

**FIFTH DAY**

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**Tuesday 2 September 2014**

**DRAFT HANSARD**

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## **FIFTH DAY**

**Tuesday 2 September 2014**

The Speaker (**Mr Theodore Zurenuoc**) took the Chair at 10.00 a.m..

There being no quorum present, Mr Speaker stated that he would resume the Chair after the ringing of the bells.

Sitting suspended.

The Speaker again took the Chair at 10.30 a.m., and invited the Member for Nawae, **Honourable Gisuwat Siniwin** to say Prayers:

‘Gracious Father we and most importantly, we thank you for believing in you. Thank you for appointing us as leaders of this nation. Give us the power, the will and the drive and most of all let the Holy Spirit to assist us in our mission in the departments and in our everyday work as Members of Parliament.

Anutu we come to you, accept us as sinners and at the same time make us holy because you are Holy. Bless this session of Parliament and this week and today and the months to come.

As we go into debate or passing of the bills, Anutu give us the wisdom to make decisions for the good of this nation. Bless our family, bless the departmental secretaries and the employees in the offices we manage and bless this country Papua New Guinea.

Again we are very proud and to say to you our God that we are a Christian country. Bless us and guide us and lead us today and always. We ask this Prayer in the name of our Lord and Saviour, Jesus Christ, who we believe in. Amen.’

### **BROADCASTING OF PARLIAMENTARY PROCEEDINGS – STATEMENT BY THE SPEAKER**

**Mr SPEAKER** – Honourable Members, I have to inform Parliament that the Permanent Parliamentary Committee on Broadcasting of Parliamentary Proceedings met today and resolved that *Kundu 2* will be allowed to record and televise live for national

audience, the Matter of Public Importance on Maternal Health on Wednesday 3rd of September.

## QUESTIONS

**Mr NIXON MANGAPE** – Thank you Mr Speaker. I thank you for recognising the people of Lagaip-Porgera. My question is directed to the Minister for Works.

At the moment the Gobe construction is constructing the road from Lagaip to Pogera but the two kilometres road from Kandep turnoff to Paiam Station has been left out.

(1) Can the Minister for Works tell the people of Lagaip-Porgera why that portion of the road has not been constructed?

**02/05**

(2) I want the Minister to tell the people of Lagaip-Pogera why the two kilometres strip of road in Paiam town is not completed?

(3) Out of a total of five kilometres of road at the Porgera station, there is one kilometer yet to be constructed and almost 80 per cent of the project is already completed.

**Mr FRANCIS AWESA** – I would like to say thank you to the Member of Lagaip-Porgera, Nixon Mangape for his three questions.

In answer to the first question of why two kilometres of road from Lagaip to Porgerais not completed, it could be related to land owner problems. If it is not land owner problems, then I will make sure that it is included in this revised works being currently taken by Covec under the ADB, Highlands Highway Rehabilitation Program.

So whatever it is, if it was land owner related issues or it was left for some other issues. I want to assure the Member and the people of Lagaip-Porgera that we will attend to that problem, we will undertake to complete that two kilometres of road.

Second question is in relation to Paiam township two kilometre road which are left undone, same answer, if it is to do with the landowner issues which is always a common problem we will try to address that. Otherwise it was left out for other reasons I want to assure the Member and people of Lagaip-Porgera once again that the two kilometers will be included into the revised scope of work because the contract is still on site and we will

include those four kilometers and the same goes for Porgera townships' one kilometer which is incomplete.

I want to assure that Member that I will give a detailed written answer this week confirming all these arrangements.

**Mr ANTON YAGAMA** – Thank you for acknowledging the people of Usino-Bundi.

I would like to ask my question to the Minister of Mining but he is not present so I would like to direct it to the Prime Minister. Mr Prime Minister I am sure you are aware of the damages that have occurred in the Kumbukari mine in my electorate.

I have visited my people and I have visited the Company after the damage had occurred. Now, my people are not those kinds who would spoil things but they have been talking and talking but no response has been given to them so they have caused those damages.

I have written a report and have given it to the Mining Minister with a copy to the Police Minister and a copy to you to solve this problem we have to sit together and solve this big problem that the MOA had not fulfilled and the Government and the Company had not fulfilled.

The people are watching what is happening to their soil being loaded into a truck and being sent to China and they are not benefiting from it.

**03/05**

Can you direct the Ministers for Mining and Police to have an audience with me so to sort out that problem? When something happen the Police Minister will send the police to assist but now when the police are there my people are now sleeping in the bush like wild game.

And the police have arrested the wrong people and locked them up with the assurance that when the innocent are locked up the real trouble makers will own up and come out of hiding. I want to say that these are innocent village people. We have to address the situation and find solutions to solve the problem. We cannot just go in there and arrest anyone we like.

The core problem that has led to this is, the people are aggrieved by the fact they have not benefited at all from the agreement. The Minister for police must stop his men from arresting the people and he and his colleague Minister for Mining must have dialogue with the people before the situation gets worse.

**Mr PETER O'NEILL** – Thank you Mr Speaker, I am aware of the issues at that mine where some of the disgruntled landowners have gone in and damaged some properties at the mining site, causing the mine to shut down for a few days.

Some of the actions of the landowners are understandable from the frustrations that they go through, but the last thing that we would want anybody to do is to burn properties and assault people. We can never encourage that when we have the rule of law to assist us in discussing the issues that are frustrating the landowners.

There is police presence there right now and I know they are arresting some people there. I will talk to the Police Minister so that he can advise the Commissioner to advise the policemen that the illegal actions of one individual cannot be transferred to another. You cannot just go around and arrest innocent people who were not participants in those actions.

I want to assure the Member if persons that were not involved in the destruction of properties were arrested, we will make sure that corrective measures are taken and the Police Minister will make sure of that. And I will get both the Police and Mining Ministers to discuss with the Member and try to resolve the matter in an acceptable manner.

