



FIFTH DAY

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Tuesday 24 July 2018

DRAFT HANSARD

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**Subject:**

**Page No:**

<b>QUESTIONS .....</b>	<b>2</b>
Update on Banab Bridge Construction.....	2
Logging in Usino-Bundi.....	3
High Bank Interest Rates .....	7
<b>Supplementary Question – Reveal PNG’s National Debt Figure .....</b>	<b>12</b>
New Goroka Terminal– High Rental Fees.....	13
 <b>SUSPENSION OF STANDING ORDERS –</b>	
<b>EXTENDED TIME FOR QUESTIONS.....</b>	<b>15</b>
Supplementary Question.....	15
Charge Lower Rental Fees.....	15
Supplementary Question.....	Error! Bookmark not defined.
Airport Upgrade – Explain ADB Loan .....	18
Vanimo – World Surfing Championships.....	20
Free Trade Zone in Manus .....	21
Lorengau – Tingou Road Project .....	22
 <b>TREATY OF DECLARATION OF AISA PACIFIC MINISTERIAL CONFERENCE</b>	
<b>ON CIVIL AVIATION – PAPER AND STATEMENT –</b>	
<b>MOTION TO TAKE NOTE OF PAPER.....</b>	<b>23</b>
 <b>OK TEDI MINE LIMITED ANNUAL REPORT, 2017 – )</b>	
<b>PAPER AND STATEMENT –</b>	
<b>MOTION TO TAKE NOTE OF PAPER.....</b>	<b>29</b>
 <b>ADJOURNMENT.....</b>	<b>70</b>

**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 final and accurate report of the debates of the National Parliament.

Corrections maybe 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 corrections.

Amendments cannot be accepted over the phone.

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

A handwritten signature in black ink, appearing to read 'LEE SIROTE', written over a horizontal line.

**LEE SIROTE**

Acting Principal Parliamentary Reporter

## FIFTH DAY

Tuesday 24 July 2018

The Deputy Speaker (**Mr Pesab Jeffery Komal**) took the Chair at 10 a.m..

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

Sitting suspended.

The Speaker again took the Chair at 10.30 a.m. and invited the Member for Sumkar, **Honourable Chris Nangoi** to say Prayers:

'Thank you Heavenly Father, thank you Jesus Christ, thank you Holy Spirit. You are the Alpha and the Omega, you are the beginning and the end. Everything starts with you and ends with you.

O Lord we are just mortal man, Lord before we come into your presence, we know we are sinners, we pray and thank you for the redemption plan through you Son. We claim the blood of Jesus upon our lives.

Lord we know our mind, our heart, our desires were not right. But Lord before we come into your presence we pray for forgiveness.

Thank you O Lord, like King Solomon who was leading the nation of Israel, you have blessed him with so many things but Lord, only one thing he was asking for; wisdom that is why O lord, this morning, in this Honourable House O Lord I continue to commit leaders here, especially our Prime Minister. O Lord I pray for wisdom upon him to lead this nation. Thank you for this great nation. O Lord we also commit our Opposition Leader, all the ministers, all the governors, all the Members of this Parliament, Lord we pray for wisdom to lead this nation and talk about the issues of this nation.

Thank you Lord, we commit our great nation to you. Lord in this whole world you have appointed this nation to become a nation of you at the end of this planet.

O Lord we commit our nation, Lord bless this nation. Lord as we come to agreement and let's all agree and say the Lord's Prayer.'

## QUESTIONS

### Update on Banab Bridge Construction

**Mr CHRIS NANGOI** – Thank you, Mr Deputy Speaker. My question is directed to the Minister for Works.

Mr Deputy Speaker, this is the fourth time I am going to ask about this issue. The Banab Bridge collapsed in January and it has been seven months since then. A bypass was created by the Works Department but when you start your journey on the bypass and reach the end of it you would have to pay K100 and this has made it expensive. This bridge is still down and has affected travelling public from Middle Ramu, Bogia and even in my district.

There has been an increase in criminal activities resulting in one death. The slow progress of the bridge is very frustrating.

Can the Minister inform my people of Sumkar if he has any plans in the construction of the Banab Bridge? My people are giving me intense pressure on this issue. I know it is a national highway and comes under the responsibility of the National Works Department.

Please give us an update so that people of my district can be aware.

**Mr MICHAEL NALI** – Thank you, Mr Speaker. Thank you for asking this important question which I have given some answers to a couple of weeks back.

Mr Deputy Speaker I have personally gone Madang to see the two collapsed bridges. One of them is the Banab Bridge and the other one is in Bogia. We cannot attend to the Bogia Bridge as yet because the Banab Bridge has collapsed.

**02/05**

Mr Deputy Speaker, the Member is correct, we have built an access road but that road is becoming very costly for the travelling public because our people are collecting fees from two or three different locations of the road.

The Department of Works has identified contractors and the bridge parts have also arrived. We have issued some funds for the work to begin at Banab so it is under construction at the moment. These type of projects may take some time so definitely we have men on the ground who are working.

The last time I answered a similar question relating to the Banab Bridge. I mentioned that the Bridge was too wide so we had to drive a pier to set a pole in between so that the

bridge can sit there and can hold the weight within the two banks. The contractor needed the funds so we paid the contractor to bring in a crane to position the pier.

Mr Deputy Speaker, I want to apologise to the Member for Sumkar and the people of Sumkar for their burdens. Our own people are taking advantage of this situation by collecting roadside fees. They don't pity those affected especially the big population of people from Bogia all the way to those residing by the river mouth of Sepik river. We are also affected by our people's attitude problem. Another challenge we faced was when an expatriate contractor suffered injuries from local thugs in the area.

That is where we are, Mr Deputy Speaker. I make it my business to check on these major infrastructure issues almost every day.

Similarly, this also happened in Jimi. We built an access road but we did not build a proper bridge. Until we have all the bridge parts brought in to connect the disaster areas, we are trying our best to make sure that we provide the service so I will make it my business to check on this regularly and give you a brief this week so that you receive a detailed response from the Department.

### **Logging in Usino-Bundi**

**JIMMY UGURO** – Thank you, Mr Deputy Speaker. My questions are directed to the Minister for Forests.

My questions are in relation to the issue of forestry in Madang within the Sogoram area. It covers Timber Rights Purchase area and FMA. FMA is in Ramu Block One and comes under Woodbank while the TRP area is within Sogoram and covers Usino Bundi and part of Middle Ramu.

Mr Deputy Speaker, a licence was issued to Sogoram Development Corporation (SDC), a landowner Company. SDC has contracted it to RH to carry out logging. TRP has already been phased out all around the country as stated in the report I have received.

The current area that RH and SDC are interested in is called the TRP Extension Area. This covers the furthest part of Usino Bundi, Madang and Middle Ramu respectively.

RH was first involved in logging in the Trans Gogol area, however, they failed to attend to the MOA commitments. They have returned recently and have set up their camp at TRP Sogoram area. They never fulfilled their MOA agreements to build schools, roads and bridges and aid posts.

(1) Did the Minister for Forests through PNG Forest Authority grant the extension operating licence to the Sogoram Development Corporation and RH under section 137 of the *Forestry Act*?

RH had previously operated in Madang District and then moved into Usino-Bundi in the period of 2013 and 2015 and left for unknown reasons. Without any proper arrangements and consultation they have now moved back into the same area.

(2) Can the Minister inform us on the conditions and terms included in the agreement and how the permit was granted for the extension of TRP into my district?

**03/05**

(3) In compliance with the *Forestry Act*, was proper social mapping done of the proposed extension and logging area?

Mr Deputy Speaker, Woodbank is working in Ramu Block 1. They were stopped after going through court over some disagreements. However, they have begun operation now. The Ramu Block 1 was signed between the FMA and the ILG Chairman representing the respective landowners between the period of 2000 and 2004.

The FMA covering the 160 000 hectares are in the Middle Ramu and Usino-Bundi districts of Madang Province. The Project Development Agreement (PDA) was signed between the PNGFA and Madang Timbers on 18 April, 2013. There was delay in the signing of PDA due to the Court matters.

Mr Deputy Speaker, when Madang Timbers moved into the operations, it was through their subsidiary company Pacific Region Development Limited.

Mr Deputy Speaker, there are lots of issues surrounding the operations of Ramu Block 1. Many landowners are complaining and I had a meeting with them on Sunday at 2 p.m. and they have agreed to shut down the operations.

They have asked me to tell our Minister to convey a meeting, so we have to go back to the table and discuss the issue surrounding the operations of this project before the operation begins. So at the moment, as I speak, the operation is now on hold.

(4) If those areas are now covered including the FMA, what is the legal basis of those supplementary agreements and what clause or sections under the FMA are the agreements based?

(5) Can the Minister check and confirm if all the operations in some areas of my

District have full compliance with the ILG requirements and are not outside of the supplementary FMA boundaries?

(6) If there are funds allocated as provided for in the Project Development Agreement, given for the stated purpose of Madang Provincial Government, can the Minister confirm if these funds were actually dispatched and if so, have these funds being truly used for the intended purposes?

**Mr DOUGLAS TOMURIESA** - Thank you, Mr Deputy Speaker. I would like to also take this opportunity to thank the Member for Usino-Bundi for his series of questions.

I will answer the questions in two parts. Part 1 will be the Sogorom TLP.

Mr Deputy Speaker, through the Chair, may I ask to answer the question on Ramu Block 1 FMA in writing at a later date.

Mr Deputy Speaker, the Sogorom TLP has actually expired and under the *Forest Act*, Section 37A and 37B is very clear that when the TLP expires - in Section 37(1) - the landowners alone have the power to resurrect the TLP.

When the TLP expired we did not renew it. We left it alone until the landowners came to us and asked through the landowner company to resurrect the TLP. The TLP arrangements were through the landowner company.

When I first became the Minister for Forests, one of the responsibilities that we took upon ourselves, is that any renewal of TLPs should go to the landowner companies.

**04/05**

Upon expiry, it was renewed to the concurrence of the landowners through the landowner company. And we got that through but there are some challenges to the TRP. But I have made it very clear to the landowners. That the onus is on them to choose the developer because the TRP license is in your hands. You have the power to cancel the arrangement that you have through the LMA agreement with this particular company. We have therefore called upon the company to look at the LMA and MOU agreements that they have with the Forestry and the landowner company.

And the TRP license is in their hands, they have the power to cancel the agreement with the operator that they have. These are already in place and we will be working very closely with the Open Member to make certain that we look at that LMA agreement and talk to the landowners that they choose whom to engage and whom not to engage.

As for the second concern which the leader raised directly to me relates to the harvesting of very small logs, which are under 300 diameters. When we reviewed this, I agreed with the Member that they are harvesting logs which are much smaller than the required size. With the wisdom of NEC, a few weeks ago we have now begun to review *Section 121 and 223 of the Forestry Act*. Which now brings in the consideration that any company that harvests logs that are less than 300 in diameter will have to pay for those logs. Whether these logs are harvested and processed or harvested and dumped because they do not meet the standard requirements, the companies who are responsible for harvesting them will be made to pay for them.

Under the review of the mentioned sections of the Forestry Act, this and other areas that were viewed as important have been considered. One of these is the fact that most time logs are harvested they are made to float down or rather are taken across rivers. We have to be mindful of the fact that most of these rivers have people living along them. For example in Aitape Lumi, we have an operator, Sama's Limited, and these operator has built six permanent bridges, out in the remote areas that will be used to connect East and West Sepik. And I would like to say that it is not only in Aitape Lumi but in Oro Province as well. You have the Yamagaipa area where they have connected these areas with other remote areas. And so my good leader from Usino-Bundi, we need to sit down and talk with the landowners who are holding onto the permits. The permit is not with the operators or the industry. The landowner company has the whole power to say they will exercise their rights by getting rid of the developer or the operator if they are dissatisfied because they have not met their LMA and other agreements as well.

A typical example is in Pomio as well. In Pomio we sat down with the landowners and reviewed the agreements and we are currently working getting the TRPs to the landowners. So I would like to say here that in three weeks' time, on the second week of August we are going to have the landowner consultation meeting here in Port Moresby. I am therefore inviting all leaders to attend. It is a nationwide meeting and all landowners to come. And a month after this, we will be conducting an industry meeting.



05/05

A month after that we will be having an industry meeting with the companies here in Port Moresby, and if you have some grievances, you have to come and sit with us and discuss it at this meeting so that we can listen and understand.

Mr Deputy Speaker, in regard to the FMA Ramu Block 1 and Madang Timbers, I will get back to the Honourable Member in writing.

Thank you, Mr Deputy Speaker.

### **High Bank Interest Rates**

**Mr IAN LING-STUCKEY** –Mr Deputy Speaker, my series of questions are directed to the Treasurer and relate to bank interests that our tax payers and hard-working Papua New Guinea and overseas companies pay on all domestic and foreign loans borrowed since 2014.

As a direct consequence of this Government's borrowing spree, PNG tax payers are digging deeper and deeper into their pockets to repay these loans mostly in the name of Infrastructure Development Projects.

Official government records show that in 2013 the total interest on loans was over K6.6 billion. In 2015, K9.4 billion. We are talking about interest alone, not interest and principle. In 2016, K11.8 billion; in 2017, K13.4 billion and up to June 2018 this year, K6.9 billion, Extrapolating that this would definitely double to K14 billion by year end December, 2018.

My questions are:

(1) Can the Treasurer confirm that the bank interest on total loans borrowed by the National Government have sky-rocketed each year because of unnecessary high interest rates that can be avoided by simply changing between lenders, thereby putting excessive and unfair burden on Papua New Guineas tax payers?

(2) Can the Treasurer confirm that from 2014 to June, 2018, in just four and a half years, PNGs tax payers have paid a record bank interest of K48.4 billion?

(3) Is it true that PNG's bank interests has more than doubled in four and a half years from K6.6 billion in 2014 to K13.4 billion in 2017 because of our so-called concessional loans from the EXIM Bank of China?

Mr Treasurer, you are well aware that by simply changing lenders from say the Exim Bank of China, to friendly multi-lateral donors like the World Bank and International Monetary Funds, Papua New Guinea's bank interest would reduce by well over K1 billion.

(4) Can you tell the people of Papua New Guinea exactly how many billions, not millions, will be saved and therefore reduce what the Alternative Government describes as excessive and unfair burden on PNG's tax payers?

(5) Mr Treasurer, can you provide or, better still, table in this Parliament for all members and ministers a detailed listing of the reasons why your Government continues to refuse to genuinely and comprehensively engage with the World Bank and IMF - like the Morauta Government did so well in 1999 and 2000 - to refinance and redirect PNGs total loan portfolio from expensive lenders like the Exim Bank of China to friendly multi-lateral donors?

**06/05**

Mr Treasurer, you are well aware of the international communities concerns with loans issued by the EXIM Bank of China widely known as China's debt trap diplomacy

The Pacific Island nations with large infrastructure projects are used as collateral. If the loan cannot be repaid then those large national projects like wharves and even mining projects for example, may be forfeited to the EXIM Bank of China and, therefore, owned by another country's government.

(6) Can you assure this Parliament and the people of PNG that no such arrangements have been entered into by your government and if you have, can you provide a listing of the infrastructure projects and their current debt burden details?

(7) Can you assure the people of PNG that their National Government will demonstrate a genuine commitment to continue engaging with friendly and traditional multilateral partners and refrain from blindly taking the over-excited path north and avoid falling into debt trap diplomacy?

**Mr CHARLES ABEL** – Mr Deputy Speaker, I thank the Member for Kavieng for his questions which a quite comprehensive and needs detailed answers it. And so if he can provide these questions to me in writing so that I can respond to the questions. But I will do my best in responding to the limited time that we have.

