish a regional disaster management centre to respond to such disasters. Do you have a view on that?

**Mr Ensor**—We do not have a formal view; we have not discussed it formally. It is something that I think we would be quite receptive to. It is a region, as we have said in our submission, that is particularly exposed to disasters, both natural and human induced, because of the social and political instability of the region. I think we would very strongly support any sort of appropriate investment in preparedness and prevention. It is an area that we focus on in our work in that region, given the profile.

**Mr Brown**—I agree with what James has said. The other aspect of this is that within Pacific countries there are often national disaster offices or national disaster councils that have been set up, in some cases, with the support of Australian government funds. But by and large they are not given an ongoing budget so they cease to function effectively. Any regional disaster management centre that was set up would hopefully reactivate these national level agencies and ensure they are functioning effectively. That is certainly one of the things that we are attempting to engage in as we develop a disaster management strategy for our agency within the Pacific region over the next three years.

**ACTING CHAIR**—Do you have a program?

**Mr Brown**—One of the foci of our strategies for the Pacific is to develop our disaster management capacity. That means that where there are cyclones or other natural or non-natural disasters in the Pacific we are able to respond either in an operational sense or by working with other partners.

**ACTING CHAIR**—Thank you for your time and thank you for your submission.

[10.05 a.m.]

**DONNELLY, Mr John Stephen, Program Officer for Papua New Guinea, Solomon Islands, Vanuatu and Philippines, World Vision Australia**

**ACTING CHAIR**—Welcome. You heard my opening statement, so I do not have to go through it again. Would you like to make an opening statement?

**Mr Donnelly**—World Vision has been active in the Pacific in both development and relief areas for about the last 20 years. In more recent times, it has worked in partnership with other Indigenous World Vision offices, particularly in Papua New Guinea, the Solomon Islands and Vanuatu. Previously, World Vision had activities and offices in Fiji and Tonga, but now we just focus on those three Melanesian states. World Vision Australia works in partnership with those World Vision operations within those countries. We do not, as an entity ourselves, have stand alone activities within the Pacific countries.

Within the submission there are some 21 recommendations. The main thrust of those is aimed at encouraging Australia, as a large country within the region, to play an active role in promoting the interests of the people of the Pacific. We should not discount our own interests, but we should promote and put to the forefront the interests of the people, whether they be in relation to international trade negotiations or aid per se—aid in development and in relief.

A couple of the areas addressed by some of the recommendations in the submission, which was put in around the middle of last year, have in fact since been addressed by the Australian government. These areas are in relation to access for products from less developed countries and capacity building. I think Australia has committed funds to the World Trade Organisation's capacity building project with a targeting of Pacific island countries. I am World Vision's program officer for the Pacific countries in which we are active. I have my own personal relationship with the Pacific, extending back some 10 years—mostly in Papua New Guinea, but also across those two other Melanesian states of Vanuatu and the Solomon Islands.

**Senator MARSHALL**—A lot of the Pacific island countries were heavily reliant on duties and taxes for goods, and the free trade agreement has impacted upon that revenue stream. What sort of detrimental effects have you seen as a result of that?

**Mr Donnelly**—As I said, we mostly work with other World Vision offices—for example, in Papua New Guinea. In Papua New Guinea, all our activities are generally in fairly remote areas. Quite often, the impact upon those communities is the result of a reduction in services or the imposition of fees for services, although the communities are ones where a cash economy is almost nonexistent and a recurring inflow of cash is certainly nonexistent.

So, as schools commence charging fees for education or the health centre, local aid post or subhealth centre charges a monetary fee for a service, many people are denied access or lose access. There is a lot of discretion at a local level but I know from my own observations whilst in Papua New Guinea back in 1995 that, when schools first introduced fees in the time that I have been associated with the place, many schools just closed down. The fee was supposed to provide the food that fed the students whilst they were at the boarding schools in the system.

When no fees arrived, no food was purchased and kids were either sent home or did not go because they were too hungry whilst they were at school. That is one of the most obvious impacts you see at that local level. I think the Australian population's general view of the Pacific—and this is totally from my own experience too—is either of a tourist brochure or of an urban situation, but the predominant situation is that 85 per cent of the population of Papua New Guinea is rural.

**Senator MARSHALL**—Would it be fair to say that the economies of a lot of the Pacific islands are so small that, as a result of these trade agreements, a particular factory may close which may be the major employer in a town and the consequences of that for the whole society would far outweigh any economic benefits of entering into the free trade agreement in the first place? We got an example of an ice-cream factory on one of the islands and the impact that had. Have you seen more of that as a consequence of the free trade agreement? You specifically mention the free trade agreement in your submission and you talk about aid to continue to negotiate international agreements.

**Mr Donnelly**—I am certainly not the trade expert who put that part of the submission together. Last year the copra mill in Luganville, Vanuatu, effectively closed down. Apart from some small local operations, including some in the tourism industry—and when I say small I mean relatively small—most of the benefits from those operations seem to be repatriated to either Australia or New Zealand, but that was one of the only real employers in that community outside the subsistence existence of most of the people on Santo Island. When that closed down, there was nothing left. The other impact of free trade the World Vision Australia submission tries to emphasise is the impact upon the health and wellbeing of many communities. Countries ought to be allowed to take measures that they see as maintaining a situation. I think lamb flaps is a well-known example—the dumping, almost, of lamb flaps into some communities.

A fellow in the Solomon Islands said to me that for many of the small island communities whose only source of income was either copra or fish, and the fish that they were able to catch was mostly a local trade and income generating activity, it was his view that the decrease in the price of copra—and I do not know where he got these figures from; this is hearsay evidence—meant a 1c difference in the price we might pay for soap here in Australia but almost total loss of income for the communities on whose behalf he was speaking. That translated into the depletion of many of their other resources—a greater urgency, say, to extract fish from the local fishery which meant an increase in illegal fishing such as the dynamiting of reefs and that type of activity. We tend to operate at the local level, not just look at the national economic situation, and look more at the impact on the person further down the social ladder—or certainly down the economic ladder—particularly the women and children in the bush, who are usually the ones that this ultimately has the greatest impact upon.

**ACTING CHAIR**—What projects have you worked on personally?

**Mr Donnelly**—A lot of water and sanitation projects—local delivery of water and sanitation projects—and some local income generating activities by way of maximising local production systems to enable some surplus to be sold through local markets. World Vision has also been involved in a lot of peace-building activity in Bougainville and throughout the Solomon Islands. There have been many indirect but nevertheless very significant results, as we would see it, from some of our projects, particularly in south Bougainville. We have been a great contributor to what people generally call the peace-building process. It is almost not so much peace

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building but a return to some sort of normalcy. It has even involved a setting aside of arms, to take advantage of an activity, an opportunity to re-establish some things—not the culturally normal sorts of things, because what we might consider to be the traditional culture, as in all those situations, is in change. It is for people to be able to re-establish themselves—say, as a big man in the traditional sense by incurring favour and activities like that rather than by authoritarianism or even violence.

**ACTING CHAIR**—Does the UN still have its monitoring position in Bougainville?

**Mr Donnelly**—UNDP still operates there. I cannot answer that.

**ACTING CHAIR**—What is the UNDP?

**Mr Donnelly**—The United Nations Development Program. They had an operation out of Arawa. I am leaving for Bougainville tomorrow morning, so I will be able to find that out, but I will not be able to tell you.

**ACTING CHAIR**—We have a very small deployment there still, don't we?

**Mr Donnelly**—Yes, the peacekeepers.

**ACTING CHAIR**—Where is Arawa?

**Mr Donnelly**—There are people in Buka—and down in Arawa, which is on the main island of Bougainville. Buka town is on Buka Island.

**Senator HOGG**—One of the recommendations you make is in respect of the fact that the government should continue to have dialogue with the government of New Zealand and develop systems to ensure that respective aid programs are complementary. Is there a reasonable example of where they act in competition with each other and do not necessarily assist in providing aid because of the competition? I am not saying they are deliberately competing, but where it just happens to be a matter of fact.

**Mr Donnelly**—I am not personally aware of any competition, but again I can relate to you conversations I have had with people in the Solomon Islands, and what they would say about their observation of the way the aid is delivered. It has been said to me that the New Zealand approach is far more sensitive in recognising the local institutions that can effectively deliver aid, whereas Australia seems to be more focused on sending waves of consultants who live the high life in Honiara and then extract their information for their reports from the very people who could well be delivering the aid.

**Senator HOGG**—That is more directed at the way in which aid is delivered rather than coordinating the delivery of aid between New Zealand and Australia.

**Mr Donnelly**—That is, yes. As I said, I am not aware of any specific situations where Australia and New Zealand are in competition, but I know that within the NGO community we look to ways where we can work together, rather than independently of one another, to maximise not just impact but value for money.

**Senator HOGG**—Let me put this to you. Does your organisation work with the New Zealand government as well as with the Australian government and, if so, which do you find the better to deal with?

**Mr Donnelly**—World Vision Australia does not work with the New Zealand government, but World Vision Papua New Guinea, World Vision Solomon Islands and World Vision Vanuatu work with New Zealand government agencies, AusAID and other agencies.

**Senator HOGG**—Can you give us their experience, even though you may not be personally representing them here today? Do you know their experience?

**Mr Donnelly**—No, I do not feel I am able to speak on their behalf. The reason for that is that, when I visit those countries and in my dealings with those countries, my visits are primarily focused on what World Vision Australia has an involvement with, whether it be AusAID funds or locally raised funds. Certainly, I hear things, but they are normally not the focus of my attention.

**Senator HOGG**—Another issue I want to raise concerns the competition between aid organisations themselves. Is there a need for better coordination in terms of the delivery of aid by aid organisations? Are the aid organisations getting in the way of each other in some instances?

**Mr Donnelly**—By ‘aid organisations’ are you referring to organisations at the AusAID level or at the NGO level?

**Senator HOGG**—NGO level.

**Mr Donnelly**—I think that it would go without saying that there is probably always room for improvement. Sometimes you think you have done all your homework and you plough ahead with partners that you have identified or that have been identified for you and then you find out that you are reinventing part of the wheel. That is one of the inevitabilities of some of the areas in which we work, particularly in the Pacific, where communications, logistics and just general delivery of aid can be problematic. Many of the people with whom we work do not necessarily have the wherewithal or the access to facilities or record-keeping systems that we might just take for granted. Unless you really put in a lot of time, which is not always possible because of other demands from donors and the like, you may not unearth the right source of the information. We like to think that we do, but I am sure at times we do not. As regards cooperation, in the main, certainly at the NGO level, I think we cooperate very well. But I think it would be a generally held view that many national agencies generally focus on their national interest first and foremost and then look to other motives for delivering aid.

**Senator HOGG**—How could that be better coordinated? Do you have a view?

**Mr Donnelly**—I would only have a personal view. The South Pacific Forum, now the Pacific Islands Forum, is one forum where that could be pushed forward. I do not think there is a need for more or extra institutions to be established. The way in which they are run ought to give more credence and value to some of the ways and methods of the Pacific people themselves. Many of the people who I deal with in my travels, whether they are involved with aid or government, have a lot of difficulty shaking off their preconceived ideas of how the world, the

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government or a project ought to run. I know that from my own experience, as long as I have been in Melanesia. It is such a difficult thing. We have to listen to those people and let them be part of it rather than listen and then make the decision on their behalf.

**Senator HOGG**—Another issue that I am interested in is the issue of drugs—either drug abuse or the growth of drugs in the South Pacific region. Can you comment on that?

**Mr Donnelly**—I cannot comment authoritatively. I can tell you that certainly, from my observations and from speaking with people whom I have close relationships with, it is on the increase, particularly with marijuana and fairly potent locally brewed concoctions that can be drunk. In many of the communities which we work in, I am not aware of what we might call hard drug use and abuse, but again I would stress that our activities are generally in rural areas and not in the urban centres—though I pass through the capital cities and some of the provincial towns. From a cursory viewing, walking down the streets and so on, I have seen signs of what I might consider to be drug abuse, but that would be as far as I would be able to comment.

**Senator HOGG**—You seem to see a difference between what happens in the urban areas and what happens in the rural areas. Does it really mean that there need to be two different ways of thinking about the delivery of aid in some places? Is the rural need quite substantially different from what the urban need might be?

**Mr Donnelly**—There is certainly need in both places. There is probably a different need. One of the ways in which we deliver aid—in which Australia has tended to deliver aid, as previous presenters mentioned—is by way of contractors and consultants. There tends to be focus on the urban areas. Value for money principles often result, particularly from donors—and I am not talking just government now; it can be private donors looking for ‘bang for buck’, so to speak. It is very difficult to find that in rural areas of the Pacific, because there are very low population densities. The needs there are usually just for delivery of services—physically being able to get to the place to deliver those services.

In the centres, where there is at least some infrastructure, it is often maintenance of those services, whether they be health or education. In some of the rural areas, there is a real tension sometimes between systems of governance. With the traditional systems, many of the people who are charged with that aspect of their local community have not had the advantage or the disadvantage of a school based education. They are now grappling with the problems associated with the younger generation, who perhaps have had a school based education and who have been educated in predominantly a Western style, Australian type curriculum. I am thinking of a particular area of Papua New Guinea that I can relate to. That creates enormous problems. In the cities, towns and settlement areas, there may still be large degrees of poverty, where people are removed from their traditional lands, gardens and familial support systems. The system of governance is one that at least they have been prepared for. There is a police force and a local council or something like that. Yes, there are different needs. It would take a long time to go through them, but they certainly need to be identified. People need to be aware that they are quite different.

**Senator HOGG**—Do you think they are identified currently, or are they fairly much just papered over?

**Mr Donnelly**—They are lined up to say that this is not present here and this need is present there. That is common in our work in communities where we work in partnership with, say, World Vision Papua New Guinea. When I talk about a partnership, it may be in the form of helping to provide them with the technical expertise or funding source to address needs that they, in conjunction with the communities in which they work, have identified within those communities. They are not necessarily operating on a comparative basis and saying, ‘Where should we deliver this? Should we deliver it in Port Moresby or up in the Highlands region?’

**Senator MARSHALL**—On page 7 of your submission you talk about the lingering resentment in parts of the Pacific for past colonising attitudes and practices. Given your personal experience—and, from what you have said, you have obviously spent some time physically in the South Pacific—how is Australia viewed, generally?

**Mr Donnelly**—I will relate a situation. I was speaking with the Provincial Administrator of Bougainville one evening late last year. He was the translator at the turning of the sod, if you like, of the Panguna mine for the then minister for external territories. I cannot recall who that was; you could tell me. It might have been Garfield Barwick or somebody. He said at the time that the minister made all sorts of statements about what was going to happen and the real sorts of benefits that would accrue. That had been negotiated in Canberra and in Port Moresby. It was not the first these people knew about it, but it was one of the first revelations that something actually was going to happen that the general population knew about.

It was not long after that, he said, that people started to really wonder where the benefits of the money were going and what was starting to happen to their rivers with the sediment levels and all sorts of issues like that. Some decades have passed now. Whilst I was talking with him a fellow came up who came from the same area, down near Arawa on Bougainville Island, and he said, ‘Oh, Mr Pentanu! Simon Pentanu, our hero! We think you’re wonderful!’ He turned to me and told me how great the man was. Then he said, ‘When we get autonomy we will kick every Australian out of Bougainville.’ He said, ‘They will not take any more of our money back to Australia.’

I think that is an extreme view. Certainly, I have mostly been confronted by an appreciation of what Australia has done. In other parts of Papua New Guinea people often lament the passing of the Australian administration. They wish Australia would come back and take over again. I think that is a simplistic view of how they might solve their problems: harking back to a past when they could go to Lei and it was nowhere near as big and they were not going to be robbed or something because there were plenty of white policemen there to stamp it out. But I think Australia is viewed as a big, aggressive brother in many ways.

I was in Vanuatu at the time of the *Four Corners* program with regard to the mutiny case last year. Whilst I was there, in August, there were posters going up around the place saying, ‘Vanuatu: a police state of Australia and New Zealand.’ When I talked to most people they said, ‘It’s rubbish. It’s just these crazy supporters.’ Nevertheless, some of them did say, ‘One of the problems is that Australia provides aid on its terms and it says that we need to implement a governance system. Therefore, they do not say, “Here’s some money. How are we going to strengthen our police force and our mobile force?” They send people to do it.’ They say, ‘Those people have all that access to all our information, and some people think they’re spies.’ That is a view that has been expressed to me on more than one occasion. In the main, I would say that I just do not reckon that is the case. But that is a perceived view.

