

BUSINESS COUNCIL OF PAPUA NEW GUINEA

2005 Annual General Meeting

June 28, 2006 @ Crowne Plaza, Port Moresby

PRESIDENT'S REPORT

I welcome all of you to the 2006 Annual General Meeting. Thank you for your support by your attendance this morning.

My report will be in basically the same format as last year. I will cover these general headings.

1. An overview/observation on the economy.
2. Council's highlight and achievements in 2005-06.
 - Membership
 - Secretariat
3. The Future

1. Economic Overview

The year to 31 March 2006 witnessed promising outlook with these macro economic indicators:-

- (a) Headline inflation was 1.8% as at 31 March 2006 compared to 4.6% in the last quarter of 2005. Although there was a "mild depreciation" in the Kina exchange rate, it did not impact too adversely on inflation. Inflation has remained relatively low at 1.8%.
- (b) Foreign Reserve was US\$620.00m (May 2005) and at 31 March 2006, US\$751.1m sufficient for 5.5 months of total and 7.5 months of non-mineral import cover.
- (c) Kina Facility Rate which helps guide interest rates by banking houses was 7% and is now reduced to 6%.
- (d) Interest rates have remained lower than in the past.

- (e) Some other positive flow on indicators include:
- (i) High level of liquidity in the financial system.
 - (ii) Lending to private sector grew. – this according to the Central Bank 1st Quarter bulletin was lending to the manufacturing, transport and communication, building and construction and private household sectors..
 - (iii) The Central Bank Employment index shows that the level of employment in the formal sector grew by 8.1% (non-mineral sector accounting for 8.0% of that growth.) Employment increases were reported especially in agriculture, forestry, fisheries and construction sectors.

The lending and employment increase signals economic activity which is a good sign, and if it continues.

It is to be noted that the Government's fiscal discipline and political stability has had an important role in the gains that has been made in the macro-economic result of the economy. It is therefore important that this fiscal discipline is vigorously maintained by the Government particularly as preparation for the next Parliament election gets closer. The sound management of the monetary policy is also to be highlighted as a tool with which the fiscal regime is inter-related.

2. Council's highlight and achievement for 2005

The Council continued to be active in pursuing matters of interest of the members throughout the year in particular it's continued dialogue with the government. The Council continued to be consulted on many and various policy matters. It continued its important role as a member in the National Working Group chaired by the Chief Secretary to Government, to remove impediments to business. The council also in its endeavor to be representative of the business community in Papua New Guinea worked hard to link itself has cooperated closely with other industry associations. Some of the activities that the Council has been involved includes:

- (a) its membership to the CIMC where it sees its role as important in directing government opinions to facilitate policy formulation where such policies do and properly reflect wider community support and positions and needs.
- (b) Membership on the National Working Group in Removing Impediments to Business. The position of Deputy Chairman of this Group is reserved to the Business Council.

This work is on going and has in the last year very constructive. Some legislative and government policies which were reviewed and amended include:

- i. introduced a permanent residential status which has the effect of terminating the requirement of a work permit by a non-citizen. There is a minimum qualifying period of 5 years
- ii. the APEC Business Travel Visa is also now available on application. This will enable holders to travel to member countries with certain privileges
- iii. the National Training Council has now assumed responsibility for training from the Department of Labor The issuance of a work permit to a non-citizen employee, is not subject to the Training & Localization programme as was the case in the past.
- iv. Other changes include the revision of the activities under the Investment Promotion Act. The List of Business Activities previously reserved in favour of citizens only has been removed.

INPUT TO 2006 BUDGET PREPARATION

A Fiscal sub-committee of the National Working Group was formed to assist with discussions with Treasury and other government agencies leading up to the preparation of the 2006 Budget. The Business Council of Papua New Guinea consider this a great achievement, an unprecedented move by the Government. That interaction did make some difference.

