



# PUBLIC ACCOUNTS COMMITTEE

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## NATIONAL PARLIAMENT OF SOLOMON ISLANDS

### COMMITTEE TRANSCRIPT

#### Ministry of Communication and Aviation

12 March 2008, 3:50pm

**Mr Chairman:** Permanent Secretary and officials from the Department of Civil Aviation thank you very much for coming this afternoon. I now give you the privilege to brief the committee on your recurrent and development estimates.

**Mr Luma Darcy** (*Permanent Secretary*): Thank you chairman and thank you members of the PAC. Thank you for taking us this far in the evening. I hope it is not going to be long. But I just want to introduce my team, Bill McGregor - Controller of Civil Aviation, Robert Bokelema - Director of Communication and John Campbell are joining us of the Finance Section of the Ministry of Communication and Civil Aviation.

I am really privileged to be part of Communication and Civil Aviation Ministry. It is a new and different challenge after being at the Ministry of Finance and going out to another ministry. One thing I learn a lot in aviation is that safety is no compromising. That is the challenge I have to administer with the colleagues that I have.

Just briefly going straight to the Ministry, I will table here, and this is purely Civil Aviation Division strategic plan, which means a lot of my focus today would be more on Civil Aviation. I am still learning so that's where the focus would be and my technical officer on communication will cover areas in communication that I might not cover. But this will give you the road we are trying to go for in aviation.

This is a strategic plan that we have worked on and I just want you to have look at it but more specifically it would give you the idea of where we are going on aviation. This is the format I will work on with my colleagues to get the full strategy on both communication and aviation. I manage to get aviation up front, communication will follow suit.

I would like to take you to page 24, and that is on the work plan of the Division before we go to the budget so that we can relate these together. This plan actually sets out the Aviation Division in the picture. If you read it (I am sorry that I did not give you much earlier), but this should give you some ideas of aviation. This plan is then translated to the work plans. Page 26 is where we put them into a project format that we will try to achieve this year. This work plan is more for this year. They are not put in order of priority but they are put there depending on the budget and then work our way through it so that where we get to is where we will get to this year. That is basically for aviation.

For communication, it is more in that format but I am not in a position to give it to you now. That is basically where we are. What I am really saying is that the recurrent budget in here with the format that you have in front of you, with all these line items, we will try and translate these into this project at the back of this plan. I am also not in a position to give you the details of it, but we will use mostly virement for implementation of these to match the recurrent to this project at the back.

I will be saying that the recurrent and the development budget will more reflect those projects. I will leave it here and will hear from you.

**Mr Chairman:** Do you not want to go through your recurrent in detail?

**Mr Darcy:** I do not want to go through it line by line as I have said because as we progress through the year we will move funds accordingly to these projects.

**Mr Chairman:** That is a clever trick.

**Mr Darcy:** That is reality.

**Mr Chairman:** That is a clever trick.

**Mr Darcy:** No, that is reality in managing this. Remember I was from Finance and now I am in a ministry that implements. My next year's budget will be a real reflection of the reality of Aviation but this year I have no opportunity to put this in this format. But this is a good format that other ministries should take on board. It is small so I am really taking this privilege to do this.

**Mr Chairman:** But thank you very much PS. I am not surprise because you came from budget, finance. Because all the other departments that have come here, came winging that they did not have enough allocations but you approach this committee in a different dimension. Because given what you have would be insufficient but you have cleverly put your work programs and then do what you want to do on what allocated to you. I can accept and I understand it.

**Mr Darcy:** I really like comments because to me this is a living document and it captures both the opposition and government and it captures the whole parliament.

**Hon Sogavare:** The Government expects you to deliver certain outcomes and I think that is clearly outlined in the one line policy statements of the government on page 25. How do you see that reflected in the allocations given to the Ministry?

**Mr Darcy:** As I have said we projectise all the outcomes in this plan. It is more like let us do it and know exactly what is going on. I will give you some practical plans that we have on aviation. Seghe is now closed, and so that is the first one we are going to tackle now. The tar sealing and upgrading of provincial airfields, if you go to the development estimates, is happening now. We have already sent two engineers during the weekend to have a look at Seghe. In dealing with Seghe we will now know the actual cost of

upgrading a provincial airfield. Whether this is enough or not I will say that this is a living document that we will work on as we go along.

