



Keep In Touch

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Gas To Drive Economy?

Papua New Guinea Chamber of Commerce and Industry caught up with Oil Search Ltd., Peter Botton to ask him about the effect of moving onto the FEED (Front End Engineering and Design) Stage of the Gas pipeline project. Peter Botton says that PNG is starting to see a major spurt of expenditures, with employment for an additional one thousand personnel in Southern Highlands Province affected at the end of April 2005.

The challenge is multi-faceted to deliver a successful economic project. Social management of community expectations and engineering over challenging physical terrain are all to be addressed.

Benefits from the Gas pipeline will double the PNG economy. Does Mr Botton see that Gas will drive the PNG economy in future? In some strange twist of fate Mr Botton says that this will be the first Gas pipeline that is not a gas pipeline. Rather it could be accurately be relabeled an oil pipeline as over 50% of revenues out of the Gas pipeline will be from liquid hydrocarbons extracted out of the gas. Gas sales will be below 50% of revenues.

Liberalization of Foreign Exchange Control

On 5th April 2005, the Bank of Papua New Guinea (BPNG) made a private presentation on Liberalization of Foreign Exchange Controls to key members of the PNG Institute of Accountants and PNG Chamber of Commerce and Industry.

Discussion following the presentation was over the scope of the changes envisaged and implementation issues. In essence the overhaul of foreign exchange control approvals will see them replaced with exemptions, with reporting obligations by authorized dealers tightened. To be more precise the details are:

1. All remaining trade and services transactions (such as limits on remittances) or Current Account transactions will be liberalized;
2. There will be no timing, such as 3 months retention period, for the repatriation of export proceeds. BPNG will closely monitor the inflows reported by the authorized dealers' reports for the balance of payments statistics.
3. Foreign currency inflows, loan or equity will be freed up. The recipients will be requested to report on the inflows and their terms for balance of payments statistical purposes.

4. There will be no currency clauses in mining and petroleum agreements. The existing agreements are in place, but for practical purposes they can be seen as non-existent.
5. There will be no restrictions on capital outflows. The lenders and equity investors will be required to report on transactions for balance of payments statistical purposes.

These changes basically mean that the Bank of PNG will no longer be required to review, analyze and grant exchange control approvals in all circumstances, but will rely on detailed reporting and impose severe administrative penalties to ensure compliance with reporting requirements by licensed financial institutions.

The final makeup is being worked on by the Bank staff and its lawyers. While no one could commit to an implementation date there was an understanding it would be within six months.

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Steamships Trading



Trukai Industries

The Launch of the Medium Term Development Strategy 2005 -2010

The Department of National Planning and Rural Development invited the President Mr. Michael Mayberry for the official launching of the Medium Term Development Strategy 2005-2010. MTDS is a major public policy instrument, which provides a clear pathway for Papua New Guinea's medium term development direction. "It is expected that over the medium term, 2005-2010, important foundation blocks will be put in place to achieve economic growth and social gains. We have now overcome the challenge of translating our broad policy statements into a well-articulated development framework," Prime Minister Sir Michael Somare said. He said this overarching development strategy is based firmly on the Government's Program for Recovery and Development and its three interrelated objectives of good governance; export-driven economic growth; and rural development, poverty reduction and empowerment through human resource development.

"The key objective is that we achieve broad-based economic growth and social development from 2005-2010," he said.

In explaining the ways to attain the objective of broad-

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based export-driven economic growth, Sir Michael said that PNG must take full advantage of rapidly evolving global opportunities and must focus on its areas of comparative strength including agriculture, forestry, fisheries, and tourism, together with mining, petroleum and gas.

The Prime Minister emphasized the fact that the MTDS identifies and addresses a number of threats to PNG's development prospects. These threats include HIV/AIDS, high population growth, unplanned urbanization, land under utilization and dysfunctional service delivery. This MTDS addresses these threats through strategies to manage and reduce their negative impacts on development.

The Prime Minister said that in order to achieve the objectives of the MTDS, seven expenditure priorities are specified: rehabilitation and maintenance of trans-

port infrastructure; promotion of income earning opportunities; basic education; development-oriented informal adult education; primary health care; HIV/AIDS prevention; and law and justice.

He added that the role of the Government is simply to create the enabling environment that allows the private sector, including the rural majority to be in the driver seat; to generate their own incomes and in the process grow the economy.

ADB Consultants for Regional Technical Assistance – Mainstreaming Environmental Considerations in Economic and Development Planning Processes

Mr. James T. Berdach and Mr. Leo Mandeakali, consultants of Asian Development Bank (ADB), met Mr. Mayberry on 19th April 2005.

According to Mr. Mayberry, the ADB consultants are looking for any suggestions that will help promote sustainable economic development and reduce poverty in the country.

ADB's operational strategy for Papua New Guinea focuses on reducing poverty through improved governance, private sector development, and improved social indicators. At the Government's request, ADB took the lead in improving public sector financial management and assisted the Government in designing and implementing a public sector reform program that focuses on improving performance and governance. Developing longer-term, income-earning opportunities is a key concern that is being addressed by support for private sector development.

