

SECOND DAY

Wednesday 20 March 2013

DRAFT HANSARD

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PARLIAMENTARY DEBATES
CORRECTIONS TO DAILY DRAFT HANSARD

The *Draft Hansard* is uncorrected. It is also privileged. Members have one week from the date of this issue of Draft Hansard in which to make corrections to their speeches. Until the expiration of this one week period, Draft Hansard must not be quoted as a final and accurate report of the debates of the National Parliament.

Corrections may be marked on a photocopy of the Daily Draft Hansard and lodged at the Office of the Principal Parliamentary Reporter, A1-23 (next to the Security Control Room).

Corrections should be authorised by signature and contain the name, office and telephone number of the person transmitting/making the corrections.

Amendments cannot be accepted over the phone.

Corrections should relate only to inaccuracies. New matter may not be introduced.



Sarufa M. Haro
Principal Parliamentary Reporter

SECOND DAY

Wednesday 20 March 2013

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

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

Sitting suspended at 10.00 a.m..

Mr Speaker again resumed the Chair at 10:40; and invited the Member for Mendi **Mr De Kwanu** to say Prayers.(audio not available)

BROADCASTING OF PARLIAMENTARY PROCEEDINGS – STATEMENT BY THE SPEAKER

Mr SPEAKER- Honourable members I have to inform the Parliament that the Permanent Parliamentary Committee on Broadcasting of Parliamentary Proceedings met today and resolved that-

(a) the *National Television Service Kundu 2* will be allowed to televise Questions without notice as part of its community obligation; and

(b) National Broadcasting Corporation will be allowed to broadcast live Questions without Notice;

(c) *EMTV* will be allowed to film questions without notice for news purposes only and;

(d) *Australian Broadcasting Corporation* will be allowed to film Questions without Notice for news purposes only, for the duration of this meeting only.

**CERTIFICATION OF ACTS AND A LAW-
STATEMENT BY THE SPEAKER**

Mr SPEAKER- Honourable members, I have to inform the Parliament that I have in accordance with *Section 110* of the *Constitution* certified three Acts and a Law made by the National Parliament.

Judicial Conduct (Repeal) Act 2013

Prime Minister and National Executive Council (Amendment) Act 2013

Supreme Court (Amendment) Act 2013

Constitutional Amendment No. 36 – Motions of No Confidence Law

QUESTIONS

Mr WERA MORI – Mr Speaker, my question is directed to the Minister for Agriculture, but before I make this statement, I would like to make the following background statement.

Mr Speaker, three to four million people in Papua New Guinea depend on coffee and their livelihood depends on the pricing mechanism which is directly correlated to global commodity prices.

Mr Speaker, we all know that there has been new markets up in Asia which are traditional tea drinking countries like China, India and Japan.

Unfortunately Mr Speaker, they are not drinking the coffee that we produce which is predominantly Arabica but they are drinking Robusta coffee.

Mr Speaker having said that, my questions are;

(1) Does the Government have any contingency plan for pricing support in terms of a Stabilization Fund because I am sure, Mr Speaker, that as I speak the prices for Arabica coffee will fall below 3kg per parchment.

(2) If there is such a Stabilization Fund, to what extent and level will the prices be supported?

Robusta coffee production that is grown in many lowland parts of Papua New Guinea

Thank you very much.

Mr TOMMY TOMSCOLL – I thank the Member for Chuave for the question. I also want to acknowledge that almost about two million Papua New Guineans depend on income and revenue from coffee and many see coffee as a business venture, particularly, the unskilled who live in the rural sectors of Papua New Guinea .

The catch is that coffee is a commodity, it is exported into the global market and the market fluctuates on a global scale, the government does not have control over the global market .

Global markets are determined by supply and demand. It is also determined if there is a disaster in one country, we will still rise for the demand and so it correlates or correspond increases in the price.

Specifically Papua New Guinea export one percent to the global market of the total coffee global market. That one percent goes to the niche market meaning that we have to maintain the quality of coffee.

So to increase the revenue, we have to increase farmers capacity to grow and expand more coffee production but ensure that this coffee exported are quality coffee. If we do not export into that one percent niche market, we will be wiped out and the world would not even know.

Mr SPEAKER – Minister, please answer the question.

Mr TOMMY TOMSCOLL – Coming back to the specific question relating to the establishment of pricing support grant, at the moment, the Government has plans to introduce a Government Price Support Grant for Coffee.

But what the Government has done recently as a way forward is that, it has approved for rationalization of our Commodity bodies. That means that we are now

going to carry out a functional and expenditure review of all the Commodity bodies of all the regulatory industries in the sector.

That report will form the basis as to how we will approach the coffee industry, how we are going to tie the farmers into the pricing and so forth. Until that report comes back which is expected in about four months, the Government will then announce what measures it will take to support all the farmers in this country. The other questions are related to the first question so I have answered the question.

Mr POWES PARKOP – Thank you Mr Speaker for giving me the chance to ask a Question. My question is directed to the Prime Minister.

Mr Speaker, before I ask the question, I just want to make a short briefing. On Tuesday this week, we had a report of a young girl who was hospitalized in Cairns and lost her life because of a particular trend of TB which had no cure and it's becoming an epidemic in the Western Province and going to other parts of the country.

Mr Speaker, also the United Nations Development Index recent United Nations Development Index, they still rate PNG low.

02/02

This is what the United Nations has made in respect of both Western Province and Papua New Guinea.

Mr Speaker, while this is going on, an amount of K2.1 billion has been parked away in some accounts in Singapore. This is managed by the PNG Sustainable Development Fund and therefore, my questions directed to the Prime Minister are as follows:

(1) Are there any plans for the Government to change the trust bid or to get hold and control the PNG Sustainable Development Fund so that these monies can be spent on where it should be spent which is to the people of Western Province.

(2) Are there any plans for the Government to change the composition of the Board of

PNG Sustainable Development Fund? In doing so, the Government can also control the management of the Ok Tedi Mine because they are all related and we can determine on how the money is spent and on how Ok Tedi conduct its activities.

Mr Speaker, you know that this has been a controversial project even though Ok Tedi Mine has contributed a lot of revenue.

(3) Are there any plans for the Government to take control of PNG Sustainable Development Fund and also the Mine so that we can dredge the river?

Mr Speaker, before coming into Parliament as the Governor of NCD, I was involved in a case in the Melbourne Supreme Court and also here in the National Court relating to the issue. We received a Court Order in 1997 for Ok Tedi Mine to dredge the river and clean out all the sediments that have piled up over the years. Instead of honoring the Court Order, Ok Tedi Mine went ahead and signed a Ok Tedi Supplementary Agreement with the Government to escape its liabilities. Thank you.

Mr PETER O'NEILL – Thank you, Mr Speaker and I thank the Honourable Governor of NCD for his questions.

Mr Speaker, not so long ago comments were made about what Government is intending to do in relation to the management of PNG Sustainable Development Fund and on how it was delivering its programs in Western Province and PNG. The deliveries of program were to be done in accordance with the Agreement signed with the then owners of Ok Tedi and BHP 10 years ago.

We are still trustees of the events and the management of Ok Tedi through PNG Sustainable Development Fund that is why we are asking for a review. We stated to them that this particular program was not been delivered to the expectations of our country and the people of Western Province.

When I requested for that particular review, it was highlighted to the International Business Community that our Government was irresponsible and is trying to grab the whole junk of money that was in the trust being managed by them.

This is far from the truth. This is misrepresentation at its highest degree. Just to justify their continued existence and robbing off what is rightfully for the people of Western Province.

Mr Speaker, we are talking about hundreds of millions of kina that have been wasted to pay consultants and buy the dream projects that were never delivered. I convey my sympathy to the young lady who died in Australian hospital because she did not get TB awareness programs in Western Province.

This is happening everyday and I told the Australian Government at one of our meetings that as a leader I cannot stand and watch my people die, because of people managing these programs are not delivering to the expectations of the programs being set. I cannot stand by any longer and not take any actions. It is irresponsible of any government.

Mr Speaker, I have written to PNG Sustainable Development Fund Chairman and the Board and also to BHP informing them that when the Ok Tedi Mining lease expires by the current lease this Government will not renew the lease under the current arrangement. We, as a shareholder of Ok Tedi Mine will not participate with BHP through Sustainable Development Fund as a partner.

I am stating this because this partnership is not working and like any marriages, if the marriage is not working there must be time for divorce. Mr Speaker, as a partner we have told them that it is time to move on. BHP needs to move on and we need to move on too.

We have done that because we now want to take control of the management of the sustainable programs. Our aim is to make sure that the sustainable programs become the sovereign wealth fund for Western Province. It dedicates itself to Western Province in attending to issues in Health, Education, Law and Order and Infrastructure. That is how we will restructure and work with the Governor and the Members of Western Province because they must take control of the destiny of their people. It is for the Government to have an oversight of the program but not to manage it. It must be left to the people to manage so that we can attend to the ongoing crisis faced in Western Province.

Mr Speaker, we will restructure the Board of the Sustainable Development Fund so that our own people will be on the Board who are also more familiar with the problems on the ground rather than having people from strange cities.

03/02

They come in here once a year and tell us this is how you should live in Western Province or any other province in the country because half of these people do not visit these provinces when they are managing the Board; they live beyond reality. As a result, they don't appreciate what problems our people face and the struggles that they endure.

So, we are doing that and as I said, if there is going to be an extension of the mining life in Ok Tedi, I want to assure our people of Western Province and Papua New Guinea as a whole that this Government will make a responsible decision that this mine now will become a property of the people of Papua New Guinea. We will develop it ourselves together with the provincial government and the landowners of Western Province. We will create a model that will be replicated elsewhere in the country.

Mr Speaker, we must take control of our destiny and this gives us an opportunity to do it now. If we don't do it now when the mining lease is expiring, I can assure you that we will wait another 20 years and our people of Western Province cannot afford to wait another 20 years. They are dying because of the pollution and the environmental damage done as a result of this mine. We, as a responsible Government must take decisive action and I will not apologise to anyone whether it be BHP or anybody for that matter for taking this decision.

