

SIXTH DAY

Wednesday 19 February 2020

DRAFT HANSARD

Subject:

Page No.:

POST COURIER EDITORIAL COMMENT –.....	1
STATEMENT BY THE SPEAKER.....	1
QUESTIONS	3
P'nyang Gas Negotiations.....	3
PDL 1 and 7 Clan Vetting.....	11
Review Court Injunction	11
Buswara Eviction	13
Increase BSP Banking Services	16
MINISTRY OF TREASURY – PNG HISTORIC ECONOMIC REFORMS –.....	27
MINISTERIAL STATEMENT – MOTION TO TAKE NOTE OF PAPER.....	27
ADJOURNMENT	35

PARLIAMENTARY DEBATES
CORRECTIONS TO DAILY DRAFT HANSARD

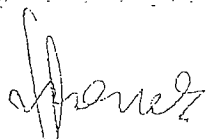
The Draft Hansard is uncorrected. It is also privileged. Members have one week from the date of this issue of Draft Hansard in which to make corrections to their speeches. Until the expiration of this one week period, Draft Hansard must not be quoted as final and accurate report of the debates of the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



HARRY MOMOS

Acting Principal Parliamentary Reporter

SIXTH DAY

Wednesday 19 February 2020

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

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

Sitting suspended.

The Speaker (**Mr Job Pomat**) took the Chair at 10:53 a.m. and invited the Member for Goroka, **Honourable Henry Ame** to say Prayers:

‘Anutu yu bikpela yu stap lo Haven na mi laik tok hamamas lo yu bungim mipela wanpela moa taim gen lo displa Haus bilong mipela olsem lida blo ol pipol blo yu kam na bung na toktok lo issues na deliberate lo ol samting em affectim kantri bilong yumi.

Papa mi pray tudei na tokaut olsem mipla ino gutpela lo ai bilong yu. Mipela ol sinners so bai yu ken lukluk lo mipela na marimari lo mipela. Givim bel isi lo mipela na forgivim mipela lo olgeta nogut bilong mipela. Mekim mipela rait lo ai blo yu taim mipela go insait bung lo tudei. Stap wantaim Prime Minister na Deputy Prime Minister, Ministers na Members bilong Gavanmen, Opposition Leader na Deputy Opposition Leader wantaim ol Members tu.

Mipela komitim dispela taim lo han bilong yu. Stap namel lo mipela na helpim mipela tudei. Mipela save olsem yu bai harim prei bilong mipela na kam stap namel lo yumi.’ Amen

POST COURIER EDITORIAL COMMENT – STATEMENT BY THE SPEAKER

Mr SPEAKER – Honourable Members, today the Chair would like to make a statement on the *Post Courier's* Editorial Comment Section of the Daily Newspaper, published on Monday 17 February, 2020, which reports, ‘*Parliament not exactly broke*’.

The Chair would like to make it clear that on Thursday 13 February, 2020, when the Opposition Leader directed his question to the Chair and the Chair replied, it did not mean

that the Parliament was broke. The Chair was simply explaining how much money in terms of warrants is released to Parliament on a fortnightly or monthly basis to run its operations.

So, the Editorial Section of the *Post Courier* Newspaper stated that, this year, 2020, Parliament was allocated K138 million and with a generous increase of K22 million from the 2019 figure of K116 million.

02/06

On Friday 14 February 2020, many of the Members of Parliament raised concerns that journalists do not do thorough investigation before they print or produce their news. So, when this comment was raised by the editor, it implied that Parliament gets a lot of money. But they did not investigate to see that in 2019 a copy of our budget submission of which I have a copy here and that under the *Constitution* of this country, by 30 September, the Chief Justice as the leader of the Judicial arm of the Government and the Speaker representing the Legislative arm of the Government will present their budget request to the Prime Minister.

In 2019, I as the Speaker of this Parliament asked for K248,921,000 and the Government only gave us K116 million. For this year's budget, our request has gone up to K412 million. The National Government only gave K138 million. If they had come and asked for facts and figures, I would have given them this information and told them why the Parliament has requested for such an amount. The Opposition requested for K10 million this year. And if you go through the Budget book and see the break-up of K138 million which covers salaries of staff and Members of Parliament and their personal emoluments, we are only left with K25 million. How can Parliament operate on K25 million if K10 million is given to the Opposition? We will be left with K15 million.

Today, we have vehicles the size of trains and in the budget book, I want to build a bigger carpark to accommodate these vehicles. How can I build a new carpark and maintain the Parliament? The B Block roof is almost collapsing, and the window glasses that were smashed because of faults of other government institutions in 20 November, 2018 have yet to be fixed. How can we fix all these things? Even the air-conditioning is not working and the lifts are not working as well. The debts that accumulated well before my time are still not addressed.

These are some of the reasons for me making that request to the Prime Minister so that today, he may inform us accordingly on this Floor. I am also echoing my concerns with the Members of Parliament who have raised concerns regarding investigative journalism in this country. Before you print, air your story or make a statement, investigate and find out on both

sides of the story first. I am not happy with the *Editor* of the *Post Courier* for those comments. Let me read from the comments of the Editor, "*Out of K13 million, of which almost K67 million is for Pomat and his colleague Members of Parliament.*" and I believe that he has personalized that comment. If he had addressed me as Speaker and Members of Parliament had got this much, then it would have been okay. But to say Pomat, I feel offended. I am thinking of referring him to the Parliament Privileges Committee to look into such comments as it is more personal than professional and fair reporting.

I want to stress here that if the media wants to report, always investigate, first find out both sides of the stories so that people are given real and honest news. Do not publish or report one sided stories or stories that are sweet to the ears to sell papers. Always report real and honest news.

03/06

QUESTIONS

P'nyang Gas Negotiations

Mr JAMES DONALD – Thank you Mr Speaker, my question is directed to the Minister for Petroleum and Energy and I would like the Prime Minister to take note. Before I ask my questions, I want to express my sincere gratitude relating to the P'nyang Project negotiations. I want to make a special word of thanks to the Prime Minister for his decision on not allowing the deal for P'nyang to go through. I believe he has his own reasons and there is a failed deal between ExxonMobil and the State. So, thank you for that bold decision.

Mr Speaker, the Minister for Petroleum and Energy some three weeks ago told the media that everyone is happy and that it was good for the country, there was no deal on the P'nyang project.

(1) Can the Minister explain what he meant by everyone is happy and who is the everyone that he is referring to?

In my view when there is no deal, there is no more room left for further negotiations going forward. In recent developments after the Prime Minister's announcement, there is still ties and negotiations between the State Negotiating Team and ExxonMobil.

(2) Can the Minister explain why they have opened negotiations with ExxonMobil after the Prime Minister has formally announced there was no deal?

From reliable information, it has been revealed that the PLL license for P'nyang Gas field expired in May 2016. After three consecutive hands of issuance according to the *Oil and Gas Act*, and a room for extension has been exhausted, which is over 20 years now. The

licensee, ExxonMobil, has failed to fulfill the regulatory requirements. Of which we are told that they have only fulfilled four out of the nine criteria.

(3) Can the Minister confirm or deny, that the PLL license has expired and so ExxonMobil is unlawfully holding onto the license, and if it is confirmed that the license is unlawfully in their hands, what would be the current government's position and decision?

As part of the take back PNG approach, we would want to quickly amend the resource laws that were designed by our colonial masters purposely to destroy our resources and so I wish to ask the Minister

(4) When will the *Oil and Gas Act* be amended and has any work begun?

Mr Speaker, I wrote a letter dated 4 February 2020 to the Minister informing him of our district's commitment of half a million kina and to assist his department sponsor in this legislation work. And I received a response from him in just two sentences, dated 10 February 2020. "I refer to your letter dated 4 February 2020.

Note that the state has taken up the responsibility of the *Oil and Gas Act 1998*, and therefore approved sufficient funding to cater for the task which does not allow additional funding outside for the same purpose.

04/06

Mr Speaker, what this means is that they will not receive funds from the District which was knowingly and genuinely set aside because we see the urgency to amend the resource law and particularly the *Oil and Gas Act*.

