

**Votes & Proceedings
of the
Sixteenth Parliament**

No. 7

**First Sitting of the Seventh Meeting
Thursday, 17th February 2005**

10.00 a.m.

1. The House met at 10 a.m. in accordance with the resolution made on Tuesday, 25th January 2005.

2. The Hon. Valdon K. Dowiyogo, M.P., Speaker of Parliament, took the Chair and read Prayers.

The Chair, with the consensus of the House, suspended the sitting and to resume when the bell rings.

Resumed.

3. The Hon. Dogabe Jeremiah, M.P., Deputy Speaker of Parliament, took the Chair and offered an apology to the House on behalf of the Speaker who was sick and could not take the Chair.

4. **Message From the President**

His Excellency President Ludwig D. Scotty, M.P., made a statement to the House on a petition, in circulation for signatories, demanding the return of RONWAN funds to landowners.

5. **Election of a Member to the Parliamentary Superannuation Trust Board**

The Chair called for nominations.

The Hon. David Adeang (Minister for Finance) nominated Mr. Tabuna (Yaren) to be member of the Parliamentary Superannuation Trust Board.

The Hon. Dr. Kieren Keke (Minister for Health) seconded.

Mr. Tabuna accepted the nomination.

There being no other nominations forthcoming, Mr. Tabuna (Yaren) was declared member of the Parliamentary Superannuation Trust Board.

6. **Questions Without Notice** were asked.

7. Ministerial Statements & Tabling of Papers

(i) The Hon. Frederick Pitcher (Minister Responsible for NPRT) made the following statement on “An Update on the Status of the Receivership & Thoughts on the Future of the Trust and the Residual”.

“Mr. Speaker, Honourable Members, I wish to provide Members with an update on the status of the receivership, as well as use this opportunity to offer some thoughts on the future of the Trust and the residual.

I begin by stating again what a sorry state we find ourselves in today. Our forefathers had the foresight and wisdom to establish a perpetual fund back in 1927, which was enacted and then enshrined some 40 years later in the newly drafted Constitution. With Independence came prosperity, and with prosperity came complacency. We became too dependent on government and too trusting of our leaders, who in turn chose to ignore the sacred trust we placed in them and grew careless in their investment decisions while spending our fortune recklessly.

Mr. Speaker, what was once a flourishing Trust fund with a gross equity of around one and a quarter billion dollars in the late 1980’s, has now been reduced to less than 10% of its former quantum, and is even now tied up in receivership due to the folly and neglect of those we elected to lead us earlier. Unfortunately, this is the nest egg from which our future generations were to have subsisted; the bounty that our nation was supposed to enjoy in the post-phosphate era. It is indeed a sad state, Mr. Speaker, and this government is left in the most difficult position of having to deal with this appalling situation. At least we have committed ourselves to consulting openly with beneficiaries, who have a moral and lawful right to enjoy the fruits of their investments, but who for years have been systematically misled and taken advantage of by former administrations.

What had previous administrations done? Since the expiration of the GE facility in January of last year, there were numerous unsuccessful attempts to refinance the facility, costing the Trust millions of dollars. Just about all of the refinancing proposals considered were much too onerous, which did not appear to faze previous Ministers, some of whom had less than honest intentions, I hate to admit, and stood to gain hundreds of thousands of dollars under the table had some of these deals gone through. We do have documented evidence and affidavits proving these sinister intentions, which will be passed onto the Public Accounts Committee for further scrutiny in due course.

Mr. Speaker, upon assuming power last year, this government weighed the merits of refinancing against the merits of allowing the liquidation of the portfolio. We asked ourselves whether it was worth replacing one loan with another even more onerous loan, and continuing this cycle until there were no more assets left. As it turned out, we were pre-empted by the receivers who sold Nauru House and the other remaining properties before we had time to fully consider other serious refinancing packages. I want to be very clear on this point, I did not sell the properties; this government did not sell the properties as some disgruntled former Ministers are telling the public. It was in fact GE and the receivers who sold the properties, without informing us of the dates they were sold mind you, nor who the buyers were and the prices paid. We, like you, only found out through the Melbourne press.

Instead, we had prepared for the eventuality that we would be unable to

refinance by enlisting the help of experts to assist us in developing alternative options for the future of the remaining Trust funds. It is these options that we believe are the best way forward for all beneficiaries.

Mr. Speaker and Honourable Members, my own version for the Trust does not differ much from what the beneficiaries hope for. My Cabinet colleagues and I agree that the remaining Trust funds should go to the rightful owners, and there is no doubt that much of the residual belongs to Fund 2 beneficiaries. Rather, it is the manner in which the funds are handled that requires careful deliberations. I believe it would be quite irresponsible for this or any government to simply hand over the residual corpus to landowners today. It would be against the spirit and intent of the RONWAN Fund as envisioned by our forefathers, and would certainly be contrary to the existing legislation. Instead, what we have in mind is to identify clear options for the residual that will benefit both current and future beneficiaries.