- (c) Australia PNG Ministerial Forum held on 16 December 2005 at Twin Waters Sunshine Coast Queensland. In association with the Australia Business Council, the Council continued to be involved in these discussions to help develop the partnership between the two governments and the private sector.
- (d) The Council's continues close cooperation and association with its counterpart, the PNG Australia Business Council. In May this year, in association with the Australia PNG Business Council, coordinated the business forum in Cairns held between the 14th and 15th May this year. Following from a similar forum in 2005 also held in Cairns, the 22nd Business Forum was attended well by the Papua New Guinean senior Ministers. A joint communiqué was issued which:
- i. Commended the PNG government for its sustained commitment over the last five years to sound fiscal and economic management which had positioned the PNG economy for further future growth.
 - ii. Welcomed and endorsed the expressed commitment of the PNG government that the current responsible approach to fiscal discipline would be maintained through the 2007 election process.
 - iii. Called on the Australian and Papua New Guinea governments to quickly resolve outstanding issues which are preventing implementation of the ECP which can assist the PNG government with improving law enforcement, the judiciary, and the penal system to the benefit of the business environment and society.
 - iv. Noted the progress made by Papua New Guinea in developing improved visa and work permit policy, and urged both governments take further measures to strengthen people links between Australia and Papua New Guinea including by facilitating greater bilateral access to each country's labour market to assist meet skilled and unskilled labour shortages.

- v. Urged the PNG government and business to work in partnership to develop strategies for managing the economic and social impact on the HIV/AIDS pandemic.
- vi. Acknowledged the work which has been undertaken by the PNG Government, and which is ongoing, to design and implement appropriate land and administrative reforms to enable sustainable economic use of land in PNG.
- vii. Called on the PNG government to:
 - manage exchange rate policy to ensure that the non-resources sector of the PNG economy is not compromised by foreign currency inflows in the resources sector.
 - improve the services and competitiveness of PNG government public business enterprises including through partnerships with the private sector.
 - Strengthen the role of the PNG Ministry of Trade and Industry in supporting manufacturing industry.
 - development and implement in PNG appropriate legislative and administrative processes to protect the integrity of trade marks, copyright and other intellectual property issues, and to ensure a high standard of consumer protection from sub-standard products including appropriate product labeling and border enforcement.
 - accelerate in PNG the refurbishment and expansion of roading and other infrastructure to support the growth of the agricultural sector, and provide tax relief to companies which contribute to national economic development through developing and maintaining national infrastructure from their own resources.

- restructure Papua New Guinea's commodity boards to improve their effectiveness in promoting and marketing agricultural products.

Membership

Our membership has remained steady. There is need for publicity of the work that the Council is doing to attract new members and to retain current members.

- This I believe will be achieved as a result of our website which is providing ready access to members on what the Council is doing.

The total of financial members to date is **104**.

Secretariat

With Maryanne McDonald, the Executive Officer to the Council, appointed just before the beginning of this financial year, the Council has achieved a number of milestone.

When I introduced Maryanne to you in our last Annual General Meeting, I told you she was in the process of setting up a proper secretariat office which will be situated within an office with the Port Moresby Stock Exchange. That the council intend as part of Maryanne's setting up the secretariat, to begin work on a programme to set up a website which will enable the members to access information not only about the work of the Business Council, but which will link our members to other like business organizations.

I am pleased to report to you that those plans have been implemented. Your Council Secretariat is located comfortably within the Port Moresby Stock Exchange Office, 4th Floor, Defens Haus and the Website has been established and was launched by Hon. Paul Teinstein, Minister for Trade and Industry during the year.

The Council was fortunate in engaging an expert IT volunteer from the ABV for this task.

During the year, your Executive Council also with the assistance of a volunteer from ABV, prepared and finalized the Council's Strategic Plan Business. This you are able to access on the website.

I wish at this point in time to acknowledge that much need assistance from ABV through its PNG resident representative, Mr David Conn. Thank you.

The Future

We are keen and will pursue links with like business organizations in the Pacific, and Asia regions, as well as maintain all focus on our dialog with our government towards improving business investor environment in PNG.

As outlined in the Business Focus of the Council, on the website, the Council will be focused on five main areas and consistent with the constitutional objectives. These are:

- (a) Law and Order, security and Foreign Affairs
- (b) National and International Economic Affairs
- (c) Strategies for Nation Building and National Unity
- (d) Telecommunication, Technology and Industry
- (e) Facilitating trade, investment and information seminars

I encourage you to assist your Council in their endeavors.

Thank you again for your support throughout the year and my special acknowledgement for the support and assistance I have, as your President, received from the Executive Committee in the last 12 months and indeed over the two (2) years as your President, from all of the members.