

**FURTHER DEVELOPING THE PARTNERSHIP BETWEEN GOVERNMENT
AND BUSINESS FOR PAPUA NEW GUINEA'S CONTINUED ECONOMIC
DEVELOPMENT**

Presented jointly by

Mrs Winifred Kamit, President, Business Council of Papua New Guinea
and

Mr Alan Walter, President, Australia Papua New Guinea Business Council

16th Australia Papua New Guinea Ministerial Forum

Lae, 15 December 2004

On behalf of the business communities of Papua New Guinea and Australia, we express our appreciation to the Governments of Papua New Guinea and Australia for the recognition given at successive Ministerial Fora to the role which the business sector, through our Councils, plays in the broader bilateral relationship and in the economic life of Papua New Guinea. We are gratified that governments make provision of seats at this table to enable us to discuss together matters of great importance both to Papua New Guinea's further economic progress, and for our members' businesses. We believe there is scope to further enrich this process of dialogue, a matter we will address later in this paper.

The business communities in Papua New Guinea and Australia whom we represent today share with governments the wish to ensure that the aspirations of the people of Papua New Guinea are met through the development of a diverse and healthy economy. Only through the development of such an economy can individuals make a choice about their own level of participation in it.

We are encouraged by developments over the last twelve months which have seen significant steps taken towards providing an improved fiscal, economic and governance base which will better enable these aspirations to be realised.

We applaud the government of Papua New Guinea, especially the Minister for Finance and Treasury, for its commitment to tight fiscal and economic policy and support for business. But there is no scope for complacency. The improvement in economic indicators which has occurred especially over the last two years has been helped by high global commodity prices.

Despite the improvement in economic indicators, spectacular as it has been in some cases, there is evidence that the benefits of this is being seen only in the national economic accounts and is not trickling down to the grass roots levels through employment growth, salary and wage increases, and improved delivery of government services.

To consolidate these improvements and create the long term growth necessary to meet the aspirations of the Papua New Guinean people much more must be done to support the development of major projects, the redevelopment of existing industries which have been in decline, and to seek opportunities for new industries.

We urge both governments to work with each other and with business to ensure that projects such as the PNG gas project and pipeline to Australia are completed and are not delayed or put at risk by inadequate allocation of government resources to meet project requirements, nor by narrow sectoral interests in Australia, State-based political interests, Federal/State policy rivalries, or inflexible policy positions at either the Federal or State political or officials level. Australia's national interests are best served by supporting opportunities for Papua New Guinea to develop its economy through private sector led investment, rather than continuing and possibly increasing reliance on development assistance. This project offers a landmark opportunity to Papua New Guinea, and must be supported unequivocally.

We also urge both governments to work closely together for the rehabilitation and restructuring of the agriculture sector. This involves not just agricultural expertise and investment, but critically important is investment in national infrastructure, especially roads and ports, to ensure agricultural production is able to reach markets. It is important that Australian government agencies support the Papua New Guinea government agencies mandated to rehabilitate, maintain and develop national infrastructure.

We also applaud the Australian Minister for Foreign Affairs who throughout his almost nine years in the portfolio has displayed in the Australian government a unique commitment to engagement with, and the development of Australia's relations with, Papua New Guinea and the wider Pacific islands region. His efforts have been pivotal in bringing the Australian government to a new level of commitment to its relationship with Papua New Guinea.

We endorse the policy initiatives of the Enhanced Co-operation Program which were agreed at the Adelaide Ministerial Forum just a year ago. Much of what is now being implemented in the ECP reflects the concerns of business as expressed in our submission to the 14th Australia Papua New Guinea Ministerial Forum held in Port Moresby in November 2002. There is some work to be done in fine tuning the ECP, including in ensuring business and the wider community are more fully engaged in monitoring the program and in the flow of information to business and the community.

The last two years have seen a closer relationship develop between business and government which has helped to remove some of the previous suspicions which each group had of the other.

In Papua New Guinea, the establishment by the national government of the National Working Group on Removing Impediments to Business, in which Councils' representatives participate, has been an important element in the development of this new relationship.

In Australia, the Australia Papua New Guinea Business Council appreciates the willingness of the Minister for Foreign Affairs in particular to engage with us on Papua New Guinea policy issues, and the relationship it has with the key Australian government agencies involved in the relationship: the Department of

Foreign Affairs and Trade, AusAID and Austrade. We are looking to deepen further the relationship with agencies, a matter which I will come to shortly.