### **Supplementary Question**

**Mr NIXON MANGAPE** – My Supplementary Question is in relation to the outstanding MOU funds. For my case in Porgera, there are still outstanding millions of kina in Waigani.

**Mr SPEAKER** – Member, that is a new question and it does not relate to the previous question asked, so I will ask you to resume your seat.

**Mr WERA MORI** – My question is directed to the Minister for Agriculture and I want him to give me a very precise answer. As a prelude to my question, a few months ago, I asked the Minister questions on the Coffee Industry. Before I ask my question I want to say this; the coffee industry has been politicised and we are now seeing coffee exporting licenses given to every district. Without giving due regard to the drop in the quality of produce that may be exported and the danger of those given exporting licenses not meeting the demands to sustain the exports.

And this is posing a great danger to the coffee industry; and my questions are;

(1) When will we see the insertion of the Coffee Industry Board to oversee the growing important industry that sustains the livelihood of 4.2 million people of this country?

(2) What will Government do to those exporters who were caught purchasing and trying to export coffee of poor quality and bringing into disrepute this very important industry that has sustained the economic viability of this country for the last 50 years?

**04/05**

**Mr ASSIK TOMMY TOMSCOLL** – Thank you, Mr Speaker.

I would like to thank the Member for his two questions but prior to the questions there were some preludes leading up to the questions.

Mr Speaker, the Government, as part of its policy has decided to liberate the coffee industry. This means that the government has allocated one license per district or one coffee export license to each district. It is really up to the Members of Parliament of each district to come to Coffee Industry Corporation (CIC) and to sign a memorandum of agreement, which will involve APPP between the district and Coffee Industry Corporation (CIC).

This is so that our small farmers can export as for too long independent traders and large plantation owners have been the only exporters. At the end of the export chain, which is the supply chain is where the money is. The money is at the end of it and not in the farm. At the farm level where the people are involved is where the risk is. That is the low value end of the chain. So, what we want to do is to get our farmers who actually grow coffee to also export it so that we position them at the high end of the chain.

Mr Speaker, the Member's two questions are:

When will the board be incepted? I am yet to decide, as to when we will appoint a board. The appointment of a new board will also be decided by the implementation of the financial and expenditure review, which was completed and is under implementation. This is so that all boards are aligned to serve the interests of the agriculture sector and not to do what they want to do and to adopt policies that the government is not pursuing.

Mr Speaker, Coffee Industry Corporation (CIC) board is a regulator but unfortunately, under the *CIC Act* by some de facto mistake this regulatory body is owned by the farmers. The farmers cannot regulate the industry, and so, this is part of the change that we want to make so that the government regulates the industry.

Due to the way the *CIC Act* was framed, the farmers tend to say that they own and are the shareholders of Coffee Industry Corporation (CIC). In fact, they are the shareholders of

Coffee Industry Corporation (CIC) and the fact that the government collects levies on exports does not make them shareholders of Coffee Industry Corporation (CIC). Tax levies from exports are taxed due to the government so there is a misconception there.

Therefore, there are issues that we need to fix prior to appointing board. Apart from that issue, all the board members tend to come from the smallholders. Because we bring them from the small holders, they tend not to reflect the interest of the industry but to reflect their own personal interest on the board. For example, on the last board we had one board member representing the Southern Region from a village out of Kaintiba.

Therefore, when we call a board meeting, we have to go radio to find him in Kaintiba for him to walk two days from Kaintiba to Wau to be picked and up and driven to Goroka. These are some of the issues that have caused problems for Coffee Industry Corporation (CIC).

**05/05**

But this is the way it is and this is what has caused a lot of problems for CIC.

Mr Speaker, the second question relates to those found to be exporting sub-standard coffee beans.

Mr Speaker, the laws are very clear, if you are caught compromising quality premium of coffee beans obviously you will lose your license. And if there is a particular issue, the Member can write to me and that company can be punished. It would be penalized because no one is allowed to export coffee that is not premium because the coffee that we export to the world market is based on flavor and on quality.

The day we start to compromise quality; we start to compromise premium, Mr Speaker, we will lose that one per cent market we hold on the world or global market. So we cannot afford to do that.

Whilst these changes are happening the CIC remains committed to ensuring that coffee assurances, monitoring coffee and tracing coffee from the market to the store is a priority.

So, thank you, Mr Speaker, I hope I have answered the two questions.

**Mr MARK MAIPAKAI** – Thank you, Mr Speaker for recognizing the people of Kikori.

I rise to raise a series of questions to the Minister for Commerce and Trade. My questions are in relation to the much talked about SME Policy.

I'd like to know, and Papua New Guineans are also eagerly awaiting when he will deliver the much talked about SME Policy in this Chamber?

If the policy is tabled in this Parliament, will local content be part of this policy?

If it is going to be a part of that policy, can he inform this House that there is going to be a mandatory provision –

**Mr Richard Maru** – Point of Order! Mr Speaker, the Bill is before Parliament and the question is preemptive.

**Mr SPEAKER** – I know, your Point of Order is in order, I was going to remind him of that. Honourable Member for Kikori, you cannot preempt a matter that is almost before Parliament.

**Mr SAM BASIL** – My Speaker, I direct my questions to the honourable Prime Minister and I ask the Minister for Provincial and Local Level Government Affairs to take note. My question is in relation to the Electoral Commission.

Mr Speaker, since we are running into the second year, two out of my six local level government president's seats are vacant. These are the Buang Local Level Government president's seat and the Wau-Bulolo Urban Lord Mayor's seat. Since the untimely deaths of the incumbents we need to go for by-elections.

Mr Speaker, my office has made several attempts to approach the provincial government and together, because I believe in Morobe Province we also have a vacancy in one of the councilor's seats, we can get the Electoral Commission to conduct by-elections.

Now, we've made approaches to the Electoral Commission and I was surprised that they asked us for funding.