Mr GARRY JUFFA – I direct my questions to the Minister for Treasury. I would like to commend him for initiating the Tax Review which is well overdue. Many tax reviews have been conducted but they have always come out benefiting multinational corporations and large businesses that are operating in PNG.

My questions are:

(1) Can the Tax Review some policies that will benefit development of Papua New Guinea Papua New Guinea businesses?

(2) Can the Tax Review consider doing away with tax on the final entitlements of Papua New Guineans when they retire or resign?

(3) Can the Tax Review consider reviewing all the multitude of tax holidays and exemptions that have been granted to multinational companies which are losing or causing the loss of substantial revenues due to the people of Papua New Guinea? For

instance, there is a gold company listed as the fifth largest gold mine in the world has not paid a certain type of tax for almost 25 years and continues to enjoy this benefit. There are many other resources companies that are enjoying the benefit of not paying taxes or have vast tax holidays and custom exemptions.

(4) Can the Tax Review consider this and I am also volunteering myself free of charge and not as a consultant to offer my views to the Tax Review Committee when it is established?

Mr DON POLYE – Mr Speaker, I thank the Governor of Oro Kaiva for asking series of question in regards to the Tax Review –

Mr SPEAKER – Honourable Minister, please use proper provincial name the Governor represents.

Mr DON POLYE – Mr Speaker, when you go to Oro Province, the people say Oro Kaiva when welcoming you and I was trying to use it as an essence in their language but I thank the Governor of Oro for his questions.

The Cabinet through the leadership of the Prime Minister has sanctioned the review of the broader spectrum of taxation in PNG and that is being done. In relation to the question on how do we give maximum tax benefit to the ordinary people and also the final entitlements given to the employees as well the multitude of tax holidays and engagement of diverse views from every stakeholders by coming up with a fair and equitable tax reform that not only creates conducive environment but also level playing field for all the investments in the country, we will cover that. We have set up an independent Board that has already started working and within the next five or six months before we hand down the next Budget, we will have some of this major work on the Tax Review completed before we move forward.

So, those issues are being addressed by the Committee.

Mr EREMAN TOBAINING – Thank you Mr Speaker for recognising East New Britain and Kokopo for the third time.

Mr Speaker, I direct my question to the Minister for Housing and Urban Development.

Mr Speaker, it has been published in the media that the National Housing Corporation is embarking on delivering affordable housing solution for Papua New Guinea.

04/02

My question is can the minister deny or confirm if NHC management has entered into unsanctioned agreement with various building construction companies? If so, can the Minister explain to this Parliament and the people of this country what his implementation strategies and arrangements are?

Mr PAUL ISIKIEL – I thank the honourable Governor for East New Britain for his series of questions. The honourable Prime Minister is very concerned about the manner in which Ministers have taken upon themselves to sign MOUs and MOAs without following due processes established under the current system.

Mr Speaker, we like other government departments did enter into three unbinding MOUs; firstly, the Pearls (My Home in Australia) which is an Australian based company and secondly, the local companies in Papua New Guinea; namely PNG Forest Product and Hardware Haus.

Our undertaking was sanctioned by National Executive Councils decision No.304 of 2006, No.58 of 2007 and No.70 of 2007. Mr Speaker, based on the National Executive Councils decision we are embarking on (BSSC) Bill Sale and Share Concept, which under pops the PIP Principles. The National Housing Corporation provides service blocks in partnership with utility providers such as NCDC, Eda Ranu and PNG Power. And of course, the ANZ Bank processes home loan applications at low interests rate and longer repayment time frame which, the homeowners contributions are therefore relaxed.

Mr Speaker, for the first time in Papua New Guinea, the National Housing Corporation will deliver affordable houses without any financial support from the Government in terms of grants or PIP funding arrangements.

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Mr Speaker, this has been a long over due housing solution this country has been waiting for. Therefore, this year will be an Implementation Year and we have engaged Hardware Haus as the builder, which they have commenced building 10 houses in Gerehu Stage 3b. And another 20 houses in Madang and we have engaged PNG Forest Product as the builder and they have already commenced building the houses. Let me make it clear here, that we did not seek any funding assistance from the State or NHC except for applying the concept of Bill, Sale and Share.

Mr Speaker, I would like to thank the Member for Unggai-Bena and Minister for Lands and Physical Planning for allowing National Housing Corporation the opportunity to deliver our affordable accommodation on some prime (UDL) under developed land.

For the first time, NHC has in its position more 32,000 titled blocks in NCD; which includes 5,000 blocks for resettlements near Bomana, 11 under developed lands in NCDC and 57 under developed lands nationwide. Those under developed lands can cater for about 100 000 houses in 10 years or 50 000 by 2017.

Mr JOHN HICKEY – Mr Speaker, I ask leave of the Chair to ask you a question.

Mr SPEAKER – Go ahead! Leave is granted.

Mr JOHN HICKEY – Mr Speaker, one of the most important matters of this Parliament is the recording of procedures and minutes. We called those records, '*Hansard*'. All Westminster systems of governments employ this particular system called '*Hansard*', and this Parliament since its inception has printed '*Hansard*'.

This concerns me very, very much. One of the tenements of free speech is must come from us, this Parliament. And if we do not provide the minutes of our proceedings to the public we are in grave error. In other words we are not providing *Hansard* and as far as I know from my brief discussions with the officer responsible for *Hansard* in this place, they have no plans to do so.

Mr Speaker, could you please take it upon yourself to immediately ensure that the proceedings of this honourable Parliament are recorded and faithfully reproduced in the form of Hansard.

Thank you.

Mr SPEAKER – Thank you, honourable Member for Bogia and Chairman of PAC. Yes, I take note of your concern but I must inform the House that I am aware that records are kept and that records are provided but they are usually provided late.

So, the assertion by the honourable Member that the Parliament does not keep records is not correct. I must put on record that records are kept but we have problems in getting them printed on time. It's a major problem that I have realized and have given instructions to the Division responsible to take corrective measures.

Your concerns have been raised to my Office already and that is being worked on, but I must advise Parliament that the issues affecting this Parliament are many and chronic and have been left unattended for a long time. But we have undertaken corrective measures already and some are being undertaken as I speak.

I am happy also to announce that the Compliance Audit which I initiated has been completed and a draft report is before me now. Also the report from the review which I asked the Queensland Parliament and the Solomon Islands Parliament to conduct is also before me. These will form the basis upon which a lot of improvements will be made to the Parliamentary Services.

This is the short answer I can give to you and it is a guarantee to Members of the Parliament that action is being taken to solve problems that the Parliament has been facing for a long period of time.

Mr JOSEPH SUNGI – Mr Speaker, my question is directed to the Minister for Higher Education and is in relation to the issue of Unitech. I think it is of public interest and parents want to know from the Minister and the Government what the position is which has hit the media waves over the last few weeks.

I want the Minister to clarify these and also give an assurance to the parents of the students at Unitech of the immediate actions taken and the way forward to restore the higher institution that we have to this country that produces our engineers.

Mr Speaker, I am directing the question to the Minister so that he can give us an assurance and also clear the air on issues surrounding Unitech.

Mr DON POLYE – Mr Speaker, I thank the honourable Member for Nuku for asking this question with regard to one of the two major universities in Papua New Guinea.

But before I do that, I'd like to commend the Minister Honourable David Arore who has voluntarily stepped aside in consultation with the Prime Minister and I took over these allegations where were reported in the media recently. This is in regard to him being for matters relating to the elections.

My party and the Minister has agreed for him to step aside to allow for investigations and the court process to continue.

Mr Speaker, I'll have to commend the Member for Ijivitari for having taken a decision that is unprecedented because he himself has said, I hold an office that requires a standard above blemish. And therefore if it is in the public knowledge that I am being implicated, it is only fair to the people and the office I held that I have to step aside. I have to commend the Prime Minister also for setting that new standard.

I stand up as the Leader of his Party to relieve him of the responsibilities that the Prime Minister has bestowed upon him as Minister for Higher Education, Science and Technology until when the matters are finish then he will resume according to the Prime Minister's own decision.

Mr Speaker, the questions that the Member has raised are very important. I spoke immediately to the student leaders yesterday to observe that there is an independent investigation team lead by retired Judge Mark Sevua that is in progress

under the directions of the Prime Minister and it has already taken charge of the matters raised and they are addressing those issues.

So, while that is being addressed the students should be happy that it is being addressed and they should go back to classes.

I would also like to commend the students, especially the SRC President and the other leaders who represent the provinces and regions who spoke out last night. They have resolved to return to classes today placing full confidence in the Prime Minister and the investigation team that is working now.

They met together with the student leaders last night and this morning I spoke to them at 10.00 o'clock before I came into the Parliament and they are already meeting at are forum and are sending students back to classes.

So, Mr Speaker, they are going back to classes now and tomorrow they will fully resume classes but the issues which have been raised are serious matters and we'll allow this independent investigation to conclude its course and at the end of the investigations, recommendations will be provided to the overnment through the Prime Minister to Cabinet and we will make decisions accordingly.

I'd like to commend the student leaders for staging a non violent raising of grievances at a very important institution unlike what we have seen many ties in the past where students have resorted to detrimental conduct at the campus.

06/02

But this team has been very responsible. There has been no violence, harassment and no sitting protests. They have addressed the issues maturely and now the Government has taken their concerns on board. The students have now returned to a normal class which is a wonderful thing and I commend them, Mr Speaker.

Mr NIXON MANGAPE – Thank you Mr Speaker, I direct my questions to the Minister for Mining but he is not available so I will redirect my questions to the Prime Minister.

Currently, Barrack operates mining operations in Porgera and the lease belongs to the company. My questions are:

- (1) Why are the people living in the mining lease area?
- (2) Is it legal or illegal to be residing in the mining lease area because it belongs to the developer?

Mr PETER O'NEILL – I thank the Member for Laigaip-Porgera and recognize him as one of the principal landowners of Porgera Mines.

We all know that there are law and order issues within the mining areas. Some of these issues relate to illegal miners who are conducting illegal mining activities. So our people are taking huge risks trying to mine in an open cut site where there is danger. There have been reported deaths in the mine pits. We have also noted that there have been influxes of outsiders entering the area who are trying to settle within the mining lease areas. But I will have the Minister for Mining make a statement in relation to the issues raised.

