

PARLIAMENTARY DEBATES CORRECTIONS TO DAILY DRAFT HANSARD

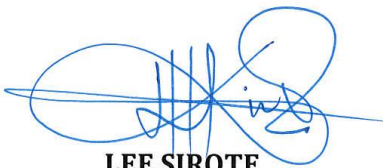
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LEE SIROTE

Acting Principal Parliamentary Reporter

FIRST DAY

Tuesday 10 February 2015

DRAFT HANSARD

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FIRST DAY

Tuesday 10 February 2015

The Parliament met at 2 p.m. according to the terms of the Resolution of 26 November 2014.

The Speaker (**Mr Theo Zurenuoc**) took the Chair.

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

Sitting suspended.

The Speaker, again took the Chair at 2.55 p.m., and read Prayers:

‘Thank you Lord, we come before your holy presence this afternoon. We seek your divine inspiration. Forgive us Lord and help us. Amen.’

ELECTION PETITION – ORDER OF NATIONAL COURT – STATEMENT BY THE SPEAKER

Mr SPEAKER – Honourable Members, I present the National Court of Justice dated 29 November 2014, in the matter of the Disputed Returns between Mr Isi Henry Leonard petitioner and Mr Gordon Wesley respondent and Electoral Commissioner of Papua New Guinea, second respondent for Samarai-Murua Open Electorate in Election Petition N0:65 of 2012 which ordered that, that election is declared null and void.

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

Mr SPEAKER – Honourable Members, I have to inform Parliament that the Permanent Parliamentary Committee on Broadcasting of Parliamentary Proceedings met today and resolved that:

(a) The *National Broadcasting Corporation* will be allowed to broadcast live Question Time on Television and Radio for the duration of this Meeting,

(b) Also, *EMTV* will be allowed to film Question Time for news purposes only for the duration of this meeting.

CERTIFICATION OF ACTS

Mr SPEAKER – I have to inform Parliament that I have in accordance of *Section 110* of the *Constitution* certified the following Acts made by the National Parliament:

- (1) *APEC Papua New Guinea 2018 Co-ordination Authority Act 2014;*
- (2) *Appropriation (General Public Services Expenditure 2015) Act 2014;*
- (3) *Appropriation (Judiciary Services 2015) Act 2014;*
- (4) *Appropriation (National Parliament 2015) Act 2014;*
- (5) *Customs Tariff (2015 Budget) (Amendment) Act 2014;*
- (6) *District Development Authority Act 2014;*
- (7) *District Authority (Repeal) Act 2014;*
- (8) *Electoral Development Authority (Repeal) Act 2014;*
- (9) *Excise Tariff (2015 Budget) (Amendment) 2014;*
- (10) *Goods and Services Tax (2015 Budget) (Amendment) Act 2014;*
- (11) *Income Tax (2015 Budget) (Amendment) Act 2014;*

(12) Inter-Government Relations (Functions and Funding)(2015 Budget)(Amendment) Act 2014;

(13) Local-level Government Administration(Amendment)Act 2014;

(14) Lutheran University of Papua New Guinea Act 2014;

(15) Mining (OK Tedi Mine Extension) (Eleventh Supplemental)(Agreement) Act 2014;

(16) Police (Amendment) Act 2014;

(17) Public Service (Management)(Amendment)Act 2014;

(18) Stamp Duties(2015 Budget) (Amendment) Act 2014;

(19) Supplementary (Appropriation) Act 2014; and

(20) Teaching Service (Amendment) Act 2014.

DEATH OF MEMBER – HONOURABLE DANIEL MONA – STATEMENT BY THE SPEAKER

Mr SPEAKER – I have to inform Parliament also that the Member for Goilala Open Electorate, Honourable Daniel Mona, passed away in the Philippines on the 4 February 2015. Arrangements are now being made for his repatriation back to the country.

QUESTIONS

Mr WERA MORI – I thank you, Mr Speaker, for recognising the people of Chuave.

Mr Speaker, I direct my question to the Minister for State Enterprise. There are rumours that Air Niugini is separated into two groups. Some aircrafts serve the major ports like Port Moresby Nadzab, Goroka, and Rabaul while the little aircrafts fly into areas like Kundiawa, Bulolo, and Tari etc.

Mr Speaker, I have three questions to ask the Minister.

(1) Can the Minister explain to Parliament on the sacking of 23 pilots from Air Niugini?

(2) Would the partial privatisation of Air Niugini only be confined to centres like Popondetta and Tari?

(3) Why SupperFund is being used to pay shares into Air Niugini's Privatization Program?

02/01

Mr BEN MICAH – I thank the Member for Chuave for his questions regarding our National airline, Air Niugini.

On the issue of the pilots, the new policy that was made allows them to live in Cairns, Bali or wherever, but their pay starts when they clock in and start flying.

I had a meeting with the Management and the Board, including the human resources and Union of Air Niugini, and have been assured that of 40 pilots who handed in their resignations only five are nationals.

There will be new people coming in and those people who resigned will have to go and find a better airline that can give them a better package than Air Niugini. But, I wish to assure the public and Members of Parliament that the change in the restructure of the pilots' remuneration will not adversely affect the safety of the airline nor will it tarnish the very good record of safety that we have established over a very long time in our country.

On the issue of the partial privatisation of the airline, Link PNG is a hundred per cent subsidiary of Air Niugini which was approved by NEC to be established so that we can use shorter range aircraft like the Dash 8 and the Q400. Even now they are looking at acquiring a fleet of Twin Otters so that we can go beyond the major centres with longer runways into many places in PNG that Air Niugini is now not going into and even the third level airlines are not venturing into.

We set up this airline to bring services into the districts and even into the very remote rural areas in the island provinces.

03/01

Air Link PNG was set up as a subsidiary to serve those very remote routes; therefore, the Government has come up with the Rural Airstrip Authority with a focus under the Civil Aviation to provide a subsidiary air transport service and support for Air Link PNG to service the rural areas of the country.

This will then ensure that this service is viable. Nevertheless, the engineering, management and some of the airline ticketing and et cetera will come together with Air Link PNG and Air Niugini so that they rationalise the costs of operations of both airlines. Therefore, we will achieve two airlines with different focuses but with one management and board.