Mr Deputy Speaker, in the first instance, again I need to just question the basis of some of the facts that the Member is quoting on.

And some of the figures in order of billions that he is referring to in terms of interest cost per annum is completely false, to say that K13.4 billion in interest was paid in 2017. How can you justify it when our total budget is in the order of K12 billion and K13 billion total.

The interest burden is more like K1.5 billion than in 2017, the total interest cost was K1.6 billion, to say K13 billion and all the other figures that you quote adding to over K50 billion in interest in the last years is simply false.

I don't know how you even paraphrase your questions when the very basis of in terms of these figures shows that you not even granted a reality.

So I am not sure how I respond to such questions when the all basis's of them is completely false.

How can we spend K13.4 billion in interest in one year, that is a total revenue of this country per annum and we would have nothing left to spend on anything without even paying interest. We all go home and just pay interest and it's just not true.

Mr Deputy Speaker, I must admit to this House and there is no secret, we have been incurring more interest cost as we go by and take advantage of some of the funding that is available to government and it's in the normal cost of government business. The Government has stated on the outset quite clearly that we are going to try and increase the envelop available to the country to make strategic investment into infrastructure, health, law and order, education with the primary intention, to drive growth, to drive services to our people and to provide programs like the DSIP, to resources lower levels of government, to pay councillors, build bridges, roads and hospitals and things that are happening today.

We need to make investments to get returns and all the while we tried our very best to remain within prudent guidelines. That is why we have the Fiscal Responsibility Act, which was introduced by previous government and we have tried our best to live within those means, that's 30 per cent debt to GDP is what we tried to stay within.

**07/05**

We have stated again and again on the Floor of Parliament that 35 per cent of GDP is very conservative in global terms. Would any of those countries get to where they are if they

didn't utilise that themselves? Even today, many of those developed countries have in the order of over 100 per cent deficient GDP ratio.

The Government is trying to merely fulfil the expectations of its people utilising all the quality tools it has available to it. And one of them is financing and resourcing. In doing so, we are not going to one particular source of financing but a range of source of financing. These include borrowing domestically and from our foreign partners.

The issue that the Government has admitted is that there has been too much reliance on short term domestic financing which has other implications. Part of the strategy that we are taking at the moment is restructuring that debt. I have spoken many times of the different sources of debt that we are going through including the Asian Development Bank and the World Bank. We have about US\$100 million from ADB for budget support this year. We have another US\$ 150 million from the World Bank for budget support for this year. The idea is to restructure the debt to reduce the roll over risks in terms of relying too much on domestic financing and also to get the cost of that financing lower.

However, if you go overseas then there are other risks as well. There are foreign exchange risks because you are subjecting yourself to repayment in an overseas currency. This can lead to fluctuations when the exchange rate goes down, you then expose yourself to foreign exchange risks. One has to maintain that balance.

We are doing our best to get that cost of financing down and whether you are talking about the EXIM Bank of China, World Bank or the ADB, the interest rates seem to be of a very similar nature. It is a concessional rate that we are dealing with and in the order of 2 per cent to 3 per cent. There is a conservative strategy underway to address that.

Mr Deputy Speaker, at the end of the day, one has to rely somewhat on borrowing to supplement our revenue sources while we continue to grow the Budget. The Government has been doing it responsibly and therefore there are no raises in taxes despite some of the recommendations that came out of the tax review. In fact, our Government presided over increasing the tax free threshold from K6 000 per year to K10 000 per year. We very much would like to increase it further.

It was our hope and intention to raise the tax free threshold to K20 thousand per annum. And there were some consideration of looking at the GST to spread the tax burden more fairly away from the small formal sector to everyone broadly. But the direction from the Cabinet was, no we could not do that. We cannot impose anymore burden on our people. What we need to do is stitch the existing and collect the taxes on the existing system, as well

as other things we are doing like reviewing the fiscal agreements around the project agreements. We are reviewing three projects to get a better deal for the State. Revenue and foreign exchange issues are what we are working on.

Mr Deputy Speaker, we are paying interest in the order of K1.5 billion and K1.6 billion a year. Like any cost concerned the public service or the interest cost are the two major concerns of the Government. We have strategies underway to address payroll issues. I have already explained about the strategies in terms of debt restructuring and reviewing that situation. We have to make sure that whatever debt we do have is as low as possible.

There is a very robust engagement with the IMF and the World Bank. I made some comments about the exchange rate when I was responding to the Member for Moresby North-West on how the World Bank and the IMF, in that engagement, continue to talk about devaluing the kina. My response to them is; can you please advise us on some of the more underlying deeper structural issues? That means we have this large current account surplus, all these exports and the foreign exchange issues. The World Bank and the IMF in this engagement should be giving us strategic advice. They shouldn't be talking about dealing with symptoms and devaluing our kina when we know that we have a surplus in exports. We therefore need the IMF and the World Bank to be genuine with us. Whose concerns are we dealing with here? Is it the foreign companies and foreign institutions or the interest of Papua New Guinea? You and I know the numbers of our exports but we don't see the financial investment flows that support our kina so we talk about devaluing the kina. We should be talking about the Dutch Disease which they told us would happen after the PNG LNG Project. They told us to set up the Sovereign Wealth Fund and we are going to have a surplus of foreign exchange, the kina will go through the roof and agriculture is going to suffer.

**08/05**

That's why we are going to look at some of these project agreements and make sure that they are structured properly. That is also why the engagement with the World Bank and IMF must be in the interest of Papua New Guinea. That's what we are trying our very best to do in these arrangements because our country continues to have a deficit in terms of funding to meet all the needs of our people.

As a responsible Government we are going to take advantage of financing to supplement the Budget. It does cost money but it is part of the development strategy. You

can't progress this county without those measures. You need to have some borrowing within a prudent requirements of our laws and that's what we are trying to do.

So, in a nutshell, Mr Deputy Speaker, we acknowledge the cost and they are no secret but we are trying to manage those costs going forward and ultimately one day, with the projects that we have, and with the blessings of this country, we will rely less and less on debt and less on foreign aid. We should have plenty of revenue within this country to meet our development programmes without some of these costs that are still required today to complete those investment process.

Mr Deputy Speaker, I'll receive those questions in writing and respond in full.

### **Supplementary Question**

#### **Reveal PNG's National Debt Figure**

**Mr WALTER SCHNAUBELT** – Thank you, Mr Deputy Speaker.

You are now challenging the figure that the Shadow Finance Minister on our side has indicated on the Floor.

I asked you a similar question in the last meeting and you promised me to give me the figure. Up to now, you have not given me any figures.

When are you going to give us the figures so you do not cause us to challenge you all the time?

You told me in the foyer that you were going to give me tomorrow and it has been two months of tomorrows since.

Can you please provide the figures to us so we can appreciate it, and be on the same page as you are, as you would like us to?

**Mr CHARLES ABEL** – Mr Deputy Speaker, I have made every attempt to inform this House and this Floor on the facts and figures of the economy. In fact, you will notice that after the 2017 Budget the final budget outcome report came out in record time because of the issues in the past of reporting of information, also the mid-year fiscal outlook report in relation to the figures up to June of this year.

**Mr Walter Schnaubelt** – Point of Order! Are you going to honour your promise and give us the figures? That's all, we don't want stories, just give us the figures so we can all be on the same page.

**Mr CHARLES ABEL** – Thank you, Mr Deputy Speaker. The figures that the good Member refers to are the published figures in the official report. I have released the final budget outcome figures in relation to 2017 which contains up-to-date information in terms of the debt and debt reconciliation, and in this week of Parliament I am doing my very best to make sure that the information is also released. It will have all the detailed tables in relation to the reconciliations and the debts, which to this date amounts to about K24 billion. That is the total debt of Papua New Guinea in both domestic and international markets. This can be released to the Parliament and the public at the same time for everyone to scrutinise rather than just individual members of Parliament. It is proper to publish the figures properly in the final form.

#### **New Goroka Terminal– High Rental Fees**

**Mr HENRY TATUWO AME** – Thank you, Mr Deputy Speaker. I wish to direct a question to the Civil Aviation Minister, and I ask the Minister for State Enterprises to take note.

Before asking the question, I wish to thank Prime Minister Peter O'Neill and his government for giving us a new terminal in Goroka. In the month and half that has gone, the runway was also extended and we, the people of Goroka and Eastern Highlands, are happy with that.

This development infrastructure is good for us because we have been using an old terminal for years and we appreciate the importance of that and thank the Government.

**09/05**

That new terminal was opened a month ago and we have not used it. It remains unused and my people have raised questions and want to know when we are able to use that terminal. We have seen the big planes land on the tarmac.

I heard that you have written a letter to the Air Niugini and PNG Air to move in.

Last weekend, when I travelled up to my electorate, I met with the officers from Air Niugini and questioned them about the delay in moving into that terminal. I was told that the office rental fee was K200 000 per month.

The Government is responsible for taking care of this infrastructure to provide service to its people but we are raising the rentals while the people of Eastern Highlands and Chimbu who travel down to use that terminal are still waiting. Are we going to wait until it is covered with cobwebs and shrubs?

Can the Minister inform my people when he will meet with Air Niugini and PNG Air to agree on an affordable rental fee so that they can make profit while providing the service to the people of Goroka?

**Mr ALFRED MANASE** – Thank you, Mr Deputy Speaker, I thank the Member for Goroka for his question. It is true that Air Niugini and PNG Air have not used the new terminal because of the on-going discussions on a suitable rental fee.

I want to inform this House that to operate an airport and an aviation business is an expensive exercise unlike operating a motor vehicle business. The standards of operating an airport is very high. The safety and security of the aeroplane and the passengers is very costly not only in PNG but across the world. For this reason, the infrastructure is built to standard and can be very expensive.

It cost the Government over K100 million to build the Goroka terminal and extend the runway and install the new jet seal. It is very expensive. As the Treasurer has stated, some of these funds were borrowed to build the terminal for the benefit our people to make their lives easier and to allow the businesses to grow, giving rise to development in our area.

The airport is open and I have informed the airline operators that they have to move in as we will shut down the old terminal by the end of this month. I have written the letter asking them to move in. They can later discuss the costs with NAC and come to an agreement. The people of Eastern Highlands Province are entitled to this service.

I will check to see if they are complying with this directives and inform you at a later date.



10/05

**SUSPENSION OF STANDING ORDERS –  
EXTENDED TIME FOR QUESTIONS**

Motion (by **Mr Allan Bird**) agreed to –

That so much of the *Standing Orders* be suspended as would prevent Question Time this day being extended by 20 minutes.

**Supplementary Question**

**Charge Lower Rental Fees \***

**Mr ALLAN BIRD** – Thank you, Mr Deputy Speaker and I want to thank my colleagues in Government.

I am a little bit concerned about the high cost of rentals because at the end of the day, that cost is going to be passed on to the travelling public. There was an issue raised last week by the Honourable Governor of Manus.

Therefore, my supplementary questions is; what actions are you taking to ensure that any future borrowings for other airports including ours in the East Sepik should be done in such a way that; firstly, they are not expensive loans and secondly, the contract is not given to the most expensive tenderer -

**Mr James Marape** – Point of Order! Mr Deputy Speaker, with respect to the Governor of East Sepik Province, can he rephrase his question and ask a new question instead of a supplementary question?

Mr Deputy Speaker, can you also clarify to the Members of the House what qualifies a supplementary question and what does not qualify a supplementary question?

**Mr DEPUTY SPEAKER** – Honourable Governor, if it is a new question then you can ask the Minister for Civil Aviation.

**Mr ALLAN BIRD** – Thank you, it was not my intention, Mr Deputy Speaker, but I thank you anyway.

The travelling population of Eastern Highlands are bound to face burdens of increased rental costs, because the new terminal will now be occupied by companies. Likewise in East Sepik, we have tendered our intentions and we are bound to have a new terminal soon. My concerns are the repayment aspect of it. Contracts are awarded potentially to the highest bidder instead of an equitable one where we can add value to our people. When this happens, we are burdening the travelling public to pay the cost.

My question is:

Can the Minister give us some assurance that when the new terminal is built in East Sepik Province you will not be charging the same cost of fees of K200 000 per month to the companies in Wewak. In doing so, the extra Airline cost burden will be charged to the people of East Sepik and the general travelling public in the country. Thank you.

**Mr ALFRED MANASE** – Thank you Mr Deputy Speaker. I thank the Honourable Governor of East Sepik for his question.

Like I said earlier, maintaining those infrastructures is quite expensive for NAC. And for NAC to maintain some of those infrastructures, they must make money. But they make money in one or two airports in this country, particularly from Jacksons Airport to manage and run all the other airports in the country.

So it is very expensive when you look at the cost that has been outlaid for the maintenance of the airport and more particularly most of these airports are very old and new extension work has been done to cater for more of this aircrafts to fly in.

The Civil Aviation Ministry is now doing most of the upgrades so that we create the environment where planes in the entire aviation system is run automated so that it lessens the difficulty to land in some of the difficult areas. In the course of this, the cost on the airlines will come down and subsequently reduce the airfares to the travelling public and consequently reducing some of these levies.

**11/05**

Public and consequently reducing some of these levies. It is not only a one off cost, in terms of charging for the use of the terminals that is increasing some of these costs. It is the total system that is creating the increase in most of the airfares that we pay. As you all know, Papua New Guinea is one of those expensive countries to fly in and out from, because of the total aviation system that is costing the cost of the tickets that we pay. So it is partly caused

by the rental that are being charged with some of the facilities that we are building. Hopefully when we get most of the terminals and facilities done up, the idea is that after they are all running properly, this will lessen the cost of operating those airports and more so the nautical and aviation systems. This is so that it creates a situation where it becomes less in terms of costs for aviation, to be able to reduce costs.

Mr Deputy Speaker, we are hoping in the future, we are hoping that most of the rentals will come down from what is being charged at present. The whole work that is being done with PNG Air Services and associated works in the industry is being done to make traveling much more easier and complementing this by consequently reducing the airfares in the long term, but not immediately.

In terms of your question relating to how we are giving out contracts. I'd say the contracts which are being granted out are being managed by ADB and most of the infrastructure that are being built are being built at such a cost because of the requirements that ICAO places. Most of the terminal and runways are being built to certain world specifications. These are specifications that we do not design. All the airports need to be built in that way. To take in jet aircrafts, there are certain specifications that we need to follow, for Dash 8, there is a certain specification and for the smaller aircrafts there are certain specifications. Once you want to get in the bigger aircrafts, you have to build the runways and the facilities to accommodate these and they have to be of certain specifications.

You will shortly see from the statement which I will present that, there is an increase requirement for us to ensure that our airports are safe and secure and we need the cost of ensuring that happens. When I present the next paper, you will appreciate why we are doing some of these things. They are such an extraneous costs but if we want to enjoy the benefits of a jet aircraft etc. Some of these costs have to be borne. We have to build it to the same standards as other airports that cater for these aircrafts. We have to build our facilities to ensure that those planes that fly in here are the same planes that are flying in another country. But they all fly in the same sort of environment. That is why it is probably the same cost that someone else is spending in another country to build their airport to accommodate this same aircraft.

The whole idea is if our facilities and terminals are complete, we then can minimise the costs and the public can enjoy traveling with ease and it becomes less expensive exercise as well.

### **Supplementary Question**

**Mr BRYAN KRAMMER** – Before, I proceed with my question, this is just to add to the Minister for Finance, when he put the question regarding Supplementary questions. So for the benefit of the Members, it comes down to Division 2 Clause 146. It says supplementary questions may be asked to elucidate an answer.

