

History of the Bougainville Conflict

- 2.1 The protracted and violent conflict in Bougainville has caused the deaths of hundreds of soldiers and rebels and an estimated 10,000 to 15,000 civilians, either from the fighting or from disease and deprivation.¹ Nearly ten years of war have resulted in the almost total destruction of the Island's economic and social infrastructure.
- 2.2 Despite the significant progress made by the current peace process to date, many tensions remain. There are a number complex and interrelated reasons for these tensions and for the long history of conflict on Bougainville.
- 2.3 An outline history of Bougainville, from 1884 to 1999 is summarised in Appendix D.

Causes of the conflict

- 2.4 At the centre of the conflict, in a 'no-go' zone declared by rebel leader Mr Francis Ona, was the abandoned open-cut Panguna copper mine owned by the PNG Government and, formerly, the Australian mining company, CRA (Conzinc Rio-Tinto of Australia Limited).² However, the mine was a catalyst for the conflict rather than the direct cause.³ A number of related historical factors and pre-existing tensions contributed to the eventual outbreak of violence. As Anthony Regan has written:

1 *The Age*, 1 May 1998. For further references, see footnote 10 in Chapter 1.

2 In 1997 CRA merged with RTZ to form Rio Tinto Limited, an Anglo-Australian company.

3 S McMillan, 'Bringing Peace to Bougainville', *New Zealand International Review*, May / June 1988, vol xxiii, No. 3, p. 2.

In the complex political, economic and cultural situation of Bougainville, it is naive and misleading to attempt to analyse the origins of the conflict in terms of single causes. ... Each factor tended to reinforce the importance of other factors at different times.⁴

Historical Influences (Pre - 1989)

Geography

- 2.5 Bougainville (North Solomons Province) is located approximately 1,000 kilometres north east of the capital of PNG, Port Moresby — far closer to the Solomon Islands immediately to the south than the PNG mainland. This is a result of borders drawn up in the late 1800s.
- 2.6 Maps detailing PNG's provincial borders and the international boundary with the Solomon Islands are provided on pages iii and iv.
- 2.7 In 1884 the eastern part of New Guinea was divided between Britain, which took control of the south, and Germany, which claimed the north. The Dutch had already claimed the western half of the island in 1828, as part of their East Indies Empire.
- 2.8 In 1893 Britain established a protectorate over the Southern Solomons. Germany and Britain divided the Northern Solomon Islands between them in 1899. Bougainville became part of German New Guinea to the north while Shortlands, Choiseul and Isobel Islands became part of the British protectorate of the Solomons.
- 2.9 In 1906, British New Guinea became the Territory of Papua and control was handed to Australia. In 1914, with the outbreak of World War I (WWI), Australia also took control of German New Guinea, including Bougainville. In 1921 Australia was granted a 'C' class Mandate over the former German New Guinea by the League of Nations.
- 2.10 During World War II (WWII), the Japanese invaded both the mandated Territory of New Guinea and the Territory of Papua. At the end of 1942, the Japanese were driven out and the eastern part of New Guinea became a single colony, the Territory of Papua-New Guinea, under Australian administration. In 1945 the United Nations agreed to Australian trusteeship of the former Mandated Territory of New Guinea and four years later, the joint administration of Papua and New Guinea.

4 A Regan, Submission, p. 550.

Ethnicity

- 2.11 The issue of secession is not new for Bougainvilleans. In 1962 Bougainville applied by petition to the UN Mission to have the administration transferred to the United States.⁵ In 1975, dissatisfaction regarding mining operations, environmental damage, the relocation of landowners and the influx of outsiders led to another attempt at secession.⁶ Bougainville declared itself independent as the Republic of the North Solomons fifteen days before PNG gained its independence from Australia on 16 September 1975. After eleven months of negotiations with then Prime Minister Michael Somare, Bougainville agreed, somewhat reluctantly, to remain part of PNG after being granted a degree of autonomy through a provincial system of government.⁷
- 2.12 Bougainvilleans share a sense of identity separate from that of other Papua New Guineans, identifying more strongly with the Solomon Islanders who share their dark skin colour rather than the lighter 'redskins' of the mainland. In addition, 'over time, Bougainvilleans have come to see themselves as not just distinct in colour but also more peaceful and progressive than other Papua New Guineans'.⁸
- 2.13 However, prior to colonisation, Bougainville 'was not a unified political identity'.⁹ There were nineteen language groups and a further 35 dialects. Bougainvillean identity seems to have developed in response to changes that took place on Bougainville, particularly after WWII. As a result, skin colour became the 'focal symbol for...ethnic identity'.¹⁰

Culture

- 2.14 As discussed in the previous section, despite more recent expressions of common identity, Bougainville is not a homogenous island at all.¹¹ There are a variety of cultural groups present within Bougainville. Some tensions still exist between these groups. In Anthony Regan's view,

5 JSCFADT, *Australia's Relations with Papua New Guinea*, December 1991, p. 185.

6 Ibid, p. 185.

7 S Dorney, *The Sandline Affair*, ABC Books, September 1998, p. 39.

8 A Regan, 'Causes and Course of the Bougainville Conflict', *Journal of Pacific History*, Vol. 33, No. 3, 1998, p. 274, (Exhibit 7, also printed as an attachment: Submission, pp. 269-285).

9 S Dorney, op. cit., p. 39.

10 A Regan, Exhibit 7, p. 274 (citing Nash and Ogan, 'The Red and the Black').

11 DFAT, Transcript, 19 February 1999, p. 4.

Prior to colonial rule, most cultural differences were probably closely related to ecology and associated patterns of contact with other language groups or islands.¹²

For example, groups in the coastal areas were able to produce more and had a higher degree of contact with outsiders than those in the mountains and valleys.¹³ Patterns of colonisation tended to reinforce these pre-existing differences.¹⁴ Again as an example, coastal peoples were generally colonised earlier, had access to education and experienced economic growth earlier than those in the mountains.

- 2.15 Another traditional point of conflict existed between Bukans, from the smaller island of Buka to the north, and mainland Bougainvilleans. Bukans tended to regard themselves as different, if not superior to other Bougainvilleans. Colonisation reinforced this view. Many Bukans were employed as 'boss boys' elsewhere in Papua New Guinea and were told they were superior workers.¹⁵
- 2.16 There were also some variations in wealth and prestige within communities before colonisation.¹⁶ However, guaranteed access to land, stable populations and leadership based on prestige rather than wealth, ensured that 'social classes did not exist'.¹⁷
- 2.17 Despite claims of non-violence as a characteristic of Bougainvillean ethnicity, there is evidence that well into the colonial period Bougainvilleans were as prone to violent conflict within and between groups as the people of many other parts of Melanesia.¹⁸ Many of these tensions remained after the fighting had ceased.

Creation of Inequality

- 2.18 While colonisation brought many changes to Bougainville from the early 1900s, it remained a largely egalitarian society until the 1950s.¹⁹ There was limited material wealth to accumulate and social mechanisms were in place to restrict individual accumulation.²⁰ The mechanisms for levelling

12 A Regan, Exhibit 7, p. 270.

13 Ibid, p. 271.

14 Ibid.

15 A Regan, *Conflict Resolution and Mediation: The Bougainville Case*, Australian Institute of International Affairs, Canberra, 19 August 1999.