My own view is that the residual would best serve its intended purpose for beneficiaries through professional fund management. In this case, government would be removed from managing and collateralising the funds, and the new fund managers would report directly to beneficiaries through a nominated body elected by them. Ultimately, I expect there would no longer be a need for the NPRT office and staff in Melbourne, and certainly I would no longer be Minister for NPRT. Instead beneficiaries would work directly with the fund managers to set growth targets and distributions of interest from the fund.

Mr. Speaker, towards this end, NPRT has requested and received tender proposals from a number of reputable fund managers, including billion-dollar investors such as Merrill Lynch, Macquarie Bank and Colonial First State to name just a few. The NPRT Board of Trustees is presently evaluating and shortlisting the tenders for presentation to Cabinet and subsequently to beneficiaries, but some of the more promising proposals project an 80-100% growth in the invested corpus every ten years. In monetary terms this means that if we invested a residual amount of, say, \$70m, we could potentially have around \$130m within 10 years, \$250m after 20 years and around half a billion dollars in 30 years time. There would of course be payouts every year to beneficiaries, but the bulk of the interest earned would ideally be reinvested to enable maximum growth of the corpus, and we could potentially see a return to the original size of Fund 2 or RONWAN within a generation. Of course, should landowners choose to continue feeding future royalties from secondary mining into the new fund, the growth of the corpus would increase even faster. The conservative estimates of phosphate reserves available from secondary mining look very promising, and provides us with an opportunity to do things right this time around. Invested wisely in the new fund, the royalties from secondary mining could make a difference for a new generation of landowners.

To enable such a concept to proceed, we will need to change the existing NPRT Act here in this House, and should landowners want to look at the issue of revising royalty rates from future secondary mining, then we would need to amend the Constitution. These are all things that we need to weigh very carefully, and I wish to again reassure Honourable Members in order to review all the pertinent issues and options. We have not wavered in this intent, Mr. Speaker, but unfortunately two major

factors have conspired against us to delay the process.

The first one concerns the actions of PPB, the receivers appointed by GE. Despite the sale and recent full settlement of all the properties used as security under the GE loan, PPB have steadfastly refused to vacate themselves from the receivership. We are aware that GE have been fully paid off and have released the securities, however PPB continue to labor under what we consider to be a conflict of interest by endeavouring to prolong the receivership. This is not surprising I suppose since they were earning around \$100,000 a week at last count.

PPB have used two excuses for declining to vacate, the first being that they need to settle the issue of taxes, and an affidavit they swore before the Victorian Supreme Court on January 11 stated that they expected it would take up to 6 months to obtain the necessary tax clearances.

Their second excuse is that they need time to sort through the many claims to the residual by various claimants. This is where things get complicated and I will elaborate on this in just a moment.

In the meantime, to counter these attempts to prolong the receivership, the Trust has approached both the Australian Taxation Office and the courts to try and expedite the tax clearance or grant PPB an indemnity from ATO. Furthermore, the Chairman of NPRT is presently in Melbourne to explore with our lawyers the proposal to seek a court order to replace PPB with another independent receiver. At the same time, the Trust has argued strenuously that PPB's efforts to handle the disbursement of the residual to individual claimants is outside the scope of the receivership.

Mr. Speaker, it is government's contention that all claims to the residual have to be handled equitably and transparently. This can only be done if the beneficiaries deliberate with government and not through lawyers or with PPB directly. The absolute first priority must be to affect delivery of the residual, and to do that we must work together and show a unified front to the receivers and the courts.

As things currently stand, and this is the second major factor conspiring against us, PPB has received numerous requests from lawyers acting on behalf of various claimants seeking disbursements from the residual. Aside from a litany of creditors with no legitimate claims against the residual, claims have been lodged by the Nauru Super Board as well as by individual landowners based in Melbourne. But what is most worrying is the action taken by petitioners here on Nauru who have engaged the services of Michael Gaylard, a solicitor with Tolhurst, Druce & Emmerson (curiously enough the same firm used by the infamous Prem Raj) to force their claim in the courts. The receivers have forwarded to me a copy of the letter they received from Mr. Gaylard who is demanding direct payment of the residual to him on behalf of some 3,000 landowners

Gentlemen, quite aside from the complications that this action creates by presenting the receivers with another excuse for delaying the release of the residual, it is particularly worrying from a government standpoint that Mr. Gaylard, who came to Nauru last week, claims to be the counsel for 3,000 landowners - which is an outright fabrication. In any case, our legal advice is that this and other actions brought against the Trust by individual beneficiaries will not succeed without legislative remedy in Parliament. However, the fact that, despite the whole sorry history of the Trust funds, some landowners would still put their trust in a lawyer employed by the same former

Ministers who mismanaged the funds in the first place is an affront to this government and to the thousands of Nauruans who voted for a change in last year's General Election.