Mr Speaker, the Minister has stated that he has not received money from the State. Every time when I asked the Minister, when he will bring in the amendments to the *Act* or when will work start on the amendments, he always said that they have not received any funding yet or the State has not given any money yet. That is why we decided to put up that money. My question to the Minister is, has he received the money? If so, why hasn't work started yet?

Can the Minister assure us that there will be no more issuing of PRL and PDL licences until the amendments are done? Thank you, Mr Speaker.

Mr KERENGA KUA – Mr Speaker I thank the Member for North Fly for the five important questions relating to an important project in our country which comes under the oversight of my Department as the Minister responsible to see through this regulatory and commercial component of it.

I would like to explain why we are all happy that the negotiations failed. I made this big statement on international media when they interviewed me. They asked me the question, what is going to happen now, because the negotiations are not in your favor. I told them that money is very important in our country, but we can still manage without money in our pockets.

Contracts are written up for mining and oil and gas projects but it's never of benefit to the people of this country. We have encountered so many problems regarding these projects. We would not have had that problem with Bougainville Copper had the agreement been fairer for our people and the people of Bougainville. Everyone knew about this problem; the whole world knew about this problem. Every time we talk about these, we don't talk about the Bougainville issue, we often hide it. We talk about previous Governments, that they were the ones who created this problem. We go back to history but the problem is clear. We are not sharing the revenue; the proceeds of the mining project were not shared properly. That's why the problem has occurred. But when we talk about it, we are still hiding the problem. But the real problem behind Bougainville is BCL Copper mine.

Now we have opened up mines all over the country. Some have closed while some are in operation. But there are still some problems underneath. At the back of these problems we are opening oil projects, and then we migrated to gas projects. We have signed commercial agreements but people are still not happy. The main point is that, who has the responsibility to make sure that in the next projects this sort of problems will not be encountered. We as members of this Parliament have that responsibility. This responsibility is in our hands. We have this responsibility to ensure that these problems are not encountered. Our challenge is whether to take a step now or not, and push this thing down to the next generation of leaders after 2022, or should we take a stand now. The opportunity has come for this Government to take a stand now and put a stop to all of this. Papua New Guinea will not tolerate this anymore. No more "under the table" deals! We have encountered so many problems, so we are now putting a stop to it.

05/06

Mr Speaker, we agreed to stop and we stood by our word that regardless of threats and whatsoever like they use to be before, we never gave in. For that, I want to thank our Prime Minister for backing us up to stand firm. If he was double minded, had waver, resolute, or determine to reach an outcome which for the first time would be for the goodness of the people of Papua New Guinea, I bet we would have signed the gas agreement, and now

instead of relaxing we should be dealing with complaints already and we will argue with our people. I've waited here for a week on the floor of parliament for the members to start an argument in here.

Mr Speaker, the parliamentary representatives here were celebrating in our loss in not been able to sign a gas agreement because nobody asked a question. They are all happy in their silence that the failure to secure a deal was in the best interest of our country and our people. Now that you can hear they are talking but no more giving away and we have to stand firm.

The reason why we failed is because we refused to accept the "peanuts" they offered us.

Mr James Marape – Point of Order! I'm just reminding him, you never failed. Fail is a harsher word. The reason why you never secured an agreement is the better word. So, I'd like you to withdraw the word from *Hansard*. The country must know you never fail as yet.

Mr SPEAKER – The point of order is in order. You might be reported as admitting that you failed. I just want to put right your "pidgin."

Mr KERENGA KUA – I applaud that point of order. Mr Speaker, we passed through. In anything we want, we must stand firm. In this instance, we passed the mark and I thank the Prime Minister. Mr Speaker and all the Members, we need to stand together in this space. We have heard the cries of our people for too long that our good member for North Fly has brought this matter up for us to publicly state our position so that all our people will know. They all know and are happy.

We appointed a state negotiating team to negotiate on our behalf with ExxonMobil.

The special approach we took was different because before other projects were negotiated by prime ministers and politicians. The public servants and technical advisors that really know, don't go ahead to negotiate. For this, our people complain saying it is not right also. So, in response to that, this current government made sure to choose somebody who has the qualification and capability to take the lead and the Prime Minister with all his ministers will only back up. So, we backed up on the state negotiating team and they led ahead. Every stage of the way, they kept me as the Minister, ministerial committee on P'nyang, NEC and the Prime Minister fully informed of what was happening because before that the Cabinet set up the mandate and they all went to negotiate.

They kept us informed till the last part of it and they several times along the way hit the brick wall and could not advance it, The Prime Minister through his intervention encouraged the people to come back to the table and keep going.

06/06

We reconvened negotiations at least three times after hitting the impasse. So, in December after an impasse, the Prime Minister gave us a last opportunity in January to try to compromise and reach an agreement.

He said and I quote, “the Exxon are the South Pole and the State Negotiating Team are the North Pole but there is a place called the equator”. He wants them to reach an agreement. He said that in very simple words. Both ExxonMobil and the State Negotiating Team never reached an agreement come the end of January. So that negotiation process collapsed and we walked away from it.

The reason why there is some conversations going on is because of what the law says. It connects this to the question of the Member for North Fly in regards to the expiration of the Retention License. In the *Oil and Gas Act*, the Government can use various licenses. The Exploration License is given to the people who want to search for oil and gas. When oil and gas are discovered whether it has commercial value or not, they are eligible to get a Retention License. This means something is under the ground and that can be developed. A Retention License durability is for only two years. During that period of time they are supposed to drill and make sure that the oil and gas found is big enough for commercialization. The Retention License can be extended for three times under the *Oil and Gas Act*. After the third time, the Retention License cannot be extended again.

However, there is a law stating that the person holding the Retention License can apply for the Development License nearing the expiration of the third time extension of the Retention License. And if he applies all his rights under the Retention License continues into the Development License until the Petroleum Advisory Board decides the fate of the application for Development License. That is where we are now.

As mentioned by the Member, the licence had already expired in 2015. But before the expiration, Exxon applied for the Development Licence. By operation of law, their rights under the Retention License continues to exist and that right Mr Speaker, is enforceable in our Courts. It is an enforceable right so you’ve got to respect it. If it is brought to court, they will still win. That is why we respect their rights. If they want to negotiate the Gas Agreement during the pending application, they can do so as is stated by the law as their

commercial right. They approached the Government and were told that their application for the Development Licence was still pending and was with another independent body. But discussions can be still made under the commercial agreement.

So that is how the negotiation has been taking place and came to an end in 31st January. The license has already expired but it is not as if there is a vacuum or there is no legal right attached to anybody. Exxon has continuous legal rights under the Retention License at the very moment I am speaking. It is there so we must respect it and that is what we are doing. Initial negotiations were not agreed on but because that right continues to exist and they can still come back to us with a revised offer. It is a commercial decision. That potential still exists and you cannot lock the door to that if they still want to come back with some more offers.

For the Oil and Gas Amendment, I want to thank the people of North-Fly for their offer. We cannot accept it because we know North-Fly is similar to Sinasina-Yonggamugl District.

07/06

We've got a lot of needs in our place and it is good for us to use the little money we get from the DSIP to develop our district.

Mr James Donald – Point of Order! The money that we put down is not from the DSIP. It is genuine money we collected from the district internal revenue. We know the genuineness that is why we put the money so, through you Mr Speaker, tell the Minister that it is not from the DSIP; never mind about that money. Thank you, Mr Speaker.

Mr KERENGA KUA – All right, it's only a point. Another reason is that, the fact is that, the approving of certain funding for drafting the amendments to Oil and Gas Act by the National Executive Council has not come through yet and that has not stopped the process.

So, it is good that we maintain the drafting process independent, so that it is continuing. If everybody contributes funding, sometimes they give it with genuine heart and sometimes they give it with hidden motives.

We want to process the bills through the proper channels of government. That is why, if we accept it, we might open the door to accepting every other offer and even from the private sectors too and where will that lead us to. It might compromise the integrity of the draft bill that we are proposing.

Mr Richard Mendani – Point of Order! Mr Speaker, is the Ministers saying that North Fly District is not part of the State. Because from what I know, under the constitution of this country, North Fly district is part of the State and therefore they have the right to contribute to any development agenda. Thank you.

Mr SPEAKER – What is your point of order?