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**Senator MARSHALL**—Have you been in the South Pacific since the Pacific solution was implemented?

**Mr Donnelly**—Yes.

**Senator MARSHALL**—How does that fit in?

**Mr Donnelly**—I have not been out to Manus since the centre was established there. I know some people from Manus, who said: ‘The only thing about it is that they’re better off on Manus than they are in Woomera. At least people out there care about them.’ That view was expressed. But there is wonderment as to why Australia would pay so much money to send people somewhere else rather than give that money, say, to the people themselves or to the countries to which they are sending them. I do not think it has reflected well on Australia at all.

**Senator MARSHALL**—You express those views, and on page 11 of your submission you state that it is critical that Australia work to strengthen civil society in view of the governance issues facing the Pacific. Can you elaborate on how Australia would actually do that, what sort of strengthening you mean in terms of civil society, and how we could actually play a role, given some of the general views of the civil society about Australia?

**Mr Donnelly**—I think the previous speakers alluded to the issue of who is perceived to be delivering the aid in the first place—Australian contractors or local institutions such as NGOs, whether they be church groups or others. I think all of us in this room would be aware of the strength and the position of church institutions in these countries. Whether we agree with the particular denomination or whether we agree with the whole aspect of Christian denominations playing such a big role in civil society, the reality is that they do. They are very often overlooked.

I saw a comment from the Anglican Bishop of Auki which reflected very much on the issue of people getting paid large amounts of money for coming in, soliciting and extracting information from the very people who could be delivering the aid to write some report which then gets shelved. I think there have been a number of delegations to the Solomon Islands over the last 12 months, and the local people get the feeling that nothing has really come out of that. In Papua New Guinea, there are a couple of schemes but in particular there is the community development scheme, which has AusAID funding. It is administered by an Australian managing contractor. The whole aim of the scheme is to strengthen local NGOs—local being Papua New Guinean in this instance, whether they be provincial, local or national—and community based organisations.

Within the guidelines and the constraints within which the program operates, if a project or program is established and approved and they receive a grant—which will only be paid out in tranches based on reporting, and we all subscribe to that—the organisation does not gain any direct benefit apart from the fact that they have implemented whatever the program might be. It is the project or the program which reports to the fund, but the organisation which implemented it has no means by which to support its investigation to establish, say, another project or program.

It may be that it is a training program and people get skilled in reporting requirements, administration skills or whatever, to be able to run a locally based organisation or to administer

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funds being granted by a donor to a fairly remote location and comply with all the demands of whomever the donor might be—usually you would have a Western mindset type donor—but once that fund is dispersed completely there is nothing else. It does not mean that the skill will remain. The person may move on or may lose the skill because there is no chance to maintain or practise it in, as I said before, what are sometimes almost cashless economies. In this instance, the managing contractor has tendered for and won an AusAID contract and is then able to recoup all costs incurred in administering it and derives a profit. The tenderer then—and this is not necessarily the best analogy—almost subcontracts out the delivery of what it is they are doing to the smaller organisations purely at cost only. They do not want to make a profit, but they cannot recoup any cost to maintain even some sort of office or whatever. The project has that, and when it is finished it is all finished. The notion of sustainability seems to have got lost somewhere along the way.

**Senator MARSHALL**—I am glad you have clarified that. I thought one of the things you may have been talking about was something we touched on with the last submission—that is, about empowering groups within to protest and to give them some support to raise issues and to lobby and get legal support to challenge some of the things that may in fact happen, given the nature of the corruption in some of the island states. When you were talking about strengthening civil society, you were not actually talking about supporting those sorts of activities, were you? Do you have a view on whether we should be doing some of those things?

**Mr Donnelly**—Supporting the strengthening of civil society is about helping people to operate in the world in which they have to operate. For many of these people we are talking about sometimes two or three systems—their traditional system, in some respects; the system of their own national political economy; and our system, where they may have to report to a donor from Australia and they might be actually writing the report in their third language. So it is about the skills to be able to operate. As to whether they then choose to use those skills in some of the ways that you have mentioned, that is what an empowerment process is about, is it not? It is about being able to make informed decisions.

**Senator MARSHALL**—It has been put to us that it is next to impossible for us to force another sovereign government to take on the reform necessary to stamp out corruption if the will is not there, and that the only way that that is going to happen is from the ground up and from pressure in their own country. There is some suggestion that, with the quite substantial turnover of elected politicians in PNG at the last election, there is a will generally in the populace to stamp out corruption, but it still has not eventuated. So there needs to be more support in that area—and, again, empowering people. That means, for example, giving landowners, who are having their land illegally logged, the power to actually challenge that in the courts and bring out the corruption. In the examples given, in most cases it just continues and nobody knows about it.

**Mr Donnelly**—As you may be aware, World Vision Australia is part of an international partnership arrangement. We work within the protocols of World Vision. Mooted last year in the press was the possibility of toxic waste from Taiwan being dumped on Makira Island in the Solomon Islands.

**Senator MARSHALL**—Humus, wasn't it?

**Mr Donnelly**—Yes—to fill all those wetlands and make them productive. People like myself had personal views but, from the perspective of an organisation, we do not enter into that. World Vision Solomon Islands and World Vision Taiwan may choose to—we might even encourage them to—but, unlike some organisations whose primary focus is those sorts of issues, our focus is very much development and relief type aspects. As I said, we might encourage people to look at issues and take up issues with local communities.

**ACTING CHAIR**—As there are no further questions, I thank you very much indeed, Mr Donnelly. We enjoyed what you had to say.

**Mr Donnelly**—Thank you for the opportunity.

**ACTING CHAIR**—All the best with your continuing involvement in the Pacific. It is a big task.

**Proceedings suspended from 10.46 a.m. to 11.16 a.m.**

[11.16 a.m.]

**FIFER, Ms Dimity, Chief Executive Officer, Australian Volunteers International**

**HOGAN, Ms Elizabeth Eileen, Manager, In Country Programs, Australian Volunteers International**

**JESSEN, Ms Patricia, Senior Manager, PNG/Pacific Region, Australian Volunteers International**

**ACTING CHAIR**—Welcome. We thank you for your submission and for appearing before us today. We invite you to make an opening statement, after which we will ask you some questions.

**Ms Fifer**—Thank you. As well as having some of our staff from the PNG and Pacific unit in the audience, we have Pat Jessen, who is Senior Manager of PNG/Pacific, and Liz Hogan, who is Manager of In Country Programs. In terms of my role today as CEO, I will just give a few minutes overview and then pass across to Pat and Liz. We are more than comfortable to speak to our submission and then to add to it as well. We are aware of some of the themes that have come up this morning and are quite comfortable in pursuing any of those.

It is pretty obvious from our submission that our relationship with PNG, which has been since 1964, has been a long and constructive one. Australian Volunteers International is known around the globe. We have been working for 50 years. We have been involved in 68 countries and now have a return volunteer alumni of nearly 6,000 Australians. People understand across the globe that we are in there for long haul. Our perception of the value of international volunteering as a development theme is a very strong one and internationally, for those of you who know some of the latest work from the International Year of Volunteers, international volunteering is seen as a form of development of itself, and you could even say as an outcome. We are very committed to the value and focus of international volunteering. It is more than just good feeling; it is more than just people getting to know each other; it is about being on the ground and living out the principles of good community development and of good regional development.

For those who are aware of some of the latest thinking in human scale development, particularly from the Latin American and African thinking, you would be aware that international volunteering is a great match to some of that key work. Certainly Pat and Liz can let you know the history. Since we have been involved since 1964, we can tell you the sort of themes that have been happening through the sixties, seventies, eighties, nineties cetera. The long-term value of our work is the fact that we have hung in there with communities and at a number different levels. So whether it is the era of talking capacity building or governance or working with local communities, I guess Australian Volunteers has been there and seen and done it all. Our view of the world would have to be a tad more constructive and positive than some of general themes and stereotypes that tend to come up, including the recently tabled *Advancing the national interest* paper, which I trolled through as well. For us it is not about a naive pollyanna view of the world, but we do believe that, because our work is often behind the scenes in communities, we tend to see a lot more constructive themes coming through than is

often the case in some of the more official views of the world. So we tend to be a little more circumspect about that.

Also in terms of our work, we believe in reciprocal benefit and the mutuality of our learning. One thing that you will notice in our submission and in our recent federal budget submission, which we have sent through to Costello's people, is that we want to see a real change of focus in aid and development thinking towards more creative, two-way partnerships across the globe. Whether you call it south-south volunteering, a number of international aid and volunteer sending agencies believe in the value of strengthening people, communities and organisations, and that is something that Australia could do an awful lot more of.

AVI will be pushing that: how can local communities and organisations—particularly in the NGO sector—work with counterparts in other countries, particularly PNG? We think it is something that should be pursued above those government links. We need to find ways by which we can link organisations that are strong in Australia with similar strong, growing and confident organisations in PNG. That will build those strong links in civil society and governance that everyone talks about but for which often the practicality does not happen on the ground. That is what AVI can contribute in a very big way. So, if you are interested, we look forward to pursuing any of those ideas. Certainly, Pat and Liz can fill you in on the actual detail.

As you know, I have only been in this role since July. Last year, Papua New Guinea was one of the countries our board encouraged me to go to. Along with Cambodia and Indonesia, it is one of the strong commitments of our program. I was so pleased to be able to hop on a plane; astonished that it was only two and bit hours from Brisbane; embarrassed that I knew so little about PNG and the Pacific, except from my school days; and amazed that our community does not have a stronger, more constructive and more positive view of PNG. I went around with Mary to a number of our programs and I saw, behind the scenes, things that AusAID and diplomatic staff never do. I met people on the ground—local community people, who are very committed to the building of PNG.

On the very last morning I got up at 5 o'clock to catch the plane home. I was sitting in the hotel and being served breakfast in the dark by a young guy who was only in his early 20s. When he noticed where I was from, he said he had just finished a community development course. He was now working night shift in the kitchen at this particular international hotel where most people stay, to earn money so that he could begin a community organisation back in his village to help look after environmental issues. I was so impressed by that young man. He was, just like any other young person around the globe, totally committed to learning, education and community issues.

Then I hopped on the bus and was surrounded by a whole lot of Australian businessmen who were solely talking about—and I am not denying it—the violence that they had experienced in their mining work. The two experiences were so extraordinarily different. I knew that those businessmen would be coming back to Australia and talking about their perceptions of violence, corruption et cetera. They never would have bumped into the sort of experience that I was fortunate to have over my 10 days, and that our staff and volunteers do. Another point is that our volunteers in Papua New Guinea ask to extend longer than those in any other country across the globe. That really attests to the fact that we are firmly of the view that we need to broaden the perspective and the stereotypes—

**ACTING CHAIR**—I think you make that point in your submission: you talk about how the deficit of knowledge and understanding has impacted on all levels of Australia's relations with the Pacific island states. How do you suggest that that might be remedied?

**Ms Fifer**—I suspect that everyone in the whole system within the Australian community can play their part. For us, it is a matter of being able to promote the stories of our individual volunteers, and we do that a lot more. The media comes to us with open arms for good news stories of Australian volunteers: ordinary Australians and ordinary Australian families going away for two years to PNG. When people read about a family from Bairnsdale, Bendigo or Ballarat, they are really quite astonished to hear the different perspectives.

**ACTING CHAIR**—What about levels of education for Australian high school kids and things like that, and the schools of Pacific studies which are no longer there?

**Ms Fifer**—Exactly. As far as we are concerned, we can gain from individual stories. As I say, since 1964 I think we have had 1,000 volunteers in PNG.

**Ms Jessen**—We have had 1,100 in Papua New Guinea and another 1,500 in the Pacific island countries, so we have had over 2,500.

**Ms Fifer**—It is the collective story that we need to capture and give back.

**ACTING CHAIR**—That is very important, but I was thinking of a suggestion you might make as to something we as a committee might recommend in connection with the education of the Australian public.

**Ms Fifer**—I could not agree more. As I said before, Australia should be encouraging Pacific islands studies, especially amongst all levels of the education system, from primary all the way through to tertiary. We are in the region. We need to be saying in our national interest papers that we are committed to the region—and not just because people expect it but because, geographically, we live here. We need to have more of a positive, constructive, reciprocal, mutual relationship, understanding that it is a very difficult phase that PNG is going through—though that is also through our lens—and we need to have a broader understanding of the depth of the work and attitude of the people. Any of our staff could tell you of meeting wonderful people in district or provincial governments who are totally committed to doing the right thing and making sure that they are in there for the long haul. The learnings are all there, and we need to insert them in whatever level.

That is why, when we saw this brief, we were quite happy to say, 'Right. How can we add value to the Senate submission? How can we add value to a whole wide range of things?' I suspect it might even include bringing more people from PNG back to Australia and linking them up with NGOs. Most of our work is in education and health. At the moment, we are talking to a number of large service delivery agencies in Australia in the general welfare sector about whether they are prepared to link up with organisations in PNG and build strong relationships, whether it is in family counselling, child services or what have you. We can facilitate that through volunteering. But that is also the way that you build really strong institutional and community links.

**ACTING CHAIR**—That is how you build civil society. You are talking about the way that many of the good things that you do, which is assistance very much on the ground, makes sure that people's lives are improved regardless of their government or the government's operation.

**Ms Fifer**—You say building civil society. But, if you link up a very large welfare agency in Australia, and you link staff—and that gives you policy development—and you have staff exchanges, it is more than just building civil society as a general term. It is strengthening the service delivery on the ground, it is strengthening what we are learning from PNG on how they deliver services and it is strengthening institutions. It has outcomes and benefits that are a lot more creative and cost-effective than our traditional aid program has taken advantage of.

**Ms Jessen**—Australian Volunteers is committed to tailoring programs to local needs, working collaboratively, as Dimity expressed, with key stakeholders, developing programs to a scale that is appropriate and realistic for our partners, using participatory processes and engendering culturally appropriate skills transfer. The future of PNG and some of the Pacific island nations is frequently painted as grim and negative. While we recognise the inherent challenges faced by many parts of the Pacific, it is important to contextualise this in terms of external forces such as the impact of globalisation, the short history of independence experienced by many Pacific island countries, the long-term impact of unsustainable development of the natural resource base and inadequate service delivery capacity and infrastructure.

The support and development of local analysis and initiatives which address and grapple with development issues are critical. It is important to recognise and support the inherent capabilities of Papua New Guinea and other Pacific island countries to identify development solutions that suit the local conditions and environment. We see the inherent challenges that face the Pacific and PNG, but we have an ongoing feeling that PNG is being presented in very much of a doomsday scenario as the failed state. These local initiatives and the value of the good work that is being done in Papua New Guinea needs to be singled out and worked upon, because our experience is that there is a lot of good work being done there and a lot of exceptional people are working for the development of their country, but this seems to be overridden by some of the other issues that come into play. Until we can grapple and come to grips with how to work with the positive opportunities that are presented by these places, we are going to go backwards in our relationships.

Australian Volunteers International has worked in public sector reform and in support of good governance across the Pacific. The Australian volunteer program has also responded to the growing need of the nongovernment sector and to the increasing emphasis of strengthening civil society, as Dimity pointed out. Australian Volunteers supports the development of good governance models which draw on Indigenous knowledge and look beyond the notion of good government towards a view of governance which includes civil society. Good governance cannot be considered in isolation from the need to develop civil society and address issues of equity, community participation, promotion of human rights, inclusiveness and the recognition of the existing Indigenous governance infrastructure—and I think both Oxfam and World Vision spoke about that this morning.

The strengthening of civil society cannot be achieved only through a government-to-government interface. It is evident that strengthening capacity and leadership at all levels of society is required to facilitate appropriate community participation in change

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processes. The development cooperation program is at risk of overemphasising the need to build capacity and leadership at the institutional level while neglecting the needs that also exist at the community level. There is an ongoing need to develop good governance models which are regionally and culturally appropriate. The AusAID funded Bougainville microfinance project, which is managed by Australian Volunteers, is an effective example of how this type of model can be developed. There is considerable potential for Australian Volunteers and other nongovernment organisations to play a dual role in developing support for good governance at the same time as facilitating a strong role for civil society. AVI aims to do this by supporting key institutions and nongovernment agencies to build capacity through strategic placements.