The first output I would say is to get Seghe developed, whether tarsealed or not, but to me it is something that will give us the idea of how much that will cost and the next one would be Munda. With the time we have I would say those are the two that will enable costing to come into effect.

**Hon Sogavare:** Under the development budget you have been allocated \$3million for tar-sealing, \$3million for provincial airfields and Western Province International Airfield \$1million, replacement of navigation equipment at international airport. I guess you would be fairly satisfied with those allocations to start implementing government projects. You are talking about building three (3) new airfields every year, total of six airfields, three every year. That is what you are required to deliver. There is also talk of building a new domestic airport terminal at the Henderson Airport, but that is not reflected here. Is it because it is not funded by SIG?

**Mr Darcy:** It is not in the budget, and so I cannot say whether we will build it or not. All I am saying is that we will go along with what is here.

**Hon Sogavare:** ROC has been in a strong position to build the new VIP Lounge at the international terminal. Are they still committed to funding that?

**Mr Darcy:** It is in our work plan.

**Mr Bill McGregor (Controller of Aviation):** It is under ROC funding

**Hon Sogavare:** It is not reflected here because it comes out of other sources.

**Mr Coventry:** Chairman, just for your information, the VIP lounge is reflected under the Head of the Ministry of Foreign Affairs.

**Mr Chairman:** Just picking up from where you left, the Henderson Domestic and International Airport, where do you fit that in.

**Mr Darcy:** It is not in the budget.

**Mr Chairman:** Is it not a priority?

**Mr Darcy:** It is in our work plan. As I have said we will see what we can do as we go along. We only got this, this week, I think.

**Hon Sogavare:** I do not know, and you might correct me but I thought Henderson is an issue, where are we? Have people got some responses on the calling of the tender?

**Mr McGregor:** (*inaudible*) under the original plan it was supposed to be built from a mix of some money out special fund, some money out of central government through allocations in the development budget.

**Mr Darcy:** It is in our work plan.

**Hon Sogavare:** It is in your work plan but if you don't have money for it this year, it would not happen.

**Mr Darcy:** It is in our work plan, it is not in the budget. That is what is what I am saying.

**Hon Sogavare:** What are we saying here? Are we going to have a new domestic terminal being built this year?

**Mr Darcy:** It depends on this.

**Mr Chairman:** Why are you calling for tenders when you do not have the money?

**Mr Darcy:** That was last year. The tender was called for last year.

**Mr Chairman:** And they had funding then? Is there money available?

**Mr Darcy:** They are trying to use only \$3million under special fund last year then it was carried forward.

**Hon Sogavare:** What is the total fund?

**Mr Darcy:** \$15million. If you go for the special fund you would get the whole money out.

**Hon Sogavare:** How much is in the special fund?

**Mr Darcy:** \$11million is in the fund.

**Hon Sogavare:** What precisely are you using the special fund for?

**Mr McGregor:** The special fund is about one third of that goes and fees back to Air Services Australia. So we are talking about three outlets being spread over several projects, and one of those was the domestic airport under which this year we have a budget of \$3million and we expected that the development budget will cover the rest of project. It is also a multi year project, which will take a bit over three financial years. We are expecting that we would fund what we could from the special fund and to take the balance from the development budget over a three year period.

**Hon Sogavare:** It is not too late. It is possible to be taken up as a supplementary during the course of the year. It is a real priority, it is the gateway to the Solomons, and first impression by the tourists if they can't open the toilet door or something at the airport. I think it is very important that you put that in mind and impress on the government that

this project must take off in the middle of the year. They are talking about introducing a supplementary appropriation sometimes in June, and so it is not too late.

**Mr Darcy:** We do take note of that. In fact looking at this that is the way to go.

**Hon Soalaoi:** Part of budget preparation starts from each ministry through developing working plans, activities and after costing of activities you should know how much you should be seeking from the Ministry of Finance.

I still believe its very important that whatever is in the program of actions or plans or whatever it is should be reflected in the budget because it is going to come before Parliament for passage to become law. There are many reasons why funds can be moved around. But with due respect to the spirit of the budget when it is passed, the PAC will be very much concerned of how the money is used and whether it is used for what it is being allocated for.