16 A Regan, Exhibit 7, p. 271.

17 Ibid, pp. 271-272.

18 A Regan, 'Towards Peace for Bougainville', *The Asia Pacific Magazine*, No. 9/10, 1995, p. 13.

19 Ibid.

20 A Regan, Exhibit 7, pp. 271-272

varied from group to group but included complex systems of exchange, matrilineal inheritance and the practice of distribution or destruction of property in the case of death.²¹

- 2.19 Economic and social changes following WWII created inequalities at odds with the traditional Bougainvillean culture of levelling. Until WWII there had been an abundance of land. A shift from subsistence gardening to cash cropping (cocoa and copra), along with rapid population growth, placed pressure on land availability. In addition, returns from cash cropping did not fully substitute for subsistence production, creating a demand for wage labour not matched by supply. This led to a growing frustration among young males.²²
- 2.20 Inequalities between groups were created by the variation of returns from cash cropping according to soil quality, rainfall and access to transport. Again, coastal groups tended to have advantage over those in the mountains.²³
- 2.21 Inequalities within groups were also created by the change from subsistence to cash cropping. The cycle of land distribution was effectively frozen and individuals or groups who had access to land at that point in the cycle gained economic advantage.²⁴ Land shortages contributed to inter-generational conflict and further alienation of young men now faced with limited economic opportunities.²⁵ These economic changes also tended to undermine the autonomy and status of women, who now had less control over land and income.

The Panguna Mine

- 2.22 The development of the Panguna gold and copper mine created even greater economic inequality between and within Bougainvillean societies, both aggravating existing tensions and creating new ones.
- 2.23 The Panguna mine was one of the world's largest open-cut mines, producing approximately 44 per cent of PNG's exports and around 17 per cent of internally generated government revenue.²⁶ The PNG Government held nineteen per cent of shares in BCL. Up until the closure of the mine,

21 Ibid.

22 Ibid.

23 Ibid, pp. 274-275.

24 Ibid, p. 275.

25 Ibid, pp. 272-276.

26 Bougainville Copper Limited, *Bougainville Copper Limited Annual Report 1998*, p. 1 (Exhibit 9).

BCL paid more than one billion dollars in tax and dividends to the PNG Government, \$33 million to landowners (\$28.5 million in compensation and \$4.5 million in royalties), and another \$83 million in royalties to the Provincial Government.²⁷

- 2.24 Surveying and test drilling had begun in the early 1960s and commercial production commenced at the Panguna site in April 1972, based on the Bougainville Copper Agreement made between BCL and the PNG administration and ratified by the House of Assembly in 1967. There was a further Bougainville Copper Agreement signed in 1974.
- 2.25 There was opposition to the mining on Bougainville from the very beginning. Bougainvilleans felt that their permission had not been sought and feared the wealth from the land being taken out of Bougainville. Resentment against the PNG Government and BCL by Bougainvillean landowners was largely created by '...an insensitive approach on the part of the Australian negotiators going back to the 1960s'.²⁸ Negotiations had been made according to the principles of Australian law, whereby anything below the surface, such as minerals, belonged to the government rather than the land titleholders.²⁹ This ruling was at odds with Bougainvillean traditional ownership laws.
- 2.26 Bougainvilleans were also suspicious of outsiders in general, as a result of a succession of European, Australian, Japanese and Papua New Guinean involvements since colonisation. They did not understand or accept the laws which excluded them from ownership of minerals and believed that both the PNG Government and the mining company were going to exploit them.³⁰
- 2.27 The Panguna mine operation involved roads, port facilities, a power station, the building of the town of Arawa, workers' housing, as well as health, education and sporting facilities.³¹ In the 1980s the mine employed a workforce of around 4,000, of whom one third were Bougainvillean.³² Another 4,000 workers were employed by approximately 200 businesses dependent on BCL, about half of whom were Bougainvillean.³³ Of the 200

27 S Dorney, *op. cit.*, p. 40.

28 DFAT, 'Bougainville, Background notes: 1989 to December 1997', http://www.dfat.gov.au/geo/spacific/png/bougainville/png_bg.html

29 Ibid and A Regan, Exhibit 7, pp. 272-277.

30 DFAT, 'Bougainville Background notes: 1989 to December 1997'.

31 Ibid.

32 A Regan, Exhibit 7, p. 275.

33 Ibid.

businesses, around half were owned by Bougainvilleans.³⁴ Yet few villagers from around the mine site held these jobs, being unskilled.

- 2.28 Much of the land around Arawa and the Panguna mine site had been mountain Nasioi land. The establishment of the mine involved the relocation of numerous families caught in the path of its development. Until the development of the mine, the Nasioi people had been very isolated and progress had been slower than elsewhere. As a result, egalitarian traditions remained particularly strong. The impact of the mine and the rapid changes that took place as a result was greatest on the Nasioi. Many disputes and tensions arose over rent and compensation payments. The new wealth enjoyed by some individuals was often due to a lack of understanding by government officers about the Nasioi land-holding system.³⁵ Bougainvilleans who had 'subsidiary claims under traditional tenure systems received much less than those who were regarded, however correctly, as primary right holders'.³⁶
- 2.29 Under Nasioi customary law, land ownership is matrilineal, passing from mother to eldest daughter. However, the Australian patrol officers in the 1960s registered the men as titleholders rather than the elder sisters who were the traditional caretakers of the land.³⁷ The BCL rent and compensation payments failed to take into account the complex traditional systems of land ownership in Bougainville. Landowners felt they were not being adequately compensated for the use of the land and not receiving sufficient royalties.³⁸
- 2.30 Compensation was to be paid for loss of gardens and dislocation, ranging from \$103 to \$60,000 annually with an average payment of \$590. Royalties of 1.25 per cent of the value of production were paid, of which 5 per cent went to the landowners and 5 per cent to the Provincial Government.³⁹ There were complaints that this was insufficient and that not all Bougainvilleans were eligible.⁴⁰ John Momis wrote of the mine in 1971, 'that it is the tragedy of the Nasioi that the economic benefits are not distributed in the same manner as the social costs'.⁴¹

