

**Votes & Proceedings
Of the
Sixteenth Parliament**

No. 27

**First Sitting of the Twenty-second Meeting
Monday, 12th June 2006**

10.00 a.m.

1. The House met at 10 a.m. in accordance with the resolution made on Tuesday 9th May 2006.
2. The Hon. Valdon K. Dowiyogo, M.P., Speaker of Parliament) took the Chair and read Prayers.
3. **Statement from the Chair**

The Hon. Speaker made the following statement on the 'Participation in the Induction Program of the National Parliament of Solomon Islands':-

'Honorable Members, on the invitation of the Speaker of National Parliament of Solomon Islands Rt. Hon. Sir Peter Kenilorea the Nauru Parliamentary Delegation comprising of myself, Clerk of Parliament and Parliamentary Counsel attended the Induction Program 2006. This Program was co-ordinated by Solomon Islands Parliamentary Strengthening Project of the UNDP with the support and funding from the Centre for Democratic Institutions, Australian National University, Commonwealth Parliamentary Association and House of Representatives, New Zealand.

The Induction Program is a new concept and experience in the Pacific Islands Legislatures and I was informed that one such Program has already been devised for the newly elected Members of the Parliament of Fiji which is going to take place in the last week of June. My very approach in attending this Program from the very beginning was my strong intent to bring one such Program home now or after the next General Elections and I have been very successful in my endeavors as the Members will note from the successive parts of my statement. My second aim in attending this Program was to engage in concerted dialogue with the Legislative Developments Partners such as UNDP for seeking approval for getting a Parliamentary Strengthening Project for Nauru. I am pleased to state that I have been very successful in this respect also. Before proceeding further I would like to highlight the need for seeking the approval for the Parliamentary Strengthening Project for Nauru.

We all know that Nauru is passing through a critical phase of its survival and Parliament is no exception to it. We have been suspended from the Commonwealth Parliamentary Association for the last 4 years and as a direct result we are not able to avail benefits, such as fully funded conferences, seminars, workshops and free equipment from the CPA and the CPA Education Trust Funds.

Secondly, I found that under this program the grants would also flow to Nauru again satisfying our infrastructural needs such as provision of office equipments, Members and staff training from UNDP and other donor partners. It is for this reason I chose to accept the invitation to

attend this program as well as witnessing how the induction program is run, and how a similar program could be initiated for Nauru in the not too distant future.

Financial Implications

Our participation was minimally funded by the UNDP. Only 1600 Solomon dollars, equivalent to AUD300, were provided to me and the Clerk to cover for incidentals during our stay, as we had availed our normal travel expenses from Treasury. The funding component we received from UNDP has already been redeemed to Treasury.

The Induction Program Summary

Prior to the main induction program, a service was held in the Wesley United Church for all the members of the National Parliaments, and the service was collectively by all the churches of the Solomon Islands. The sermon was delivered by the Most Rev. Archbishop Adrian Smith.

The main induction program ran through 13 sessions in addition to 7 discussion sessions on the last day, i.e. Friday, 2nd June. All the sessions were attended by the Clerk of Parliament and the Parliamentary Counsel and I observed them along with other fellow-Speakers. My staff joined me in having discussions with the Regional Representative of the UNDP, Mr. Richard Dictus. I conveyed my intent for bringing a similar program to the Parliament of Nauru. This House is already aware that UNDP has shown interest in three areas for strengthening of our Parliament viz.

- (i) constitutional reforms;*
- (ii) parliamentary strengthening and civics education; and*
- (iii) Participatory democracy.*

Out of these three, work has already commenced on our constitutional reforms through the Constitutional Review Committee. Under the parliamentary strengthening, our Parliament would avail assistance in terms of conducting a training program for the Members and the UNDP and the Centre for Democratic Institutions have assured us their continued support in such parliamentary project and has requested us to submit a full project submission in this regard.

I also had special meetings with Rt. Hon. Sir Peter Kenilorea, Speaker of the National Parliament, Hon. Manasseh Sogavara, Prime Minister of Solomon Islands. Hon. Fred Fono, Leader of the Opposition and Hon Sir Allan Kamakesa, Deputy Speaker of the Parliament. I pushed the diplomacy through our parliamentary wings of the governments and my talks were more than satisfactory. My interview was recorded by Solomon Islands Broadcasting Commission in which I conveyed the message of our continued support for the Solomon Islands in their hour of crisis.

I also had meetings with Mr. Warren Cahill, project manager, UNDP Parliamentary Strengthening Project for Solomon Islands, Dr. Michael Morgan, Director International Projects, Australian Labour Party, Dr. Benjamin Reilly, Director – Center for Democratic Institutions, ANU and Ms. Carol Rankin from the Office of the Clerk of the House of Representatives, New Zealand. My meetings with them were very fruitful and we intend to utilize the benefits from these institutions in the near future for different areas of parliamentary strengthening.

Hon. Members, I will keep this august House informed of developments in this regard from time to time.

Thank you.

4. Questions on Notice

Question No. 8 of 2006 - was not yet ready.

Question No. 9 of 2006 - was not yet ready.

Question No. 10 of 2006 - was not yet ready.

Question No. 11 of 2006 - was replied to.

5. Questions Without Notice were asked.

(A total of two hours (4 half hours) extension of time was sought and granted.)

6. Motion

Mr. Harris (Aiwo), during question time, moved that the Speaker present a statement on the subject of 'Children's Foundation of Nauru'.

Mr. Adam (Buada) seconded.

Question put and passed.

7. Statement from the Chair

The Speaker, henceforth, made the following statement to the House:-

'The foundation was devised as a scheme to assist Kayser College about 3 years back, in 2003. This scheme never eventuated in the real sense and no donations were ever received by the Foundation.