Economic Partnership Agreement (EPA) National Consultations

The EPA is in the middle of negotiation process about European Union partnership agreement.

It was mentioned that Papua New Guinea is rich in natural resources and has a potential for international trading. According to the studies, tuna was the only significant commodity common to all PACPS, and was vital to attempts to create employment and build sustainable economies in many states.

Coffee industry and tourism are possible to access global market.

Cooperation from the government, private sector and public are needed to attain the formulation of policy agreement.

The PNGCCI has a role for the trade promotion.

Regional Business Forum on 26-28 April 2005 at Nadi, Fiji

The Regional Business Forum will be held at Tanoa International Hotel, Nadi, Fiji on 26-28 April 2005.

The PNGCCI sent two representatives; they are Mr. Alan Mclay from Lae CCI and Ms. Lynn Walsh from Port Moresby CCI. The objective of this forum is to consider the findings of a feasibility study on the establishment of a Regional Private Sector Organization (RPSO).

PNG Power Ltd. Meeting

The Manufacturers Council coordinated a meeting of the private sector with PNG Power to discuss poor quality of services and frequent brownouts causing damages in machineries. Advance notice of power failure is not practiced. The companies are encouraging proper communication so their operations will be adjusted.

Financial issues of PPL are:

- Debtors level at K63million; Government K30 million
- PNG Power has an overdraft facility with BSP of K25m.
- Due to high cost of fuel and operations,
- PNG Power makes an annual loss of about K20m pa on diesel run systems.
- The 10% tariff increase approved by ICCC was effective on 1st January 2005.
- A further 2.65% tariff increase will apply on 1 June 2005

PNG Power Ltd. explained that power supply is not sufficient for the present needs due to power supply shortage problem and its financial issues. They are trying to solve this gradually at projection of 3 to 4 years time.

Port Moresby CCI Breakfast Meeting

The legal fraternity turned out in force for the latest Chamber breakfast meeting at the Crowne Plaza Hotel jointly hosted by Port Moresby Chamber of Commerce & Industry and PNG Institute of Directors.

The speaker on this occasion is Judge J. Clifford Wallace. Judge Wallace is an American, a senior and highly experienced appellate judge on the U.S. Court of Appeals (Ninth Circuit). Author of 35 professional articles and recipient of many law-related awards, he is listed in several publications, including Who's Who in America, Who's Who in Government, and Who's Who in American Law. Since taking senior status, Judge Wallace divides his work between court activities and strengthening the role of the judiciary worldwide.

He is a strong speaker with an enrapturing style. Judge Clifford delivered "The Rule of Law, Democracy and Morality" to a highly educated audience captivated with the warmth of his sincerity and conviction.

He mentioned that democracy can be a dangerous type of government where once mislead it has a great effect to the nation. Therefore, the rule of law was established and it was the agreed system of mutual protection and support. It is fundamental to our way of life and unwritten by prevailing social mores and individual moral choices.

A democratic nation expects the rule of law to be defended by the state from those who would attack it both from outside the society and from within. When a decline in social mores becomes acceptable to any large section of community there is an immediate threat to the maintenance of the rule of law. This is so whether those choices to accept decline in standards are made by those who govern or those who are governed.

The power of individual choice as a way of defending, exemplifying and guaranteeing the maintenance of the rule of law should not be underestimated.

The Launching of the ASYCUDA ++ Project by the PNG IRC Customs

Automated System for Customs Data (ASYCUDA) is a computerized customs management system which facilitates clearance of imports/exports of goods ensuring accurate and timely collection of government revenue, production of trade statistics and supporting Customs in border protection and security. The project launching will implement ASYCUDA ++ System - the advanced version that enables electronic lodgment of entries in Papua New Guinea. The system will go on live mid this year.

The development objective of the project is to improve the economy of the country by strengthening the capacity of the Government to generate customs revenue through the provision of an efficient service to the trading community.



PNG/Queensland Business Cooperation Group Meeting

Official opening of PNG and Queensland Business Cooperation Group (BCG) was held at the start of second quarter of 2005. The Minister for Trade and Industry, Mr. Paul Tiensten made a speech and followed by Mr. Alois Tabereng, the Head of PNG Delegation and Mr. Stan Sielaff, the Head of Queensland Delegation.

Queensland is committed in long term strategic partnerships with counterparts in the Pacific in order to develop commercial and business outcomes. The big buzz going around is that enormous opportunities are opening up with the gas pipeline project.

The MOU established to work on projects that expand bilateral trade and investment.

During the session, the PNG and Queensland delegates presented reports regarding resources, education, fisheries, agriculture, fire services, infrastructure, transport, international aid and development.

This meeting aimed to create greater awareness of new business opportunities for small, medium, and large enterprises and to develop business contacts that will be to the mutual advantage of firms in Papua New Guinea and Queensland.

Board & Committee Gathering

The series of get to meet you meetings resumed for 2005 with the welcome to Shirley Baque – the new CEO. PNGCCI board and committee representatives attended a small informal function at Crown Plaza to welcome the new CEO.