My question to the Minister in relation to his response/

**12/05**

**Mr DEPUTY SPEAKER** – I am giving you the opportunity to speak.

### **Airport Upgrade – Explain ADB Loan**

**Mr BRYAN KRAMMER** – My question to the Minister for Aviation is in relation in his response regarding the loans and the upgrade of the airports.

Now, I am getting information on this ADB Program in regards to upgrading airports around the country through Civil Aviation Development Investment Program (CADIP), on a 90/10 per cent where 90 per cent of the loan is provided by ABD and 10 per cent is provided by the State.

Most of these companies that are bidding for this airports seem to be favouring a company from a particular region mainly Chinese companies, and they are facing considerable amount of concerns regarding the quality of work on these airports.

While I appreciate the Minister's statement that costs will be reduced, I am not aware of any such infrastructure in this country or policy where getting loans and building more will somehow reduce the cost on the public.

At the moment the cost in airfares includes Government tax. Recently when I flew from Lae to Madang it cost K600 for some 200 kilometres only and when I looked at the bill the tax component was greater than the cost.

The Minister for Aviation is saying that we need to upgrade these airports so that we can enjoy 737 but right now Papua New Guineans are struggling to get on the plane let alone to get on a 737.

Can the Minister provide us the details in regards to how this 90/10 per cent loans from ADB will benefit the public? And how are you going to show the reduction in tax cost on the travelling public of Papua New Guinea?

**Mr ALFRED MANASE** – Thank you, Mr Deputy Speaker, and I thank the Member for Madang for the question.

The loan that he is referring is from CADIP, which is partly funded by ADB in terms of the majority of the loan, and 10 per cent is funded by the Government of Papua New Guinea as our contribution towards the loan.

The loan is managed by ADB in terms of letting the contractors and most of the airports, like I said before, is built to a certain certification and the engineers do their own estimates of some of those costs like any other work. After the cost estimates are done by the engineers based on the certifications the tenders are let. You will see that most of the tenders are very competitive. To build airports and runways is not another ordinary job, it requires people who have experience in building airports and terminals. We do not get road contractors to build terminals and runways. You must have the necessary experience and qualifications to build those and therefore in this country we do not have many people to build terminals and runways.

There are only one or two PNG companies who have contracts and that is Global and Hebou and that is not enough to cater for all the provinces. And because of the cost structure we have sometimes the Chinese bid us out because of their own experiences in terms of technical expertise that they bring in plus the cost of building the airport.

As I said, the procurement process is very competitive that it allows for everyone to bid but ultimately we want to get the maximum benefit for the project. Most of the assessing is done together with ADB so I do not have any role to play in that at all. One might think that there is influence coming from the Government as to how the process is done. I say no and I stay out of it and the Government does not have any influence at all because of the conditions in the loan that allows for proper competitive bidding because of the nature of the systems that we want to build.

**13/05**

And we don't want to build a runway that a Jet cannot land because it might blow up. Some of these aircrafts are very heavy because of the cargo it carries. So it is more to do with safety and security. Honourable members, when you are flying you want to ensure that you have that comfort of the plane taking off and landing and you safely walk out of the terminal and that's the safety and the security we want to give you.

Mr Deputy Speaker, it is a tedious process in terms of letting work for CADIP projects and I am also proud to say that we have some good Papua New Guineans who manage the system to give you the best, and we will give Madang the best shortly.

### **Vanimo – World Surfing Championships**

**Mr TONY WOUWOU** – Mr Deputy Speaker, I direct my question to the Prime Minister, Minister for Sports, and I want the Ministers for National Planning and Monitoring and Public Enterprises and State Investments to take note.

Mr Prime Minister, as you are aware, the World Surf Championships will be held in Vanimo from 19 to 20 October, 2018.

Mr Prime Minister, this event will attract international surfers throughout the world and some of the APEC countries will be participating in the surfing championships. It will be watched by 120 million plus viewers around the world.

Mr Prime Minister, apart from the 2018 APEC in Port Moresby, this is the only national event that will showcase and market PNG to the rest of the world and the only event that will take place this year.

Due to the significance of the event, can the ministry allocate some funds for this event?

I have already allocated K250 000 towards the hosting of this international event and I ask if the Prime Minister can support me on this event.

**Mr PETER O'NEILL** - Mr Deputy Speaker, I thank the Governor of West Sepik for his question.

I also want to congratulate the Province and all the organisers of this very important surfing tournament that is going to be held in our country.

This is a second time we are going to host the world long board surfing championships in our country. We had a very successful one in Madang, Tupira Surf Club which was viewed by over 120 million people around the world.

Mr Deputy Speaker, our Government was very proud to be supportive of this particular event. We sponsored the tournament through our Kumul Consolidated Holdings and I see no reason why we cannot assist the Governor to host this event in October. I will ask Kumul Consolidated Holdings to sponsor it so that we can make a success of it.

Mr Deputy Speaker, the reports that we got from the Tupira Surf Club, was that it was an astonishing success and it goes to show that PNG can host international events. We have also been able to host the Girls under 20 FIFA World Cup, which was very successful. A lot of those young ladies who came to our country went back with very fond memories of our country. Many families went out there and looked after those young girls.

14/05

It was the same thing with the three rugby league tournaments that we hosted in the country. I am certain the World Surfing Championships in Vanimo will also be a huge success and certainly we want to be part of it.

### **Free Trade Zone in Manus**

**Mr CHARLIE BENJAMIN** – Mr Deputy Speaker, I direct my questions to the Minister for National Planning and Monitoring.

In Manus, we have been trying to work on our Free Trade Zone, and we are thinking of embarking on the canning of fish. Our major resource unlike other provinces is fish but it seems other provinces are canning fish and not Manus.

I accompanied you and the Minister for Fisheries to Solomon Islands to visit a canning site there. After that we took a trip together to Manus to look at the site where we intend to set up the canning factory.

It is almost the end of the year so I would like to inquire about that trip and the objectives.

(1) Does the Prime Minister have any plans in place for Manus?

In 2008, the Government of former Prime Minister, Honourable Sir Michael Somare, made a commitment of K36 million for the sealing of a 30 km road from Lorengau to Tingou Health Centre. Up till now, nothing has been done about it.

I also know that this is a new Government but a commitment has been made and so it must be honoured. We are spending a lot on APEC and forgetting those commitments. I do not want to ask the Minister for Works and Implementation about it because he will say that there is no money. I am therefore directing my question to the Minister for National Planning and Monitoring.

### **Lorengau – Tingou Road Project**

(2) Can the Minister see to it that this Lorengau –Tingou road project is encompassed in the 2019 Budget?

(1) If the National Government does not honour its commitment then can the Manus Provincial Government take the matter to court?

**Mr RICHARD MARU** – Mr Deputy Speaker, I am pleased to tell you that we have allocated K15 million in the 2018 Budget to work on your Free Trade Zone. Works are underway for feasibility studies there and once completed, I will bring to Cabinet for approval for the project.

**15/05**

Work has already started and we are going to award the contract very soon and I want to assure the Parliament that it will be kept informed of the progress.

This project is being managed by the Minister for Transport and his department as the implementing agency. The same goes for the wharf in Kikori, in Vanimo and the wharf in Wewak. All tenders have gone out and we are about to award the contracts.

That is the information on all those four wharf projects including the one in Manus.

With regard to the road in Lorengau town and going down towards the west coast of Manus, at the end of the island, I am pleased to announce that I have already informed Works that we need the costing because we want to feature this road in next year's Budget and on to the next four years to try and complete this very important road so that we can have a link from your provincial capital going all the way to N'Drake Wharf area at the back of the west of Manus.

I can say that our government is committed and we will begin the work next year and over the next four years.



# TREATY OF DECLARATION OF AISA PACIFIC MINISTERIAL CONFERENCE

## ON CIVIL AVIATION – PAPER AND STATEMENT –

### MOTION TO TAKE NOTE OF PAPER

**Mr ALFRED MANASE** (Kandep - Minister for Civil Aviation) - I present the Treaty of Declaration of Asia Pacific Ministerial Conference on Civil Aviation pursuant to statute.

*Treaty of Declaration of Asia Pacific Ministerial Conference on Civil Aviation*

I ask leave of Parliament to make a statement in connection with the paper.

Leave granted.

Mr Deputy Speaker, I thank you and the Honourable House for allowing me to deliver my statement on the Beijing Declaration adopted by the Ministers of Civil Aviation from the First Asia Pacific Ministerial Conference on Civil Aviation.

Mr Deputy Speaker, air transport plays a major role in driving sustainable economic and social development. It achieves its impressive level of macroeconomic performance by serving communities and regions through clear cycles of investment and opportunity. Infrastructure development generates initial employment and the ensuring airport and airline operations generate new supplier networks, tourism influxes and access for local producers to distant markets.

Mr Deputy Speaker, these burgeoning trade and tourism economies then continue to expand, fostering wider and more sustainable regional growth. It's no mystery then why air traffic growth has so consistently two-fold once every 15 years. Over the last few decades, aviation has transformed itself from a means of transport restricted for the rich and famous to a key driver of economic growth and employment

Mr Deputy Speaker, but even as the speed and efficiency of the development of air transport significantly facilitates economic progress, its growth, under certain circumstances, can be a double-edged sword. In those circumstances, outpacing the regulatory and infrastructure capacity needed to support its air traffic growth will lead to increased safety,

security and other operational risks that will undermine confidence of the public, and negatively affect the State's access to the economic benefits of aviation.

**16/05**

Mr Deputy Speaker, while the aviation industry in the Asian region is growing at an unprecedented rate, the Universal Safety Oversight Audit Programme (USOAP) of International Civil Aviation Organization (ICAO) and reviews by other international bodies indicate that several contracting States in the region have not yet been able to establish an effective national safety oversight system.

About nineteen (19) out of the 36 States in the Asia-Pacific region which were audited had an Effective Implementation (EI) of ICAO standards lower than the global average which is 65 per cent. One State also had Significant Safety Concerns (SSC). This was the state PNG was in 2013. This seeming contradiction that the Asia Pacific Region represents both the highest traffic and the highest number of low EI states is a difficult challenge which needed to be addressed.

Mr Deputy Speaker, the 'No Country Left Behind' initiative of ICAO has brought about a paradigm shift in their focus from striving for individual State excellence to a scenario where states and industry partners need to cooperate and collaborate to bring about collective improvements in safety and security standards. This sense of cooperation and collective focus is being established in most regions and is often reinforced in their regular Ministerial level meetings. Unfortunately, Asia-Pacific region has never had ministerial level regional meetings to discuss common issues relating to the critical and important aspects of safety and air navigation in order to foster cooperation and collaboration at the highest level of policy making.

Mr Deputy Speaker, in the context of the above and other related issues, ICAO and the Government of the People's Republic of China, co-hosted a two-day inaugural Asia Pacific Ministerial Conference on Civil Aviation in Beijing, China from 31 January to 1 February, 2018, whereby the regions Civil Aviation Ministers met, with the intent of making high level firm commitments to civil aviation policy developments in aviation safety, air navigation services, accident investigation and human resource development within the Asia Pacific Region and to implement the safety and air navigation priorities of the region within a fixed time frame.

Mr Deputy Speaker, the main focus of the Ministerial Conference was to commit to a framework to assist States in the Asia Pacific Region to make improvements in safety through the use of the four safety enablers: standardization, collaboration, resources and safety information exchange and requiring all Member States to have the resources as well as the legal, regulatory and organization structures necessary to fulfil their fundamental safety oversight obligations. Endorsement of regional safety priorities at this high-level Conference will establish a baseline fundamental safety oversight maturity throughout all member States assuring consistency in the certification and ongoing safety surveillance of all aviation service providers.

Mr Deputy Speaker, during the conference a draft Ministerial Declaration was discussed and adopted as the Beijing Declaration. The Declaration reflects the common concerns, positions and vision of all APAC member states in terms of aviation safety, air navigation services, accident investigation and human resources. It is not only a consensus on promoting the development of the aviation industry in the Asia Pacific Region, but it will also be a multilateral policy guideline for promoting the development of Asia Pacific civil aviation in the future. It will be of great significance in strengthening the cooperation among the countries in the field of civil aviation, further enhancing the level of aviation safety in the Asia Pacific Region, promoting the healthy, sustained and high-quality development of civil aviation in the region, for the social and economic enhancement of our communities.

**17/05**

Mr Deputy Speaker, the Declaration highlights that, with respect to Aviation Safety, ICAO Member States in the Asia Pacific Region shall commit to:

- progressively enhance safety oversight capability to achieve a Universal Safety Oversight Audit Program (USOAP) score higher than, or equal to the global average of compliance by 2022 currently 65.1 percent;
  - implement an effective State Safety Program (SSP) by 2025;
  - endeavour not to have any Significant Safety Concerns (SSCs) under the USOAP Continuous Monitoring Approach (CMA), and
    - to resolve any future SSCs within the time frame agreed with ICAO;
    - certify all aerodromes used for international operations by 2020;

- use data driven methodologies to identify high risk categories of occurrences, and implement collaborative solutions to reduce accident rates and fatalities in the region; and
- include aviation safety in national planning frameworks such as the National Development Plans (NDPs) supported by robust Civil Aviation Master Plans.

Mr Deputy Speaker, in the meantime, they shall promote regional government and industry collaboration for sharing of best practices in safety management through the Regional Aviation Safety Group (RASG).

Mr Deputy Speaker, with respect to Air Navigation Services (ANS), ICAO member States Ministers in the Asia Pacific region agreed that they shall commit to implementation of the Asia Pacific Seamless Air Traffic Management (ATM) Plan by 2022, to enhance ATM capacity and harmonization in the Region, including a focus on, transitioning from Aeronautical Information Service (AIS) to Aeronautical Information Management (AIM) System; Performance Based Navigation (PBN) implementation; an enhanced level of civil/military cooperation, and Air Traffic Flow Management/Collaborative Decision Making (CDM) implementation for high flow density airports; and include Air Navigation in national planning frameworks such as the National Development Plans (NDPs) supported by National Air Navigation Plans.

At this juncture, I am proud to say that our PNG Air services are doing those upgrades which will allow us to participate in the similar Air Traffic Management System. I think, ours is the top of the range at the moment. It's not in Australia or New Zealand so it is something that we should be proud of.

Mr Deputy Speaker, they shall also promote sharing of best practices in the provision of ANS through regional cooperation and enhanced coordination.

Mr Deputy Speaker, the Declaration emphasised that, with respect to Accident Investigation, ICAO member states in the Asia-Pacific region shall, in accordance with the ICAO Convention, commit to either establish an Accident Investigation Authority that is independent from state aviation authorities and other entities that could interfere with the conduct, or objectivity of an investigation, or where appropriate develop a bilateral sub-regional or regional partnership to support the establishment of accident investigation capabilities to serve the region, sub-region or State.

I can also at this juncture say that our PNG Accident Investigation Commission is negotiating with most of the pacific island countries to adapt this approach where our PNG

Air Investigation Commission will do most of the investigations in those countries as part of enhancement giving effect to the declaration. So that work is already underway and taken care of by our independent commissions that we have in this country.

18/05

Mr Speaker, *With respect to* Human Resource Development, the Declaration emphasized that: In line with the ICAO initiative on "Next Generation of

Aviation Professionals (NGAF), accord priority to human capital development to provide sufficient qualified and competent aviation professionals to support the Region's growing needs, including where appropriate:

- a) Establish *access* to quality training; and
- b) Encouraging sharing of resources bilaterally and/or multi-laterally as well as with industry partners.

Mr Speaker, Also they shall promote the attraction of new talent and retention of trained, qualified and experienced personnel among State Aviation Organizations (e.g. regulators, air navigation service providers. The Civil Aviation Safety Authority of Papua New Guinea was established under the *civil Aviation Act 2000* (as amended). CASA is a statutory body with a legal mandate to promote aviation safety and security through effective safety regulation of the aviation industry and civil aviation system in PNG.