Mr. Speaker, there is presently circulating around Nauru a letter from Mr. Gaylard petitioning landowners to proceed with legal action against the government and NPRT. I fear that the two gentlemen allegedly behind this action, former Ministers both, are misleading landowners as to their true intentions. Presumably, these two gentlemen, with the advice of Prem Raj who also arrived on the island last week, intend to assume control of the residual and its future management. Back to the good old days in other words.

It is my understanding that an open meeting of all landowners has been called for tomorrow, Friday February 18, to discuss the petition amongst other things. It is my contention that the actions being taken by the breakaway group of landowners led by the employers of Mr. Gaylard are against the principles contained within the NPRT Act, and I would hope that landowners consider very seriously the ramifications of joining their action. I believe and Government believes that it is in all our interests - landowners, beneficiaries and Government - to work together on this matter, and not conspire against each other.

The priority for us now must be to remove PPB from the picture. Until that is done, we cannot receive any of the residual. All the infighting between landowners and other stakeholders is only exacerbating the situation, and the receivers are having a field day, sitting back watching us scrap over the residual while they continue to earn astronomical fees.

Mr. Speaker and Honourable Members, the momentous task of deciding what to do with the remnants of our trust funds has befallen us. Government does intend to return the residual to its rightful owners, but we want to do it in a way that is morally responsible and safeguards the interests of future beneficiaries. I pray that all Nauruans and landowners alike will see the merit in working together toward this common goal, and not blindly following people who have proven that they cannot be trusted. We have more at stake than just a big payout this year; we need to ensure that our children and their children will enjoy the fruits of our bounty for years to come. Mwa tubwa kor.

(ii) The Hon. Dr. Kieren Keke (Minister for Health) made a statement on his recent trip to Washington, as under :-

"Mr. Speaker and Honourable Members, I wish to provide a report to the House on the purpose and outcomes of my recent trip to Washington, D.C., in the United States.

Last week I travelled to Washington, D.C. in the United States of America. The main purpose of the trip was to hold talks with EXIM Bank of America.

This trip followed two recent meetings I had held with the United States Ambassador, Mr. David Lyons, in Suva Fiji where amongst a range of issues being discussed was the difficulties Nauru was having with making progress in seeking an out of court settlement with EXIM Bank in relation to our one and only aircraft.

I wish to provide the following details as way of background. Nauru initially entered into a credit agreement in 1993 for an initial amount of US\$30.6 Million for the purchase of two aircrafts. One of these aircrafts has since been sold. However, the former Harris government began to default on the quarterly loan payments in August

2002, which at the time were a little over US\$4 Million per quarter. Following the Harris government's default on the loan payments, EXIM Bank began proceedings, initially in September 2002, but with earnest in June 2003, to have the total outstanding loan repaid. Upon the Harris government's failure to act EXIM Bank began legal action to repossess the security on the loan, which is the aircraft itself. This government has been fighting this attempt to repossess the plane and has since been locked in an ongoing legal battle in the Melbourne courts. The current total amount owing (principle plus interest plus default interest) to EXIM Bank is about US\$14 Million.

This legal battle is costing Air Nauru a significant amount of money and this will increase the longer and more complicated the court proceedings become. Also, there is no certainty that we will win the court case and should we lose, EXIM Bank will take possession of our only aircraft leaving Nauru without air services.

Therefore your government has been working hard with Air Nauru Board and management to assess all available options to ensure Air Nauru can continue to operate. Government's main role in this has been diplomatic approaches to the United States via the US Ambassador in Fiji.

Your government, in conjunction with Air Nauru, also submitted a formal proposal to EXIM Bank in mid-December for an out of court settlement. However, EXIM Bank did not respond to this offer, and so I again sought the intervention of the US Ambassador in Fiji. During my last meeting with the Ambassador, it was suggested that Nauru send a delegation to meet with EXIM Bank in Washington as the best way to sort this out.

Upon the instruction of the President and Cabinet, I therefore travelled to Washington and met with EXIM Bank on Thursday 10th February. I was accompanied to the meeting by Ambassador Marlene Moses who is based in New York as our United Nations Permanent Representative designate.

We met with Mr. James Hess, the Senior Vice President and Chief Financial Officer of EXIM Bank, along with Mr. Peter Saba, the General Counsel and Chief Operating Officer and Robert Lewandowski, the Senior Asset Management Officer who is responsible for the loan with Nauru at EXIM Bank.

I am delighted to report that the meeting was very productive. The EXIM Bank officials were very happy that Nauru made the effort to meet in person and stated that this had made all the difference. We were able to obtain a strong commitment from EXIM Bank to negotiate an out of court settlement and we now have a very clear picture of what EXIM Bank requires in any offer we put forward. EXIM Bank repeatedly stated their willingness to be flexible on terms and conditions provided certain basic requirements were fulfilled and that the overall proposal was commercially acceptable to their Board.