Mr Richard Mendani - My point of order is, isn't the North Fly district part of the State when it is not accepting funding from the district to the amendment to the *Oil and Gas Act*?

Mr SPEAKER – Your point of order is out of order.

Mr KERENGA KUA – I have been here for eight years, Mr Speaker, and we have passed so many constitutional amendments, legislative amendments, new legislative amendments et cetera, and nobody has ever contributed to that process.

So, it is not consistent with the practices of the State in the drafting legislation processes. It has very well established and defined procedure available.

In saying that, we are not able to accept the offer that has been made, we are trying to protect the Member, protect the people, protect myself, and protect the public servants who work with me in not trying to set a new precedence.

So, he might be doing the right thing from the heart but, it might not be the right thing according to the law. We are happy that they have a good understanding and they contribute but I don't know what short of precedence we are going to be setting by accepting this short of offer from outside of the established process.

Yes, it is true. We haven't got any of the funding that the National Executive Council approved and I'm still waiting for the Treasurer. Hopefully, he will provide some of the funding soon. We appreciate we got money problems and I don't want to put too much pressure on him.

However, Mr Speaker, I can assure you and the Parliament that has not stopped the work from going ahead. We have made considerable progress already.

Initially, we were thinking of introducing a Bill for an Act. But after looking at it, after the NEC mandate came out, the lawyers advised that to give it strength and a very solid platform so that no successive succeeding government interferes with it, we need to ground it

in the constitutional law. That's the advice coming forward, and on that basis, they recommended that we amended the *Organic Law*.

That is why we have now elevated to a more solid platform.

08/06

We are going to start the platform of the new legislative reforms on the foundation of constitutional law and not just a mere legislation which can be easily changed by a simple majority.

As we all know, it is going to be given greater strength through this process and the work has identified the need to go down this pathway rather than doing it the other way. So, both of them will be done and I am hopeful, and have been in constant communication with the Prime Minister who is very keen to get this process completed as soon as possible. The present time table is that, both the Organic Law, after which the legislation would be brought in and concluded at the end of this year and hopefully before the November sitting of this Parliament for the budget.

Those are some of the answers to the questions that the Honourable Member has asked on the PDL. The outstanding application for the development license, he doesn't want us to decide that. There are somethings that I can say in public and things that I cannot say in public. All I can say is that the application is pending and remember that they are also using the opportunity to see if a contract can be signed on the terms that we as an Independent State of Papua New Guinea prepare.

Mr Speaker, before I sit down, I appreciate the position of the Member for North Fly that he feels for his people and project in his District and he got a keen interest in advancement of his project, but he went about it was wrong.

Mr Speaker, he is going into Facebook, social media and saying that, 'Mr Kua is corrupt'.

He has corrupted the process while waiting for ExxonMobil and in the same place, I asked him Mr Speaker, to come out with the detail.

Mr James Donald – Point of Order! Mr Speaker, can you tell the Minister to answer my question accordingly. He has already answered my question and why did he bring in the issue of Facebook, social media here? I purposely did it because he didn't listen to me.

Mr SPEAKER – The Honourable Member for North Fly. I have already allowed you two points of order so the third point of order will be given to the Minister who will continue his questions because we have lots of points of order coming up.

Mr KERENGA KUA – I raised this issue because we work for a common purpose and for the good of our people in this country. And when a Minister does something that doesn't suit the sense of other colleague Members of Parliament, it is good to sit down and share ideas instead of going to the public using social media and saying, that man is corrupt.

In some cases, you might be right, but not in my case. I have worked hard to build my reputation over 30 years and I don't need company like this to come and tell me that I am corrupt in a public space. Thank you, Mr Speaker.

09/06

PDL 1 and 7 Clan Vetting

Mr MANASSEH MAKIBA – Mr Speaker, my questions concern clan vetting. We have started new projects with Papua LNG and negotiations are continuing on P'nyang, but we have legacy issues on the existing PNG LNG project that we need to sort out.

Clan vetting is an outstanding issue. Last year the previous Government allocated some funding and set up a special clan vetting team to undertake the task, which the operator failed to do ten years ago. Under the leadership of former Minister, Dr Fabian Pok, he successfully completed the process. I was the Vice Minister at that time and I assisting him to complete clan vetting in the seven segments of the pipeline both upstream and downstream within the Green field and on the upstream PDL 1 and 7. After the clan vetting, the former Minister signed the specific Ministerial Determinations for each block within Petroleum Development Licence (PDL) 1 and 7. But earlier last year the clan vetting exercise was stopped due to lack of funding and the court proceedings which was commenced by some of the landowners. The clan vetting exercise has not resumed since then.

My question to the Minister is, when will clan vetting resume? Landowners in my district are complaining and it's been ten to fifteen years now. It is now 6 years since the start of LNG production and the landowners have not received any equity or royalty money.

Review Court Injunction

My second question relates to the court proceedings. The former Minister made the Ministerial Determinations, not on PDL 1 or 7, but on each block within PDL 1 and 7. For

instance, PDL 1 has six blocks and six determination and PDL 7 has the same number. Some landowners have challenged the awarding of the determinations per block in court and there is word that they have taken out a blanket court order, putting a stop to all the blocks and PDLs.

I ask the Minister with his legal team to review that Court Order and confine it to blocks rather than taking out a blanket order covering all blocks within PDL 1 and 7. This action has blocked some landowners who need to form their ILGs and set up bank accounts.

Mr SPEAKER – I would like to advise all Honourable Members that, if you want to ask questions on a supplementary question, the Chair will not entertain your supplementary question.

Mr KERENGA KUA –Thank you. Mr Speaker, the delay on the part of the government in facilitating landowner benefits through royalties, development levies et cetera, is something that this government does not encourage at all. We are trying to do everything that we can to ensure the landowners and the Provincial Governments entitlements are disbursed to them as quickly as possible for them to use.

On PDL 1 and 7 yes! There are some outstanding matters. And as the member correctly pointed out, the injunction covers everybody and stops the whole thing which affects the country.

10/06

I do take note of his suggestion that we take a look at isolating the segments that are in dispute, quarantine and put their benefits aside. Then we enable the rest of the parts that are undisputed to flow through to the beneficiaries. That is something that we will do and after the Parliament Sitting, I am happy to sit down with him and get details from him. I will get it from him because he knows a lot more about the details than I do. We will sit down together and work this potential resolution through by isolating the disputing parties and their benefits from the rest who are caught in that blanket injunction.

There are also outstanding court judgements and I have written to the Courts but they have not responded to me. This also creates a delay on path in trying to get these sorts of issues fully addressed. After the sitting, I suggest that the Member for Komo-Magarima and I

sit down together and discuss how best we can sort out these issues and work out the best resolution.

Buswara Eviction

Mr JOHN KAUPA – I direct my questions to the Minister for Lands and Physical Planning. They are in regard to some eviction exercise that took place in the eastern part of Moresby North-East electorate specifically the ‘Buswara’ area.

Before I ask my questions, I would like to thank the Minister for helping me last year, deal with a similar problem at 8 mile whereby a foreign company got the land title and tried to evict people settling there. I would also like to thank the Lands Secretary for issuing a notice that’s in the papers which stated that state land that was not utilised must be taken back before people settled on it. I thank you for doing something good.

My question is in regard to portion 2157 to portion 2159 and 2156 of the ‘Buswara’ area. In 1990, the land title was given to Nambawan Supa. This is a financial institution that was established by this Parliament to look after the retirement money belonging to our public servants. It has been 29 years since 1990, and that land has not been developed. People of my electorate have made arrangements with landowners and are now occupying these land areas. In those days land was given with conditions and terms. This is an arrangement under the UDL in which under 5 years one must develop the land.

Mr Speaker, Nambawan Supa is not a small company. It is a very big financial company so if it is the rightful owner of the land then it should develop the land. It must look after its land and coffee garden. However, it has not done likewise so our people, some of whom are former senior public servants who were contributors to Nambawan Super have moved in and have built houses and settled there. As the Member for Moresby North-East, I do not want to promote illegal settling on State land. However, I have seen people putting money and resources in developing these land areas within the last 29 years. It is the responsibility of NCDC to bring basic services like water and roads to where people settle therefore a road has already been built and water will shortly be connected.