After entering the Parliament and after assuming the speakership, I did not keep any record of the work which was originally devised. Some printing etc was done but they were not used for any purpose.

It seems that somebody got a copy of the printed material and he made use of it to pursue his own ulterior motives in which I have every reason to believe that someone has also been deceitfully made to believe the notion which is not true.

I tried to be very fair and open on this issue right from the very beginning. I regret to state that my correspondence through emails which I wrote were either leaked or the e-mails hacked into and distributed to my constituents is now used as a tool for my character assassination.

I have taken a stand that I would not resign on the grounds which I am going to highlight now in the paragraphs to follow and mainly on the ground that such an action will tantamount to my admittance of guilt for a crime which does not exist and which was never committed.

I have sought independent legal opinion on the entire issue. I am more than happy to say that legal opinion goes against the allegations and the matter itself. There is no crime that has been committed and which breaches the existing laws of the Republic. The demand for my resignation is hypothetical and conjectural in nature. I am not aware of any case hitherto officially been filed against me as I have not been intimated of the same. So far

there is no case pending against me. The demand for resignation is premature and ill devised. We are all aware of the fact that it is a well established English Law practice that accused is deemed innocent until the time the decision has been given against him.

Honorable members, the speed of judicial system in Nauru is very slow. We are almost half way in this 16th Parliament. I have been elected by the people of the constituency of Ubenide. It is my moral and ethical duty to serve my people and this august House. At this stage I can see a clear conspiracy for my political assassination to satisfy the motives of certain individuals. The letter that has been circulated has no date and hence when did this cause of action took place is unknown. There is no evidence of money having changed hands. There is no evidence of money ever collected. The attempt has been made to implicate me simply on the format of a printed material!

Before concluding I would like to make it clear that this issue is in no way concerned with the working of the Office of the Speaker, the Parliament or the relationship of the Parliament with the two remaining arms of the government.

There have been rumours sadly spreading around that I have on occasions been approached by H.E. the President and Ministers that I step down or resign as Speaker. This is simply NOT true.

Honorable members, I have made my position clear and intimated you of the stand that I have taken in the light of the recent developments concerning my Speakership and I wish to make it clear that the demand for my resignation is unjustified, uncalled for and unwarranted. If ever such a thing should happen it should be on the merits of my performance as the Speaker of Parliament of Nauru.

I intend to visit Kayser College with the project that I had initiated and had tried my best to implement it, but it never eventuated, in order for all concerned and those interested to assist Kayser College in building and renovating the two-storey class room building near the old basketball shed near Ewa side.

Finally, this project was someone's (parents) dream and wish to renovate the two-storey classroom building and I took that next step to try to make it a reality.

Moreover, it has been a well-established practice of this House that whenever a Member is charged on any criminal grounds or otherwise, he is not liable to resign but to continue as a Member of the House until such time the Court decision is rendered and finds him guilty. This also invokes the provisions of the Constitution where the guilt demands a punishment for certain period of time.

Thank You.

The Chair, with consensus of the House, suspended the sitting for luncheon break and will resume when the bell rings.

Resumed

8. Leave of Absence Sought for

(i) The Hon. Godfrey Thoma (Minister for Justice) sought leave of absence for Mr. Stephen (Ewa/Anetan) who is overseas on official business.

(ii) Mr. Kun (Buada) sought leave of absence for Mr. Batsiua (Boe).

Leave was granted to both Members.

9. Ministerial Statements & Tabling of Papers

(i) The Hon. David Adeang (Minister for Finance) laid on the Table of the House 'Inter-subhead Transfers 2005-2006' and made the following statement thereon:-

'Mr. Speaker and Honourable colleagues, today I present to Parliament the document recording inter sub-head transfers agreed to since the last session of Parliament.

The Appropriation Bill 2005-2006, Section 4(2) & (3) states that Cabinet may direct that a surplus of funding provided under one subhead may be applied to another subhead, within the same Head of expenditure. The Act requires Cabinet to lay before Parliament a copy of the order of the transfer at the first meeting of the Parliament after approving the transfer.

This document I present to Parliament today meets the requirements under the Act and has received the agreement of Cabinet for the purpose of accounting for anticipated actual expenditure during 2005-06.

All subhead transfers in 2005-06 have been accommodated within under-spends from other subheads from within the same Head.

Summary of Inter-subhead Transfers

Increases

Head	Agency	Subhead No.	Item	Increase (\$)
01	Chief Sec. – Secretariat	306	Postage	138
01	Chief Sec. – Secretariat	352	Stores Items	1,478
07	Education	251	Travel & Transfer – Staff	2,770
07	Education	251	Travel & Transfer- Staff	12,000
09	Lands & Survey	502	Plant, Equipment & Furniture	4,000
10	Justice	502	Plant, Equipment & Furniture	1,138
11	Health	203	Salaries – Expatriate	18,000
12	Parliament	270	Entertainment	6,800
17	D.C.A.	352	Stores	1,500
17	D.C.A.	454	Aerodrome Services	90,000
18	Foreign Affairs	251	Travel & Transfer – Staff	6,040
18	Foreign Affairs	255	Travel & Transfer – Business	18,146
18	Foreign Affairs	305	Telephone & Fax	1,600
18	Foreign Affairs	306	Postages	200
18	Foreign Affairs	311	R & M – Office equipment	100
25	Media	300	Satellite Utilisation	1,270
31	Chief Sec. Presidency	270	Entertainment	6,324
			Total	171,504