For the Councils' part, we were pleased to host in March this year in Cairns the 20th Australia Papua New Guinea Business Forum, a two day Forum to discuss issues relevant to business between Australia and Papua New Guinea and economic development in Papua New Guinea. The Forum, held in parallel with the Queensland Papua New Guinea Business Co-operation Group Meeting, attracted approximately 150 participants. We were delighted to have the attendance at the Forum of six ministers of the Papua New Guinea government who attended throughout. Unfortunately Australian government political representation was limited to a parliamentary secretary attending only the opening session. The Councils will hold the 21st Australia Papua New Guinea Business Forum in Cairns from 1 to 3 May 2005, and we are pleased to invite ministers from both governments to attend and participate.

The relationship between government and business needs bilateral institutional strength. To this end, the Councils have decided to convene in Port Moresby in mid-2005 a joint meeting of the executive committees of both Councils. The meeting will focus on policy issues affecting business which arise out of this Forum and from the forthcoming Business Forum. It is my pleasure to invite ministers to arrange for officials representing both countries to participate in this meeting to enable a full discussion, and to enhance the dialogue which takes place at the next Ministerial Forum by ensuring there is a sound preparatory basis for those discussions.

It is our view that there are a number of issues on the agenda for this Forum to which business could make a substantive contribution to the discussion with its detailed and specialist knowledge, for example in relation to trade and economic matters and some aspects of transnational crime, or where, for example, the Australian government has posited a partnership with business in relation to HIV/AIDS, but business has not been included in those sections of this Forum in which the bilateral policy dialogue takes place.

The issues to which I have referred in this statement, and some others, are expanded in the attached paper.

Ministers, thank you for including us in this Forum. We look forward now to discussing with you these issues, and to further discussions.

(Winifred Kamit)
President
Business Council of
Papua New Guinea

(Alan Walter)
President
Australia Papua New Guinea
Business Council

**FURTHER DEVELOPING THE PARTNERSHIP BETWEEN GOVERNMENT
AND BUSINESS FOR PAPUA NEW GUINEA'S CONTINUED ECONOMIC
DEVELOPMENT**

Presented jointly by

Mrs Winifred Kamit, President, Business Council of Papua New Guinea
and

Mr Alan Walter, President, Australia Papua New Guinea Business Council

16th Australia Papua New Guinea Ministerial Forum
Lae, 15 December 2004

CONTENTS

RECOMMENDED ACTION POINTS	5
1. PNG NATIONAL WORKING GROUP ON REMOVING IMPEDIMENTS TO BUSINESS	8
Visas and Work Permits	8
Dual Citizenship	10
Central Supplies and Tender Board (CSTB)	10
2. Tax Issues	11
Management Fees	11
Collection of GST	11
3. MAJOR PROJECTS: GAS PIPELINE	12
4. ENHANCED CO-OPERATION PROGRAM (ECP) IMPLEMENTATION	13
Constitutional Challenge	13
Police Deployments	13
Treasury Advisors	15
General	15
5. ATTRACTION OF NEW INVESTMENT	16
6. HEALTH ISSUES	17
7. INFRASTRUCTURE AND LAND	18
Public Private Partnerships (PPP)	18
Land Issues	18
8. EDUCATION	19
9. TRANSPORT ISSUES	20
Aviation	20
Shipping	20
10. TORRES STRAIT BORDER PROTECTION ISSUES	20
11. FUTURE BUSINESS/GOVERNMENT CONSULTATIVE MECHANISMS	21

RECOMMENDED ACTION POINTS

1. PNG NATIONAL WORKING GROUP ON REMOVING IMPEDIMENTS TO BUSINESS

- 1.1 Speedily implement NEC decisions in respect of:
 - the removal of Investment Promotion Authority reserved activities;
 - implementation of new business investor visa provisions;
 - implementation of the APEC Business Travel Card arrangements.
- 1.2 Implement dual nationality legislation.
- 1.3 Ensure the National Training Council is properly resourced to enable it to carry out its statutory functions in relation to training and localisation plans (see also Action Point 8.1)
- 1.4 Expedite changes to the processing of visa and work permit applications to make them more encouraging for investors, and to bring about a philosophical change in the attitude to expatriate employees of responsible companies.
- 1.5 Commence a process of dialogue on the efficacy of opening labour markets to allow market forces to determine the natural benefits of market mobility.
- 1.6 Review the operations of the CSTB, and to make changes where necessary to ensure its processes and procedures do not delay the implementation of projects.

2. TAX ISSUES

- 2.1 Immediately announce that the new arbitrary 2% limitation on the deductibility of management fees will not apply at least to residents of double tax treaty countries to be followed by required amendments to be proposed to the legislation, if necessary, to ensure that the law corresponds to the policy in this area.
- 2.2 Improve compliance by collectors with GST collection and reporting requirements.

3. MAJOR PROJECTS: GAS PIPELINE

- 3.1 Adequately resource government agencies necessary to ensure project deadlines are met;
- 3.2 Ensure the Export Finance and Investment Corporation (EFIC) recognises the national interest elements in this project and responds accordingly.