Scale is another issue that comes up a lot in the aid question. Change will emanate from local community participation as much as it will from large-scale program development initiatives. These two approaches need to be able to successfully coexist. The move away from ad hoc project funding to sector wide programs is positive. However, it is imperative that the Australian government's development cooperation program is inclusive of small-scale initiatives. Programs must complement rather than work against each other and must foster rather than override or duplicate existing local structures and initiatives. This is a really big issue.

We need to develop respectful and collaborative partnerships. Once again, Dimity touched on that this morning. We strongly support the integration of economic, social and cultural development as an underpinning principle of the Australian development cooperation program. It relies on maintaining high-quality working partnerships that focus both on achieving the development outcomes required and on the development of goodwill which is generated through respectful and collaborative partnership relationships. Working effectively and cooperatively with Pacific island states relies as much on making positive social and cultural connections as it does on making policy and program development decisions. The capacity of Australian Volunteers International to engender these elements within its program provides a unique entry point into working with Pacific island communities.

With respect to balancing structural adjustment and poverty reduction strategies, we acknowledge that structural adjustment and public sector reform present an ongoing dilemma in the context of development and that this process needs to be carefully managed to suit the local conditions. The downsizing of government and the need to achieve efficiency and accountability have to be reconciled with the fact that it creates unemployment in communities where the government is a major employer and there is no alternative safety net. It is clear that there are simply not the natural resources or the potential for economic growth of industry to offer viable alternatives for employment in many countries. This potentially reduces the impact of poverty reduction strategies and, therefore, could feed the factors which underpin increasing law and order issues in various countries within the region.

Given that this change agenda will continue in the region, it is essential that it aim at a win-win outcome. As the public sector is reduced, appropriate measures need to be put in place to enable individuals and communities to pursue alternative economic and social development options at a pace, and in a direction, which suits their needs.

Consideration also needs to be given to supporting the development of education capacity and infrastructure to enable Pacific island nations to train and retain a critical mass of professionals in the sectors and geographic locations where they are most needed. There has been quite a brain drain in the past of people not coming back to their communities, and if there could be

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more localised education opportunities then there could be more positive outcomes from educating and training Pacific island people in their own local communities.

The participation of nonprofit organisations in the bilateral program can build links with partner organisations which cannot be effected through commercial contracts. While non-government organisations in general are committed to delivering high-quality, cost-effective outcomes, their capacity to do more work in the region is increasingly limited by rising expenses. The diversity of cultures and language, the difficulty with communication, the logistics and limited transport infrastructure, all add to the cost of undertaking long-term work within the region. The commitment to long-term development outcomes which non-government organisations can provide depends on the ability to access sufficient resources. The effective involvement of non-government organisations in bilateral programs requires a range of funding mechanisms other than commercial tenders. If the provision of aid is based only on the notion of commercially based contestability, it potentially excludes organisations that work at the community level. Thank you for your patience.

**ACTING CHAIR**—Thank you.

**Ms Hogan**—I would like to reinforce those messages and take us back to the underpinning principle of Australian Volunteers International, which is that it is people-to-people relationships which are very significant in terms of our concept of development. I guess that has been emphasised in what Dimity and Pat have said.

**ACTING CHAIR**—How many people do you have in the Pacific, and how many projects?

**Ms Jessen**—At the moment we have 120 Australian volunteers. I think, off the top of my head, we would run about five bilateral projects, the largest being the Pacific Technical Assistance Facility, which is a capacity building project. It has approximately 35 people, mainly in the Pacific island states, working on capacity building in government institutions. We run the Bougainville microfinance project, which I mentioned earlier. That is looking at building social and economic outcomes in Bougainville through a savings-based microfinance scheme.

**Ms Fifer**—PACTAF is the one we would like to be recommended for PNG.

**Ms Jessen**—PACTAF, the Pacific Technical Assistance Facility, is a very good example of an intermediate scheme that still works on the motivation of the volunteer base, where people are on slightly enhanced conditions but still on moderate salaries. They want to work in overseas cooperation and in aid programs but they are not necessarily only motivated by profit. They are interested in making a difference, so they go in on a moderate salary.

**ACTING CHAIR**—How long do they stay?

**Ms Jessen**—They stay for up to two years and some extend; usually between two and four years.

**ACTING CHAIR**—You have mentioned two of your projects. Both of them are sort of capacity building and they have a social outcome as well, don't they? What are your other projects? Are any of your projects purely directed towards a social outcome at a very base level of assistance to people? Both programs that you have mentioned are slightly up the scale.

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**Ms Jessen**—Actually, they are not. PACTAF is certainly aimed at building the institutions, but the microfinance scheme is very much based at the grassroots level of building a savings scheme at the village and clan level for people to be able to save and then borrow from their savings. No funds are injected as handouts. It is people's own initiative, building self-reliance and working on traditional systems to address issues of income generation and being able to fund various schemes, whether it be gathering education fees—which keep the schools going, because there is no free education—or running a poultry farm or a fisheries project.

**ACTING CHAIR**—Is this the project on Bougainville?

**Ms Jessen**—Yes. That project has grown from the very long relationship that we have had with them, pre, during and post the crisis. It enables us to build on those relationships and provide a community based good governance program. It is about training local people in setting up a program of good governance in bookkeeping and in looking at opportunities for women to improve their financial status. A whole range of training is being delivered by our short-term volunteers in this case.

**Senator MARSHALL**—On Tuesday in Brisbane, Maxine Pitts presented a submission to the committee. Maxine has just finished a book called *Crime, Corruption and Capacity in Papua New Guinea*. I said at the time that her submission left me depressed and with a sense of hopelessness about the situation in PNG. That was a view shared by the other committee members at the time. Effectively, my summary of it is—I do not want to put words into Maxine's mouth—that the institutions in PNG are incapable of reform in applying the rule of law and there is no political will to do so either. From what you have said in your submission, you seem to be much more up-beat about the situation in PNG, which is not consistent with what we have been hearing on the whole. Given your level of exposure, which is in there with the people, it is important for the committee to hear what your view is about the will and capacity for reform and the application of the rule of law in PNG.

**Ms Fifer**—It would be useful to use the word 'balance', too. That would be our viewpoint. Perhaps 'up-beat' does not give the right impression. It is a balanced view that we are promoting.

**Ms Hogan**—We were talking about it over the break. Regarding PNG in particular, we have been working in PNG for over 40 years. Our program over that time has reflected a lot of positive experiences, and that has been fed back to us by our returned volunteers and in terms of the relationships that we have developed with employers in-country. It is a complex issue. We would accept that there are problems in PNG, but we do not see it as a totally grim picture. We have certainly worked with key people in PNG who do have the will to identify development solutions that are consistent with what they see as the needs of PNG. That can be at a community, institutional or government level. Our general experience is that that is a positive aspect of our work in PNG. That has been the case through troughs and peaks over the period of time that we have been there, and that will continue to be the case. But, generally speaking, our volunteer program certainly has a very positive impression of that will to change at the levels that it works at—and they are all the levels, from the community level through to the national government level.

**Ms Fifer**—We perceive district being the way to go at the moment—the district provincial level.

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**Senator MARSHALL**—I will add that we have been given a number of examples of illegal logging which has involved corruption right from the community level to the highest levels of government. We have been given a fair bit of evidence and examples that the elites in PNG are outside the rule of law; it does not apply to them. I wonder whether you have some examples of where that is not the case, because that is certainly the perception we have—that, if you are in the elite system, you do not have to have the rule of law applied to you; you will continue to get away with it and you can continue to instigate and be part of a corrupt system, right down to the local level.

**Ms Jessen**—We would not pretend to have the answers to the issue of corruption, whether it be in Papua New Guinea or Australia. We certainly have enough evidence that corruption exists just as blatantly in Australia. I think you have to have a balanced view of it. Yes, corruption is obviously crippling many developing countries, and the focus on good governance is absolutely key to any development cooperation strategy. But, not to be too simplistic about it, I think we have to focus on where there are the opportunities to work with the people who believe in and want to develop their own country.

There is enormous goodwill. We see it when we travel—not just the Port Moresby-centric view, which tends to be the view expressed by academics and politicians; that is the view that you see. But when you dig a bit deeper, scratch the surface and get out into the provinces as well, you see an enormous range of hard-working people in very senior positions, who are often not even picking up their salary because it is not getting through—which I agree is very problematic—including the teachers who go to school every day and do not get paid. Once again, if you peel back the layers of the onion, you will see that many of these people have had opportunities in education in the past, whether it be through Australia or New Zealand, and are in very senior positions now.

I think Australia needs to work with those people to assist with good governance programs, take the opportunities where they exist, be a bit more organic about the way we work and back them up. It is about incremental change. Certainly, governments come and governments go, and we are going to be there for the long haul, as Graeme Dobell said in a paper that he wrote for the Menzies Research Centre—I think he released it this week. There is no point in working out an exit strategy because we actually live in the Pacific—we are here. So we have to participate and take the opportunities as they present.

**Ms Fifer**—We place volunteers in organisations which we know have the capacity and which have identified a local need. We do not go and work with anyone; we actually make astute decisions on integrity. Whether it is our youth program—we have now had two groups of young people who have been up in the Kokoda Trail; we work very well with Koiari Holdings there—or whether we work with a district administrator or someone who is the head of a technical education institute, we are working with people on the ground.

It is not a matter of going head-to-head with an example of corruption and finding you an example of a good person of integrity, a fine upstanding person that is committed to their community. We are saying that we have been able to identify, and we only work with, those people who we know have the capacity to hang in there with us for two years—and the people are there.

It is depressing for us to see the sort of loneliness that would occur if you felt that your country only had that attitude of being a basket case and of severe disadvantage when you have good people on the ground who are totally committed to long-term good strategic planning and good financial management, who understand completely all the principles of building a community and a capacity like we do anywhere across the globe. We want to hang in there with those people.

**Senator MARSHALL**—But it is important to demonstrate good examples to counter the bad examples.

**Ms Fifer**—Exactly, yes.

**Senator MARSHALL**—And that is what I was getting at.

**Ms Jessen**—Could I give one? Australian Volunteers International did work in cooperation on the ombudsman strengthening project that operated over the last few years and worked very closely with the senior ombudsman, Simon Pentanu. That project did good work. I guess there are varying views on the effectiveness of the Ombudsman Commission, but it is there, it operates, it has done good work and it does good work.

Simon has stepped down now. He is the administrator for the Bougainville administration. Over the last couple of months, the Bougainville constitutional committee has been developing a new constitution for Bougainville. It has had assistance from AusAID, with a representative, Tony Regan, as part of the committee. On my recent visit, in December, that committee worked seven days a week, from 9 a.m. to 11 p.m. I understand, from reading the newspaper, that it has actually put down the draft of the new Bougainville constitution. Once you scratch the surface, you can see effective governance at work in PNG. That is happening all over the place. As I say, we just have to keep building on some of the opportunities that are presenting.

**Ms Fifer**—If you would like us to put a couple of pages of six to 12 examples together—the full range, from the highest levels of government right the way down to districts, provinces and educational institutions—we are quite comfortable with that. We can give you examples of where things are working on the ground.

**Senator MARSHALL**—Personally, I think that would be of value.

**ACTING CHAIR**—That would be of value.

**Ms Fifer**—That is not a problem. It is hard to know whether you want us to drill into an individual story here or to talk globally, but the case studies are there.

**Senator MARSHALL**—Achieving that balance is important when we are looking at this.

**Ms Fifer**—That is what we were hoping to be able to do.

**Senator MARSHALL**—I would like to ask about the impact of the Pacific solution and how that has changed the views or reinforced the views of PNG and the Pacific islands to Australia.

**Ms Jessen**—Probably the best way to answer that question is to quote the Pacific Island Association of Non-Government Organisations and the Foundation for the Peoples of the South Pacific International in Fiji. They put out a statement at the time that Australia was proposing the Pacific solution. They were coming out and saying that, as an aid recipient, they found it very difficult to understand that, when we as a nation were promoting good governance, we were proceeding to put asylum seekers into developing countries. To them, this seemed an obtuse way to proceed. I think it has had a detrimental effect around the Pacific and in Papua New Guinea, sending contradictory messages on the question of good governance.

**Senator HOGG**—Could I get a feel for some of the projects? You have been in the field over a long period. Do the projects themselves have a finite life?

**Ms Jessen**—Yes, aid and development projects usually have a finite life. But usually with cooperation projects we look to build sustainability, and we attempt to do that with the projects we manage. It often can also be assisted by the volunteer program, by having volunteers in for long periods and also as a follow-up, to actually assist with sustainability.

**Senator HOGG**—Is that sustainability achieved? That is the point I wanted to reach. Let us say that someone went in with a project back in the 1960s. Is it the case that the project is successful for the lifespan of the project and thereafter there is no long-term sustainability? Is that part of the problem in maintaining the good results that are achieved in projects? What is the case?

**Ms Fifer**—It may be that we have not been as clear as possible about the difference. You are using the words ‘projects’ and ‘programs’ interchangeably. There are often projects that we have with a development focus, but the volunteer program tends to have a different set of relationships with the employing organisation. What happens is that we have built a relationship with a partner organisation, and the volunteer becomes a team member, a staff member, of that organisation. Then our commitment is to a long-term relationship with that organisation. I do not know how long the longest partner organisation relationship we have with a volunteer in PNG would have been, but over time, if you track the style of jobs that the different volunteers have gone in for, you would probably be looking at different stages of that organisation. The outcome is not only about resolving or solving a problem; it is about building, strengthening and being part of that organisation in its own interpretation of its strategic plan.

**Senator HOGG**—I accept that.

**Ms Fifer**—That is what is a bit different.

**Senator HOGG**—What concerns me, though, is this: if this has been going on with your organisation and similar organisations over a long time, why does there seem to be a malaise now? In PNG, for example, if there had been a program of capacity building with the local people at the local level, building the resource structures and so on available to people, it seems to me, from what my colleague at the other end of the table was saying, that there is a malaise there. Why is it there? Has the good work that you have put in through your volunteers—whether they be programs, projects or whatever—been to no avail?

**Ms Jessen**—That is a bit like asking how long is a piece of string.

**Senator HOGG**—I accept that.

**Ms Jessen**—How do you measure effectiveness? Aid and development organisations are always grappling with that as much as government donor organisations. In Papua New Guinea, we have had over 500 volunteers that have worked in education, making contributions to the education system, who have taught people at secondary school level, who have worked in curriculum development and who have worked in the universities. Many of the people that they have taught are now in very senior positions in Papua New Guinea institutions. Perhaps that is one measure. I could say that another example that comes to mind is the work that we have done in peace building in Bougainville.

Out of one of our administrative projects came a sports program. It was a very simple project. We ran two soccer clinics at a time just after the truce. We had a coach and coordinator facilitating soccer matches around the island of Bougainville with people that had previously been warring with each other. It was the first time they had come together in that sort of situation. That person went on to work with the national sports institute in Goroka and worked in the area of disability and sport. He went up and ran sporting programs for people with disabilities after the Aitape tsunami. He went into those very poor and disadvantaged communities, providing sporting opportunities for people that had been affected. He and another volunteer with the Cheshire Homes institution in Port Moresby trained people for the disability Paralympics and sent sports people across to the recent Manchester games.

They are really good examples of our long history in the country, the really important links that we make, being able to pick up on opportunities that percolate up, and where we can have interventions that actually make a difference. It is an ongoing strengthening of capacity which may not be in—

**Senator HOGG**—Are there any areas where you feel—not through any fault of your own—that there has been a failure in the system and you have not achieved what you set out to achieve? And what were the obstacles that caused that to happen?

**Ms Jessen**—We have been looking at how we analyse our effectiveness. One of the opportunities that we see for more effective delivery of our program is a more coordinated and strategic approach where we can actually build on the core program. We are request driven. We travel around the country and we talk with the provincial administrators and the various departments around the country. We also work with the non-government sector and the church. We have some key areas like public sector development and the strengthening of civil society. We feel that we could extend our core program and the contribution we make if we had more targeted resources to be able to work in a more focused way in these particular strategic areas—being able to have additional funds to be able to link up the work that we are currently doing, the work we have done in the past and what we would like to do in the future and working in a more coordinated way with the central government and the provincial governments to achieve the capacity-building outcomes.