When we then get down to the selling of whatever parts of the company it will then be done together. At the moment, the Government has not made a decision regarding that because I have not gone back to Cabinet to advice on how we are going to structure the sale of the 50 per cent of the airline that the National Executive Council (NEC) has approved. With that, there is no separate sale of Air Link PNG and the bigger part of Air Niugini that does our big trunk route and regional and international routes.

Finally, regarding the other question on – I do apologise Honourable Member, could you repeat your last question?

Mr Wera Mori – Super Fund.

Mr BEN MICAH –That’s right, the Super Fund, yes.

The Super Fund has been investing money in a lot of property overseas especially in Australia. Therefore, when this airline goes on to the market we expect the Super Fund, landowners and even individuals, like yourself, the Member for Chuave, can buy shares in this airline like every other Member and your people in the districts.

That is the real focus of the Government in putting a stake of this airline and I think the NEC decision was that the initial sale will be predominantly restricted to Papua New Guinea nationals, institutions and companies. This is so that when you fly with this airline you will know that you are also a shareholder of this airline and not only directly through your government but directly as a shareholder.

Thank you, Mr Speaker.

Mr JOE KOIM KOMUN – Thank you, Mr Speaker.

I will not elaborate too much on my question; therefore, my short question is directed to the Minister for Treasury.

Mr Minister, 2 percent has been charged for all banking fees and this is a financial burden that is being felt by our people. Therefore, can the Government step in and direct the commercial banks and their management to relax these sorts of policies so that our people can save their hard earned money and see it grow.

Mr PATRICK PRUAITCH – Thank you, Mr Speaker.

Mr Speaker, I believe that this question was asked before and my response then was that, commercial banks private and they exist to make money wherever they think that they can make money. Therefore, they will use every endeavor to make profit, however, as a government we are looking into that and I will take that matter up and speak to the commercial banks.

Thank you, Mr Speaker.

Mr ATI WOBIRO – Thank you, Mr Speaker, my series of questions are directed to the Prime Minister and for the Minister for Petroleum and Energy to take note.

Mr Speaker, I recently signed an MOA between the State and ExxonMobil with regards to the development of gas and oil deposits at Penya in the Western Province.

My questions are:

(1) Can the Prime Minister tell the people of Western Province what the implication of the MOA that was signed between State and ExxonMobil with regards to the development of that particular oil and gas deposit?

(2) Can the Prime Minister assure the people of Western Province especially the landowners that with all the benefits guaranteed under the *Gas and Oil Act* include the hosting of a development forum to be held before the actual development takes place?

04/01

(3) Can the Prime Minister advise the people of Western Province what the implication of the development of gas and oil in the light of very low prices experienced globally in particular with Oil?

Mr PETER O'NEILL – Mr Speaker, I thank the Honourable Governor of Western Province for these very important questions.

Mr Speaker, I want to inform this Parliament that the Government entered into a Memorandum of Understanding with ExxonMobil as the operator of the PNG LNG Project.

Mr Speaker, details of this particular MOU is that ExxonMobil in this project will deliver close to 5 megawatts of power to the city of Port Moresby and further 40 megawatts of power to the Hela Province.

Mr Speaker, as you know, under the Umbrella Benefit Sharing Agreement the domestic market obligation was not included in that Agreement. As a result the project itself is exporting all the gas that has been produced by this LNG Project to customers overseas, making no gas available for domestic consumption.

Mr Speaker, it is public knowledge that PNG Power is running out of capacity to produce stable and consistent power supply to residence in many parts of the country especially Port Moresby, Lae and many other major towns throughout the country.

This has prompted the Government to encourage the LNG Project to provide the country with excess gas that has enabled us to provide reliable power.

Mr Speaker, before June of 2015, before the South Pacific Games come into play Port Moresby City will receive the first transmission of power which is 25 megawatts of power which will give us enough buffer to consistently supply the city and its residence and all the visitors a power without any interruptions for that period.

Mr Speaker, it is a much welcomed relief to the residents of Port Moresby and the last thing we want to do is embarrass ourselves when we are hosting major events like the South Pacific Games and the premature blackouts happening every now and then.

Mr Speaker, the second part of these is before the end of the year which is 12 months from the date we signed ExxonMobil will supply a further 15 megawatts of power. This will more than adequately supply power to Port Moresby.

The good thing about this Understanding is that the cost of power is expected to come down equivalent to the supply of fuel costs by about 40 – 50 percent.

Mr Speaker, we are encouraging PNG Power to pass that savings over to the customers or our businesses and the residents can pay a much cheaper power supply for consumption.

Mr Speaker, the implications of the Agreement to include Pan Yan into this particular understanding is that we are taking the gas that we have committed to the contracts to Japan, China and Taiwan customers already so we are grabbing their gas now to supply PNG Power the

ability to provide power in this townships and cities. We need to replace that with the license that ExxonMobil and the project already own in Pan Yan.

Mr Speaker, while we make that commitment we have stated that the development of Pan Yan PDL will be consistently under the *Oil and Gas Act*, which means the terms of the development when they apply after the verifications of the reserves what will happen is that they will apply to the petroleum department for the Petroleum Development License.

Mr Speaker, when they do that, I want to assure the Honourable Governor that the development forum and other negotiations as usual under the Oil and Gas Act will apply.

Mr Speaker, that is agreed to in the Memorandum of Understanding.

05/01

When they do that I want to assure the Governor that the development forum and all the other negotiations as usual under the Oil and Gas Act will apply and that is agreed to in the Memorandum of Agreement. I want to assure that the benefits that he is talking about will certainly be captured when those negotiations take place and when the development of that PDL takes place.

Mr Speaker, there is a very good chance that we will have a third train developed by the PNG LNG Project meaning that our capacity to even develop domestic industry the petrol chemical industry in the country will be now available through that development of a third train by the current PNG Exxon Lab LNG Project. The benefits are enormous and it is important that we work together with all the stakeholders to developing a third trained for the benefit of our country.