Mr Speaker, through the Speaker to the Prime Minister, I believe that the Electoral Commission shouldn't be funded by any organization as it will compromise their position.

Mr Speaker, I wish to ask the Prime Minister if the Electoral Commissioners Office is still funded by the National Government because we believe that they should be conducting those elections in a timely manner.



And Mr Speaker, we do understand that we do have other electorates in terms of ward councilors and LLG presidents still have their problems which they have taken to court and there are by-elections going on. But, as for ours it's from their deaths so I believe that we have a reasonable issue here and the Electoral Commission should address us and conduct by elections as quickly as possible.

**06/05**

There are concerns raised by the people in the local level Government areas that twice we have received K500 000 from the LLG DSIP and it amount to a million kina and it will be at the whim of the LLG Council Managers and I believe that we have an issue out there.

Can the Prime Minister explain if the Electoral Commission can conduct a by-election in those two LLGs as soon as possible?

**Mr PETER O'NEILL** – Mr Speaker, I thank the Deputy Leader of the Opposition for his questions.

Before, I answer his questions let me take this opportunity to congratulate the Deputy Opposition Leader for his elevation as the Leader of the Pangu Party. It has been long overdue for him and I am sure his experience as the Deputy Leader for Peoples Progress Party and his time as being the Deputy Leader of PNG Party ensures that he has the necessary experience to perform the role in a good and constructive manner.

I note that one of his first policies is the Agriculture Policy and it is pleasing to know that a leader in the Opposition ranks is starting to talk policy. Once again let me congratulate the Member for Bulolo on this.

Mr Speaker, on the issue of the By Elections in his LLGs I want to confirm that Electoral Commission is very much a Government funded organization and we will continue to fund that.

The Treasurer advises me that there is no specific request coming from the Electoral Commissioner of these particular by-elections. There is no specific appropriation for any by-elections unless they make requests to the Treasury Office.

Mr Speaker, now that the Member has brought this particular matter to our attention we will give the necessary support to the Electoral Commissioner to conduct an election immediately.

**Mr GISUWAT SINIWAN** – Mr Speaker, thank you for acknowledging the people of Nawaeb Electorate. I direct my questions to the Minister for Works.

Mr Speaker, let me take this opportunity to thank the Works Department for releasing K5 million for the roads in my electorate two weeks ago.

(1) Can the Minister inform my people when can the much talked about K70 million World Bank funded project from Erap down to Nawaeb District headquarter's in Boana Station begin?

(2) Can the Minister give an undertaking also when the four-lane road from Nadzab into Lae begin?

**Mr FRANCIS AWESA** – Mr Speaker, I thank the Member for Nawaeb for his two very important questions. Regarding the slow progress of the four lane road into Lae I am aware that it is taking awhile to start after all the hype and everything. Just over the weekend I had a dialogue with the contractors and they have assured me that the starting phase of works will be the relocating of powerline poles along the route. In some instances where various companies and individuals have refused to relocate the power poles located on their properties unless they were paid.

**07/05**

So these things have been sorted out.

I want to show the Member and the residents of Lae including those of use using the Highlands Highway, that we are giving it top priority. As of today you will see a lot of progress being made to complete the four lane road on time and within the budget.

In relation to the other question regarding the World Bank funded project K60 million has been committed for the road from Boys Town to his electorate in Boana station. This is a very important road link from Boana station to the rest of the Nawaeb electorate. It has been forgotten for a very long time, but it is only now, under the leadership of this government that this issue has been addressed.

Thirty million has been allocated in this year's budget. That is the counterpart funding for various World Bank funded projects together with the National Government's counterpart funding.

The design for this road is well advanced and before the end of the year, we will announce the successful tenders for that sector of the road as well as the others in Milne Bay and Central provinces.

**Mr TITUS PHILEMON** – Mr Speaker, I direct my series of questions to the Minister for State Enterprises and I ask the Minister for Transport to take note.

Before I ask my question, Mr Speaker, I would like to thank the National Government for the funding of K5 million to fund the coastal monitoring and surveillance system. For the first time in this country the coastal monitoring and surveillance system have been installed in Jomat passage in Milne Bay Province, in Tuam in Morobe Province for the ships that are passing through and also in Cape St George in New Ireland Province.

These coastal monitoring and surveillance systems monitor the movement of ship that goes through the international passage through PNG and they carry a lot of dangerous cargo. At the same time, they pollute the waters our people use and for those of us in the coastal provinces that is our highway and garden.

Mr Speaker, my questions are:

(1) Can the Government consider charging these vessels for using our passage and our territorial waters? These are international ships using our waters to pass through. Although there were oil spills experienced in Milne Bay last year the people were not fully compensated.

(2) So can the Minister inform this Parliament accordingly especially those of us in the coastal provinces?

(3) Now that there are monitoring device can these ships be charged otherwise they have been using our water for free for so many years?

**08/05**

**Mr BEN MICAH** - Thank you, Mr Speaker, and I thank the Governor of Milne Bay for his good question. The issue of Jomat passage is multifaceted which involves many Ministries and it has implications relating to the environment where the Maritime Department; NMSA and Transport Department need to look at it and also the landowner issues in terms of the claim for access through the passage.

I would like to congratulate the Governor who is also the Deputy Leader of my Party for this very insightful and right question because the Jomat passage is similar to the Panama

Canal and is simple to a lot of waters ways where if ships do not use, they will have to do very long detour. If the ships do not use the Jomat passage, they will have to go around the Bougainville peninsular all the way to other places like Australia and Singapore. So, this is a very strategic passageway that I think has been overlooked for so long by the government of Papua New Guinea.

I want to assure the Governor that I am putting together upon his request a Committee that will work together with the Transport Department, Marine Safety Authority and PNG Ports to develop a comprehensive approach that my colleague Ministers and I will bring to Cabinet and maybe, we will also look at other areas he mentioned like New Ireland, Bougainville and East New Britain where ships usually pass through. With the current increase in resource developments in the country, there will be more ships carrying flammable and dangerous cargo like LNG ships, LPB ships and event big ships carrying copper concentrates and other mineral processing chemicals. They are likely have spillage or run overground while travelling through these passages and I believe will have huge impact that we have that not really look at critically for long time.