I also understand that the mining lease areas belong to the company operating the mine. So our people are illegally settling on these areas. I think the government officials are on the ground and there should be attempts to resettle these people. These people are not only putting their own lives at risks but also the communities around them.

Mr MALAKAI TABAR - Mr Speaker, I direct my question to the Minister for Defence. There have been outstanding issues relating to the payouts of retrenched officers of the Defence Force. In consistent with that issue, ex-servicemen from my electorate and province would also like to know as to when they will be paid out?

Mr FABIAN POK – Thankyou Mr Speaker and I thank the Member for Gazelle for his question. Right now, it is difficult to ascertain who is representing who because of the number of consultants involved. The groups involved should appoint only one spokes person. These persons can have audience with the Chief Secretary who is currently handling this issue and they can all work together with the Department of Defence to settle this matter.

Some of these matters are now before the Courts because the ex-servicemen are not satisfied with the outcomes. Some of them are already been paid out while others are still awaiting their turns.

My office is now filled with papers from various consultants. But like I said the problem is, in the process one group is found to be represented by more than one consultant and in doing so, it is causing more confusion. However, I have already raised these concerns within the Force and I believe my concerns will be highlighted and made known to the ex-servicemen so that one group can appoint only one representative.

07/02

There are different factions within the same group making it very difficult. Also, there are a lot consultants coming to my office saying they represent these groups. This makes it difficult for me to ascertain as to who is saying the right thing and who is to be paid what. Therefore, I would like to appeal to the ex-servicemen that we will look into these issues.

Apart from that, some ex-servicemen have been paid already while some have not with some ex-servicemen are still living in their respective barracks. We need four or five representatives to represent these five groups of ex-servicemen so that we at least know exactly what the problems are. This would greatly assist us rather than having 10 or 15 representatives representing the different groups because at the moment a lot of lawyers and consultants are representing these groups. This makes it very difficult to ascertain as to how these issues can be handled.

I have already told the Defense Force hierarchy to sit down with the ex-servicemen and come up with four or five spokespersons for each group so that we can handle this issue correctly because this is where the problem lies at the moment.

Thank you, Mr Speaker.

**THE SOCIO-ECONOMIC IMPACT OF TAX CREDIT
SCHEME (1992-2012) – MINISTERIAL STATEMENT –
MOTION TO TAKE NOTE OF PAPER**

Mr CHARLES ABEL (Alotau – Minister for National Planning and Monitoring)
– I rise today to table a report on a programme called the Tax Credit Scheme, and I seek leave of Parliament to make a statement in connection with the Paper.

Leave granted.

Thank you, Mr Speaker, and I ask the chamber attendants to give out the Report quickly so everyone can have a look at it while I am speaking and also, the copy of the statement that I am about to make on this Paper.

Mr Speaker, this part of the O’Neill-Dion Government to present on a regular basis reports and accounts on public programmes and expenditures. Therefore, leading from the front is the National Planning and Monitoring Ministry where I am committing to this task where I will be bring a series of Papers and information to explain to the public about some of these important programmes that we hear a lot about. Even so, we do not give the finer details and report back to the public and the Tax Credit Scheme is an example of that.

Nevertheless, there are also many other programmes, Mr Speaker, including the ones like the National Agriculture and Development Programme where we are aware of hundreds of millions of kina of expenditure. We are aware that there are many papers flying around the halls of Waigani where money and cheques have been paid out to. Therefore, we would like to know here in Parliament as well as our people as to exactly where these moneys have gone and what has been produced from this money.

Mr Speaker, in light of this, I also note the Public Accounts Committee comments by the new Chairman who is taking up the task. It is a large task and the government has got lift its game in that regard. Therefore, all of us Ministers with our Departments have obligations to report to Parliament regarding the expenditure of public funds. The same also goes to all of us down at the district level.

Mr Speaker, I will be presenting my acquittals this afternoon at the ORD. I also would like to inform Parliament that my acquittals are for the 2012 DSIP funds. I am aware of the comments in the media regarding the DSIP audits, and I would like to remind us all that the government has put significant amounts of money this year to the Auditor-General's Office and ORD to get on with the auditing of funds down in the district level.

Mr Speaker, we see this Report that I present today in the context of our government's efforts to improve public reporting on these programmes.

Mr Speaker, I have the greatest pleasure to present to this honourable Parliament, the first ever report on the Tax Credit Scheme since its inception in 1992. The Report covers a period from 1992 to 2012. It details a total spending of K643.8 million on 423 impact projects in 12 provinces over a 22 year period.

Mr Speaker, it is a vision of the current Government to develop the rural localities and its population. The Vision 2050, PNG's Medium Term Development Plan, and the Alotau Accord reaffirm the government's vision. In this context the Tax Credit Scheme Programme is one innovative funding source that enables the government to achieve its visions and goals.

Investing in and developing our large mines and petroleum sector such as OK Tedi, Porgera and the oil fields in the Southern Highlands Province is both challenging and rewarding. For the government, the challenge is converting the revenue streams from these projects into benefits for the people of PNG and, especially, the people in the impacted areas. Such innovative programme such as the Tax Credit Scheme Programme adds value to the government delivery mechanism and the lives of the common people.

Just to explain very quickly, Mr Speaker, the Tax Credit Scheme is a scheme where developers who are in a taxable position, and that is they are generating taxable profit can apply through the provincial governments and Local Level Governments up to the Department of National Planning as we can approve expenditures under that programme. The developer then goes and undertakes and builds those infrastructures whether they are schools or roads or health centers. This then qualifies them from that expenditure to claim a tax deduction, so it reduces their taxable profit. I just wanted to explain that quickly.

The mutual understanding between the resource developers and the government is for resource developers to deliver basic infrastructure to rural settings where government capacity is not present. This arrangement has borne fruit as basic and important infrastructures have been delivered in lieu of tax credit, which is foregone revenue to the State.

08/02

So it is State money that we are authorizing companies to expend on projects that we have identified.

In remote settings where the State does not have the technical capacity and the machinery to deliver much needed, infrastructure and service to the population, the tax programme has delivered well.

Developers have been utilized as primary contractors by the State to partner in delivering key infrastructure projects.

The *Tax Credit Scheme* was legislated in 1991 under the *Income Tax Act 1959*, and introduced in 1992 with a rate of 0.75 percent of accessible income.

In 1997, this rate was increased to 2 percent, however, reduced again to the initial rate of 0.75 percent in 2007 for the Mining and Petroleum developers.

The reason for the reduction was basically because of the non-utilization of tax credit by some developers as the rate was considered too high and further there was no time table established in which a developer was guided to utilize his tax credit before it was forfeited back to the State in the form of normal tax payments.

Mr Speaker, even though there was a reduction in the rate for the Mining and Petroleum developers, the rate of 1.5 percent of taxable income was applied to the tourism and primary producers. So they were introduced to the scheme.

The Highlands Highway maintenance was also considered for funding under the scheme in 2002 –2005 with a special rate of 1.25 percent of accessible income. However the Budgetary Appropriation captured this increase that is on the Highlands Highway only in 2012 and 2013.

The scheme was first applied to the Mining and Petroleum Resource Developers and subsequently extended to the Primary producers in Agriculture and Fisheries and also extended to potential Tourism developers.

Mr Speaker, having recognized the lack of planning, engineering and construction capacity of many Provincial Governments and even National Governments itself, the scheme aims to achieve the following objectives;

(1) Extend the beneficial gains from the Mining, Petroleum and Primary developments through the provision of capital works and maintenance of infrastructure in the priority settings of Government.

(2) To fully utilize the capacity and resources of the developer itself to implement development projects for the maximum benefit of the people in the resource rich provinces as well as the rest of Papua New Guinea.

(3) To assist where possible to develop the capacity of the province, district, local level government or wards in the area of planning and implementation of development programmes.

What is the process of accessing funds in this Scheme? Mr Speaker, there is an appraisal and approval process. The process actually starts at the community level in terms of project identification. After the endorsement of a Joint District Planning and Budget Priority Committee and or the Joint Provincial Planning and Budget Priority Committee the developer submits the projects to the Department of National Planning and Monitoring for approval.

There is a Secretariat established within the Department of National Planning. This Secretariat manages the appraisal process as well as co-ordinates the work of the Project Steering Committee and the Project Appraisal Committee.

A technical check is conducted by the Secretariat to confirm the relevance of the information in the proposal as well as conformity and consistency to provincial and district plans.

The next level of appraisal is conducted by the PSC and PAC who then, consider the policy as well as the cost benefit aspects of the projects in National Planning.

The PSC has an approval authority of projects below K250 000, technically viable projects that are above K250 000 are endorsed by the Project Appraisal Committee which

comprises Secretary Planning as Chairman, Commissioner General for IRC, Secretaries of Department of Works, Treasury, Mining and Petroleum Energy and Agriculture Livestock respectively.

Upon, the endorsement of a project the developer is advised of the endorsement and to commence implementation.

The State recognizes that because of the lengthy procurement process as an impediment to the immediate implementation of projects they allow developers to utilize their procurement processes to fast track the implementation.

Once a project is approved developers follow their procurement process in awarding contracts and the developers are allowed to subcontract based on the subcontractors capacity or the developers capacity to implement a project.

Mr Speaker, monitoring visits by Members of the PAC to project sites are held as and when required but there is evidence of weakness in the monitoring aspect of the scheme. However, it must be stressed that developers are required to provide monthly financial and physical reports on the implementation of projects to the Department of Planning and copies made available to Internal Revenue Commission.

Developers are also required to provide an annual internal audit report separate from the implementation report. Reports from developers are verified through monitoring the progress of projects and to ensure that agencies work in collaboration and to determine if external audits are required.

09/02

Mr Speaker, let me highlight some of the key outcomes that are being achieved under this program.

A total amount of K643.8 million has been expended by six active developers to implement 423 impact development projects in the 12 provinces from 1992 to 2012.

A brief highlight of these achievements by the developers is as follows;

(1) Pogera Joint Venture has spent K191 million to fund more than 20 impact projects in the Highlands.