Mr Minister, have you consulted your department with regard to this matter? If you have done so, then what is your department’s stand? I would like the Prime Minister to take note of such issues because we have limited land in the NCDC. The Central people are fighting for their land and so we have a situation where we cannot accommodate all 20 000 plus people.

1) Mr Minister, can you consult your department and come up with the best amicable solution to this problem for the benefit of all parties? We cannot expect our people to spend extra money out of their pockets to sort out these issues. They have already put so much money into developing these land areas.

11/06

2) If it is under his ministerial powers, can notice be given to Nambawan Supa to cancel its ownership over the portions of land? Nambawan Supa belongs to the people of Papua New Guinea and this are our citizens who are occupying that land.

3) Can the Minister consult the Prime Minister and intervene into this matter and talk with the Stalk-holders at Nambawan Supa of how best we can address this?

Another way to deal with this issue is to give it to NCDC where they are doing Settlement upgrading to Suburbs and we can provide all the basic services because houses are already being built on that land. So, this White Paper eviction is a disaster to the family there and it is a social problem in Buswara. They have taken the matter to Court and are still waiting and I am supporting them but I feel that it should be discussed at our level.

Thank you, Mr Speaker.

Mr JOHN ROSSO – Thank you, Mr Speaker, and I would like to thank the Member Port Moresby North-East for raising his very important questions.

The issue of vacant land in the urban centers is a very big problem because we have congestion and shortage of land. We also have a huge problem of settlements in our urban centers because we have not freed up enough or planned enough suburbs for our citizens.

The problem at Bushwara is a big problem because there are 10 000 to 20 000 people living on that land and this is compounded by the fact that Nambawan Supa owns legal title to that land so we cannot correct one wrong by taking away the land from them as they are currently the lease holders of that land.

We have had discussions with the Member for Port Moresby North-East and the Governor for NCD and we tried to resolve this issue with amicable means, taking in consideration that they are ordinary Papua New Guineans. Bushwara area is legally owned by Nambawan Supa but there is a middle man who is claiming ownership of these land too and they have compounded this problem by selling this land to other people who are now facing this problem where Nambawan Supa now is issuing eviction notices with the case is before the Court.

I call on the Governor for NCD and Member for Port Moresby North-East to meet with me so that we can discuss and find a solution to this problem moving forward and taking into account the amount of money that these ordinary people have paid for the land because we need to look after our people. But, at the same time we have to take into account the legality of Nambawan Supa's ownership of that land.

I would like to notify Nambawan Supa and other stakeholders who own big undeveloped portions land here in the city to try make an effort to provide good and reasonable housing for average Papua New Guineans. I would like to also put on notice that if you do not develop this type of land quickly that I am going to issue forfeiture notices and give it to people who can develop the land, as I have already advised Parliament.

At the Port Moresby Business Breakfast, I advised that my department is willing to work in conjunction with proper developers to try and free up land for ordinary Papua New Guineans. The cost of living in the cities and urban areas have gone up and many of us cannot afford it.

12/06

A lot of us cannot afford properties worth thousands or even millions of kina. We must be looking at properties with value less than that. At the same time this is for people who are working. It is not for people that just come and settle on land that they do not own.

There are laws and we must realize that there are rules for settling and no-one can just pack up and go settle on another man's land. We must not condone such exercises. Those who are squatting on other people's land, please do not come back and ask us to change the laws to suite yourself and to accommodate your illegal moves. I will not condone that, I will not break one law to fix another law, but this is the way forward.

The good Governor for NCDC and the Member for North East, we will get together and discuss and find a way forward, considering the urban settlements that have already started and I have already assisted them especially the 8-Mile urban settlement program. We need good streets, proper sub-division, proper street lights, sewerage and water supply. And provide low cost housing for the average citizens. I have been directed with no uncertain terms with the Minister for Housing by our Honourable Prime Minister to pursue that and we are now working on it. This problem is not only in NCD, it is for all of us so let us discuss these as directed by our Prime Minister.

Increase BSP Banking Services

Mr KENNEDY WENGE – Thank you Mr Speaker, my question is directed to the Minister for Treasury. And I would like the Minister for Finance and National Planning to take note. My question is in relation to Lae city who is banking at Bank South Pacific. There are two branches in the city, one at top town and the other at the Lae Market branch. Population has grown and there are a lot of customers and the two branches are not capable of attending to most of the customers on time. The ques are longer and it looks similar to people trying to get into the Lae show ground.

Even in the banks the lines are just as long because there are no tellers to serve the customers who are already inside the banks. Many people leave their houses around 4am to make it to the banks.

Are there any plans of increasing the number of BSP or other banks' branches in the province to cater for the number of people? There can be a branch in Eriku, and even Bumayong to cater for the population increase in Lae as it is our industrial city. This is especially needed in times of paying school fees, because there are parents travelling far and wide from all over the province to come in and pay their children's fees.

13/06

My people of my district are very happy, banking with BSP.

Mr Speaker, I would like to thank you for allowing me more time and on behalf of my people in Nawae we are very grateful as well.

Mr IAN LING-STUCKEY – Thank you Mr Speaker and I would like to thank the member for Nawae for his question, I am not sure whether the question you asked should be answered by the Minister for Treasury together with the Minister for National Planning but I think treasury will still take note of your concern regarding the long queues at all banking institutions causing inconvenience for everyone and we will try to find a solution by the end of the year but the national government and treasury must not oversight all banking institutions today and I give you assurance that I will raise this important issue when I have a meeting with the banking institutions.

PERSONAL EXPLANATION

Mr WILLIAM DUMA (Hagen – Minister for Commerce and Industry) – I ask leave of the Chair to make a personal explanation.

Mr SPEAKER – Do you claim to have been misrepresented?

Mr WILLIAM DUMA – Yes Sir!

Mr SPEAKER – Go ahead, leave is granted.

Thank you Mr Speaker, firstly, I like all of you leaders of this parliament, have an obligation to be very honest and frank, when I make a statement and the swans to the numerous allegations that has been made against me, starting from the Australia media and the social media here in our country.

Mr Speaker, very serious allegations have been made against me in the Australian finance review last in relations to decisions I have made as a minister of this state, minister for Petroleum and Energy starting way back in June 2010 in relation to the Stanley gas field, Petroleum Retention Licence 5.

This is a mistake we made nearly 10 years ago and no allegations and complaints were ever made against those decisions until only last week.

Mr Speaker, as the allegations related to the event that took place more than ten years ago, I was not able to properly respond to those allegations myself as I needed time to check the records and the archives containing documents going back to 10 years ago, all of us know, when you are a minister and you occupy positions of responsibilities and you sign documents they are state documents, you don't have them in your position as they do not relate to you and your capacity so I had to wait for nearly a week to be able to have access to those docs.

Mr Speaker, I can now say that in the position to respond to the allegations in the Australian finance review which unfortunately for me, I really based upon half-truths assumptions and a very defamatory of me.

Mr Speaker, the honourable member for Rabaul is a learned man in law and he should know that under our constitution everyone is innocent until proven guilty and he must also know that there are always two sides to a story, he has not been able to point out to this house

which particular section of our oil and gas act I have breached, he has not pointed out which law prevents small powering small PNG owned companies from applying for licences in the resource sector. He has also not pointed out what specific decision I made that is wrong in law, improper or corrupt. Yet he appeared to be like a parrot yesterday repeating allegations made by foreigners with vested interests.

Mr Speaker, under the oil and gas act ...

Dr Allan Marat – Point of Order! Yesterday, when I asked a question without notice, I was merely asking the Prime Minister if he could suggest to the two authorities, the Ombudsman Commission and the PNG Law Society about investigating.

14/06

I made no allegations. If the Honorable Minister for Commerce and Industry read my questions, that's how I prefixed my three questions.

I wasn't making allegations against what he did. The allegations were made by the *Australian Financial Review*.

Mr SPEAKER – Honorable Deputy Opposition Leader and Member for Rabaul, what's your point of order?

Dr ALLAN MARAT – That's my point of order; that I wasn't making any allegations against him. Who said that?