34 Ibid.

35 Ibid.

36 Ibid.

37 S Dorney, op. cit., p. 41.

38 A Regan, Exhibit 7, p. 275-277 and DFAT, 'Bougainville, Background notes: 1989 to December 1997.'

39 DFAT, 'Bougainville, Background notes: 1989 to December 1997.'

40 Ibid.

41 S Dorney, op. cit., p. 39.

- 2.31 The rapid and dramatic changes that came about as a result of the Panguna mine created new tensions and aggravated existing ones. Wage, rent and compensation payments, as well as business activities, created dramatic economic inequalities between and within societies. Traditionally, Bougainvillean land ownership was held through the clan system. Many expected that the wealth coming from that land should be distributed evenly through that system rather than accumulated by individuals.⁴²
- 2.32 Additionally, Bougainvilleans were distressed by the physical destruction and removal of the land. They regarded the land as their life and livelihood and found it difficult to accept the loss of it. In *The Sandline Affair*, Sean Dorney points out that what the people objected to most was that the mining company had removed 1.215 billion tonnes of their land and turned 99.4 per cent of it into waste.⁴³
- 2.33 In addition, there were many environmental concerns. There were problems associated with the disposal of tons of overburden and tailings stored on the banks of the Kawerong or washed into the Jaba River, changing its flow and poisoning its waters.⁴⁴ The Panguna Landowners Association claimed the mine caused the extinction of the flying fox, retarded crop growth, poisoned fish and fruit trees, killed off pigs and possums and even caused birth defects in children. Perpetua Serero claimed 'the natural state of the land has been exploited and all our resources have been gone forever'.⁴⁵
- 2.34 Many Bougainvilleans believed that an erosion of traditional culture and practices was taking place and feared this would worsen. By destroying or limiting access to land, the mine created shortages of land for subsistence gardening and cash crop cultivation in large parts of central Bougainville.⁴⁶
- 2.35 Outsiders (the mining company, whites and non-Bougainvillean Papua New Guineans) tended to be blamed for all of the changes and associated problems. Even those not directly affected by the mine resented the outsiders.⁴⁷
- 2.36 A lack of representation of Bougainvilleans in the middle and senior management ranks of BCL staff and inequalities between the PNG
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42 A Regan, 'Towards Peace for Bougainville', p. 13.

43 Ibid, p. 40.

44 DFAT, 'Bougainville, Background notes: 1989 to December 1997'.

45 S Dorney, op. cit., p. 40.

46 A Regan, Exhibit 7, p. 275.

47 A Regan, 'Towards Peace for Bougainville', p. 13.

workers and Bougainvilleans, created resentment at the lack of opportunity for promotion and loss of control over their own land and resources.⁴⁸

- 2.37 Rapid changes and development of economic inequalities impacted heavily on young Bougainvillean males. Limited secondary school places and employment opportunities created 'a pool of under-educated, under-employed youth not susceptible to social control'.⁴⁹ Their role in society was no longer clearly defined, causing anger and frustration. As well, the weakening of the status of women lessened their influence over the unmarried men, which had previously acted as a mechanism against violence.⁵⁰ These two factors contributed to the increase of criminal activity in the 1980s and the emergence of the Bougainville Revolutionary Army (BRA).

Francis Ona/BRA

- 2.38 Francis Ona was a member of the Guava village in the area leased by BCL. His uncle had been one of those registered as a landholder, but Ona and his immediate family had 'little entitlement to land there and so received scant rent and compensation'.⁵¹ Ona worked at the Panguna mine firstly as a surveyor and then driving an ore dump truck for BCL.⁵²
- 2.39 Francis Ona and Pepetua Serero, his first cousin, formed The Panguna Landowners, a group of younger, more radical second-generation landowners who disputed the compensation arrangements.⁵³ They opposed the older landowners, accusing them of not distributing the rent and compensation money fairly and of being too conciliatory towards BCL.⁵⁴ Failing to reach a satisfactory solution among the landowners, Ona demanded K10 billion in compensation from BCL, a fifty per cent share in company profits, a localisation of BCL ownership within five years and greater environmental controls.⁵⁵
- 2.40 When these demands were not met, and dissatisfied with the results of a PNG Government-commissioned environmental study in November 1988, Ona resigned his job with BCL and began disrupting mining operations

48 A Regan, Exhibit 7, p. 276.

49 Ibid, p. 275.

50 Ibid, p. 283.

51 Ibid, p. 277.

52 S Dorney, op. cit., p. 40.

53 DFAT, 'Bougainville, Background notes: 1989 to December 1997.'

54 A Regan, 'Towards Peace for Bougainville', p. 13.

55 DFAT, 'Bougainville, Background notes: 1989 to December 1997.'

and sabotaging BCL property. On 1 December 1988, Ona supporters used explosives stolen from BCL to destroy a transmission tower supplying power to the mine and demanded its closure.⁵⁶

- 2.41 In early 1989, Ona and his followers became known as the BRA. Ona's strongest supporters were young Bougainvillean men:

A BRA ideology developed quickly, focussed on the outsiders (BCL, the national government and 'red-skins' – other Papua New Guineans) who were allegedly responsible for destroying an idyllic egalitarian traditional society which the BRA promised to re-establish.⁵⁷

- 2.42 Despite widespread interest in secession by 1988, it was not a major concern of Ona's supporters in the early stages of the conflict. Rather, the focus was on resentment against outsiders and accessing a greater share of profits from the mine.⁵⁸ The growth of active support for immediate secession was largely a reaction to the violent behaviour of PNG security forces, largely made up of non-Bougainvilleans, which brought the issue of ethnicity into prominence. Ona exploited these widespread feelings surrounding this issue and adopted secession as part of the BRA's agenda in order to attract wider support.⁵⁹

Expansion of the Conflict: 1989 - 1994

- 2.43 The BRA increased their attacks on BCL, targeting power pylons and employees. Riot police were flown in to restore order but their methods — including burning homes and villages and abuse of the civilian population — worsened the situation. In March of 1989 the police were reinforced by the PNGDF, who were also ill disciplined and unsuccessful in resolving the conflict. Finally, the mine was forced to close in May 1989.
- 2.44 Unwilling to lose revenue from the mine, throughout 1989 the PNG Government made numerous attempts at a settlement with the BRA. All were unsuccessful. The peace offers were, unfortunately, accompanied by a contradictory policy of a harsh military response. The lack of discipline, focused command or clear objectives, along with the difficult terrain,

56 Ibid and S Dorney, op. cit., pp. 40-41.

57 A Regan, 'Towards Peace for Bougainville', p. 14.

58 A Regan, Submission, pp. 550-551.

59 Ibid.

resulted in brutal and undisciplined behaviour of the PNGDF which completely undermined reconciliation attempts:

The documented human rights abuses by the Papua New Guinea Defence Forces in this period consolidated the population behind the BRA and left a legacy of fear and suspicion which the PNGDF is still overcoming.⁶⁰

- 2.45 The outbreak of violence over the mine served as a catalyst, setting in motion a series of events which unleashed accumulated tensions and turned what had been a 'localised dispute into a more generalised ethno-nationalist revolt'.⁶¹
- 2.46 In June 1989 the PNG Government of Prime Minister Namaliu announced a state of emergency and imposed curfews on the island. The PNGDF and the police were unable to control the situation. In July the Australian Government provided four unarmed Iroquois helicopters to assist the PNGDF, on the condition that they were not to be used in combat.⁶²
- 2.47 In 1990 the dispute worsened considerably. On 14 February 1990 the PNGDF were apparently responsible for the massacre of people in an incident known as the St. Valentine's Day massacre, as a result of which five bodies were dropped at sea from the (Australian Government provided) Iroquois helicopters. By March, Australian nationals and BCL employees were withdrawn and the PNG Government withdrew its security forces. Bougainville was under BRA control.⁶³
- 2.48 Despite agreeing to disarm and negotiate, Ona declared independence in May 1990, forming the Republic of Me'ekamui with himself as president. The PNG Government began to cut off services to the island in what was to become known as the blockade. Virtually no manufactured goods, including medicines, reached Bougainville, triggering a collapse in the economy, causing many deaths and forcing Bougainvilleans to return to a traditional way of life. The blockade remained in position until the ceasefire in September 1994 (and operated informally for much of Bougainville until 1997). The blockade served to add to the resentment toward the PNGDF, who enforced it and were seen to be deliberately harming Bougainvilleans.⁶⁴