This is a very important question and I am very seriously taking up with my other colleague Ministers for deliberation so that we can comprehensively address the important issues relating to the passage in Milne Bay Province.

**Mr RON GANARAFO** - Thank you Mr Speaker. I direct my question to Minister for Agriculture and Livestock. In 1987, when I was working for the Coffee Industries Cooperation, we recorded a production of 1.2 million bags of coffee. Today, with more planting, productions should increase to 1.5 million bags of coffee and that's about 90 thousand tonnes. The price for green coffee beans in Goroka now is K9.00 for white grade instead of K6.00 according to today's exchange rate and that is good news.

**09/05**

Anyway, they are fetching K9.00 meaning that the exporter must be bringing in K10 FOB. If the production capacity is 90 000 tonnes at the moment and you multiply it by K10.00, you will get K9 million or K10 million instead of the K400 000 or K500 000 we have talked about. I would like to mention that the Prime Minister has committed a lot of money for rehabilitation of rundown smallholder coffee growers and not just plantations.

**Mr SPEAKER** – Honourable Member, can you ask you question?

**Mr RON GANAROFO** – I apologise but its best that I give some background information because I did not speak with the Minister regarding this issue. The World Bank is also pumping in almost K100 million in rehabilitating coffee and cocoa so I am just giving you the potential of these crops.

At the moment, we are sitting on K1 billion that can be brought into the country to feed almost half the population of this country. The Prime Minister has done his part and what is the Minister for Agriculture doing about this issue at the moment?

**Mr ASSIK TOMMY TOMSCOLL** – Thank you Mr Speaker, I thank the Member for the question.

Let me say that the issue is, the Member is trying to compare the level of production in 1987 to the current production level. The level of production is dependent on many other factors and one of the biggest issues we face in the coffee industry which we also face with cocoa and copra is that, a lot of the coffee trees are aging. So many times we are counting coffee trees that are aging and that means that coffee tree is not in its peak of production instead the production is expected to decline. From 1987 to 2014 is a long time.

The peak life span of a coffee tree is almost 20 years, so once these coffee trees are over 20 years old the production declines and when that happens we expect the number of bags on the market to correspondently decline.

Mr Speaker, apart from that in between the bad years as our farmers are and they are typically takers, net buyers and net sellers, meaning that they respond to market fluctuation, when the money is high the farmers will work, and when the value of money is low they will not work.

This year the price has been good on the second half of this year so we expect to see a good increase.

Mr Speaker, on the issue of how the Government is approaching it, the Government through CIC is now setting up district nursery programs with districts. It is up to individual Members whose electorates grow coffee to take on this program. I am sure we have spoken many times and many Members know that this is available but it is up to the Members to come and take ownership of the program and do a partnership with CIC. I cannot go knocking on every Member's door and ask if they are interested.

Please I urge you to come and enter into a partnership and the criteria is simple. If you commit K1 million from your DSIP, then CIC will provide counterpart funding. If you put more, CIC will put more.

We are encouraging the members to put a million kina in because we are considering the scale of the economy. If you give us K250 000 and CIC counterparts with K250 000 it will be K500 000 and what can K500 000 do in Karimui? It can do more in the district of Madang than the district of Karimui.

**10/05**

So based on that we are saying that in order for CIC and the government to have an impact we are laying it down that we ask you to put a million and we put a million, we will roll it out what is really needed to push production is, we have to start planting new coffee trees.

Until now we have not taken program of planting coffee trees seriously therefore we can all say that if we don't plant we don't expect to rip volume. So these are the program the government is panning.

The past government was talking rehabilitation but in this Government, we are not focusing on rehabilitation, our prime focus is to grow coffee trees. Our prime focus is to bring potential youth; the potential is in youths who do not have anything to do at the moment, who roam the streets. The coffee trees that they are feeding from are coffee trees that their parents planted. The children from today aren't planting so we want to draw them into the plantations; we want to make coffee seeds available. Apart from the fact that we are issuing, we are issuing coffee licenses for our farmers to be able to export green beans. The current coffee price in Goroka is K9.00 for green bean but how many of our farmers are able to sell green beans, not many.

Many of our farmers are into selling parchment and parchment in Goroka is selling at K3.50 and K4.00 as I speak. So what we want to do is we want to design –

**Mr Ron Ganarafa** – Point of Order! Parchment has gone down to K3.00 now in Goroka.

**Mr ASSIK TOMMY TOMSCOLL** – Mr Speaker, parchment is between K3.50 and K4.00, what makes the difference is the kina facility rate. Because the kina facility rate also

affects what we pay. If the kina facility rate is good today that means that we are paying a higher price because coffee is traded on US like Cocoa, Coconut and everything else.

Mr Speaker, I do not think this issue is about pricing right now, its about how best do we organize the market system and how best do we organize the production system so that our farmers, many of who have nothing to do can enter into the industry.

And these are programmes we are rolling out. I urge Members to come forward. I have spoken to the Member himself many times and only last week I was able to speak to my CEO while he was standing next to me and we were still waiting for the Member to arrive to sign the district agreement.

I am not going to come down, please go up to Goroka and do it.

### **Supplementary Question**

**Mr WERA MORI** – Thank you, Mr Speaker, I am only surprised that the Minister is talking about the coffee industry. Apart from him talking about growing coffee, what about those plantations that are now allowed to bleed to death in Eastern Highlands and Jiwaka Province? The plantation sector has supported the industry for a long while, can the Minister elaborate on how he is going to revive the coffee industry, especially the plantation sector.