Decreases

Head	Agency	Subhead No.	Item	Decrease(\$)
01	Chief Sec. – Secretariat	255	Travel & Transfer – Business	1,616
07	Education	502	Plant, Equipment & Furniture	2,770
07	Education	502	Plant, Equipment & Furniture	12,000
09	Lands & Survey	325	Consultants Fees	4,000
10	Justice	255	Travel & Transfer – Business	1,138
11	Health	360	Local Transport	18,000
12	Parliament	255	Travel & Transfer – Business	6,800
17	DCA	353	R & M – Office, Plant	1,500
17	DCA	325	Consultants Fees	15,000
17	DCA	359	Electricity	33,000
17	DCA	353	R & M – Office Plant	20,000
17	DCA	502	Plant, Equipment & Furniture	22,000
18	Foreign Affairs	270	Entertainment	17,386
18	Foreign Affairs	309	Membership Fees & Subs.	6,040
18	Foreign Affairs	352	Stores	100
18	Foreign Affairs	520	Lease & Charter Payments	2,560
25	Media	301	Printing & Stationery	1,270
31	Chief Sec. – Presidency	301	Printing & Stationery	1,084
31	Chief Sec. – Presidency	311	R. & M. Office Equipment	1,000
31	Chief Sec. – Presidency	352	Stores	220
31	Chief Sec. – Presidency	353	R & M – Office, Plant	1,694
31	Chief Sec. - Presidency	423	Official Celebrations	2,326
			Total	171,504

(ii) The Hon. David Adeang (Minister for Foreign Affairs) made the following statement on ‘ADB & Other Meetings, May 2006’:-

‘Mr. Speaker, I take this opportunity to provide a brief trip report to this august House on my most recent overseas travels.

Taking the opportunity of a visit to India to attend the Annual Meeting of Governors of the Asian Development Bank hosted by the city of Hyderabad, on Monday 1 May, I met with the Indian Minister of State for External Affairs, Hon. Anand Sharma at the Indian Foreign Ministry in New Delhi.

We discussed issues of bilateral co-operation and support and in particular, the issues that had been discussed with their outgoing High Commissioner in Wellington who had suddenly been recalled. I was satisfied and indeed grateful that the Indian government was still progressing these issues, and in particular, that the Indian government was in the advanced stages of providing assistance to the Education Ministry and the Parliament of Nauru.

Subsequently, I attended the Annual Meeting of Governors of the ADB in Hyderabad in the period 3 – 6 May. At the meeting of Pacific Governors, Nauru was asked to assume the chairmanship of the group after the Federated States of Micronesia declined to take up this responsibility due to forthcoming elections in that country next year which would clash with the next Governors’ meeting in 2007. Although this would be somewhat of an added responsibility

for Nauru, I accepted on behalf of our government due to the important bilateral issues with which we were in discussion with the Bank. These included reclassification of Nauru's membership to recognise its changed economic circumstances since joining the Bank in the early 1990's.

These issues are still being discussed and I was able to significantly advance these talks in a separate meeting with the Bank's management and staff when I visited the ADB Headquarters in Manila in the period 14 – 17 May.

At that visit, I was met by the Bank's vice-President, the Board Director representing the Australian Constituency of which Nauru is a member, the head of the Pacific Section, and management that were responsible for Nauru issues.

Amongst the issues discussed was the ongoing review of the utilities, on which a report is expected soon, and ahead of a multi-partite meeting to be held in Nauru in early August between Nauru, the ADB, Australia, Japan and the EU. It is intended that the meeting will be able to identify sustainable options for improving power and water services in Nauru, and how each country can contribute towards the most effective option.

In Manila I was also able to have meetings with Alvarez and Santos regarding PHILPHOS and in particular the sale of Nauru's shares in PHILPHOS and the monies expected from those sales.

I was advised that on the partners in PHILPHOS was withdrawing from the business due to business difficulties elsewhere, and was resisting the release of monies to Nauru. However, those efforts were underway to have this partner replaced by a consortium of interests which was, at that time, soon to commence its due diligence on PHILPHOS.

I was invited to consider the sale of Nauru's shares to this consortium to which I was agreeable in principle subject to government's consideration of the terms of this sale. I have since been advised by our legal representatives in Manila that the due diligence had already commenced and will be concluded late July.

I have also been advised that no payments to Nauru could be expected until mid July upon release of a small dividend by PHILPHOS from which Nauru will obtain a share.

Another matter that I discussed was the promissory note against the sale of the Pacific Star building in Makati which government considers we are owed significant monies. Our attorney in Manila is providing legal advice on this matter, essentially as to what our legal options are in realising the value of the promissory note.

Mr. Speaker, prior to Manila, I travelled to New York to attend the Commission on Sustainable Development at the United Nations, at which I delivered a statement on behalf of Nauru regarding energy and other issues on Nauru and which meeting was preceded by Sustainable Development and Planning meetings attended by our officials from the Finance Ministry, namely those from the Aid Management Unit and the Development Planning and Policy Division.

I also took the opportunity to have bilateral meetings with Ambassadors to the United Nations representing Taiwan, India, Japan and Brazil. With the latter, I signed on behalf of government a technical co-operation agreement that establishes a framework by which Brazil can commence providing assistance to Nauru. It is now envisaged that a technical mission from Brazil will visit Nauru to identify areas of assistance that Brazil can provide Nauru.

Also, a meeting was held with the Associate Administrator of the UNDP as well as the Deputy Director of the UNDP Asia and Pacific at the UNDP Headquarters in New York regarding UNDP assistance to Nauru. Amongst other things, it was confirmed that in addition

to the UNDP project officer recently appointed to our department of Finance and Economic Planning, the UNDP would be establishing a presence on Nauru through the appointment of a National Liaison Officer. This office would co-ordinate the UNDP's programs in Nauru as well as those of other UN agencies providing assistance to Nauru.

Whilst many other issues were attended during the period early May whilst overseas, I hope the above gives a fair if very brief summary of these issues and important developments arising there-from.