The education sector has a total expenditure of K27.6 million. The nature of projects in this sector includes; construction of classrooms, dormitories, electricity, water supply and fencing.

The transport sector received the highest expenditure of K58.9 million and this was spent on the construction and sealing of roads, airstrip expansion and construction of bridges.

More than K14 million was spent on Law and Justice , partly to construct Police barracks and some water supply , while almost K90 million was used within other foot prints of the communities on the transport, Education and health sectors; to build hospital wards health centers and staff housing.

(2)New Britain Palm Oil Limited has spent K16.8 million of the Tax Credit Scheme to fund 129 infrastructure projects in West New Britain Province.

More than 99 percent or K16.6 million was spent on transport infrastructure of which the reconstruction and resealing of New Britain Highway received the highest funding of K12.2 million, followed by the resealing of Talasea Highway at the cost of K2.3 million . K2.1 million of the TCS has been spent on the construction and maintenance of the access roads to the village settlements.

I note the concerns of West New Britain Governor and I'm sure he will make some comments specifically on that.

(3) Oil Search (PNG) Limited took over from Chevron Niugini Limited who left in 2003. From 1992 to 2002, Chevron Niugini spent more than USD 88 million to implement TCS infrastructure projects on health, education, and on transport projects in Gulf , Kutubu and Gobe in the Southern Highlands.

Oil Search (PNG) Limited under the infrastructure Tax Credit Schemem has spent K196.4 million to fund 205 impact projects at the impacted areas of Gulf, Kutubu and Gobe in the Southern Highlands Province respectively.

From 2003 to 2012 a total of K70.4 million was spent on the construction of Homa Access road stage one and two at Kutubu (SHP).K15.5 million was spent on the construction of the SHP Government offices.

In Gobe (SHP) K31.8 million of the tax credit scheme was spent on the construction and building and maintenance of health and education facilities.

The other expenditures includes Kopi-Kikori road in Gulf (K27.4 million, Kikoro health Centre stage 2 (K24.7million) and other projects within and outside the resource provinces of which about K26.6 million was spent.

(4) Ok Tedi Mining Limited (OTML) has spent more than K235 million of the Tax Credit Scheme from 1997 to 2012 to fund 52 impact development projects.

The projects were the Kiunga hospital, Balimo hospital redevelopment ,police barracks and airstrips in Kiunga, Tabubil, Ningerum and other districts that is Telefomin in the the District of Sandaun province where K28 million was spent on the various projects .

Within the districts in the Western Province, Kiunga district received the highest funding of 35 percent or K81.4 million which was used to fund Kiunga hospital, police barracks and airstrip. Balimo was second , which received a total funding of K55.3 million for the development of Balimo town water supply , Balimo hospital redevelopment and Balimo education inspectors house.

The highest expenditure of 53. 8 percent of the TCS funding in the province was in the Transport infrastructure sector.

(5) Ramu Agri Industries Limited from 2003 to 2012 has expended a total of K1.94 million under the tax credit scheme to implement 12 impact projects such as building of the Police station and the staff housing at K372,429, Ramu highway road maintenance and rehabilitation at K145,637, community school classrooms at K184,045, Gusap Health Centre at K264, 642 and other impact development infrastructure projects stated in the report.

(6) Hargy Oil Palm Limited .A total of K1.96 million under the infrastructure Tax Credit Scheme had been implemented by the Hargy Oil Palm Limited .The infrastructure projects were the construction of Ibana Primary school K923, 000, replacement of generator and electrical reticulation of Ulamona Health Centre K500,090. The Projects were completed in 2010 with additional funding of K1,100 501 of the TCS.

(7) Lihir Gold has recently registered to participate in the Tax Credit Scheme in 2010 .It received a total of K33.5 million for various projects however has expended very little of this amount.

10/02

I am still in correspondence with New Ireland Governor on this. So we are trying our best to expedite on that.

Mr Speaker, the positive impacts of the scheme has been generally positive. The outcome of the TCS projects has been highly rewarded. Cost of transportation has been reduced and service link within the districts and provinces increased. Hundreds of patients could receive treatments within the nearby aid posts, clinics or hospitals. Schools enrolments of students in different grades have increased and teachers, doctors, nurses and even police personnel are happily rendering their services in the remote areas due to the modern houses and technologies provided through TCS funding.

Mr Speaker, with the many advantages and positive impacts of the scheme, I also acknowledge that there are limitations and challenges faced by both the developers and the provincial and local level governments in coordination, implementation and especially monitoring of the Tax credit scheme. Some of these challenges and limitations include:

- (a) The capacity of contractors implementing the projects in remote areas;
- (b) The sustainability of the projects by the Provincial Governments and the Sector agencies;
- (c) The identification of projects in the District and Provincial Plans;
- (d) The lack of capacity in monitoring and managing the TCS projects which lead to delays in approval.
- (e) The lack of knowledge within the participating industries on the TCS processes
- (f) The lack of utilization of credits by the developers and thus forfeiting the available credits.

Mr Speaker, the government is committed to streamlining and applying the Tax Credit Scheme to effectively service the people of PNG. The Tax Credit Scheme and 2001 TCS guideline would immediately be reviewed. We will not drag it on too long but we will take into account and learn from the experiences of the last 22 years while into account the current National Government's plans and policies and to strengthen some of

the processes involved. We can also look at refining to improve it. Some of the changes or recommendations may include:

(a) The increase in the TCS rates so as to have a bigger impact in the rural sector with impact projects implemented.

(b) The strengthening of the reporting and monitoring system so as to account for resources under the scheme by the Developers, the Department of National Planning and the Internal Revenue Commission.

(c) External audits to be carried out annually on the scheme

(d) The issue of sustainability to be addressed effectively.

(e) The TCS report to be presented annually to the National Parliament.

Mr Speaker, I wish to conclude with a profound gratitude to all the Developers and the resource rich districts and provincial governments for participating in this program. I also acknowledge the staff in the Special Project and Audit unit in the Department of National Planning and Monitoring for preparing this report and finally to the O'Neill / Dion government for its continuous support and commitment on the policy directions for this scheme.

Mr Speaker, I therefore, commend to this Honorable House the Tax Credit Scheme Report, 1992 – 2012 and I look forward to some comments on this report.

Mr JAMES MARABE (Tari-Pori – Minister for Finance) – I move –

That the Parliament take note of the Paper.

Mr Speaker I rise to commend the Minister for bringing this Report to Parliament. 1992 is long time ago. Many governments have come and gone and finally we have a Minister who is able to bring in a important report.

We established from the report that K643.8 million rightfully belonging to the State of Papua New Guinea has been disbursed to 423 impact projects in 12 provinces nationwide.

11/02

Mr Speaker, first from the outset, let me also re-emphasise that this money is not from the private sectoral fund but these are the direct entitlements of the State of Papua New Guinea through the policy intervention in the tax credit program. These funds have been directly accessed where our development partners are at the project areas and have been expended over the last 22 years. So the nation may know confidently that the K643 million belonging to them in the last 22 years has been expended to projects nationwide.

Mr Speaker, my district is surrounded by major projects such as Porgera Gold Mine, Hides Gas Field and Moran Oil Filed. Let me also thank Porgera Joint Venture for always putting in the tax credit scheme in many of our projects up there. But on the same note, let me also say that sometimes people in those project areas think that these funds are coming straight that from the companies and not from the State. Let me put the record straight those tax credit schemes are government funds and not the companys' money. These are tax money for the people of Papua New Guinea but we are disbursing them through our development partners on various projects in the country.

Let me commend the Minister for Planning for really bringing into line the district and provincial planning programs that must be the basis of which tax credit funds and programs are aligned now and onwards.

Speaking from experience, in the last five years I tried to access the tax credit scheme for my district and found out that the development partners were using tax credit project funds to build aid posts in the middle of nowhere and has no recurrent expenditure attached to it simply because it is not captured in the provincial or district health plan. They are building educational institutions that does not have recurrent expenditures matched by the government so the Planning Minister's move in order to embrace the provincial and district plans as the basis by which our tax credit programs source their project identifications forms. So, this pronouncement is the correct thing for us to do because it concerns a huge chunk of funds.

Mr Speaker, I commend the intention to give greater percentage to some areas like the Highlands Highway and also the intention by the Telefomin Member to ensure that Ok Tedi to Telefomin road is supported by the scheme. He has written to us to approve two per cent endorsement for Ok Tedi Tax Credit Scheme.

These are opportunities by which development funds can be sourced outside of our normal annual budgetary support programs. I commend the Minister for his leadership in coming out clearly in the tenure of this Parliament to present the report and its recommendations as to how we can improve now so that our tax credit scheme compliments our government's intention to offer development funds to the provinces and districts down to the LLGs.

Mr Speaker, having said that, I feel amplified that our development partners can participate in the tax credit scheme and work with the LLGs, districts and provinces so that we all synchronize our development aspirations.

12/02

They can be undertaken by tax credit and the sister project can be undertaken by DSIP and PSIP in an aligned manner we can achieve development at our districts and provinces.

Mr Speaker, this Parliament must know that our good Lord has blessed our remote areas with projects such as OK Tedi, Lihir, Pogera and now LNG. In those remote areas before there was hardly any presence of government or business activities.

Therefore, whilst the policy of tax credit scheme is open for participation by every districts throughout the country special element must also be given to those districts where they host the projects. It's simply because they are directly affected so far as those projects are concern whether its an environmental or social impact. So let us give certain consideration to those districts where projects emanate from and at the same time open up for other sister districts throughout the country who have clearly aligned their district's plan to source their support from the tax credit scheme.

Mr Speaker, in conclusion I am glad that the Minister has presented before Parliament a timely report, which will benefit all the members and I encourage them to consider the policy carefully. The key area is for the district, provincial and LNG plans to stand up quickly and in that way we will encourage the companies to dovetail their expenditure basing on the tax credit scheme.

Mr PETER IPATAS (Enga) –I also would like to join the Minister for Finance to congratulate the Minister for presenting this report.