**Mr ASSIK TOMMY TOMSCOLL** – Mr Speaker, we all understand that once upon a time Papua New Guinea was driven by the plantation economy. In the early 80s the plantation economy died because the production cost of plantation is high. This was the very reason the plantations died.

The second reason why the plantations collapsed was the landowner issue. Many of the coffee plantations that I think he is referring to are the ones that we still have to sort out the landowner issues, especially with the people who initially owned the land.

**11/05**

As long as we are unable to settle those landowner issues and as long as crime exists in those areas it will take a while for us.

What is the Government's immediate reaction? The Government is very clear that those companies that initially owned plantations are required to go into partnerships with the local people. And if you are still trading but not rehabilitating those plantations, we will take

away your export licenses to trade. Every company is expected to own and to plant 10 000 hectares of coffee trees before you can continue to export.

If this requirement is not followed your licenses would be revoked. Many of the licences and plantations are owned by the private sector. They are not owned by the Government or corporatives and they are not owned by our people. In order to facilitate it; for instance in Jiwaka, I am still trying to understand the issue.

Of why we are unable to go into Jiwaka and rehabilitate those plantations, some of which are huge plantations in the southern hemisphere. Coming back to the problem, it is dealing with the landowners. All I can do is go and talk to the leaders but it must be the leaders of those areas to deal with their own people and sort the landowner issues, remove crime and then we will be able to rehabilitate.

If we do not do that, it will be like the past where the Government will continue to bank money, into rehabilitation and we will not see any good outcome. I am reluctant to go into rehabilitating those plantations until those issues are sorted out.

### **MOTION BY LEAVE**

**Mr JAMES MARAPE** (Tari-Pori- Minister for Finance) – I ask leave of the Parliament move a motion without notice.

Leave granted.

### **SUSPENSION OF STANDING ORDERS – REARRANGEMENT OF BUSINESS**

Motion (by **Mr James Marape**) agreed to –

That so much of *the Standing Orders* be suspended as would prevent:

- (1) The Minister for Justice and Attorney General presenting a Ministerial Statement.
- (2) Notice No.143 of Government Business being called on forthwith.



**STATUS OF THE COURT PROCEEDINGS BETWEEN THE INDEPENDENT  
STATE OF PAPUA NEW GUINEA AND PNG SUSTAINABLE  
DEVELOPMENT PROGRAM LIMITED – MINISTERIAL  
STATEMENT – MOTION TO TAKE NOTE OF PAPER**

**Mr ANO PALA** (Rigo – Minister for Justice and Attorney General) – Mr Speaker, as you know the PNGSDP has commenced legal proceedings against the State in Singapore and in the international court for the settlement of investment dispute. Both are actions we feel are without merit and the State will strongly contest them. These actions came about because the State was querying whether the persons currently in control of PNGSDP led by Sir Mekere Morauta have been using PNSDP assets properly to advance the welfare of Papua New Guinea, particularly the people of Western province.

The state was trying to restructure PNGSDP to ensure that the benefits flowed to the people but these were resisted by Sir Mekere and his team. In reaction they have tried to exclude the state completely from PNGSDP and have started these proceedings in Singapore.

**12/05**

The State has since filed a claim in the Supreme Court against Papua New Guinea Sustainable Development Programme (PNGSDP) for having acted in breach of trust and in breach of agreement.

Sir Mekere Morauta and his team have made unilateral changes to the PNGSDP memorandum and articles so as to retrench themselves, and to exclude the State. In addition, there have been transfers out of the long term fund even though that fund is not to be touched pending the Ok Tedi Mine closure and several other questionable transactions.

Amongst other releases, the State is seeking orders, that Sir Mekere Morauta be removed as director, member and chairman of PNGSDP, as he was appointed pursuant to those changes to PNGSDP and the *Constitution*. And further because Sir Mekere Morauta's cost PNGSDP to commit the breaches forming the subject of matters of the dispute.

In this regard, Mr Speaker, Sir Mekere Morauta has put himself in a situation where we will have to question his credibility and he has being a fit and proper person to be a chairman. Therefore, we have no choice because he has put himself in a situation where we had to challenge his credentials. I call this unfortunate because there is nothing that we can do

about it, we have to take him on because it is either our survival or his that we have to address this issue.

Pending the trial, the State had also taken out an application in the Supreme Court seeking various orders and information regarding PNGSDP assets in order to preserve them. This was done to safeguard the interests of the people of Papua New Guinea and Western Province whom from the PNGSDP assets are solely to benefit.

I am also pleased to note that the Singapore Court has made several orders in this regard. After the State raised the fact that the PNGSDP has withheld information regarding its financial status and dealings since 2013, the PNGSDP later issued its 2013 financial statements on the 24 May, 2014.

This statement shows that, the State's concerns regarding the assets of the PNGSDP were well founded. In particular, the statement showed the following:

(1) PNGSDP total assets have declined by US\$180 million in 2013 despite PNGSDP claiming that it had stopped all projects since October 2013 because it had no funds, and without properly justifying these expenditures;

(2) The value of the PNGSDP long term funds has been in 2013 by US\$55 million. This is despite Sir Mekere Morauta claiming on affidavit that the money in the long term fund cannot be touched and had been preserved;

(3) US\$39 million has been directly transferred out of the long term funds all of which, is meant to be in lower risk investments in breach of the program rules. In particular, under the programme rules the long term funds can only be used after the Ok Tedi Minie closure saved under very limited circumstances, which are not applicable here;

### **13/05**

(4) PNGSDP's main complaint has been that the Tenth Supplemental Agreement passed on 19 September 2013 and in the short term of over three months from September 2013 to December 2013, PNGSDP has spent at least US\$3.1 million of its assets on legal bills to fund what it calls the fight for justice.

The State has not been informed as to how much has been spent on legal fees for 2014 and we are concerned that this will likely be much more.