**Ms Fifer**—It would be nice to say that we have some quantitative research. The area of effectiveness, as Pat is saying, is a very difficult one. It would be lovely to be able to say that the cumulative effect has affected the system in a bigger way. It might have to be the flip side at this stage. If we had not been there, what would be the impact? That might be the only way that we can add that.

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**Senator HOGG**—Could you speculate on that? That is equally important to us. What do you feel the outcome would have been had you not—

**Ms Fifer**—Had Australian volunteers not been there for years? We can make some allusions here. That is part of the work that we need to be looking at as well after being so long in PNG. As Pat said, there are any number of research papers around the world saying that, if you make a connection with people in a mutually beneficial way and out of respect, that increases their own personal capacity to deliver in their organisations. In relation to encouraging staff members in their education and the way they run their organisations and their commitment to Australia—increasing those links back—you could talk to any number of returned volunteers who have been to PNG who would let you know about the ongoing relationships and sharing that they have had here in Australia and back with the organisations in PNG. I would have to say that it would be the sum total of all the good stories that we have had over those years of people hanging in there with their communities because they have had an Australian volunteer who has stood alongside them as a counterpart and a mentor and said, ‘Hang in there and we will share together in working in your organisation and your community.’

**Senator HOGG**—Is there a measure of frustration on the part of some of the volunteers that things are not moving fast enough in assisting the organisations they are assisting in doing the work that they are doing or whatever it might be, because of perceived lack of interest externally in what they are doing?

**Ms Fifer**—This is a vast generalisation, but the closer people work in with the community, the more effective they feel. If you talk to people who are involved in amazing work in HIV-AIDS or incredible work at a community level—and you would think it would be hugely stressful and draining—they tend to feel a lot more effective than people who are working at higher levels in the system. For instance, people who might be writing a policy paper for the government minister of health on HIV-AIDS. It is dynamic and almost in reverse proportion. Our volunteers, who by and large work at a more local connected way, are actually very pragmatic people. Australian volunteers are people who believe in effecting change. They are out there to make a difference, but they are very practical, pragmatic people on the ground. Their level of frustration, if I can make that generalisation, is a very targeted one. They know what they are there for and they do it and they make a real difference.

If you talk to people at higher levels in the system—and a lot like yourselves—the frustration level is a lot higher because you see the system layers at a lot higher level. The people on the ground are committed to that part of the world; they do their job and they make a real difference. It is an interesting concept that you bring up. When you talk to these people, they do not have that same high level of frustration because they are operating a different part of the system.

**Senator MARSHALL**—There is one other issue that I would like to touch on. In your submission, you talk about the emergence of other key donors such as Japan, China and Taiwan in the region, that the shift in dynamics further complicates Australia’s relationships with the region. In what way does it complicate it?

**Ms Hogan**—What we were trying to allude to there is, as the submission says, the shifting dynamics in the region and where Australia is perceived to sit in all of that. For example, in PNG, China, Taiwan and Japan are prominent donors in a way. It raises issues around where

Australia is seen in all of that: how is Australia's approach in the region seen? What has Australia got to offer as a donor that might make it a bit different from other donors in the region, that is going to have an impact in the Pacific and in PNG, wherever it is? I think the submission was really trying to identify the fact that it is a complex environment and Pacific island nations are dealing with that complexity all the time and trying to find their way through it. So Australia has to show some leadership in its development cooperation approach. That is what underpins it.

**Senator MARSHALL**—Do they deliver their aid in different ways from Australia? If so, is it seen by the local population as better aid or worse aid?

**Ms Jessen**—I think possibly yes. For example, Japan is known for its delivery of infrastructure projects and they are quite big projects. So there are different styles. I cannot go into detail about the aid delivery of the various countries, but I think they all have their niche. It is not always appropriate. The whole question of the way infrastructure is delivered is problematic. You can often have a big hospital that is delivered, but it is inappropriately built for the tropical climate—that sort of thing. There are various attitudes, I guess, as to, once the aid is on the ground, how effective it is.

**Senator MARSHALL**—Do you see it as a problem for any of the Pacific islands or for Australia that there are other significant donors?

**Ms Hogan**—If you are talking about it from a coordination point of view then that can be problematic. That is an issue that has been touched on this morning and that is something that we would consider to be an important aspect of the way donors work in the Pacific, that there needs to be good cooperation. Underpinning that is the way Australia might be perceived as a donor and as a nation as part of the Pacific. We are actually in the region, as Pat said earlier. What role do we have as a leader within the region, compared to other donors and other governments that do not necessarily have a direct location within the region? It raises some issues around the way Australia might be perceived by Pacific island nations.

**Ms Fifer**—And doing things in a less traditional way. You would not necessarily be expecting the sorts of things we are talking about with greater community links and partnership links and people links with Japan, though a number of those countries have excellent volunteer sending programs as well. Our perspective on the ground as an international volunteer sending agency tends to be a little bit different to other development or donor agencies because often we are like the interface and the interpreters of aid and development and foreign policy.

People are saying, 'We're here on the ground as a community member. We're struggling with the system and the corruption and all the rest of it as well. Thank you for coming and being with us as we struggle to make it a better place.' That is where being an international volunteer sending agency you can perhaps hear different perspectives and you can be involved in a different, really effective way. It is not to deny that you still need infrastructure built, but those people links are what last long term. People say, 'Thank you—at least it has given us a bit of an energy lift and boost in confidence to hang in there with our community because someone has been here with us.' It is that low-key level that is very strong.

But what we are saying is that as a country that is so close to PNG we need to build up a greater breadth and if our foreign policy and our development attitudes can have a more

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balanced view of PNG we might be able to encourage stronger links with educational institutions, with NGOs and with government policy people. In terms of our commitment, even as a multicultural society, to how we serve people from Pacific islands who are now living in our community, what are we doing to encourage and learn from them about how to deliver services here and link back overseas? We actually believe that there is a whole lot more that we could be doing, purely because we are neighbours. We need to have respect for the mutual relationship that builds, notwithstanding the long-term change we know will take 50 or 100 years. But through that you take step by step and build these links and do not simply have this attitude of 'The country is a problem to fix' or 'The people are problems'. It is not going to get you where you want to go.

**ACTING CHAIR**—Thank you. We have enjoyed you coming. We have learned from you. Thank you for your submission. We wish you well in your good work.

**Ms Fifer**—Thank you. If you ever want to visit, we would encourage you to do so and get those perspectives.

**ACTING CHAIR**—It would be nice if we could.

**Ms Fifer**—We will provide you with those examples.

[12.15 p.m.]

**DOUGLAS, Ms Margaret Rae, CEO, Save the Children Australia**

**EMERY, Ms Catherine Mary, Pacific Program Manager, Save the Children Australia**

**HALLAHAN, Ms Elsie Kay, AO, Board Chair, Save the Children Australia**

**CHAIR**—Welcome. If you have an opening statement, we would like to hear it. We have read your submission and we look forward to hearing what you have to say. We will then ask some questions.

**Ms Emery**—Thank you for this opportunity. I will talk primarily to the written submission you already have, drawing attention to some of the main points. As a starting point, our submission is supportive of the broader ACFOA submission that you will have already considered in Canberra. Our submission adds to that based on our particular and considerable experience in the Pacific. We have been there for over 15 years, working mostly in Melanesia. We have programs in the Solomons, Vanuatu and Papua New Guinea.

Our focus is very much on long-term development, with a key focus on promoting children's rights to ensure that children have the means of survival, receive protection and have access to nutrition, education and health services. We do a lot of work in the health sector. For example, in Vanuatu at the moment, we work with the department of health to manage a national program of health workers at the grassroots, village level, delivering basic health services; in Papua New Guinea, we support organisations that do those immunisations patrols that you may have heard about where women go on tour for a week to make sure that kids in really remote areas get immunised.

Another area of interest is marginalised women and children. For example, in Solomon Islands at the moment, we are running a national program with young people. We have created a peer education network, mobilising young people to be able to participate in their own activities. Another key interest of ours is child rights advocacy. We are working with national government and non-government structures to look at the implementation of the Convention on the Rights of the Child across the region.

The way we work is to very much focus on capacity building—building capacity not only at the organisational level but also at the basic service delivery level. We work very strongly with government departments, particularly at national government level and provincial level. For example, we pretty much established the Maternal and Child Health Care Unit of the Ministry of Health and Medical Services in Solomon Islands. We also work with NGOs. We strengthen church groups, local NGOs and local community organisations. The way we work is really about putting people, especially children, at the centre of the development process.

Based on that experience, we welcome the opportunity to make some comments on the development cooperation relationship with Papua New Guinea and the Pacific. We recognise that the relationship is increasingly influenced by Australian whole-of-government imperatives.

At the level of the aid program, we are seeing an increased emphasis on stability in the region and on governance as well as our ongoing commitments to health and education.

In terms of the broader policy environment, the new ministerial statement on development cooperation has also added in this new concept of the poor performing states, which applies to much of the region and certainly many of the areas where we are working. Save the Children Australia welcomes some elements of the new framework, particularly an increased emphasis on analysis leading to program design, the commitment that the Australian government has shown for basic service delivery in the context of poorly performing states and the commitment to improving outcomes in health and education. While we encourage the broad parameters, we also seek to see a shift or an increased focus on equity as those broad parameters are translated into practice, particularly on groups who are marginalised: women, children, young people and rural populations in the Pacific.

I would like to highlight some of the concerns that were raised in our submission about some of the key elements of the development cooperation at the moment. Firstly, and most significantly, we believe, is the current approach to governance through the aid program. Consistently across the Pacific and Papua New Guinea, this is the key overwhelming, overarching objective of the aid program. We feel that the approach used is quite narrow. The focus is very much on improving governments and not governance. We all recognise that there is incredible scope to improve the governments in the Pacific, but we believe that it is problematic to just focus on that alone. It has been drawn from a model of development that had its genesis in Africa, and in the Pacific context a different model of governance is required.

**Senator MARSHALL**—Can you expand on that for me? How are governance and government separated from each other?

**Ms Emery**—Sure. We feel that good governance is about all the players who contribute to the development of a community or a country or a province. Governments have a role but so do civil service organisations, so do churches, so do chiefs, and that is different in one province to another province, from one village to another village. So while we have got a lot of focusing on what the government is doing and how they are able to manage planning and manage budgets, we are forgetting that there are a whole lot of other players who actually contribute to the development of a community. If we are focusing on reform of governments, we often forget that the change process has really quite negative impacts on the other community organisations.

**Senator MARSHALL**—So you are really talking about a value system as opposed to regulatory governance imposed by government?

**Ms Emery**—I am talking about participation; who participates in the decision making. In the context of the Pacific, often government is actually not the most relevant thing in your life, yet we put a lot of energy into reforming government.

**Senator MARSHALL**—We are outraged to hear that!

**Ms Emery**—But you can be a long way away. Does that clarify it?

**Senator MARSHALL**—That is fine. I was just trying to get the distinction.

**Ms Emery**—I would like to talk a little bit more about the role of civil society in governance, which is also talked about through the policy documents about the aid program. We believe that considering and strengthening civil society organisations is the absolute key to promoting equity through the aid program to promote human rights, community participation and also local governance structures. The national government might be important for implementing something, but what the chiefs are up to or what the big men are up to in the village can be just as important to Pacific islanders. We also firmly believe that if you are looking at governance, it is critical to be thinking about future governance structures and future leaders. We believe there is an urgent need to be supporting the skills of the new generation, young people, so that they are able to participate and provide leadership into the future after this generation of leaders moves on.

We believe that to take a different view of governance is increasingly urgent in the Pacific because government capacity is at such a low ebb and communities are really grappling with complex and significant issues around HIV, globalisation, urbanisation and the very poor situation of women and children in the region, as well as addressing what is called conflict dynamics in the community these days.

Adopting a broader view of governance would require certain shifts in thinking from the way we are doing development—some modification of the government-to-government approach. We must be listening more to the perspectives of community representatives, to a range of different people, on the way we develop our strategies. A key issue for us is also the size of the programs that we do. Bigger is not always best in the way we look at the whole approach of governance. And how do we see the role of civil society in the aid program? The church groups and NGOs tend to be seen as a really good, cheap way to deliver health services, and that can be problematic as well. Without this change, the governance agenda can be quite damaging to Australia's broader interests in the region. It is very easy for communities to see Australia as coming in wanting changes in a domineering way, not really being willing to take on local perspectives or local views and acting like the big boy, the big player, in the region. This is increasingly characterising our relationship.

We would also like to draw attention to the point we made about the need for increased recognition of the role and quality of Australian NGO work in the Pacific. We are there for the long haul; we have been there for 15 years. Other agencies have also been there for those kinds of periods of time developing real partnerships and real relationships between Australia and the region. We are visible—we are Save the Children Australia. People think of us as part of the overall game. We contribute to the governance agenda through our support for NGOs, church groups and government agencies, and we are developing very innovative programming that is operating effectively on the ground. Finally on good governance, the actual operation of the aid program—the way we behave—has to be seen as a model in the region. If our aid program is not delivered in an appropriate way, it is very hard to beat the drum about good governance. The obvious example is that giving aid deals in return for taking on detainees across the Pacific is not necessarily an effective leadership model for good governance.

There are two other areas that we would like to draw attention to more briefly. One is encouraging a shift in focus towards rural populations. There is an emerging consensus that much of the emphasis in development cooperation in recent times has been placed on development at the centre—Honiara, Port Moresby, Port Vila—at the expense of providing opportunities for change in rural populations. A lot of this has been quite damaging, because the

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implications of that change at the centre have been profound for rural populations where there has been no safety net for them to draw on. I think people recognise that unequal development is one of the major factors contributing to conflict across Melanesia. We need to be focusing more on the vulnerable—rural populations, alienated youth and women.

The final point that I would like to draw attention to from the submission is the focus on human rights. Historically, Australia has been seen as a leader on many, many issues in the Pacific. This places extra emphasis on the need for us to be providing support for very fragile new commitments amongst Pacific island governments to the implementation of some of the human rights conventions that they have signed up to—the Convention on the Rights of the Child and the CEDAW as well.

In summary, there are significant changes going on in the Pacific, particularly what we are starting to call conflict dynamics. It means that Australia needs to be responsive to that too and we should be thinking about shifts in the way we operate: reconsidering the nature of our engagement; focusing on perhaps the less tangible outcomes of our engagement in the region; adopting a more dynamic approach to governance which is inclusive of the role of civil society; improving the recognition of the high-quality NGO work and improving opportunities for NGOs to participate in the aid program; targeting marginalised groups such as rural populations, women and children; and improving outcomes for children and strengthening capacity for promotion of the rights of children and women in the region.

**ACTING CHAIR**—Does anyone else want to say something?

**Ms Douglas**—I can only support that. Targeting children is very important in our work in Bangladesh. In fact, we work with children in the democratic elections and so on and we have 42,000 children involved in that. What is happening is that the government of Bangladesh is saying, 'Now we are seeing how it should be done,' so children are teaching their elders. But the important thing, as Cathy noted, is that children are the future and they will be the future leaders, and it is possible that good governance may not come in this generation but we are looking for the future governance of the country. As Save the Children, we find this very much a dominant factor.

**ACTING CHAIR**—How many people have you got working in the Pacific? Are they volunteers?

**Ms Emery**—No, we employ staff, although some of our projects have volunteer workers on them. In Vanuatu we have 10, in the Solomon Islands we would probably have about 30 staff and in Papua New Guinea we operate the office jointly with our colleagues from Save the Children New Zealand. That employs, if you count the East Sepik, about 20 people as well.

**ACTING CHAIR**—Are they technical people such as nurses?

**Ms Emery**—Most of the people are project managers. The technical people might be through our partnership with the department of health, for example.

**ACTING CHAIR**—Is that the department of health in Australia?

**Ms Emery**—No, the one in Vanuatu, the Solomons or Papua New Guinea. We will often have short-term technical inputs on our projects for a particular purpose but then work to support the implementation and monitoring capacity of the partner department or agency.