That's what I asked the Prime Minister to do, if he could make a suggestion for an investigation to the Ombudsman Commission and he is a leader and he can make reference to the Ombudsman Commission. Yesterday he said he was liaising with his counterpart in Australia not with the investigating authorities in Australia. Thank you, Mr Speaker.

Mr SPEAKER – Honorable Minister, the Honorable Member for Rabaul has made his point of order. You can now make your statement.

Mr WILLIAM DUMA – Thank you Mr Speaker. The good Honorable Member knows what he said yesterday. We'll leave it to the records of this Honorable House.

Mr Speaker, under the *Oil and Gas Act* the Minister responsible only acts upon the recommendations of the Petroleum Advisory Board, when it relates to Petroleum Prospecting Licences, Petroleum Retention Licences, and Petroleum Development Licences.

He has no power whatsoever to do anything without the recommendations of the Petroleum Advisory Board. That is the law of this country, that is not the law of Australia, it is our law. We have a system of governance in our country regulated by the *Oil and Gas Act*.

Mr Speaker, the Petroleum Advisory Board is an independent body and is established under *Section 13 of the Act*, and is comprised of the Secretary for the Department of Petroleum and Energy who is the Chairman, the Secretary for National Planning, the Secretary for Treasury, the Secretary for Provincial Affairs, the Director of the Petroleum Division of the Department, the Managing Director of the Investment Promotion Authority, and the Chief Inspector of the Department.

Mr Speaker, at that time, Joseph Lelang who is now an Honorable Member, Simon Tosali, Manasupe Zurenuoc, Kepsy Puya and Ivan Pomaleu were members of the Petroleum Advisory Board. Can one say that I was able to bribe and convince those stern men? I leave it to everyone's judgement.

Mr Speaker, the Petroleum Retention Licence for Stanley Gas project was held by two Australian companies, Santos Exploration Ltd and Horizon Oil Ltd. Due to the failure and delay by those companies to develop the gas resource for 10 years, the Petroleum Advisory Board on 9 June 2010 recommended to me that I refuse to extend the PRL. I have minutes of the PAB meeting Mr Speaker, which I will submit to the relevant authorities.

Mr Speaker, based upon the recommendations of the Petroleum Advisory Board contained in its Brief to me dated 24 June 2010, I gave those two companies my Notice of Intention to Refuse to extend their term.

Those two companies Mr Speaker then responded formally to that Notice and despite responding, the two notices were inadequate. So, based upon the recommendations of the Petroleum Advisory Board, again I requested the two companies to provide further and better particulars Mr Speaker. Again, the two companies were not able to provide the details we requested.

Mr Speaker, I then referred the matter back the Petroleum Advisory Board, because I have no powers whatsoever to make decisions on my own. Mr Speaker, after having responded to those notices from the companies, the Petroleum Advisory Board recommended to me in writing that I refuse to grant an extension of the term of the PRL 5 on the 5 of November 2010. I then notified the two companies of that decision.

Mr Speaker, on 23 November 2010 the Department of Petroleum put the exploration blocks in PRL 5 on tender. Horizon Oil and Santos Exploration were also encouraged to apply.

15/6

Mr Speaker, I later found out after the applications have been considered that, a number of companies including Horizon Oil, Talisman Niugini, Dabajodi Energy Limited and Elevala Energy Limited applied for PRL 5.

On the 2nd of December 2010, I notified the National Executive Council chaired by former Prime Minister Grand Chief Somare of the decision to terminate PRL 5 and that was supported.

Mr Speaker again I have a copy of NEC decision and submission.

While this tender process was in motion, Horizon oil filed an application in the National Court (OS 584 of 2010) for a judicial review of my decision to refuse to extend the PRL term, and at the same time applied for a restraining order to restrain myself, the Department of Petroleum and Energy and the PAB from entertaining the tender process.

On the 13 of December 2010, the then Chief Justice of our country Sir Salamo Injia refused the application by Horizon oil. The Chief Justice also refused to grant a restraining order against me and the members of the PAB and again I have a copy of the written judgement of his honour the Chief Justice at that time. Chief Justice Injia said at page 4 of the written judgement and I quote,

“I have considered all this matters against quiet extensive reasons for refusal given by the Minister after giving the plaintiff opportunity on 3 separate occasions to show cause why the PRL should be extended for a third term. The Minister’s decision is also based on the recommendation of the Board to refuse the extension for the stated reasons.” The chief justice also said, “Upon a quick perusal of the material document I am satisfied that the Minister having taken into account all the matters raised by the plaintiff and all other relevant matters, gave detail and comprehensive reason for his decision.

The plaintiff claim for abuse of power and bias on the part of the Minister is not supported by the matter put before me. I am satisfied that the Minister properly exercised his statutory discretionary power. I am not satisfied that an arguable case has been demonstrated by the plaintiff and refuse leave for judicial review.”

Mr Speaker the National Court shared by the chaired by the former Chief Justice found that, I properly and fairly exercised my powers, that I acted within the law and therefore he refused the company’s application. The Chief Justice has vindicated my decision to refuse to

attend another term of PRL as the licensees were sitting on it and they did not develop the resources for our country and our people.

Three days later Horizon oil filed an appeal to the Supreme Court in (SCM No. 15 Of 2010) against the decision of the Chief Justice.

On the 20 of December 2010 the Supreme Court granted an interim restraining order against myself and the members of the PAB and the State from dealing with PRL 5 and from determining fresh applications for that area until the hearing of the Supreme Court appeal. We were therefore stopped from completing the tender process and from awarding the PRL to other applicants.

On the 2 of February 2011, I engaged the law firm, Posman Kua Aisi lawyers to act for me and to file an objection to the competency of the Supreme Court Appeal by Horizon oil.

Mr Speaker, I didn't sit back. I filed an objection to the competency of that Appeal, I realised that it was going to take nearly one and a half years to hear my objection to competency of the Appeal, the Supreme Court Appeal proper, and then the Appeal by Horizon Oil Limited if it was successful in the National Court judicial proceedings.

Mr Speaker on the 24 of February 2011, and I have documents to prove this, the PAB advised me in writing of the following;

1. The Appeal to the Supreme Court was likely to be heard towards the end of the year due to many outstanding Supreme Court Appeals yet to be dealt with by the court.
2. As a result of the injunction taken out in court by horizon gas resource at Elevala and Ketu will not be commercialised that year (2011) or the following year.
3. There were likely to be significant delays in commercialising the gas condensate resource at Elevala and Ketu
4. An early resolution of the court case by Horizon Oil would enable the Elevala and Ketu discoveries to be commercialised earlier and generate revenue and employment for the people of Papua New Guinea.

16/06

5. And that it would be prudent for the State to settle the case and allow Horizon Oil being one of the Joint Ventures in the original PRL being very familiar with the PRL license history and two of the other applicant Dabajodi and Elavala for local content to carry out the more aggressive work program as outlined in the bid documents. The work programme

proposed by those three companies was very aggressive and incorporated 2D seismic Phase 1 and Phase 2 and drilling and logging of appraisal wells on the Elavala and Ketu structures.

6. Subject to clearance by the lawyers, it was in order to proceed to resolving the Supreme Court case

I had already engaged Posman Kua Aisi Lawyers to file an application on objection to the competency of the Supreme Court Appeal by Horizon Oil. My lawyers advised me in writing again, Mr Speaker, and I have written copies, that taking into account all the relevant factors, it was in order for all the parties to settle the dispute instead of dragging the matter for years.

This Mr Speaker, was the same as the recommendation from my Department as well as the PAB. My lawyers at Posman Kua Aisi advised me that it is and I quote, "It is highly likely the interim injunctions would not have been discharged had there not been a settlement reached and would have remained in place until a decision has been given in the substantive judicial review proceedings assuming the appeal was successful. This may have also tied the hands of you as Minister and the PAB for an indeterminate amount of time. This should have led to great commercial and legal uncertainty in the tendering and the registration process generally."

Basically, my advice was that Horizon Oil and others had some chance of succeeding in the Supreme Court Appeal. In the case of PAB, my lawyers Posman Kua Aisi also advised me that, "we are of the opinion that the PABs refusal to recommend to the Minister their licensee's application for the grant of an extension for a third five year term is open to challenge and would most likely be set aside by the Court."