I just want to impress on the Ministry that having a work plan is quite important. A plan is developed from government policy after it is being translated, and each ministry comes up with plans, which should give them an idea of how much they should be getting from the Ministry of Finance. That will, of course allows a ministry to further plan after knowing how much has been accepted by the Ministry of Finance and there will definitely be a time when there is need to re-prioritize or readjust plans depending on how much they are given by the Ministry of Finance.

My question is on the building of new airports, and this is the same as the domestic airport. I do not really know whether it is a number of airports or just one that went to tender last year.

**Mr Darcy:** You are fortunate that there is no name attached to the provincial airport, and that is where you can come in. But at least the new provincial airport is in the budget.

**Hon Soalaoi:** The reason why I am asking is because during one of our caucus meetings, I had to talk with the Minister to negotiate, and he came up with a list that looks totally new, and some of us told him that we do not think it is a good idea because three airports should already have been in the pipeline.

I do not think you would be able to complete three airports this year, but at least we have to start. It is also somehow in the government's priority to open up an entrance, one in the East and one in the West. And I would be very surprised to see Vanikoro airport left out.

**Mr Chairman:** Is this a question or a comment?

**Hon Soalaoi:** It sounds more like a question but it is a comment.

**Mr Darcy:** I said that at least the budget is there, and now it is for us to find out which one we will put.

**Hon Olavae:** I think most airports throughout the provinces have been under utilized for the last 29 years because tourists are not coming regularly like what Fiji and Vanuatu

have been experiencing. At the moment we only have about 20,000 tourist arrivals annually.

When you look at how the state-owned entity Solomon Airlines, it has not proved itself capable of providing services throughout the provinces. There are no infrastructures to attract tourist to the rural areas. I think it is not good building more airports or political airports when the airlines are not utilizing them.

If the government is serious about more building airports then it has to privatize most state owned entities. Under the old roadmap all entities entertained by the government did not produce any good results in terms of our economy. They have not contributed much.

If the government is serious about building more airports then it has to look at privatizing most state owned entities that have been eating up the government purse. We want to revitalize the tourism industry and so the government has to be serious in privatizing entities like the Airlines and introduce open sky policy so that more airlines can come in.

Even domestic routes should be opened up to overseas airlines so that they provide essential services then at the same time convince donors to build the infrastructures that we wanted.

Building more airports is one of the ingredients under our new roadmap that can revitalize our ailing economy so that we boost the productive sectors such as tourism, agriculture and so on. These sectors have to come up but the government must be serious and look into this.

It is no good telling the Civil Aviation to build more airports while you are still holding on to the Airlines which has been a hindrance to the tourism industry. I think it is good that you continue with the pace you are going because the government has to be serious too.

**Mr Darcy:** Can I just briefly inform you of some of the visions or the lane that the Civil Aviation is looking at, and which Communication will, sort of, come into it. This Ministry is a catalyst and therefore when you see Munda and Seghe in place, that is a catalyst to enable other ministries to fall in line. That is the package the Ministry is putting in play, and that is why I did not want to really refer to the line items.

The strategy that Civil Aviation is building is competition, and in competition the service providers will have to survive and in order to survive they have to make a package that will enable that route to generate money. This will pull in 76 passengers to Munda one day who will need 76 rooms in Munda, and Munda can get that. That is for one day. And if it goes on for another day it will be 150 a day. That alone, it already creates that package I am talking about. That is how this plan is moving.

This plan will drive tourism, will drive energy, will drive water supply, and will drive law and order. I am excited about this Ministry because it is a catalyst that will make things happen. We will start small but the effect of it will really drive the budget into play.

**Hon Sogavare:** Mr Chairman, a number of outstanding issues here that may be the Director of Communication can explain. This is on the liberalization of the telecommunication sector. Just briefly on government policy, where are we on that?

**Mr Darcy:** The World Bank has been engaged and so a six months period is given to get all stakeholders into the industry, I would say. That would take us to the liberalization of Telekom. Rather than jump into it we will have to get all stakeholders. We have started but we will take it as we go along.

We have just started two weeks on the new draft of the Telecommunication law, and we have involved the stakeholders. In fact, this started last year. This year communication was friendlier than last year. That is where we are now. The frame we are working on is a frame that involves all stakeholders to go in so that there are no surprises on liberalization. It happened in Western Samoa, Fiji, PNG and Vanuatu. We will use those experiences to make ours better.