**ACTING CHAIR**—Do you work in cooperation with any other Australian NGOs?

**Ms Emery**—At the program level there are cooperative links. We do not implement joint programs with other Australian NGOs but we do try to recognise where they are working and link in. Let me give you an example. In the Solomon Islands at the moment we have, as I mentioned earlier, a national youth program and some of the training modules that have been developed by another Australian NGO are being implemented through our program, so we do not have to go off and redevelop that module.

**ACTING CHAIR**—In the Solomons, Vanuatu and PNG, the places where you work, do you feel there is a generous disposition to what Australia has done and the role Australia is playing?

**Ms Emery**—That is a very—

**ACTING CHAIR**—Maybe in comparison with other countries, but I know Australia is the country of which most is expected.

**Ms Emery**—That is true. I think Pacific islanders look to Australia as the leader in the region. I think it varies considerably and it has changed over time. It varies between people who live in very remote areas and do not really have much conception of what Australia is and people who have much higher exposure to Australia. I think the particular history of Papua New Guinea with us as the colonial power colours that reputation more strongly there than it does in some of the other Pacific island countries.

**ACTING CHAIR**—Do you say that is a ungenerous view?

**Ms Emery**—I would say it is a more negative view of Australia.

**ACTING CHAIR**—Which is likely to only get worse as we hone our assistance dollar more appropriately.

**Ms Emery**—The change from budget support to program aid changed things.

**ACTING CHAIR**—Of course it did.

**Ms Emery**—Australians are also highly visible. They are everywhere, and that makes a difference. I think that some of the work of the smaller Australian NGOs and smaller programs can be seen as a balance to that. People who are listening, engaging and actively supporting quite positive developments contribute to a more positive view of Australia in general.

**Senator MARSHALL**—Is that a separate view? Do they view Australians differently from Australia the sovereign state?

**Ms Emery**—That is an interesting question. I wouldn't—

**ACTING CHAIR**—I think people do. This is not a political response or an interpretation of Indonesia's view of Australia. On the surface that view might appear to be quite antagonistic from time to time—in terms of the way the Indonesian press might treat Australia—but on a person-to-person basis the relationship between Australians and Indonesians is absolutely, incredibly strong. You have to be a participant in it to realise how strong it is. The alumni in Indonesia are everywhere. This day there are 18,000 Indonesians studying in this country. Those people have a very great fondness for Australia when they go back but we never hear about that. Senator Marshall makes a good point; there is a distinction between the government or official view of Australia and the person-to-person view. That is why non-government organisations play an extraordinarily important role.

**Ms Emery**—That is right. Compared to Asia, at the political level in the Pacific islands the view is not as negative as it might be.

**Senator MARSHALL**—On page 2 of your submission you state that one of the key issues influencing your work in the region is a lack of focus on children's needs and issues. What is the status of children's rights throughout the Pacific and what are the risks facing children and youth?

**Ms Emery**—In terms of human rights instruments, the countries where we work have all now signed on to the Convention on the Rights of the Child.

**Senator MARSHALL**—That is a start.

**Ms Emery**—It is a start. Papua New Guinea has very recently presented its first report to the international committee. Solomon Islands will present its first report in May, and Vanuatu also has. Each of those countries has established a national coordinating body to monitor and implement how those rights are achieved. In each country we work to support that national body, either directly by providing staffing support or as members of the committee. The capacity of those coordinating committees varies significantly—linked to overall government capacity in the region. Obviously, in Solomon Islands at the moment, while they are unable to deliver basic health and education services, the support for a committee like that is less than it should be. That is what is happening at the international convention level. As in so many things in the Pacific, the level of support relies very much on the commitment of particular individuals and we are lucky in the countries we work in that there are some incredibly dedicated and very committed people working on those committees.

**Senator MARSHALL**—What are the risks children are facing today?

**Ms Emery**—The major issues facing children are the standard things: lack of access to clean water and a secure source of food, and lack of access to education and basic educational facilities. I think the Solomon Islands spends \$A3 a year on primary education for each of its children. There is a lack of access to basic health services. For example, there are many children in remote areas in the Pacific who do not have access to basic immunisation. The other risk is the risk of violence against children.

**Senator MARSHALL**—Is that significant?

**Ms Emery**—It is significant.

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**Senator MARSHALL**—In what way? Is it a cultural thing?

**Ms Emery**—It is a cultural thing. We have only just started to do some research to document incidences. A lot more work has been done in the area of violence against women. Obviously, it is a particularly sensitive issue to address in social research, because so many of the people who would be leading the research have been victims of violence themselves as children. For many Pacific cultures, violence is considered to be consistent with culture, and there is an unwillingness to discuss sexual abuse of children—as there is in every culture.

**Senator HOGG**—That would be because of the small size of the populations as well.

**Ms Emery**—Absolutely, in a small community, people—

**Senator HOGG**—And the closed nature of the community?

**Ms Emery**—That is right. But, as in urban areas, children are exposed to the kind of risks that we associate with Thailand or Cambodia. We still think of the Pacific as coconut trees, pina coladas on the side of the beach and stuff like that, but in urban areas there are some really quite high risks for children in terms of participation in sex work.

**Senator MARSHALL**— I assume there is no instant answer to these issues but, given what you said in response to the first part of the question, do you believe that signing the conventions, the committee report process, is actually a medium to long term solution to these issues?

**Ms Emery**—I think it is a really important part of a long term solution to those issues, particularly as governments take responsibility, because the international conventions make the governments responsible. But I think it has to be supported with quite a significant investment in community education and awareness-raising and, at the same time, some support for services to be available to people who are at risk. It is all very well to say, ‘You shouldn’t hit the kids,’ but how do you actually provide services for kids who are hit?

**Senator MARSHALL**—Do we provide any aid for those sorts of services?

**Ms Emery**—In Papua New Guinea at the moment, we are working with AusAID to get funding for a crisis centre for children at risk. That has been a long process of discussion. There are no other services in Papua New Guinea dedicated to that.

**Senator MARSHALL**—Is AusAID addressing these risks separately from you? When you say you are looking for some money, is that because—

**Ms Emery**—That is in Papua New Guinea. AusAID have a regional project called the Pacific children’s program. It is the only one that they are working in at the moment that specifically addresses the issue of children at risk. It is one of the projects that we implement in Vanuatu. It operates in Fiji, Samoa and Vanuatu. They provided more support for women at risk of violence, supporting NGOs and governments to strengthen their responsiveness in that area. We strongly recognise the link between women at risk of violence and children at risk of violence.

**Senator HOGG**—Do you believe the issue of overseas aid is well understood by the Australian population? If it is not understood, what can we do to improve their understanding?

**Ms Emery**—I am constantly delighted by the level of support the Australian community has for the Australian aid program. Every survey says, yes, we should be giving more aid. People's fundraising activities generally receive quite positive responses from the community at large. So, at a commitment or a values based level, I think the Australian community is very supportive of the aid program.

I would really like to see more understanding about the complexities of delivering aid programs, particularly the kinds of programs where you are in there for the long haul—not feeding starving children but building organisational capacity or capacity for better service delivery. I think that is where we could put more time and energy—into investing in the Australian community's understanding of some of the complexities of aid work.

**Senator HOGG**—How would we do that? I know it is a difficult issue, but what do you think?

**Ms Emery**—My personal view is that I would love to see more exposure given to the aid program at the level of primary and secondary school education. Because of my personal passion, I would also like to see more understanding of the Pacific—highlighting the complexities facing our neighbours in a very real way—through a greater focus on Pacific studies in education curricula.

**Senator HOGG**—You would say there is not enough currently, then?

**Ms Emery**—There is very little.

**Ms Douglas**—I support that. We run a program in schools—it is only in a pilot phase at the moment in Western Australia but it will be extended throughout Australia—called the Community Education Program, which is being taken on very strongly. Simple little things like saying to a 10-year-old: 'It's all very well to say that this child looks dirty and scruffy and all the rest, but here's a bucket of water. Now tell me what you would do with that if that was all the water you had for a full day,' or whatever time—simple lessons like that start to give a feeling of the complexities. Even at an adult level, our Pacific programs people educated a group of Save the Children people from Europe and talked about the Pacific, and they had no concept that isolation was not just about long distance but also about having masses of water between each other or great mountains to cross, so it is at all those levels. Once they had that understanding, they were far more ready to say, 'Perhaps we can assist with your programs.'

**Senator HOGG**—I want to canvass your relationship with Save the Children New Zealand. There was another organisation here this morning that had a mirror in New Zealand as well. How do you interact? Is there a reason why you should be one organisation rather than different organisations? One of the issues that we are pursuing is the government-to-government relationship with New Zealand and whether we should be cooperating better in the use of aid in the Pacific region.

**Ms Emery**—We are part of an international alliance of organisations of which New Zealand is one. In the Pacific we have very similar goals and similar areas that we do programming in

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and, as Australia is working cooperatively with the government of New Zealand, we can work through Save the Children New Zealand to access support from the New Zealand government for our programs as well. So it is a very strong and important relationship. In Papua New Guinea we manage the program together; it is a joint program. We believe that it adds value to the program to have both players involved. It is also about drawing in people from the New Zealand community and people from the Australian community through their support for our programs. I have forgotten the second half of your question.

**Senator HOGG**—The government-to-government relationship and the importance of the governments' roles in acting cooperatively in the dispersal of aid throughout the South Pacific.

**Ms Emery**—We are starting to see evidence of that working. It can only be a positive step and the energy that has gone into it to date is worth while. For example in the Solomon Islands, where you have a very fragile situation in which the way different donors and their different interests operate could really do some damage if it is not coordinated well and managed well, Australia and New Zealand are cooperating in some key sectors in quite a positive way—Australia is working in one area and New Zealand is working in the same area but with a different agency, for example—so that it all adds value. New Zealand has traditionally been much more supportive of the work of NGOs in the Pacific, and that is positive for us.

**Senator HOGG**—So it would be helpful if the Australian government were more positive towards NGOs?

**Ms Emery**—Absolutely.

**Senator HOGG**—Obviously.

**ACTING CHAIR**—Thank you, ladies, and all the best.

**Ms Hallahan**—Thank you for your interest in the area. I invite you, if you ever wanted to access our staff, to feel very free indeed to do that as a committee or individually in your work.

**ACTING CHAIR**—Thank you very much indeed.

**Proceedings suspended from 12.50 p.m. to 2.02 p.m.**

**LYON, Mr Robert, President, Australia Pacific Islands Business Council, and Vice-President, Australia Papua New Guinea Business Council and Australia Fiji Business Council**

**PORTER, Mr Ross, President, Australia Fiji Business Council, and Vice-President, Australia Pacific Islands Business Council**

**YOURN, Mr Frank, Executive Director, Australia Fiji Business Council, Australia Papua New Guinea Business Council, and Australia Pacific Islands Business Council**

**ACTING CHAIR**—It is a pleasure to welcome representatives of the Australia Fiji Business Council, the Australia Pacific Islands Business Council and the Australia Papua New Guinea Business Council. Witnesses are reminded that the evidence given to the committee is protected by parliamentary privilege. It is important for witnesses to be aware that the giving of false or misleading evidence to the committee may constitute contempt of the Senate. Witnesses will be invited to make a brief opening statement to the committee before the committee embarks on questions. We look forward to hearing what you have to say and we also thank you for giving up your valuable time to come and speak to this committee. We appreciate it.

**Mr Lyon**—As well as my positions on the business councils, I am also managing director for ANZ for personal banking Asia and all of our Pacific business. Thank you for the opportunity to appear before this inquiry as representatives of Australian business with interests in the Pacific islands region. At the outset I present the apologies of Mr Ian Clarke, President of the Australia Papua New Guinea Business Council, who has been called away urgently overseas on company business.

The councils are non-profit associations of Australian business with interests in the Pacific islands region. The bilateral councils, the Australia Papua New Guinea Business Council and the Australia Fiji Business Council, have been established for 22 and 17 years respectively. The Australia Pacific Islands Business Council, which covers all the Pacific island economies except Papua New Guinea and Fiji, is in its third year of operation. Members of the councils range from large corporations to small family companies. Collectively within our membership there are many hundreds of years experience of doing business in the Pacific islands region, especially in Melanesia and Polynesia but also in Micronesia, with hundreds of millions of dollars worth of investment. Most of the major Australian companies doing business in the region are members of one or more of the councils. The councils have strong relationships with the Department of Foreign Affairs and Trade and Austrade and, especially in the case of the Australia Papua New Guinea Business Council, with AusAID in Australia and at overseas posts.

You will have read the joint submission made by the councils to your inquiry. I would like to draw your attention to the key points in it and to update some of the information. The Pacific islands region is one of significant commercial importance to Australia, with substantial Australian investment and trade. This is a fact which seems to have largely escaped the Australian political leadership—especially the ministers with economic portfolio responsibilities. They have paid it scant regard. Security and aid issues seem to dominate the agenda at the expense of commercial ones. We believe the visit by the trade minister, Mr Vaile, to Fiji and New Caledonia in April 2002 was the first time since 1993 that an Australian trade

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minister had made a bilateral visit to any country in the region other than Papua New Guinea, and it was the first time an Australian trade minister had ever visited New Caledonia. I was pleased to be able to accompany Mr Vaile on this visit. I believe that Mr Vaile found his visit to be most valuable and that he was surprised at the level of opportunity available to Australian companies in those countries.

The infrequency of such visits does not stack up with the commercial importance of the region to Australia. There are significant opportunities for the use of ministerial resources as a more effective marketing tool for Australian business. We are most grateful for the inclusion of Australian business representatives in the framework of the Australia-Papua New Guinea Ministerial Forum. This provides a valuable opportunity for policy dialogue by the business community with both governments. Similar arrangements formerly existed in relation to the Australian-Fiji ministerial talks, but these have lapsed since 2000. We would be keen for them to be reinstated in the future.

In our submission, we compare the performance of New Zealand governments in building business and other relationships in the Pacific with that of Australian governments. On page 9, we refer to a planned visit to Samoa in June 2002 by the Prime Minister of New Zealand with a political and business delegation of 70 people. We draw your attention to an article which appeared in the February 2003 edition of *Islands Business*, a monthly news and business magazine published in Fiji. It reports a further forthcoming visit to four countries in the region by the New Zealand trade minister with a delegation of business people, using government aircraft. It is worthy of note that the Australia Pacific Islands Business Council in conjunction with Austrade is arranging, in March this year, just after the New Zealand mission, a business mission to Samoa and Tonga of a small group of Australian companies seeking new markets. They will have no government aircraft or ministerial support. A fleeting visit once every 10 years by the Australian Minister for Trade does not add up to the same sort of support as New Zealand provides to its businesses in the Pacific.

I will now touch on the question of Australian political leadership in the region. It is our contention that, Mr Downer aside, insufficient attention is paid at ministerial and parliamentary levels to the development of ongoing bilateral political relationships which can influence political behaviour and governance in the region. Over the period of his incumbency as foreign minister, Mr Downer has made genuine and largely successful efforts, through regular visits to the region, to develop relationships with key personalities and to try to understand the dynamics which drive the political and governmental environment. Mr Downer adopted an innovative approach on his last visit to the region, when he took a multiparty delegation to the Solomon Islands, Vanuatu and Samoa. We endorse this as a real step forward in exposing members of parliament to Pacific islands political leaders. A further positive step in future would be to include some business representatives to complete the set. We believe including business representatives in such visits would bring an important perspective to the understanding of the parliamentary participants.

In the case of Papua New Guinea, through regular visits, Mr Downer has developed good relations with a wide range of PNG senior public figures and has also worked effectively to draw the business communities into the framework of the Australia-Papua New Guinea Ministerial Forum. But there has been a reluctance on the part of other ministers and members of parliament to make bilateral visits to the region. Generally, ministers appear willing only to visit the region to attend regional and multilateral conferences or to put out bushfires—for

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example, the visit in about 1997 of the then environment minister, Robert Hill. There appears to be no strategy at government level for ministers, nor at the parliamentary level for members, to visit the region and develop relationships. Without wishing to put any members of the committee on the spot, I wonder who among you has made a bilateral visit to a Pacific island country, other than Papua New Guinea, during your parliamentary or ministerial career. The Prime Minister has only attended about half the Pacific Islands Forum meetings held since he came to office in 1996 but has probably not missed an APEC meeting. We understand that, since becoming Prime Minister, he has made seven visits to Indonesia, but only three or four visits to the whole of the Pacific islands region, and not a single bilateral visit outside attendance at the forum other than to Papua New Guinea.

