


# UNDERSTANDING REFORM WORKSHOP

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## Public private sector relationship and possible improvements

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By **Syd Yates, MBE (Vice President)**  
**Business Council of Papua New Guinea**

# PUBLIC PRIVATE SECTOR RELATIONSHIP AND POSSIBLE IMPROVEMENTS

Good afternoon all,

On behalf of the Business Council, let me thank you sincerely for the invitation to be part of this most important forum. It is important in the ongoing reform movement that from time to time, there is a summit when the various interested parties get together and report on developments and progress.

I believe that today's forum is a milestone occasion which allows us all to look at our own reform issues and those of the other sectors of this nation and see how we are progressing. I hope that from today, we can all gain further invigoration to continue to go forward and progress those achievements that have already been gained and work to continue to speed up the impetus of the reform movement.

On behalf of the Business Council, I wish to place before this workshop forum, the plea for the Government to embrace the reforms and to go out of our way to attract investors.

On a recent visit to Fiji, I was advised that the FITB (Foreign Investment and Trade Board) which is similar to our own Investment Promotion Authority (IPA) are mandated to provide an answer to foreign investors in five days, on whether they will be allowed to commence business in the country. This is the competition in our neighbourhood.

Are we prepared to continue to sit around and watch other countries in our region that have faced the same problems as we have in the past, take up the opportunities while we sit and contemplate?

We are now in a position to understand and assess what is good for the future of our nation and how we can manage and work with new investors and new ventures.

We have our governance rules in place and we have the necessary powers to control performance. But we do not yet have the investors in sufficient numbers to take our economy forward. If we are not prepared to actively market the fact that PNG is in the market to foster new industries and growth, then we must again face the inevitable outcome of watching other nations take up opportunities on behalf of their people.

My message today is that in PNG, we must have a CAN DO outlook. Let's have a CAN DO attitude. We need to all be thinking PNG CAN DO. The people of PNG must believe that as a nation we CAN DO - they want the results now and for their children.

If we are not prepared to stand up and say that we CAN DO - then unfortunately, progress will pass us by. It is simple as that.

Let me be realistic, there is still a lot of work to be done to sell the CAN DO message to the outside world and the global economy.

Unfortunately the perception of PNG is still bad. We have to tell people that this perception is a thing of the past. Reforms have taken place and are continuing. PNG and its people are working hard to put the past behind them.

The people of PNG and their Government are working hard and are prepared to work even harder to implement continuous improvement in the key fields of health and education, in law and order and in fostering training and job creation. We want to welcome partners to help us all benefit from the proper and responsible development of resources in PNG.

For as we all know, Papua New Guinea cannot afford to slow down or indeed stand still; that has happened in the past, with disastrous results. Hindsight is a wonderful teacher, and hindsight tells us that we must be bold and courageous and we must continue to move forward if we are to be noticed, let alone compete in the global economy.

My address today builds on hindsight, and I am pleased to be able to report that over the past five years, PNG and its economy has progressed. It has stabilized and as a nation, we have moved forward economically.

While PNG sagged during the last decade of the 20th century, other larger economies also suffered economic downturns. These nations included Japan, Russia and more lately the United States of America. So when Papua New Guinea suffered economic down turn, we were joined by some very large economies. Those nations had to learn some big lessons, because in real terms, the slow down in their business enterprises were based on the same problems that we in PNG faced.

They like PNG were not prepared to be dynamic or progressive, they were inwardly focused but are now alert to the need to reform and implement change.

Old habits are hard to change, and when economic leaders get complacent or distracted and forget the fundamentals of commitment and hard work as the drivers for success, then the followers accept mediocrity.

We in PNG did not like mediocrity and what it had done to our economy, nor did the Japanese, the Russians or the Americans. And in Asia, the Chinese and the Indian economic revolutions were taking place, together with revolutions in Iceland and other parts of Europe.

So in PNG, our leaders went to the people with a commitment to progress. They indicated that to create better opportunities for the people of PNG, the second largest population of people in the region, there was a need for a successful future, and this could only be achieved by across-the-board reform.

From the Business Council point of view, this reform had to be of the economy. It had to be dramatic and it had to be effective.