I thank you for your attention.'

(iii) The Hon. Baron Waqa (Minister for Education) made the following statement on 'Education and Training Report Update':-

'Mr. Speaker, I would like to update this august House on certain educational and training activities to date.

Recently three officers of the Department contributed to workshops in Tonga and Suva.

A senior curriculum officer and a Principal presented some details on Nauru's new curriculum meeting of literacy and numeracy educations from the Pacific region. The meeting was held in Tonga and organised by PRIDE, the organisation that has the responsibility for improving basic education in the Pacific. Our officers provided examples of our approach to improving literacy and numeracy standards. They were pleasantly surprised at the interest other countries had in what we are doing. In particular they reported that other Pacific countries, and USP, sought more details of our reforms.

A third officer contributed to a workshop in Suva on TVET and training in general. In the near future, Nauru will be sending three teachers to work as TVET teachers in a number of secondary schools in Fiji that offer TVET. We are sending teachers in the areas of Home Economics, including health and hygiene, food production and trade and workshop subjects. In return, Fiji will send three of their teachers to Nauru to work with our TVET teachers when they return to Nauru. This 'twinning' arrangement is fully funded by PRIDE.

In the area of donor co-ordination to education, NZAID, AusAID and PRIDE are co-ordinating their assistance.

Basically NZAID is providing assistance in the areas of Curriculum and teacher training; AusAID is considering providing major assistance in the area of infrastructure and information and communication technology and PRIDE is providing capacity building, system analysis and accountability assistance.

As a result of my earlier requests to UNESCO and SOPAC, both organisations have now sent their advisors to Nauru.

UNESCO's advisor in communications, Mr. Abel Caine, visited Nauru to prepare a draft strategic plan for 'e-Government'. The strategic plan for 'e-Government' sets out the way in which the government will harness and manage the power of the rapid developments in ICT (or Information and Communication Technology).

A draft strategic plan is being considered by Cabinet. A number of stages to the introduction of ICT throughout government organisations is proposed. The first stage is the Parliament and government offices and the second stage is the schools followed by other sectors. Mr. Caine expressed his support and interest in our new curriculum approaches and the Education Department has approached Mr. Pongi, Regional Director of UNESCO, to secure the services of Mr. Caine for four visits in the FY 06/07. Mr. Caine will advise the Education Department on the issue of ICT in schools.

I have previously advised Parliament about the moderation system used in our schools to assess the standards of the Rich Tasks that our students are completing. With the end of term approaching, and the consequent assessment of student work, schools have been provided with the services of a consultant to assist them in this process. I encourage Members to take the opportunity to visit schools when they have open days to display the work that students are doing.

As Minister for Education, I need to know if the education reforms that are happening are making any improvements to the standards of our students.

For this reason, in 2005, I engaged SPBEA to do a series of benchmarking exercises with our year 4 and 7 students. I am yet to receive the results, but I have asked the CASE unit of the education department to do a series of literacy benchmarking exercises across all schools. I have reported previously on their findings that reading levels are average, but that the comprehension is below average.

In this respect, I am pleased to report that SPBEA, UNESCO and UNICEF had convened a workshop in Vanuatu to establish regional benchmarks in literacy, numeracy and life skills. With the assistance from NZAID and UNESCO, I am sending three of our officers to the workshop. This is an important workshop, as previous attempts at establishing regional benchmarks have not been successful. As I just mentioned, Nauru has been doing considerable work in the area of benchmarking and our officers can make a significant contribution to the definitions and establishment of benchmarks under discussion at the workshop. It is also important for us to understand the benchmarks so that Nauru will be able to accurately measure and report our student's levels against the regional standard.

Members will be aware that the budget for 05/06 allocated funding to engage a number of expatriate teachers for this academic year. We were able to engage five teachers from Fiji and following my representations to Hon. Michael Laimo, Minister for Education in PNG, a senior secondary teacher from PNG will arrive this week to commence duties with the Education department.

Finally I want to report on some recent financial assistance to Education and Training.

Members may be aware that under MOU3, which concluded in mid 2005, AusAID proposed to undertake renovations to Yaren, Aiwo, Nibok and NSS schools. AusAID purchased a quantity of materials for this work and had them shipped and stored in Nauru.

In February 2005, AusAID handed over to Nauru a new three classroom block at Yaren that was constructed under this program. At the same time AusAID advised the contractors who built the school, HK Shipping International, to suspend work on the other projects as all available funding under MOU 3 had been expended. In the current MOU, which expires on June 30 this year, \$325,000 was allocated to construct the Aiwo school building – a four-classroom block.

Following my representations to AusAID, this project has been awarded to Nauru and Works Department employees, under the management of Cyril Buramen MP, have commenced the project.

Further, AusAID has announced that a 22-seater Toyota bus will be provided to facilitate CASE and teacher transport. Parliament should be aware that many teachers are attending workshops and courses after school, at night and on weekends. For example, Education is currently funding a course at USP to provide basic computer skills to teachers. There are five groups of 11 teachers each, who attend the course on one night per week and again for one three hours session on the weekend, including Sunday. Education had more teachers apply for this

course than could be accommodated, and will be repeating the training as well as offering advanced courses for its teachers.

AusAID has also provided a sum of \$600,000 to be allocated to various areas such as ICT, improvements to water supplies and repairs to toilets and teaching and learning supplies in the areas of literacy, numeracy and life skills.

NZAID had provided the first of its quarterly assistance funding to Educating with grant of \$254,000. NZAID has committed assistance of up to \$33,000 per quarter for the next FY 06/07 to allocated to the areas of Curriculum, Teacher Training, Policy Development and Management and Sustainability programs.