Mr Speaker, CASA continues to struggle to attract and retain qualified, skilled and experience technical expertise due to the low remuneration and terms and conditions set by the Salaries Conditions and Monitoring Committee (SCMC) and this affects our marketability. CASA is also restricted by the requirement in the Civil Aviation Act that requires it to abide by the SCAIC guidelines and approval for organizational restructuring. CASA is a growing organization and there is no more room for expansion within its structure. Submission for additional positions to enable it to recruit additional positions to address ICAO requirements was rejected by SCMC. Compliance with international requirements cannot be achieved without support from the Government Central Agencies through DM and SCMC.

Mr Deputy Speaker, in the short term, CASA's aim is to improve its level of effective implementation as reported and monitored by ICAO. The shortage of

technical staff in key technical areas is key concern for CASA and additional Government resources are required to address this.

Mr Deputy Speaker, ensuring sustainable workforce planning has proven an ongoing challenge for the aviation industry and government agencies alike, with shortages of trained staff in a range of key fields. This risk is shared across all of the Government funded/supported aviation entities. A resolution of this risk would be the introduction of a personnel system that allows for the recruitment of relevant specialists. For example, personnel systems within CASA and the AIC make it extremely difficult to recruit suitably qualified specialists. PNG needs to create a personnel system that attracts the best qualified candidates to ensure that it can maintain a sustainable, and highly trained and skilled workforce into the future

**19/05**

**Waiting for 18 to check for overlap**

Best qualified candidates to ensure that it can maintain a sustainable, and highly trained and skilled workforce into the future.

Therefore, Mr Deputy Speaker, as Civil Aviation Minister, I have made a commitment on the above on behalf of the Government for PNG at the conference to place strong emphasis on aviation safety, air navigation services, accident investigation and human resource development in Papua New Guinea. We must now embark on this journey to implement our commitment.

Mr Deputy Speaker, I want Parliament to note that the intention for this Ministerial Statement is to make it clear to Central Agencies of Government that the under resourcing of the Government Aviation Safety Agencies is a great concern and that the Central Agencies must give support in prioritising aviation safety and aviation security through the appropriations that are due to those organisations and to ensure that such budgetary support will mitigate the risk of significant safety concern sanctions that ICAC has given to our country.

Finally, Mr Deputy Speaker, I commend the Beijing Declaration to this Honorable House.

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

That the Parliament take note of the paper and the debate be adjourned to a later date.

Debate adjourned.

Sitting suspended from 12 noon until 2 p.m.

20/05

**OK TEDI MINE LIMITED ANNUAL REPORT, 2017 –**

**PAPER AND STATEMENT –**

**MOTION TO TAKE NOTE OF PAPER**

**Mr PETER O'NEILL** (Ialibu-Pangia – Prime Minister) – I present the following Report pursuant to statute:

*OK Tedi Mine Limited Annual, Report 2017*

I ask leave of the Parliament to make a statement in connection to the Report.

Leave granted.

Mr Deputy Speaker, let me start by saying that I am pleased to table this annual report for the OK Tedi Mine Limited. In doing so, I want to take a note of the chairmanship of Sir Moi Avei and the Directors of OK Tedi Limited, now it is 100 percent owned company.

Mr Deputy Speaker, this company has recorded very strong results in 2017. The OK Tedi Mine has now placed a very clear business strategy and has got very strong operational plans. It has significantly enhanced the value of the business itself.

Today the company is worth over US\$2 billion with of course further opportunities for this value to increase.

Mr Deputy Speaker, more importantly, the mine is very competitive in terms of cost in comparison to many of the internationally operated mines around the world.

So it will ensure that the mine can continue to operate profitably throughout the inevitable commodity pricing cycles. So when the prices go up and down significantly then we can be reassured that with the new cost structure that mine will continue to be a competitive one.

This is a notable achievement because it wasn't so many years ago, that many commentators in the industry predicted that the OK Tedi Mine, was facing imminent closure.

It was battling against higher fluctuations in copper and gold prices and very uncompetitive cost of running the mine itself. It was inevitable that the operations was coming to an end very quickly.

Mr Deputy Speaker, we have been able to turn this around and OK Tedi is now able to return strong dividends to each shareholders.

It is able to generate sufficient cash so that it can continue to invest from its own operations to opportunities which includes more mine exploration around the OK Tedi area which includes more productive of the gold and copper itself.

Mr Deputy Speaker, it's in a good position to make sure that we create additional value to the shareholders in particular the people of Western Province.

When we took over the mine we were able to pay all our obligations and that includes a retrenchment and rehiring of all the staff in paying all their entitlements. Which some have been working with the mine for over decades, and out of the cash flow we were able to do that by repaying all the debts for OK Tedi and right now it doesn't have any outstanding debts or carry any major liabilities. As a result of that we were able to agree to giving free carry to the people of Western Province, both the landowners and the people about 33 percent.

I can now assure you that this will create huge benefits to the people of Western Province, which they rightfully deserve. After been misled and mismanaged for many years, it's a welcoming opportunity for our people in Western Province.

**21/05**

This is an example of where a PNG-owned company can deliver. With proper management and a proper independent board we are able to deliver that.

Mr Deputy Speaker, the Government, even if it is a major shareholder, does not influence how the company is being managed. We have a very clear line of demarcation between the shareholders and the board of directors and the management of the company.



Our State-owned entities can learn from this experiences and Ok Tedi is a clear example of that success story.

Mr Deputy Speaker, I want to mention today that Ok Tedi has got ample reserves. It has got enough reserves that has been discovered so that it can be able to commit to growing the business and ensuring that the workforce and the management team continue to play a leading role in making sure that production levels are maintained and the profitability of the company continues into the future. I can say that Ok Tedi has got a very strong support from the communities within the areas that it operates. I can assure you that Ok Tedi's community relations with the villages around its operating area is something other mines in the country can learn from.

Mr Deputy Speaker, I can summarise by saying that the result for 2017 is very encouraging. The mine has delivered one of its best years in terms of lost time because of injury in the last 18 years. It has got less time in the closing down of the mine due to injuries. Ok Tedi continues to operate as a safe place to work. The working environment is safe for all our employees.

Last year, in 2017, the mine delivered a revenue of K3.3 billion which is equivalent to just over US\$ 1 billion. This is up 57 per cent from 2016. This is after been able to contain some of the actual cost structure of many world copper producers. We are now 12 percentile after comparing mining operations right throughout the world. They place each mine on whatever levels they come in. We are one of the best mine operations in global terms. And this is something Papua New Guinea can very proud of. About 96 per cent of the staff including the mining managers are Papua New Guineans. They are actually very competitive in global standards so this is another thing that we can be proud of.

Mr Deputy Speaker, in 2017, the company delivered a profit after tax of K 848 million or US\$ 266 million. At the end of the year, cash on hand was K581 million or US\$ 180 million. The mine does not have any bank loans and the assets are free of any debt. They also paid a dividend of K380 million. Even though we did not transfer the share of Ok Tedi to the landowners and provincial government, we did so later in the year. We made sure that they enjoyed the full year's dividend because of the commitment that we made.

**22/05**

Although the legal paper work was not ready on time, but we made a commitment very early in the year to transfer a third of the shares so we ensured that our commitment to

the people of Western Province was maintained and we were able to deliver a third of that K380 million to the Western Province.

Mr Deputy Speaker, 2018 will be a challenging year for the people of Ok Tedi. This follows at the back of the drought that we experienced in many parts of the country but more so in the Western Province. Because of low levels of the Fly River system they were not able to operate the mine for eight months. It was shut down for eight months but we were able to finish the year off on a profitable level, and that is something that we can be happy about.

Of course there were resulting from the Highlands earthquake and the continuing need to address the aging equipment and infrastructure in the mine itself, but these are challenges that I am very confident Ok Tedi will be able to manage. And of course at the same time continue to contribute strongly to the economy of our country.

So, Mr Deputy Speaker, all in all, just to give you some results about when we took over from the last operator in 2013 and compare the 2017 results, we have increased the number of ore body that was being moved to almost 35 per cent increase from 2013. The copperhead grade was a little bit lower, two per cent lower than previously and gold head grade was 28 per cent lower. That means that lower grades were getting us a much lower price. But in terms of prices, copper prices were 15 per cent lower and gold prices were 18 per cent lower on the results comparing 2017 and 2013.

But our gross operating cost of the mine was pushed down and compared to 2013 the cost of operating the mine was 30 per cent lower. And profit before tax was 970 per cent higher than 2013.

Globally, as I said earlier, in unit operating cost we improved from where we were. When we took over the mine in 2013 we were placed 99 but this year we are placed in the top 12 mines operated around the world. This is an independent study done by Woods MacKenzie that normally compares all the mine but independently studying the performance of each of the mines right across the global community.

Let me conclude by saying that 2018 is also starting to also look very profitable for Ok Tedi. On 12 July, 2018, Ok Tedi Board met and they passed a resolution to pay an interim dividend of K100 million for 2018 representing 51 toea per share. And of course the State's portion is K57 million and Western Province received K33 million and this was paid on 20 July, 2018.

Mr Deputy Speaker with those few words regarding the performance of Ok Tedi, I commend the annual report to the Parliament.

23/05

Mr DAVIS STEVEN (Esa'ala –Minister for Justice and Attorney General) – I move

That Parliament take note of the Paper

Mr Deputy Speaker, I rise to commend the Prime Minister for this important statement full of milestones one would describe the report as a report of good news.

Mr Deputy Speaker, in doing so, I want to join the celebration of this good news. I rise to emphasise on two important lessons that need to be learnt and to be highlighted especially in the context of OK Tedi being an SOE.

Mr Deputy Speaker, let me preface my statement on those two points. Firstly, on corporate governance standards and structures and the legal compliance culture that is highlighted in this annual report that is being presented. Before I make my comments

Mr Deputy Speaker, I would like to place milestones on a timeline so that it gives us full comprehension and appreciation of the journey we have come through to reach this good news today.

Mr Deputy Speaker, it goes back to 1963, when the first outside contact was made with the Min people, a strong tribal dynasty that ruled that region which extends to what is now Telefomin and over the mountains that border our country and Indonesia.

In 1968 and 1969 exploration activities turned into positive discovery or mineralisation and the decision came to extract one of the biggest deposit in our country. After twelve years, in 1981, OK Tedi Mining Limited was incorporated and dispatched to commence under BHP's leadership. We know that part of our history. In 2002, BHP exited terminating more than 25 years of relationship with the mine, the people of OK Tedi and our nation.

Mr Deputy Speaker, all throughout this process we have people waiting, the Min people, the provincial governments, waiting to meaningfully participate. Why do I express the importance of this timeline, Mr Deputy Speaker? Read the *Constitution*. It emphasises fair equitable distribution of our nation's resources and a responsible approach to exploiting our resources with emphasis on the environment and the need to put in structures so that our people are not just spectating but meaningfully participating.

So BHPs relationship was terminated in 2002, but that is also the year when BHP decided by 'legal genomism' as one might call it, to leave its interest in PNGSDP. And that has become the subject of controversy and, Mr Deputy Speaker, because the matter has now reached the Supreme Courts in Singapore, I am not at liberty to disclose the details.

Mr Deputy Speaker, our Prime Minister has now declared that there will be a Commission of Inquiry to look into this past because in order for us to appreciate what is happening today and going into the future, the lessons learnt, we must learn from the past also.

Mr Deputy Speaker, I am in support of the Prime Minister's decision and NECs decision to establish a commission an inquiry so the truth shall be revealed. Those who are found to be guilty of misconduct, misappropriation in anyway, unfairness, unjust enrichment or whatever you want to call it, they shall be dealt with according to law. I want to lay out the timeframe because it was during this period in 2012, and 2013 when the current Government under the leadership of our Prime Minister came in. A deliberate decision was made by the National Government to increase its direct ownership to 87.8 per cent taking ownership of the mine. A first ever decision, a milestone. In 2014, after the acquisition and especially the installation of a new board, when reform was taking place at the top level, which I will address in terms of governance standard, we were hit with a natural calamity. The worse drought ever being recorded. That was in July - August 2014. The Prime Minister briefly referred to that.

**24/05**

The commodity prices were the lowest around the same time. This nearly forced the closure of Ok Tedi Mine. That was the time when our nation's mainstream media was full of critics attacking the wisdom of the Government and its motivation for the acquisition of this share.

Mr Deputy Speaker, before it ended in 2015, an engineering failure, another disaster in sections of the world that resulted in debris shifting into the bottom of the mining pit and once again reviving all the doomsayers.

Critics made a 'song and dance' out of all these. It was around the time when Singapore Trade reported the litigation that migrated from the very nation of Papua New Guinea to that country.

Mr Deputy Speaker, I say this because it is important to appreciate that against the words of the doomsayers and critics there was wisdom and business logic in the decision of the government to acquire controlling shares and equity in Ok Tedi Mine.

Another milestone is the decision of the National Executive Council, Decision no. 183 of 2016 and I quote: "NEC directed the allocation of direct equity in OTML to Fly River Provincial Government, CMCA and Mt Fubilian Landowners, 33 per cent direct equity FOC." I note from the Report, Mr Deputy Speaker, that the board having complied with all the accounting and legal procedures are now in the process of registering share transfers to formalise the transfer of ownership and equity. This is a milestone. This decision must be recorded as a milestone in the history of our country.

Mr Deputy Speaker, while we are working with the Mining Minister, and central agencies to review our mining policy and the legislations, the Prime Minister directly using legal means under the company's legislation has achieved a major milestone in transferring ownership and equity in one the world's open cut mine.

That is what we call leadership. That is what we call foresight and faith in our association for our people.

Mr Deputy Speaker, so what is my contribution as a Member? Firstly, it's the governance standards. Corporate governance culture.

Mr Deputy Speaker, when you read the report, you will see that Ok Tedi Mining Limited as it is now is a non-listed company. But by a deliberate decision of the Board, this company has adopted governance standards and principles that have been written and approved and applied in the Australian Stock Exchange today under the Australian Stock Exchange corporate governance council.

This is a deliberate decision by people who know what they are doing. And although technically they are not the company that can be listed, they have gone to the highest benchmarks in corporate governance and adopted it. It made it binding and is influencing decision making ethics, conduct and the business. That is lesson number one. That is why the board of Ok Tedi right now is more independent than any other board that you see. It requires an independent chairman as stated in its constitution.

**25/05**

Majority of the directors are independent board members, which means they have no interests in shareholding. The requirements for board committees, these are standards

prescribed for the companies that are listed in the stock exchange. So you have the independent audit team, there is a board committee, independent appointments and remuneration committee and compliance committees. This is lesson number one and that this must apply to all our SOEs. And I venture to suggest that this Parliament must consider the modification of very high standards to rule and govern our corporate world today. Especially where it relates to our SOEs

Mr Deputy Speaker, my second point is the compliance culture. This is because if you read page 50 of the report and especially where it relates to the environment, the report is very specific. In fact, you will notice that since taking over the mine; for the first time the Ok Tedi Annual Environmental Report that covers the operation of the first 12 months has been submitted to PNG's Conservation and Environment Protection Authority. This is a matter dearest to the heart of our people and our observers.

The findings in the report as I read and as shown in the tables that are included. The conclusion is that Ok Tedi was found to be compliant with all the legal environmental regime conditions. We all know that this Parliament passed in 2001, a legislation called the 9<sup>th</sup> Supplementary Agreement which compromised the Civil Court proceedings in Australia. But in doing so the compromise was to raise a very high standard and transit in law that the mine must meet in terms of environment compliance and protection.

