

Review of the Australia-New Zealand Defence Relationship

Joint Report to Defence Ministers
2011

At your 10 February 2011 meeting, you commissioned us to look at ways to strengthen strategic cooperation and priority setting for bilateral defence engagement. As directed, our Deputy Secretaries, Peter Jennings and Brook Barrington, have prepared this report outlining proposals to improve bilateral engagement structures, strengthen strategic exchanges, and ensure cost-efficient cooperation, including in relation to the development of more complementary and cost-effective military capabilities.

In undertaking this review, we have been fortunate to start from the position that the relationship is working well, particularly in the areas of combined operations and Service-to-Service cooperation. As such, this report recommends refinements to the machinery of the relationship rather than wholesale structural change or major new initiatives. We have focussed on developing options for your consideration that will deliver a strategic and future-focussed defence partnership. We believe that a more systematic and sustained effort at the senior levels of our defence establishments is required to maximise the potential for innovative and cost-effective collaboration. We have, therefore, recommended a new framework for managing the relationship that will bring our cooperation in the fields of policy, operations, resource management, capability and defence engagement into the same 'space' – the proposed 'Group of Four' (respective Deputy Secretaries and Vice Chiefs of Defence Force). Further, by engaging these senior policy and operational practitioners in the bilateral relationship, we will facilitate a better understanding of our respective motivations, policies and actions, making the achievement of common policy objectives and operational responses that much easier.

During this review we have considered ways to act together even more effectively, developing a number of proposals to achieve greater bilateral cooperation in the Asia-Pacific. In particular, we recommend that we immediately identify ways Australia and New Zealand can play a strengthened and cost-effective maritime surveillance role in the South Pacific. Further, we will explore potential joint arrangements for the sustainment of our respective programmes in Antarctica.

In order to take maximum advantage of opportunities to jointly develop, procure and sustain capability, we also propose to better align our respective capability development cycles, including the initial needs assessment phase. The Group of Four will take the lead on driving collaboration on capability development and procurement, beginning with a review of our respective forward capability plans to identify concrete and realistic opportunities for building and maintaining shared capabilities.

Finally, the Group of Four will examine the Australian Defence Force (ADF)-New Zealand Defence Force (NZDF) exercise programme to ensure appropriate integration and interoperability and to maximise value for money.

We submit this report for your consideration.

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REVIEW OF THE AUSTRALIA-NEW ZEALAND DEFENCE RELATIONSHIP

Report to Ministers, 2011

1. Why this Review?

1.1 Australia-New Zealand Defence Ministers' Meeting 2011

At your 10 February 2011 meeting, you commissioned us to look at ways to strengthen strategic cooperation and priority setting for bilateral defence engagement. As directed (Appendix A), we have prepared this report which outlines proposals to improve bilateral engagement structures, strengthen strategic bilateral exchanges, and ensure cost-efficient cooperation, including in relation to the development of more complementary and cost-effective capabilities.

1.2 A long and venerable history of partnership

In the words of the 2008 Joint Statement on Closer Defence Relations (CDR), Australia and New Zealand are 'bound together by geography and history, by shared values, beliefs and interests, and by the close relationships between our peoples'. We have a mutual commitment to each other's security and overlapping interests in the security, stability and cohesion of our neighbourhood and the broader Asia-Pacific. As like-minded but independent nations, we often have shared views of global security. Together we shoulder the responsibilities of good international citizens in our immediate neighbourhood.

Our joint achievements to date are considerable. As a result of our strong and enduring defence partnership, there are many examples of our two defence organisations working together effectively. These range from successful combined operations through to collaboration on the delivery of our defence assistance programmes¹ in the Pacific and South East Asia. Robust and productive Service-to-Service collaboration has enabled us to achieve efficiencies across a range of areas, from the sharing of key capabilities through to sharing lessons learned in our respective White Paper development processes.

1.3 Yet there is impetus to do more

While Australia and New Zealand are natural defence and security partners, we do not always take full advantage of our complementarities. Our very closeness can at times mean we do not push the limits of effective cooperation. The time has come to move beyond references to, and limited actions regarding, 'reinvigorating the ANZAC spirit'. We must work to capitalise on the strengths of our modern and forward-looking defence partnership to ensure we can deal with the defence and strategic challenges confronting both countries into the future.

¹ Australia's Defence Cooperation Program (DCP) and New Zealand's Mutual Assistance Programme (MAP).

Efficiency imperatives

In an environment increasingly marked by significant budget constraints, we need to maximise the benefits we get from our defence relations. We are both delivering defence reform programmes² and it is in our interests to take full advantage of existing and potential future complementarities to reduce or eliminate potential capability gaps and mitigate risk. Increasingly challenging security environments in the Pacific and in South East Asia, including by some estimates an increasing threat of natural disasters, require us to be innovative in how we cooperate.

Regional imperatives

Australia and New Zealand share an enduring interest in helping to build stability and prosperity in the South Pacific and Timor-Leste. We need to improve our ability to predict and respond in agile ways to destabilising events in the Pacific. This requires a coordinated effort to improve our understanding of the region and ensure we regularly share our analyses and strategic perspectives. It would also require the co-ordination of our respective capacity-building efforts to maximise positive outcomes. Adopting such a coordinated approach to capacity-building in the Pacific would better place us to operate together to reinforce regional order or respond to a wide variety of potential problems.

Global imperatives

As our shared security is inextricably linked to peace and stability in the wider Asia-Pacific, Australia and New Zealand will benefit from working more closely together to strengthen the growing regional security architecture, including forums such as the Quadrilateral Defence Coordinating Group, Forum Fisheries Agency, ASEAN Regional Forum, ASEAN Defence Ministers Meeting-Plus (ADMM Plus), and the Five Power Defence Arrangements. Our ability to strengthen this architecture and support a rules-based international security order will increase significantly if we are more coordinated in our defence diplomacy.

Our efforts in Afghanistan to enhance stability and counter extremism also show that we have common interests that, potentially, will see our forces operating around the world. Again, we are stronger and more effective as global security partners when we are aligned.

The recent strengthening of the United States-New Zealand relationship has positive implications for our trans-Tasman relationship. This is a welcome development and we must seize the opportunity to develop niche areas of trilateral Australia-New Zealand-United States cooperation in the Pacific, while recognising our respective requirements to maintain the integrity of some existing bilateral activities with the United States.