Mr Speaker, the low prices for fuel and gas is an ongoing concern for Government. We are consistently monitoring those prices globally. Those prices are beyond our control and is of course dictated by supply and demand. Our friends in the Middle East particularly Saudi Arabia is increasing productions so that they can drive the prices of the global community of oil and gas downwards so that they can secure their markets globally of the oil and gas market and we don't know where it will end up.

Mr Speaker, today as I speak the price is quite stable and it is trading well above \$51 US Dollars so we are monitoring that. The advantage of that is that the fuel prices going to the consumers of fuel regularly throughout the country is reducing so there are benefits to the low

commodity prices because we can pass on the savings that we are making in the reduction of fuel cost across the board.

Mr Speaker, you must also realise that power cost will be brought down because the cost of fuel that is being bought to generate power will also drop.

Mr Speaker, whilst we got the upside on that aspect of the low commodity prices we will be mindful that our revenues on oil exports and the revenues of LNG will decline .

Mr Speaker, we will feel the effects if they continue to remain at these prices towards the end of the year and not necessarily at the beginning or in the middle of the year because we have a very good buffer for the early sales of the gas that we did when we finished construction of the LNG. We have exported over 50 cargoes to the customers on spot prices of which we received very good prices. So our revenues coming into the nation will be still very good but towards the end of the year we will assess the circumstances as prices dictate during the year. Thankyou, Mr Speaker.

Supplementary Questions

Mr SAM BASIL –My question is directed to the Prime Minister and it is in relation to the two generators that were purchased for over K100 million of taxpayers’ money to bring in the two second-hand generators.

(1) Can the Prime Minister highlight to this Parliament if those generators are going to be used by the LNG Project using the gas to generate power and where are these two generators now?

Mr Speaker, in relation to the previous question that was asked to the treasurer in regards to the monies kept offshore, can the Prime Minister tell us how much PNG expecting from the 50 cargoes exported and when these monies will be released to PNG?

Mr PETER O’NEILL – Thankyou, Mr Speaker, and I thank the honourable Deputy Leader of the Opposition for his question. Again, let me correct him; they are not second-hand generators, a global supplier like GE does not provide second hand generators to any buyer.

Mr Speaker, let us not mislead our people. Those generators are already installed and one of them has been installed at Kanudi and if we did not have those generators in place, I will assure the honourable Deputy Leader of Opposition that he will be living in darkness.

Mr Don Polye – They are second-hand.

06/01

Mr PETER O'NEILL – Mr Speaker, we welcome the appointment of the Leader of the Opposition but let me say this –

Mr Don Polye – Point of Order! The Prime Minister should tell the truth about these generators, they are second-hand ones because there are consistent blackouts and he should not be personalising the issue.

Mr SPEAKER – Leader of Opposition, your Point of Order is out of order because you are asking a new question. I will not allow the Prime Minister to answer that because you seem to answer the question yourself so allow the Prime Minister to answer the questions.

Mr PETER O'NEILL – Thank you, Mr Speaker. The Opposition Leader is very eager in this new role and we welcome him. But let me again say that please let us talk about facts and not to mislead people of this country. The generators are at Kanudi for the Opposition Leader to see please take all your experts down there and see it for yourself before you talk so that you know what you are talking about.

(Members interjecting)

Mr PETER O'NEILL - Mr Speaker, one is already in operation and supplying power to Port Moresby and the second one is at Lae Port and is been connected and commissioned. If you read the daily newspaper has been advertised that there will be power disruption in Lae city because of the commissioning of the generator.

Mr Sam Basil – Talk like the Prime Minister, don't be stupid.

Mr PETER O'NEILL - Mr Speaker, in Lae city, 25 mega watts of power will be available very soon and it will be ready over the next few days before is fully commissioned so that we can have some reliable power connected into Lae.

If the Deputy Opposition Leader doesn't want to hook up to PNG Power we welcome that too and he doesn't have to worry about that.

The second issue the Deputy Opposition Leader asked about was the 50 cargoes. Yes, the money has been parked overseas because LNG operator, which SO Highlands and Exxon Mobil have to get the lenders clearance before they commence. And there are certain conditions and one is 120 days of testing of the machinery of the LNG plant. And the clearance of the receiving terminals on the other side like China, Taiwan and Japan, those certifications must be cleared before the banks who lend the money for the project allow us to take money back into the country.

With that, let me state here that SO Highlands and ExxonMobil have announced over the last few days that the banks have given the clearance. And I was advised last Thursday, that the funds are now starting to come into the country, and as soon as I get the full details, I will let the honourable Member for Bulolo and the Parliament know. Which means, that our shares will also be distributed at the same time with the other stake holders; that includes Oil Search, SO Highlands and all the other partners who are involved in this project thank you, Mr Speaker.

Ms LOUJAYA TONI – Thank you Mr Speaker, I want to direct my question to the Minister for Education.

My question is on the Leaders Summit at the Gateway Hotel last week. The Secretary for Education presented a statement that there will be no more payment of project fees for all schools.

Can the good Minister clarify this to the Parliament so that our people are clear with regards to project fee?

Mr NICK KUMAN – Mr Speaker, I thank the Member for Lae for raising this important question, which actually raised a lot of confusion in this country in relation to project fees and

any other forms of fees imposed by the schools right through the country, which starts from Elementary, Secondary Schools, Vocational Schools, Technical Colleges and other institutions; they all are enjoying the free education policy in this country.

07/01

Free Education for technical colleges and all other institutions that are currently enjoying Free Education in the country and the Government has so far paid over K3 billion under this policy to date.

School fees account for about 32 per cent of the GDP and there has been significant improvement on the GDP since the introduction of the TFF policy. There has been a lot of improvement that the Government has done for the schools in the country. It is all about giving accessibility to all our children in the country.

All educational institutions are to ensure that other government policies that come after that must be adhered to regardless of whether the education system has been decentralised to the provinces. The National Education Department set the school fees and the Government has taken the responsibility to pay school fees for every child that goes to school from elementary to grade 12.

And therefore there should not be any other form of fees to be collected by every institution because the Government has paid the fees. The National Education Board has taken up the responsibility to inform all schools three weeks before school commenced not to charge any fees. And that must be followed by all school heads, principals and school boards.