4. ENHANCED CO-OPERATION PROGRAM (ECP) IMPLEMENTATION

- 4.1 Review the deployment arrangements for the police component of the ECP to ensure the deployment is phased to minimise the possibility of criminal activity merely being transferred from one area to another.
- 4.2 Ensure that ECP police deployments from Australia are of sufficient length to be wholly effective.
- 4.3 Implement a multi-faceted business and public information campaign, including in the major Papua New Guinean languages, to ensure business decision makers and the community at large is fully informed about ECP deployment planning.
- 4.4 Establish an external community monitoring committee that can monitor and advise on implementation of ECP
- 4.5 Increase dialogue between ECP Treasury advisors and business to ensure both parties are fully aware of concerns and issues for the other.

5. ATTRACTION OF NEW INVESTMENT

- 5.1 Fully fund the National Roads Authority to enable it to carry out effectively the functions for which it was created.
- 5.2 Commit AusAID and encourage other donors to actively support the National Roads Authority
- 5.3 Develop new incentives to attract investment to the agriculture sector.

6. HEALTH ISSUES

- 6.1 Include business in the development of national and bilateral strategies for managing the HIV/AIDS pandemic.

7. INFRASTRUCTURE AND LAND

- 7.1 Work with business in identifying suitable models and projects for PPP implementation.
- 7.2 Devote greater resources to land administration, including the introduction of an appropriate system of customary land registration.

8. EDUCATION

- 8.1 Ensure the National Training Council is properly resourced to carry out its statutory functions in relation to the development of vocational training.
- 8.2 Examine the reintroduction of selective national high schools with entry based on academic merit.
- 8.3 Consult with business to ensure that education policy and programs are appropriately targetted at the planned needs of business and the economy.

9. TRANSPORT ISSUES

- 9.1 Encourage liberalisation of aviation between Australia and Papua New Guinea, including by allowing additional carriers into the market and by allowing direct access by international carriers to key regional ports.

10. TORRES STRAIT BORDER PROTECTION ISSUES

- 10.1 Maintain as a minimum the current level of operational funding for the operation of border protection in the Torres Strait region.

11. FUTURE BUSINESS /GOVERNMENT CONSULTATIVE MECHANISMS

- 11.1 Join with business in a bilateral dialogue between business and government in mid-2005 in Port Moresby.
- 11.2 Examine opportunities for greater engagement with business in selected sessions of the government to government agenda for Ministerial Fora.

1. PNG NATIONAL WORKING GROUP ON REMOVING IMPEDIMENTS TO BUSINESS

The Councils welcome the work undertaken so far by the Working Group. We commend particularly the Secretary to Government, Mr Joshua Kalinoe, for his willingness to consult with business representatives and for his determination to drive this process forward at a bureaucratic level.

Now that the National Executive Committee has approved a range of recommendations of the Working Group, we urge the government to move expeditiously to take the necessary legislative or regulatory action necessary to give effect to those decisions. Every day of delay is a day of opportunity lost for the more effective engagement of investors and business in growing the Papua New Guinea economy and creating employment and economic growth.

In particular, issues which business regards as of utmost importance for urgent action are:

- (a) the removal of Investment Promotion Authority reserved activities;
- (b) implementation of new business investor visa provisions;
- (c) implementation of the APEC Business Travel Card arrangements.

We look forward to the relaxation of exchange controls as announced recently by the Governor of the Central Bank of Papua New Guinea.

While some decisions have been taken which will streamline business issues, there remain issues to be dealt with which continue to bedevil the smooth conduct of business in Papua New Guinea.

Visas and Work Permits

Of ongoing deep concern is that the issue of visas and work permits remains problematic. Despite commitments made to streamline these issues, Council members continue to report a very high level of frustration with processes and delays encountered in dealing with the visa and work permit issuing authorities in Papua New Guinea.

We welcome the decision to move the Training and Localisation Plan requirements away from being a work permit requirement to becoming an area supervised by the National Training Council (NTC). For this to be effective, there needs to be an increase in resources available to the NTC which corresponds with the additional responsibilities it has now been given, in particular to encourage and foster appropriate levels of training necessary for effective localisation to be achieved.

At a more strategic level, it is our view that there needs to be a philosophical shift in the understanding in the bureaucracy and the community of the role and value of expatriate employees in business organisations.

There is evidence that in a country like Papua New Guinea the economic benefits of the employment of one expatriate include the creation of up to ten jobs which would otherwise not exist.

A short paper is attached which canvasses a number issues around the subject of access by expatriate staff to labour markets.