Securing our common future

New Zealand and Australia not only have a closeness and trust in each other which is unmatched, but our bilateral, regional, and global objectives are closely aligned. The coming years will be difficult for our respective defence organisations as demands grow and resources are stretched. In such an environment New Zealand and Australia will benefit from working more closely together, in a complementary way, to identify and secure our shared interests. This review is intended to identify ways in which working together we can achieve considerably more than by working separately.

² For Australia, the Strategic Reform Program (SRP), and for New Zealand, the Value for Money Review (VfM).

2. What do we want to achieve?

We want to strengthen the defence of Australia and New Zealand by making a more effective combined contribution to our shared security interests. With this overarching goal in mind, we have identified the following strategic objectives for our cooperation. These objectives are not in priority order, but rather describe each step in the spectrum of our bilateral cooperation.

2.1 Consult more closely to understand each other more deeply

The need for enhanced consultation has been a major focus of the review. While senior Australian and New Zealand officials have, for many years, engaged regularly through a framework of formal bilateral meetings and in the margins of multilateral dialogues, there is a sense that these meetings have not actually resulted in an effective understanding of our strategic assessments and policy positions. We need to adopt a deeper and more frank level of senior-level engagement that will lead to a greater understanding of each other's perspectives – and an acceptance of points of policy congruence and of difference. We need more opportunities to have strategic exchanges, and fewer meetings built around overly formal agendas.

Engagement of this kind is not just important for the senior officials in the bilateral relationship. It must be replicated at all levels between our two defence organisations, both civilian and military. If we can develop a better understanding of our respective motivations and policies, this will make the achievement of common policy objectives that much easier.

2.2 Act together more effectively

Our respective civilian and military defence organisations must be able to work effectively together, within a whole-of-Government framework, in pursuit of our shared security objectives. Together, we must train, operate, and deliver engagement programmes in a more coordinated fashion to shape the right security outcomes in our neighbourhood and beyond.

While there are many examples of our operational and defence engagement successes, there is room to improve. We must be better at identifying and taking up opportunities to train together, from secondments and exchanges through to participants on each other's staff colleges. Increased joint training and education initiatives will not only contribute to our understanding of each other, it will enhance our ability to operate together.

We work well together in our combined operations in Timor-Leste and Solomon Islands, but we do not always make the best use of complementarities in our respective defence assistance programmes in the Pacific and South East Asia. We need to reach a point where, in any given country, respective defence organisations consult with each other as a normal part of everyday business to coordinate our programmes. Our respective scarce resources must be employed in a more co-ordinated way, so that their impact is amplified.

Finally, we must continue to coordinate our efforts in contributing to regional security to strengthen the growing multilateral cooperation that can promote peace and stability. Australia and New Zealand both need a rules-based international security order as a platform to promote our interests. There is much scope for capitalising on the value of our 'two flags', working independently but jointly together.

2.3 Jointly develop, procure and sustain capability

We must explore opportunities for cooperation at all levels of military capability development and sustainment in order to promote innovation, realise cost savings and ensure continued interoperability. For the joint procurement of complex weapons and platforms in particular, this requires closer alignment of our capability development cycles, including in the initial needs assessment phase, and improved consultation prior to taking decisions. There are also significant efficiencies to be found in the joint procurement of items such as uniforms, personal equipment, small arms and ammunition. We must begin having regular conversations, at the right levels, about capability development and sustainment, to identify opportunities for collaboration before decisions are made.

2.4 Share innovation and reform to make our respective organisations more efficient

Our defence organisations have been asked by our respective governments to deliver innovation in our management and savings for reinvestment in capability development. We have a great deal to learn from each other's reform programme experiences. Just as we consulted extensively on the development of our respective Defence White Papers, we must make a concerted effort to share lessons learned as we implement Australia's Strategic Reform Program and New Zealand's Value for Money Review. We need to identify and maximise cost-savings and efficiencies arising from working together in operations, in defence diplomacy, and in delivering our defence assistance programmes.

3. How do we intend to achieve it?

We have identified that we want to:

- . consult more closely to understand each other more deeply;
- . act together more effectively;
- . jointly develop and sustain capability; and
- . share innovation and reform to make our organisations more efficient.

We recommend implementing a new framework for managing the relationship. With this new management framework in place, we believe we will be well placed to implement a range of subordinate initiatives to further enhance our bilateral engagement.

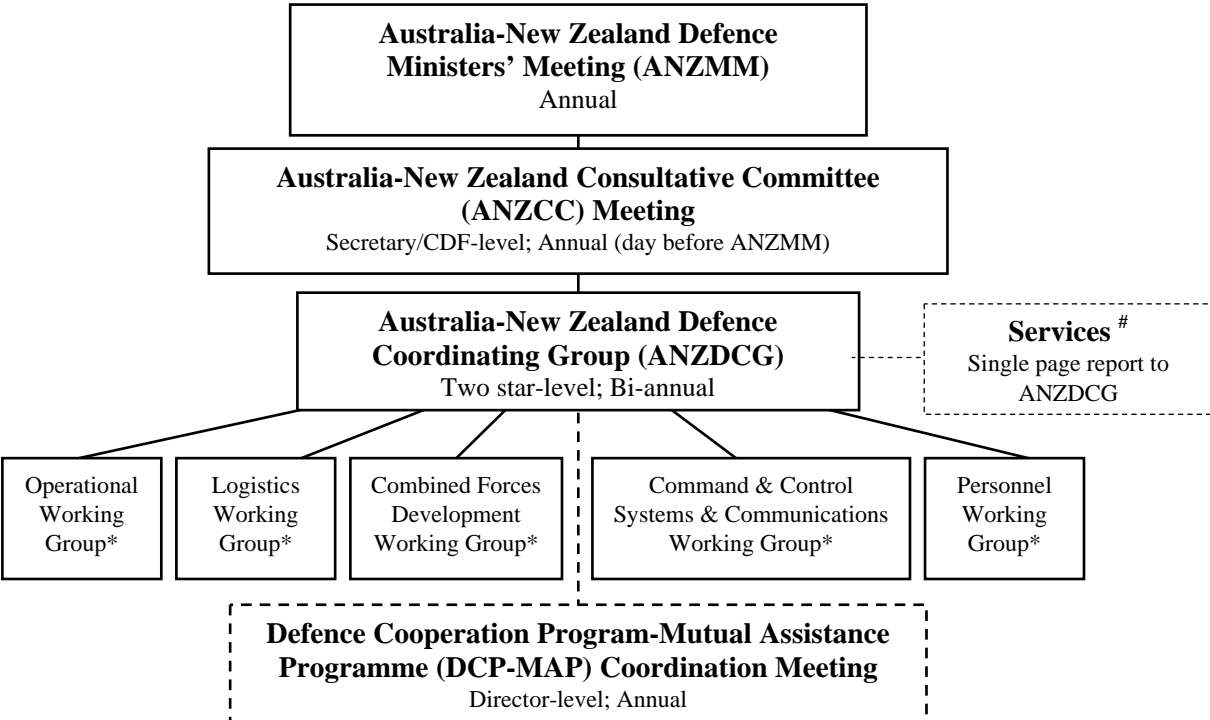
3.1 A new relationship management framework