Firstly, huge amount of money has been expanded to the tax credit scheme and we have allowed the scheme to operate as private fund by the company. So its good that the Minister has brought this report because some of these resource companies are riding on government funds without giving back enough to the country in areas such as economic and social activities.

Secondly, I commend the previous government for taking the lead in the availability of the scheme because without the scheme most of the projects would not have taken place in the resource areas in the districts and provinces. And being a Governor for one of those resource provinces, I have realized that tax credit scheme has played a very important role. But in some instances, the people in my province sometimes think that it's a PJV fund and not government's fund so I urged the Minister to put into perspective some policy where the companies can implement and show that these are national government funds that are being expanded for these projects.

Mr Speaker, I also want this current government to increase the tax credit, which is now at 0.75 to 2 per cent. And I quite agree with what the Minister for Finance had said, it's the divine blessing from the good Lord for the people in remotest areas. And so what is 2 per cent compared to the 98 per cent that we are getting to develop this country? We have to seriously consider the 2 per cent of the tax credit scheme to be spent in the resource areas, because these resources are not renewable and once they are extracted then no replacement will be done.

13/02

So those of us who are governors and Members of Parliament must try and take responsibility and try and put infrastructure that will sustain services after the closure of these resource projects. I am sure that the Prime Minister is listening and I hope that we do increase it from the 0.75 to two per cent. And I think the Minister for National Planning has made a good statement in that you allow for a maximum of two per cent but those who have capacity can spend up to two per cent. Those who don't have the

So those of us who are governors and Members of Parliament must try and take responsibility and try and put infrastructure that will sustain services after the closure of these resource projects. I am sure that the Prime Minister is listening and I hope that we do increase it from the 0.75 to two per cent. And I think the Minister for National Planning has made a good statement in that you allow for a maximum of two per cent but those who have capacity can spend up to two per cent. Those who don't have the capacity can spend less than two per cent. It's up to the provinces and districts to take ownership of it. And at the same time it's about building capacity.

Mr Speaker, one of the things that I am not happy about in this Tax Credit Scheme is that the resource companies have taken ownership of the scheme but they have failed to build capacity in the districts and provinces. They are taking ownership of and driving the projects as if it is theirs but are not involving our engineers and architects.

Mr Speaker, I'd like to ask the Minister for National Planning to take note that whilst they are expending money in the provinces and the districts we need to differ. We need to improve our capacities.

Porgera Mine has been operating for over 20 years in Enga Province and supporting the economy of this country but not even once has the company assisted us to improve our capacity. We have talked to the company time and time again but our talks are falling on deaf ears.

So, Minister, thank you for the report, if you could please liaise with the appropriate companies to ensure that its about building capacity and about sustaining projects after the mine life or project lifetime. It is very important that we build capacities in provinces and districts.

Mr ATI WOBIRO (Western) – Thank you, Mr Speaker. My province is one of the beneficiaries of the tax credit scheme. Our experience in the province has been a mixed one.

When the scheme started off it was felt that the provincial administration should be responsible for the implementation and management of the projects funded by the tax credit scheme. Unfortunately that did not work and for about three or four years the

issues. But on the whole I want to say that the Tax Credit Scheme has been very useful in contributing to the overall development of Western Province.

Three weeks ago I was in Balimo with the honourable Member for Middle Fly Honourable Roy Biama. Invitations were also extended to the honourable Minister for National Planning and honourable Minister for Health to come and celebrate one of the best Tax Credit Scheme projects that all of us, partners have put together. This was a new hospital for Balimo.

It cost us K36 million. After opening that hospital I told my provincial government that Balimo hospital is going to be the model hospital for all the districts in the Western Province. It has some of the most modern medical equipment in a beautiful building and this is a result of teamwork.

I know that some times we tend to be very hard on the development partners but my experience in the Western Province is that they are ready to work. Ok Tedi is ready to work provided the government extends its hand to work with them.

And this is what I have done. We are now working together; all the development partners in the Western Province are working together. We have formed joint working committees in health, education and other sectors which are headed by the provincial administrator. Ok Tedi is a member of these committees and they make decisions on funding issues in these committees. Ok Tedi does not make its own decisions.

14/02

I want to place on record my appreciation for your leadership in this project and I hope that you will ensure that it continues to exist and improve. Like my colleague Governor of Enga I too want to see an increase in the rates from 0.75 per cent to 2 per cent.

One of the major projects that I wanted to fund through the Tax Credit Scheme is the reconstruction and sealing of the road connecting Kiunga-Ningerum-Tabubil. I hope that the increased funding from the tax credit scheme will enable me to do that.

As we have already heard from the Prime Minister, if the negotiations are right, the Government will now be taking over Ok Tedi and I want to ensure that this road is

done properly. This road will not be just a mining road when the mining is over but also a road that will provide general development in the Tabubil area.

I would also like to suggest to the Minister that the provincial administrators of the provinces where the tax credit scheme is operating be made part of the Central Appraisal Committee within the National Planning Office. This is because there should be direct input from the provinces in the final decision making process.

Mr Speaker, I thank the Minister for the timely review. I am ready to implement more tax credit scheme projects. I also want to congratulate Ok Tedi Mining Limited for working with me in implementing the tax credit scheme project.

Mr SASINDRA MUTHUVEL (West New Britain) – Thank you Mr Speaker. I would like to join in this debate but first of all let me commend the Minister for National Planning for taking the initiative to produce this report.

West New Britain is the most leading agriculture province and we have an advantage of the tax credit scheme rate of 1.5 per cent. However, we have mixed experiences at the province. Most of the projects are done on ad hoc basis. The Minister has mentioned in his report that more than 90 per cent of this money has been spent only on road maintenance. But what about the other important sectors like health, education and law and order.

West New Britain is also home for the entire PNG when oil palm was introduced in 1967. During the colonial administration people from other provinces were brought in to work at the oil palm industries called the Small Growers Settlers. When they brought them in they told them about the glories of oil palms but there was no consideration of a population boom.

However, forty years after introducing oil palm the social problems have become extra ordinary in West New Britain. A single oil palm block is now home for a multi-family. There are more than three generations sitting in the hectare of oil palm and whatever income generated is not able to sustain them. This is not helping the small growers.

So while the tax credit scheme is spent on road infrastructure, most of the times the provincial government is not consulted and the developers see it fit to go through the

Minister for approval. I have not sighted any projects through the PEC or JPP or in JDP with the Open Members.

The JDP should be consulted before any project is given approval. Ninety per cent of funds are spent on non pre-planned project. If I have to ask for the program of 2013 under the tax credit scheme, there is no planned activities. But if I continued to ask too many questions they will give me a ceiling of K1 million. Today that has been increased from K1 million to K3 million.

I do not understand how the ceiling is set in terms of spending national government money. As mentioned by the Minister for Finance, this is not free money. So they should not portray an image that the money was given by a charity company. This is national government funds and yet they are setting the ceiling of K3 million while the total tax credit spent per annum is K12 million.

15/02

Out of that K12 million, K8 million is set aside for road maintenance.

West New Britain Province is one of the disaster prone provinces .The recent floods have devastated West New Britain where six bridges were washed away. I do appreciate the assistance that they give but it is not planned. Money has been spent on unplanned activities.

It is time guidelines are set so that when the Finance Minister gives DSIP money and says that you spend 30 per cent on infrastructure, 20 per cent on health, 20 per cent on education, 10 per cent on law and order, 10 per cent on economic activities and 10 per cent on administration we know what to do. We should set some guidelines to help us on how to spend that money and not necessarily to spend 99 per cent of it on road infrastructure.

Road infrastructure is also the responsibility of the National Roads Authority, the Department of works and the main beneficiary of that road. Ninety-nine per cent of the trucks running on Kimbe roads are owned by the Oil Palm Industry.

As for the law and order situation, this issue is a very serious social problem in West New Britain. The province is now home to almost all the ethnic groups in PNG and we have people from each province of Papua New Guinea living in West New Britain

because of oil palm. When we talk about oil palm we think that oil palm makes people very rich. That is why many people from all over the country have come to work and live in West New Britain.

Nevertheless, in my 18 years of living in West New Britain I have not seen any big changes in terms of infrastructure development. There is no decent housing, and proper water supply. The landowners of the province are not asking for big compensations. All they are asking for are proper roads to their villages and clean water supply, but these services still cannot be provided for them. In most parts of West New Britain there is no decent housing even in the oil palm blocks.

To add to that, the people have become addicted or slaves to growing and harvesting oil palm only. This has resulted in the people not knowing any other income generating opportunities apart from oil palm. This is a very serious issue and if we do not address it, it will give a lot of social implications.

Nevertheless, I commend the Agriculture Minister for taking the initiative to focus on oil palm because the oil palm industry has never received any attention like the other cash crops such as coffee and cocoa. The Minister is now taking the initiative to set up a board so that government can have some control over this industry in terms of regulation.

As for the people and workers living in the oil palm blocks, they do not have the habit of saving money because there is no superannuation or any other form of savings for them to survive on. Therefore, I would like to suggest some way forward like I mentioned before. We have to set some guidelines where they can spend certain percentages on law and order, education and health and not just on road maintenance.

Apart from that, all projects should get approval prior to implementing them by the JDP, JPP and if not by PEC. They should get approval before the project starts. This is because it is always the case where they do the project and then do the paper work and bring it to the provincial administrator to sign it. The papers that the provincial administrator signs were never presented to the JDP, JPP or PEC. Therefore, the administrator signs the papers and approval is given by the National Planning Department.

I am not denying the fact that the companies are contributing immensely in economic activities in the province. West New Britain is one of the forgotten provinces that never got much attention from the government in the last 37 years.

Even when the former government came and held NEC meetings in West New Britain and announced K59 million worth of projects but to date we have received nothing. Apart from that, West New Britain is quietly contributing to the nation with almost over a K100 million in terms of tax revenue. Also, it is contributing almost K1 billion in terms of the country's GDP.

A tax credit committee should be established with provincial government representation. One of the guidelines in the Tax Credit Scheme also states that the companies are the developers but they have establish Tax Credit Scheme Secretariat, and I have no knowledge or have not heard of any Tax Credit Scheme Secretariat in Kimbe. Therefore, because of all these issues, our infrastructure needs have been overlooked.