Mr Deputy Speaker, the two points that I wanted to add was; firstly we as a nation in relation to our SOEs must insist on very high corporate governance standards. And secondly to create a culture of legal compliance especially where environment responsibility is concerned.

**Mr MICHAEL NALI** (Mendi- Minister for Works and Implementation) – Thank you, Mr Deputy Speaker. I want to contribute towards this debate. When I completed my pre-employment at Goroka technical college in 1981, I was one of the first recruits for the Ok Tedi Mine. I served my apprentice years there as a boiler maker. During that construction phase we were the first workers to go and clear the area there. I have heard so much that has been raised, but I think this this is one of the good stories that we should all learn from.

One of the major issues with mines such as in Porgera and Ok Tedi is the tailings dam. There is one place called Okmani, where the company proposed to build a dam there. It is about 12-15 kilometres away. During my apprentice years there I was told to go and fix a crane.

26/05

While I lay under the crane and was welding this broken part, I felt the ground slip. When the engineers went over to carry out technical work they said that this area is not appropriate to do a tailings dam so they pumped all the waste down to the Fly River. This is a very sad story for our people, which has caused their lifestyle to completely change.

Mr Speaker, the people who used to run the mine have not compensated for the damages caused to Fly River.

I always see a friend and former member, Mr Perry Zeipi, who always talks about the environmental damage caused there and it has not been a success story.

But, I want to say thank you to our brothers in the Western Province, our families, our friends, men, women and our children that at least our Government has taken notice of all the hardship that they are going through and has given 33 per cent away free.

Ok Tedi was a nice big township, I haven't been there in a long time so I do not know how it is now. But when we look at the vegetation and the environment of Ok Tedi you will see that it is like the coastal areas because the area is warm.

Mr Deputy Speaker, as the Works Minister, I want to say that when this story reaches our people who are in Rongenai, Nigurum, Otmega, Tabubil and et cetera, they will disagree so what I am trying to say is that when there are good things like this happening it is important the provincial government get good dividends from the National Government and put it to good use.

Mr Deputy Speaker, I noticed that from the start of Kiunga to Ningurum, the area is warm and they used to grow rubber as a cash crop. When I came into Parliament in 1992, I was invited to an overseas trip with some senior members and ministers. While on the trip I bumped into a man in Sydney, Australia, and will never forget this guy. From what I heard, he has passed on but his name was Mr Ron Lewis.

He used to run an RM William shop and because I love this brand I always go there and when he sees me he tries to give me discounts. And when I try to discourage it and pay for it straight he will tell me, 'No, don't worry this is my goldmine'. He refers to the shoe shop he is running as his goldmine because he has a lot of customers that go to buy stuff from his shop. This always reminds me about our country having our own goldmine in the form of rubber, copra, coffee and other cash crops.

Mr Deputy Speaker, the Oil, Gas, Mining and Petroleum Conference was held again in Sydney, Australia, and it is hosted at the Hilton Hotel. When we go and give our presentations we sit and we look at the big companies such as Oil Search and many other mining and petroleum companies too but never in these conferences did we as a country go and present a paper in this big forums that we have a mine that our country owns.

**27/05**

Mr Deputy Speaker, I can recall my working days with OK Tedi mine as an apprentice and then completed my tradesman certificate and got married and had kids. I have worked and stayed in OK Tedi for a long time and later moved out from there. With much experience and memories I can say that I have a strong feeling that there is something next to OK Tedi along the same range. I still feel that there are resources still there. Probably the most important thing that we can do is to make sure that we plan properly, and I say this most of the time here. We must consider the international practise. What do other countries do with the development partners who come to develop and extract our resources in the country? It's very important that we must examine it properly.

During the times of my fathers like late Mome Pangial, first elected Member for Mendi, he didn't have this knowledge and likewise to late Posu Wan Sir Yano Belo, Sir Pato Kakaraia and late Sir Iambakey Okuk, who was educated. Amongst the few educated leaders there were other leaders who had the ability to debate aggressively, and they have brought us this far.

Mr Deputy Speaker, after this long journey of our country, we must not regret or feel down hearted but we must be proud and confident that there is enough educated elites in our country.

Mr Deputy Speaker, we may think that this mine operation is controlled only by expatriates, No, we Papua New Guineans control the operation. We start from open cut mine by pouring oil into damp pockets, to conveyer belts, sack mill to minor primary and secondary mill and then onto floatation and water pumps. Everything in mine operation in Ok Tedi and other mines in the country are controlled by Papua New Guineas. You won't see a Filipino or Australian in the control room. Yes, as for engineering and other major tasks, these are done by expatriates but otherwise, much of the work is done by Papua New Guineans.



Mr Deputy Speaker, as Papua New Guineans, we are proud to hear such stories about dividends received and it's a great story to tell. And some goes to oil and petroleum sector also, which we are debating on right now. So many mistakes have been made but sometimes we must not take mistakes negatively, it's a good thing for us to learn much from our mistakes.

Mr Deputy Speaker, on your right is the Government members and your left is Opposition members. But at the end of the day we are Papua New Guineans. When you assess issues now, we say that our country is in economic crises with no cash flow and so forth.

But right now as we speak, there is an influx of foreigners who are roaming the streets of our country and exploiting *Facebook* and publishing negative reports about us by using fake names.

Let me say this, if you are man enough come and face us and expose our corrupt dealings rather than hiding behind the curtains of Australia and Europe or elsewhere.

**28/05**

Mr Deputy Speaker, we have not come to a point where we are going to introduce a supplementary budget. We may do so but we are not at this point as yet. As it is we have all gotten our DSIPs, the Free Education Policy is being paid for, the Health subsidy is being paid for, and many other good things are still happening. As soon as Sir Puka Temu walks into the Cabinet meeting and demands K80 million for medical supplies, I wonder where do we get that kind of money. But the Government with the Prime Minister, his deputy and senior ministers like the Minister for National Planning and Monitoring just give the go ahead to fund it and soon we all hear that it has been funded.

Mr Deputy Speaker, this shows that regardless of our individual opinions, we are in safe hands. We are going to search for our own destiny. Other people come around and talk negative about us on *Facebook* or the media but it is not true. This people do not have anything to offer. They are just cabbage bags who probably do not have anything in their homes. They probably drink water from empty tins. They love to rubbish our country and our leadership.

Mr Deputy Speaker, since our prehistoric times, we have been survivors. My grandfather was an engineer because he built houses. We find today, designers designing the houses and then carpenters building the houses but back in those days they did not need all

those people. They designed and built things themselves. If they saw that land was going to slip, they then planted trees to hold the land together. We are sons and daughters to great engineers from long before everything else came around.

Mr Deputy Speaker, there are times when I sit back and think about who could have been the world's first cultivators of the land and to have built proper houses and live like humans? We are not descendants of nomads and we have survived through thick and thin.

The Ok Tedi Mine has given us huge sums of money both in the last year and this year and this is our success stories. This can be a stepping stone for us and we can do more. If we can do more in Ok Tedi then we can do more elsewhere. The onus is on us and we have the knowledge and the will power to go further and decide where our destiny lays.

Mr Deputy Speaker, I know that we still have more resources that are untapped. It is not too late or never too late to use our resources to grow our cash crops like oil palm. We can build mines from copra or cocoa. We from the Highlands must know that we can build gold mines by going back and looking after our coffee trees, honey and spices and other crops that we can sell.

**29/05**

While talking about Ok Tedi, I want us to go back to our electorates and tell our people not to look only at the oil, gas and mining benefits. We must remind our people that each individual has the power to create their own mines if we do the right thing and follow government policies. Do the right thing and follow the leaders.

Mr Deputy Speaker, today we are talking about the Ok Tedi Mine, about the good turnout of a good government decision we have made.

Mr Deputy Speaker, all these things belong to the people. You and I are human being but there is someone watching.

I am glad that the government has given 33 per cent share to the people of Western. We don't know how long Ok Tedi will continue to produce minerals. Maybe tomorrow if they go over to the other side of the river they will and find another huge gold deposit.

Mr Deputy Speaker, I want to tell the Governor of Western Province that you have a good Prime Minister. You have good leaders also. Thirty three per cent for our people in Western Province is a lot of money. Do not let anybody mislead you, you must be strong and stand by your leader who has concern for his people and tells you honest things so that he can

help you to carry you people out of your places. I grew up there so I am very familiar with the conditions over there.

Mr Deputy Speaker, I am glad that when we are down and waiting expectantly, this K100 million which we have received has a lot of uses. Even you in the Opposition should not think that there is no result from that K100 million. You will get your DSIP and go and build your feeder roads, aid posts, and schools. These are some of the good things that we can expect from Ok Tedi.

Mr Deputy Speaker, I am glad that oil and gas prices on the international markets are going up. Those are good stories. We must all stand up together and unite. When it comes to issues affecting our country, let's not talk down on ourselves. Let's do the right thing so that we can all stand up and walk the same pathway.

**Mr RICHARD MARU** (Yangoru-Saussia – Minister for National Planning and Monitoring) – Thank you, Mr Deputy Speaker.

Mr Deputy Speaker, I had the privilege last Friday of actually going up to see Ok Tedi for the first time in my life.

And I must say to Parliament today, what I saw totally impressed me because it was the first time for me to go to a mine that we own ourselves. Nearly all the top positons are occupied by Papua New Guinea nationals.

I went to the pit, had a look at it. You see our engineers, our geologists and all our technical people there and it made me very, very proud and I must tell all of you today. This is a mine managed by our own people and run for our country.

And one thing that occurred to me, Mr Deputy Speaker, is that Papua New Guinea has come of age. We can run our own mine, we have the people and we have the skills. What was more interesting was what the CEO told me, that many Papua New Guineans who are now in management positions were re-hired from mines in Australia and around the world. They had to pay them the same packages they were offering expatriates to bring back Papua New Guineans who are now sitting in leading positions in the management of the mine. So we have world class expertise to run mines.

30/05

I want to thank the Prime Minister for that bold step you took to take back that mine. It was one of the best decisions this country has made and we want to commend you on behalf of our people and our nation for a job well done and for one of the finest decisions you have made. You will go down in history for making one of the best decisions ever made by a Prime Minister of this nation. .

Let me go on further, when you look at the numbers, the profit of OK Tedi Mine was K1.2 billion last year. How is it that only a mine owned by Papua New Guinea can make a record profit like that and all the other mines run by other people cannot make such profits. You have to ask the question. What is the difference of this mine? Is it the ore grade or the dynamics of the mine, the constructors or what is it? For the record, apart from the dividend flows that the OK Tedi Mine paid and according to the annual report in this statement today, the OK Tedi Mine paid a record K356 million to the Government in corporate tax last year. No other mine paid that sort of amount. You add that amount to the dividend flows to the State, add that to income tax paid by the employees, add that to the GST and you will find that this mine alone has contributed in total revenue over K500 million last year. No others compare and this is a Papua New Guinean mine.

Mr Deputy Speaker, this must be the start of the transformation of this country. We must now prepare to invest beyond OK Tedi instead of taking back all the profits and dividends. We must start to reserve funds to invest in Porgera when it comes up for the review. Why shouldn't we take the major stake of that? OK Tedi is the only mine that brings back all the US dollars it makes into the country, no other mine has done that, everything else goes one way, very little comes back in operating cost.

We have to grow up as a nation and step up based on our success with OK Tedi and learn from that and prepare to invest in Porgera and take the majority stake. Obviously we have to buy it on the basis of its salvage value at that time. Wafi-Golpu may also become a more profitable mine than OK Tedi. We must get ready to be a major player in Wafi-Golpu. We have come of age, we can run mines. We have Papua New Guineans who are skilled who are world class professionals in their own right. OK Tedi has sounded, we must be encouraged by the success of this company and the lessons that we have learnt and we must prepare to take over that industry in a big way by resolving funds and taking equity stakes in oil and the mines and LNG projects of the future. I want to conclude by thanking the board and the management for a job well done and all our employees.

Finally, I also had a look at their social program and what they are doing to invest on the communities along the Fly River. I must say, their programs are very impressive. I have been speaking to them about the future because it is a PNG company, they are open when talking with the Governor about his plans and he has not seen many mining and petroleum companies with such an approach. I am absolutely encouraged, owning the majority share is the way to go and the Prime Minister has done well. We will support him and this is certainly the way of the future.

Mr Deputy Speaker, OK Tedi must be the start of a transformation. We must take over these industries which are rightfully ours. Thank you, Mr Deputy Speaker.

**Mr BRYAN KRAMER** (Madang) - Thank you, Mr Deputy Speaker. First of all, I would like to acknowledge the Prime Minister for presenting the 2017 OK Tedi Report. I hope that all other State-owned enterprises will have their updated reports of 2017.

**31/05**

Mr Deputy Speaker, for the record, I reviewed the 2012 Financial Report for Ok Tedi and for the record the US earnings on sales at 1.8 billion versus our 649, when we convert that into kina for 2012, there was an earning sales revenue of K6 billion. This report is reflecting a kina value in sales of K2 billion. So in 2012, the earnings were 290 per cent higher than 2017 and 2016.

In 2017, this report says that, there was a profit of K848. In 2016, it was K1.6 billion. So, while we are talking about records I think we should probably go and check the records first.

Yes, we are acknowledging that Papua New Guineans can run mine. No-one disputes that. Our problem has always being misuse or mismanagement and corruption of the organisations that we are entrusted with. That has been the problem for Papua New Guinea. We can acknowledge all the work there but there is also one worker, the former CEO of ExxonMobil, who was taken and put in charge of that mine. That was the significant difference. He is not a Papua New Guinean. We must acknowledge that fact too.

So the issue of Papua New Guineans running the mines is just like how we used to run PNGBC, and all our State-run enterprises who are now making losses for the record. They made losses and there is no money.

It is good that the Prime Minister has presented this report but let us not override on statements to claim record profits. Record profits happened in 2012 and 2011 was the highest profits.

So who are all the services providers for this mine operations? I am keen to know and I am sure other Opposition Members and some politicians would like to know as well which service providers benefited when we took over the mine.

Thank you, Mr Deputy Speaker.

**Mr TOBOI YOTO** (Western) – Thank you, Mr Deputy Speaker, for recognising the people of Western Province.

I thank the Prime Minister for presenting this report. It is a very impressive report. We have been searching for DSIP and PSIP funds and this is timely. We can all be grateful for this.

I again thank the Prime Minister and his PNC-led government. In 2013, he made a decision to take over the company when it was reported that it could not be profitable. The Prime Minister took up the challenge.

I was sitting in the gallery at that time when the Bill was passed. I was supportive that it should happen that way. And when I saw my former leaders stand up to vote for the Bill, I was convinced that the future of Western Province will be secured. But I also had my doubts because within the clause of the Bill, I did not see any interests of Western Province.

It was not stated that Western Province will be given this much. But fortunately in the wisdom of the Government, through the NEC decision, the people of Western Province were given 33 per cent equity which was far beyond the regulated requirement of this country.

I want to thank the National Government for giving us the 33 per cent equity. This will eventually contribute to developing my province. In the past, the people of Western Province were told that we had 63.4 per cent equity in the mine. Now you go to Western Province, you will see for yourself what the 63.4 per cent has done to my people.

What the 63.4 per cent did was destroy the Fly River.

**32/05**

We do not have the best schools, hospitals or roads in the country. My people are still walking. That is what the 63.4 per cent equity has done to my people. The Government has taken over and increased the equity to 33 per cent and I know the people of Western Province

are appreciative of this increase because with 33 per cent the people have a controlling power over these funds. Unlike in the past we never had a controlling right over the funds that we were given. We were told that some of these funds were parked in Singapore and some were parked in the Mining Department. And I am pleased to note that the Prime Minister has also asked for an inquiry. Probably when that inquiry is complete we should know where all those funds have disappeared to.