During the review process, some limitations to the existing relationship management framework (i.e. the bilateral talks structure) were identified. There are many aspects to the relationship – combined operations, secondments and exchanges, Service-to-Service cooperation, defence assistance programmes, diplomatic cooperation – and it is a challenge for senior officials to see the full spectrum of bilateral activities. Further, we are missing potential opportunities for joint or complementary capability development, or procurement of commonly-used non-equipment items such as clothing and personal equipment, because we do not consult early enough in the capability lifecycle or procurement decision-making process.

The existing system of bilateral talks (see Diagram 1) does not show all areas of bilateral cooperation, and this makes it hard to judge if all avenues are being explored to enhance the relationship. Further, we do not think that we are extracting as much value as we might on capability development and procurement. The existing system is not delivering fully effective coordination and deconfliction of our defence assistance programmes.

This is not to suggest that every aspect of a relationship as multi-faceted as that Australia-New Zealand defence relationship requires senior-level oversight. That would be neither necessary nor practicable. However, there is a strong sense that both the day-to-day development and expression of the relationship, and how we approach longer term or more significant issues, would benefit from integrated civilian and military senior-level engagement and direction to ensure that strategy leads activity.

Diagram 1: Existing Australia-New Zealand Defence Relationship Management Framework



The Services do not send representatives to ANZDCG meetings.

* The five working groups, which are chaired at Director/Colonel equivalent-level, meet bi-annually. Working Group Co-Chairs attend and brief the ANZDCG meetings, seeking guidance on their work programs as necessary.

A number of features of the existing relationship management framework have, over time, contributed to a gap in providing sustained oversight and strategic guidance.

- . The annual Secretary/Chief of Defence Force (CDF)-level Australia-New Zealand Consultative Committee (ANZCC) Meeting occurs the day before the annual Ministers’ Meeting. This timing hampers the ANZCC’s ability to develop and truly test agendas and proposals for Ministerial consideration. As a result of their proximity, in practice the ANZCC and Ministers’ Meetings have tended to be duplicative.
- . The existing relationship management framework does not engage the senior policy and operational practitioners in the relationship: the Deputy Secretaries³ and Vice Chiefs of Defence Force (VCDFs). This is a critical gap because these officers are well positioned in a sustained way to review our respective strategic and capability outlooks, and explore practical ways to enhance co-operation within and between the two defence establishments at the working level.
- . The existing system has minimal provision for input from the Services on their extensive and successful cooperation. This feature also contributes to a lack of visibility of bilateral activities.

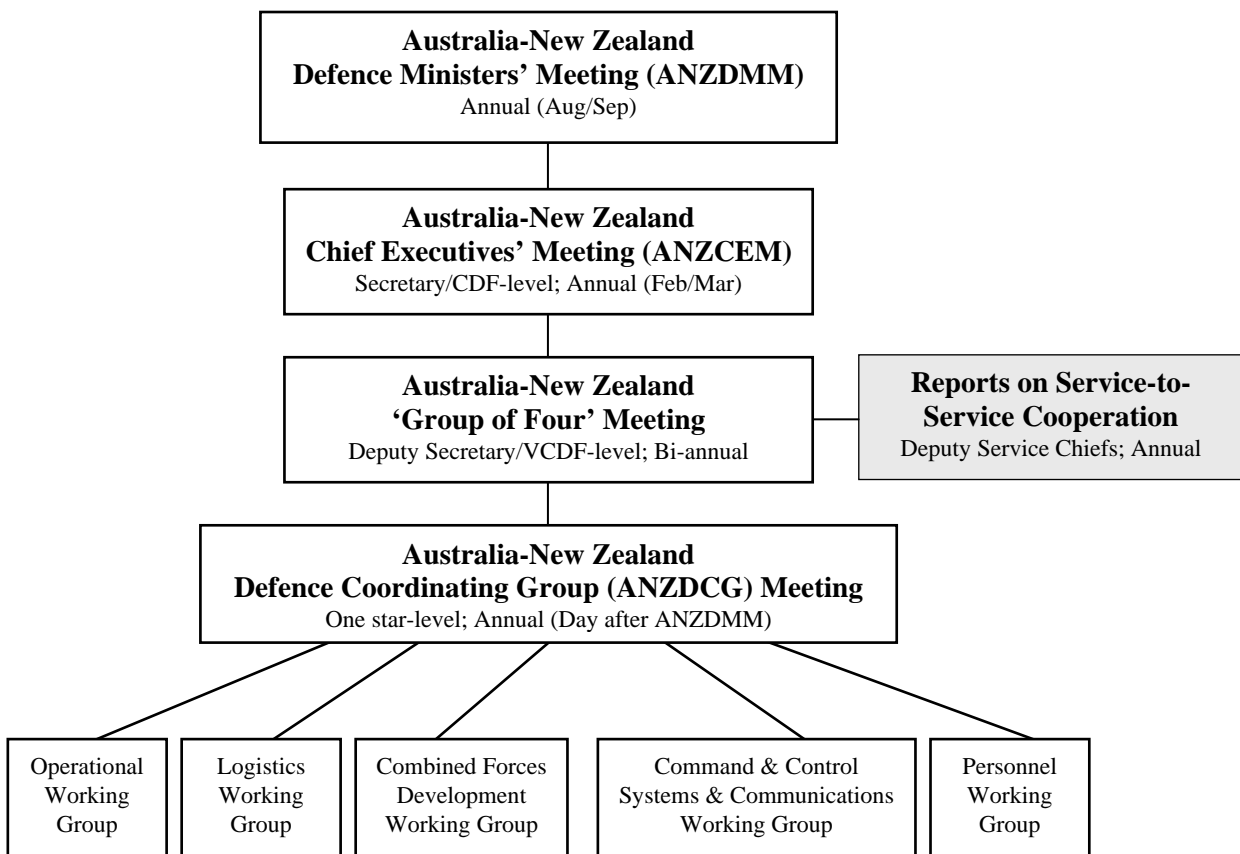
³ For Australia, this refers to Deputy Secretary Strategy, and for New Zealand, Deputy Secretary Policy and Planning.