Mr. Speaker, with that, I thank you.

iv) The Hon. Dr. Kieren Keke (Minister for Health) made the following statement on - 'Overseas Travel':-

Mr. Speaker and Honourable Colleagues, in keeping with the established practise of this government and in line with your government's policy to improve accountability and transparency, I would like to provide a report of the recent overseas travel I undertook since the last sitting of Parliament.

On Saturday 20th of May, I departed Nauru to attend the World Health Assembly in Geneva, Switzerland. Ms Maree Bacigalupo, the Secretary for Health, joined me at this annual World Health Organisation meeting which brings together all the Ministers of Health of the world.

Ms. Bacigalupo arrived in Geneva the day before me and represented Nauru at the Commonwealth Health Minister's Meeting in Geneva on Sunday the 21st of May.

I arrived in Geneva in the evening of Sunday 21st May and we both attended a dinner hosted by the Taiwan Ambassador based in Geneva along with Taiwan's Minister for Health and Vice Minister for Foreign Affairs.

The World Health Assembly began the following morning and went through the week with the last day of meetings being held on Saturday 27th May.

The opening of the WHA was marred by the unexpected and sudden passing of Dr Lee Jong-Wook, the Director General of the WHO. Nauru joined all countries and organisations present in expressing our condolences to his family and his colleagues at the WHO on the loss of this great man and the Secretary and I joined hundreds at his funeral service during the week.

Nauru took the opportunity at the WHA to deliver a statement in the general discussion of the plenary session that addressed three key issues for Nauru, being our need for health workers, the need to address diabetes and non-communicable diseases and the crucial importance of global cooperation in preparing for emerging infectious diseases and all kinds of emergencies. Included in my statement were expressions of support and appreciation to Taiwan for their ongoing efforts to assist Nauru address these areas of concern as well as their progress in international health collaboration. I have attached a copy of my statement for Members information.

On the sides of the main WHA meetings. The Secretary and I held talks with some of other countries and organisations. Of note were discussions with the Fiji Health Ministry that were very productive in terms of access to qualified nurses and other allied health staff for Nauru. We are progressing these talks and hope to move towards a formal arrangement that will have much needed nurses and allied health staff on Nauru in the next few months.

Upon the conclusion of the World Health Assembly, we returned to Brisbane arriving there on Monday 29th May. The Secretary for Health was joined in Brisbane by Mrs. Marissa Cook, Director of Health Administration, and they attended the Senior Pacific Health Leaders Network meeting which also focused on the issue of health workforce needs in the Pacific.

I had the Air Nauru Chairman, CEO, Chief Financial Officer and Government's Advisor, Mr. Manish Sundarjee, come to Brisbane and we spent the week progressing the purchase of the 737-300 aircraft as well as considerable time restructuring the financial arrangements and the airline itself to ensure ongoing viability.

We also had a meeting with the senior Executive of Solomon Airlines and I followed this up with another meeting the Deputy Prime Minister of Solomon Islands where we discussed and agreed on the need to work together and cooperate on the area of air services for our two countries. I left a concept paper and draft proposal with the Deputy Prime Minister and I expect to have a response in the next week and hope to progress the concept and begin discussions on the finer details in the near future.

I returned to Nauru on Friday 2nd June.

All travel and expenses for both myself and the Secretary for Health were generously funded by the government of the Republic of China (Taiwan) and I wish to thank them for their support which enabled Nauru to be represented at the peak meeting of the World Health Organisation.

Thank you Mr. Speaker.

v) The Hon. David Adeang (Minister for Finance) made the following statement on - 'Deployment of Finance Team':-

Mr. Speaker, and Honourable Members, I am pleased to inform this August House that the Australian Government has deployed a new member to the Finance Team to replace outgoing Economic Adviser Mr. Damian Bye.

Ms. Carla Adami is deployed by the Australian Treasury's Pacific and Assistance Division where she was an analyst, working mainly on PNG issues, particularly the Public Expenditure Review and Rationalisation project.

Ms. Adami was earlier seconded to the PNG Treasury last year working mainly on public sector reforms, particular an improving service delivery by determining the appropriate role and function of Government in a fiscally constrained developing country context.

Prior to her involvement with Pacific reform and development issues, Ms. Adami obtained experience on issues related to financial reforms such as the FATF, money laundering and terrorist financing.

With these very brief words of introduction, I commend Ms. Adami's deployment to the Finance Ministry and extend to her your Government's warmest welcome and best wishes for an enjoyable and successful stay in Nauru. Thank you.

vi) The Hon. Dr. Kieren Keke (Minister for Transport) made the following statement on 'Air Services for Nauru':-

'Mr. Speaker and Honourable Colleagues, thank you for allowing me the time to provide the House with an update on events and progress in relation to restoring regular air services for Nauru.

This issue is a critical one as Nauru is so isolated and reliant on regular air links to Australia and our neighbouring pacific islands, but it has also proven to be a very difficult and frustrating matter to resolve. Thankfully, your government has a great team of people who have

been working extremely hard day and night for months now, trying to find the best option for Nauru and I would like to take this opportunity to publicly acknowledge and thank the Chairman, Capt. Kevin Power, the Directors of the Board of Air Nauru, Mr. Geoff Bowmaker, Air Nauru's CEO, the senior Air Nauru management staff, government's advisor, Mr. Manish Sundarjee, as well as all the employees of Air Nauru who have continued to give their utmost during very difficult and stressful times.

Mr. Speaker, your government believes its role as a responsible government is to ensure that our country has regular, reliable and affordable quality air services. This does not mean that government necessarily has to be the provider, but merely ensure that the service is there. Ideally, this service would be at no cost to government and would provide some revenue to government.