With that, I want to thank the Prime Minister for the 33 per cent equity. Even before I announced it I was told that this was our share that came in so I mentioned this during the Grievance Debate last week.

There are a few lessons to learn from Ok Tedi Mine and as shared by the Minister for Planning. It is about time we have come of age and we need to take over some of the mines that are operating in the country. And we can see the benefits of what this can do to us. Also we need to tighten up our laws. We need to amend the *Mining Act* and the *Oil and Gas Act*. So that it will increase the benefits to our people, particularly the landowners, the provincial governments, the National Government and its people of Papua New Guinea.

Mr Deputy Speaker, the other thing that is of interest is the mining communities in Tabubil which I want to bring to the attention of this House. In the past, Tabubil was a very attractive town and we had all the employees living and working in Tabubil. And it was a town where everyone went to do business and there was a lot of businesses. Now we have a few businesses and the town is not as vibrant as before. The market is now just about a quarter or a third of what it used to be.

What has happened was that the companies through their cost-cutting measures decided to introduce the Fly-In, Fly-Out system. So I would like to put on notice that the people of Tabubil and North-Fly would like to see that probably the company should do away with this arrangement so that people can reside and work in Tabubil so the people there can sell their produce and make money.

I understand that Ok Tedi Mine is just one mountain called the Star Mountain. On the other side, there has been some discoveries that we know of. We have the Sapphire Creek and the Townsville Mountain that will expand the mining life after the current mining has ceased. I am aware that it is outside of the current mine lease. In the event that a decision is made to mine those, we would like to see new agreements made between the landowners of Western Province and the Government. Whilst on that, we also know that along that range there are some new potential sites for gold and copper. This is not to drive fear into our minds but we

must understand that we have our friends on the other side. And they are now moving in because they know that there is going to be potential ore deposits along that range. And our friends are pushing their boundaries into the PNG border. So, I would like to alert the Government to take note and protect our border along that range. This is to protect whatever is deposited underneath those mountains.

**33/05**

Mr Deputy Speaker, thank you, for giving me time to air the views of the people of Western Province and appreciation to the Government for the decision it made in 2013.

**Mr SOLAN MIRISM** (Telefomin) – Thank you, Mr Deputy Speaker, I join the queue to say a bit about Ok Tedi Mine.

In Papua New Guinea, mine sites and locations of major projects such as oil and gas are found in very remote areas. The people are unfortunate that these areas very difficult to get to but the good Lord has put all these to bring development and to change the livelihood of these areas that is why there is a big turnover and change is happening.

Ok Tedi Mine is a mine that is situated in North Fly, within the Min Area and it has been with us for more than 30 years. As stated in the Ok Tedi report last year, almost K10 billion was given to the Western Province, in terms of dividends, royalties, tax credits and many other benefits. But there is nothing to show for the K10 billion.

Telefomin District is just 15 minutes flight from Tabubil, but the road doesn't link to Telefomin and although we are from there we do not receive any cash benefits. The cash benefits go straight to CMCA areas where the river leads to. They receive more benefits but those of us near the mine, even the Governor of Western Province and the Member for North Fly, we are not registered as CMCA.

We have not been included in the K10 billion but Telefomin has produced the workforce. We only benefited through the tax credit scheme although we have produced 4 mine managers up in the mine in Ok Tedi and they are made money for the Government of Papua New Guinea. Now they are working for mines in Australian and I want to thank the Prime Minister because of the 2013 initiative of taking back the mine.

In 2015, I called these Telefomin men to come back and run our mine and they have. We have produced this very good report for Ok Tedi but we have not received any cash except through the cash credit scheme.



Ok Tedi has done a lot for Western Province and the Telefomin people but we are recognised as Telefomin and not part of Western Province so we do not know who benefits.

Mr Deputy Speaker, the mining laws must consider and include nearby areas so that we can benefit.

The Government of Papua New Guinea has made a big intervention on Ok Tedi and it is now earning big profits.

**34/05**

In the last 20 years, OK Tedi didn't make any good profits, the cost was sky rocketing but with good wisdom and intervention of this Government and the leadership provided by our Prime Minister, it has made a huge shift and a turnaround and in return its making money for this Government.

In regard to the engagement of an independent team to manage OK Tedi Mine, we should also apply this same idea to other mining operations in the country. We will see a huge impact economically in terms of cash flow and we won't be waiting for DSIP. Those of us who have mining operations in our areas will see big changes. With that the 33 percent will go to Western Province, but most of it will go to areas where there is a lot more environment damage. Those of us who live around the mine area will miss out a lot. We are the owner of the pig and those outside get the big share of the meat.

If the Government can increase tax credit by two percent, it will assist those who will not benefit from the 33 percent. These services can be extended to other surrounding villages. A total of K10 billion went to Western Province, but there is nothing to show for on the ground.

Mr Deputy Speaker, my district is behind OK Tedi Mine. Western Province and even the people of Telefomin are a long way away from Vanimo. The people from North Fly and Kiunga are also far from Daru. But we are very close to OK Tedi and it is our service centre and so we benefited from it.

When the Government intervened and put in some costs measures on the fly-in, fly-out arrangement, if you were employed there and regardless of how long you've worked, you would be given a house.

I recall three to four years ago the Government made an intervention to stop this arrangement in other mine operations such as Wafi-Golpu, Frieda and et cetera. The workers

have to be stationed there so that the people from the mine site must benefit economically so that their livelihood can change.

In reality the township of Tabubil is empty, there is no cash flow. As for the people of Telefomin, they charter small planes to fly their vegetables to Tabubil market to sell their produce. And then they have to wait for another two to three weeks before flying back to Telefomin or Oksapmin.

In conclusion, the Prime Minister has done a tremendous job and OK Tedi will be the role model to show case the other mines around the country to follow suit.

But we must seriously stop this fly-in and fly-out idea and let the mine workers live and work there. Therefore, I recommend this but in reality we are not benefiting from it but I fully support this idea because I provide the workforce for OK Tedi.

With that, I am proud to be in this Government to contribute to the economy of this Government and the country as a whole. Thank you.

**35/05**

**Sir PETER IPATAS** (Enga) – Thank you, Mr Deputy Speaker. When we are in charge of the country, we all will have our own legacies. This taking over of the Ok Tedi Mine is legacy that Prime Minister Peter O'Neill will leave behind as his. I am very happy to hear about that change.

When listening around, we hear many people saying that we are selling all our resources overseas. The law must change so that we can see change. When are Members of Parliament and critics going to appreciate this decision? The Ok Tedi Mine is a very big mine. We all know that this mine has always been operated by Westerners and never in my dream did I think that we could have 100 per cent ownership. This is a very big landmark decision for this country. No one can do everything when he or she is the Prime Minister. The Governor of Western said his people are really happy about this decision because now they have direct access to funds.

In my experience with the Porgera Mine, we were the first mine where the landowners received equity. We paid for it but over the years, we have been trying our best to increase our equity but to no avail because of so many companies. It made it just too impossible to get that additional equity from the Porgera Mine. To know and experience that, I am now thankful of the Prime Minister's intervention so to have a change in the Ok Tedi Mine.

I think we have to sometimes humble ourselves and give credit where it is due. We may think that it is easy to get something like that but I tell you it is not. It takes a lot of guts and hard work to put it to work and make it happen.

Mr Deputy Speaker, I want to take this opportunity to thank and commend the Prime Minister and his government on a job well done. As the Governor of Western put it, if we were with another leadership then we would not have come this far. They would have followed the law accordingly. We cannot just give 33 per cent to the landowners and the provincial government. This Prime Minister and his government have been able to make this happen. The country must appreciate the intervention by our Prime Minister.

Secondly, as the Governor of Enga where the Porgera Mine is located, people are starting to talk now that the Western Province is getting their 33 per cent of equity. There will be a very big challenge when we have our review. The Ok Tedi Mine has issues of environmental damages and likewise the Porgera mine has its share of environmental issues.

**36/05**

Porgera also has environmental damage issues. When you follow the Strickland up you will see its footprints. If you go to Porgera you can physically see it.

At this point in time while we are talking the landowners are taking the issue to court claiming that they have gotten enough profit and there is damage to the environment so we are demanding more equity. The people of my province and the country are looking towards the Government now to shift and have a concrete policy.

In the Governors' Conference we had a big discussion on this. The resources are ours but we are still paying for it. How many years have these companies been benefiting and now they are telling us to buy shares again. Since 1989 these companies have been benefiting from Porgera. Their investment was about K1 billion and they recouped that K1 billion in less than four years. All this time it has been pure profits. So we are to look at that seriously.

I want to inform you, as the Minister for Defence has alluded, the areas where the resources are found are in the remote and peripheral locations. These are resources that are depleting, these are not renewable resources.

So we must now try and look after those remote areas. When the mines' lives end, who will go to Tabubil, who will go to Porgera? These are very remote areas. The people will suffer.

So, we have to intervene. Mr Prime Minister, sorry for this but there was an opportunity so we took 100 per cent but it is not only you, that is a call from the people of this nation, including the leaders of this Parliament to try and take more equity.

I wish to register in this Parliament so that the people of this country will know that in Porgera as far as we are concerned 33 per cent is locked in. You have obtained enough already. Somebody has to be brought in to give us the exact number on how much they have made.

I think we should be looking at some kind of law where when companies make investments and recoup the money invested and when they start to make free profits the resources owners must take free equity. It is their resources. It is the country's resources.

After the Governors' Conference there was a very enlightening presentation from the Governor of Hela on oil and gas.

Mr Prime Minister, you've done it this time. If we wait nobody will come and make that decision. So we have to look at Porgera now. We have to critically look at how we can do it in Porgera. We cannot just do it in Western Province and assume that Enga will be easy. The Western Province people are peaceful, Engan people are hard. They have already made up their mind that 33 per cent is theirs, as if it is already in their pockets.

We want to make sure that we don't frighten away investors but we must tell them. There must be records to tell them that they've made enough out of somebody else's resource.

So that is basically what I want to say because Porgera's review is up next year and I think the Minister for Mining is not here but I have heard of different kinds of reviews written for Porgera. What kind of reviews are they? These reviews should have happened a long time ago.

We have got an MOA review, which should have taken place a long time ago. You've been sleeping all this time, Department of Mining and MRA. And when we are looking at a bigger review where the licence is going to expire next year you don't bring all these small things to us. We've got to talk about big things. What sort of MOA review is being purported by the Department of Mining to try and convince the leaders in Porgera and the provincial government? They've got to look at the big picture.

37/05

The Prime Minister has intervened into OK Tedi so public servants have to now start to think outside the box. They have to see where the leadership is going. They have to provide advice so that we are not seen as a banana republic. We have to do it right by law. We have to use logic to acquire what we rightfully own.

I commend the Prime Minister and say that Porgera is going to be a challenging one. I think we can find a balance. Let's allow our people, those who have been given the resources in the remote areas. I am a governor and I am from Wabag, but when Porgera mine ceases to operate I will not be going there anymore, I will drive instead to Mt Hagen and travel to Port Moresby. I think it is about time, we talk about the small people whose lives will be affected for the rest of their lives. We ought to give them something back.

While commending the Prime Minister for the OK Tedi report and the 100 per cent acquisition of the mine, I think that we have the experience and we have the expertise but more importantly without changing the goal post, people have to appreciate that they have educated parliamentarians on this Floor; educated elites running the various agencies of government and private sector and that we can take back what is rightfully back. This is the time to make those calls. We might sweet talk our people during election campaigns so we must take action now.

Thank you, Mr Deputy Speaker, for giving me this opportunity. While I commend the Prime Minister for a decision to acquire 100 per cent stake of OK Tedi, I know that with the Porgera Mine it will be a testing one for our Prime Minister but I think he is capable of understanding our country's sentiments and making the right choice because at the same time we do not want to chase investors away. There must be a balance so that we are not trading off our people interest.

**Mr WERA MORI** (Chuave - Minister for Commerce & Industry) – Thank you, Mr Deputy Speaker.

I would like to also join my other colleagues to make a short contribution. At the outset, I think it is only fair that I must commend the Prime Minister for the wisdom he took to basically acquire OK Tedi Mine. I say this because, out of the acquisition of OK Tedi, there are a lot of other positive vibes. One that comes immediately to mind is the Frieda River. The Frieda River has similar geological and mineral characteristics as that of OK Tedi. And that being an ore free deposit. The infrastructure that is now at OK Tedi, can be used to

treat the ore up at Frieda River. So it makes what could be a sub-economic deposit as Frieda River to become positive.

Having said that, if I may be able to put into perspective the comment by the Member for Madang on the productions on 2011 and 2012. The scenarios, situation and circumstance in 2011 and 2012 were totally different to 2017 and 2015. This is because in 2015 we had a very prolonged dry season and ships couldn't go up the Fly River to bring the load down to the market. Furthermore, the OK Tedi Mine also had some problems when we had heavy rain as stated by the Treasurer today. OK Tedi also has a characteristic in its fluorine content. When you have fluorine contamination in the ore body, it will go to waste as no buyer in the world would want to acquire a concentrate that is contaminated with fluorine.

**38/05**

I am not criticising your comments but I am putting into perspective that this was the scenario and circumstance. So the scenarios and the circumstances are totally different from 2012 to that of 2017 and that puts Ok Tedi on a positive note. I think we must understand that, now that we have the story on Ok Tedi.

Mr Deputy Speaker, Ok Tedi is a mine located on a very different location. Not only that it is very mountainous but it receives a lot of rainfall. And this causes problems especially when it comes to acid leaking. That also affects the passes that go down into Fly River system. In 1983 there was a tailings dam constructed but it collapsed simply for the fact that it has slope instabilities. So the challenges facing Ok Tedi are different and I must commend not only the board of directors of Ok Tedi but especially the technical management team who were able to address that and also for managing the sedimentation flows at bige where the dredging out of the river takes place.

Mr Deputy Speaker, I would want to say this, and I know that we all know that because of the success of Ok Tedi, we all would want to see Papua New Guinea having greater participation or owning a mine.

This is very simply. What we need to do now is that we must revive the geological survey. We must have our own cream of geologists so that they can conduct exploration around the country and be able to make discoveries so that we can have a bigger say.

So this is the challenge and I believe that if we can do that, I am pretty sure, we can be also in a better position to have a say in any future mines.

Mr Deputy Speaker, I thank the Honourable Governor of Enga, Peter Ipatas on his comments when he was alluding to acquisitions and not to shift the goal post. This is very important. We must not be seen as nationalising our mining industry but we must do it in the best national interest where we would want to see that we benefit more out of those resources than what we may have perceived today.

The Ok Tedi management team must again be commended because I know that they are aggressively conducting exploration. And what lays between Ok Tedi and Frieda mines, is a sediment owned by the Highlands Pacific and I am sure that the management of Ok Tedi is talking to Highlands Pacific so that they can be able to extend not only the oil discovered but basically can put the same facilities at Tabubil.

In summary, Mr Deputy Speaker, I would like to say that it was a strategic move made by the Government to acquire Ok Tedi because now Ok Tedi stands ready to do a deal with Frieda mine so that we can treat the ore from the Frieda Mine down to Ok Tedi. Thank you.

**Mr ALFRED MANASE** (Kandep – Minister for Civil Aviation) – Thank you, Mr Deputy Speaker. I rise to make few remarks in relation to the report presented on Ok Tedi.

Firstly, I would like to thank the Prime Minister for presenting the annual report for Ok Tedi for year 2017, particularly at a time when the first equity contribution, and when the first equity dividend have been paid to Western Province out of the 33 per cent.