The Secretary for Education has issued circular instructions to schools asking them not to refuse students from attending schools because they have failed to pay project fees or any other form of fees imposed by the schools.

I know of a report that a secondary school in New Ireland refused students because they needed to pay K1000 before they were allowed to be enrolled to do grade 11 last year.

This is way above the National Education Board fee structure. Whilst the Government continues to invest in the education sector, I am encouraging all the schools to follow what the Government wants you to do and the simple reason is there is a lot more money in the school system than ever before. Unless these monies are used properly or not, if these monies still

remain after the academic year ends; then by all means allow students to continue in the New Year.

The schools must not tell the Government that they do not have any money to start a new year so they collect money from parents before the TFF comes in and the TFF will start to roll into the accounts of the schools by the end of this week which means schools will have money. Please do not impose fees and prevent students from attending schools.

Supplementary Question

Mr DAVID ARORE –What mechanism have you put in place to ensure that the board of governors do not impose the fees, because I have paid almost K5000 before I came here to the parents who came to my house requesting for project fee assistance.

What mechanisms do you have in place so that the schools do not enforce the project fees?

Mr NICK KUMAN – Thank you Member for Ijivitari for your question. We have hotlines set up throughout the four regions of the country and those numbers will be published in the newspapers by Thursday. The circular instruction will also appear. The hotline numbers are for all parents who are forced to pay project fees throughout the country are asked to call these numbers and register their complaints so that the Education Department will deal with the schools and the boards responsible.

08/01

We have hot line right throughout the four regions of the country and those will be on the paper by Thursday. I have put out circular instructions which will be published on Thursday with the numbers for each region and parents who are forced to pay project fees right throughout the country can ring those numbers and registers your complaints which will come back to the National Education Department which will deal with those schools and boards concerned.

The government has spent a lot of money in this country to educate those children and the onus is on those schools to accept those children into the school system without any barriers at all. That's what we are doing and the circular instruction is going to the 22 provinces in the

country. Provincial education advisors and standard officers are directed to ensure that any complaints that come out from the schools will have to be reported back to the system so we will deal with those schools responsible.

Secondly, you know that you will spend a lot of money from DSIP to build the classrooms and teachers' houses to ensure that the teachers are in the schools. Every other places where DSIP and PSIP is going to in the country is used to build the capacity of all those schools, what more money do you need to educate those children? The government has paid the schools fees, why do you need those additional money to educate the children in this county? No, you don't have to charge project fees, the government is doing their job, the Open Members of Parliament are doing their jobs and the provincial governors are doing their jobs.

All those money that is going down to the districts, this has never happened before, now you are seeing the results going right down to the 89 districts in this country, thanks to O'Neill-Dion Government's direction intervention into the health and education sectors in this country and that is why you are seeing improvements. You have seen more classrooms and teachers houses because we've got to ensure that a lot more children must have access to education.

That is the reason why I said no project fees must be imposed on children simply because we are paying a lot of money into the schools system.

Mr TITUS PHILEMON – Thank you, Mr Speaker, my series of questions are supposed to be directed to the Minister for Higher Education but since she's not here, I'd like to ask the Minister for Education to answer my questions.

Mr Speaker, I thank the Minister for Education for the programmes that he and the government have introduced which he is implementing now. My series of questions are in regard to the enrolment of students, especially at the tertiary institutions.

These tertiary institutions are not accepting some of the students whilst we at the provincial and district level governments have committed funds to pay their enrolment fees but because of the systems that are have in place we are unable to pay their fees on time. And a lot of these students are going to their colleges for the first time, away from the provinces and do not have relatives to live with. Many of the higher education institutions are not allowing the students to live on the campuses so I'd like to Minister for Education answer these questions.

As these are government-owned institutions can they allow the students sponsored by other government instrumentalities to register and begin classes while awaiting their sponsors remittances of their funds?

Can these institutions also change their policies and accept assurances letters from sponsors as in recent times they have totally rejected such assurance letters even though these assurance letters are coming from us? They just do not allow them even with those assurance letters.

Can the national government impose policies that would penalize government institutions that impose such punitive and aggressive rules because their policies actually go against government priorities on education just like the Minister has stated?

Can the Office of Higher Education also increase the government's portion under the HECAS Scheme? This would allow the parental component to be lowered so it can become more affordable for the parents and also by the sponsors.

09/01

I also wish to add to what the Minister had just mentioned regarding the Government's component. The HECAS component of those fees has already been paid to those institutions.

Why can't they allow the children to go to school? Their district or provinces can remit the funds for children to begin school.

Mr NICK KUMAN – Mr Speaker, I thank the Governor of Milne Bay for the series of questions.

Mr Speaker, in regard to the 2014 Gr.12 Graduates, we have the capacity of 5630 plus number of students entering the tertiary institutions throughout the country. In terms of capacity and enrolments, there are certain capacities that are catered for, so they cannot exceed beyond the number required by the particular institution.

Mr Speaker, the second, third and fourth questions are specific questions which I suggest through the Chair that the Governor should put in writing so I can refer to the Minister responsible to respond.

Mr PETER ISOAIMO – Mr Speaker, the problem faced by the people of Kairiku-Hiri is seen as a guinea pig in Papua New Guinea and in that, the road experiments are happening within Kairiku-Hiri Road. In addition, all mining experiments are also happening along Kairiku-Hiri Road.

Mr Speaker, my question is to the Minister for Mining and I ask the Minister for Environment and Conservation, the Deputy Prime Minister, the Minister responsible for National Disaster and Emergency Services to take note.

Mr SPEAKER – To whom are you addressing the question?

Mr PETER ISOAIMO – Mr Speaker, I am directing my question to the Minister for Mining and I have a direct consequence of the Tolukuma Mine pollution. Over the years, the people of Mekeo and Roro in the Kairiku District have continuously experienced flood disaster during the wet seasons.

During last week, we had the whole of West Mekeo or Mekeo Plain and the Roro people under water again. I believe, there are reports of reputable scientists that the Angabanga River is being polluted.