Mr Speaker, on Friday the 11 of March 2011, the Supreme Court ordered us, including myself, members of the PAB, the Acting Director of Petroleum, exercising each of our statutory discretionary powers and to take such steps as are necessary to award the blocks and acreage subject to the conditions under the *Act* to Horizon Oil, Dabajodi and Elavala.

The Supreme Court ordered me to offer the PRL licence to those companies within two working days, Mr Speaker.

The Supreme Court also ordered me to take the necessary steps to enable those companies to get their licence within two working days.

The Supreme Court also ordered that the restraining order that they had granted earlier against myself and the others be uplifted as soon as we complied with the orders to offer the PRL to those three companies.

Mr Speaker as I said earlier, if I had not obeyed the orders of the Supreme Court, I would have been referred for contempt of Court. Mr Speaker, as a consequence of the Supreme Court Order, the PAB convened on the 17th of March 2011 and in its meeting number 05 of 2011, after taking into account the Court Order and the other relevant matters, recommended to myself to grant PRL 21 (formerly PRL 5) to Horizon Oil, Dabajodi and Elavala Energy and at the same time refuse other applications.

So, all these things are based upon an order of the Court Mr Speaker. So Mr Speaker, this is not a straight forward case. Based upon the recommendation of the PAB, the advice of my lawyers Posman Kua Aisi, which is a leading PNG law firm, and at the order and directions of the Supreme Court which ordered me to obey the orders within two days, I offered the new PRL 21 to Horizon Oil, Dabajodi and Elavala Energy. I had no choice but to obey the orders of the Supreme Court of Papua New Guinea.

Mr Speaker, if I had not complied with the order of the Supreme Court, I would have been charged with contempt of Court. Mr Speaker, my powers under the *Oil and Gas Act* in that matter came to an end as soon as I complied with the order of the Supreme Court.

So, to summarise Mr Speaker, under the *Oil and Gas Act* in terms of cancelling licences and awarding new licences, the Minister for Petroleum of the day, only acts on the recommendations of the PAB.

The following events are very important for all of us:

1. Based upon the advice of the PAB, I issued a Notice to Show Cause to Santos, Horizon and Talisman.

2. After having received responses from those three companies, and after having received the advice from the PAB, I refused to extend the PRL for the third term, given that they have held the licence for ten years.

3. The PAB then put the PRL on public tender.

4. Horizon Oil, Dabajodi and Elavala were among the companies which applied for the tender.

17/06

5. While the tender was in process, Horizon Oil applied to the National Court for a judicial review challenging my decision and also asking for a restraining Order.

6. The then Chief Justice Sir Salamo Injia in the National Court found that I acted properly and correctly and refused to grant leave and to grant an injunction,

7. Horizon Oil then appealed to the Supreme Court and successfully obtained a restraining Order against myself, the State, and members of the PAB from assessing the tender applications until the outcome of the Supreme Court appeal,

8. The PAB then wrote to me and recommended that, to avoid further lengthy delays, the Supreme Court case should be settled,

9. My lawyers Posman Kua Aisi advised me in writing that it would be prudent to settle the Supreme Court Case,

10. After having received legal advice and after being ordered by the Supreme Court, I referred the matter back to the PAB who then finalised the settlement terms,

11. The Supreme Court, amongst other things, ordered me to take steps to ensure a PRL was issued to Horizon Oil, Dabajodi and Elevala Energy within 2 working days; and

12. I complied with the Order of the Supreme Court and I also implemented the recommendations of the PAB.

Mr. Speaker, I did not break any laws and I followed the process. In fact, the National Court that found that I had followed the process was fair.

I followed the process provided by the *Oil and Gas Act*, and acted upon the recommendations of the PAB.

Mr. Speaker and leaders, the Australian press do not understand that under our law, a Minister only acts upon the recommendation of the PAB.

The Australian press do not understand or if they do understand, they deliberately twist the facts to suit their views and their motives.

One of the companies, I later found out, which applied for PRL 21 was Elevala Energy which I later found out was owned by a Papua New Guinean from the province I come from. As Minister, it is not my job to screen all the applications at the tender process. That is the job of the Department and the PAB. The PAB then recommends the successful applicants to me as the Minister.

Mr Speaker, there is no law preventing nationally owned companies from applying for PRL's even if they are shelf companies. For example, nationally owned companies can apply for and obtain State Leases and then sell their interests. In this case, a nationally owned company which does not have the privilege to defend itself in Parliament, was one of those companies which bid for the PRL in partnership with other companies.

The Australian media think PNG is Australia so they allege that just because one of the applicant companies recommended by the PAB is owned by a person from my province, I simply reject the PAB recommendation.

The petroleum industry, Mr Speaker, the forestry industry and the state land sector under the Lands Minister are similar and the relevant Ministers only act on the recommendations of their Boards to terminate or issue licensees and state leases. If PNG were to follow the Australian journalist's way of thinking, Mr Speaker, the Petroleum Minister, the Forestry Minister, and the Lands Minister would reject every successful applicant only because that successful applicant is known to the Minister or comes from the same province as the Minister.

What a very ridiculous and unrealistic view, Mr. Speaker.

Mr. Speaker, that I may know the director and shareholder of one of the 3 companies which was awarded PRL 21 is irrelevant. The nationally owned company was one of the applicants and one of those which was recommended by the PAB.

Do I simply reject the recommendation of the PAB just because the owner of that company comes from the same province as me and is known to me?

The Australian media as well as our citizens who are jumping on the bandwagon without thinking, are suggesting that I should have disobeyed the Supreme Court Order which ordered me to take steps to ensure the PRL was issued within 2 working days of the Order.

Mr. Speaker, I consulted my lawyers Posman Kua Aisi who gave me written advice, and I acted on the recommendations of the PAB in each step of the way as is required by the Oil and Gas Act. I complied with the Order of the Supreme Court. I also complied with the provisions of the *Oil and Gas Act*.

The transaction entered into between Horizon Oil and Elevala Energy who were partners in PRL 21, happened after the National Court and Supreme Court cases and after the PRL was granted to the three (3) companies. This was a commercial transaction between three (3) private companies involving their own money; not PNG people's money and it happened nearly ten years ago.

Obviously, Horizon Oil had its own commercial plans in the PRL so it acquired Elevala's interests. Horizon Oil is an Australian owned publicly listed company and would have done its own due diligence. I am not here to speak for it but they would have followed their own process.

18/06

Mr Speaker, is there any law, preventing nationals from applying for licenses in oil and gas sector, or even in the forest sector for that matter? It normally in the oil and gas industries

for cabernets were buy its other out. There was nothing wrong and illegal Origin Oil buying out his other partner in that PRL 21.

Mr Speaker, the transactions between companies who had interested PRL 21 were commercial transactions between privately owned companies involving their own money. There is no basis for anyone, unless you are a share holder of one of these companies to question their commercial transaction. Mr Speaker, I must make it clear, I was not a shareholder or director of Elevala. I did not receive millions of dollars from Horizon Oil.

The transactions are always between two companies whose representatives cannot defend themselves in Parliament.

We must respect the right to privacy of the directors and shareholders and should acknowledge their rights to use their money the way they think it's commercial for them and their shareholders. I cannot comment, Mr Speaker, on transactions conducted between two companies as I was not a party to those transactions. I had done my job, complied with my orders to issue the licenses and that was the end of the business for me Mr Speaker.

Mr Speaker, as soon as I acted, firstly upon the recommendation of the PAB, secondly upon the advice of my lawyers and thirdly, comply with the orders of Supreme Court, my involvement came to an end. I discharged my statutory duties as a Minister of State. It is very harsh and unfair for the names of the two companies, a publicly listed company and the other a nationally-owned company to be repeatedly mentioned in the media for transactions they entered into themselves 10 years ago.

The Australian media as well as the PNG Social Media have not pointed out which section of the *Oil and Gas Act* I breached. The allegations made in the *Australian Financial Review* are mainly based upon half- truths, assumptions and are very defamatory of me.

Mr Speaker, I have to inform this Parliament that I have sought the advice of a leading Australian defamation lawyer and also of a leading defamation tax book in Australia and he has advised me that I have good prospects of suing the *Australian Financial Review*.