It is our understanding that all responsible companies in Papua New Guinea have training and localization plans. Because of the cost differential, no properly managed business will engage an expatriate when a suitable local person can be employed. The additional cost of expatriates directly affects the company's bottom line, and must therefore be justified to shareholders. Certainly that is the view of members of the Australia Papua New Guinea Business Council.

It is therefore in the interests of business to localise positions as quickly as can be done while maintaining the business' viability. This can only be achieved through a rational and well structured localisation program.

The issue of work permits enables skills not present in Papua New Guinea to be brought into the country and transferred to Papua New Guineans, and creates further local employment opportunities.

For many businesses, the inability to employ expatriate skills in management positions would cause the reassessment of their future in Papua New Guinea, thus potentially depriving Papua New Guinea of their input into economic activity and employment growth.

Many responsible companies also offer Papua New Guineans opportunities to undertake assignments outside Papua New Guinea which increase their skills and prepares them for more senior responsibilities in the work force in Papua New Guinea.

It is important that the Department of Labour and Employment is able to discern between responsible and legitimate business, and those who are deliberately breaching Papua New Guinea's immigration and labour laws.

It is our view that the Australian and Papua New Guinea governments should commence serious discussions about creating a more open labour market between the two countries. This should not just be confined to approval for Papua New Guineans to travel to Australia to undertake seasonal work (which would in large part simply be recognizing a de-facto existing situation) and Australians being granted work permits for employment in Papua New Guinea, but a genuine opening up of the labour markets and allowing the market to determine the level of labour market mobility. We note that this issue is within the Terms of Reference of the Papua New Guinea Parliamentary Select Committee on the Establishment of a Pacific Economic Community.

Dual Citizenship

We note the decision reached on permanent residence by the NEC, and encourage the government to implement legislation to allow for dual nationality as another measure of business facilitation.

Central Supplies and Tender Board (CSTB)

Australian business working in Papua New Guinea reports some difficulties with the operation of the CSTB and the award of contracts - in particular in relation to the award of contracts for infrastructure projects.

Australian Managing Contractors (AMC) on AusAID projects are tasked with delivering projects on time, on budget and to the quality expected by AusAID and required under the contract. They are responsible for ensuring that Australian taxpayers money is put to the use intended and that the PNG Government and people receive the benefits expected from the project.

The Tender Evaluation Committee (TEC) includes representatives from the Department of Works (Director -AusAID and Director - Maintenance) as well as the Australian Team Leader. Recommendations are made based on set criteria, including tenderer's financial capability, previous experience and track record, and availability of plant, equipment and experienced personnel. The TEC is normally ready to put a recommendation to CSTB within two or three weeks of tenders closing. The problems experienced include:

- CSTB not meeting as per schedule.
- Contracts and recommendations being dropped from the Agenda
- CSTB requesting three recommended tenderers (from which they can then "select")
- Accusations of tailoring tender documentation to suit certain contractors
- CSTB failing to award the Contract in a timely manner
- State Solicitor failing to approve the Contract documents - even though in some cases the same documentation has been used for three years

Action Points

- 1.1 Speedily implement NEC decisions in respect of :
 - the removal of Investment Promotion Authority reserved activities;
 - implementation of new business investor visa provisions;
 - implementation of the APEC Business Travel Card arrangements.
- 1.2 Implement dual nationality legislation.
- 1.3 Ensure the National Training Council is properly resourced to enable it to carry out its statutory functions in relation to training and localisation plans (see also Action Point 8.1)

- 1.4 Expedite changes to the processing of visa and work permit applications to make them more encouraging for investors, and to bring about a philosophical change in the attitude to expatriate employees of responsible companies.
- 1.5 Commence a process of dialogue on the efficacy of opening labour markets to allow market forces to determine the natural benefits of market mobility.
- 1.6 Review the operations of the CSTB, and to make changes where necessary to ensure its processes and procedures do not delay the implementation of projects.

2. Tax Issues

Management Fees

The Income Tax Act was amended in the context of the 2005 Budget to arbitrarily limit tax deductibility of management and technical fees paid to Australian (and other foreign) companies to (broadly) 2% of the income or expenses of the PNG customer. In other words, if foreign companies are providing management or technical support for companies in PNG, the PNG company will not be able to claim a tax deduction for the full cost. This treatment would result in income being taxed twice as the disallowance of the deduction in PNG would not affect the treatment in Australia which would be to tax the income as having an Australian source. This treatment conflicts with the broad principle under which Double Tax Treaties are negotiated that seeks to ensure that income is taxed only once. Given the particular way the PNG legislation would operate however it would appear that the Treaty would not provide protection in these circumstances.

We understand the PNG Internal Revenue Commission has indicated to some parties informally that it is not intended to apply the limitation to tax treaty countries.