60 DFAT, 'Bougainville, Background notes: 1989 to December 1997'.

61 A Regan, Exhibit No. 7, p. 277 and 'Towards Peace for Bougainville', p. 14.

62 S Dorney, op. cit. and DFAT, 'Bougainville, Background notes: 1989 to December 1997'.

63 Ibid.

64 A Regan, Submission, p. 554.

- 2.49 Support for the BRA at this time was fairly widespread. Anthony Regan suggests that the goal of independence would probably have been achieved had the BRA had been more disciplined and organised.⁶⁵ However, Ona was unable to deliver effective government or unity. Throughout the conflict, the BRA continued to develop its ideology which 'became increasingly suspicious of the modern world, including aspects of formal education, medicine and major economic activities'.⁶⁶
- 2.50 Under Ona's supreme command, former PNGDF lieutenant, Sam Kauona was Commander of the BRA. A civilian government was created, the Bougainville Interim Government (BIG), with Ona as President. The BIG incorporated former provincial government members, including the premier, Joseph Kabui, who was appointed Vice-President. The BIG had limited influence over Ona and the BRA and neither the BIG nor the BRA had much control over the BRA fighters.⁶⁷ As Anthony Regan points out:
- These were mainly young men in locality-based and largely independent groups most of which were only loosely linked to the high command. They had vastly differing perceptions of what was involved in the conflict. While some were disciplined and highly motivated, others were little more than criminal gangs.⁶⁸
- 2.51 With the common enemy (the PNGDF and police) off the island, many BRA groups lost direction, focusing instead on 'levelling' Bougainville: the new perceived enemies included non-Bougainvilleans, the wealthy, well-educated, senior government officers and those thought to be cooperating with the PNG Government.⁶⁹ All groups were subjected to harassment, imprisonment, torture and even murder.⁷⁰ Some BRA groups also became involved in disputes between or within communities.⁷¹
- 2.52 In late 1990, as part of their policy of restoring traditional authority, the BRA / BIG established the formal councils of chiefs. While partly successful, there were also conflicts between chiefs and young men with guns 'who saw little reason to accept any limits on their new-found status and power'.⁷² Support for the BRA declined.

65 A Regan, Exhibit 7, p. 278.

66 Ibid.

67 Ibid.

68 Ibid.

69 Ibid.

70 Ibid.

71 Ibid.

72 Ibid, p. 279.

- 2.53 Formal armed opposition to the BRA began to emerge from the mid-1990's. In September 1990 the PNGDF again became involved in the conflict. After an outbreak of violence in Buka between local BRA groups and BRA from the mainland, Buka leaders invited the PNGDF back to resolve the conflict. The PNGDF took control of Buka and, between 1991 and 1992, also most of the north and southwest of the main island.⁷³
- 2.54 Armed opponents of the BRA and former BRA groups formed what became known as Resistance Forces. They were armed and supported by the PNGDF.⁷⁴ Throughout 1991 and 1992 the PNGDF gradually returned to Bougainville. Although atrocities still occurred, in an apparent change of government policy, the PNGDF were more controlled and disciplined.⁷⁵
- 2.55 In mid 1992 a new government was elected under Prime Minister Wingti, who increased military initiatives to try to retake the mine and to expand areas of government control. The resulting conflicts led to considerable loss of life. Violence became widespread as BRA, Resistance forces and semi-criminal groups became vehicles for localised conflict.⁷⁶ Some of these conflicts were based on pre-existing tensions, some on struggles for power. 'A culture developed where violence became the main means of resolving disputes'.⁷⁷ There were human rights abuses on all sides and a deepening of divisions between groups.⁷⁸
- 2.56 Many Bougainvilleans fled to the Solomon Islands and thousands retreated to care centres. The PNGDF and Resistance provided security in these centres but conditions were poor. 'Afraid of the BRA and increasingly resentful of the PNGDF, many care centre residents were true victims of the conflict'.⁷⁹ By mid-1994 it is estimated that 50,000, or a third of the population at the time, were in these centres.⁸⁰
- 2.57 Support for the BRA remained strong in central and south Bougainville, where the impact of the mine had been greatest. Elsewhere, despite deep resentment of the PNG Government, support for Ona and his ideals continued to decline as violence involving the BRA continued and ethno-nationalist sentiment subsided.

73 Ibid.

74 Ibid.

75 DFAT, 'Bougainville, Background notes: 1989 to December 1997'.

76 A Regan, Exhibit 7, p. 279.

77 Ibid.

78 Ibid.

79 Ibid.

80 Ibid, p. 280.

- 2.58 Despite the ethno-nationalist sentiments which were reignited during the conflict, Anthony Regan considered that 'the development and unfolding of the conflict was to a large degree the product of decisions made in the context of the localised concerns of such small-scale communities.⁸¹ Anthony Regan has also suggested that this pattern of decision making will continue throughout the peace process.⁸²

Early Attempts to Resolve the Conflict

- 2.59 A major effort towards a resolution of the conflict was made on 5 August 1990 with the signing of the **Endeavour Accords** aboard the New Zealand warship, *Endeavour*. The agreement sought to restore services to the island but was never implemented due to a lack of agreement about who was to be responsible for the delivery of those services.⁸³
- 2.60 On 23 January 1991, PNG and Bougainvilleans signed **The Honiara Declaration**. The agreement sought to annul the unilateral declaration of independence of the BRA, restore services cut off by the blockade of Bougainville, introduce a Multinational Supervisory Team (MST) to supervise the truce, disarm the BRA and offer an amnesty to the BRA.⁸⁴ Although initially accepted, the declaration was rejected within hours of its signing by BRA delegates who would not accept the condition of arms disposal. This turnaround and the rejection of relief supplies on 19 February were indicative of a leadership dispute within the BRA.⁸⁵
- 2.61 In April 1993, the **Bougainville Leaders Forum**, involving 500 Bougainvilleans and 150 traditional leaders, met on Buka and made a number of resolutions: the security forces remain firmly in place; secession was an impediment to peace; the Provincial Government be reinstated; a North Solomons Peace Negotiating and Monitoring Committee be formed; and the BRA leadership be invited to the next meeting.⁸⁶
- 2.62 Also in 1993, the Solomon Islands, concerned about the instability on its border and the potential for escalating conflict with PNG created by the

81 A Regan, Submission, p. 552.

82 Ibid.

83 DFAT, 'Bougainville, Background notes: 1989 to December 1997'.

84 Ibid.

85 Ibid.

86 DFAT, 'Bougainville, Background notes: 1989 to December 1997'.

war, proposed a six-point initiative to the PNG Government. The proposals included: normalising relations and services with PNG; closing down the BRA office in Honiara and setting up a Peace Office in its place to be run by NGOs; convening a proposed Pan Bougainville Leaders Conference; appointing an Honorary Consul in Port Moresby; and negotiating a Border Treaty with PNG.⁸⁷