- The yearly cycle of bilateral talks has become overly driven by process, with a great deal of effort invested in negotiating agendas, preparing briefing packs and drafting and clearing detailed records of conversation. The discussions themselves have become somewhat formulaic and predictable.
- Finally, the existing mechanism for tasking stakeholders to carry out ANZCC and Ministerial direction is ill-defined and underperforming. This underperformance is exacerbated by the fact it often takes months to produce the formal record of the ANZCC's and Ministers' discussions and clear them through respective chains of command.

In summary, our existing bilateral engagement structures are no longer driving growth and improvements in the relationship. If we are to 'consult more closely to understand each other more deeply', we must remedy the problems with the dialogue structure.

We therefore recommend implementing a new Australia-New Zealand Defence Relationship Management Framework, depicted in Diagram 2. We believe this proposed new relationship management framework will contribute to a more frank and meaningful culture of consultation and engagement between and within our organisations, providing clearer and more useful reporting to senior levels and stronger strategic direction to the working levels.

Diagram 2: Proposed New Defence Relationship Management Framework (Meeting Hierarchy)



Defence Ministers' Meeting

The Australia-New Zealand Defence Ministers' Meeting (ANZDMM) will remain largely unchanged, with Ministers meeting (ideally) in August or September to discuss global and regional developments of mutual interest, review our combined operational commitments, and provide high-level guidance and priorities for the bilateral relationship. Respective Secretaries of Defence and Chiefs of Defence Force will continue to participate.

Strategic-level meetings will develop and test the meeting agenda. Proposals for future cooperation well in advance of the Ministers' Meeting will maximise the ability of Ministers to act as catalysts for bilateral activities that will genuinely deliver improvements in the relationship.

Chief Executives' Meeting

The existing ANZCC Meeting will be replaced by the Australia-New Zealand Defence Chief Executives' Meeting (ANZDCEM), whereby Secretaries and CDFs will meet for a half day of talks. The ANZDCEM will be the 'anchor' in the annual dialogue structure, occurring once each year in February or March, regardless of when the Ministers' Meeting is scheduled. Secretaries and Chiefs of Defence Force will discuss the state of the relationship, including progress on bilateral activities, and provide high-level direction to stakeholders for the year ahead. As an outcome of their discussions, the Chief Executives will develop focus issues for the Ministers' Meeting later in the year (recognising that these focus issues will evolve as events throughout the year occur).

Group of Four Meetings

The newly created 'Group of Four' (G4), comprised of Deputy Secretaries⁴ and VCDFs, will be a key feature of the new management framework.

Reflecting the direction of the Chief Executives, the G4 will have a mandate to consider our respective strategic policies, operational commitments, and capability outlook, with the goals of coordinating our diplomatic and capacity-building efforts and enhancing our operational response capability.

The G4 will identify potential bilateral initiatives for Ministerial consideration; and review the draft Ministerial agenda (developed by the ANZDCEM) and recommend refinements prior to its consideration by Ministers. The main face-to-face G4 meeting will occur one month prior to the Ministers' Meeting, with a video-teleconference (VTC) one month prior to the ANZDCEM.

The G4 will be responsible for steering the bilateral relationship on a month-to-month basis, with a mandate to: direct and manage the activities of the working groups, through the Defence Coordinating Group; and discuss strategic or sensitive developments 'out of session' (via VTC or in the margins of multilateral meetings) as required.

Defence Coordinating Group Meeting

The Australia-New Zealand Defence Coordinating Group (ANZDCG) will continue to oversee and direct the progress of the five working groups, and review our respective defence assistance programmes to identify opportunities for greater collaboration. For example, as directed by the

⁴ For Australia, Deputy Secretary Strategy, and for New Zealand, Deputy Secretary Policy and Planning.

G4, the ANZDCG might direct and encourage the work of the Command and Control Systems and Communications Working Group to enhance Australia-New Zealand secure ICT interconnectivity.

Under the current structure, the outcomes of the ANZDMM and ANZCC are not always actioned in a timely fashion because of the lengthy record of discussion development process and the lack of a mechanism to formally task stakeholders. Under the new system the ANZDCG will meet the day after the ANZDMM to convey Ministerial direction to the working groups and other stakeholders (e.g. the Services, policy divisions, programme directors). In recognition of the administrative nature of the ANZDCG's remit, this meeting will now be co-chaired at one level below that it has been hitherto. The ANZDCG may also meet as required via VTC, or in the margins of multilateral meetings, to discuss emerging issues.

Respective policy division staff will perform a secretariat function for the bilateral relationship. Desk officers in the Department of Defence and Ministry of Defence will play a key role in organising bilateral meetings, preparing briefings and records of conversation, and managing a database of bilateral defence cooperation initiatives.

Coordinating our Respective Defence Assistance Programmes

As noted above, the ANZDCG will partly take on the function previously performed by the annual Director-level Defence Cooperation Program-Mutual Assistance Programme (DCP-MAP) Coordination Talks.

To support the ANZDCG in this function, and to encourage greater collaboration on our assistance programmes more generally, we will establish direct and regular links between programme managers and subject matter experts within respective defence organisations (e.g. between Director Papua New Guinea and Solomon Islands within the Australian Department of Defence and his/her counterpart(s) in the New Zealand Ministry of Defence).

Further, we recommend the ANZDCEM direct that our defence organisations consult with each other as a normal part of everyday business, as they would with other government agencies in their respective jurisdictions.

Working Group Meetings

The five working groups will continue to meet bi-annually in March/April and October/November. Their meetings in the first half of the year will provide input into the mid-year G4 meeting. The meetings in the second half of the year will allow working groups to begin progressing outcomes from the ANZDMM, as directed by the ANZDCG.

Capturing Service-to-Service Cooperation

Under the existing framework, Service-to-Service cooperation is not communicated to Ministers in sufficient detail to demonstrate the many 'success stories' of our defence partnership. In order to capture the high level of existing Service-to-Service cooperation, the Deputy Chiefs will provide a written report to the G4 on the outcomes of their annual talks. This formal reporting mechanism could be inserted into the new relationship management framework without affecting the established schedule of Service-to-Service dialogues.