This would be a sensible result, while leaving the issue unresolved for other countries. It is important that any such treatment be applied consistently and we therefore propose a public announcement to ensure transparency and consistency on this issue. In dealing with any instances of tax avoidance we would support using existing mechanisms in the law and through the treaty network while also supporting if necessary improved resources through the ECP or otherwise for the IRC to deal with such matters.

Collection of GST

Council members in Papua New Guinea are aware that there are a significant number of GST registered businesses above the threshold which collect GST from customers and clients who are but do not make monthly returns. These businesses may be laundering horse race machine money and compete unfairly

with business houses that make all normal returns. There is a need for the Government of Papua New Guinea to take steps to improve compliance with GST collection and reporting requirements.

Action Points

- 2.1 Immediately announce publicly announcement that the new arbitrary 2% limitation on the deductibility of management fees will not apply at least to residents of double tax treaty countries to be followed by required amendments to be proposed to the legislation, if necessary, to ensure that the law corresponds to the policy in this area.
- 2.2 Improve compliance by collectors with GST collection and reporting requirements.

3. MAJOR PROJECTS: GAS PIPELINE

The Councils are encouraged by recent progress with respect to the PNG to Australia Pipeline Project, especially the recent decision by the Project Developers to enter Front End Engineering and Design (FEED). We understand that this process will take about twelve months to complete, with Project Sanction (Financial Close) possible within twelve to eighteen months. Considerable effort by the Developers is needed to put in place required approvals and documentation in order for the project to meet Project Sanction requirements, and for appropriate financing to be finalised for various companies and the PNG Government.

Given the size and impact of this project, it will inevitably attract substantial public interest and NGO involvement, as well as material review by financiers and investors.

A comprehensive portfolio of agreements and licence approvals is required to bring this Project to the point of sanction. These include new production and pipeline licences in PNG and Australia, environmental approvals, (likely to standards embodied in the Equator Principles), landowner benefits, socio economic reviews and business development arrangements, as well as a range of complex commercial and financing agreements involving Developers, the PNG government, landowner groups and other stakeholders. The Councils are very concerned that a number of important Government Departments in Papua New Guinea are substantially under-resourced, in terms of both numbers and skills, to address the review requirements and approvals appropriate for the Pipeline Project and that they will find it difficult, or indeed impossible, to meet the broad required timetable for approvals leading to Project Sanction.

The Councils, therefore, request the Australia and Papua New Guinea governments review potential support for key Departments, such as Department of Petroleum and Energy, Finance and Treasury, Environment and Conservation. This support, we believe, is urgently required if the Project is to

proceed in a way which delivers gas, in a timely manner, to customers under present supply agreements.

Although the Councils believe that adequate bank and other forms of financing are available to project participants, it is clear that the provision of Political Risk Insurance, in various forms, is likely to be required to achieve successful and competitive financing for involved parties.

The Councils, therefore, request the Australian Government, through the Export Finance and Investment Corporation (EFIC), to play an important role in the provision of insurance to the developers and financiers of this project. Given the size and impact of the project, highlighted in recent publications, the Council believes that it is strongly in the national interest of both governments for the project to proceed and EFIC to play a lead role in project facilitation.

Action Points

- 3.1 Adequately resource government agencies necessary to ensure project deadlines are met;
- 3.2 Ensure the Export Finance and Investment Corporation (EFIC) recognises the national interest elements in this project and responds accordingly.

4. ENHANCED CO-OPERATION PROGRAM (ECP) IMPLEMENTATION

The Councils support strongly the measures being taken by the Governments of Papua New Guinea and Australia to implement the ECP, and congratulate both governments on their willingness to make a long term commitment to this initiative. The measures now being implemented reflect a number of concerns which business has expressed over time, and particularly at the 14th Australia Papua New Guinea Ministerial Forum in Port Moresby in November 2002.

There are however, a number of areas of concern to business about the current arrangements for implementing the ECP.

Constitutional Challenge

While recognising the paramountcy of the judiciary over the executive and the legislature, the Councils regard the current challenges to the constitutionality of the ECP deployments to be motivated by self interest and grandstanding which is not in the Papua New Guinea national interest. We urge the government to take all steps within its power to ensure that the ECP is not affected by these challenges.

Police Deployments

The Councils are concerned that the planned deployment of ECP police personnel apparently has a strong initial focus on Port Moresby and understands that it is not planned to deploy ECP police personnel to other urban areas such as Lae and Mount Hagen for some time.

Those familiar with the ebbs and flows of law and order issues in Papua New Guinea over the last two decades or more will know that when strong action is taken to enforce law and order in Port Moresby (e.g the imposition of curfews or additional police deployments) the miscreants simply decamp to another urban location.