- 2.63 Sir Julius Chan became foreign minister in January 1994 and directed a considerable amount of energy into resolving the Bougainville issue.⁸⁸ Chan was working towards peace talks with the help of Solomon Islands Prime Minister, Hon Billy Hilly.
- 2.64 In April 1994, a delegation of Australian Members of Parliament led by the then Chairman of the Committee, Senator the Hon. Stephen Loosley, was invited by the PNG / Australia Ministerial Forum to make an assessment of the situation on Bougainville. The delegation concluded that there could be no military solution to the conflict in Bougainville and, equally, that secession through force of arms was not an option. The visit itself, and the recommendations made in the delegation report, tabled in the Australian and PNG Parliaments on 9 June 1994, provided further impetus for the peace process.
- 2.65 Meanwhile, Prime Minister Wingti was taking a more aggressive approach. In August 1994 Wingti authorised **Operation High Speed** to retake Panguna mine. An announcement by Wingti of the success of the operation on 16 August proved premature. The PNGDF were in fact forced to withdraw after a major was killed and the Officer in Charge, Jerry Singirok, was shot through the wrist.⁸⁹
- 2.66 By the end of August, as a result of a legal challenge mounted by Chris Haiveta, Wingti was found to be only caretaker Prime Minister. Sir Julius Chan formed a coalition with Chris Haiveta and was elected Prime Minister, defeating the other nominee, Bill Skate.⁹⁰ Chan publicly announced that resolving the Bougainville crisis was his top priority.
- 2.67 In September 1994, Chan met with Sam Kauona, the BRA army commander and member of the BIG in Honiara. These talks resulted in a cease-fire, and plans for a peace conference.

87 Ibid.

88 S Dorney, op. cit., p. 51.

89 Ibid.

90 Ibid, p. 51.

- 2.68 The **Arawa Peace Conference** was held in October, attended by over 1,000 people with high hopes for peace.⁹¹ A South-Pacific regional peace-keeping force provided security. However, the senior BRA leadership failed to attend.
- 2.69 Partly as a result of the cease-fire and the failure of Ona to attend the Arawa talks, a more moderate BRA leadership emerged around Kabui and Kauona. In addition, in what was the first break-away from the BRA / BIG among the Nasioi, Theodore Miriung, a former judge and legal adviser for the BRA, emerged as a leader of the North Nasioi area.⁹²
- 2.70 In November 1994, the **Mirigini Charter** was signed by Prime Minister Chan and Bougainville leaders, establishing eight local government bodies in Bougainville and forming the basis for what was to become the Bougainville Transitional Government (BTG), formally established in April 1995. The BTG comprised the chairmen of the interim authorities and representatives of the 18 provincial electorates selected by the councils of chiefs, with Miriung as Premier. The BTG was to act as mediator between the PNG Government and the BRA / BIG.
- 2.71 Chan was becoming frustrated at the slow pace but continued to work towards a negotiated settlement.⁹³ Despite suspicion on all sides, some progress was made.
- 2.72 Chan agreed to meetings between the BRA / BIG and the BTG in **Cairns** in September and December 1995. Through an agreement made with the PNG Government, these talks were jointly chaired by representatives of the United Nations and Commonwealth Secretariats. As a result of the meetings, both sides agreed to re-examine the possibility of another cease-fire.⁹⁴
- 2.73 The process broke down, however, after disagreements between the PNG Government and the rebels over arrangements for further talks. The negotiation process was further undermined when elements of the PNGDF fired upon the BRA / BIG delegation as they returned to Bougainville from the Cairns talks. It is unclear if this action was ordered by the national government, although at the time Chan was apparently concerned that the BRA / BIG and the BTG were becoming too close.⁹⁵ He

91 A Regan, Exhibit 7, p. 280.

92 Ibid, p 281.

93 S Dorney, op. cit., p. 54.

94 DFAT, 'Bougainville, Background notes: 1989 to December 1997.'

95 A Regan, Exhibit 7, p. 281.

was also growing increasingly impatient for a solution to the Bougainville problem.

- 2.74 As a result of the PNGDF ambush there was another upsurge of violence. On 21 March 1996, in response to increasing hostilities between the PNGDF and the BRA, Prime Minister Chan lifted the ceasefire on Bougainville which had been in place since September 1994.⁹⁶
- 2.75 On 20 June 1996, PNG's Defence Minister Mathias Ijape announced the launch of a new military offensive on Bougainville, called **Operation High Speed II**. The operation failed due to poor logistic support and a lack of intelligence regarding BRA locations, mounting PNGDF casualties, and increasing discipline problems among the troops.⁹⁷ PNGDF troops were withdrawn in August.
- 2.76 A few weeks later, in what became known as the **Kangu Beach Massacre**, on 7 September 1996, 12 PNGDF and police personnel were killed and five taken hostage near Buin, when Resistance forces apparently turned against them.⁹⁸ On 12 October 1996 the Premier of the BTG, Theodore Miriung, was murdered. An independent coronial inquiry suggested both PNGDF and Resistance members were implicated in the killing, but no charges have been laid to date.⁹⁹

The Sandline Affair

- 2.77 Initially committed to a negotiated settlement, Chan was now angry and indignant, since the effort and money he had put into resolving the crisis had come to nothing.¹⁰⁰ He was also intent on resolving the Bougainville crisis before the June elections. On 31 January 1997, Chan secretly signed a contract with a private military consultancy firm, Sandline International. The British-based firm with South African connections, using mercenaries and high-tech equipment, was to equip, train and assist the PNGDF to conduct a special military operation designed to defeat the BRA and take control of the mine. The plan included a proposal by the PNG Government to purchase the giant mining company RTZ-CRA's 53 per cent shareholding in BCL.¹⁰¹