Meeting Timeframes

The new relationship management framework will operate on a calendar-year cycle. The year will begin with a G4 VTC one month prior (January/February) to the ANZDCEM in February or March. The G4 will meet face-to-face one month prior (July/August) to the Ministers’ Meeting, which (ideally) will occur in August or September. The ANZDCG will meet the day after the Ministers’ Meeting to ensure that Ministerial direction is tasked to the appropriate policy area, working group or Service. Working groups will meet following the ANZDCEM, and again after the ANZDMM / ANZDCG, incorporating these bodies’ guidance into their work plans.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
							Ministers’ Meeting				
Group of Four VTC						Group of Four Meeting					
	Chief Executives’ Meeting										
							ANZDCG Meeting				
		Working Group Meetings							Working Group Meetings		
					Services’ Reports						

3.2 Initiatives to Enhance Bilateral Engagement

Internal defence organisation responses to the relationship review have been very positive, producing many proposals to enhance bilateral engagement. We have identified, for your consideration, the following initiatives, which are specific measures to address the four strategic objectives set out earlier in section 2. These initiatives are not listed in any order of importance.

3.2.1 Consult more closely to understand each other more deeply

New Relationship Management Framework

As detailed in the previous section, Australia and New Zealand will implement a new relationship management framework (i.e. the bilateral talks structure) that will facilitate frank and free-flowing debate between our principals, provide more relevant and detailed reporting on bilateral cooperation to senior officials, and stronger strategic direction to working levels. This new talks structure will promote an improved culture of consultation between, and within, our two organisations, providing a solid foundation for the implementation of the rest of our proposed initiatives. A set of business rules for this new framework is at Appendix B.

Proposed Implementation Timeline

- . Implementation to begin immediately following Ministerial endorsement.
- . The first full rotation of the new dialogue cycle completed by the end of 2012.

Key Expected Results

- . Improved consultation and communication at all levels.
- . Principals receive more relevant and detailed reporting on bilateral activities.
- . Stronger and more regular strategic direction is provided to working levels.
- . Greater focus on, and improved dissemination of, the meeting outcomes.

Additional Resources Required

Existing resources within Australia and New Zealand policy divisions may require some internal reallocation if the new bilateral structures are to be appropriately supported.

Lead Action Areas

Australia: International Policy Division.

New Zealand: Policy and Planning Division (International Branch).

Combined Command Group Meetings

A periodic combined meeting of our respective Command Groups⁵ will complement the new relationship management framework, while not forming an integral part of it. This meeting would allow a wider range of our senior officials to discuss, in depth, our shared strategic approaches to immediate and long term security concerns. The challenge with this proposal would be to find a mutually agreeable time for all Command Group members to meet.

Proposed Implementation Timeline

Following Ministerial endorsement, the first Combined Command Group Meeting would occur at a mutually suitable time in 2012. If the first is successful, meetings would occur as needed from then on, with hosting duties alternating between countries.

Key Expected Results

Strengthened strategic cooperation and priority setting for bilateral defence engagement.

Additional Resources Required

Travel and accommodation costs for Command Group members.

Lead Action Areas

Australia: Offices of CDF and Secretary.

New Zealand: Offices of CDF and Secretary.

⁵ Consisting of respective Secretaries, Chiefs and Vice Chiefs of Defence Force, Service Chiefs, and Deputy Secretaries responsible for the areas of strategy/planning, reform, capability and acquisitions, and intelligence. The composition of this group could change from meeting to meeting, depending on the issues we wish to address.

Australia-New Zealand 1.5 Track and Officials Strategic Dialogue

An annual Australia-New Zealand forum on the strategic outlook would engage our broader national security communities to promote long-term strategic cooperation and greater understanding of our respective strategic perceptions and assessments. The forum would comprise two elements: a 1.5 track dialogue for academics, commentators and retired officials; and a closed-door officials' dialogue. The forum would be scheduled to feed into our respective Defence White Paper development and review cycles. We recommend engaging an established think tank to organise the 1.5 track dialogue component. Hosting duties for the dialogue would alternate between Australia and New Zealand.

Proposed Implementation Timeline

Following Ministerial endorsement, the first forum would occur at a time most appropriate for feeding into respective White Paper cycles, and annually thereafter.

Key Expected Results

- . Increased discussion within national security communities on ways for us to improve our combined ability to influence security outcomes.
- . Outputs from the forum are considered during respective White Paper review cycles.

Additional Resources Required

Think tank sponsorship would be a cost-effective way to fund this initiative.

Lead Action Areas

Australia: Strategic Policy Division.

New Zealand: Policy and Planning Division (Planning Branch).

Building a Network of Future Leaders for the Bilateral Relationship

A programme to develop young leaders in our respective national security communities would help ensure a positive future for our security partnership. The Kokoda Foundation's Young Strategic Leaders' Forum (YSLF) could serve as a model for a new jointly-funded programme. Alternatively, we could seek the Foundation's interest in building New Zealand participation into its existing programme. The YSLF is designed to develop professional and strategic-thinking skills in, and build a network for, the next generation of national security leaders in government and industry.

Proposed Implementation Timeline

Dependent on whether we decide to develop a new programme or seek to engage with Kokoda Foundation to expand their YSLF.

Key Expected Results

- . Over the short term, increased debate among participants in the programme on ways for Australia and New Zealand to improve their combined ability to influence regional security outcomes.
- . Over the longer term, programme participants bringing their skills and experience to bear within the national security communities in both countries.
- . Ultimately, as the programme participants become the leaders of our respective organisations, they will know each other, and the issues of the relationship, well.

Additional Resources Required

Either funding to develop and stand up a new programme, or contributing funding to Kokoda Foundation to expand their YSLF.

Lead Action Areas

Australia: Strategic Policy Division.

New Zealand: Policy and Planning Division.

Staff Exchanges to Improve Policy Cooperation and Coordination

Short term staff exchanges between the Australian Department of Defence and the New Zealand Ministry of Defence will promote greater policy cooperation and facilitate greater understanding of the workings of our respective organisations. The exchanges could be conducted along the lines of the exchange programme already underway between the Australian Department of Foreign Affairs and Trade and the New Zealand Ministry of Foreign Affairs and Trade.

Proposed Implementation Timeline

To allow sufficient time to prepare for an overseas posting, the first exchange would likely commence in early 2013.

Key Expected Results

Improved understanding of the workings of our respective organisations, resulting in increased and smoother policy cooperation.

Additional Resources Required

Funding to support personnel on overseas postings.

Lead Action Areas

Australia: International Policy Division.

New Zealand: Policy and Planning Division.