EXIM Bank was well aware of the new Scotty government and praised our efforts at reform and addressing the mess that has been left us to sort out. They stated they wished to help us in this as best they could and would rather not cause further problems and hardship for Nauru and our people. They fully realise the humanitarian and social impact taking possession of the plane would have and wished to avoid this. EXIM also understand the diplomatic strain caused by the line of defence currently advised for Air Nauru to pursue in the courts.

We have established direct lines of communication with EXIM Bank, and no longer need to negotiate via lawyers and they are willing to send an official to Australia or here to Nauru to progress the settlement as needed.

Your government is now confident that we have established a friendly working relationship with EXIM Bank and we are working on a settlement offer that should satisfy EXIM Bank and allow Nauru to keep our plane.

To make the most of the visit to Washington, I asked the US Ambassador in Fiji to arrange a number of other meetings for me.

On Thursday 10th February, I had a meeting at the US State Department with Mr. Randall Shriver, the Deputy Assistant Secretary of State, Mr. Howard Krawitz, the Director of Australia, NZ and Pacific Affairs and Mr. Mark Nachtrieb, the Nauru Desk Officer at the State Department.

This was a very warm meeting discussing a number of issues relating to Nauru and the United States and how the US may best assist and support Nauru at this difficult time.

I also had a meeting with the Director of the Money Laundering and Terrorist Financing Group and other department officials in relation to Nauru's efforts to be removed from the FATF black list. This was very productive and the US is very pleased with our progress and pledged to continue to support Nauru at the FATF plenary in order to help us be removed from the NCCT list as soon as possible.

I also had a meeting with the Commander of the US Coast Guard and his officials in relation to Nauru's shipping port security. In June of 2004 the International Maritime Organisation issued a new code of standards for all shipping ports to meet in order to increase security in shipping. The former government took no action in this regard and Nauru's shipping port has also been black listed. We discussed this in detail and the US agreed that it is possible that they may review our black listing but also committed to providing Nauru with direct assistance and also additional support through regional bodies such as SPC to help Nauru implement the required measures to meet the IMO standards and be taken off the black list in the near future.

On the following morning before departing Washington to return to Nauru, I took the opportunity to meet with representatives of the American Jewish Committee with whom Ambassador Vinci Clodumar has been communicating in recent times. The American Jewish Committee is grateful for Nauru's support of the US at the United Nations in relation to issues affecting Israel and pledged assistance to Nauru. In the first instance they will look at providing consultants and technical expertise to help Nauru Rehabilitation Corporation with land rehabilitation on topside and land development for future use. They will also look to provide direct assistance and expertise with our desalination plant and longer term water needs for Nauru.

I then departed Washington after a day and half for the tiring haul home. On the way home to Nauru, I met with Air Nauru Chairman in Brisbane and briefed him on the outcomes of my meetings. Air Nauru has begun immediate work in conjunction with government to develop the offer for us to present to EXIM Bank as soon as possible.

I trust Members will agree that this trip was well worth the effort and how it demonstrates further this government's ability and ongoing efforts to engage honestly and directly with those bodies and governments outside who are in a position to assist

Nauru out of our current crisis. Thank you.

(iii) The Hon. Godfrey Thoma (Minister for Justice) made a statement on the current state of the Nauru Police Force as under :-

“Mr. Speaker and Members of the House, it gives me great pleasure and pride as your Minister for Justice, to be able to advise the Parliament of the current state of play of the Nauru Police Force.

As you are aware two Australian police joined our services in late November 2004 and since that time several positive steps have been taken to see our police regain a positive reputation with the community and the government they serve and in saying this, I can assure you, and both the Australian police have advised me accordingly, that these positive steps have been taken by all members of the Nauru police force together and they will continue to progress together.

Our police force has recently been restructured and is still undergoing the transition from their old structure to the new - this new structure sees the police force separated into 6 functional streams. These are -

(i) **Development**

This critical area will encompass the ‘internal investigation’ and ‘training areas’ and will prove the main change area of our force - already several members of the Nauru police have been suspended from duty for serious offences and two had their employment terminated as a result of criminal charges - proving that a consistent and equal application of law will be the ethos of the service delivered by our police officers.

And I can assure both the government and our community that while ever I hold the position of Minister for Justice the rule of law in Nauru will be equally applied to all - whether they are police, civilian or expatriates.

(ii) **Intelligence**

Also a critical area this function will link all the law enforcement areas of Nauru - Immigration, Customs, Fisheries and the police with the regional and international community ensuring that Nauru fulfills its regional and international obligations and that we, with the assistance of our neighbours, are able to protect our own community and sovereignty from the threat of transnational crime and terrorism.

(iii) **Investigation**

Slowly this area is attempting to investigate the large backlog of cases resulting from the recent increases in crime - assaults, thefts, break and enters and the possession of drugs which are all serious matters affecting our community’s safety at the present time and this difficult and enormous task is progressing as fast as is humanly possible - and our police force needs the communities’ assistance to both prevent and investigate crimes and they also need our patience and understanding for the difficult job they are trying to perform.