On 29 November, former foreign minister and Governor-General Bill Hayden, in a speech he made in Brisbane, referred to former Treasurer Paul Keating. Mr Hayden noted how, as foreign minister, he had found it difficult to get ministers to visit Asia. Mr Hayden said:

Paradoxically, while Keating was Treasurer, he resolutely resisted appeals which—

Hayden, as foreign minister—

made in cabinet for ministers to make calls in our region on their way to Europe and North America. He was entertainingly dismissive of the lack of aesthetic stimulation such places offered compared with places such as London and Paris and the like in old Europe.

Perhaps at some time in the future, such sentiments will be expressed on our visits to the Pacific islands region by Australian political leaders. While not privy to the inner workings of government, it is our understanding that there may be a systemic issue which discourages ministers from visiting the region. We have referred to this issue at page 8 of our submission and believe it is an issue worthy of examination.

We have written to the Prime Minister twice in the last 18 months on this matter, but the responses by his parliamentary secretary show that the issues at stake have not been recognised. We have seen briefly the recently released government white paper on Australian foreign and trade policy, but we have not had time to read it all, nor to analyse what it means for Australia's relationships with the region. At first glance, it seems too focused on security and aid issues and pays insufficient regard to the development of trade and its role in economic development. It certainly does not appear to recognise the leadership issues to which we are referring here.

Australian leadership will not per se solve the region's problems, which are complex. Essentially, we may be at the point of finding what parts of the colonial inheritance remain useful, what need to be discarded and what need to be reinvented. Almost by definition, that is a long, painful and messy process but it is the only sensible alternative to saying that everything is going to hell in a handcart and the best we can do is manage trouble. What is essential is that Australia understand that process—if that is the right word for it—and play the leading role in helping the island countries through it. This can best occur through the leadership which can come from the development of relationships with political leaders in each country in the region.

In our submission we have referred to a number of important issues: the brain drain, labour market access, non-tariff barriers, aviation, private sector development and development assistance. In concluding this opening statement, I will just touch briefly on aspects of these issues. It is a sad truth that many of the Pacific islanders who are best able to shape and

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influence the positive future directions of their countries reside in Australia or New Zealand. It is in Australia's national interest to take steps to stem the brain drain and to encourage the engagement of all that intellectual talent back into the Pacific island countries. For some countries, access to the Australian labour market in some small managed way would help to address the problem of limited economic opportunities. Remittances from overseas represent a major foreign exchange earner for some small countries, and access to the labour market in Australia on a short-term basis would be seen as politically and economically friendly, with minimum effect on Australia. Non-tariff barriers exist principally through quarantine issues. There is considerable scope to assist the Pacific island countries to meet Australia's quarantine requirements.

Limited aviation networks in the region inhibit economic development. Qantas, which is a member of the councils, has made a submission to this inquiry and will give oral evidence next month. Our submission provides some examples of the problems that business travellers can encounter in the region. The current arrangements which largely hub out of Australia, Auckland or Nadi are unsatisfactory. Airlines in the region must be managed responsibly to prevent them from being a drain on national economies, including cooperation between all carriers in the region to create a more flexible, fair and friendly network to facilitate business and recreational travel.

The future of most Pacific island economies will stand or fall on private sector development. In our submission, we have made some suggestions about ways in which the aid program could be used to more proactively generate private sector development. We are pleased to say that in the last few months we have developed a closer relationship with AusAID, especially through the Australia Papua New Guinea Business Council. We believe that this will lead to ongoing closer engagement between business and the Australian government in relation to the aid program. Thank you for your time and attention this afternoon. Ross Porter would like to add a few words specifically on Fiji. We look forward to a good discussion with you on the region this afternoon.

**ACTING CHAIR**—Thank you very much, Mr Lyon. We value that contribution. I enjoyed it very much.

**Mr Porter**—In addition to being President of the Australia Fiji Business Council and Vice-President of the Australia Pacific Islands Business Council, I am deputy chair of AESOP Business Volunteers overseas. My business interests are in medical and medivac insurance throughout the Pacific. We are the major medical insurer in Fiji.

Following Bob's statement, which was a broad view of the whole region, I will update you briefly on Fiji. Since we lodged our submission in June 2002 the Fiji economy has continued to recover from the effects of the 2000 coup, although some issues remain unresolved. We are very concerned about some of the behaviour of opposition parties in Fiji and also about the trade union peak council, as they are holding back economic and social development. They appear to be aiming at unsettling the recovery rather than protecting their members' jobs and economic interests, and they are also conveying an inaccurate external view of continued instability which affects investor and business confidence.

We worked very closely with the Australian Department of Foreign Affairs and Trade during the coup and, whilst we had some differences with the Australian government's policy

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approaches in the aftermath of the coup, we have maintained a positive dialogue with them and welcomed the restoration of a full bilateral relationship. The issues regarding Australian political leadership and governance which are of concern in other Pacific island countries also apply to Fiji. It is important for ensuring the maintenance and further development of a positive economic and business environment that foreign governments and other stakeholders like Australia are sensitive to the political, cultural and social environment in these countries and do not seek to impose or apply inappropriate standards.

We are also continually frustrated by a number of other important issues. The law and order issue in Fiji is worsening; particularly in Suva, in the main city, it is certainly a problem. There is a lack of transparency at many levels in the community—in government, business and the bureaucracy. Sadly, there is a worrying trend in the reported numbers of new AIDS cases and sexually transmitted diseases. Among the street kids in Suva it is an epidemic now, and we fear that there will be an explosion of AIDS like there has been in PNG—and even in PNG the numbers have not been reported correctly; it is far, far worse than we are reading. Governments want to keep a lid on it and we really need, as a big brother, to do something to stop that developing, because it is going to go right through the whole region.

It is our view that Australia must be vigilant across the whole Pacific, as the self-interest of some international rogue nations is damaging the frail economies of countries such as the Solomons. There are carpetbaggers going in every day trying to do deals, trying to stitch something up for the sake of getting fishery or logging licences. Countries like the Solomons that are frail and desperate will grab at anything to try to get themselves out of trouble. At the end of the day Australia and New Zealand will be left holding the bag. No matter what we do or say, we will be the last two countries standing.

For many years Australia and New Zealand have thought that it is our right to trade with the Pacific; we think it is just there for the taking. That is not the case. Those island nations are now embracing European and Asian countries. We cannot let that happen but we cannot stop it by being a big brother with a big stick. We have to get in and show that we care. We have to put in sensible and serious assistance packages and ensure that Australia retains its right to trade with the Pacific. We believe that the Pacific has proven itself to be a very important trading partner for Australia and we think it will develop even further.

**Senator MARSHALL**—I will ask how you think Australia is generally perceived in the South Pacific, but I will come specifically to Fiji first and then you can give me your general view. You said that we should act like a big brother in once instance—on the AIDS issue—and you later said that we do not want to be seen as a big brother with a big stick. A lot of the evidence we have had so far is that we are not held in very high esteem because we do act like a big brother. I am a bit confused about the message you are trying to send us. Maybe you could clarify that for me.

**Mr Porter**—We in the business council have developed a very strong relationship with the current Fiji government. They have done a great job since the coup. As we get closer to them we get clear messages that, yes, they want Australian investment and they want the relationship between Australia and Fiji to continue to grow. But at the same time they remind us that in the trade between the two countries the imbalance to them is totally unfair because it is all our way. In the past we as a nation and a business community, and visiting government representatives from Australia, have tended to be a bit bullying, saying, ‘This is how you should do it here,’

rather than standing back, trying to be helpful and asking, 'What can we do for you?' In the past Australia and New Zealand have said, 'You should do it like this; you have no transparency and you must be transparent.' I think that is the issue. They want the assistance but they do not want us to just come in and say, 'You do it our way.' They want us to ask, 'How can we help?' and say, 'Maybe you could do it better this way.' That is the general message.

**Senator MARSHALL**—Again just on Fiji, you talked about the opposition parties and the peak union body sending messages of instability but you went on to talk about law and order worsening and a general breakdown going on. If they are sending an accurate message that is one thing, but can you clarify that? I am a bit confused.

**Mr Porter**—Let me clarify that. The comment about what the opposition parties and the unions are doing has nothing to do with law and order. It is really subversive, almost political activity trying to unsettle what the government is doing. The law and order situation is there; it is getting worse and it is a trend that someone needs to stop and think about.

**Senator MARSHALL**—Can you give us some examples of what you mean by the instability?

**Mr Lyon**—An example would be the resistance to attempts to reform the sugar industry. Fiji has had a privileged sugar export industry for many years through the Lome agreement.

**Senator MARSHALL**—We subsidise ours too, don't we?

**Mr Lyon**—It is very obvious that it is an inefficient industry in Fiji. It does not make the best use of the land. It is labour intensive with very old-fashioned techniques, the mills are run down and they burn the cane and do all sorts of things that are not conducive to a modern sugar industry. The current government and the new management of the sugar industry are trying to reform it, but there is a lot of resistance from the union movement and, in particular, from Mr Chaudhry himself. I think all the businesspeople believe it badly needs reforming, yet there is resistance. You have to wonder whether they have legitimate reasons for resisting or whether it is just a political fight over this very important issue.

**Senator MARSHALL**—We probably do not have time to go into all the detail, but I guess that was the issue in my mind. The opposition has a role as an opposition and unions have roles as unions and, if they are playing legitimate roles, I would not see that as destabilising. Maybe we should just leave it at that.

**Mr Lyon**—Perhaps I could make one more point. What has probably been very divisive are the trips overseas by the head of the union and the head of the Labour Party to gather support against the government, using quite a lot of union issues as the substance of their complaint about what is happening back in Fiji—which we certainly do not always agree with as businesspeople.

**Senator MARSHALL**—It is probably not totally unexpected.

**Mr Porter**—I support that. Since the coup we have embraced open dialogue with the ACTU here in Australia, and Sharan Burrow in particular has made a number of personal visits there. She was the keynote speaker at our last joint business council meeting in Canberra last year. In

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her own words, Sharan Burrow said, 'The ACTU is all about jobs.' She is trying her hardest to help to educate the union movement over there, saying, 'The first thing you have to look after is your membership and their jobs, whereas that is not happening. It is subversive activity; it is just going on strike for the sake of going on strike. Sure, we always pick the right time—peak periods for tourism to shut the airport down and that sort of thing.' But she said she has spent a lot of time trying to help the trade unions over there understand what their mission really is in life. I think she is making some good advances but she has a long way to go.

**Senator MARSHALL**—I did not really want to get into the merits of the argument; I was just trying to clarify what you meant by 'subversive activity'. I think I have your position. Thank you, Mr Lyon, for your very frank submission. I thought it was excellent and it acknowledged some of the good work that Mr Downer is doing, and I think the committee has recognised that; and a number of submissions have actually recognised the work that he is doing in the South Pacific. I must say that it is good to have a presentation from someone who has an occupation that is held in lower esteem than a politician. This is something new. Can you differentiate how Australians and Australian business are viewed by the South Pacific?

**Mr Lyon**—I think there are mixed feelings towards both Australia and Australians out there. As Ross mentioned before, there is always a little bit of resistance about the big brother approach. That happens in any region of the world, whether it is Canada and the US or Victoria and Tasmania: you are going to always get a bit of push back from the smaller territory. But there is also a lot of goodwill towards Australia. There is a big recognition that Australia is a major trading partner, that Australia is always there to help when things get tough. They do not like being lectured to for sure, and I suppose we can all understand that. But there is a very big understanding that Australia is their major trading partner and major provider of help, whether through AusAID or other humanitarian means. In fact, just last week it was interesting in that the people in Lae have had a fundraising exercise and they have sent money to Canberra for the bushfires. That is coming from the people in Lae who you would expect probably would not have a lot of money to spare. So I think there is a fair bit of goodwill, despite resentment about some issues at the country-to-country level where Australia is seen to be dictating the terms—and that is probably inevitable. It is certainly not all one sided; there is a lot of support for Australia.

Ross mentioned trade before. There is one country in the region that does have a trade surplus with Australia in most years, and that is Papua New Guinea—mostly because of the mining exports. PNG enjoys a trade surplus with us in most years. But the other countries certainly provide a big market for Australian goods. I think there is something like \$8½ billion worth of trade around the islands. It is a much bigger market than most people back here realise.

**ACTING CHAIR**—Is that two-way trade?

**Mr Lyon**—Yes, that is two-way trade.

**ACTING CHAIR**—That is a lot. That is excluding New Zealand?

**Mr Lyon**—That is excluding New Zealand. Bilateral trade with Fiji I think is over \$1 billion a year. Is that right, Frank?

**Mr Yourn**—It has slipped back a bit in the last couple of years because the textiles industry has declined a bit. It is now around \$800 million to \$900 million.

**Mr Lyon**—But it certainly did get over \$1 billion a year, and I do not think that includes the services side either. My company has been in the Pacific since 1880 and we have a long history out there. We see it as one of our most valuable markets and we are keen to continue to grow our business around the region.

**Senator MARSHALL**—I can imagine that BHP Billiton is not held in high regard in PNG and I can imagine some other Australian companies would not be in other places. But generally, how is Australian business accepted? Perhaps you could tell me the sorts of things that business does generally for community development. I understand the economic argument about trade, but what about the extras and how people are viewed?

**Mr Lyon**—With BHP Billiton it is interesting; I visited Ok Tedi myself last year and I think there has been a lot of good work done in the last few years. It was probably something that got off to the bad start. With the new arrangements, whereby BHP have exited PNG and created the trust fund, hundreds of millions of dollars will go back to the people of Papua New Guinea through the trust fund for future years—forever probably.

**Senator MARSHALL**—They have not fixed up the Fly River though, have they?

**Mr Lyon**—They have done a lot of work around the Ok Tedi river. They have dredged it and created a big farm at the bend where most of the problem was. They have reclaimed a lot of that land and they have people planting crops and things to show that it is reclaimable. That is something BHP can probably speak about better than I, but there has been a lot of work done. They have created factories down at Kiunga for the locals which the nationals are running, and things like that.

As far as community obligations go, I think we all realise that we are a much bigger part of the community there than we are at home. For example, in Australia my company has about a 12 per cent or 13 per cent market share; in the South Pacific we have 40 per cent. We are a big part of the community and we spend a lot of money on the community. I spend a high proportion of my after tax profit on community issues. We do things like being the major sponsor for the South Pacific Games this June-July, which will be very big, but also humanitarian things. After the cyclone a few weeks ago we chartered planes and flew them up to the area, taking goods and services with us. We have made grants. We have provided virtually fee-free and very cheap loans to anyone who is in need in the Labasa area or anywhere else that suffered. Most of the humanitarian aid in times of crisis actually comes from the foreign companies, and most of those happen to be Australian. So there is a big community effort right across the region, and we certainly recognise that. I put a fixed percentage of my profit back into the community, into altruistic type ventures.

**Senator MARSHALL**—You know you are on the *Hansard* record when you say things like that as a banker.

**Mr Lyon**—Bankers are actually held in fairly high esteem in the Pacific.

**Senator MARSHALL**—No, I can't believe that! The other thing I would like to touch on is the guest worker proposal. Yours is not the only submission suggesting that that would be an important thing. How do you see that working? Would that apply equally to all the South Pacific nations, or would we be selective?

**Mr Lyon**—It could apply across all of them. I was with Mr Vaile when it was raised at the ministerial meetings in Suva last year. It is something the Fiji government feels strongly about but I think it should work across the region, not just in Fiji. There are quite often opportunities in Australia—particularly during, say, the grape season—when there is a shortage of workers and we could bring some people in from the islands. It seems a bit incongruous that backpackers can come here from Europe and other places and get work and legitimately work here but people from our own region who need that work are not allowed to. We think the suggestion has merit. We feel it is a way of helping the island communities without long-term burdens for Australia—people can come here, earn some currency and go back home or remit the money home and help their families. We certainly support that.

**Senator MARSHALL**—You do not think that would retard economic development in their own country in any way?

**Mr Lyon**—No, there is a surplus of workers. My company has recently started a back office company in Fiji for two reasons: firstly, it is a good idea that will centralise some work out of the region; secondly, it is creating new jobs for Fiji. When we are running a business out there we look at ways for our business to put a bit back into the community as well. So it is win-win; it is a win for us and it is a win for the community.