Mr Speaker, there are sediments building in the Angabanga or St. Joseph River system and in the flood now the river floods everywhere and the whole of Mekeo and Roro are waterlogged.

Firstly, the construction of the highway which opens up the shortcut from Bereina down to Apanapi into Gulf province does not even assist because the construction and the engineering at that time did not calculate properly the right culvert to be laid on such a road. As a result, the over flooded river retreated and the whole of Mekeo plain is under water.

Secondly, the flood is washing away the highway that was only built less than 14 years ago. But the pollution issue is related to Mining Department and I wish to ask the Minister.

(1) Can the Minister consult his department to send his officers or engineers to check that water system?

(2) Can the Minister also bring forward the concern raised by the Chiefs of the Mekeos and the people of Kairiku regarding the water or river pollution, which affect the lives of the people?

(3) Can the Minister immediately address this issue and the line Departments to also look into the matter and help my people in the Kairiku District with some assistance through the Disaster Office?

10/01

Mr BYRON CHAN – Thank you, Mr Speaker and the Honourable Member for Kairuku. I extend my sincere thoughts to your people. I know they have been affected by the heavy rain falls. The highways are being affected too.

There have been some issues dealing with the mining. I will have to ask my counterpart, Minister for Environment and Conservation to assist me to assess the allegations that the rivers are contaminated and mining is affecting the Angabanga River including other waterways.

I will task my department members on MRA as well as seek assistance from the Minister for Environment to assist me assess the current situation and hopefully get a report back to you soon.

Mrs JULIUS SOSO AKEKE – My question is directed to the Minister for Works. Mr Speaker, I visited a road project site in Megabu/Ramu/Tumku by chopper last year. The Ministers for Works and Lands were with me during this visit. The Government at that time appropriated K10 million and it parked under the Works Department. I made a follow-up last week so that work on this road project can commence. However, after following-up I find out that the K10 million is not available.

(1) Can the Minister inform the people of Eastern Highlands as to the status of the K10 million?

(2) If the Government has diverted the funds to other purpose can it also inform us?

(3) When is the government likely to refund the funding back because the launching of this road project has been effected?

Mr FRANCIS AWESA – I thank the Governor for this important question. We did visit this area and launched this project. This is a project under the government agenda which K10 million was allocated under the 2014 Budget.

Mr Speaker, that project including few others was affected by withdrawal of funds by Treasury. I assure the people of Eastern Highlands especially the people of Unggai-Bena that these funds will be reinstated in the 2015 Budget amongst some of the others that have been withdrawn.

11/02

We have had discussions last year and this year to try and reinstate many of these projects.

I am sure many Members will recall that in the Budget last year there were a substantial number of projects that were deferred. Some of them will be rolled over to this year's Budget. I will check to see if this road is among them and advise the governor and the people of Unggai-Bena whether or not this is the case. If it is not, I want to assure the governor and the people of Unggai-Bena that we will make an attempt to reinstate the funding in this year's budget.

**AUDITOR-GENERAL OF PAPUA NEW GUINEA – REPORT OF THE AUDITOR –
GENERAL ON THE NATIONAL GOVERNMENT DEPARTMENTS AND
AGENCIES, PART II, 2012 AND 2013 – PAPER –
MOTION TO TAKE NOTE OF PAPER**

Mr SPEAKER – Honourable Members, I present the following paper pursuant to statute:

Auditor-General of Papua New Guinea –

*Report of the Auditor-General of Papua New Guinea Part II, 2012 and
2013 on the National Government Departments and Agencies on the
Control and on Transactions With or Concerning the Public Monies and
Properties of Papua New Guinea*

Motion (by **Mr Bob Dadae**) agreed to –

That the Parliament take note of the paper and the paper be referred to the Permanent Parliamentary Committee on Public Accounts.

MOTION BY LEAVE

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

Leave granted.

SUSPENSION OF STANDING ORDERS – REARRANGEMENT OF BUSINESS

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

That so much of the *Standing Orders* be suspended as would prevent the Minister for Agriculture and Livestock presenting a ministerial statement.

PAPUA NEW GUINEA NATIONAL RICE POLICY 2015-2030 – MINISTERIAL STATEMENT – MOTION TO TAKE NOTE OF PAPER

Mr ASSIK TOMMY TOMSCOLL (Middle Ramu – Minister for Agriculture and Livestock) – Mr Speaker, I rise to make a statement on the PNG National Rice Policy 2015 – 2030.

The PNG Rice Policy 2015 – 2030 promotes, firstly the cultivation of domestic rice to feed our own people and secondly promote monetary savings for the government by reducing the rice import bill.

Mr Speaker, the new rice policy does not discriminate, nor does it favour particular companies and the companies that get to choose which market segment they get to operate they operate in the industry in PNG.

After one hundred years of experimenting with rice in PNG there is now compelling evidence confirming that PNG is able to grow rice commercially to meet to meet its own domestic market requirements as well as the export of rice.

Currently PNG imports about 200 000 tons of rice valued at over some K500 million to support 7.5 million people.

Mr Speaker, rice is a staple food in Papua New Guinea so any policy decision and action by any government today or in the future must consider the political, social and economic impact rice will have on the livelihood of our people and the likely reactions from our people.

Globally rice is a staple food consumed by 60 per cent of people living in poverty. Rice is a staple food in PNG but now grown commercially so any decision and action by foreign governments and foreign markets will affect the economy and the people of Papua New Guinea because we are dependent on importing rice to feed our people.

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Mr Speaker, from the total volume of rice produced in all of the countries of the world that grow rice, only 7 percent of total volume is sold on the market. Papua New Guinea is one of the many countries that is buying from this small volume. This volume will more than likely shrink as many countries that grow rice and exporters are now growing rice to feed their own people, and are now importers of rice as well. These countries include; China, India, Indonesia and Australia and many more others.

Mr Speaker, Papua New Guinea depends on foreign countries to grow rice to feed our people. As that 7 percent of rice volume traded globally decreases foreign countries exporting rice to Papua New Guinea, and PNG companies importing rice into Papua New Guinea will not be able to guarantee the contribution of rice supply. In the face of an imminent future shortage of rice globally, white rice will be traded as white gold and will even sell at a price forecasted to be higher than metal gold itself.