There is therefore real concern that if initial deployments are focused in Port Moresby with deployments to Lae and other locations at some time in the future this will simply shift the law and order problem from Port Moresby to Lae, Mount Hagen or elsewhere.

While conscious of the political dimension of any deployments to Morobe Province, the Governments of Papua New Guinea and Australia are urged to devise a deployment strategy which will avoid the possibility of a decline in the law and order situation in Lae or elsewhere due to delayed deployment of ECP police personnel.

It is also understood that ECP police deployments from Australia to Papua New Guinea will be based on a four month duty assignment following which the Australian personnel will return to Australia for up to ten weeks leave, subject generally to a maximum of four rotations.

We are concerned that this pattern of rotations will be much less effective in building capacity in the RPNGPC than would deployments with less disruptive lengthy breaks. Deployments with such significant absence periods risk disruption to the critical goal of building relationships between officers of the ECP and the RPNGPC which are essential to building skills and confidence, and insufficient opportunity for the ECP officers to properly understand the environment in which they are operating.

If our understanding of the deployment patterns is correct, then we urge the Australian government to consider a revised pattern which will address the concerns which arise from the planned arrangements. After all, members of the Australian Defence Force and civilian employees of the Australian government are posted to Papua New Guinea for two to three years with only slightly enhanced leave arrangements, so there is no apparent reason why similar arrangements could not be applied to Australian Federal Police officers.

While the business community in Port Moresby has appreciated briefings hitherto provided on ECP operations, there is a significant information gap in these briefings and to the public generally and the media.

At the 20th Australia Papua New Guinea Business Forum in March 2004, the Papua New Guinea government was requested to embark on a comprehensive communications strategy, including publication of materials in major Papua New Guinea languages, to inform the Papua New Guinea community at the grass

roots level of the long term benefits of the current range of reforms being implemented. The Forum considered that this would be very important as a means to ensure that the entire community understands and accepts the underlying role of, for example, the Enhanced Cooperation Program, both before and during its implementation.

We urge the Governments of Australia and Papua New Guinea to embark on a program at several levels to ensure there is clear and unambiguous information available about the ECP, in particular the police deployment plans as these are the most highly visible part of the program to the general community. At one level, business requests a program of full briefings be made available to Business Council executive members with appropriate caveats where necessary about what information can be made available more widely within the Council membership. At a second level, briefings should be made available more widely to various community groups. And thirdly, a comprehensive information program in the major Papua New Guinea languages in the print and electronic media to inform the general population. Such processes will, in our opinion, help to build public knowledge, awareness and support for the program.

Treasury Advisors

Business representatives report that while the ECP advisors working in the Ministry of Finance and Treasury are performing an excellent job, there are concerns that some officials may be promoting economic and fiscal policy positions which are appropriate in developed economies but which require adaptation for implementation in a developing economy as diverse as Papua New Guinea. It would be useful if there was an increased process of dialogue between business and ECP officials working in the Ministry of Finance and Treasury to facilitate a two way flow of understanding about economic and fiscal policy under development and about the issues for business and economy in Papua New Guinea which can only come from extended exposure to the business environment in Papua New Guinea.

General

We also recommend that governments engage more comprehensively with business and the community by establishing a community based monitoring and advisory group for the ECP who can feed back to governments business and community views on all aspects of the program.

Action Points

- 4.1 Review the deployment arrangements for the police component of the ECP to ensure the deployment is phased to minimise the possibility of criminal activity merely being transferred from one area to another.
- 4.2 Ensure that ECP police deployments from Australia are of sufficient length to be wholly effective.

- 4.3 Implement a multi-faceted business and public information campaign, including in the major Papua New Guinean languages, to ensure business decision makers and the community at large is fully informed about ECP deployment planning.
- 4.4 Establish an external community monitoring committee that can monitor and advise on implementation of ECP
- 4.5 Increase dialogue between ECP Treasury advisors and business to ensure both parties are fully aware of concerns and issues for the other.

5. ATTRACTION OF NEW INVESTMENT

While significant progress has been made over the last two years in making the investment environment more attractive, especially in the resources sector, more needs to be done to attract an increased level of foreign investment into the Papua New Guinea economy. In the history of Papua New Guinea, most resources projects have developed in response to attractive investment incentives. Papua New Guinea is competing for direct foreign investment funds against an ever more competitive world, and needs to ensure its incentives give it a decisive edge.

Renewed investment in the agriculture sector is critical to Papua New Guinea's economic growth. Papua New Guinea has a strong history of high quality large and small scale agricultural production: coffee, palm oil, copra and cocoa to name just four. These products have considerable economic potential, and can be grown either in large scale plantations or at the village level, thus providing opportunities of all rural Papua New Guineans to participate in the non-subsistence economy. A strong network of local and village based agricultural projects will add growth and diversity to the Papua New Guinea economy, and will go a considerable way towards addressing many of the social and economic issues facing government and the community.