Finally, Mr Speaker, it is very odd for the Australian media to make very serious allegations without documentary evidence, but more tellingly are not directly claiming that I breached the *Oil and Gas Act* or that I circumvented the process to do favors for someone known to me nearly ten years ago.

For such allegation to be made nearly 10 years later, and particularly when we in PNG, Mr Speaker, are going through the very controversially UBS enquiry and the very serious P'nyang gas negotiations give rise to more questions.

Mr Speaker, there is more to it than these allegations. Is it an attempt by powerful economic interests to indirectly destabilise the Marape Steven Government which is now fighting to ensure a balance and fair playing field in terms of developing our natural resources? Is it an attempt to indirectly push out the current operator of PRL 21 so that other industry players can dominated all the stranded gas fields in Western Province? Remember, Juha, Pynyang and Stanley gas fields are all in Western Province.

Mr Speaker, it will be easy for some companies with big resources to push out others and ultimately developed them at their owned pace without considering the economic interest of this country.

I am putting together a detailed written brief with copies of all the documents which I have here particularly, the recommendations of the PAB, the legal opinion from my lawyers, Posman Kua Aisi, and the Orders of the National Court and Supreme Court, to the Prime Minister of our country.

Mr Speaker, I again confidently and I am very pleased to say that, I now have all the documents which I didn't have last week to rebut the allegations to demonstrate very clearly that I followed every step of the way, the process set out in detail by the *Oil and Gas Act*.

Mr Speaker, finally, none of what I say now will repair the immeasurable damage to my reputation, but now I have explained my side of the story to my fellow leaders, this House, my supporters and the people of Papua New Guinea. Thank you, Mr Speaker.

19/06

**MINISTRY OF TREASURY – PNG HISTORIC ECONOMIC REFORMS –
MINISTERIAL STATEMENT – MOTION TO TAKE NOTE OF PAPER**

Mr IAN LING – STUCKEY (Kavieng – Minister for Treasury) - Thank you. Mr Speaker, it is an honour for me, and my people of Kavieng, and as Treasurer in the Marape/Steven Government, to stand here in her Majesty's House to provide the Parliament of this great nation an update on the national economy.

Historic Economic Reforms Continuing

Mr Speaker, there are two key issues I wish to address today.

First, I want to talk about the reality of PNG's economic prospects in 2020 — our growth prospects and the Budget.

Second, I want to announce a major economic reform step — a vital step out of the economic holes left by the economic mismanagement of the former Prime Minister's government.

PNG's Economic Growth Prospects

Mr Speaker, one of the characteristics of the Marape-Steven Government is its willingness to accept the facts. We are about Honesty and integrity. We will be transparent with problems, and then determine solutions. We are setting a clear pathway forward while acknowledging that it will take years, not weeks, not months, to get out of the economic holes left to us, the budget holes, the growth holes and our foreign exchange holes. We are willing to make tough decisions as shown by the 2019 Supplementary Budget and the 2020 Budget itself. We have visionary changes — such as focusing on our agriculture, fishing, and tourism sectors, with increased downstream processing and support for our SMEs. Our vision includes 2020 budget initiatives such as Connect PNG such as building roads to economy activity destination, rather than building roads to nowhere, labour mobility – getting our people to work abroad in Australia and hopefully New Zealand, affordable education, SOE reform and simplified and lower taxation on SMEs.

This is true economic leadership — and contrasts with the fake budgets, failed 100- day plans and statistical lies of the former administration.

Mr Speaker, there has been discussion about PNG's growth prospects in 2020. Some business people have spoken of their concerns about the economy, and this received wide coverage through Business Advantage and other stories. There has also been reporting of the World Bank's latest update on the PNG economy and a reference to a growth downgrade.

Mr Speaker, let me start with a few facts.

The key economic growth rate for 2020, a figure endorsed by the IMF, is 3.3 percent. This is the rate of growth for the non- resource economy after allowing for inflation. This part of the economy accounts for the actual living standards of our people. This growth rate is slightly above the population growth rate of 3.1 percent - so living standards for our people are expected to improve in 2020. This also means better business prospects and hopefully, our people will have more money to spend.

Looking forward, the prospects continue to improve. The key growth rate for the economy is expected to increase to 3.8 percent in 2021, increase further to 4.1 percent in 2022, and then to 4.6 percent in 2023 and 2024.

20/06

These are growth forecasts endorsed by the IMF as we prepared the 2020 Budget.

Mr Speaker, following best international practice, these growth forecasts are not dependent on any new resource projects. New resources projects should only be included in official growth projections once the final investment decisions are made. So, any additional resource projects would provide even further upside to the growth prospects of 4.6 per cent.

Mr Speaker, these growth forecasts increasing to 4.6 per cent are in stark contrast with the former Prime Minister's economic record. Indeed, the real non-resource GDP growth rate from 2015 to 2019 averaged only 1.1 per cent. This was a national disgrace. Such a poor growth record has hurt our people. Shame on the former Prime Minister's Government failing the people of PNG and driving down their living standards. Shame on his cutting employment levels. Shame on his moving PNG to effectively "failed state" status. Shame!

What are the predicted sources of growth in 2020? Fortunately, the growth figures is slightly higher in the sectors that affect most of our people. Growth in the agriculture, forestry and fishing sector is expected to be about 3.4 per cent. The growth in agriculture is driven by the on-season in coffee, increased projected palm oil production, and increased cocoa yields from the ongoing revitalization in the cocoa industry. One economic sector which is expected to do particularly well is the information and communication sector which is expected to grow at 8.0 per cent. This reflects better communications access flowing from the Coral Sea Cable.

Mr Speaker, frankly, I consider much more needs to be done. I want an even higher growth rate. I know that the IMF considers that non-resource GDP growth will increase to 4.6 per cent by 2023. I know that these growth rates do not include any new resource projects so, I like most of us, if not all of us in this House, want the Papua LNG project and other projects such as P'nyang on fair terms to go ahead to increase this growth rate even further. But I want to do even more. I want to lift that growth rate in non-resource GDP not only to 5 per cent, I want to lift it even higher. And that will require fundamental economic reforms to the PNG economy.

Mr Speaker, using a different measure of growth that is greatly influenced by the ups and downs of the resource sector, the overall GDP growth rate was predicted in the 2020 Budget to be 2.0 per cent. This is lower than the non-resource sector growth rate because of assumption that the oil and gas sector will move backwards by 4.9 per cent to average production levels after a positive spike in 2019 following the 2018 earthquake.

This 2.0 per cent real GDP growth rate is more conservative than the latest World Bank forecasts of 2.9 per cent. So, the World Bank lowered its growth forecast from 3.1 per cent, down to 2.9 per cent. But this is still well above our own forecast of 2 per cent. Clearly, our budget and growth forecasting is starting to be more balanced and even conservative.

21/06

As Treasurer, I prefer to base our budget and growth forecasts on a conservative rather than an optimistic basis. For it is easier to adjust for the upside than the downside.

Novel Coronavirus

Mr Speaker, as I talk about PNG's growth prospects, I must mention the concerns about the emergence of the Novel Coronavirus outbreak originating in Wuhan, China. There are many uncertainties about the impacts of this virus.

Three things are known. First, don't panic. The impacts on confidence are likely to be more significant than the actual direct economic impacts. Second, there will be an adverse impact in China, and this will flow through to other countries. Third, there will be an adverse impact on PNG, but this is likely to be measured as less than one per cent based on current international forecasts.

Analysts have dropped the growth forecasts of the Chinese economy from 6 per cent in 2020 down to 5 per cent, and some even to 4 per cent. So, for even the most directly affected country, China itself, the decline in the growth rate is currently considered by most as around one percent. Different economies will be affected in different ways.

For PNG, the main impacts will be through restrictions on the movement of Chinese nationals. There may also be impacts on our LNG and other contracts with China. There will be some minor impacts through a reduction in Chinese tourists and even some business people into our country.

This is not good news for our economy but this must be considered in a balanced fashion based on available information. There are a great number of uncertainties but as the Chinese economy is expected by most to slow by only one or two per cent, the impact on PNG is likely to be much smaller. For example, Bloomberg Economics estimates that the impact on the Australian and Brazilian economies will be only a 0.3 per cent reduction in growth despite their very high level of resource exports to China.