**39/05**

At this juncture in our development, this report presents a projection as to how we should be able to deal with our future in terms of developing our mines. And this report presents a very important lesson for us. It presents what can be achieved as an owner of a mine, compared to a tax collector rising out of a mine. This report presents us a challenge as to how we should deal with future mines and existing mines under review.

And for this, I commend the initiatives, the approaches and the leadership provided by our Prime Minister in the last couple of years, particularly in relation to Ok Tedi, resulting in the 100 per cent ownership of the mine. That presents to the world what they may regard as nationalising a mine in other countries. But therein lies what we have been told that in Papua New Guinea we own the minerals, that is what our own people think; but when it comes to extracting those, they become spectators. And the concern that is being raised by our own people is that perception which remains with them, that they own the mine. And that is the

situation which we now see being played out in the minds of our own people when they deal with mines. This is creating some of the problems which we are facing in the country. They see that their minerals or wealth is being taken out and away from them and benefitting others. And this report presents to us that challenge. It shows us a way that it can be done. It shows a path that we can own and run a mine. And we can acquire such a mine. And we can own equities without paying for them.

Others might think that I am advocating an idea of nationalism but I think not. The giving of the 33 per cent to the landowners is a step in the right direction at this stage of our development. We have experience from all of those mines that we have had over the years starting with Bougainville, Porgera, Ok Tedi and we have Lihir. I am told Lihir does not pay tax for some reason. We had Misima and Tolokuma that opened and are now closed. We have Harmony, Wafi-Golpu in Bulolo and Frieda. These are the new big mines that we are attempting to develop now. We should use the approach that we have taken in Ok Tedi as a template and start thinking on how we maximise the returns and benefits for our own people. People and investors will accuse us but as a country what can we deliver to our people?

We have learned our lessons and learnt them very well. We are now more educated in terms of learning from our mistakes more so than when our fore fathers started to negotiate for those earlier mines. Thank you Mr Prime Minister for leading the initiative and the challenge that we are now going to face, going forward. And giving pre-carried interest to the people of Western province is an example that no doubt all other landowning areas will yield up to and will be talking about it for the next couple of mineral mining development contract negotiations.

**40/05**

So, it is a lesson that we should be proud of and stand bold about.

I have many discussions with people who have appeared to say that we are changing the goal post, we are trying to nationalise, we are trying to take free equity without paying for it and we have wasted so much money in terms of exploration and they need to get the sum cost of those before they can give us. All of that is their attempt to tell us the leaders that it is the proper thinking and not what we are doing. But I think that for the interest of our people we have to think for ourselves, not what they are telling us but what we think is right for our people.



Mr Deputy Speaker, I think that what is right for our people is what they think that they own, they own land in which the minerals are situated. They are the ones who are going to live for the rest of their lives after the mining companies leave with a big hole. They are the ones who are going to live with the social problems and the environmental damage. What is there for the people thereafter? Nothing! Except those relics; the holes.

And, so it is a challenge for us as leaders, as the Prime Minister has taken on and I support you, this House must support the Prime minister so that we take on board and make those type of bold critical decisions for our people so we do not become mere collectors of debt but make important investment decisions.

This dividends which are declared are dividends only to be declared if you own the mine. If you are only a tax collector, the companies do the accounting gymnastics and when they do that they reduce the taxable profit and we collect less but when you own it you can control that gymnastics and you collect more and at the same time you get your return as a shareholder. You gain double when investing than when you just sit down and become mere collectors. Therefore others will tell us that to focus on collecting taxes and not investing and borrowing too much. It is because they want to tell you to take the easier approach and sit down and collect rent which is the easier method than telling you that you have two streams but you take the one that has one return, and I think we have learned it.

There are enough minds in this Parliament alone, on both sides of the House to be able to drive this country forward with these type of initiatives that we have to benefit. Our people must benefit so that we do not have to face law and order issues and the social problems. And we need money to solve these issues while they live happily wherever they are coming from. This is a lesson that we need to resonate around the country.

Secondly, from this we learn that people in those organisations are important when you have qualified well-trained Papua New Guineans in those kind of organisations who can turn a company around that had some significant problems. They have made it happen. So to the people who work in those mines, particularly those Papua New Guineans they should be proud. They make me proud when I see the results today, that we have Papua New Guineans who can run a mine they own and be proud of and contribute significantly to the development of their own country.

Thank you, Mr Deputy Speaker.

**Mr NAKIKUS KONGA** (East New Britain) – Thank you, Mr Deputy Speaker. Firstly, I want to thank the Prime Minister of Papua New Guinea for making this very aggressive decision in 2013.

**41/05**

Mr Deputy Speaker, the people of PNG are watching and listening to us. I also want to thank him for giving us the three provinces to grant the autonomous governments. The Prime Minister and his government are moving into waters where no government after 43 years have done, thank you Honourable Prime Minister.

Most of the important sentiments have being expressed by my colleagues already. In 2013, this very Prime Minister made this decision he has now implemented it by stating that 33 percent equity must be given to our local people. If we asses it properly the mining operation is not carried in the cities or towns but it's in the very remote rural areas. That's why I thank the Prime Minister for taking this bold step.

Mr Deputy Speaker, 65 years ago the first gold mine initiated in this country was the Wau-Bulolo Mine.

But today we have many gold mines in PNG, and after 43 years we are still confused and sitting idle in this Parliament for a very long time. We just come here and pinpoint each other argue without doing anything constructive for the benefit of this country.

That is why I salute the Prime Minister for initiating the move in 2013, to make a big shift after 43 years and now the people of Western Province will be the owners of this OK Tedi mine.

I also want to retrace the comments on the K10 billion given to the provincial government as incentive funds but nothing shown for on the ground. It's a very big issue and it's about time now that we start to educate our people on how to save their money. At one time this mine will be closed but we are here to stay therefore we have to teach our children the right way to survive.

I am so happy that autonomy was granted and so I have to prove to my people of East New Britain that, that is the way forward.

Mr Deputy Speaker, I had a small gold mine in my province, called the Cedivic gold mine or wild dog mine. But it was closed down some four years ago because of environmental problem. They have opened those verge and it's an old primitive way of

mining and it was on one of the mountains. And so when it rained heavily it destroyed the mine site and it's no longer in operation anymore.

I appeal to the Opposition members to come and support us so that we all work hand in hand for the good of our people and the country as well. So to meaningfully own the mines in this country, we must amend the *Mining Act* because most of them are due for review.

Mr Prime Minister, you have shown us the precedents so the next one will be easy. This was the hard part after 43 years, nobody attended to it but this Government has done it.

We have so many resources, one of them is LNG gas which is more lucrative and a lot of benefit comes to PNG.

**42/05**

We already have one gas project in operation and I believe there will be another three in operation soon. Before we sign any contracts, I appeal to this Parliament that we sit down and thoroughly go through and insert conditions that will benefit the people of this country.

We have so many resources but we have to do it right here for the benefit of our people. I think that at the right time we have got the right Government in place for us to work towards the benefit of the people.

**Mr RICHARD MASERE** (Ijivitari) – I too would like to contribute on the statement delivered by our good Prime Minister, Honourable Peter O'Neill on the 2017 Annual Review of Ok Tedi Mining Limited.

Mr Deputy Speaker, my career life is from the corporate world so my thoughts and ideas are from a corporate environment. But let me start of by making this statement; a success and fall of any nation, country or any government depends on leadership.

Under the leadership of our Prime Minister Peter O'Neill, I can see that this country is making good successive and strong decisions where it affects our country in a positive way. Therefore I believe that the leadership of the Prime Minister is the pinnacle or the stand where we must follow and support so that we can see some positive changes happening to our country.

Ok Tedi is a success story of our Prime Minister because when he decided to buy off that mine, there were so many critics about that decision. This was because this was a new decision where this country has no experience about. Many people questioned why we were buying a mine that was falling apart. However, today we can see the benefits of a decision

that was made in 2013. In his summary, he outlined seven areas where the success of the mine came out of. From a corporate perspective, there were things that I was looking at.

Firstly, the mine has delivered the best lost time injury frequency rate for 18 years. In any country when you get into mining then those are the things they look at. They rate you by injuries in the mining and if you can prove to the world that you have one of the best in the world then it raises the standard of the mine in the country and also the world. From the corporate end that is an important index to market a mine. We can now go and try to buy another mine in the world. We can say that we have been successful with this one. This becomes the platform in everything we do going forward.

Secondly, the mine has delivered a revenue of K3.3 billion or US\$ 1 billion which is up to 57 per cent from 2016. The Opposition was talking about 2011 and 2012 but that was when we did not own the mine. Now that we own the mine, we can prove that as a Government we can run our own entities and make profits for in these companies. This is a classic example that when you have a Prime Minister and a Government that is committed to making sure that results are delivered then this is the kind of outcomes that we will get.

**43/05**

Thirdly and importantly- and this one stands out - Ok Tedi has no debts. We don't owe anybody any money. And that single-handedly proves that this investment was a very good investment made by our Prime Minister.

From a corporate environment, when you are employed in the corporate sector, there are five basic principles.

(1) Any organisation that you get into must be a profit driven organisation. You don't buy anything that doesn't make money. But when you see that there is a potential you invest into that business so you must choose a business that is profit driven.

(2) Cost-cutting measures must immediately be set in when you want a business to be profitable and it is all outlined in this statement here. Everything that they are doing, is profit driven, they are cutting costs to make sure that it becomes a very successful business.

(3) Human resources development. We must invest in our people to make sure that we produce the best results in any organisation, in any country.

Mr Deputy Speaker, I want to commend the Prime Minister. When he became Prime Minister, he introduced the policy on Tuition Fee Free Education. Today there are still people complaining about this policy that the Government is standing on.

In the early 1970s, India made a decision that they are going to declare across India in all sectors of education free education on the basis that they must replace every foreign worker in their country by building their human resource. That was the decision they made in 1970. Today they employ less than 100 expatriates in India as opposed to 1.4 billion population. That's a big revolution when it comes to investing in human resources. I want to commend the Prime Minister, you are going on the right path by investing in your human resources.

(4) There is a saying in the business circles, if you pay peanuts, you'll get monkeys.

If you throw peanuts you will get monkeys, they will run to you. You employ the best, you pay the best, and you achieve the best result.

I can see the direction of Ok Tedi. They are investing in our PNG people. They are paying them the right money and they are bringing them back here where the expertise they have learned from other countries are being used at Ok Tedi. And I tell you this from the corporate environment. When you pay an employee the best pay he will work 10 times harder. When I was working in corporate company they paid me well. Sometimes at months end I would work until one o'clock in the morning just to deliver the result for that business. Once my wife called me on my mobile and said, where are you? I said I am in the office and she hung up. Not long the landline rang, I answered the landline and she said, I'm just checking to make sure you are in the office. But that is how committed we were to achieve results. We have to ensure that when you pay well the employees will give you 100 per cent commitment to make sure that whatever results you set you are able to deliver. And the Prime Minister and the board are taking the right path, employing the best by paying the best to achieve best results.

(5) Review! Review! Review! Review! Review! Never stop, constantly check the business. Are we going the right way? Are we doing the right thing? Do we have the right people? Are we investing the right amount of money? You review, you review, you review and you will continue to produce good result.

So, Mr Prime Minister, I want to take my hat off to you, to all the good things you are doing. I will say one thing, and there is an English word called 'astigmatic'. And this word astigmatic means you are either blind or you are half-sighted. And every time from the Opposition they seem to see things blurry, half sighted, or they don't see the full picture.

They are good at criticising. We must stop this. One thing about this country is that we can progress but the problem is with these fake *Facebook* warriors who post negative comments. We must know that the world reads all about it but we are a better country than that. We are the best country in the world. Look there is no country in this world that has over 800 plus languages except Papua New Guinea. We are unique. We have over a thousand different cultures. This country is so difficult but yet we have a good Prime Minister who knows how to manage this country. Let us give him the support. Our Prime Minister is an astute and is a visionary lead too. Today, our Prime Minister made a decision to invest in APEC, he made a similar decision for Ok Tedi. He can see it, he is receiving sound advice and he's making decisions based on experience. If you do research on google on every country that participated in hosting APEC they will tell you that those countries have grown 10 times because of the APEC Meeting. But yet, our critics are criticising our efforts in investment

We need to build these things to make our country be a forerunner to be able to carry out this APEC Meeting. I guarantee you that after the APEC Meeting, there are good things coming. Why do we have to concentrate on the negatives all the time? You stick around negative people, you will always think negative thoughts, you stick around positive people, and you will speak positively about everything. Ok Tedi is a success story about our Prime Minister. He made a calculated decision based on experience and good advice. He comes from a business environment and he understands the business ethics. He understands the decisions he must make and he made them. He did not just make the decisions. He comes from a good background, an educated background. We all come from different walks of life but when we put all our mind and all our thoughts and all our energy into achieving positive things and back the Prime Minister, I reckon we can achieve even bigger things in this country.

My good Prime Minister, I worked for a business firm called Cocoa Cola, one of the largest soft drink companies in the world. The Cocoa Cola was started by a Pharmacist called John Pemberton. He created a cough syrup then two men saw the opportunity because he was selling it out of his pharmacy to treat cough patients and they had the idea that if they could bottle that drink, they could make money. So they bought that formula from the pharmacist for US\$100 and today that business is worth billions. But they saw the business opportunity in that particular product and they took it and made it successful. Visionary leaders see

success before it arrives. I want to congratulate the Prime Minister for making a huge decision in buying out Ok Tedi and I believe it is a decision that is setting the platform for the rest of the mines in PNG. When we come to a point when we are ready to own the mine, let buy it off.

Let's learn from this experience and use it as a platform where we can launch and own all the mines in Papua New Guinea. In that way, we can retain all the profits and keep the profits in this country. Many a times the decisions we make are based on cash flow. I shared it with the Treasurer but I used it in a form of a metaphor. I said when there is a high tide, you don't know where the under currents or reefs are, so you can't make a good decisions.

**45/05**

You might jump into the water just to find that you are in danger. But when the tide drops you can see where all the dangers are. You can correct the dangers and make sure that you do not make the wrong decision when the tide is up.

Likewise, when our country is faced with challenges, this is the best time because we are picking up all the bad things, the weaknesses and tidy up all the areas that need to be tidied up.

When our economy picks up we will be more robust, stronger and will be able to make better decisions because we have identified all the weaknesses in the system. So Prime Minister, continue to do what you are doing. You are on the right target and APEC is a good investment. As well as those investments in the CADIP arrangements, the road infrastructure, the DSIP and the PSIP that we are doing today.

One of the issues that came under criticism was the Pacific Games. We delivered one of the best games in the Pacific. Our Prime Minister is pushing our country forward. I have said this before and I will say it again. If we had a prime minister like our good Prime Minister Peter O'Neill many years ago, today many of us will be enjoying the benefits.

The Prime Minister is starting to build this country now, so let us all support him. Let us stand with him in his decisions and make sure to see good results in this term.

I was in Tuffi and opened the tap water project. Though this is a small project, it impacts the little community there. It is through the DSIP and next year we are going to invest money into completing all the Tuffi area and make sure they all have water. This money will come from the DSIPs that our Prime Minister has given to us.

Mr Deputy Speaker, let us enjoy the good things about this country. Let us talk about the positive things. This report might be on *Facebook* tonight and maybe we will see all the negative side of it.

I congratulate the Prime Minister on another success story of this country that he delivered. We are excited about what is laying there ahead of us. We are making an undertaking to support the Prime Minister. Whatever decision the Prime Minister intends to make has our total support and blessing as well. Thank you.