A responsible government must scan both the internal and external environment both currently and into future, and begin to prepare solutions to meet that uncertain future. The O'Neill-Dion Government has always been pro-active in identifying future problems and preparing solutions today to meet challenges and opportunities of the future. In this case, the Government must commence promoting domestic rice production. Food security for all our

people, feeding our people and reducing the bill for foreign food imports to drive the agriculture sector towards the future.

The alternative is not to grow rice commercially and face a short supply of rice in the future and encounter an increasing rice price that will lead our people to starvation and hunger resulting in a very unclear, uncertain and undefined future. The O'Neill-Dion Government will not let our people down that agony. This government is committed to give our people hope of prosperity through growing wealth and health.

Mr Speaker, the policy categorises the production market into three segments. Each domestic market place is qualified by different levels of domestic investment and each market place offers a different package of eligible concession provided by the State.

A review of the White Paper on agriculture for the period 1996 – 2000 concluded among other things that “institutional and legal arrangements that govern the agriculture sector in PNG were not conducive to policy reforms, efficient implementation and administration policy”.

The long term goals of the past national rice and food security policies of government since 1975 was aimed at encouraging farmers to shift from semi-commercial production to full commercial production, and the rice industry to shift from a trading industry to both production and trading.

In the early 1990's many experts advised that Papua New Guinea was not able to efficiently grow rice. This conclusion was revisited in light of the fact that many economic, trade and social factors that existed before have changed.

Whilst reviewing the national rice policy, past government interventions were analyzed with the aim to craft a new and innovative strategy to transform the rice industry in Papua New Guinea. It is important to note that despite past government efforts to reduce dependency on imported rice and achieve a secure a level of self-sufficiency the private sector did not offer any serious rice development platform to develop this industry over the last 40 years.

Despite this shortcoming the principal schema of the government over the last 40 years has been to promote and support domestic rice production to ensure self-sufficiency.

Mr Speaker, the key lessons we learned from growing experimental rice plots over the last 100 years are:

1. Government interventions targeting smallholder and small semi-commercial farmers have not worked primarily due to poor planning, inadequate and inconsistency in funding, and lack of capacity in the relevant government agencies;

2. Factors limiting rice farmers; both smallholder and semi-commercial like transport, communication, energy, market and extension infrastructure as well as lack of credit services must be addressed either by government and or large investors if rice farming is to succeed and sustain; and

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3. Government Policy must be holistic and inclusive, and address all key aspects along the supply and value chain from land mobilization, production, processing to marketing.

Mr Speaker, also observing lessons from abroad and our own experiences, specific objectives of the PNG National Rice Policy 2015 – 2030, were developed and are set out as;

1. Reduce heavy dependency on imported rice and achieve rice self-sufficient by 2030;

2. Guarantee national food security through domestic rice production and mechanisms such as rice stabilization, quota scheme, monetary security bonds, and rice warehouse stockpile, and disaster relief schemes The exclusive right to set quota for imports and exports must remain with the Government at all times; and

3. Develop a modern, vibrant, sustainable and all-inclusive local commercial rice industry.

Mr Speaker, the current rice industry in PNG is primarily based on buying imported rice and selling domestically. Only a small portion is grown by our rural farmers mainly for household consumption. As a country dependent on import rice, PNG has positioned itself in terms of food security risk in an unattractive position, dictated by foreign actions, and decisions by rice producing countries.

The O’Neill – Dion Government is compelled by duty to our citizens to address the issue of food security in light of heavy dependency on foreign countries to feed our people.

The Vision 2050 projects that by 2050, PNG will be importing 600, 000 tonnes of rice to feed a population of over 22 million. Our import cost will be over K1.5 billion. But if food prices increase, this amount will inflate to over K5 billion. These projections are conservative, and it is like that in future scenarios, the case will be much dire if global trends of reducing

available land for rice productions continues, climate change degradation is not slowed, population growth is not controlled and food prices increases plus unpredictable and uncertainties in social, political, environmental and global economies. In fact, these trends and uncertainties inspired and provided justification for this Government to develop a National Rice Policy 2015 – 2030.

Clearly, no Government can stop the population from growing. No Government can stop the increasing demand to eat rice exerted by consumers.

But the O’Neill-Dion Government can start the process of growing our own rice commercially to feed our own people and also export access to feed the globe. This is the Vision and Mission of this Government.

Mr Speaker, until now the rice industry in Papua New Guinea has not been regulated allowing markets to play a greater role in resource allocation. Under the new Rice Policy, PNG will shift away from heavy dependency on imported rice, and begin a transformation towards growing rice commercially for domestic consumption which should reduce foreign rice import bill. Papua New Guinea will indeed generate foreign revenue from exports of rice.

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Thus the future rice industry in PNG will be based on delivering the following outcomes; guaranteed food security, improved nourishment for health, generate increased income and create wealth for rural rice farmers and develop a vibrant innovative and transformed rice sector that is productive, efficient, affordable and sustainable.

Mr Speaker, implicit in this statement is the proactive role of the Government in addressing the massive food security issues because Asia the region for distributing more than 75 per cent of the total world rice production is experiencing decline . This means that these traditional suppliers of rice for the global market have started reducing their export volume in order to feed their own population first. Recognising this rift and need and accepting this global trend, the opportunity is now for PNG possessing the biggest arable land in the South Pacific to make a major shift from being a rice importer to a rice grower and a rice exporter in the Asia Pacific region. This policy which is a paradigm shift is not only a national solution but also our country’s contribution to guarantee a world with food.

Mr Speaker, this policy and strategy is guided by the PNG Vision 2050, Development Strategic Plan, Medium Term Development Plan and other government policies aimed at promoting and supporting accelerated economic growth on the back of rural development and a broad based economy. The formal aim of this policy is to:

- provide evidence based strategic guidelines to develop the rice sector policy and strategy in light of a broader regional and global trend national priority and
- to deliberately choose key strategic options while considering the implied trade off and consequences and
- to develop a vibrant and sustainable domestic rice sector for achieving self-sufficiency in rice by 2030 for PNG
- sustainable food security and build a vibrant prosperous and progressive rural sector .