3.2.2 Act together more effectively

Include a Defence Policy Element in Existing ADF-NZDF Humanitarian Assistance and Disaster Relief (HADR) Exercises

Australia and New Zealand will insert a policy element into established HADR exercises conducted between the ADF and NZDF, on at least an annual basis. Exercises involving a Ready Response Force (RRF) element would be the ideal target for this proposal. Drawing on the work of the Asia-Pacific Civil-Military Centre of Excellence, among other sources, this initiative will facilitate the analysis of our respective whole-of-Government responses to HADR missions, and help improve the effectiveness and timeliness of combined responses to regional contingencies.

Depending on the success of this proposal at the Defence-to-Defence level, other government agencies (including our respective foreign affairs agencies and emergency management bodies) could be invited to participate.

Proposed Implementation Timeline

Following Ministerial endorsement, policy officers would participate in the first exercise with an RRF element (Exercise LONGREACH) in Papua New Guinea later this year.

Key Expected Results

Improved coordination of our combined response to regional disasters.

Additional Resources Required

Funding to send policy officers to participate in HADR exercises.

Lead Action Areas

Australia: International Policy Division.

New Zealand: Policy and Planning Division (International Branch).

Greater Bilateral Cooperation in the Pacific and Timor-Leste

Australia and New Zealand will work more closely together with partner Pacific Island Countries (PICs) and Timor-Leste to maximise the benefits of our defence assistance programmes (DCP and MAP respectively). We will establish direct and regular links between programme managers and subject matter experts within respective defence organisations. Through these improved working-level relationships, we will increase awareness of each other's programmes, and will seek every opportunity to coordinate our engagement with PICs. With the permission of the relevant PIC, Australia and New Zealand will be observers at each other's security talks. Where agreed, we will hold combined talks with PICs. Complementing this increased coordination of our assistance to PICs, the Group of Four will identify ways Australia and New Zealand can play a strengthened and cost-effective maritime surveillance role in the South Pacific, and complement the efforts of other contributors to this field.

Proposed Implementation Timeline

- Following Ministerial endorsement, establishment of direct links between programme managers and subject matter experts would begin immediately. Cross-representation at security talks could begin with the next scheduled meetings, subject to the relevant PICs' agreement.
- The Group of Four will monitor the implementation of steps to strengthen our coordination of maritime surveillance in the Pacific.

Key Expected Results

- Greater awareness, and deeper understanding of the goals, of each other's defence assistance programmes.
- Genuine and sustained collaboration in the delivery of our programmes.

Additional Resources Required

Nil.

Lead Action Areas

Australia: International Policy Division.

New Zealand: Policy and Planning Division (International Branch).

Greater Trilateral Cooperation with the United States in the Region

Australia and New Zealand will explore opportunities with the United States for greater trilateral cooperation in the region. Our defence organisations will identify ways for our three nations to deliver humanitarian assistance to Pacific island countries. The United States Navy's Pacific Partnership could serve as a model, although we would seek to emphasise the combined nature of the activity (rather than Australia and New Zealand participating in a US-led exercise). We will also consider the potential defence aspects of joint arrangements for the sustainment of our respective programmes in Antarctica.

Proposed Implementation Timeline

- Dependent on the eventual nature of the activity, and the outcome of negotiations with the United States.
- With respect to potential defence involvement in the joint sustainment of our Antarctica programmes, following Ministerial endorsement the Group of Four would, in consultation with relevant United States counterparts and respective Antarctica divisions, begin immediately to examine the feasibility of this initiative.

Key Expected Results

Australia, New Zealand and the United States develop one or more trilateral activities in the region.

Additional Resources Required

Dependent on the eventual nature of the activity.

Lead Action Areas

Australia: Deputy Secretary Strategy and VCDF, in consultation with relevant group or division heads.

New Zealand: Deputy Secretary Policy and Planning and VCDF, in consultation with relevant group or division heads.

Greater Cooperation within Regional Multilateral Forums

Australia and New Zealand will improve the coordination of our efforts within multilateral forums to strengthen the regional security architecture and make tangible contributions to peace and security in the Asia-Pacific. The Group of Four will explore ways to broaden and deepen our existing efforts in this field, perhaps using our cooperative work in ADMM Plus Expert Working Groups as one model for future collaboration.

Proposed Implementation Timeline

Following Ministerial endorsement, collaboration would begin immediately, especially with the recently constituted ADMM Plus Expert Working Groups.

Key Expected Results

Stronger and more sustained collaboration within regional security structures.

Additional Resources Required

Nil.

Lead Action Areas

Australia: International Policy Division.

New Zealand: Policy and Planning Division (International Branch).

3.2.3 Jointly develop, procure and sustain capability

Greater Cooperation on Capability Development and Procurement

In order to achieve financial savings and promote greater interoperability, the newly established Group of Four will direct work to improve our cooperation on capability development and procurement. As a first step, the Group of Four will examine our respective forward capability plans to identify concrete and realistic opportunities for:

- building and maintaining shared capabilities (possible examples include strategic air transport and littoral naval support);
- complementary purchases (possible examples include collaboration on Multi Role Helicopters and protected mobility vehicles such as the Bushmaster); and
- joint purchases (possible examples include joint purchasing of clothing, personal equipment, weapons and ammunition).

Steps taken to achieve this goal might include:

- re-aligning our respective capability development cycles, including the initial needs assessment phase, through the sharing of planning procedures and timings;
- conducting a joint activity, based around a scenario in the Pacific, to inform future capability and force structure decisions;
- jointly developing policies that support co-developed capabilities; and
- expanding the remit of the existing Logistics Working Group to cover procurement and sustainment.

Proposed Implementation Timeline

Following Ministerial endorsement, the Group of Four's strategic oversight of capability development and procurement would begin immediately. Timelines for, and tasking of, specific initiatives will need to be determined.

Key Expected Results

Increased instances of consultation and collaboration on capability development and procurement.

Additional Resources Required

Nil.

Lead Action Areas

Australia: Deputy Secretary Strategy and VCDF, in consultation with relevant group or division heads.

New Zealand: Deputy Secretary Policy and Planning and VCDF, in consultation with relevant group or division heads.

Greater Cooperation on Capability Sustainment and Upgrades

Guided by the new Group of Four, our respective defence organisations will increase cooperation on upgrades to, and sustainment of, key capabilities. This could include logistics support to ANZAC Class ships to complement the current sharing of technical information on upgrades to our major surface ships, or joint sustainment of New Zealand's NH90 and Australia's MRH90 helicopters. As mentioned in the previous section, our cooperation in this area could be improved by expanding the remit of the existing Logistics Working Group to cover procurement and sustainment.

Proposed Implementation Timeline

Following Ministerial endorsement, the Group of Four's strategic oversight of capability sustainment and upgrades would begin immediately. Timelines for, and tasking of, specific initiatives will need to be determined.