Mr Speaker, the interim application was heard by the court over several days in April and July 2014 and the Court issued its decision on 25 August 2014, while I was there in the court room. And these are the orders:

PNGSDP has been enjoined from making any further changes to its *Constitution*,  
PNGSDP has been enjoined from making any changes to the composition of its  
board of directors,

And the Court ordered PNGSDP to furnish the State with the following:

(a) Copies of PNGSDP's management accounts promptly after completion and at no  
greater interval than quarterly,

(b) Copies of the reports given by its portfolio managers be given to the State  
promptly after receipt, and;

(c) Consolidated statements of assets and liabilities to the extent that the information  
is not apparent from the management account signed by at least one director of PNGSDP on a  
quarterly basis.

And copies of the management accounts, reports and consolidated statements referred  
to in (a) to (C) above for the period ending 30 September 2013 to be provided by 17 October  
2014.

The Court also directed PNGSDP to provide the State with copies of the management  
account and reports for the period ending 30 June 2014.

Mr Speaker, copies of the full judgment is being circulated to the Members so you can  
read the details, especially the media reports.

Mr Speaker, in addition the State has taken steps to exercise its right under the  
*Constitution* to go in physically and inspect the books, accounting records and other records.  
We wanted to go in physically because we may not trust their reporting system.

The Court indicated that they will respond to our request by the 8 of September so we  
did not lose that matter, the Court deferred its decision to the 8 of September.

In court I instructed the lawyers that should they reject our application we will appeal.

So, that is an area that has been misrepresented and in that regard I note that Sir  
Mekere has made a media statement on behalf of PNGSDP dated 30 which was yesterday or  
today claiming that the State has lost the application and the Court dismissed the application.

This is incorrect. The State did not lose the application neither did the court dismiss  
the same.

**14/05**

Indeed, the Court made the various injunctions and orders stated above, which injunctions and orders Sir Mekere Morauta has deliberately chosen to remain silent about in his media release.

While the Court did not grant an injunction to expressly restrain PNGSDP from disposing of the assets in its Long Term Fund at this juncture, the Court recognizes the program rules already exists to restrict the use of these assets. So the court is saying ‘we will not grant what you are asking for because there are enough protections under the program rules’.

The Court further recognised the State’s interests in preserving the PNGSDP’s assets for the benefit of the people of Papua New Guinea and Western Province, and the State’s concerns in this regard, and therefore directed PNGSDP to provide information and documents about its assets to the State on a regular basis, in addition to the various injunctions stated above. This is to allow the State to be properly informed of the use and management of the PNGSDP of its assets, and if necessary, to take further actions, including applying to Court for injunctions to safeguard this assets. The Court is saying: ‘we will not give you those assets because there are enough protection but if you feel that they have been abused then come back to Court and we will consider it. The Court did not reject, it left the room open.’

The State considers it would be even safer to have a Court order to expressly restrain PNGSDP from disposing of the assets in its Long Term Fund, as stated above. PNGSDP has been dealing with the assets in the Long Term Fund in breach of the program rules. The State therefore will be taking steps to pursue an appeal in this regard. In the interim, the Court has granted an injunction restraining PNGSDP until the hearing of the State’s application for the Court’s leave (permission) to appeal against this aspect of the Court’s decision for the disposing of the assets in the Long Term Fund.

Mr Speaker, in order to appeal, we have to ask for leave and we have given that notice.

Mr Speaker, the press release made by the Prime Minister’s Office dated 26 August 2014, made no misrepresentations. It had set out accurately all the orders made by the Court which clearly recognised the State’s complaints about the unilateral changes made by PNGSDP to its *Constitution* and Board of Directors and its withholding of information about its assets from the State, and in that context recounted some of the State’s arguments. Sir Mekere Morauta has however, sought to put his own spin on the Interim Release Application in an attempt to deflect attention from the clear breaches that have been committed by PNGSDP under his chairmanship and the orders made by the Court.

The State fully intends to pursue these breaches committed by Sir Mekere and his team to the full conclusion of the trial of the matter so as to enable the assets of PNGSDP to be returned to the control of the people of Papua New Guinea to whom they are intended to benefit, and whom the State represents.

Mr Speaker, in relation to the International Arbitration, we are also challenging that matter on the grounds of jurisdiction.

Mr Speaker, for the matter to have a chance to be heard in the International Tribunal, there has to be two parties; one must be a government and the other must be an investor.

Mr Speaker, PNGSDP is not an investor, it is our company. And in this case, we have a company that is own by the government and we feel that they will not have jurisdiction to have a case and we will win that case.

**15/05**

Mr Speaker, this is the summary of the Court orders and rulings and report on the court proceedings taking place in Singapore. For the benefit of the Members, the details of this case are been circulated. Thank you.

Debate (on motion by **Mr James Marape**) adjourned.

#### **MOTION BY LEAVE**

**Mr JAMES MARAPE** (Tari – Pori – Minister for Finance) – I ask leave of Parliament to move a motion without notice.

Leave granted.

**SUSPENSION OF STANDING ORDER –  
REARRANGEMENT OF BUSINESS**

Motion (by **Mr James Marape**) agreed to –

That so much of *Standing Orders* be suspended as would prevent Notice No. 143 being called on forthwith.

**SMALL AND MEDIUM ENTERPRISES CORPORATION BILL 2014**

**First Reading**

Bill presented by **Mr Richard Maru** and read a first time.

**Second Reading**

Leave granted to move the second reading forthwith.

**Mr RICHARD MARU** (Yangoru-Saussia – Minister for Trade, Commerce and Industry) – I move –

That the Bill be now read a second time.

Mr Speaker, and members of this honorable House, it gives me great pleasure to be able to introduce the Small and Medium Enterprises Corporation Bill 2014. The Small and Medium Enterprises Corporation Bill 2014 will consequently repeal and replace the Small Business Development Corporation Act 1990. The purpose of introducing this Bill is to secure legislation essential to guide, develop, and drive the growth of the SME sector; and repeal the Small Business Development Corporation Act 1990.