Mr Speaker, the PNG economy and demography is transforming at an accelerated growth so rather than taking a business as usual approach a leap frogging triggers stimulus approach is critical in supporting the immediate growth of domestic rice production at commercial scale.

Mr Speaker, the rice policy strategy is aligned to PNG Vision 2050,DSP and MTDP and the shifting focus and growth of the rice sector is interlocked with the unlocking customary land for economic growth, rural development and giving greater participation to our people . The trigger strategy is to develop “Large Scale Mechanized Commercial Irrigated Farming along the economic corridor.

The new policy addresses key requirements for economic growth , rural development and food security and guided by the following policy framework.

- That the investment must cater for bringing the unused arable land into production because unlocking the land will have significant contribution to economic growth , a scenario that underpins the ambitious targets set in the long term visions and the medium term strategic plans.
- That investment must follow the economic growth corridor that will contribute to transform current poverty regions to economic growth regions
- That investment must contribute to spatial planning approach in the economic corridor areas , establish physical and social infrastructure

- That investment must add value to a competitive agriculture sector responsive to international and domestic markets for diverse variety of productions.

Mr Speaker, from 1980 to 1990, per capita consumption of rice in PNG oscillated between 30 and 50 kilogram annually with some provinces recording as high as 100 kilogram per year. Since 1985, annual rice imports fluctuated between 120 000 to 170 000 tons except in 1997 when it exceeded 200,000 tons.

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The increase was caused by a long dry spell and the Aitape tsunami disaster. Both disaster exposed PNG to a high risk of heavy dependency on imported rice. We must grip, understand and appreciate the key issues of concern:

- (1) Rice is now an important staple for the majority of our people.
- (2) The demand for rice consumption in PNG is continually increasing.
- (3) The land area under rice cultivation is decreasing due to floods and alternate land use in many countries like; China, Japan, Thailand, Vietnam and Philippines.
- (4) Rice exporting countries have indicated that they will reduce their rice exports to cater for their own domestic needs.
- (5) PNG has a favourable climate, soil and large areas of land that are suitable for growing rice that are currently not productive and underutilised.
- (6) Traditional allies like Australia who had under written PNG's rice supply security since 1975 stopped exporting rice to PNG in 2007.
- (7) The net effect of the global trends are that the volume of rice available for trade is decreasing and the price of rice is increasing.

Mr Speaker, the Government has obligation to restructure and reorganise the rice sector in PNG to meet future threats, challenges and needs. The non-renewable sector, agriculture, forestry, fisheries, tourism and manufacturing can play critical roles in enhancing livelihoods and the lives of rural communities. Expansion of these sectors have been hampered by limited and expensive access to inputs and markets, poor infrastructure, ineffective extension services, limited access to credit, safety and business and personnel security. Further, income-earning opportunities through micro, small and medium enterprise development ventures are constrained by an unfriendly investment climate and absence of small-medium

enterprises and relevant technical and managerial skills. The government must create enabling environment to expand our current foreign niche markets and develop a robust, resilient and vibrant domestic production and consumer markets.

Eighty two per cent of our people are heavily dependent on subsistence and crop agriculture for food, employment and income. Failure to adopt an inclusive development and people-centered socio-economic empowerment strategy will result in problems of unconceivable proportions with disastrous future consequences.

Mr Speaker, the Government in 1990 set an ambitious target to produce 50 000 tons of rice by the beginning of year 2 000. Current estimated domestic rice production is around 15 000 tons, which is far below the 50 000 tons target. Despite countless interventions by Government, donors and various parties very little progress has been made towards achieving this target. Domestic production is not sufficient to meet the current annual consumption demand of around 200 000 tons annually.

Mr Speaker, I now turn to the 3 production market segment I spoke of early on. I will speak of them in the order of first smallholder cooperative and family rice farming; secondly, institutional rice farming and, and thirdly, large commercial scale mechanise and irrigated rice farming.

Smallholder cooperative and family farming suffer from several factors including; (1) lack of domestic markets (2) high production and transaction cost, (3) high internal transport cost because of poor transport and infrastructure (4) existence of market monopoly and (5) high energy cost.

However, the real opportunities for our rural farmers lie in savings and food security. Our experience show that smallholder cooperative and family farming alone cannot reduce poverty in rural households. Rural households will continue to hold small-scale and family farms to produce rice in order to provide a social security net, but it is unlikely that they will adopt the knowledge intensive skills and invest the necessary time and capital (if any) to boost rice productivity of a small land holding.

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Rural areas have experienced migration of young and middle aged population into towns and leaving old age population, often females and less educated people to do agriculture work.

Increasingly small scale and family farming which is a low income activity is declining. This is a key social and economic justification for shifting focal from small holder co-operatives and family farms to large scale mechanised and irrigated farming systems.

Mr Speaker, turning to institutional farming is rice farming for the purpose of education, training, science and research, protection and conserving. This is not for commercial application and household consumption. The large commercial scale mechanised and irrigated rice farms are rice grown in large area of land using water and irrigation systems and this involves layout of a lot of capital investment in intensive knowledge and technology base.

This approach provides a sound platform for developing sustainable commercial rice farming model based on high intensification for specific activities and locations, and built on scientific evidence based approach recognising the better use of eco-systems, diversity, fertile soil and application of precise knowledge and intensive technology. The Government believes that this is the only way forward to ensure food security, social and political stability, income diversification, poverty reduction and increasing foreign exchange from producing rice for export.

This approach will achieve sustainable food security for Papua New Guinea in the near future. The debates surrounding monopoly in PNG and the trade barriers is misconstrued in context. There are two types of market place in PNG and both can operate at the same time. The first market place is based on importing rice from other countries and selling it in the domestic market to feed our people. This is the market place predominant in PNG today.

And monopoly here is defined as one company having a large share of a consumer market. The second market place that the Government is creating through a shift in policy is to encourage growing rice in PNG at a commercial scale to guarantee food security, support economic growth and advance rural development. The challenge is for the Government to implement strategies through the Public Private Partnership successfully. Considering the level of investment, the private sector partners as the layout, the Government must provide the necessary enabling environment including incentives.