Key Expected Results

Increased collaboration on capability sustainment and upgrades, resulting in cost-savings.

Additional Resources Required

Nil.

Lead Action Areas

Australia: Deputy Secretary Strategy and VCDF, in consultation with relevant group or division heads.

New Zealand: Deputy Secretary Policy and Planning and VCDF, in consultation with relevant group or division heads.

3.2.4 Share innovation and reform to make our respective organisations more efficient

Cost-Sharing Cooperation on Training Programmes

Through the new Group of Four, our respective defence organisations will, on a biannual basis, explore mutual benefits and savings associated with synergies in training programmes, and develop initiatives to enhance short-term training opportunities. Example initiatives for training cooperation could include joint approaches to project management training and Counter-Improvised Explosive Devices (CIED) training.

Proposed Implementation Timeline

Following Ministerial endorsement, the Group of Four’s strategic oversight would begin immediately.

Key Expected Results

Increased instances of cost-sharing on training programmes.

Additional Resources Required

Nil.

Lead Action Areas

Australia: Deputy Secretary Strategy and VCDF, in consultation with relevant group or division heads.

New Zealand: Deputy Secretary Policy and Planning and VCDF, in consultation with relevant group or division heads.

Exchange of Experiences from Respective Efficiency Programmes

Cross-representation between Australia and New Zealand on respective reform advisory bodies will ensure the two-way exchange of the 'lessons learned' while implementing our respective reform programmes.

Proposed Implementation Timeline

Representation on respective advisory bodies could be arranged relatively quickly.

Key Expected Results

Increased awareness of each other's reform programmes, and lessons learned.

Additional Resources Required

Nil.

Lead Action Areas

Australia: Deputy Secretary Strategy and VCDF, in consultation with relevant group or division heads.

New Zealand: Deputy Secretary Policy and Planning and VCDF, in consultation with relevant group or division heads.

Conclusion

Should you endorse the recommendations put forward in this report, we recommend that the new Group of Four review progress on implementation in approximately twelve months time. Further, the Group of Four should have the remit to continue to identify and explore additional areas for innovation and collaboration. If you approve this role for the Group of Four, it will begin immediately to examine the ADF-NZDF exercise programme to ensure appropriate integration and interoperability and to maximise value for money.

That could include considering the merits of developing a new statement of our defence relationship that captures the contemporary spirit of our partnership, is forward-looking, and facilitates the kind of continuous improvement advocated in this report. At present, the formal expression of our alliance and security partnership is found in the 1944 Canberra Pact, the 1952 Australia-New Zealand-United States (ANZUS) Treaty, and the Australia-New Zealand Closer Defence Relations framework, which was established in 1991 and most recently updated in 2008. A new statement could be broader than the existing Ministerial guidance on 'Closer Defence Relations', updating our approach to our defence interests. Should you believe this worthwhile, we would develop this initiative, in consultation with other agencies as required, for further Ministerial consideration.

In conducting this review, we have focussed on developing options for your consideration that will deliver a future-focussed, active and innovative defence partnership. We believe that a more systematic and sustained effort at the senior levels of our defence establishments, facilitated through our proposed relationship management framework, will produce benefits for both countries, including – and perhaps most importantly – a closer strategic relationship.

Appendix A: Terms of Reference for the Review



Australian Government
Department of Defence

Dr Brook Barrington
Deputy Secretary (Policy & Planning)
Ministry of Defence
New Zealand

Mr Peter Jennings
Deputy Secretary for Strategy
Department of Defence
Australia

Dear Brook and Peter

At their annual meeting in Wellington 10 February 2011, Ministers Dr Wayne Mapp and Stephen Smith announced that following the completion of respective Defence White Papers they had commissioned a review to determine how to strengthen strategic cooperation and priority setting for ANZAC engagement. They asked us to produce a joint report by 31 July 2011 detailing preliminary proposals to improve bilateral engagement structures and strengthen bilateral exchanges. The review would also detail proposals to ensure cost-efficient cooperation, including in relation to complementary military capabilities that will improve prioritisation, and the efficient implementation of ANZAC policies. The review is to ensure that the bilateral relationship is better able to deal with the defence and strategic challenges confronting both countries.

You are directed to produce a joint draft of this review for us by 30 June 2011 (with the final report due to Ministers on 31 July 2011). You should set out the current arrangements for cooperation between the two defence establishments – strategic, operational, capability, international – and any areas of significant shortcoming. You should then assess and make recommendations as to how they should be strengthened, covering (but not limited to) the following topics:

Strategic cooperation, namely the exchange of views on the strategic environment, and our respective responses to that;

- Capability requirements, with a particular view to
 - maximising efficient complementarity.
 - assessing the costs/benefits of joint capability procurement.
 - utilising existing capabilities.

Identification of any technical or communication barriers to links between the two defence establishments and recommendations for mitigating or removing them;

The possibility of cost neutral secondments between the Ministry of Defence (New Zealand) and the Department of Defence (Australia); and

- The possibility of Australia/New Zealand collaboration with third parties, including in 5 eyes forums, and in other forums such as NATO/ISAF and ADMM+.

You should draw on the resources under your respective control to produce the report. You should consult within the Ministry/Department and with the New Zealand Defence Force/Australian Defence Force and more widely as you see fit. The assessment and recommendations will be yours but you should record for us any views which significantly diverge from them.

You should give us a progress report on or soon after 30 April. If at any time either of you should have any queries you should consult with your respective principal.



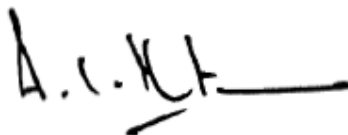
R. R. JONES
Lieutenant General
Chief of Defence Force
New Zealand

Date: 11 March 2011



J.W. MCKINNON
Secretary of Defence
New Zealand

Date: 11 March 2011



A.G. HOUSTON AC, AFC
Air Chief Marshal
Chief of the Defence Force
Australia

Date: 5 March 2011.



I. J. WATT AO
Secretary of Defence
Australia

Date: 7 March 2011

Appendix B: Business Rules for the New Relationship Management Framework

These business rules are designed to facilitate more frequent and productive meetings between senior officials without creating undue administrative burden through detailed briefing packs and extended records of conversation. A key supporting feature of the new framework will be the replacement of cumbersome traditional records of conversation with a **‘traffic light report on bilateral defence cooperation initiatives’**. As our intent is to actually ‘do more together’, a traffic light report on current and planned initiatives, including capability development and joint procurement opportunities, is the most useful way of ‘developing a report card’ on the relationship. In preparation for each bilateral meeting, respective defence organisations will send a request to stakeholders to update the traffic light report, replacing the previous system of briefing requests.