Mr Speaker, the replacing of the SBDC Act has now become because of the number of important reasons including:

(1) The need to use the SME name and to be consistent with the rest of the world instead of using small business for global alignment for the sector.

(2) PNG needs to have a SME legislation which is similar to the enabling legislative frame work of countries which are now global leaders and have enjoyed enormous economic success by riding on a back of a strong SME sector like Indonesia and Malaysia.

Mr Speaker, the enabling legislation is critical as it provides the framework to organize and manage the sector. And to ensure the government appropriates essential resources and is able to evaluate and support the growth of the SME sector under the proposed new SME policy and master plan.

**16/05**

The SME sector contributes 80 per cent of employment in the informal sector and countries like Taiwan contributes 90 per cent to its GDP. In countries like Indonesia, SME contributes to half of its GDP so it is a very important sector in any economy.

Mr Speaker, the replacing of the *SME Act* is now required because it has provided a very weak corporate government structure which has been nonfunctional over the last 20 years of it's existence and has led to a very poor growth of the SME sector in this country. The *SME Act* has provided a very weak enabling environment.

Mr Speaker, over the last 24 years that we had the *SME Act* that governed the management of the sector, we find that 90 per cent of the business in the formal sector is still owned by outsiders. We find that 90 per cent of all that we produce are shipped out of this country in raw material form. We find that SME sector has only created 600 000 jobs over the last 39 years of independence while countries like New Zealand can provide 3 million jobs in the formal sector.

Mr Speaker, statistics from the ADB and the World Bank say that 40 per cent of Papua New Guineans still live under the poverty line, meaning that they don't even have K2 to spend in a given day. This is especially sad when you start to look at how blessed we are as a national and yet our people are still living in the fringes of poverty and are marginalised in our own land.

Mr Speaker, successful based SME economies like Taiwan, Malaysia and Indonesia, the prime ministers of those respective countries have personal responsibilities for the growth and management of the SME sector. In this country, it has been left to the Ministers and no one has taken ownership of this sector despite its importance.

Mr Speaker, no responsible governments will allow this to continue and certainly, the O'Neill-Dion Government is not an irresponsible government; we are a very responsible Government and we have already started to take steps to address the growth of the sector.

**Mr Mark Maipakai** – Point of Order! Mr Speaker, we do not have the papers before us.

**Mr SPEAKER** – They are being circulated at the moment so you will get yours. Honourable Minister, please continue.

**Mr RICHARD MARU** – Mr Speaker, the fundamental change between the *SME Act* which has been governing the sector up till now and the proposed Bill is that under the new SME Corporation Bill, we will now establish SME Council for the first time in this country. The Council will now under the proposed Legislation Bill will be chaired by the Prime Minister. Its membership would be made up of key economic Ministers including the Engineers Business Council, the NEB Chair, the PNG Chamber of Commerce and the Rural Industries Council.

**17/05**

Mr Speaker, under this new structure the responsibility and the accountability for formulation and implementation of the new SME policy and plan and the allocation of adequate State resources to the SME corporation will now be the personal responsibility of the Prime Minister of Papua New Guinea .

Mr Speaker, Malaysia is now considered and globally accepted as having the best policy and plan and supporting legislative structure has basically the same legislative structure that we are now proposing. Annually, Malaysia invests 18 billion Ringgit to fund the growth of the sector. It is this reason why Mr Speaker, in this year, Malaysia will join America, and Australia to become a high income earning nation by investing significant resources to grow the SME sector because it has the support of the Prime Minister with support of the council.

Mr Speaker, the proposed Bill will enable rising of the standard of corporate governance research training and development to support the growth of the sector in Papua



New Guinea. It will give clarity in defining the SME sector; it will also complement the Company's Amendment Bill 2014 and the Business Names Amendment Bill 2014.

Mr Speaker, the SME Corporation Bill 2014 will also implement one of the 12 SME stimulus packages which the Prime Minister launched in 2014. This Bill will be an independent part of new SME Policy and Master Plan that I will be bringing to Cabinet in the next two weeks because the policy is now completed and it will be tabled in this Parliament.

Mr Speaker, with that I now commend this draft SME Corporation Bill 2014 to this Parliament.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a second time – agreed to.

Bill read a second time.

### **MESSAGE FROM THE GOVERNOR-GENERAL**

A message from His Excellency, the Governor-General was announced recommending the expenditure of public monies in accordance with *Section 210* of the *Constitution* insofar as the Bill relates to and provides for such expenditure.

### **Third Reading**

Leave granted to move the third reading forthwith.

Motion (by **Mr Richard Maru**) proposed –

That the Bill be now read a third time.

Motion - That the question be now put – agreed to.

Motion – That the Bill be now read a third time – put.

**18/05**

The Bill requiring an absolute majority of 56 Members as required by the *Constitution*, the Speaker ordered that the bells be rung.

The Parliament voted (the Speaker, **Mr Theo Zurenuoc** in Chair) –

**AYES – 64**

**NOES – 0**

The Bill passed with the concurrence of an absolute majority as required by the *Constitution*.

Bill read a third time.

#### **MOTION BY LEAVE**

**Mr JAMES MARAPE** (Tari-Pori – Minister for Finance) – I ask leave of the Parliament to move a motion without notice.

Leave granted.

#### **SUSPENSION OF STANDING ORDERS – REARRANGEMENT OF BUSINESS**

Motion (by **Mr James Marape**) agreed to –

That so much of the *Standing Orders* be suspended as would prevent Notice No. 151 being called on forthwith.

## **PUBLIC PRIVATE PARTNERSHIP BILL 2014**

### **First Reading**

Bill presented by **Mr Patrick Pruaitch** and read a first time.

### **Second Reading**

**Mr PATRICK PRUAITCH** (Aitape-Lumi – Minister for Treasury) – I move –

That the Bill be now read a second time.

Thank you, Mr Speaker and honourable Members of Parliament, as you all are aware the provision of public infrastructure and government services to each citizen is one of the prime obligations of governments all over the world.