(iv) **Patrol**

Already several members of the community have volunteered to me the positive sense they have at the recent rise in profile of our uniformed police - very recent changes

in the rostering and deployment cycles of our police which will see more police out and in our districts supported by the ability to respond to police vehicles. Recent issues that have arisen through using junior and inexperienced members should be negated with this new rostering system which will ensure senior and experienced officers are available to support those more junior or the police reserves and officers will soon be undergoing relevant training on a regular basis to build upon their skills and abilities.

The patrol area also manages our prison system which at present has 2 long-term inmates serving custodial sentences and one inmate currently remanded in custody by the courts and there is, of course, a changing population of prisoners detained during investigations, the recent roofing and cell refurbishment sponsored by the Australian government will soon be finished and when this occurs the cells and security of the prison complex will deliver standards consistent with our international obligations.

Several other improvements to the working conditions of our officers are also being considered by the government and every step we can take in this regard will pass on positive improvements in service to our community.

Our police are also addressing particular types of crimes where certain members of the community are at times the victims of attention by criminal elements because they are perceived to be affluent or less likely to report attacks against them. Certain elements of our Chinese community and areas in the location area being afforded extra police protection and a higher presence to ensure the true spirit of our island's culture and hospitality can be enjoyed by everyone.

But, our police cannot do this alone - they need the help of the community and the willingness to report the criminal activity of others - when you are both a victim and a witness.

(v) ***Criminal Justice***

With the finish of the court house refurbishment our legal system can again see speedy and just prosecutions and the police prosecutors are showing progress in their responsibility to reduce the time that has previously been taken for matters to be brought before the court.

(vi) ***Operational Support***

Our police force could not survive without a strong level of administrative support and the last functional area will see, over time, non-sworn employees of the Nauru Police Force start to perform roles thus freeing up more experienced members to directly serve and protect our community.

The development of our police force has only just begun and already we are seeing a concerted effort by all but a few in our police force and community to restore Nauru to the safe and supportive community that so many of us remember. The future of those changes will soon be discussed with senior representatives of the Australian government due to arrive in Nauru for talks with the government later this month regarding the next phase of support through the next MOU.

Reforms to legislation, adequate training, appropriate logistics, the establishment of a forensic capacity, good governance, the direct engagement of the Nauruan community in the progressive changes being made to our police force and others are all

issues that I will raise during those talks.

Our police are also providing valuable input to several issues impacting upon Nauru from the international community and I am sure they will continue to assist the government to restore the good name of Nauru globally.

(iv) The Hon. Dr. Kieren Keke (Minister for Health) made the following statement on “Progress in Fighting Anti Money Laundering & the Financing of Terrorism” :-

“Mr. Speaker and honourable colleagues, today I have much pleasure in announcing further major progress in Nauru’s efforts to be removed from FATF’s list of Non-Co-operative Countries and Territories (NCCT), commonly known as the ‘black list’.

As I am sure you are all aware in little over six months this government has already made significant progress in this area by reversing the damage which was wreaked by the previous government to our international reputation. We have achieved results in a matter of months, which previous governments could not come close to achieving in over three years of work.

Through the hard work of this government, and I must say, with the commitment and co-operation of Members and this Parliament, we now have a world class legislative framework by which to deal with money laundering and the financing of terrorism.

These reforms are now starting to pay dividends. As you recall in October the President announced to this House that as a result of the endeavours of this government, the FATF announced that financial counter-measures and sanctions against Nauru were lifted. In addition to this, the United States is also in the process of lifting the application of Section 311 of the USA Patriot Act.

However, this government has not rested on its laurels. Rather, through the interdepartmental National Co-ordinating Committee (NCC), we have pushed ahead with further major reforms by introducing and passing key legislation in the areas of Counter Terrorism and Transnational Organised Crime, Mutual Assistance in Criminal Matters and Proceeds of Crimes.

Today, I am pleased to announce that these further reform initiatives of the government are also starting to pay dividends.

Last week, the FATF Plenary met in Paris to discuss the progress Nauru has made in the areas of money laundering and the financing of terrorism. While Nauru remains on the NCCT black list for now, we are encouraged to learn that we are now in the home straight to be removed from this list.

We have been told by representatives of the FATF Plenary, that they have already asked for ‘follow through’ on only one more single area, which is the recording and maintaining of corporate records at Nauru Agency Corporation. In communicationg, we have been told that “That is the only issue that Nauru will have to satisfy to get off the list.”

The NCC believes we may have already established the required corporate records however, we will be in contact with relevant authorities to ascertain exactly what needs to be done in this area, and key officials from the National Co-Ordinating Committee will be travelling to Japan in May to tie off any loose ends which remain. We are confident that the last remaining obstacles can be dealt with easily and your

government is hopeful to have Nauru removed from the black list in May.

However, we will not stop there in terms of our efforts to fight money laundering and the financing of terrorism.