96 Ibid and DFAT, 'Bougainville, Background notes: 1989 to December 1997',

97 DFAT, 'Bougainville, Background notes: 1989 to December 1997.'

98 M-L, O'Callaghan, op. cit., p. 151.

99 DFAT, 'Bougainville, Background notes: 1989 to December 1997'.

100 S Dorney, op. cit., M-L O'Callaghan, op. cit., and *Four Corners*, ABC TV, 14 July 1997.

101 Mr Justice Andrew, Commissioner, *Report of the Commission of Inquiry into the Engagement of*

- 2.78 Chan was initially reluctant to use mercenaries. Rather, it was Matthias Ijape who initiated the Sandline contract. Ijape first had notions of employing mercenaries in the early 1990s while Police Minister, along with then Defence Minister Benias Sabumei.¹⁰² They made contact with a British company with SAS connections - Defence Systems Ltd (DSL). Although the plan did not go ahead at the time, Ijape and Sabumei maintained this contact. It was the DSL chairman Alistair Morrison, who referred Ijape to Tim Spicer in March 1996.¹⁰³
- 2.79 During April 1996, Ijape, now Defence Minister, James Melegepa, Secretary for Defence and Brigadier Jerry Singirok, Chief of the Defence Forces met Tim Spicer and Tony Buckingham for initial discussions. Later in the month, Singirok met with Spicer (then representing Plaza 107 Ltd) and Michael Grunberg (Branch Energy Ltd) while in London and brought back a proposal, titled *Project Contravene*. Singirok told Ijape he thought it 'looked good'.¹⁰⁴ Ijape raised the idea with Chan, who apparently showed little interest at the time, choosing instead to go ahead with Operation High Speed II.¹⁰⁵
- 2.80 *Project Contravene* aimed to kill or capture key BRA / BIG commanders and to capture and hold the mine.¹⁰⁶ The proposal also contained suggestions for part-payment to be made with mineral concessions and a joint mining venture.¹⁰⁷ In September 1996, Noel Levi, Secretary of the Department of Prime Minister and the NEC, advised Chan not to accept the proposal. However, in October, the Deputy Prime Minister, Chris Haiveta, met with Spicer while in London on other business. Apparently extremely interested in the proposal, Haiveta invited Spicer to PNG.¹⁰⁸
- 2.81 In November, Spicer contacted Ijape to arrange the visit to PNG, using the business name Sandline International. In early December, after discussions with Haiveta, Ijape and other senior officials, a consultancy agreement was signed. Sandline was to produce a detailed proposal for a

Sandline International (Exhibit 21), and DFAT, 'Bougainville, Background notes: 1989 to December 1997.'

102 S Dorney, op. cit., p. 102-105 and Mr Justice Andrew, Exhibit 21.

103 S Dorney, op. cit., pp. 83-84.

104 A Regan & S Dinnen, 'The Sandline Affair: a chronology of significant events', *Challenging the State: The Sandline Affair*, p. 11.

105 Ibid.

106 Mr Justice Andrew, Exhibit 21, p. 111.

107 A Regan, & S Dinnen, 'The Sandline Affair: a chronology of significant events', p. 11.

108 S Dorney, op. cit. and M-L. O'Callahan, op. cit.

fee of \$250, 000.¹⁰⁹ Spicer returned to PNG on 31 December 1996 with 12 copies of this proposal.¹¹⁰

- 2.82 On 7 and 8 January 1997, Spicer met with Chan, delivering written and verbal briefings on the proposal. Chan was under a great deal of pressure to resolve the crisis and was faced with limited options:

The combination of the failure of High Speed II, the Kangu Beach massacre and the killing of Miriung had deeply adverse impacts on the morale and credibility of the PNGDF. As a result it was clear that a military option relying on the PNGDF alone was simply not viable.¹¹¹

Aware of Chan's situation and of the coming June elections, Spicer presented an attractive solution, playing on anti-Australian sentiments while strategically failing to address long term issues. Chan decided to accept the proposal.¹¹² With limited examination of the document, a cabinet submission was prepared. As Sean Dorney points out in *The Sandline Affair*, from the very beginning 'none of the normal rules were followed'.¹¹³

- 2.83 Due to its sensitive nature, the submission never went to the full Cabinet, instead going straight to the National Security Council (NSC), (a committee of the NEC) which approved Sandline's proposed *Project Contravene* on 15 January.¹¹⁴ Towards the end of January a negotiating team, consisting of State Solicitor Z Gelu, Melegepa, Singirok and the acting Deputy Secretary for Finance, considered the terms of contract closely and raised a number of concerns about Sandline's background and the contract itself.¹¹⁵
- 2.84 Singirok was particularly concerned about costs, the length of the contract and the feasibility of the helicopters that were to be provided. However, the team was not in a strong position to bargain, with a draft contract already signed. As a result, despite these reservations, the final contract — now titled *Project Oyster* — was signed with only minor changes on 31 January 1997 and US \$18 million, half of the total cost, was transferred from PNG Government accounts to a Sandline Holdings account.

109 A Regan, & S Dinnen, 'The Sandline Affair: a chronology of significant events', p. 11.

110 Ibid, p. 12.

111 A Regan, 'Preparation for War and Progress Towards Peace – Bougainville dimensions of the Sandline Affair', *Challenging the State: the Sandline Affair in Papua New Guinea*, p. 56.

112 A Fowler, *Four Corners*, ABC TV, 14 July 1997.

113 S Dorney, op cit., p. 177.

114 Ibid, p. 178.

115 S Dorney, op. cit. and Exhibit 21.

- 2.85 Under the *Sandline Contract Agreement for the Provision of Military Assistance* signed on the 31 January 1997, Sandline was contracted to provide military expertise to support the PNGDF 'in the protection of its Sovereign territory and regain control over important national assets, specifically the Panguna mine'.¹¹⁶ Sandline personnel were to act as consultants, trainers and technical officers to work alongside the PNGDF Special Forces Unit at the cost of US\$36 million.¹¹⁷ The second part of the plan involved the PNG Government buying out CRA shares in BCL in order to gain financial control of the mine.
- 2.86 In early February 1997, while arrangements were being made for the Sandline personnel to enter PNG, Chan made a statement announcing a new approach to the Bougainville peace process, which was widely interpreted to indicate a softer government approach and a new peace initiative.¹¹⁸ He was thought to be referring to a **Bougainville Peace Strategy** being developed at the time by Provincial Affairs Minister Peter Barter and the BTG. It suited Chan's purposes for Barter to appear to be succeeding, while in fact the contrary Project Oyster was going ahead.¹¹⁹
- 2.87 Peter Barter's peace strategy had been developed with Theodore Miriung and involved empowering Bougainville's traditional leaders to draw the warring factions together. The Australian Government was impressed by the plan and had offered to provide assistance for its development.¹²⁰ The Bougainville Peace Strategy was eventually implemented after the Sandline crisis, on 29 May 1998.
- 2.88 Mercenaries and aircraft began arriving in Port Moresby on 7 February 1998. The Australian Government knew little of what was going on until mid February, when intelligence agencies were able to determine that Chan was considering using foreign mercenaries, although their origin remained unknown. On 18 February, Prime Minister John Howard called Chan, to try to persuade him to drop the plan, unaware that the contract was already signed. Chan admitted he had hired foreign mercenaries but claimed they were only to provide training for the PNGDF. When Alexander Downer landed in PNG on Wednesday 19 February 1997 the name Executive Outcomes had been raised. The details remained unclear,

116 The Sandline Contract 'Agreement for the Provision of Military Assistance', cited in Exhibit 21, p. 86.

117 Ibid.

118 S Dorney, op. cit., pp. 205, 221.

119 Ibid, p. 221.

120 M-L O'Callaghan, op. cit., p. 237.

but Mr Downer had enough information to enable him to ask the right questions.¹²¹

- 2.89 Downer met with Chan and made it clear that Australia was opposed to the use of mercenaries in Bougainville even if, as Chan claimed, it was only for training.¹²² After the meeting, Downer rang Prime Minister Howard and related what had been discussed. Howard responded by telephoning Chan again himself. During the Los Inquiry, later conducted into the Sandline Affair, Chan said that in this conversation he:

...advised Howard that we had the contract with Sandline consultants and that we were bringing military equipment into Papua New Guinea. I was surprised that the Australian Government seemed not to have known of the exercise.¹²³