Economic Stimulus from the 2020 Budget

Mr Speaker, one of the drivers of economic growth in the non-resource sector is the increase in government spending in the 2020 Budget. So while maintaining what is acknowledged as a fundamental move back towards sustainable budgeting and a fiscal consolidation strategy- and that is a continued reduction in our deficit over the next 5 years, the 2020 budget includes the largest budget deficit in PNG's history. K4 631 million.

Mr Speaker, the Marape-Steven Government has taken this problem and turned it into an opportunity for stimulating growth.

First, there is over a billion kina allocated to clear outstanding arrears. This is good for business confidence as for example, PNG Power will finally be paid and thereby help reduce the on-going power blackouts.

Contracts entered into in good faith and without political manipulation will be paid, after going through a thorough verification process, businesses can start trusting the contracts they enter into with government if we pay these arrears.

22/06

Public servants over the age of 65 will be paid their separation entitlements; their finish pay. And this will help stimulate the economy as they spend their payout.

Secondly, there is a planned 67 per cent increase in project financing through our multi-lateral partners, increasing from K817 million in 2019 to an estimated K1,365 million in 2020. This is an increase of over half a billion kina for projects. This allows for increased work across our economy. This is good for short term and long-term growth as we are investing in good projects such as better roads, airports and training centers.

Financing

Mr Speaker, the biggest risk to delivering on the 2020 Budget and its growth stimulus is ensuring we can finance this deficit of K4,631 million. This, is a massive challenge.

However, the actual financing challenge is even larger. The unwise, short-term Credit Suisse borrowing by the former Prime Minister means we have already had to find the financing for repaying half of this loan in 2020. Combined with other borrowings, this lifts our 2020 financing requirements to a record K5,530 million or K5.5 million.

Papua New Guinea has never faced such a large budget financing challenge in its history. And we also need to roll over, let's not forget the US\$300 million bridging loan from Australia that was so vital in supporting our 2019 Budget.

We need to raise the required financing. The international community is willing to help. Indeed, very willing to help an honest Marape-Steven Government, committed to true economic reforms.

Mr Speaker, the Marape-Steven Government has put in place a strategy to finance the largest budget deficit in our history as well repaying and re-financing former loans. However, K3,805 million kina or K3.8 billion of this support is based on our receiving international support linked to an independent verification that we have a true economic program underway. The Marape-Steven Government is working really hard to secure this additional funding on of course, the right terms.

This was the key focus of my meeting with the Australian Treasurer, Josh Frydenberg in Australia last month.

Our Prime Minister last week, wrote to the Australian Prime Minister, Scott Morrison, re-iterating the importance of this financing request. Let me be very clear. If we do not have a program based on international support, then K3,805 million of our budgets is at risk. This is 96 per cent of the development budget. We simply cannot cut our development budget which is so vital for our people by such a large amount. So, we do need a program of international support. This will allow for our PNG Connect and other vital infrastructure programs. This will provide the financing for PNG to start truly transforming our economy, with a focus on the agriculture sector.

23/06

International support the IMF Staff Monitored *Program*

Mr Speaker, I am pleased to announce today that Papua New Guinea has formally applied for a staff monitored program with the International Monetary Fund, this historic letter was signed by the prime Minister, the governor of the bank of PNG and myself just early this morning, we expect to hear shortly on the outcome of that application.

Mr Speaker, this application opens the doors for the extra K3,805 million in international vital so vital for buildings and transforming our economy, we cannot deliver the 2020 budget without it but an IMF programme is much more significant than just the extra financing, such a program will demonstrate international confidence in the economic reform programme of the Marape-Steven Government in short, such a programme is all about creditability, Papua New Guineas needs to restore credibility for creditability holds and builds confidence. And international and business confidence in our economy leads to higher investment and increased growth. This is a historic request, it has been nearly 20 years since

PNG, our country has embarked on such an ambitious economic reform program with the support of our internal partners. It is important that I set out in the parliamentary record, the reasons for seeking this assistance, this is set out in the covering letter to the Managing Director of the IMF requesting for the IMF staff monitored program, let me begin quoting from this letter.

“Papua New Guinea is facing several economic crises. There is a budget crisis as years of economic mismanagement has left our new government with a largest deficit in our country’s history, a declining revenue base, declining levels of delivery of basic health and education services and very significant government arrears to our businesses. We have inherited all of these problems. There is a growth crisis with a fall in living standards measured by non-resources GDP per capita for the last 7 years of just under 10 percent.

Formal sector of employment is actually more than 10 per cent lower than 7 years ago, there is a monetary crisis, foreign exchange shortages are damaging growth and have been identified by Papua New Guinea businesses as the major No.1 constraint in doing business in our country. Private sector lending has continued at unfortunately low levels while PNG has faced natural disaster in recent years, such as a major drought in 2015 which likely killed hundreds of our people and a major earthquake in 2019 which killed a hundred more, the main reasons for our current situation are well poor policies and even poorer implementation.

Mr Speaker, the new Marape-Steven Government is committed to implementing economic social and governance reforms to turn this situation around. There is no quick fix! No quick fix! It will take many years to get out of the economic hole that the government finds itself in as we undertake our reforms, we are seeking assistance from international partners.

24/06

Mr Speaker, so this is the context of PNG's application for an IMF Staff Monitored Program. We have done so to secure credibility, to support economic reforms, to gain vital financing for our budget. This is another step forward, one that helps build resilience in our economy, especially as it faces threats such as from the Novel Coronavirus.

Mr Speaker, the Staff Monitored Program has 31 performance criteria. Almost all of these simply reflect the economic and budget reform program already put in place by the Marape-Steven Government. This is a program which supports PNG's own economic reform program because it is home grown.

Of the quantitative component of this program of the 31 performance criteria, 11 of these are called "quantitative criteria" and are focused on delivering our 2020 Budget. It is early days, I know, but we are on track for at least 10 of these 11 criteria. The possible exception is our commitment to ensure that social expenditure, such as health and education and public safety, are protected from any cash flow shortages. Already in the month of February we are facing some head winds.

Expenditure is running too slow in these areas, and we will work to increase funding in these key social areas a lot more quickly. And for those who still wish to criticize the idea of any program with the IMF, think of what I just said. We are under pressure under the IMF program to ensure that health and education expenditure is given priority. This is certainly not the old IMF program I personally experienced nearly 20 years ago.

There are also 20 other "qualitative" performance criteria Mr Speaker. Of which we have already met 4 of these. Fourteen (14) of these criteria relate to fiscal or budget policy. 7 or half of these focus on lifting revenues, which of course is a key government priority. Prime Minister Marape, continues to advocate not just amongst Cabinet Ministers but our Provincial Governors and the Chairman's of our DDA's.

There are 3 specific monetary and exchange rate measures. We will be complementing these monetary criteria with two reviews. The first review will focus on how best to fix the foreign exchange shortages that are damaging our businesses and our economy. This will include policy options for maximizing the benefits and minimizing adjustment costs from any move back to a freely convertible currency. The second review will focus on updating the legislation for our central bank which has not been reviewed for nearly 20 years.

There are also three criteria related to governance and structural reforms. These link to our ambitious State-Owned Enterprise Reform program, as well as measures to reduce corruption and the introduction of the ICAC legislation which the National Parliament unanimously endorsed yesterday.

Mr Speaker in concluding, this is a PNG-led reform program. There are hard yards ahead as we work to escape the economic holes left to our new government. But as a country, we can take these hard yards together to rebuild our country for the benefit of our children.

25/06

I will provide an update on our progress in implementing our economic reform programme in the April sitting of Parliament. This will include an update on the 2019 final budget outcome which will be released on the 31st of March this year.

Thank you, Mr Speaker, thank you to my parliamentary colleagues and I take this opportunity to wish the Prime Minister Marape and his delegation the safest of the journey and every success with his visit to Fiji and New Zealand next week.

Motion (by **Mr Rainbo Paita**) agreed to –

That Parliament take note of the Paper.

Debate adjourned

ADJOURNMENT

Motion (by **Mr Rainbo Paita**) agreed to –

That the Parliament now adjourned.

The Parliament adjourned at 12.55 pm