This government has never been about doing the minimum necessary and it is not about to start now.

We will continue to be vigilant and do whatever is necessary until we are 100 per cent confident that we can effectively contribute to the global fight against money laundering and the financing of terrorism.

I am sure we all remember that terrible day in September 2001 when the true costs of money laundering and terrorism financing were brought to the fore. This government is committed to doing its part to ensure that we never get another September 11 and the perpetrators of such evil deeds are caught.

Mr. Speaker, I also very pleased to announce that the government has further strengthened the membership of the National Co-ordinating Committee so we can more effectively achieve these aims.

We recognise that to stamp out money laundering and the financing of terrorism strong law and order is prerequisite. As such the government has appointed the Director of Police, Mr. Alan Ross, as a full member of the NCC. As all of you are aware, Mr. Ross brings to Nauru exceptional skills in the area of customs, proceeds of crime, general criminal and fraud investigations, public prosecutions, general policing and illicit drugs (including UN), intelligence and strategic services. He has already made a very valuable contribution to the government's efforts in this area and I welcome him to the team.

Mr. Speaker and Honourable Members, while the government is totally committed to fight money laundering and the financing of terrorism, we are also very focused on getting commercial banking operations back on the island. To do this a requisite will be removal from the NCCT list which looks like this government is on the verge of achieving.

I cannot emphasise strongly enough the difference a proper commercial bank will have on all aspects of the Nauruan community.

- Consumers will benefit by being able to safely deposit their money in-country and not have to send it offshore or hide it under their beds. They will also be able to access their cash savings whenever they want them.

- Business will be facilitated through access to business financing. This will be good for every Nauruan in terms of generating not just wealth, but real jobs.

- Finally, the government will benefit, by being able to keep all funds on-shore. This will facilitate the payment of government commitments (such as salaries) and simplify the government's financial transactions.

One bank has already expressed interest in opening a branch in Nauru and we will shortly be actively engaging them in discussions. Due to commercial sensitivities I cannot, at this stage, provide any details of these discussions, including the bank involved.

However, I am confident that any issues which need to be addressed can be quickly dealt with so we can get a proper bank back on the island as soon as possible.

Mr. Speaker and Honourable Members, to conclude -

We all remember the bad old days when Nauru was a name synonymous with money laundering and criminals. The results which I have talked about today are testament to the fact that due to the farsighted reforms introduced by the Scotty government the name Nauru is now being associated with integrity, justice and courage.

This government is not one that will bury its head in the sand. It is a government that is willing to face up to the terrible legacy it was left by the previous government and do what's right to get Nauru back on track and truly put "God's Will First". Thank you.

(v) The Hon. Godfrey Thoma (Minister for Justice) made the following statement on the activities of the Justice Department :-

Mr. Speaker and Members of the House, on Tuesday 15th February 2005, the Chief Justice handed down his decision regarding the election petitions.

In short, His Honour dismissed both petitions outlining in his judgement that the petitioners, Mr. Remy Namaduk and Mr. Ali Amwano, failed to prove that there was irregularity in the running and administration of the elections.

He had earlier, before the hearing got underway dismissed certain paragraphs in that petition which the Chief Justice found to have either -

- (i) aired in the wrong forum;*
- (ii) already paved judgement on.*

The A/Secretary for Justice, Mr. Lionel Aingimea, appeared for the respondent, the Returning Officer.

The hearing took two days where the petitioner provided 2 witnesses and A/Secretary for Justice used 4 witnesses, one of whom was the Minister for Health, Hon. Kieren Keke, M.P. The Justice Department is commended for a job well done.

There is also currently ongoing the Kerry Smith/Douglas case.

As the House is aware, we lost the preliminary issue of trying to dismiss her actions for it was in the wrong jurisdiction. We lost that post and are now in the process of preparing for the trial.

Our lawyers in Australia and us are exploring every avenue in which we might come out victorious or minimise government's liabilities. Thank you."

(vi) The Hon. David Adeang (Minister for Finance) made the following statement on "Developments With the Department of Finance" :-

"Mr. Speaker and Honourable Members, with your kind indulgence I should like to inform this august House that commencing no later than tomorrow land rentals for schools, hospitals, government offices, NTV facilities and the Anabar fish pond will be paid out in cash, albeit at 25% of the full value of the annual rentals, as appropriated by the Parliament through the 2004-2005 budget. It is estimated that approximately AUD40,000 will be expended for these land portions.

It is with some regret however that Treasury is unable to effect payment for the more significant numbers of land portions occupied by the aerodrome, due to the continued problems with the Computer Bureau and, more significantly, updating the list of landowners for the aerodrome. Whilst the cash for these payments will have arrived on this morning's flight from Australia, it cannot be disbursed until next week when we predict the necessary work on the list of landowners will have been completed, hopefully

by Thursday 24th.