The reality of the last 30 years is that government before us have provided the airline but at huge cost to Nauru. As our economy declined, former governments were not able to meet the cost of running the airline and this is what lead to the disastrous repossession of Air Nauru's aircraft in December last year.

Your government has been working hard to achieve these goals of ensuring that Nauru has an air service but importantly, one that does not cost government anything, so that we can avoid having such a disaster repeat itself in the future.

The principle sounds simple but the reality is that operating air services in the Pacific is difficult. These routes are long with generally low volumes of passengers. Infrastructure costs and operating costs are high. In fact, if we were to look from a purely commercial point of view, it would be difficult to justify flying to Nauru as it is not profitable in itself. In reality, the provision of air services to Nauru and many other small island in the Pacific can only be seen as providing for an 'essential air service'. The trick is to do this at least cost.

To achieve the goal of reliable air services at minimal or no cost to government, several different options have been assessed by Government with the assistance of independent advice.

This has included looking at the option of having another airline provide the service. Negotiations were held with another existing airline but in order for them to provide the service, government would have been required to provide immediate funding support as well as ongoing subsidy and other infrastructure upgrades. This would have cost Nauru millions which we simply do not have.

We have looked at the option of operating a much smaller, but cheaper aircraft, to just link Nauru to closer islands like Honiara and Tarawa on the basis that we could link with airlines going there. This is an affordable option but with many downsides. We would have much reduced freight and passenger capacity and there would be major issues with maintenance of the aircraft.

As I had advised the House previously, we did try hard to buy back the old 737-400 aircraft from EXIM Bank. Unfortunately, EXIM Bank did not want to negotiate a deal with Nauru on a timely basis and certainly not on reasonable commercial grounds. We had no choice but to drop this option.

A great deal of research went into assessing aircraft types as well as on many individual aircraft available for sale.

A lot of attention was put on the option of a Boeing 737-200 as there are many available and they are much cheaper. However, such an aircraft is of older technology than the 300 or 400 series and has significant limitations for operating to Nauru and our network. They burn a lot of fuel and so cost a lot to operate and do not have the extended range we require.

The research shows that a Boeing 737-300 will provide for Nauru's needs as well as enable the airline to operate a network to supplement the flying to Nauru. The 300 series of 737's, are very similar to the 400 being only slightly smaller and a bit older, but certainly more within Nauru's price range and affordability.

As I had earlier reported to this House, we identified a suitable 737-300 aircraft for sale in the United States in March of this year. Following a request for assistance, the government of the Republic of China (Taiwan) has most generously provided an initial deposit of funds with commitment to ongoing funding on an annual basis to help Nauru buy an aircraft. Nauru is most grateful for the assistance provided by Taiwan and all Nauruans must remember that in our time of need, our friends from Taiwan did not hesitate to help Nauru.

The Commitment and funding from Taiwan enabled us to search for upfront finance to make a cash offer to buy the aircraft which would be repaid with the Taiwan funds over the next 5 or 6 years. This in itself has been extremely difficult, but in March we did identify a company in America who offered to arrange finance. Unfortunately, after a very frustrating 5 or 6 weeks of negotiations, this finance did not eventuate and we had to begin the search again.

After exhausting all other options, government approached the Nauru Phosphate Royalties Trust (NPRT) inviting them to invest in the purchase of the aircraft to be repaid with the Taiwan money. Being the first time the Trust has been involved with such an investment, a great deal of attention was given to due diligence and examination of the details by the Trust.

During this time, Air Nauru, which had been providing charter services for Norfolk and linking Kiribati to Fiji, lost the Norfolk charters to an Australian airline and Air Pacific began flying the Nadi-Tarawa route in their own right. These two events were a major blow to Air Nauru's business as they provided over 40% of Air Nauru's revenues. This changed the whole scenario with the financing for the purchase of the 737-300 and estimates showed that the way everything was structured at the time, Air Nauru would lose millions of dollars each year.

Government was forced to pull out of the purchase of the 737-300 literally the day before it was to be finalised. We immediately began a detailed reassessment of all the options available, including the option of other airlines and smaller or alternate aircraft.

By this time, we were in mid May and the ongoing cost of operating Air Nauru and the loss of the charters was really coming to crisis point. The solvency of Air Nauru was in question and cash reserves were rapidly dwindling. In order that Air Nauru did not reach the point where legal action would be taken against it or be placed under forced insolvency receivership, Government had no choice in mid May to take the difficult steps to close down the operations of Air Nauru and issue termination notices to the majority of its staff. A bare skeleton of staff and operations were maintained to handle the weekly charter flights. This action has dramatically improved the solvency position of the airline.

Again our friends from the Republic of China (Taiwan) have responded to or call for assistance and in total have provided about \$2.6 million to Government which has all been provided to Air Nauru to ensure its cash flow and to keep the charter flights operating. Again, I would like to acknowledge, with great appreciation, the assistance from Taiwan, without which would have left Nauru in a disastrous situation and with no air services.

As these steps were taken with Air Nauru, the reassessment of all options took place. All options still had their significant costs and limitations so a very hard look was taken at ways we could restructure Air Nauru and the financing arrangements to enable us to proceed with the 737-300 and not lose money.

A way forward was found that involves significant cost cutting within Air Nauru, including a large reduction in the workforce, both on Nauru and in all overseas offices, as well as changes to the finance structures that essentially have found a way to fund the aircraft and maintenance costs for the first 2 years before requiring Air Nauru to contribute to these costs, Air Nauru will also sell its spare engine to assist operational costs and to provide cash security for the financial arrangements.

With these major changes and following further detailed due diligence by NPRT, the Trust has approved financing the immediate purchase of the 737-300 and not lose money.