**Mr Youn**—I think that, while the idea of some labour market access applies across the whole region, it is particularly important and relevant to the smaller atoll states which have very limited resources and very limited opportunities for employment within their economies—countries like Tuvalu and Kiribati, maybe Nauru and particularly those countries that are closer to Australia than the Polynesian countries, which are further afield and in some cases have special access to New Zealand. Some of those countries already earn a significant share of their economy through remittances from foreign workers. Kiribati and Tuvalu, for example, provide seamen for European Union shipping and maybe for others too. The impact of such a scheme would be greater within those very small atoll economies, although countries like Fiji and the bigger economies could also benefit from it if it were a well-managed, targeted scheme.

**ACTING CHAIR**—Do any of the countries in the Pacific have business councils of their own?

**Mr Porter**—Yes, they do. In Fiji, we have a sister business council called the Fiji-Australia Business Council, a very active business council. They run on a similar basis to us. They are concerned about Australian businesses in Fiji. Quite a number of our colleagues in our own organisations are members of that business council. Expats who have set up in Fiji and made it their home are fairly active in the business council.

**Mr Lyon**—PNG works a bit differently. PNG has a branch of our business council, but it also has a peak council, which is the Business Council of Papua New Guinea, which is mostly made up of nationals. It is the paramount business council in PNG. Our business council works very closely with them. We have been trying to set up a business council in New Caledonia. There is

a lot of enthusiasm for it, and that is in its early stages. In most of the other Pacific countries, we have a contact such as a chamber of commerce or something similar that we liaise with so that we have someone on the ground in that particular country that we can discuss bilateral issues with.

**Mr Porter**—There is a bit of a frustration to us when we have a joint business council in Fiji one year and then in Australia the next year. We particularly try and target Canberra, and we try to target it when parliament is sitting. But, consistently over the years, the other side deliver ministers to us and we do not deliver ministers to them. We have begged for and tried to steal and borrow people but, without exception, we have been left standing in the woods. That is not good enough.

**Mr Lyon**—We had Mark Vaile, of course.

**Mr Porter**—There was Mark Vaile in recent times, and Alexander Downer. He was under pressure—there was some international incident he had to rush off to. He has always been a terrific support. But over the years we have struggled. It has been singularly disappointing for us because we believe we performed a fairly strong role for the Australian government during the coup, and we would expect that there would be more interest. Sure, Fiji and the Pacific islands are small but, at the end of the day, they are a very important market. If we can register that during this process, we would like to. This lack of interest almost makes our side irrelevant, because the other side consistently deliver. Sure, it is a small country, but they deliver the Prime Minister, the Minister for Foreign Affairs and the Minister for Finance. They are all there waiting, happy to be there and they sit through all of the conference. It makes our role pretty hard. If there is anything that can come out of that—

**Mr Lyon**—The last time was the day after Bali, and Alexander Downer did come the next morning, which we certainly appreciated. There is an opportunity to grow relationships. One of the things that has changed over the last 20 years or so is the depth of the relationships. If you go back 20 or 30 years, around about independence in most of these countries—because most of them have now been independent for between 20 and 30 years—the senior Australian politicians had strong personal relationships with people in the Pacific island countries. That seems to have disappeared as their hair has gone greyer and they have left the service. We do not have the same sorts of relationships. The world has changed, and people are going further afield. But we certainly had very strong personal relationships. People could pick up the phone and talk to each other. That is something that is not as apparent today as it was.

**Senator HOGG**—Why were there those strong personal relationships? What caused them to develop?

**Mr Lyon**—I think it was partly because Australia was the colonial power for some of these countries, and by necessity we had a brief to oversee them. These ministers may well themselves have had jobs, and the Peacocks, the Sinclairs and people like that are still very well known in the islands. There are not a lot of modern day politicians who have the same strength of relationships in the islands, Mr Downer apart. Mr Downer has some very strong relationships but, apart from him, there is probably nobody.

**ACTING CHAIR**—What is the status of the air links? Is it worse than it has ever been? Was it better once? What sort of projections do you see for the future? Is there any expectation that the air link arrangements will improve?

**Mr Lyon**—It is patchy. It probably affects the smaller Pacific countries more than others. Fiji has a very strong airline, with Qantas owning 46 per cent. That has certainly underpinned the airline. Apart from a bit of a downturn after the coup, it has recovered well and it is performing profitably. It is probably one of the few airlines in the world that is. The smaller countries struggle. Simply put, the reason is that they are just not big enough to run their own airlines, but they all want their flag on the back of a plane. Air Pacific was originally started to take a regional role but parochial interests dictate, and some countries firmly believe that, if they do not have their own airline, they do not have their own tourist industry, so they all want to have a plane in the sky. The latest country to join the club is Kiribati. It is fairly tiny, but it has its own airline. Some of the airlines, like the Solomons and Tonga, have had real difficulties over the last few years and, at times, their international service has been out altogether for long periods. Nauru is another one that struggles. So, to answer your question, it is patchy. Some countries, like Fiji, do it pretty well. PNG provides a good service, although the airline itself is under a lot of pressure. But the rest of the island countries, with maybe the exception of New Caledonia, really struggle.

**Mr Porter**—We have the blueprint. We would like to see a plane of many flags, with more code-sharing and more joint ownership of one airline. It would be a fantastic airline.

**ACTING CHAIR**—Where do Air Pacific fly out of?

**Mr Porter**—They fly out of Nadi and Suva.

**Mr Lyon**—With my business council hat on, we saw Qantas last year. They are very sympathetic to this and they understand the situation, because they have code-sharing with a number of these airlines. It would be interesting to talk to them about their plans and how they see things in the Pacific over the next few years. Certainly, from a business and tourist perspective, the services are fragile. They are expensive and they are not conducive to growing the island economies in any way.

**Senator MARSHALL**—How important is tourism to business in this area?

**Mr Lyon**—Very important.

**Mr Porter**—Absolutely vital.

**Mr Lyon**—It is becoming more important. From a banking point of view, we certainly look at tourism as the most sustainable growth industry in the region. There is still a lot of untapped potential. If you look at a place like Guam which gets about 1½ million tourists a year and a place like Fiji which gets 420,000 tourists, you would have to say that there is a lot of potential. And the other countries go down from there. There is a lot of untapped potential, but fulfilling it is a long way away. It is also expensive to fly around the Pacific, and the connections are not there either. It is very difficult for businesspeople or tourists to fly from one country to another. You virtually go in and out from Sydney or Auckland.

**Senator MARSHALL**—Yesterday, one of our witnesses said to us that Fiji has kicked off and been a very successful tourist industry because they had a tourist industry master plan many years ago. It has changed and developed, but it was there and that is what they worked with, and that is why Fiji is successful. That is what is essentially needed for the rest of the South Pacific. The suggestion was that they do not have the financial ability or the capacity to deliver that themselves. It was suggested that either the World Bank or Australia might assist in that regard. But have the business councils thought of developing such plans in conjunction with the governments, given that tourism is linked to success in business generally?

**Mr Lyon**—One of our projects last year was to develop a plan on aviation to help in that industry. We have not sat down with the governments and worked with them to do a tourist plan as such, but I agree with what you are saying. Planning is essential, and a lot of the countries do not have the capacity to plan ahead. I have seen Fiji's plan. I think they used a big accounting company to help them develop it a few years ago. It has a lot of flesh on it, and you definitely need that. The smaller countries that do not have a big tourist industry—it sort of happens by accident in a lot of ways—could well do with a plan. It is hard for us to see where their future is without it.

**Mr Porter**—It is so easy to see how fragile they are. Vanuatu is almost there but, if the Air Vanuatu jet breaks down, everything stops.

**Mr Lyon**—And it does.

**Mr Porter**—The Cook Islands are going okay now, and Samoa is a pretty good destination. But it is really patchy. Fiji is the destination that has really got its act together.

**Mr Lyon**—There is a bit of good luck about it as well. If one of the big airlines flies through your country on its way to the States and lands there, then you are lucky because people might get off and stay for two or three days. Countries like the Cook Islands, Tonga a little bit and Samoa get a lot of traffic by those means, but the other outlying countries have very little chance of getting tourists.

**Mr Porter**—Of course, Air Pacific have that west coast direct link. That also helps them. From self-interest and our business points of view, the other advantage of airlines is the opportunity for medical evacuation, because the medical services in all those countries are pretty basic, and nonexistent in some. If you do not have an airline, you do not have an opportunity to be evacuated. The cost of what we call the 'big silver bird'—the dedicated plane out of Brisbane with full medical equipment and a full team—is up to \$A45,000 or \$A50,000. The Indigenous people cannot afford to buy that type of cover. It is more or less for the expats, senior politicians, bureaucrats and senior business people. In terms of health for the whole region, for people to get serious medical attention, they must be evacuated. If you do not have an airline, you do not have that opportunity. For Australia, it is really important. Our business alone spent over \$1 million last year bringing people to local hospitals and doctors in Australia. It is good export dollars for Australia.

**Mr Lyon**—It is good export dollars. Some of the islands have their import replacement plans. For example, Samoa has a private hospital which, after a difficult birth, got off the ground. It has certainly enabled them to treat on the ground a lot of people who would normally have had to go to, say, New Zealand. It might be worthwhile mentioning the subsidised lending plan.

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**Senator MARSHALL**—I want to go on to another topic which I think is fairly important. Maybe we can come back to that. I want to ask about the role you play in good governance, then I will lead on to corruption. Maybe the banker can handle that issue.

**Mr Porter**—We always have it on the agenda. We have regular, formal business council to government meetings. The issue of good governance and transparency is always on the agenda. In the public arena we are always pushing the line that they have to be transparent and have to stop the corruption. Things are starting to work in Fiji, but it is just horrendous across the rest of the Pacific.

**Mr Lyon**—One of the things we did in PNG was help set up Transparency International. The Australia Papua New Guinea Business Council was one of the sponsors of getting that set up there. That has had a big impact in PNG, and it is now starting to spread to the other countries. In all those countries, my organisation is a member and tries to provide some financial support to them. The other really hot issue—and I was going to raise it in my opening submission—is money laundering and similar things, which have a lot of prominence here and in the States at the moment. The Pacific countries are under siege a bit at the moment, particularly by the US Patriot Act, which is causing a fair bit of grief to financial services type industries in places like Vanuatu, the Cook Islands and what have you. Their reputation I think is worse than reality. Vanuatu, in particular, has a name for being a rogue country in this area. Our experience is that it is not that bad. All the transactions we deal with are legitimate—100 per cent of them. We do not get involved in that sort of stuff anyway. When we investigate the inquiries we get, from the US in particular, we find that they do not come to anything. However, there are some cases where illegal activities are taking place. We are working with the authorities to try to stop those.

I was in New York last week and I had meetings with the Federal Reserve. We have come up with a plan to meet with them regularly to talk about the issues across the region because, whether they like it or not, we are the policemen. We are the only guys on the ground that can have a role in this. We were being treated a little like the villains ourselves up until recently, but I think they now understand we are on the same side and we want to stamp out any sort of illegal activity ourselves. It does not mean to say that we will be a local tax department for every country in the world but certainly it is in our interest to stamp out the transfer of illegal funds from country to country. We are working very closely with a number of agencies, not just in Australia but in other countries, to try and stop that. Overall, there is a strong feeling that, provided the industries which have been set up in those countries stick to the formula, they can provide some earnings for those countries—which they desperately need.

**Senator MARSHALL**—We have not heard much about money laundering, so that was interesting. But corruption takes at least two to play, so it is one way or the other. In terms of the people you represent, is there a view that it is so entrenched and so much a part of doing business, particularly in PNG, that we are forced into that process?

**Mr Lyon**—No, not at all. If I catch my guys doing that, I sack them. We are very strong on it. You are right—it takes two to play the game. I believe that if you draw a line in the sand you do not have to play. Smaller companies come under more pressure. They get beaten up a lot more easily than we do. Certainly, if enough people in major companies, and even in small ones, draw the line in the sand, you will cut it right back. I have made it very clear to my staff that we do not make facilitation payments—or bribes—and woe betide anyone I catch doing that.

**Senator MARSHALL**—How do you view reforming influences within governments? Again, we may be just talking about PNG. Some of the submissions we have received have indicated that it is a hopeless situation, that the institutions are on the verge of collapse, if they have not already collapsed, and are completely ineffective, and that there is no real political will to do anything about it because, on the whole, they are the major beneficiaries of corruption. Yet other submissions have said that that is a vast overstatement and that there are strong reforming forces within that government. What do you think about that?

**Mr Lyon**—There are two sides to it. Corruption and bribery are widespread in PNG. It has just about become institutionalised. But I also believe that the senior members of the current government are trying to stamp it out. There is a lot of intent to improve things. It is probably not fast enough for our liking, or the liking of the Australian government and other aid donors, but there is an understanding that corruption is one of the things that has dragged PNG down over many years and it needs to be fixed. It is so widespread that it is not going to be fixed overnight, but there are some good politicians in PNG who are intent on making things better.

**Mr Porter**—The answer should be split up country by country, without a doubt.

**Senator MARSHALL**—That is right.

**Mr Porter**—In the Solomons, I was the recipient of a potential fast track with the brown paper bag. I said, ‘No, we don’t do business like that,’ so it took us 14 months to get where we would have got to in a month. You know that it is going on in the Solomons all day, every day because of the dire straits. In Vanuatu, it still goes on and it is not that secretive; it is part of doing business. In Fiji, there are real signs that they are trying to stamp it out. Laisenia Qarase, the Prime Minister, is saying, ‘We can’t have this any more.’ There is some real determination in the Fijian market for it to stop at the government level. It still happens, right through the Pacific. But you are right—it takes two to tango.

**Mr Lyon**—There are other forms of corruption, such as doing favours for friends. It is not necessarily the brown paper bag, it is: do you get this contract or does he? Those things will take longer to stamp out. But, as countries and governments get more sophisticated, I think that it will get better. The Melanesian countries are difficult. As Ross mentioned, the Solomons is at its lowest ebb and is still going down. We are very concerned about the Solomons. It is getting to stage where you wonder whether it is governable.

**Senator MARSHALL**—I am pleased to hear what you say—not about the Solomons, but about the other things. Maybe it is not as bad as some people are suggesting. Given that these countries are all sovereign states, what can Australia do to assist in the reform process?

**Mr Porter**—There is one thing we can do, not necessarily to assist—and this is almost at odds with my previous comment of: ‘Don’t use the big stick.’ We give a lot of money to the Pacific as a single country. If the average person on the street saw how much money we gave, they would be knocked out of their socks. They would not understand how we could give that much money. If you go through all the countries and the money we give, it is a lot of money.

**Senator MARSHALL**—It is half what the UN recommend we should be giving but, regardless, it is a lot of money.

**Mr Porter**—That is where we should be helping them to help themselves. We should say: ‘If you get this money, there will be a whole lot of things you’ll have to give in return.’ There has to be transparency. You can lock that donor money to begin with, but there must be other things that we can do. Bob might not agree with this, but I believe that that is the place to start. You have to lead them down the path a little and get them used to the idea.

**Senator MARSHALL**—But, if the institutions are on the verge of collapse or have already collapsed, they might not be capable of applying the good governance that we would expect. You get into an argument of whether you deny the aid and end up with a humanitarian disaster.

**Mr Porter**—At one end of the spectrum, some military action is almost required. On the other end of the spectrum, you are saying they should be self-sufficient. It is as broad as that. Again, we cannot make one rule for the whole of the Pacific, because all these countries are at different levels of adolescence. None of them are ever going to grow up.

**Senator MARSHALL**—Now you are talking like a big brother.

**Mr Porter**—That is right.

**Mr Lyon**—I have a slightly different view. It is a lot of money, but aid as a percentage of GDP is shrinking in most Western countries. In real dollar terms, it has probably gone backwards over the last few years. The other thing that is important to understand is that in prior years the aid went on infrastructure and physical things. More and more of our aid money is now going on things like AIDS, health issues and governance. Less money is finding its way into infrastructure. A lot of the countries in the Pacific are suffering from lack of infrastructure and, in particular, lack of maintenance of that infrastructure. We have built a lot of things out there over the years, such as roads and bridges, but they are not being maintained. They are in a poor state of repair. It is a matter of how we spend the money and also of putting in place maintenance programs. We have spoken with AusAID—particularly in relation to PNG, because that is where most of the money goes—about providing something that is sustainable and gives the infrastructure to facilitate trade.