Rebuilding of the agriculture sector requires the rehabilitation of infrastructure in critical areas to ensure that producers can deliver their production to markets.

The establishment of the National Roads Authority was intended to open the way for improvements in roads maintenance and rehabilitation, but although the legislation has been enacted and the organisation established, it has not been funded to enable it to undertake the work for which it was created.

Councils urge the Government of Papua New Guinea to fund the National Roads Authority to a level where it can commence a program of rural road rehabilitation for which it was created. It is understood that AusAID has not supported the concept of the National Roads Authority as they would rather work with the Department of Works. Business does not consider that the Department of Works

is capable of effectively delivering the programs necessary to support the infrastructure development necessary for Papua New Guinea's economic growth. The Councils therefore ask that a commitment be given that AusAID will support the work of the National Roads Authority, and will encourage other donors to do likewise.

But it is not just infrastructure which is crucial to the agriculture sector. While some local companies have developed successful large scale agriculture production, the attraction of the foreign investment necessary to transform this beginning into a significant national industry sector will probably only occur through the introduction of investment incentives aimed at this sector in much the same way as incentives are aimed at the resources sector.

The "green revolution" initiatives announced by the Papua New Guinea government during the early part of 2004 were well intentioned but were let down by poor and inconsistent implementation.

Action points

- 5.1 Fully fund the National Roads Authority to enable it to carry out effectively the functions for which it was created.
- 5.2 Commit AusAID and encourage other donors to actively support the National Roads Authority
- 5.3 Develop new incentives to attract investment, particularly in the agriculture sector.

6. HEALTH ISSUES

The Councils accept that the national tragedy of the HIV/AIDS pandemic in Papua New Guinea requires that business must play a significant role in the national strategy for managing this vital health issue.

In a presentation recently to the Australia Papua New Guinea Business Council, Australia's Special Representative for HIV/AIDS, Ms Annmaree O'Keeffe, identified a partnership between government and business as a crucial component of the strategy for managing the issue effectively on all fronts.

The Councils will play a role in informing members on this issue and encouraging businesses to develop appropriate workplace strategies, but in order to be able to do so we must be at the table with governments when national and bilateral policy discussions on the issue are taking place.

The 20th Australia Papua New Guinea Business Forum included a session with three expert speakers on this subject, and we envisage this will be a regular feature of future Business For a this providing an important opportunity to convey to the business community strategies for managing this issue.

Councils request the Governments of Australia and Papua New Guinea to include them in national and bilateral policy discussions in relation to this issue.

Action Points

6.1 Include business in the development of national and bilateral strategies for managing the HIV/AIDS pandemic.

7. INFRASTRUCTURE AND LAND

Public Private Partnerships (PPP)

In our submission to the 14th Australia Papua New Guinea Ministerial Forum in Port Moresby in November 2002, we said that business considered the further development of infrastructure, and the maintenance of existing infrastructure, is crucial if further economic development is to be achieved in rural areas where the majority of the population live and work. We urged government to examine PPP models as a means of funding and operating infrastructure of all types.

We commend the work undertaken by the Minister for Public Enterprises, The Hon Dr Puka Temu, towards rationalizing the involvement of the Papua New Guinea government in the business sector through various government business enterprises.

But more needs to be done to make more effective the delivery of certain services across the country.

At the 20th Australia Papua New Guinea Business Forum in March 2004 there were a number of presentations, including by Minister Temu, in relation to the development of Public Private Partnerships (PPP) to enhance the development of major national infrastructure.

There has been healthy debate on this subject within Papua New Guinea. We support the continuation of this debate, and urge the government to be more aggressive in promoting to the wider community in Papua New Guinea the benefits which can be derived from PPPs in enhancing the economy and the delivery of services. These partnerships can be structured as a real alternative to privatization, and can help address concerns about sale of national assets.

Business is willing to work with the government in identifying suitable models and specific projects which lend themselves to this type of arrangement.

Land Issues

Papua New Guinea is fortunate in having large amounts of land and having preserved many elements of traditional land ownership systems. However, the poor administration of land continues to be a major problem for the development of businesses in Papua New Guinea. New development is frustrated by the failure of compulsory processes to operate (such as the various Land Boards, Physical Planning Boards and Land Titles Commission), and the uncertainty of decisions emanating from these bodies. Furthermore, where these processes do

operate they frequently become the target of vexatious litigation that only serves to delay development at high cost to project developers.