On another matter, Honourable Members will be interested to know that I have received from the Finance team the first draft of the salary review report which many of us have been awaiting with much anticipation given our continued sacrifice of normal wages in the light of cash restraints. I have given informal and preliminary briefs to the Cabinet on the general points of interest in the report, and informed also that the report awaits the input of the Chief Secretary's department especially in regard to the new wage scales being proposed. In brief summary, it is envisaged that sometime in March salary levels will be increased from the present levels of AUD100 per public servant per fortnight to levels that, for want of formal consideration and adoption by the Cabinet, can only be best described at this time as improvements upon present levels. This is achievable by amending presently high wage levels to more modest wage levels affordable to government.

Further, it is envisaged at this time that instrumentalities that wish and/or will continue to be supported by Treasury for their wages will also adopt these new wage scales, including Nauru Insurance Corporation, Bank of Nauru, NFMRA, Eigigu Holdings (excluding the Meneng Hotel but including the NC supermarket and DPC) and RONFIN.

In due course, government will be announcing the details of the changes once the Cabinet has had the opportunity to formally consider and adopt the recommendations of the salary review report.

Mr. Speaker and Honourable Members will be further interested to note that given the expiration last month of the tenure of deployment of the two Australian advisors to the Secretary for Finance, and the small delay incurred in deploying their replacements, the Australian government will be temporarily deploying Mr. Grant Edward Anderson, a senior official of the Department of Finance. Arriving next week on Monday, Mr. Anderson will advise and assist the Secretary for Finance, Mr. Peter Depta, until the 24th of March, which will ensure that there is at least a week overlap between Mr. Anderson's deployment and the deployment of the next Australian budget advisor to be deployed to Nauru.

Mr. Anderson is currently the Team Leader or Director of the Solomon Islands and Nauru Unit within the Department of Finance and Administration's Pacific Support Branch, which was established to manage the Department's contributions to Australia's whole-of-government approach to improving governance issues of various Pacific island countries. Your government takes this opportunity in expressing its pleasure to take note of this welcome extension of assistance as Treasury begins its work on the forthcoming budget for fiscal year 2005-2006. As Minister of Finance, I am confident that given Mr. Anderson's background in the Department's Budget Co-ordination Branch, and his broader experience throughout the Australian Public Service (including the Department of Transport) he will prove extremely valuable to the critical work ahead of us as government continues to strengthen financial stability.

On a related note, I wish to take this opportunity to simply inform this august House that 5 senior officials of the Australian government will be visiting Nauru on 28th February to conduct negotiations with your government in respect of the current MOU3, and the forthcoming MOU4. Government will be later informing the public of

developments arising from these talks. Thank you.

(vii) The Hon. Godfrey Thoma (Minister for Fisheries) made the following statement to the House :-

“Mr. Speaker, the OFCF Junkai Mission arrived on Tuesday 15 February 2005 consisting of a four-member team to overhaul the fishing vessel Victor Eoaeo II. The parts for the vessel did not arrive on the last shipment, nevertheless, OFCF team together with Technical Services section, communications section and engineering section commenced today to remove the two main engines and the generator from the vessel. Communications equipment are also being replaced.

According to the shipping agency, the ETA for the next voyage is on the 20th of February 2005 but cannot be confirmed at this stage.

The major problems for the NF6 have temporarily been rectified, hence the vessel was able to go out fishing commencing last Friday 15 February 2005.

The engineers identified the faulty water pump as the reason for the port engine’s overheating and needs replacement.

The other problem is the hydraulic hoses (high pressure) for the reel on the vessel as two of the hoses burst in the past. The reel is now operational using local materials, however, these would need to be replaced once the proper spares are ordered. The hoses have just been acquired through the kind assistance of OFCF, which have been received yesterday and will be installed in due course.

The budget for the building projects have been withdrawn, therefore the works have been markedly reduced. The plasterers have commenced on the internal walls of the building. Once third of the roofing area has already been sealed by cement pouring. The workers have also prepared the three bays for pouring but have come to a halt due to lack of cement bags. There is a concern that the reinforcement bars and mesh will rapidly deteriorate if it remains exposed for much longer.

The fish market project is nearing completion with the interior finishing and also the installation of the air conditioning units remaining. As with the Anibare project, the lack of materials due to the lack of funds has also impacted on this project.

NF6 began its first trial fishing run yesterday 15th February. All new trainees were included on the trial run to expose them to the various fishing methods undertaken by the commercial boats. The fishing methods used were vertical longline targeting bottom fish and Fisheries Advisor, Allan Debao, accompanied the trip to assist with their operations. The trip lasted 2 days and the total catch yielded 95 kgs comprising mainly of oilfish and pomfrets. The boat did not encounter any mechanical problems and has now shown that it is capable of carrying out full commercial operations.

The two consultants from the OFCF FESAP project are in the final week of their ongoing mission to identify and recommend improvements to NFC operations. They have interviewed all the key personnel involved in NFC’s operations including General Manager, Commercial Manager, Fish market supervisor, Captain and shore based engineer. The outcome of the report is due to be presented to NFC/NFMRA. Already they have lent assistance by requesting their OFCF office in Suva to purchase and send the hydraulic hoses for NF6 at their own cost. Thank you.