Australia-New Zealand Defence Ministers’ Meeting (ANZDMM)	
Purpose:	Ministers will meet to discuss global and regional developments of mutual interest, review our combined operational commitments, and provide high-level guidance and priorities for bilateral activities.
Timing:	Annual. The ANZDMM will be scheduled as required to meet both Ministers’ schedules. However, respective defence organisations will work towards an August or September date.
Format:	Formal bilateral talks, with hosting duties alternating between the two countries. Ministers will be supported by respective Secretaries and Chiefs of Defence Force. Ministers will give a joint press conference immediately following their meeting.
Agenda Setting:	The Chief Executives’ Meeting (Secretaries/Chiefs of Defence Force) will produce a draft agenda for Ministerial consideration, with the newly established Group of Four (Deputy Secretaries/Vice Chiefs of Defence Force) recommending refinements closer to the date of the ANZDMM. This arrangement will maximise the ability of Ministers to act as catalysts for bilateral activities that will genuinely deliver improvements in the relationship.
Briefing Requirements:	Full briefing pack covering all agenda items, with copies provided to Ministers, Secretaries, Chiefs of Defence Force, and one star policy division representatives.
Record of Outcomes:	Traditional record of conversation (ROC), drafted by host country. <ul style="list-style-type: none"> . ROC must be completed, cleared by host country’s principals, and transmitted to visiting country for clearance, within two weeks of the meeting. . Visiting nation must clear, and advise of this clearance, within two weeks of receipt. . ROC will be distributed to stakeholders immediately upon joint clearance.
Improvements on existing framework:	Nil change to format, briefing requirements and record of outcomes. Improved process for agenda setting.

Australia-New Zealand Chief Executives' Meeting (ANZDCEM)

Purpose:	Secretaries and Chiefs of Defence Force will meet at the ANZDCEM to discuss the state of the relationship, including progress on bilateral activities, and provide high-level direction to stakeholders for the year ahead. Based on these discussions, the Chief Executives will develop a draft agenda for the ANZDMM later in the year.
Timing:	Annual. The ANZDCEM will be the 'anchor' in the annual dialogue structure, occurring once each year in February or March, regardless of when the ANZDMM is scheduled.
Format:	Free-flowing discussions in a casual setting, with hosting duties alternating between countries. Alternatively, the ANZDCEM could occur in the margins of other multilateral meetings occurring at that time of year.
Agenda Setting:	Although the Chief Executives' discussions will not follow a formal agenda, the Group of Four will compile a list of key relationship issues in support of the ANZDCEM.
Briefing Requirements:	<p>One meeting brief (i.e. no briefing pack) covering the key relationship issues identified by the Group of Four, and the latest traffic light report.</p> <ul style="list-style-type: none"> . Deputy Secretaries and Vice Chiefs will verbally brief their respective principals just prior to the ANZDCEM.
Record of Outcomes:	<p>List of outcomes/action items only, drafted by host country.</p> <ul style="list-style-type: none"> . List must be completed, cleared by host country's principals, and transmitted to visiting country for clearance within one week of the meeting. . Visiting nation must clear, and advise of this clearance, within one week of receipt. . List will be distributed to stakeholders immediately upon joint clearance.
Improvements on existing framework:	<ul style="list-style-type: none"> . Change in timing ensures the Chief Executives can regularly provide strategic guidance to stakeholders regardless of the political cycle. . Timing also allows the Chief Executives to develop and test the Ministerial agenda well in advance of the ANZDMM. . Greater focus on, and improved dissemination of, the meeting outcomes.

Group of Four (G4) Meeting	
Purpose:	The G4 (Deputy Secretaries and Vice Chiefs of Defence Force) will consider our respective strategic policies, operational commitments and capability outlook with the goals of coordinating our diplomatic and capacity-building efforts; and enhancing our operational response capability. Based on these discussions, the G4 will identify potential bilateral initiatives for Ministerial consideration; and review the draft ANZDMM agenda (developed by the ANZDCEM) and recommend refinements prior to its consideration by Ministers.
Timing:	Bi-annual. The main face-to-face G4 meeting will occur one month prior to the ANZDMM, with a video-teleconference (VTC) one month prior to the ANZDCEM. The G4 may meet more regularly via VTC or in the margins of international forums, as required, to address emerging issues.
Format:	Free-flowing discussions in a casual setting.
Agenda:	Rather than a formal agenda, the latest traffic light report will form the basis of G4 discussions.
Briefing Requirements:	Updated traffic light report (i.e. no briefing pack).
Record of Outcomes:	List of outcomes/action items only, drafted by host country. <ul style="list-style-type: none"> . List must be completed, cleared by host country's principals, and transmitted to visiting country for clearance with one week of the meeting. . Visiting nation must clear, and advise of this clearance, within one week of receipt. . List will be distributed to stakeholders immediately upon joint clearance.
Improvements on existing framework:	New meeting which will engage the senior policy and operational practitioners in the relationship on a regular basis.

Australia-New Zealand Defence Coordinating Group (ANZDCG) Meeting

Purpose:	The ANZDCG will oversee and direct the progress of the five working groups, including delivering/interpreting guidance from the MM; and review our respective defence assistance programmes to identify/examine opportunities for greater collaboration and eliminate potential duplication. This meeting will be co-chaired at the one star-level.
Timing:	Annual. The ANZDCG will meet the following day to disseminate and interpret Ministerial direction to the working groups and other stakeholders (e.g. the Services, programme directors). The ANZDCG Co-Chairs may also meet as required via VTC or in the margins of international forums to discuss emerging issues.
Format:	Free-flowing discussions based on the outcomes of the ANZDMM the previous day.
Agenda:	Nil.
Briefing Requirements:	Nil. The ANZDCG will refer to the briefing material prepared for the ANZDMM, the Ministers' discussions the previous day, and the traffic light report.
Record of Outcomes:	List of outcomes/action items, based on the previous day's Ministerial direction, drafted by host country. <ul style="list-style-type: none"> . List must be completed, cleared by host country's principals, and transmitted to visiting country for clearance with one week of the meeting. . Visiting nation must clear, and advise of this clearance, within one week of receipt.
Improvements on existing framework:	Greater focus on, and improved dissemination of, Ministerial direction/priorities. By meeting after the ANZDMM, the ANZDCG will ensure Ministerial direction and action items are distributed/tasked to relevant stakeholders immediately.