The agreement with NPRT ensures that NPRT will be repaid USD\$2 million each year directly from the assistance from Taiwan and NPRT will be fully repaid in 5 years. In addition, NPRT will earn about USD\$2.1 million or about AUD\$2.8 million in interest over the 5 years. NPRT's investment is also well protected by having security provided by the value of the aircraft itself, USD\$1.2 million in cash will be held under charge to NPRT from the sale of the Air Nauru spare engine as well as additional security provided by the cash and asset holdings of PALco, the Government company established for this purpose as the asset holding company. There are several other terms and conditions which help to protect NPRT's money and ensure they are repaid in full.

This agreement with NPRT is in stark contrast to the way former government used NPRT money. Former Governments would simply direct NPRT to give them money, without any regard for formal legal agreements and certainly without any security or guarantee for repayment. At times, NPRT was forced by former governments to give them cash against their will and at times without any Cabinet resolution.

This investment from NPRT was totally different. NPRT have taken almost 2 months to undertake due diligence on the whole proposal and the agreement provides security and ensures repayment. All of this is locked into legal documents so that NPRT can be sure that the beneficiary's money cannot be lost as former governments did.

In short, NPRT will be repaid in 5 years with about \$2.8 million in interest earned for the beneficiaries.

From here, there is still a great deal of work to be done. The new aircraft needs painting. It currently still has the old paintwork from the airline that used to operate it and the aircraft will be painted in new colours. Some minor modifications need to be done and all the CASA and maintenance regulatory work needs to be done. This will take around 8 weeks to complete.

However, the real work lies in ensuring that the operation remains viable.

This means that the airline will be a very lean profit orientated commercial venture. This means that only a small number of staff will be re-employed leaving many people out of work. This is both in Nauru and in all overseas offices. Serious cost cutting is being implemented across the Whole Corporation.

The loss of jobs is a very thorny matter and I have spent considerable time talking through this issue with Air Nauru staff and your government continues to look at ways to make this as pain free as possible. It is not easy but it is the only way we can ensure that the airline will be able to provide Nauru the essential service everyone on Nauru needs.

The airline will also take a very different and aggressive approach to win back lost business and gain other profitable routes that can supplement flying to Nauru and ensure the airline is profitable and viable. The airline will aggressively work to rebuild and expand.

We are actively progressing discussions with neighbouring governments with regards to forming partnerships and possibly some kind of joint venture in the airline. This helps Nauru and it helps our neighbours, as we can share the risk but importantly, by working together, we don't duplicate the costs of operating air services and we add into one operation all the flying that will ensure the airline is viable. Great progress has been made in this regard with the new government of the Solomon Islands and I look forward to progressing this in earnest over the next few weeks and months, as well as revisiting our other neighbours who are interested in this approach.

Mr. Speaker, this whole ordeal has been a drawn out, frustrating and stressful time for everyone but progress has been made which has us on the horizon of a new phase in Nauru's air service history. Concrete evidence of this progress will materialise over the next few weeks and I will continue to make public statements advising all of developments.

In concluding, I would like to once again express Nauru's genuine appreciation to the government and people of the Republic of China (Taiwan). Our close friend and partner fully appreciate the crucial nature of ensuring air services for Nauru and did not hesitate to help Nauru in our time of need. Taiwan has and continues to provide real and effective assistance. Mr. Speaker, Taiwan's decisive action to help Nauru is a very clear example of their friendship and evidence that maintaining close ties with Taiwan provides mutual benefits for our two countries. I am sure all Nauruans will continue to support Taiwan as much as they continue to support Nauru.

The last point I wish to reiterate and highlight is Government's appreciation to the staff of Air Nauru for their dedication and hard work to seeing a solution to this problem. The necessary but difficult changes required in the airline mean that many Air Nauru staff will very shortly be left unemployed. I know that all our staff appreciate the need for these changes but it is still a difficult and frightening prospect to face with the lack of alternative employment available.

Government is committed to assisting the retrenched Air Nauru employees to the extent possible and will continue to find ways to open up employment opportunities outside of the airline or as the airline rebuilds.

Air Nauru has been very fortunate to have high quality and skilled Nauruans working for it for many years and I would like to acknowledge them for their hard work over the years and especially over the last six months. I thank them also for their patience and understanding and trust that when called upon, they will continue to give their utmost for the benefit of our country.

Returning to the goal of government as stated at the beginning of this statement, in the absence of affordable alternatives, government will continue to be involved in providing Nauru's air service, but this will no longer be at a great cost to the country and in time should provide some revenue for the country.

This is a time for major change away from the way Air Nauru has operated in the past and we must make the most of this opportunity as all involved can appreciate the need to change. We must turn the airline into a lean profitable commercial entity to ensure its own survival long term, maintain essential service for Nauru and our neighbours, lift the quality of the service, enable it to grow and develop, and in time, contribute revenues to the country.

Thank you Mr. Speaker.

vii) The Hon. David Adeang (Minister for Foreign Affairs) made the following statement to the House on – ‘Offshore Processing Centre’:-

‘Mr. Speaker and Honourable Members, I am obliged to report to this august House that your government has extended its agreement in principle to several Australian proposals that would effect New Arrangements for the Offshore Processing of asylum seekers in Nauru.

Whilst I will not be divulging at this time the full extent of the proposals since it is not confirmed yet that the Australian Government will in fact progress these proposals, I am mindful of the need to outline briefly some aspects of these proposals in the interest of keeping our people informed of important developments.

First and foremost is the proposal to revive the camps from contingency mode to a high state of preparedness, to be able to accommodate up to a total of 500 asylum seekers.

It is also proposed that the State House Camp be expanded physically to accommodate up to four hundred men in village style accommodation in closed camp arrangements. Also, to add a third camp that will accommodate up to a hundred persons comprising women, children and families in open camp arrangements.