For instance; Malaysia's rice sector is highly protected with the protection justified by arguments of food security. Due to the national interests in food security the Malaysian

government is implementing a range of protective policies through price controls, subsidies, tariffs and buffer stocks. Buffer stocks are used to stabilise the domestic price from fluctuation impacted by the global price fluctuation. In addition to recognising the importance of food security the various incentives and tax regimes were introduced to support and highly motivate pioneer agricultural investors in Malaysia.

Such trends of incentives and similar prevail in many other countries in the strategic ways to motivate investment in the food industry. So why should PNG be different and remain an importer destination? The primary objective of the new rice policy is to achieve 100 per cent self-sufficiency in rice production by 2030. By 2030 the PNG domestic rice consumption demand would have reached over 300 tonnes.

Early attempts to increase domestic rice population of production failed because of the exclusive dependency on smallholder farmers to meet this target. The new attempt by this government is different from the past because the new policy is designed to stimulate rice production in PNG by promoting and supporting large scale highly mechanised irrigated commercial farming system.

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Given the lack of interest by local and foreign investors to commit to large scale, highly mechanized, irrigated commercial farming in PNG over the last forty years, any investor willing to do so will be accorded pioneer status and will be granted the appropriate and relevant intensives, protection and concessions to establish and develop the industry from dependency from imports to self-sufficiency and exporting based on growing rice in-country.

Pioneering status will only be granted to investors committing over PGK 200 million to develop large commercial scale mechanized irrigated rice farms. This protections and intensives will assist the investors as a new player entertaining into the high risk, low value end of the rice business in PNG to build a brand name and customer base, and build meaningful relationships based on non-price factors such as product quality, service, patented features, environmental and civic involvement.

These incentives are similar to projects in the mining and energy sectors, in the fishing and forest sector already offered to companies now operating in PNG. The landowners and people of PNG, through their government will have an option to participate, set at 30% equity.

Mr Speaker, the Government will establish a National Rice Import Quota System. Under this Rice Policy, the PNG Government shall hold exclusive rights to undertake direct importation of rice issued for the information and compliance of all importers.

A National Rice Import Quota System, will provide for a maximum total import volume will be allocated to each importer under two types of import permits:

1. Standard Rice Import Permit: the standard rice import permit obliges the holder to import rice during a given period of time. It is essentially a monitoring document and does not entitle preferential treatment and tax incentives, including concessions. This permit is granted to importers not involved in large commercial scale mechanized irrigation rice farming. Institutional farming is exempted.

2. Quota Rice Import Permit: the quota import rice permit entitles and obliges the holder to import rice during a given period of time and also gives entitlement to a reduction in duties and tax incentives including concessions. This permit is approved to importers involved in large commercial scale mechanized irrigation rice farming for purposes of trading and with over PGK 200 million investment. Again institutional farming is exempted.

The importation of rice will be undertaken under a regime with Quantitative Restriction and the National Rice Import Quota System will be administered by the Department of Agriculture and Livestock.

Mr Speaker, the National Rice Import Quota System will be guided by the following criteria:

1. The Government will hold exclusive rights to importation of rice.

The Government, from time to time, will allocate rice quotas.

2. In 2015-2016, the Government will set the total volume of import quota at 170,000 tons which is the estimated a total average for domestic demand of rice.

3. Pioneer status quota allocations will be a period of 10 years.

4. A monetary security bond payment will be required from the rice importers holding Standard Rice Import License.

Mr Speaker, the Government will also establish a National Rice Export Quota System. The Government is conscious of distortionary effects of trading rice globally on one end, and the need to keep balance internally to ensure food security, price stability and price affordability, on the other end. Thus the Government shall hold exclusive right to set export quota annually.

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The Government of PNG will keep a tight control on the volume of rice exports using export quota system and stockpile warehouse scheme as the most direct instrument to regulate domestic price of rice. The national rice export quota and stockpile scheme will be a strong regulatory tool in terms of achieving the goals of self-sufficiency, price control and stability.

Using the National Rice Price Export Quota System the Government will secure itself a degree of flexibility to respond to the prevailing domestic and international crop situation. The flexible quota will not always be used to increase export but also to restrict export in order to keep the price of rice low.

Mr Speaker, the global decline of production, reduction in supplies and increase in demand presents PNG a new window of opportunity to develop a large scale, modernized and mechanized rice farms to meet domestic needs first, and secondly to export rice. PNG must shift from being a rice importer to a net rice producer and exporter.

Past attempts by governments to revitalise the agriculture sector through attracting large private sector investment under the “Government’s Green Revolution Incentives” did not entice new, large private sector investors into the agriculture sector. The failure of the Green Revolution Incentives was attributed to the fact that the incentives were not adequate to offset investment risks, and also these offerings were not supported by structural and regulatory transformation.

The Government is now taking a fresh and different industry approach. We have moved the Rice Policy from being a traditional food security issue based on smallholder farming, to one that is now focused on unlocking the vast areas of customary land for wealth creation by our people in the rural areas, rural development, poverty reduction and economic fulfilment of our rural people. This policy sets clear parameters for encouraging private sector investment, the criteria for selection of sector partners, the incentives, the benefits and guidelines for participating in the rice sector. This policy also sets clear guidelines on selection of private sector partnership, necessary conditions of development, and a monitoring framework to ensure that the processes are transparent and answerable to all stakeholders, and sets guidelines for participation by local landowners, Provincial Governments and the National Government.

This new Rice Policy should meet the expectations of the private sector and our most important development partner – our people.

Mr Speaker, in regard to other subsectors of the agriculture sector, I will be presenting a statement on coffee, cocoa, copra industries culminating with the statement on the restructure of the agriculture sector in PNG in the course of this Parliament in the different schedule Sitting of Parliament.

Mr Speaker, finally, I commend the PNG National Rice Policy 2015-2030 to this Parliament.

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

ADJOURNMENT

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

That the Parliament do now adjourn.

The Parliament adjourned at 4.30 p.m..