Chan had assumed Australian intelligence agencies would have learned of the contract through the monitoring of his ministers' movements and communications.¹²⁴

- 2.90 At a press conference on late Wednesday afternoon, Downer made a statement announcing a \$A4 million Bougainville aid package for the Red Cross, Australian Government support for the Barter peace initiative and Chan's statement about a new approach to Bougainville, but warned:

We'd obviously be concerned if any party took action which undermined these favourable developments and we'd like to see all parties involved playing a constructive role. That includes a view we have which is that the taking of hostages and the killing of people is clearly unacceptable and in the context of those comments I would call on the BRA to release the hostages who are currently held.¹²⁵

- 2.91 Downer left PNG on Friday 21 February, again advising against a military solution for Bougainville. The next day Mary-Louise O'Callaghan broke the story of the Sandline contract in the *Weekend Australian*. In an article titled 'PNG hires mercenaries to blast rebels', O'Callaghan revealed details about Sandline International and Executive Outcomes and the contract '...to execute a series of covert military operations on Bougainville aimed

121 Ibid, p. 247.

122 S Dorney, op. cit., p. 222.

123 Ibid, p. 223.

124 S Dorney, op. cit., M-L O'Callaghan, op. cit. and Exhibit 21.

125 Hon. Alexander Downer, MP, 17 February 1997, cited in S Dorney, op. cit., p. 223.

at wiping out the rebel leadership and rescuing five PNG soldiers who have been held hostage by rebels since last September'.¹²⁶

- 2.92 In Australia, both the Opposition and the Government strongly opposed the plan. On 24 February, the foreign Minister told ABC Radio's AM program that Australia would do everything possible to stop the use of mercenaries.¹²⁷ The British, New Zealand and Solomon Islands governments also expressed their opposition to the plan.¹²⁸
- 2.93 Chan continued to claim that the mercenaries were to be employed only in a training role and sought to portray the Sandline contract as part of an overall strategy to develop the capabilities of the PNGDF and force the rebels to negotiate an end to the Bougainville conflict. There was some opposition within PNG to the idea, but initially Chan experienced strong support.¹²⁹ He was seen to have 'made a bold decision to bring in mercenaries to fix a problem that Australia had refused to help with'.¹³⁰ Australia's reaction was seen by many to be interfering and paternalistic.
- 2.94 On 9 March Chan and Howard met in Sydney to discuss possible alternatives to the Sandline proposal. Chan remained defiant, arguing that he had continually asked Australia for the necessary specialist training and equipment and the Australian Government's refusal to assist left him with no other choice. Haiveta also expressed a similar view:
- We have made several requests for them to supply us with the right kind of equipment and ammunitions, and personnel to train our soldiers, and they haven't done it. So we said, well the next best is to source it privately.¹³¹
- 2.95 The PNG Finance Department went to extreme lengths to find the money required for the initial payment to Sandline of \$US18 million.¹³² Initially Haiveta was going to use sale proceeds from Orogen Minerals Ltd using the defunct company Roadco as a vehicle. Eventually he was persuaded by senior officials that this was illegal and could cause major problems with the IMF and World Bank. In the end the money came from government spending cuts.¹³³
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126 M-L O'Callaghan, 'PNG hires mercenaries to blast rebels', *The Weekend Australian*, 22 February 1997, p. 1.

127 S Dorney, op. cit., p. 227.

128 Ibid, pp. 227-230.

129 Ibid.

130 Ibid.

131 Haiveta, *Four Corners*, ABC TV, 14 July 1997.

132 S Dorney, op. cit., p 179.

133 Exhibit 21, S Dorney op. cit. and M-L O'Callaghan, op. cit.

- 2.96 *Project Oyster* was terminated by Brigadier-General Jerry Singirok. Chan had placed Singirok in charge of the defence force in early 1997, tasked with rebuilding the force and resolving the Bougainville situation. At the time, the PNGDF was commonly regarded as undisciplined and ineffective.¹³⁴ Although he seemed initially to support the proposal, Singirok had some reservations about the Sandline agreement — the cost, the role of the Special Forces Unit and the suitability of the helicopters to be used. He felt his authority and the PNGDF were being undermined and was angry that not only was there was no counter funding for his Special Forces Unit to take part in the Sandline proposal, but the existing defence budget had actually been cut.¹³⁵
- 2.97 Singirok entrusted Major Walter Enuma with removing Sandline. He devised **Operation Rausim Kwik**. On the evening of 16 March 1997, PNGDF personnel detained Spicer and other Sandline personnel in both Port Moresby and Wewak.¹³⁶
- 2.98 On 17 March, Singirok called for the resignation of Haiveta, Ijape and Chan. After briefing the Governor General he read a statement on national radio outlining his objections to Sandline and his refusal to implement the Sandline contract.¹³⁷
- It is my professional and ethical opinion that it is wrong to hire Sandline International to carry out the operations on Bougainville at a price which could re-equip and boost the morale of our Security forces who for the past nine years have managed to contain the uprising given the depleted resources, personal sacrifices and lack of funding for vital allowances and supplies from successive governments.¹³⁸
- 2.99 The next day Chan's cabinet dismissed Singirok from the Defence Forces. On national television, Enuma announced that Operation Rausim Kwik would continue despite Singirok's dismissal. He had the support of the general public and most of the PNGDF, who were angry that the government would spend \$US36 million dollars on mercenaries when they could barely get paid at all.¹³⁹

134 S Dorney, op cit., p. 56-7.

135 Ibid, p. 187.

136 A Regan and S Dinnen, 'The Sandline Affair: a chronology of significant events', *Challenging the State: the Sandline Affair in Papua New Guinea*, S Dinnen, R May and A Regan (eds), National Centre for Development Studies, 1997, p. 16.

137 Ibid, p. 17.

138 Singirok's *Address to the Nation* – (cited in Exhibit 21), p. 10, para 5.

139 Exhibit 21, S Dorney, op. cit. and O'Callaghan, op. cit.

- 2.100 Over the next ten days there were demonstrations, riots and some incidents of looting, beginning around the Murray Barracks and spreading elsewhere in PNG. The demonstrators supported Singirok's actions and called for the downfall Chan.
- 2.101 Australia continued to apply pressure on Chan to cancel the contract. Howard spoke with Chan by telephone and three Australian representatives travelled to PNG to meet with Chan — Phillip Flood (DFAT), Hugh White (Department of Defence) and Allan Taylor (Department of the Prime Minister and Cabinet). At the same time, Australia publicly condemned Singirok's actions.
- 2.102 Late on 20 March 1997, Chan announced the suspension of the Sandline contract and a judicial inquiry into the circumstances surrounding the engagement of Sandline. Singirok again called for the resignation of Chan, Haiveta and Ijape and released copies of the Sandline contract. Arrangements were made for the mercenaries to be deported, while Spicer was detained in the country and later charged with firearm offences.
- 2.103 On 26 March, crowds gathered around the Parliament building, actually holding it siege overnight. Bill Skate, who had opposed the Sandline proposal, filed a motion for Chan to step down. The motion was denied. However, eventually, as pressure continued to mount from all directions, Chan announced that he, Haiveta and Ijape would step down pending the findings if the Commission of Inquiry
- 2.104 A **Commission of Inquiry** into the circumstances of the engagement of Sandline International, commenced on 1 April 1997, conducted by Australian Mr Justice Andrew. Andrew found that there was no evidence of corruption. However, he was critical of Haiveta, rejecting parts of his evidence as untruthful and finding his actions and motivations suspicious.¹⁴⁰ The judge was also critical of the lack of investigation of the contract before signing and of the financial arrangement regarding the first payment:

There was insufficient inquiry into the background and identification of Sandline International and [into] the objectives of Sandline in relation to the Panguna mine...¹⁴¹

At the time of the NEC decision there was no draft contract and no instruction was given to the State Solicitor either to draft a contract

140 Exhibit 21, para 6.61.

141 Ibid, para 6.72.

or to look at the legal implications of what had been approved...¹⁴²

No-one on receipt of the Sandline draft contract, seems to have given any thought to having its terms checked. There had still not been any investigation carried out to verify the prices Sandline had attributed to the equipment it was supplying. Under the draft contract the State was to make an immediate payment to Sandline...of \$US18 million without receiving anything in return, and without any security or guarantee of performance on the part of Sandline.¹⁴³

- 2.105 There were also allegations of impropriety regarding BCL shares. Discussions took place in Hong Kong between Haiveta and Sandline parties:

It seems likely that discussion included the prospect of Sandline or a company associated with its principals obtaining an interest in the mine and Sandline providing on-going security services at the mine...¹⁴⁴

These discussions were followed by a jump in trading of BCL shares on the Australian Stock Exchange.¹⁴⁵ Although Andrew appeared sceptical about the evidence given by the concerned parties he once again found that there was no evidence to prove the allegations.

- 2.106 Justice Andrew found that Singirok had initially been supportive of the concept and a 'willing participant'¹⁴⁶ in the engagement of Sandline. Andrew attributed Singirok's 'change of heart'¹⁴⁷ to his belief that Sandline, particularly Spicer, was undermining his authority.¹⁴⁸
- 2.107 The inquiry found that there was no evidence of any personal corruption or impropriety on the part of Sir Julius Chan.¹⁴⁹ Chan officially released the findings of the Inquiry on 2 June 1997, claiming it cleared him of any wrongdoing. The next day he was restored as Prime Minister.
- 2.108 However, largely as a result of the Sandline affair, Chan lost his seat in the June 1997 elections. When Parliament met again on 22 July, Bill Skate was

142 Ibid.

143 Ibid, para 3.28.

144 Ibid, para 4.34.

145 S Dorney, op. cit., p. 215.

146 Exhibit 21, p. 65.

147 Ibid, p. 66.

148 Ibid.

149 Ibid, para. 6.70.

elected Prime Minister. Despite being implicated in wrongdoing surrounding the Sandline Affair through political manoeuvring, Haiveta remained Deputy Prime Minister.

- 2.109 Skate announced a new inquiry into the events surrounding Sandline, the **Los Commission Inquiry**. This second Sandline Commission of Inquiry, chaired by Justice Sir Kubulan Los, opened in August 1997. The findings were tabled in Parliament in September of 1998. Los was also very critical of Haiveta, questioning his credibility and holding suspicions 'that he received a corrupt and improper payment'.¹⁵⁰ However, once again no conclusive evidence was found.
- 2.110 Singirok was charged with sedition in September 1997. He was also found to have accepted payments from Sidney Franklin, a London arms dealer. However, no action was taken against him. He was reinstated as Commander of the Defence Force in October 1998 by Skate's cabinet. Enuma and four other members of the special forces unit were court martialled for mutiny, receiving sentences of between five and ten years. After an appeal in March 1999 the Supreme Court declared a mistrial and ordered a retrial.¹⁵¹ On 20 July 1999, the trial was adjourned indefinitely.
- 2.111 On 6 August, the government of newly elected Prime Minister, Sir Mekere Morauta suspended Singirok as Commander of the Defence Forces, pending investigations. In addition, on 5 August 1999, Enuma and his four colleagues appeared in court for retrial on mutiny charges.
- 2.112 The State of PNG mounted a constitutional challenge against the Sandline contract, which was unsuccessful. On 30 March 1999, the PNG Government lost an appeal to overturn the court order to pay Sandline International the remaining \$US18 million. The court found that the contract was entered into by the lawful state of PNG and it was irrelevant whether or not it was unlawful under the constitution of PNG. Although threatening to lodge a further appeal, Skate announced on 1 May that the PNG Government had agreed to settle the dispute and pay Sandline the outstanding amount, plus legal costs and interest, a total of \$US25 million.¹⁵² The PNG Government later negotiated that Sandline claim back its military equipment and the payment be reduced to \$US13 million.¹⁵³
- 2.113 A large cache of this military equipment — including Mi-24s, Mi-17s, and rockets — was stored at Tindal RAAF base in the Northern Territory on

150 *The Post-Courier*, 'Sandline Probe lashes Haiveta', 30 September 1998.

151 *The National*, 'Sandline soldiers face retrial today', 31 May 1999.

152 AAP 'Mercenaries affair put to rest with \$38 million payment', 1 May 1999.

153 *The National*, 'Defence Force to keep Sandline arms', 12 May 1999.

27 March 1997. A PNG delegation visiting the site in April 1997, although without a proper inventory, reported that the helicopters were earlier models than they had been charged for and that the rockets were in poor condition.¹⁵⁴ According to a *Four Corners* report of Monday 14 July 1997, Australian Customs valued the Sandline hardware at less than a million dollars.¹⁵⁵ To date the equipment remains at the base. Sandline is seeking a buyer, while the Australian Government maintains that the country of destination for the goods must comply with federal regulations regarding the export of arms and military equipment.¹⁵⁶

- 2.114 The Sandline contract, had it gone ahead, would have resulted in large-scale violence and potentially have inflamed and protracted the conflict on Bougainville. In addition, the economic and political dealings which took place as part of the Sandline deal, particularly those surrounding the Panguna Mine, could have been extremely detrimental to PNG's long-term interests.¹⁵⁷ Instead, the collapse of the Sandline deal effectively ended any option of a military solution for Bougainville, thereby creating new opportunities for peace.¹⁵⁸ Singirok's actions and the controlled involvement of the PNGDF throughout the crisis also resulted in a more positive perception of the PNGDF. This contributed to the emergence of more moderate BRA / BIG and government leaders and progress towards peace, in talks at Burnham, New Zealand in July and October 1997.

154 S Dorney, op. cit., p. 332 and Exhibit 21.

155 A Fowler, *Four Corners*, ABC TV, 14 July 1998.

156 M-L, O'Callaghan, 'Export Hitch for Sandline', *The Australian*, 11 May, 1999.

157 A Regan, 'Preparation for War and Progress Towards Peace – Bougainville Dimensions of the Sandline Affair', *Challenging the State: the Sandline Affair in Papua New Guinea*, S Dinnen, R May and A Regan (eds), National Centre for Development Studies, 1997, p. 71.

158 Ibid, p. 64.