I also would like to support the provincial governors and the Finance Minister that the government should review the rate because for primary producers the maximum is 1.5 per cent. The companies have also been asking if they could do more if the rate could increase to 3 per cent. I would like to see this increase together with set guidelines where these funds should be spent in consultations with provincial governments.

Thank you, Mr Speaker, I am just telling of my experience in West New Britain and I commend the Minister for taking the initiatives for tabling this Report in Parliament and for reviewing the guidelines. I also commend the Minister for Treasury for taking the initiative to do a tax review so that the rate can be considered for increase from 0.75 to 2 per cent or 1.5 to 3 per cent.

Thank you, Mr Speaker.

Mr SOLAN MIRISIM (Teleformin) – Thank you, Mr Speaker, for recognising Teleformin.

I also would like to join in this debate and I also would like to take this opportunity to thank the Minister for bringing up this very important Paper for us to debate on in Parliament. I would also like to take this time to thank Ok TEDI Mining Limited for extending their Tax Credit Scheme services into Teleformin.

Teleformin is in Sandaun province but we are regarded as a preserved area through Ok TEDI. Therefore, some of the benefits through Ok TEDI have been actually reaching Teleformin. So once again, I would like to thank Ok Tedi and I have also implemented some projects in Teleformin already.

I did not know that this Paper was to be presented to Parliament and I have already gone ahead and written to the Ministers for Treasury and Finance about increasing the current rate of 0.75 to 2 per cent through the Tax Credit Scheme.

16/02

The tax Credit Scheme has brought in some immense projects in the remote places especially in Ok Tedi.

Let me also join the Governor for Western Province in saying that Ok Tedi Gold Mine has done a lot for the Western Province and over the years has extended their services into Teleformin.

Mr Speaker, 0.75 percent is probably about K20 – K30 million and with the current devaluation of the kina value and considering the remoteness of North Fly and Teleformin Districts that percentage of the money cannot bring in much needed services in the affected communities and preferred areas.

I would like to plead with the Government of the day to review that 0.75 percent and increase it to 2 percent so that it gives more capacity to developers so that they can stretch their arms far and wide where the Government cannot go these developers can go.

Mr Speaker, the DSIP allocation is not able to implement all the projects but with the Tax Credit Scheme and the surplus money coming from developers it can implement many projects so that our people can benefit.

Mr DANIEL MONA (Goilala) – Mr Speaker, I thank the Minister for National Planning and Implementation for tabling this long overdue report. For so long in this country mining companies like West New Britain Oil have been claiming that this is their own money and it is misleading. We need to have scrutiny over these millions of kina.

Mr Speaker, I see this well presented Report but I must tell you that this can be fraud report. They can say they spent this amount but when the Auditor General checks to

see whether this really is worth the project? We really need to get to the bottom of this Tax Credit Scheme.

Mr Speaker, I come from an area called the Tolukuma Gold Mine. Over the years, when we asked for Tax Credit Scheme, the Department of Treasury, our colleague Papua New Guinean public servants tell us we haven't made profit. For 17 years Tolukuma Gold Mine has not made profit so they cannot have Tax Credit Scheme. Today, there is nothing to show in Tolukuma.

Mr Speaker, here they put some 0.75 percentage but when are we going to have Tax Credit Scheme? What criteria are they using to qualify impact project districts? I must be honest in saying that I don't know the formula.

Seventeen years is enough! Enough is enough! When you look at the volume of Gold produced by Tolukuma you can see that my people of Goilala deserve Tax Credit Scheme benefits. Mr Speaker, why have the people of Goilala been denied Tax Credit Scheme?

It is written here, but I have literally been to National Planning and Monitoring Department and nobody is giving me answers.

It is time we review the Tax Credit Scheme in this country. This is State money and it should be audited and Members of Parliament should sit in on this Tax Credit Scheme in deliberating issues and concerns of this scheme. It has to be in line with our district plans and provincial plans. It must be in line with the Vision 2050 otherwise that vision is just about a dream.

When we don't get big corporate companies to come and follow the Visions of this country and the visions of elected representatives they don't know the culture and traditions that our people value. We leaders know what is needed in our electorates.

Just like the Governor for West New Britain said, we continue to build roads in West New Britain for their benefit. What about law and order issues, education and water supply?

These developers are not focused on service delivery. Their intentions are to make money in this impact sites.

We need to have this Scheme reviewed and ensure that district and provincial administrators, and Members of Parliament in this impact project sites, must have a say

on where these huge monies go. It is rightfully our money and it doesn't belong to the companies.

They go and make ground breaking ceremonies and they cut ribbons as if they are politicians. Who gave them that mandate? Worse of all they undermine Members of Parliament. They find ways to vote you out of office.

In Tolukuma, I tell you they will not vote me out up there.

(Laughter in the Chamber)

17/02

Mr Speaker, we need to focus on the Tax Credit Schemes. There are officers from the department of Treasury and Finance who are in these committees but they are public servants who may not be from my electorate therefore, they might be less concern about the issues affecting my district.

They just attend meetings, collect their allowances, enjoy their time at the mine site and eat all the good food there and they don't seem focused on the service delivery in my electorate. I'm sure that is happening in Pogera and in OK Tedi.

Let us not dance along to the music of these big corporate companies; let them come to speak our language and see the real development needs of our areas. We need to tow the line and tell them what to do in the Fly River, Goilala district, or West New Britain because we are mandated by the people and we have the right to talk about this money. This is the government's money, not your donation! But some of these corporate companies don't donate and they only talk about this money which belongs to the government.

We need to draw a line and say the Tax Credit Scheme money belongs to the people of Papua New Guinea and it belongs to the landowners whose land is used to farm oil palm or mine mineral resources.

I commend the Minister for National Planning for bringing this report and maybe if it was left for another ten years all the Tax Credit Scheme money would have been gone. We need an audit to ensure that the projects implemented are worth the money, I'm

not blaming anyone in particular. As opposed to the Tax Credit Scheme, when we try to use the DSIP funds there is much scrutiny because they think we put the K10 million in our account and sign out cheques to people .But we have systems in place to monitor the use of these funds. As for the tax credit scheme we let it go without any control. these are people's monies which are unaccounted for, the missing link, that is why we keep looking for money.

These big companies when donating the TCS funds, they tell the illiterate people 'your member is doing nothing, he is sleeping in Port Moresby, we are doing something for you' I know a lot of you, my fellow members, have experienced this in project areas. That is why we need to have awareness and inform the people that the tax credit scheme is their money .We need to seriously review this and remove it. Set up a committee in these resources project areas, which we members of Parliament should be the chairman because we know the development needs of our people not these big mining companies who only attend to projects that they will benefit from.

In the case of West New Britain, they will only fix the road to where they will harvest oil palm and not into a village. If the village does not have oil palm then the road does not get maintained. That's why they put a lot of money into roads, 99 percent according to the governor of West New Britain, but what about schools or the need for water supply? You see, the development needs are not captured. They are not liaising with the provincial governors or members of Parliament representing these economic areas .We have to tell them that enough is enough, we have to be consulted otherwise we take it back from you or send this money back to a committee, where you can come in and sit in but we make the last decision because people elected us to make decisions over their money.

You came in to do your business so concentrate on that and make more money and when you give the tax I make the decision. We need to tell the people where the money will go. Other governors and members should be on those committees to do a review, not the public servants, we politicians must review it, so we know where our interest is. For so long mud has been put on our faces and we have done nothing about these projects areas.

18/02

We must have a say in the economic projects in our areas instead of becoming rubber stamp with no say in the development projects. We must have a say because these projects are funded by the resource projects in our areas as well.

Mr Speaker, I commend the Minister for tabling this report.

Mr BEN MICAH (Kavieng – Minister for Public Enterprise and State Investment) -

Mr Speaker, I share the same views expressed by my other colleague members and further suggest to the Minister for Treasury to recommend removal of the tax credit scheme.

The benefits of the tax credit scheme are partial. Companies and Public servants take control of the scheme and it will not go down to where it is really needed. Through my spectacles, I can read the figures six billion four hundred and thirty 8 million but after removing my spectacles, I now see six hundred and forty three point eight in 20 years.

Congratulations to the Minister for bringing this report after 20 years. Shame on those who did not bring forth the report on time. This shows that they did not care about reaping off our people. I have been sitting here calculating the figures. Lihir probably produced 900 ounces, Ok Tedi may have produced 800 ounces, Porgera may have produced 400 ounces. After totaling the figures I end up with 2.2 million.

Now, when I used my calculator to add the figures, I end up with forty million or billion. But this is one year income from the mining companies who are exporting about 60 to 70 tonnes of gold. Try and work out how much gold is going out. We are talking about 628 million in 20 years? This is shame for this country. We have been fooled by these mining companies. I urge the Minister to remove this tax credit scheme.

Mr TOMMY TOMSCOLL – (Middle Ramu - Minister for Agriculture) –
Firstly, let me commend the Minister for National Planning for bringing this 20 years overdue Report to the Parliament.

I hope that in the future, we can also see a report on the NADP funds so that we can also know what the outcomes are. We have to know how much was allocated to the districts. I agree with everyone that these monies do not belong to the Company.

Firstly, by the way this money is used and presented to the public makes one think that it rightfully belongs to the Company. So we have to clearly address this issue. Secondly, this money does not belong to the resource districts of Papua New Guinea. Who said that it belongs to your district? This money belongs to the annual budget of Papua New Guinea. If you terminate it, it will go straight into the Budget. It will fund projects in districts but some of us are not having access to it. So if there was a way forward I will agree with the Minister for State Enterprise that we terminate this scheme. We must equally benefit because it belongs to all of us. It belongs to East New Britain –

19/02

Mr Peter Ipatas – Point of Order! I think we should not go out of context.

Mr SPEAKER – Honourable Governor, this is a debate so resume your seat and allow the Minister to continue.

Mr TOMMY TOMSCOLL – Thank you Mr Speaker, I don't think my statement is out of context. I am correctly and plainly putting stating that once we terminate this scheme, this money should come straight into the annual budget. The tax credit scheme came into place when the Porgera went into operation. When the government asked the companies operating in the remote areas to assist the project areas, they created the tax credit scheme.