The compensation package is the one that is critical. That is the negotiation that will go on, on the exclusive license of the current Telekom. That is the one we really have to tread on. But again we are using competition to address it. That is the strategy we are working on. That is how far we are on communication.

If you look at the development estimates there is component on RAMSI Assisting with Media Strengthening. We will also be working on that. We have talked with them, and this is talking about how your constituency will talk with you so that rather than SIBC just giving them information, we rather your constituency talks directly with you. That sort of goes in line with this but the project is still on writing. So it will be interesting. I have given it to RAMSI when I was in Finance, for RAMSI to use those two way radios, and that is how we actually communicate this program backward and forward because of the oral culture that Solomon Islands have.

**Robert Bokelema** (*Director of Communications*): In addition to the comments by the PS, in addressing the Telekom Reform – reform of this sector, we are driving the reform along three tracks. First, is the policy issue, and in 2006 the Cabinet adopted that policy for liberalization of the sector. We are going to review it by pushing it through Cabinet.

The other track is working on a new telecommunications law. We have done two consultations so far just to get inputs from all stakeholders. I think we will have one more this year before the government team gets together to finalise the bill.

The other track is negotiation – to negotiate the Telekom license. There was no movement on this issue as the PS said. We were a bit confrontational last year and we have a legal case before the courts where according to legal advice we receive, we can terminate the license to this provision in the long run. That case is still outstanding, and so we could say that is the fourth track. But any track we take to liberalize this sector, the issue of compensation would come up.

The PS has spoken with AusAid and we are getting a lead counsel from New Zealand who did it for Vanuatu to do it for us. We have had positive feedback from AusAid that it will be financing someone to lead our team in the negotiations.

**Hon Sogavare:** What we must realize is that once the court rules that compensation has to be paid, that becomes a priority payment that the government has to look into. Normally (*inaudible*) but I think that should come from the Ministry of Finance under debt servicing. Be remindful that when compensation is ordered by the court it becomes priority payment.

**Hon Soalaoi:** Just a question on the liberalization of the Telecommunications sector. What timeline is the Ministry looking at? Of course, you have to take into account the number of years left for Telekom to enjoy this exclusive license. What is the timeline you are looking at?

**Mr Darcy:** It took Vanuatu and other experiences six months to get the frame to work with all these things. I have asked the same question with the consultants and it took six months but the negotiation will conclude in November this year. So it is coming.

**Hon Soalaoi:** The PS rightly said in the beginning that safety is one thing that cannot be compromised. I believe the selection of wherever you put your airports or telecommunication facilities is also very important in terms of strategic locations for the safety of people traveling by air.

As you know traveling by ship is much better than by plane because if there is anything wrong it will cost lives. Just to re-emphasize what I said earlier on during my previous comments that we are seeing a few new things coming up, which will definitely compromise the safety of traveling passengers, not only within Solomon Islands but abroad so that if anything happens there is an alternative airport where flights can be redirected for emergency landing. Going towards PNG there is Western Province and going towards Vanuatu there is the Temotu Province. Those are just comments I want to make. Let us not build political airports like my colleague said and then find out later to be under utilized.

**Hon Sogavare:** The recommendations by the Auditor General Office that was carried out on the Civil Aviation, may be you have now put some action plan on how you would address the recommendations in the report.

**Mr Darcy:** I will give it you later.

**Mr McGregor:** I guess it has been a big issue. We went through the audit report. We passed on what we considered to be the critical elements, those sections of the report and those particular incidences within the report which we considered to be either bordered on criminality or criminality, that went to the DPP. We got a letter back meaning they have gone through them and came up with pretty much the same as what we had. Since then there has been no further action from the DPP. We have not gone to them and asked them to come. I have got three boxes full of files and paper work, receipts and those things waiting for the team that was purported to come and interview me and then take it away. We are just waiting for them. We do not have the resources within Aviation to further investigate the particular incidences themselves. We have to get back to the DPP to get this thing moving.

**Hon Sogavare:** He has always maintained that this office is independent and should not be pushed to address this issue. But I think it has taken quite a while now to investigate this issue and get it addressed.

**Mr Chairman:** Do you want to make some concluding remarks?



**Mr Darcy:** Thank you very much for your contribution, as it helps a lot. Help us get this package going, as it is a catalyst.

**Mr Chairman:** Permanent Secretary, we would like to thank you for coming this afternoon. That concludes our deliberation this afternoon.