Briefly I believe the reform program that has been a hallmark of activities so far in the 21st century has been successful. The Kina Securities Share index is in record territory and other benchmarks are also reporting good sound achievements. The economy is improving; it had to, because the base benchmark in the late 90's was very low. PNG has clawed back much of the lost ground. The economy is however, still functioning because of the success of the three main industries which have sustained the nation for the past 40 years. Those industries are our mining and resources export industry, our oil and gas industries and our traditional primary products industry including timber.

We are already seeing the results of the tax reforms for the mining industry with a new wave of exploration licenses. This marked increase in exploration licenses has occurred because there are incentives and the industry is desperate through exploration to find new resources for the ever hungry industries of the world.

I ask you to imagine for a moment this, what if we had no oil fields, what if we had no mines and mineral exports? Where would our rural people be if there were no agricultural exports? A further question to be raised in this scenario is, I believe, what this workshop is all about.

Where are our new industries and where are our investors? To generate real growth, we now have to foster new industries and new opportunities. For a business to be successful, it must always continue to grow and expand. The biggest business in PNG is our nation and therefore to generate progress, our economy must grow, expand and in doing so diversify.

We have to explain to the world why people, business and enterprise should come to PNG. We need to explain just what PNG has to offer, for indeed we have it all, natural resources, land, labour, key infrastructure and potential.

This afternoon I have just four simple messages to deliver on behalf of the Business Council.

Message Number One: We in PNG have done the research; in real terms we know what is required to generate more activity and more opportunity. The list of reforms that should be implemented is already on the table. We know through the work of the National Working Group on Removing Impediments to Business and Investment what can and needs to be done. The government needs to move quickly to implement further reforms and must be supported by the business community.

Message Number Two: During the past five years, PNG has demonstrated to the world that it understands the need for economic confidence and stability. It has clearly shown that it has the leadership that is able to control inflation and to manage its affairs responsibly. The success of the past five years needs to be built upon and used as an example of how PNG can achieve greater economic stability.

Message Number Three: The public sector should no longer fear the private sector. We have common goals, and they are to benefit the people and PNG as a Nation. We are both working for what is good for the people and good for the country. The private sector feels that we have not yet achieved good dialogue and good understanding between the two sectors, this should be a thing of the past. It was common in most countries in the 1960's and 70's for this mistrust to exist. Now the successful ones have discovered that government and private sector want exactly the same things and therefore have to work as a single team to achieve growth and development. Working together we can achieve a great deal. No longer can we tolerate suspicion and delays. Through co-operation and sharing of issues, both aspirations and concerns, we can work together

to go forward. I believe that we understand each other fairly well and as I have indicated - both parties want to achieve the same outcomes.

Message Number Four: Go now. That's right, the right time is now - the PNG economy and the known future of the opportunities in this nation is a ready built launch platform for the next major bold step forward. The CAN DO approach should be our new spearhead.

How can I justify this?

Quite simply, the rest of the world wants to go forward and maintain and/or improve their own economies. How do they want to do it? They want to do it by creating opportunities in their own country by maximizing local opportunity in the global market place, just like we in PNG want to do.

Why do they want to do it? Because they are well aware that their community wants to maintain and improve their lifestyle. They want to be able to have the benefits of the modern 21st century life style.

We heard from our treasurer this morning talking about the people of Okapa and how much they want the same opportunities as the people in the rest of Papua New Guinea.

How do they achieve that? Again by utilizing the resources of the nation; all the resources including natural and human resources to make things happen.

How do things happen? They happen because many people have the drive and enthusiasm to make money and to build a better economy.

PNG cannot sit around and wait, we must be competitive and our essential competitiveness must be in the areas of attracting investment and attracting entrepreneurs and investors with global needs to join with us in making this nation prosper.

It is not rocket science- but it is realistic.

I do not want to simplify the issues, we all realise that we must be responsible and have all the necessary checks and balances. But globally we are already very well aware of our responsibilities in this field. The scandals which have rocked the business sectors and Governments of the United States and Japan, have made governance the number one business issues of the 21st century.

Every business person and every official in Government understands there is now a very real need to have open and accountable transparency in every commercial activity. The regulators will continue to ensure this process continues to be addressed and implemented.