**Mr SAM AKOITAI** (Central Bougainville) – Thank you, Mr Deputy Speaker.

I too would like to join other speakers who have commented on the Ok Tedi report presented by the Prime Minister.

I am grateful and would like to make my contributions as well. I did not know that the Prime Minister was going to present this report today however, I was fortunate to run into a former member of Parliament from Western Province, Gagari Mambu. When I met him, I recall the days when the World Bank report was tabled in this Parliament.

The report recommended that the Ok Tedi Mine should be shut down. The Ok Tedi report reported a sad story for Western Province because it labelled the Fly River to be a dead river. Ok Tedi was a sad story then but with the current report today Ok Tedi now has a good story

**46/05**

All of us in this House are all interested in money but the people of Western Province are the very people who will have to deal with the rubbish that Ok Tedi gives out. The report that was commissioned found that the river will be able to get back its natural life form after 200 years. That is the sad part of the story. Ok Tedi has a lot of stories and I thank the Prime Minister for presenting the report. Thank you for reporting to this House that Ok Tedi has a good record on safety. Because a mine with a good safety record will also have a good production. If the production is in line with an excellent safety record there will be a good profit as well and that only attributes to good management.

Thank you, Mr Prime Minister, for the decision to employ one of the key figures in mining to oversee Ok Tedi. The Managing Director is an experienced manager in mining and I was quite surprised that he played a big part in the LNG project. This report has clarified some of the queries that we have been having as well as corrected the criticism that we may



have raised or are having. I want to admit that I was one of the critics that came on when this Government took over. And this story is proving to us that you are with the good management and board that is in place, which has made Ok Tedi a successful story.

The mine continues to do dredging on bige. The natural environment along the Fly River is flourishing again. Previous sediment build up caused the waterways to be diverted to the bushes where a lot of plants were water logged and died. I am happy to say that I have worked closely with a company that has done some work in Ok Tedi and I was quite pleased to see that the natural environment is flourishing.

I want to encourage the dredging on bige to continue because if it doesn't sediment will build up and flooding will occur inland, killing the natural environment along the river.  
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Mr Deputy Speaker, I am impressed with the exploration results that the company has come up with in Townsville (not the Townsville in Australia) it is a prospect in Ok Tedi, and also the exploration results in the annual report in Gold Coast. Those are the prospects, I believe, Ok Tedi will be heading towards as soon as they improve those reserves.

**47/05**

Mr Prime minister, if this is a success story why cannot the Ok Tedi Company spread out throughout the country and do some exploitation outside of Ok Tedi so that Papua New Guineans will know that it is a company that belongs to them.

I believe that it can change this general idea that the landowners have disputes with the exploitation companies who are conducting exploitation in Papua Ne Guinea. It will be a success story if a mine can assign an exploration team to go out to other provinces.

I am glad to see this report that has been presented and the people of Western Province can receive their dividends to carry out work in Papua New Guinea. Western Province is a very big land mass and I do not think that this money which they will receive will not be able to cater for the development that the people will want to see take place, it will be a drop in the ocean for this type of place.

Mr Prime Minister, one thing I would like to see come out of this dividends is now that you have done well with Ok Tedi, the experience in Papua New Guinea is governance of benefits. Governance of benefits is an issue that happens at all levels from the national level to the provincial level and right down to the landowners. It is one of the outstanding issues we need to look at on how best we can assist those levels of stakeholders to basically manage

their benefits well. Many times you will see and hear these LNG landowners are talking about millions of kina while that little man at home in Tari is eating sweet potato there.

We need to be talking about how best these benefits will help this man who is in the village.

Mr Deputy Speaker, I don't think LNG project will change the lives of the people back in the villages because there is a group of leaders who continue to live in Port Moresby and they use the landowners saying that it is the benefits of our people but in fact they are running bills in Port Moresby. So, with the experience we have had with the mining industry, I believe that the issue of the governance is an outstanding issue that we need to look into and sort some of these issues.

We all know that Bougainville Copper was the first mine. I worked for Bougainville Copper and I can honestly tell you all that I was happy to work for that mine. One thing that happened was that the mine had a training college, it was like a university and many workers in the mining industry who had attended these college at Panguna are of old age now.

This country has benefited from training from Panguna so I would encourage our own company Ok Tedi to start seriously looking at our own Papua New Guineans. I was trained by Bougainville Copper in mining.

**48/05**

We have capable Papua New Guineans. I can recall back to the times during the Panguna Mine. I was trained by a Papua New Guinean who worked for Pogera mine. But sadly he lost his life in a plane crash in the terrains of the mountains of Kokoda when flying back to Popodetta from Port Moresby. He was a supervisor in Panguna mine at that time.

When I was the Minister for Mining I wanted to bring up this issue of fly-in and fly-out but my people decided that I should get out and let somebody else come in and take a rest for 10 years. But I am back Prime Minister, and I want us to address this issue.

Panguna Mine was the only one that operated an 8-hour shift, after Panguna all the other mines introduced the 12- hour shift.

The Bougainville Copper Limited did a study on Papua New Guineans on how many hours they were productive, it indicated that they were only productive up to six hours but they pushed them to eight hours. And it was also indicated that Papua New Guineans were safety conscious to six hours but they pushed them to eight hours.

In Panguna, there was no fly-in and fly-out because all the mine workers lived there and went to town such as Lolo, Beremba, Arawa, Panguna and Camp Ten and other Camps that were situated next to Panguna mine.

I want the Minister for Labour and Employment to take note and should sit back and listen to the Minister for Mining taking about abolishing fly-in and fly-out arrangements

The reason why miners are applying this fly-in and fly-out is because they have introduced the 12-hour shifts and in the 8-hour shifts there are four crews. After day shift they are granted one day off, for afternoon shift they are granted two days off, after night shift they are granted four days off. In these four days off those workers from close by provinces travel back home such as Rabaul. But every employee is entitled to an annual leave after 12 months service.

In terms of the fly-in fly-out issue, there has to be some guarantee based on the proposed *Mining Act* review, which OK Tedi is practising now so can we start with Ok Tedi first by advising them to change to an 8-hour shift and they will give their reasons for it.

Thank you, Mr Deputy Speaker.

**Mr POWES PARKOP (NCD)** – Thankyou Mr Deputy Speaker, for allowing me to contribute to this debate.

Much has been said by majority members so I will be brief. Very good and important views have been contributed but importantly I want to congratulate the Prime Minister. It was a bold decision made by the Government in 2013, and such decision comes that easy and critics follows thick and fast. But we leaders under the leadership of our Prime Minister must be steadfast to achieve greater outcome for our people.

So I want to join

**49/05**

But as the Prime Minister and leaders have said, we must make the type of decisions that will achieve greater outcome for our people.

I would like to join the Member for Ijivitari to also remind us of this. Many a times we always look at the negative side of things and hardly look at the positive side. We do not like to try and motivate and inspire ourselves to achieve better things and be greater than what we are. We have a culture of pulling down our own people. When the current Prime Minister took office in 2011, he had to put up with a lot of negative critics. I commend and

say thank you to him for weathering these hard times. He had to be very strong and this achievement is a milestone for him, his leadership and his Government.

Mr Deputy Speaker, Ok Tedi is a sad story to Papua New Guinea and previous governments made so many laws about it. Most of those laws were at the whim of BHP. We did not try to protect our own people. Our people were subjected to environmental damages and had to engage scientists and lawyers at their own costs. Our State-owned agencies that were supposed to protect our people did not offer any help. The people were left to fend for themselves.

Furthermore, BHP made a dubious exit. They took off and were remote-controlling us through the PNG Sustainable Development Scheme. It is still a bad legacy to us as a country but now we can breathe some fresh air thanks to the Prime Minister Honourable Peter O'Neill.

We must salute him for his boldness that withstood a lot of criticisms and that we now see the benefits of his decisions. We are now making a lot of decisions in education, infrastructure development, health and many more. It is not easy to make all these decisions. We must give credit where it is due and encourage each other to be better. Nobody will come and encourage us to be better, it us who have to stand for each other. We must do away with the idea of negativity and stop criticising each and work positively for the good of our country and our generations to come.

I join everyone today to take my hat off to the Prime Minister. We are now breathing some air and the Member of Ijivitari has given us some insight into the records. It is a good record book that is going to set the foundation for our future.

Mr Deputy Speaker, now the challenge is how do we bring it as a template to the rest of the country? Furthermore, how do we maximise the benefits of all non-renewable resources so that it will benefit us now and the future generations?

I think this is one issue that we are pussyfooting around. We have not bitten the bullet and made decisions that needed to be made. Our Prime Minister has shown us a model or template and see if it can be applicable elsewhere in our country.

Let us own our mines by 100 per cent and give an equity of 33 per cent back to our own people through our provincial governments. Let us see if this is going to bring benefits to us and our country? We have spoken about so many other issues but this is one major issue that we need to talk about and move forward. We also have another model in the likes of Tolokuma.

50/05

Honourable Members and Mr Deputy Speaker, we have obtained 100 per cent through Petromin. But what's happening to it? I have not seen any report coming and giving us a good balance sheet. What is happening in that mine? Is that the model we are going to follow?

And then we have another model or some sort of model in Lihir. The landowners think they own 10 per cent free equity. They are benefitting from the problem or crisis in Bougainville. They are the first beneficiaries, they have obtained 10 per cent free equity. How are they sharing it and how is it translating into real benefits for our people in the country now and into the future?

Now the Government, in its attempt to secure the future, has set up the Sovereign Wealth Fund. We have not even started to put money into that yet but if the Sovereign Wealth Fund is going to work, it has worked for other countries, let's make it work. Let's take cue from this success.

Or, now that the light has been shed abroad let's start to look at how we can meet this challenge. What is the template? What is the model that will work? What will bring us maximum benefit while we still have all these resources?

How will the future generations continue to benefit from these resources that we are? Maybe all the resources such as gold, oil and gas will be gone. How will they benefit from these resources that we are privileged to make decisions on during our time for us and for them? We must consider these and make the decisions that need to be made.

The Prime Minister has given us a template that we must consider and I want to encourage our ministers in the mining, oil and gas sectors to study this and we debate on it. Let's talk about these substantive things, forget about talking about *Facebook* and the kind of stupidity that we talk about, pulling each other down and talk about the minor issues. Let's make a difference for our people, our nation and the future of our country.

There are many other models that we can look at. Equity is good but there is a risk because with equity we have to wait for the profit at the end of the year. With the fluctuations in world market prices, what if it makes a loss like the one that Lihir made and therefore could not pay its taxes to the State. How could Lihir declare no profit and it is still operating? Can the Minister for Mines check that out? Likewise many logging companies which have

been continuously declaring losses, how are they still operating? These are the type of inquiries we should be conducting but my point is that equity is good but there are risks.

Sometimes we need to make a decision on what to pay as royalty. Royalty is good too. Honourable Members and Mr Deputy Speaker, royalty is good too because we fixed it. So whether a foreign company that is operating makes a loss or not, whatever it has gained at the end of the financial year, that's their problem. We fix it at the negotiation and say this is the percentage we will get as royalty to the government, to the provincial government and to the landowners. So, it is their business.

The other model is profit sharing. You just heard on the other side what the Governor of Western Province said. The people of Indonesia want to buy out and become the major shareholder in Freeport and what they want to do is they want to just engage the Americans to run it for them and they pay management fees or they share the profits. That's another model.

So, we must try to look at these other models that can work. Today the Prime Minister showed us only one model that worked at Ok Tedi. Will it work at all the other mines or not? And if it can work, if it's a good model, by all means we move there. These are the types of decisions we should be making.

That's why I am standing up to remind us. But, Mr Deputy Speaker, we must not lose sight of the problems in Ok Tedi and we must fix them.

**51/05**

Today the balance looks good and it's starting to show and we are very pleased. So on the financial side, we are improving, but what about the environment? It is still a big problem we have. Taking ownership of the mind does not mean that we reduce our social responsibility. Other parts of the world like America, Australia and Europe, they don't dump sediments and tailings into a river system. But in Papua New Guinea, I think we are less than human. Maybe we are apes or monkeys because would not allow tailings to be dumped into the river system.

The Ok Tedi River is polluted because of this. Our people in Bougainville, the people in Java and Kawarong were affected because of this pollution which led to the crisis. If we are not careful we might have problems along the Sepik River. We are looking good on the financial side but we must never lose sight of the high price we have paid in terms of

environmental damage. It will take a long time for OK Tedi to regenerate itself, maybe 50 years and many people who depend on the river system and the marine life will suffer.

We have to make a decision to put a tailing dams or otherwise, if we could clean up the tailings and use it to build up stone walls on the coastline for those villages affected by rising sea level due to climate change. The atolls are sinking like Carteret Islands. Why are we dumping the tailings into the river, say into Markham River and it travels down to Sipaia. Why can't we make it part of the contract that they clean it up and use this tailing to build up stone walls along our coastlines especially the atolls and islands. Let us find other ways to utilise these tailings. In Lihir, they are just dumping it into the sea.

The Minister for Mining is advocating for the deep sea mining to take place, but will it have tailings? Let's not lose sight of this environmental issue. It was a very painful and bad experience for the people of OK Tedi and Fly River all the way to Daru. We must deal with this issue as we have dealt with the financial side.

Another related issue is the sub-contracts such as supplying of food. Look at the subcontracts of food supply. Lihir spends millions on catering firms but it is being contracted out. Let us look at how we can capture that type of market.

In the agreement we must make sure that they buy internally. We can produce the food here. We put that in the agreement then it is the responsibility of the Government and the Minister for Agriculture to mobilise our people to produce in a quality food. If we don't set those targets, the mining operators will give excuses and order food from New Zealand or Australia and that's how our money leaks out. We are looking at the outcome where we will get the maximum benefit from the mining operation.

Mr Deputy Speaker, otherwise, I join everyone to congratulate the Prime Minister. You have done well and you can do more.

**52/05**

I want us to look at other places like Finland where the country relies on industry only. They sell oil and gas and minerals. Then they have the sovereign wealth fund and are one of the richest in the world. They are providing almost free housing, health care and education. They have the highest quality of life. If they can do it, absolutely, we can do it too. But we must work together and provide stability. We must have long term plans. Let's think long term like 20 years.

As Members of Parliament we think about being in Parliament long term. Don't think of one terms. If you plan only for one term that is how long you will be just one term. It's the kind of energy that is put in there that determines the outcome. So as a government we must think two to three terms so that we can deliver efficiently and effectively.

Look at our neighbouring countries, they have political stability that is why they are achieving best results or outcomes.

Mr Deputy Speaker, in seven years, we will turn 50 so it is important to have a seven-year plan planned out in order to make an impact. We have to continue to do what we are doing so that we can achieve the outcome that is anticipated by our people and the future generation.

Mr Deputy Speaker, I said this many times on the Floor of Parliament. When Malaysia began its journey towards independence in late 1940s, they had only tin and rubbers in their balance book. Unlike Papua New Guinea, when we started our journey towards independence we had coffee, cocoa, Panguna Mine and forestry. We had a better balance book then Malaysia. But now after 60 years of independence Malaysia is almost a developed country. Their highways, health and education systems are almost as good as the first world.

In 2025 Papua New Guinea will be turning 50 years old, but we are still struggling that is why I am grateful to the Prime Minister for making some of these investments and erecting infrastructure here in the capital city and in Lae.

We are leaders and we must make decisions. I once again, thank the Prime Minister and salute him. Thank you.

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

Motion – That the Parliament take note of the Paper – agreed to.

## ADJOURNMENT

Motion (by **Mr Douglas Tomuriesa**) agreed to –

That the Parliament do now adjourn.

The Parliament adjourned at 4.45 p.m..