The government recognised the pre-existence of the poor developments in those remote locations and as a result, the tax credit scheme was set up but is it applicable today in the way it is being managed? The answer clearly is no. Is it being fairly distributed to all the districts? The answer clearly is no and the only way forward where it can be fairly distributed is for that money to go straight into the annual budget and for the government to manage that public money.

It is public money so it should come under the scrutiny of the *Public Finance Management Act*, it is public money so it must come under the scrutiny of the procurement system in this country. Why should a non-elected government; a company decide on the sovereign issues of this country? Why should those decisions be made in a boardroom and we are told that it has been implemented? Who will account for and who values the product against the money that has been spent?

We are told that K643.8 million has been spent over 20 years and it has given us 423 projects. Can somebody value those 423 projects and tell us whether they are worth that amount of money? Can somebody do that so that we can believe that this money is effectively and efficiently used in a cost effective manner, and that this money does not only benefit the people in the project areas but must also benefit this country. This scheme is nothing more than squandering of public funds.

Currently, we want to increase 0.75 per cent to 2 per cent but is it going to be effective? We have to look at the management aspect of it. This money was set aside with a thought that it is going to bring social stability into the project areas but if you look at Porgera today, where is social stability? It has not been achieved yet so was it worth it? I don't think so.

In my view, the government must improve the management issues relating to this fund.

I commend the Minister for tabling this report and it is basically to revisit the framework of the tax credit scheme. If it does continue, we must make it easily accessible. If you look at the process by which you access this fund, it is cumbersome and difficult that my LLG President does not understand it. My district administrator might not even understand it and is unable to take it through the process so who should do it for my district or all other districts? We have a serious issue here.

If the Minister had not tabled this report, this issue would not be discussed and these anomalies would not surface. Though many people know that it exists, yet, we believe in what has been told to us by big corporations operating in this country. They tell us how we should do business in Papua New Guinea.

20/02

But they do not put the food on the table for us; our people struggle to do that. More than half the population of this country to continue to live in poverty and many of our people are poor despite what we say in this Parliament and show in public.

Mr Speaker, I want to conclude by saying that I commend this report by the Minister and I hope that we can find a better solution.

Mr JOE KOIM (Anglimp-South Wahgi) – Mr Speaker, thank you for allowing me to speak on the Tax Credit Scheme.

Mr Speaker, initially I was thinking that the Tax Credit Scheme (TCS) was only for mining and resource areas. But I am learning that it is a scheme that should benefit all of Papua New Guinea and I thank the Minister for National Planning and Monitoring for giving this information.

Mr Minister, 20 years is a long time and I think we should now review this scheme because so many things have been done over these years. I do not have resources in my area but the way it is presented and debated is like I am a beneficiary of this scheme. Of course, we have so many projects that are funded under this tax credit scheme and a classical example is the Highlands Highway. We have heard that the Fisheries and the other Resource Companies are funding maintenance emergency and related jobs.

On this note, I thank the resource companies but at the same time, I think so much money has been spent but there is no system to check the quality of work because most of the resource companies that allocate these contracts are so-called consultants who fly-in and fly-out just to check the job. There is no fulltime engineer or people on the ground to access the quality of job on this project.

Mr Speaker, this is a scheme and a lot money goes through from the people at the top and direct into the pockets of some people and we do not get the value for money on the projects that are sponsored by so-called tax credit scheme.

A classical example is Napa Napa Oil refinery road and LNG plant site road. If these portions of the road are starting to deteriorate. And I do not know whether this tax credit scheme covers this portion of the road because the main intention was to serve the surrounding projects areas. The intention was good but it's the implementation side of it

is not achieved. The scenario here is that so much money has been spent but its kind of one-way-in and one-way-out kind of scheme and the result has not been achieved.

Mr Speaker, this is an important report and I want the Parliament to revive the work of the Parliamentary Committee and set up one committee specifically for this tax credit scheme. If the operators and people dealing with the scheme are found to be misusing the funds they would be summoned to appear before the committee.

Sir PUKA TEMU (Abau - Minister for Public Service) – Mr Speaker, I also want to commend the Minister for Planning for presenting this very important report.

21/02

I'm glad that we are debating this very important issue. I have never been in a sitting where the debate is highly polarized in terms of the subject. And may I say, Mr Speaker that my appreciation of the report from the Minister was that the Tax Credit Scheme has actually delivered more than not delivered.

I thought that was the conclusion and I want to debate on that side because of the premise that the nation, after 38 years of independence, through the normal government systems, as you and I know, have not delivered. The normal public service, political endeavours, even commitments made on this Floor of Parliament or promises made during election campaigns have not delivered. And I can see a lot of writing on the wall that the normal government system really has not delivered the promise since 16 September 1975.

And so Mr Speaker, when I heard the Planning Minister's report, what urged me to appreciate it was perhaps there is an alternative delivery model that the Minister has presented. That PNG has experienced over the last 20 years through a small scheme called the Tax Credit Scheme.

I know that the Minister for State Owned Enterprises has skewed the debate in terms of the level of ounces of gold the company produces and this little scheme. I don't think the two are compatible, that's akin to comparing apples and kaukaus. They do not match.

So, I strongly recommend that we should do it this way. I think the Minister for Agriculture has rightly put it. Let's bring the NADP report on how we have delivered it. We can also bring the DSIP report and compared it with how it has delivered its desired outcomes. Let's also bring in the Tax Credit Scheme and compare it with the others.

Let's look at the PNGSDP and the government and compare how they have achieved their key result areas. We should also look at the Gazelle Restoration Authority and see what it has delivered when the eruptions came as opposed to what the government through the public service has done.

Let us look at other alternative delivery models. I think the issue that really jumped out of the pages of the report is that PNG has now experienced an alternative delivery model which we, as a government and Parliament is being really taken to task.

We have to look at this and really examine it. For example, if Ok Tedi has the ability, technology, capacity, personnel and machinery and if the provincial government needs a road built why can't we get Ok Tedi to build that road rather than give it to a contractor to mobilize everything all the way up to the hills in Ok Tedi only to lose everything on the way up and down.

I think that is the value of this credit scheme. There is capacity and ability but the issues raised is; over time, has training, and skills and technology been transferred to the machinery that has been troubled, the public service machinery or to the private sector that has not been participating.

I think those are the issues that we as ministers and government has to really take charge of and say, what can we really do better over the next 20 years under the new Tax Credit Scheme.

I am of the view, that the Tax Credit Scheme must firstly benefit the resource site because many issues stem from that. We are currently debating on who owns what resources. We have been debating on the tax collection regime but it is time that we move the debate and look at the options that other countries are enjoying. For example the production sharing arrangements, under the tax review that Cabinet has approved, we may now look at rent collecting – tax collecting regime and compare it with production sharing arrangement that other nations are now enjoying. We need to cut those two regimes into pieces and see.

Okay, under the current regime and all the development levies and benefit sharing arrangements, do they equal the production sharing arrangements? And if not by what degree have we missed out in terms of benefits flowing to the resource owners as well as to the state. To me those are the big debates and the response from the government must come.

And I for one would strongly recommend that we immediately, set up a body. Maybe Parliament should take charge of this, to pick up the debate that some leaders are saying; that resources should be owned by resource owners in those parts of the country. But some of us are saying no, the state has to benefit. There must be constitutional compliance, where the resources, when developed must be equitably distributed along the length and breadth of this country.

In this regard on this debate on the Tax Credit Scheme, Mr Speaker, I believe that it should be structured this way. That first, focus on the resources areas, they must benefit.

Secondly, as the Minister and the Finance Minister has rightly said, it must in compliance with the provincial and district development plans. Nothing less and nothing more, but at the same time there must be heavy investment on human resources. This is because all these extractive industry has a time limit. These things will disappear and these things must be focused on skills, training and education.

And I take my hat off to the Governor for Enga for taking charge of investing some of these into the Enga children at primary, and even tertiary levels, to take charge of the development issues of the province and the country. I think that is a lesson.

Sustainable investment, for me, not only in the non extractive industry such as agriculture, tourism, fisheries, and forestry but also on human resource investment.

There is nothing wrong for Ok Tedi or others to spend big when we review the tax regime whether it be production sharing or rent collection as a call it, whatever benefits most.

I want to also add that I think we should be seriously looking at increasing tax to these major resource developers. We really have to seriously look at it because if we maintain the current tax rates I think our country is really got a long way to go when you

look at the human development index. We are 173 while our Vision 2050 says that we must be number 50 by then. And 2050 is not far away.

In fact, Mr Speaker, in 12 years time you or the others leaders will be standing on Independence Hill and that will be in 2025. That is when we will celebrate our 50th Independence Anniversary.

22/02

I understand that the Prime Minister's position on sustainable Development. I understand that some of the leaders have consented to move these funds into the government purse but the writing is on the wall. When the government take charge, we have not delivered.

I think it is time for us, group of leaders as politicians to learn the history and to see what are the models of deliver that do work nowadays and I believe tax credit scheme to me is one of those models that is working. Out of the K643 million, there are 423 projects and that is equivalent to K1.5 million per project and they delivered it.

Minster for Planning, through the Speaker, you come and report to the Parliament on how we have used the DSIP. I wonder whether we will achieve the same outcome. If we present the report on the development budget that we have delivered since 1975 and compared to this, who will achieve A and who will achieve E in terms of scoring.

Mr Speaker, so rather than becoming emotional and diverging the debate, I believe this is delivery model that Papua New Guinea must look at. I also support the call by the developers in asking the nation and the government to increase the tax credit scheme because they have the capacity so we will then respond by going to the developer and say, if you meet the requirement to deliver efficiently then we will increase tax credit scheme in your area up to two per cent. If you don't have the capacity after our assessment, you will remain at 0.75 per cent and then we build up the capacity and establish benchmark for delivery which, I know that they can do it.

Mr Speaker, I really think we should now look at smart ways of delivering rather than depend on the public service and politicians all the time.