For example, the Highlands Highway in PNG is just about a goat track at the moment. Everyone understands this. AusAID, the PNG government and we are in full agreement that it has to be fixed. Then it also has to be maintained. This is a big highway. PNG is an inaccessible country, and it is very important to have good roads and access to markets. There is a lot of potential for agriculture in countries like PNG, but they have to get it to the coast, and you need transport for that. So a lot of our aid should go in those areas. Also, if you could get the economies in the middle of countries like PNG moving, you would not have the flow of people to the city, so you would not have the economic and law and order problems. A lot of things could be done. I know that AusAID understand this very well, but execution of that policy is not that easy. Should we be providing more money? I probably think a bit differently to Ross. I think we have a responsibility to maintain the right level of aid, but we also have a responsibility to make sure the aid is well spent and that what we spend it on is maintained, because otherwise we are just wasting it.

**Senator HOGG**—How important was the concept of the DIFF scheme that we had a number of years ago?

**Mr Lyon**—I had forgotten about the DIFF scheme.

**Senator HOGG**—It was phased out in 1996 and a fair bit was said. I think this committee had an inquiry about the phasing out of that scheme.

**Mr Porter**—Frank might remember more about that than I do.

**Mr Yourn**—I am a bit like you; it has disappeared into history. I recall that at the time there was a lot of concern about its disappearance because it provided a support system for some important programs.

**Senator HOGG**—Primarily, it provided support for infrastructure programs in many of these countries.

**Mr Yourn**—Yes.

**Senator HOGG**—Is it about time that we considered the rekindling of a scheme—if not DIFF, something along those lines?

**Mr Yourn**—Sure.

**Senator HOGG**—I do not think that it was viewed in a totally paternalistic way. The Australian contractor who was successful in accessing the scheme retained a lot of the expenditure.

**Mr Yourn**—I think there may be some innovative ways to fund some of these infrastructure programs. It may be that charging people to use infrastructure is one way of doing it. A lot of Australian infrastructure is now being developed in that way and it may be that there is scope in some of these countries to look at innovative financing mechanisms. The DIFF model might be one but there could be others.

**Mr Lyon**—We met with AusAID a couple of days ago in Canberra and they mentioned that their program will be looking more at the maintenance and sustainability of projects rather than just building things and moving on. I think you are right: we need to look at innovative solutions to that massive problem out there.

**Senator HOGG**—I recall that one of the DIFF schemes supplied some form of solar power which, in turn, enabled a sanitation and basic water reticulation system to be run in a certain village.

**Mr Porter**—I think they are more meaningful projects and it is a more meaningful way to put money into the system.

**Senator HOGG**—That is why I raised it.

**Mr Porter**—That is where I was heading before. I was not necessarily talking about the level of aid but having a little bit more control and seeing concrete evidence that what you are putting in is really worthwhile and is not just being salted away.

**Mr Lyon**—This argument about budget assistance versus project aid has been moving back and forwards, and it is moving away again from project assistance. I understand the reasons. One thing flies in the face of the other, but how do you get a good mix so that you get projects that are built properly and are sustainable, and the money goes to the right people at the same time?

**Senator HOGG**—The NGOs would argue, quite understandably, that more of the aid should be given to them—because it gets into the base levels of the community—rather than being fed into the top levels of society.

**Mr Lyon**—As you would expect from a business group, we are keen on promoting the private sector and we think that one of the answers to poverty and growth in these countries is to foster a better private sector. We are constantly working with counterpart councils in the other countries to try and come up with plans to do that. I alluded before to the subsidised lending scheme. The Commonwealth Secretariat, the European Union and the Japanese are talking with us about how we can put in place a lending scheme to get new businesses started in all the islands. They are using us as a delivery mechanism but they are standing behind the businesses. We are not talking about microfinance; we are talking about SMEs, small to medium sized enterprises. For the Pacific, they are quite big deals.

We feel that if we could get three of these started in one of the small countries in a year, then we will probably have solved a lot of their economic problems. And we will have transferred the responsibility for growth and providing jobs from the government to these new enterprises, whatever they are. We are keen to pursue it. There is a working party. As you can imagine, dealing with the bureaucrats in the European Union, they have decided to form a committee. We are going to work on it over the next few months. I am hopeful that by the middle of the year we will have some sort of proposal to put to the donors that will say that we are all happy: we are happy with our part of it and they are happy. We want to get something moving.

**Senator HOGG**—The Australian government is not participating in that? Was it invited to or should it have been invited to?

**Mr Lyon**—I was led to believe that AusAID had been consulted. We spoke with AusAID a couple of days ago and we are sending them copies of our files to make sure they are up to speed on it. I believe that someone from AusAID has been involved in it but they were not at the meeting I went to. I went to London a couple of weeks ago and they were not there.

**Senator HOGG**—Should Australia be represented?

**Mr Lyon**—Yes, I would like to see them there. It is most important. There is no doubt that Australia is the biggest influence on the region and we should have a view on anything like this. We are not going to be the ones who say, ‘Yes, this is a great scheme’, or we are not going to be the ones who approve the scheme, but certainly we think it is a good scheme. We would like the Australian government to say, ‘Yes, we agree too,’ because that would be helpful.

**Mr Porter**—There is another issue about the garment industry in Fiji, which was heavily subsidised for many years by Australia. That was wound back—and some may argue, rightfully so, because the industry appeared not to be standing on its own two feet—but there were benefits both ways. A lot of jobs have been lost in Fiji because of that ultimate winding back.

There are still some bits and pieces in place, but the industry as a whole suffered singularly by Australia pulling out of that subsidy.

**Mr Youn**—That subsidy was in the form of tariff concessions rather than as direct cash.

**Mr Lyon**—I bank a big chunk of that industry out there, and the good companies will survive because they have actually been smart enough to find other markets and diversify their businesses. If you have a look at some of the factories in Fiji you would be impressed. They are much more modern and impressive than a lot of the factories I see back here.

**Mr Porter**—They are not sweat shops.

**Mr Lyon**—No, they are not sweat shops. They are modern factories providing good conditions for workers, and they are really smart operators. What I and all of the business councils are interested in is finding industries that do not require support, that are sustainable and have a competitive advantage. There is always a danger in propping up industries other than for the initial period. There is a danger that, sooner or later, they are going to run into other problems, such as the disappearance of tariffs and World Trade Organisation rules.

As I briefly mentioned before, we have set up a back office in Fiji and we have about 50 jobs there now with another 30 jobs going in this month. We are hoping that that provides an example for other companies to follow. I am hopeful that this will be the replacement industry for the garment industry. If you go back, the garment industry in Fiji started after the 1987 coup—

**ACTING CHAIR**—This is a back office. What sort of a business is it?

**Mr Lyon**—Yes, it is a back office, call centre type of thing. We have spoken to companies that have 2,000 workers and they are planned in the Philippines, Mexico and places like that. They are interested in Fiji. I believe that I can deliver a few hundred jobs in my back office, and I am hoping that others will be impressed enough to say that that is a good idea and they will follow. Frank has been tied up with a group that is looking at the audiovisual industry and e-commerce businesses in Fiji. They have managed to get some new legislation through which will help those businesses but, at the end of the day, the sorts of businesses that would go there would be businesses that see the place as having opportunities and advantages that maybe they do not get anywhere else. For Australia it is in a good time zone, the language is right and there are good quality school leavers. All these things are there; and it is a hub. There are lots of reasons why the Pacific can attract businesses, but not necessarily the subsidised manufacturing businesses that they have looked at in the past.

**Mr Youn**—There is an issue I would like to pick up on private sector development, following on from Senator Hogg's point. In the Australian aid program there was formerly a small component that supported bilateral private sector development in Pacific island countries which was delivered under a part of the SPARTECA agreement. I am sure you are familiar with that broad SPARTECA agreement. There was an article of the SPARTECA agreement which committed Australia and New Zealand to provide support for private sector development. A small part of the bilateral aid program used to be channelled at trade and investment promotion and industrial development, and about five years ago that program was stopped. Most of that commitment under SPARTECA article 8 is now channelled through the programs of the forum

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secretariat on a regional basis. There may be scope for revisiting that issue to support, on a bilateral basis, some private sector development.

**ACTING CHAIR**—You mentioned the importance you placed on the high-level political integration. That is something government can easily do, if it has the will to do it. What other things can government do that you think should be highlighted in our comments about this issue?

**Mr Youn**—Looking at it with a business council hat on once again, I think there could be much more support for the trade missions and things like that—to be seen to be supporting business rather than being a separate arm of Australia; to show that Australia, at the end of the day, is its people and its businesses that operate in the region.

**ACTING CHAIR**—Once upon a time, not so long ago, we had a minister who was entirely responsible for Pacific island affairs. I have forgotten what his exact title was.

**Senator HOGG**—Gordon Bilney.

**Mr Youn**—Gordon Bilney was Minister for Pacific Island Affairs.

**Mr Lyon**—This current government decided to do it differently. I think Mr Downer spends a lot more time in the Pacific than perhaps he thought he would when he first went into office. Unfortunately that is probably firstly created by problems in the Pacific. I am not sure whether a separate ministry is the right way, because at least at the moment we have a very senior minister looking at the region. There are pros and cons in having someone entirely focused on the region. It would be good because we would be able to talk to them exclusively about the region. On the other hand, I do not think Mr Bilney was very senior in the ministry; he was a bit further down the pecking order. Certainly, as you said before, government-to-government relations and visits and things like that would be enormously helpful in getting a better understanding so that, when issues do occur in the Pacific, a number of people in the parliament understand exactly what is going on and who the people are and can form a well balanced view on what position we need to take as a country.

The other thing is to be supportive of some of the initiatives. We talked about itinerant workers coming to Australia. One thing I have been bouncing around in my mind is that another way of looking at it is to say, ‘What if we helped create more jobs? What if we let some jobs go offshore?’ If we helped industries move to Fiji or set up in Fiji or the other island countries—not just Fiji but anywhere out there—that would be a non-threatening way for Australia to help subsidise their economies without providing aid, because these jobs would sustain themselves and create their own wealth in a flow-on effect. A dollar earned in an island economy flows right through that economy, particularly with the extended family system out there. Anyone in the family earning an income has a terrific flow-on effect through the family and through the village. Somehow accepting the fact that it is actually not be a bad thing to migrate some jobs from Australia to the islands would be very helpful. Obviously it might raise some concern back here but it would be less threatening than, for example, having thousands more immigrants coming and not knowing whether we have to support them or not. I think there are some things that could be explored down that path.

**Mr Porter**—More support for the trade missions would be useful in binding the relationship between the business councils and government. There are a lot of things we can do in countries that governments cannot do; we proved that through the coup. Like AESOP, we are doing a lot of projects that government cannot really get involved in, and that is providing a very good service to the government and getting those messages over.

**ACTING CHAIR**—You make a good point about disintegration. I do not think anybody on this committee has been to the region.

**Senator HOGG**—I was going to come to that in a minute.

**Senator MARSHALL**—You did try to go.

**Senator HOGG**—Yes; I failed.

**Mr Lyon**—There is a systemic problem there. It is our understanding—and you might correct this if we are wrong—that a trip to the islands is treated as an overseas trip for a parliamentarian, whereas you can do as many trips to Perth as you like.

**ACTING CHAIR**—We could go there daily.

**Mr Lyon**—Sure. Yet a trip to many of the islands is actually a shorter, cheaper trip than going to Perth.

**ACTING CHAIR**—It is cheaper to go to London than it is to go to Perth.

**Mr Lyon**—That is right. We have written to Mr Howard a couple of times suggesting that he change the rules to say that trips to the Pacific islands are treated the same as interstate trips.

**Senator MARSHALL**—I do not think that is going to happen.

**ACTING CHAIR**—I have listened very carefully to what you have said, because on occasions I have written to Mr Howard and he has given me a very considered response—clearly not the parliamentary secretary. As you were speaking, I was thinking about whether I would take what you said out of *Hansard* and write a letter to him.

**Mr Porter**—Without doubt, if it could be achieved and if it could be linked in with a trade mission, you as a committee—

**Senator HOGG**—Do not worry about a trade mission. This committee wrote to the President of the Senate seeking permission for this committee to travel as part of its inquiry because those countries that were subject to the inquiry suggested that the committee should travel to see first hand. We wrote for that approval and it was denied. There are good reasons—

**ACTING CHAIR**—It has not been denied yet.

**Senator HOGG**—Oh—

**ACTING CHAIR**—But it is not a unique situation in the sense that no committees of the parliament—

**Senator HOGG**—That is what I was going to qualify. No committee is allowed to travel for the very reason that, once the precedent is set, it then causes other difficulties for other committees wanting to pursue other issues. It may well be that there is a compromise position which the government of the day, regardless of who that might be, could accept: that committees involved in areas such as the South Pacific region, for example, might get the opportunity to put in a bid each year. It might not be this committee; it might be another committee that gets the lottery win, so to speak. But currently, apart from that, there are two opportunities for travel: one, we use study leave, which is at different levels for different people and some people do not have any study leave entitlements. I do not think Senator Marshall has got any entitlement to study leave at this stage at all.

**Senator MARSHALL**—I do not think so.

**Senator HOGG**—So that is one avenue. The second avenue is that each year there is a bilateral exchange going to a couple of countries. I think three government and two opposition members get a guernsey on that. So it is not a real lot.

**Mr Lyon**—It is interesting to note, though, that there would not be a week that goes by that there would not be island politicians in Australia. The situation is that they know us very well and we do not know them that well at all. They are always here. This is their Mecca; they come here if they want something done. The reverse is not true. So it becomes a bit one-sided. They get to know Australia and Australians very well but we do not necessarily know them, their country or their issues as well. I think that is where we see it is so important to try and get more exchange going out there.

**ACTING CHAIR**—Perhaps to clarify that, I am pretty well travelled but during these hearings I have to sit here with a map. I am not well travelled in the Pacific at all, I have to say.

**Mr Youn**—As Bob said, the Pacific islanders mostly come to Australia to go anywhere; Australians fly over the Pacific to go somewhere.

**ACTING CHAIR**—Mr Keating's comment was that Asia was somewhere interesting you flew over when you were flying to somewhere interesting.

**Mr Youn**—That is right.

**Senator HOGG**—There was another issue that I want to raise very briefly, and that is the issue of communication. It seems to me that that is vital, particularly as we are living in this intimate era, whether it be for business, commerce, the tourist industry or whatever. Is there anything there that we might be able to recommend as a committee in terms of the number of these Pacific island communities where they might not have the capacity to get to a reasonably sophisticated enough level?

**Mr Lyon**—It is interesting that the new Southern Cross cable which comes down from the US via Hawaii and Fiji to Australia and New Zealand has enough bandwidth to cope with all of their Internet and modern communication needs. Tonga is just putting in the world's most

modern telephone system. Communication is not equally good everywhere in the Pacific, but anything Australia could do to help the smaller countries lock into the Southern Cross cable would be really welcomed because without good communications industry does not flourish, and that is becoming more and more important. It is also important that it gives poorer people in the outlying areas a chance to communicate. We have just given away about 1,000 PCs through the region. We are giving them to remote areas and villages and schools and things, and hopefully these people will be able to use them—

**Mr Porter**—To bank on line.

**Senator MARSHALL**—I knew there was an ulterior motive.

**Mr Lyon**—You've got me! One of the issues, though, is that the bandwidth is not too bad between countries—64K or better—but within countries tends to go down to about 9.6K and therefore does not sustain good communications within countries. That is where a lot of these poorer countries could well use better internal communications systems.

**Senator HOGG**—So that could be a specific recommendation of the committee to the government?

**Mr Lyon**—Yes.

**ACTING CHAIR**—Gentlemen, thank you very much indeed for coming in. I enjoyed that very much. I would like to say we will meet you again in Nadi or somewhere like that.

**Mr Yourn**—That sounds good. We will show you the highlights.

**ACTING CHAIR**—Changing planes, trying to get—

**Senator HOGG**—By the way, this was not a secret meeting of the committee—the media were not excluded from it, I might add, which would not surprise you.

**Committee adjourned at 3.21 p.m.**