(viii) Mr. Batsiua (Boe) as Chairman of the Public Accounts Committee presented the Progressive Report of the Public Accounts Committee to the House.
The Hon. Dr. Kieren Keke (Minister for Health) moved that the report be noted.

The Chair, with the consensus of the House, suspended the sitting and to resume when the bell rings.

Resumed

(ix) Mr. Dabwido (Meneng) as Chairman of the Select Committee on Passport Sales presented the Interim Report of the Select Committee on Passport Sales.

8. Motion

Mr. Dabwido (Meneng) moved that the Interim Report be adopted.
The Hon. Godfrey Thoma (Minister for Justice) seconded.
Question put and passed.

9. Leave Sought for

Mr. Ribauw (Ubenide) sought leave of the House to move a motion.
Leave was granted.

10. Motion

Mr. Ribauw (Ubenide) moved the following motion :-

“Whereas there have been allegations of illegal or improper dealings by certain former Ministers and high government functionaries under the presidency of Rene Harris;

And whereas it is alleged that such person(s) stood to gain financially up to several hundred thousand dollars in commission as well as additional benefits financial and others including but not limited to free travel, free gifts and free shopping;

And whereas such deals and actions were not in the best interests of NPRT, its beneficiaries and the Republic of Nauru;

That a parliamentary Select Committee be established to -

- (a) investigate and report in detail the allegations as stated above;*
- (b) investigate and report in detail alleged irregularities on the sale of Grand Pacific Hotel in Fiji;*
- (c) investigate and report in detail the alleged irregularity of NPRT’s payment of approximately F\$500,000 to Senator Khan and his subsequent purchase of NPRT’s property at Kimberly Street, Suva;*
- (d) recommend ways and means of suitably punishing those found to be guilty of any criminal or illegal activity;*
- (e) recommend ways and means for the recovery of such moneys as allegedly gained through this alleged illegal activity;*

(f) *provide any other recommendations as the Committee sees fit.*

*That the Select Committee shall be named the **Select Committee on NPRT Financing Irregularities**;*

That the Committee shall consist of 7 members, namely -

Hon. Riddel Akua, M.P.

Hon. Dominic Tabuna, M.P.

Hon. Mathew Batsiua, M.P.

Hon. Sprent Dabwido, M.P.

Hon. David Adeang, M.P.,

Hon. Cyril Buramen, M.P.,

and myself as mover of the motion;

That the quorum of the Committee be four;

That the Committee shall elect one of its members to be the Chairman, and that in the event of an equality of voting the Chairman has a casting vote;

That the Committee be provided with all necessary staff, facilities and resources to achieve its objectives;

That the Committee shall have power to send for and examine persons, papers and records, to move from place to place in Nauru and to travel overseas as required; and to meet in public or in private sessions;

That the Committee shall have power to obtain all and any assistance and co-operation required from any government department(s) and/or personnel, including all corporations and all other entities of the Republic;

That the Committee may present progressive reports and recommendation(s) to Parliament as it deems fit;

That the Committee shall present its final report and recommendation(s) to Parliament within three months of passing of this motion;

That an extension of time for presentation of its report and recommendation(s) may be granted by appropriate motion approved in the House;

That the foregoing provisions of this motion, so far as they are inconsistent with the Standing Orders, have effect notwithstanding anything contained in the Standing Orders.”

Mr. Batsiua (Boe) seconded.

Before debate on the motion commenced, the Chair informed the mover of the motion that one of the members proposed to be in the Select Committee, Mr. Buramen (Ewa/Anetan), is not present in the House so therefore cannot be included in the Committee, as per past practices and procedures. Only those present in the House, and with their consent, are eligible to be members of the Select Committee.

The mover of the motion concurred with the Chair and will leave one of the membership vacant until further notice.

Debate ensued.

Question put and passed.

11. **Motion Fixing the Date for the Next Sitting**

His Excellency President Ludwig D. Scotty moved that Parliament at its rising do adjourn until a time and date to be fixed by the Chair.

The Hon. David Adeang (Minister for Finance) seconded.

Question put and passed.

12. **Leave of Absence Sought**

The Hon. David Adeang (Minister for Finance) sought leave of absence for Hon. Baron Waqa (Minister for Education) and Mr. Kun (Buada) who were overseas on government business and for Mr. Adam (Buada).

Leave was granted.

13. **Adjournment**

His Excellency the President moved that the House do now adjourn.

Debate ensued.

Question put and passed.

And then the House at five minutes past seven o'clock p.m. adjourned until a time and date to be fixed by the Chair.

Members Present

All Members were present at some time during the sitting, except -

- * Mr. Waqa
- * Mr. Adam
- * Mr. Kun

Freddie Cain
Clerk of Parliament

* Leave of absence