Business and business practices move with the times, the same as economic philosophies. Who would have believed that in a decade, two of the world's largest economies have embraced new trade philosophies as Russia and China have undertaken.

The world embraces change and so must we in PNG.

So what industries do we need to work on that is new for PNG - that we need to encourage and need to foster?

I have recently returned from a visit to Fiji. Here is a country that in the last 15 years has had four internal revolutions clearly indicating instability at the very top. In the past year this nation continues to embrace and foster its tourist industry, attracting more than 500,000 international visitors to its shores. Currently work is underway on six international resorts in Fiji. This is a huge stimulus to the construction industry and will then foster a significant stimulus to the tourist and hospitality industries in that country.

Tourism in PNG is an industry which has had very restricted success. Yet the country has so many wonderful and diverse attractions. The dive industry continues to boom in the Pacific; divers are always looking for new challenges and PNG offers almost unlimited new adventures.

Adventures abound in PNG and we have the classic example of middle aged and aged Australians in training to venture across the Kokoda Track. So popular is this challenge that there are women only groups along with sportsmen and businessmen looking for new fitness and lifestyle tourist adventures.

PNG is often spoken of as being the last frontier, and with our historic connections with Europe and the Pacific, our tourist industry awaits the world. To my way of thinking, we need to encourage investors and entrepreneurs with the specialist skills to partner with our people to foster and develop an international market for adventure tourism.

Not only will it require the development of tourist accommodation and infrastructure, but it will be the catalyst to develop better roads and communications for the nation. Whilst it might not be happening overnight, it should be starting now. In Sydney, people are paying more than \$200 Aussie dollars to climb the Harbour Bridge in a day, and they are coming from Japan, America and Europe to do it.

Adventure tourism and the backpacker invasion are bypassing PNG and we are not doing enough to get our share.

We anticipate that as the mining and gas projects reach development stage in the next few months, we will be attracting visitors to our shores. Many of these people will bring their families to PNG for holidays to experience the adventures of the projects. These people will be global ambassadors for our Nation and we should be developing programs to ensure that these ambassadors circulate the message that PNG is the land of opportunity - not just for a visit, but as an investment and as a migration opportunity.

Skills shortages are a global problem and it is important for us in PNG to work positively on transferring skills to our own people. There is no better experience than on the job training and to set these programs in place, we have to be able to encourage investors in development and infrastructure programs.

As I have indicated, these initiatives are just some of those which have been examined and addressed by the Impediments Removal studies.

Finally, I believe that it is vital that we are able to offer a one stop shop for investor and entrepreneur inquiries. People who want to invest and develop want a clear understanding of what they can and cannot

do. They want to know the rules and they want to know reasonably quickly, or they will move on to some other country and challenge.

It is therefore vital that these people are fostered and supported. We do not want to be victims of seeing opportunities which were available to PNG go offshore because of bureaucratic red tape or indecision. If the proposal does not meet the guidelines, then tell them so. But the guidelines need to be available and clear and decisions must be forthcoming.

We must remember that investors stimulate investment; they cannot take away the land or the improvements and developments that they might place on them. We must all accept that we live in a global village and that investment is the important contribution which has a major multiplier effect right through the economy.

I believe that the PNG economy has the sophistication and strength gained through good responsible management to now be the springboard for further and faster growth.

In my own business, we are seeing far greater economic understanding from our clients as they invest, save, borrow and develop.

Now is the right time for PNG. Nations in Asia and Africa are emerging and they too are seeking to face the challenges of the 21st century and the global economy. PNG has a window of opportunity, that window has been created by the hard work of the past five years. PNG must promote the hard work of recent years to continue to revive its reputation.

We now must go out into the global economy and tell people what we have in the way of resources and opportunities, what we have achieved by way of reform, why PNG should be the area for their next venture and invite new people to come and partner with us, for an unrivalled opportunity to continue to grow successfully, the wealth and promise of this great nation.

Our tasks are simple, we have the FIX IT answers for cutting the red tape responsibly and making it far more attractive for global investment and we must have the right attitude - we must embrace the CAN DO approach, and we must accept that we need partners to work with us.

Thank you