Infrastructure such as roads, power, telecommunications, water and sanitation, sea and airports is a fundamental prerequisite for economic growth and development. In addition social and community infrastructure, including education and health facilities, public housing and buildings, cultural facilities and environmental infrastructure are essential in modern society.

All across the world in advanced economies and developing countries studies have consistently shown the close relationship between infrastructure and economic output.

Mr Speaker, despite Papua New Guinea's relatively strong economic growth in recent years its infrastructure in qualitative and quantitative terms is quite poor and services is lacking.

Investment has not been adequate to provide a sound basis for Papua New Guinea's development. Therefore the effective delivery of infrastructure needs to rise to create the growth and opportunities required to lift the incomes and standard of living for the majority of our people.

Mr Speaker, there are different ways in which the government can ensure that necessary public infrastructure and government services can be provided.

It can do so either by direct provisions of infrastructure and services, it can do so by privatization and outsourcing, increase competition and outsourcing and also by public-private partnerships, or PPP.

In Papua New Guinea Mr Speaker the first two of these options have been the primary approaches used by the government. Tax credit schemes are also used in isolated locations and some Triple P elements have been featured in contracts awarded by the government.

19/05

All public investment infrastructure and services are required to comply with the government's medium and longer term strategies, namely the Medium Term Development Strategy, the Medium Term Debt Strategy and the Medium Term Fiscal Strategy.

These strategies provide a stable responsible and prudent basis for the Government to manage its fiscal resources and future investments in infrastructure and services. Our country has undertaken some significant reforms since the early 1990s. These include privatisation of the Papua New Guinea Banking Corporation (PNGBC), Superannuation reforms and the introduction of competition to the mobile telecommunications market.

In the mobile telecommunication markets the entry of new private sector service providers have been on the basis of ten year licenses and this competition has led to increase service coverage and lower prices. Under the triple P approach the Government ensures value for money shares the risks with the private sector in a partnership approach.

The risk is transferred to the partner that is best able to manage that risk and generally the private sector has the financing, delivery and competition risk while the Government bases risks associated with delivery, land acquisition and meeting minimum revenues to ensure the projects remain financially viable.

Mr Speaker, before I continue, I wish to mention how the Public Private Partnership concept was initiated in the country. In August 2002, the National Executive Council endorsed comprehensive review of the existing privatisation policy. In 2003 it was envisaged that the Public Private Partnership would become an important part of the Government's strategy for structural reform and improving service delivery.

In 2007, the Government commenced work on this triple P policy and a triple P task force led by the Department of National Planning & Monitoring; and consisting of the departments of Treasury, PM and NEC, and the Independent Public Business Corporation or IPBC was formed in June 2008.

Mr Speaker, the task force was supported by the Asian Development Bank and the current policy was prepared by the task force process which included extensive consultation with both the public sector and the private sector including civil society. This Government,

the private sector and the community all unanimously support the triple P arrangement that will be enabled by this legislation.

While triple P is another means of pursuing every potential program or product they can hold some distinct advantages in the Government's provisions for public infrastructure and services. The triple P can enable the Government to use the private sector delivery and project completion expertise and capabilities for the benefit of the people. It can help the Government to better understand the whole of living costs of investments and enable a more rigorous project assessment.

Finally, the triple P can enable the Government to share risks with the private sector and make payments conditional on the actual delivery of infrastructure and services. However, the risks of entering into triple P must be noted and these risks can be mitigated through the establishment of a formal triple P framework especially, triple P centre with appropriate skills and expertise.

The Government is mindful that the triple Ps' are not an area of all public infrastructures investment needs. It should be a substitute for full private or public provision where these modalities provide better value for money.

The Government recognises that the triple Ps' have been successfully applied in both developing and developed countries to deliver much need public infrastructure and Government services. The triple P Bill proposes the establishment of triple P centre under the authority of the Minister for Treasury empowered with capacity and knowledge to determine whether a triple P is the most appropriate procurement option available to the Government and if this is determined to be the case to assist line agencies to transact the project.

Mr Speaker, the term line agencies referred to in this policy covers all districts, Provincial and National Government departments that are charged with delivering Government services. The triple P Centre will report to the Government on a performance of parties against the triple P policy.

The Government is confident that in using the triple P modality, the private sector in our country can offer a dynamic and efficient way to deliver and manage infrastructure and ensuring high standards of construction and maintenance. Through triple P, the Government intends to harness the dimension to support Papua New Guinea's development objectives so that future generations can gain the benefits of modern services, improved standards and reduce poverty.

**20/05**

Mr Speaker, this is a Bill that will improve the welfare of Papua New Guineans. I therefore, commend the Public Private Partnership Bill to Parliament.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a second time – agreed to.

Bill read a second time.

### **MESSAGE FROM THE GOVERNOR-GENERAL**

A message from his Excellency the Governor-General dated 1 September, 2014 recommending the expenditure of public monies in accordance with *Section 210* of the *Constitution* insofar, as the Bill relates to, and provides for such expenditure.

### **Third Reading**

Leave granted to move the third reading forthwith.

Motion (by **Mr Patrick Pruaitch**) proposed –

That the Bill be now read a third time.

Motion – That the question be now put – agreed to.

Motion – The Bill be now read a third time – put.

The Bill requiring an absolute majority of 56 Members as required by the *Constitution*, the Speaker ordered that the bells be rung.

**21/05**

The Parliament voted (the Speaker, **Mr Theo Zurenouc** in the Chair) –

**AYES – 67**

**NOES – 0**

The Bill passed with the concurrence of an absolute majority as required by the *Constitution*.

Bill read a third time.

Sitting suspended from 12 noon to 2 p.m..

**22/05**

### **ADJOURNMENT**

Motion (by **Mr James Marape**) agreed to –

That the Parliament do now adjourn.

The Parliament adjourned at 2.20 p.m..