The Councils note that the Papua New Guinea government has a program for the introduction of customary land registration, which Councils support as a necessary first step in recording information about customary ownership of land. The Councils support this initiative and wish to see the program progress to implementation. In addition, much greater resources need to be brought to bear on the administration of land generally in order to ensure that existing institutions can function.

Action Points

- 7.1 Work with business in identifying suitable models and projects for PPP implementation.
- 7.2 Devote greater resources to land administration, including the introduction of an appropriate system of customary land registration.

8. EDUCATION

The Councils remain concerned that education programs are not sufficiently relevant to the current and projected needs of business.

As noted elsewhere in this paper, it is important that the National Training Council is properly resourced to enable it to be an effective delivery mechanism for government training objectives.

Business considers there may be merit in examining the reintroduction of selective national high schools with entry based on academic merit, and resourcing these schools at a high level. We understand that such a proposal may cut across the policy of universal education, but we believe it is worth examining in order to ensure a flow of well qualified graduates from various levels of the education system with qualifications which have relevance to the labour market and equip the individual for meaningful employment.

Councils are willing to work with government education authorities to try to ensure that education policy and programs are targeted at the planned needs of business and the economy.

Action Points

- 8.1 Ensure the National Training Council is properly resourced to carry out its statutory functions in relation to the development of vocational training.
- 8.2 Examine the reintroduction of selective national high schools with entry based on academic merit.
- 8.3 Consult with business to ensure that education policy and programs are appropriately targeted at the planned needs of business and the economy.

9. TRANSPORT ISSUES

Aviation

The current restrictive and anti-competitive nature of aviation services between Australia and Papua New Guinea are a significant impediment to the growth of business.

By way of example, to fly from Brisbane to Port Moresby can cost more than three times the cost of flying to Fiji. Yet the distance from Brisbane to Port Moresby is less than from Brisbane to Nadi.

Thus, it requires a strong commitment to the market for an Australian business person to choose to fly to Papua New Guinea.

In addition, the current practices work against the development of Papua New Guinea's tourism sector which has such strong potential.

It is the view of business that aviation services between Australia and Papua New Guinea need to become more competitive, including through opening the market to additional carriers.

Governments are urged to take steps to encourage new carriers to enter the market, including through allowing direct access by international carriers to key regional ports.

Shipping

There a number of issues of concern to business in international and domestic shipping arrangements. Business will put these to further study, and will bring forward some proposals at a later stage.

Action Points

- 9.1 Pro-actively encourage the entry of new carriers into the aviation market, including by allowing direct access by international carriers to key regional ports.

10. TORRES STRAIT BORDER PROTECTION ISSUES

Northern Australia, particularly Cape York Peninsula, is extremely exposed to a potential incursion from disease or animal and plant pests. AQIS has an extremely effective "shield" against these incursions. Whilst the current level of protection appears to be adequate, Australian business in far north Queensland is concerned that constant monitoring of its effectiveness must continue to be carried out. The real threat is in political complacency and a reduction in future funding. The reporting, let alone actual incursion of something like Foot and Mouth Disease would decimate the Australian livestock industry and cripple international tourism. Both of these industries are of major importance to the economy of far north Queensland and to Australia in general. We emphasis the

importance of safeguarding Australia's northern borders, and ask both the Australian and Papua New Guinea governments to ensure that sufficient funds and other resources are committed in this area to at least keep the status quo.

Action Points

- 10.2 At least maintain the current level of operational funding for the operation of border protection in the Torres Strait region.

11. FUTURE BUSINESS/GOVERNMENT CONSULTATIVE MECHANISMS

In submissions to previous Ministerial Fora, we have raised the issue of effective mechanisms for bilateral consultation between government and business.

We continue to believe that the relationship between government and business needs bilateral institutional strength. To this end, the Councils have decided to convene in Port Moresby in mid-2005 a joint meeting of the executive committees of both Councils. The meeting will focus on policy issues affecting business which arise out of this Forum and from the forthcoming Business Forum. It is my pleasure to invite ministers to arrange for officials representing both countries to participate in this meeting to enable a full discussion, and to enhance the dialogue which takes place at the next Ministerial Forum by ensuring there is a sound preparatory basis for those discussions.

It is our view that there are a number of issues on the agenda for this Forum to which business could make a substantive contribution to the discussion with its detailed and specialist knowledge, for example in relation to trade and economic matters and some aspects of transnational crime, or where, for example, the Australian government has posited a partnership with business in relation to HIV/AIDS, but business has not been included in those sections of this Forum in which the bilateral policy dialogue takes place.

Action Points

- 11.1 Join with business in a bilateral dialogue between business and government in mid-2005 in Port Moresby.
- 11.2 Examine opportunities for greater engagement with business in selected sessions of the government to government agenda for Ministerial Fora.