It is further proposed that the professional and commercial management be appointed to the Meneng Hotel in order to better secure the accommodation needs of the significant number of expatriate workers that will be needed to manage the camps, for the next 4-5 years.

Given the resumed importance of the OPC’s it is anticipated that significant investments in the camps, the hotel and other infrastructure and services will be made by Australia to ensure the continued success of the OPC’s.

These include construction and building activities in Topside Camp, State House Camp, the proposed third camp at Meneng Hotel, the Meneng Infant School, residential premises for government’s expatriate workers currently residing at the Meneng Hotel, and the hospitals.

It is envisaged that employment opportunities for Nauruans will increase as a result of these and other activities associated with the significant investments to be made by Australian in reviving the OPC’s.

In due course, as discussions between our two Government’s progress I will be reporting to this august House to keep us all informed. Thank you for your attention.

Thank you for your attention.

(viii) His Excellency the President Ludwig Scotty made a statement to the House on the following:-

‘Mr. Speaker, for information of Honourable Members I hereby table a copy of the statement that I presented at the Okinawa PALM Summit which I recently attended in Japan. This travel has been funded by Japan of which I am most grateful.

I wish also like to express to the House that through feedbacks from not only Leaders of Pacific Forum countries but also from donor entities, the prospect of good governance and accountability practiced by our current administration has been well commended.

The House would also be interested to know that the government of Japan, under the efficient administration of their leader and our good friend, the Hon. Prime Minister Mr. Junichiro Koizumi, has pledged the amount of 45 billion yen which I believe corresponds to roughly AUD400 million. This is to be used on essential projects in all Forum countries over the next three years.

Your government will pursue to vie for our share of this aid assistance depending on our needs. In this regard, it is my belief that we would have a good chance under the Forum’s Pacific Regional Assistance to Nauru (PRAN) that was graciously granted to us under the

Biketawa Declaration following our appeal at the Forum Leaders' Meeting in Samoa in 2004 and Papua New Guinea in 2005. I have to express our gratitude to our brother Forum country leaders for their heartfelt understanding to our plight and the sorrows of our people.

Mr. Speaker, I would like to further inform Honourable Gentlemen of this House that Nauru is very fortunate to have and continue to receive generous foreign aid during our time of crises whilst we are striving to set foot on firm ground. I humbly call upon every member of this House and our people to progress forward in solidarity for the good things and policies that will benefit our beloved nation as a whole.

Thank you.

9. Statement from the Chair

The Hon. Speaker made the following statement to the House:-

'Honourable Members, before we proceed with other items of business today, I would like to inform you that this House will be happy to learn that the Hon. Speaker of Lok Sabha has been kind enough to extend the tenure of deputation of the Parliamentary Counsel for a period of the next two years, i.e. until August 2008.

In this respect, I would especially like to thank His Excellency the President who recognising the pressures of the work of the Parliament had sent me a written request for this extension which I had forwarded to the Lok Sabha Secretariat. Thank you.'

10. Motion – Leave Sought for

The Hon. David Adeang (Minister for Finance) sought leave of the House to move a motion.

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

Leave was granted.

11. Motion – Supplementary Appropriation Bill No.2 2005-2006

The Hon. David Adeang (Minister for Finance) moved to present the Supplementary Appropriation Bill No. 2 2005-2006.

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

FIRST READING

The Bill was presented and read a first time.

12. Motion – Second Reading

The Hon. David Adeang (Minister for Finance) moved that the Bill be now read a second time.

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

Second Reading Speech ensued.

(Pursuant to S.O. 159 further debate on the second reading is adjourned to a future date)

13. Motion – Suspension of S.O. 159

The Hon. David Adeang (Minister for Finance) moved that Standing Order 159 be suspended to enable the second reading debate to proceed forthwith.

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

Question put and passed

Debate on the Revenue Policies ensued.

Debate on the Expenditure Policies ensued.

Debate on the Bill as a Whole ensued..

Question put and passed.

The Bill was read a second time.

14. Letter of Recommendation

I, Ludwig Scotty, President of the Republic of Nauru as Chairman of the Cabinet and in pursuance of a resolution of the Cabinet hereby notify that the purpose of the withdrawals from the Treasury Fund as proposed by the Supplementary Appropriation Bill No. 2 2005-2006 is recommended to the Parliament by the Cabinet.

15. Motion – Leave sought for

The Hon. David Adeang (Minister for Finance) sought leave of the House to move for third reading of the Bill.

Leave was granted.

16. Motion – Leave Sought for

The Hon. David Adeang (Minister for Finance) moved that the Bill be now read a third time.

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

Question put and passed.

The Bill was read a third time.

17. Motion – Leave

The Hon. David Adeang (Minister for Finance) sought leave of the House to move a motion.

Leave was granted.

18. Motion – Appropriation Bill 2006-2007

The Hon. David Adeang (Minister for Finance) moved to present the Appropriation Bill 2006-2007.

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

FIRST READING

The Bill was presented a first time.

19. Motion – Second Reading

The Hon. David Adeang (Minister for Finance) moved that the Bill be now read a second time .

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

Second Reading Speech ensued.

(Pursuant to S.O 159, further debate on the second reading is adjourned to a future date.)

20. Motion- Fixing the Date for the Next Sitting

His Excellency the President Ludwig Scotty moved that Parliament at its rising do adjourn until Thursday 15th June 2006 at 10.00 a.m.

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

Question put and passed.

21. Adjournment

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

Debate ensued.

Question put and passed.

And then the House at forty five minutes past eight o'clock p.m. adjourned until Thursday 15th June 2006 at 10.00 a.m.

Members Present

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

- Mr. Batsiua
- Mr. Stephen

John Garabwan
Deputy Clerk of Parliament

- Leave of Absence