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

**RECENT ISSUES ON BOUGAINVILLE –
MINISTERIAL STATEMENT –
MOTION TO TAKE NOTE OF PAPER**

Mr STEVEN KAMMA (South Bougainville – Minister for Bougainville Affairs)
– Mr Speaker, I wish to make a Ministerial statement to the Floor of Parliament on the recent issues on Bougainville.

Mr Speaker, firstly, I would like to draw your attention to the Alotau Accord and I quote ‘For a Government of reconciliation, unity and hope for stability and prosperity, the platform for action.’

Mr Speaker, since the formation of the Oneill/Dion Government, the National Coordination Office for Bougainville Affairs (NCOBA) under my Ministry has moved to establish dialogue with the National Government agencies and ABG to re-establish our office in order to undertake activities within the new budget implementation and delivery procedures and reporting.

Mr Speaker, my Ministry has been given tasks to reflect the Oneill/Dion Government policies to empower Bougainville under its own autonomy arrangement.

Mr Speaker, the Government is committed to ensuring that Bougainvilleans are given the best opportunity to make informed choices.

In 2012, the National Government committed K100 million and this year is committing another K100 million for specific key infrastructure in order for Bougainville to grow its economy and sustain its autonomy. The JSP committed a total of K500 million to be rolled out at K100 million per year and the first K200 million for 2012 and 2013 is part of the National Government’s commitment.

Mr Speaker, I wish to inform this Parliament that the financial mechanism for the funds I have outlined must be properly accounted for and reported to me so that I can inform the Prime Minister and NEC accordingly.

23/02

This is not happening, so I am now concerned that the public funds must properly be accounted for. Therefore, I intend to push just for that.

Mr Speaker, very soon the Prime Minister will seek the Speaker's approval to establish a bi-partisan Parliamentary Committee on Bougainville. The committee will provide an oversight into the various activities on Bougainville such as the Referendum Committee, weapons disposal, Public Service transfer and infrastructure developments.

Mr Speaker, two weeks ago I accompanied the Deputy Prime Minister together with the President of the ABG official launch of the Referendum Committee. This committee is chaired by the Chief Secretary to the Government. The committee's work includes the review of the autonomy arrangement which is a legal requirement under the Bougainville Peace Agreement and the *National Constitution*.

Mr Speaker, as required, a panel of experts from various discipline lines have been established to review the autonomy arrangements such that the physical legal constitution and administrative that are continued in such arrangements.

Mr Speaker, the panel of experts will provide the first report at the end of May this year. This report will tell us whether the National Government, the ABG and our donor partners are meeting the *Constitution* arrangements or not.

Mr Speaker, I will give a bit more detail on the work of the Referendum Committee.

Mr Speaker, the Bougainville Referendum Committee's responsibility is to investigate all constitutional, legal, administrative and financial issues that may need to be considered to prepare the National Government, the Autonomous Bougainville Government and the people of Bougainville for conduct of their constitutional guaranteed referendum.

The BRC is a joint committee made up of the Chief Secretaries to the Government as the Chairman, the Administrator for ABG, the Secretary for Justice and Attorney-General, the CEO for Autonomy, the legal officer for ABG, the Acting Electoral Commissioner for ABG, the PNG Electoral Commissioner, the Director for National Co-ordination Office for Bougainville Affairs, other Department Agencies for the National Government and Divisions of ABG, are co-opted as when required.

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The BRC has met on several occasions since 2010. The latest meeting was held in Buka Island on Friday 8 March 2013 and covered key issues including;

- The BRC 2013 work plan – It approved its own work plan.
- Review of the Autonomy Agreement – updated its Members of the status of the review.

- Weapons Disposal – The United Nations Weapons Evaluation Report was tabled and accepted with specific instructions to the Secretariat for a Matrix of action to be developed to implement the recommendations of the Report.

- Joint information and Awareness Strategy – Ready for joint implementation.

- Re-establishment of Arawa as the ABG Headquarters – Discussions are underway and will be formalized in due course.

- Proposed Regional Study Tours to countries undertaking the Referendum Process.

- I will update this Parliament on other key issues when they are ready for presentation.

Mr Speaker, the Bougainville Peace Agreement has three pillars; Autonomy, Weapons Disposal and Referendum.

On the Autonomy, the transfer of public service is going on between departments and divisions in the ABG. This process is headed by the Department of Personnel Management and other Departments have individual MOU's with their counterparts over there. Some have made progress while others have not.

On the Weapons Disposal issue, many programmes have been undertaken over many years. Very soon, we will have a final joint Weapons Disposal Plan to see us through to referendum.

That is the current discussions amongst the landowners and the President of the ABG.

I wish to inform this Parliament that, the mining issues relating to Panguna and BCL, must be sorted out by the ABG and the landowners. The National Government and BCL will only come in when we are invited at the appropriate time.

Mr Speaker, I am happy to inform this Parliament that the mining division on Bougainville had a difficult beginning, but today, it is the most developed arm of the ABG. It is able to give policy direction and implement some of the functions that have been transferred in conjunction with the National Department of Mining.

Mr Speaker, I will be updating this Parliament in the course of this year.

Mr POWES PARKOP (National Capital District) – I move –

That the Parliament take note of the Paper.

Mr Speaker, let me congratulate the Minister for a great report on the status of the situation in the Autonomous Region of Bougainville as we move to referendum.

I say this Mr Speaker, because in the last Parliament we had the Minister for Bougainville Affairs who had no reports of the status and situation inside ABG and was never tabled in Parliament. This must never happen again.

As we all know Bougainville is a sensitive part of our region starting from Independence in 1975, where we tried to deal with the problem and whether it went good or otherwise, the rest is history.

Later in the early 90's, many people lost their lives in the crisis.

25/02

The Parliament then in its wisdom endorsed the agreement and we now have the Autonomous Government in place. Therefore, the Parliament must have ownership over what is happening in Bougainville. It should not be a matter just for Autonomous Region of Bougainville or just for the executive government.

The Minister for Bougainville Affairs did not present any report in the last term, therefore the Parliament was in the dark, as well as the people of Papua New Guinean and ABG.

So I thank you Minister, at last, you responded to my complaints regarding the delay in presenting your report and have done it. We are now aware of the situation.

As we progress towards referendum there are many things that need clarification. Those of us within the Government caucus have been cautioned by the Prime Minister to

take into consideration the sensitivity of this issue, when speaking on this subject or else we confuse the people of Bougainville.

Mr Speaker, I want to say that as we move towards referendum weapons disposal is important. We cannot have a referendum in a situation where there is a climate of fear. The people of Bougainville must decide their destiny very clearly at will whether they want to remain Autonomous, gain independence or be like Samoa who is with New Zealand?

What is their opinion? So what is the question on referendum? The people of ABG need to be aware so that they can prepare and the Parliament must endorse this referendum. The peace agreement is scheduled for 2017. That's not a long way and it's within the lifespan of this Parliament. It might not be a good time to hold the referendum for ABG, as PNG will be going into elections; we might have to bring it forward or defer it by a year. These are issues that have to be clarified.

The crisis in Bougainville also resulted in the loss of many lives, and part of the peace process is reconciliation so we must know the status of the reconciliation process within Bougainville itself and the others within PNG who have also suffered.

Many businesses were damaged as a result of the crisis. How is the process to re-establish them in other parts of the country going on? Did the Government assist them or did we just leave them to swim or sink? The Parliament must have a report so that the executive government or Parliament can make some decision. We also have to be aware if the process of reconciliation of different factions within Bougainville is working or not.

Mr Speaker, I know most of these work will be done by ABG and the people of Bougainville, but as the Parliament overseeing the entire nation and making the decisive decision to accept the peace accord and amending the *Constitution* to facilitate what is happening, we must be informed so that we contribute our part into steering that process resulting in a better outcome for all.

Mr Speaker, in my life before being elected a member, I was heavily involved in contributing to the resolution of the situation in Bougainville, I have maintained a close interest. I personally believe that we should be confident that the outcome would be good for both ABG and PNG. Whatever they choose in 2017, our people in Bougainville will make a good choice, we should trust them.

Mr Speaker I'm not afraid to say this, but if they choose independence I think Parliament and our people should not be afraid because if Bougainville chooses independence it will not go to another part of this world it will still be where it is now.

We will still have good cordial relationships and there will still be social, economic and cultural relations.

But that's something that we will look at later.

Mr Speaker, I am pleased that after six years we now have a status report, as the Minister has said he would present a more detailed report in the near future.

I'm sure the people of Bougainville will also welcome it because they want to know what is really happening, with the Autonomy, peace process and weapons disposal. Some people may still have weapons; it could be at the Ministers area in South Bougainville. We have heard of some kind of kingdom emerging in South Bougainville, where they are engaging Fijians. They could still be there or maybe they left. These are the dimensions that will affect the referendum. I think the Parliament's intention is that, when Bougainville goes to referendum it must be held in an environment of safety and security where people decide freely.

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We want the guns to be disposed of so that people in Bougainville can live freely and build their economy again. They can recover fully taking the region back to where it used to be. Bougainville was advanced in all aspect as well as in terms of education and economy before the crisis but now it has gone 20 years backward. So we must help them to return back to the status they have lost. They were better off than any other provinces in Papua New Guinea.

Mr Speaker, this is a sensitive issue and therefore I do not want to elaborate further on it. However, the mine belongs to the people of Bougainville and whether the BCL returns or not is really up to the people to decide its status.

I share the same concerns with the President of Bougainville. What he is saying is the right thing to do and that the mine should go back to the people and so the government, the AGB and the people should deliberate on that. As Members of

Parliament we want to see the process go smoothly. The outcomes must be in the best interest of our people and the country.

Mr Speaker, I want to commend the Minister.

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

MOTION BY LEAVE

Mr JAMES MARABE (Tari-Pori – Minister for Finance) – I seek leave of Parliament to move a motion without notice.

Leave granted.

LEAVE OF ABSENCE

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

That the following Members: Mr Philip Undialu, Francis Potape, Anderson Agiru, Bire Kimisopa, Nixom Duban and Sir Julius Chan be granted leave of absence for the duration of this meeting.

ADJOURNMENT

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

That the Parliament do now adjourn.

The Parliament adjourned at 1.30 pm.