

TUESDAY 28TH SEPTEMBER 2010

The Speaker, Sir Allan Kemakeza took the chair at 9.30am.

Prayers.

ATTENDANCE

At prayers, all were present with the exception of the Minister of Foreign Affairs; Public Service; Forestry; Lands & Housing; the Leader of Opposition and the Members for East Makira; Temotu Vattu; Aoke/Langa Langa and Malaita Outer Islands.

Mr Speaker: Honourable Members, I have been informed that the Bills and Legislation Committee is yet to confirm its report on the Customs Valuation (Amendment) Bill 2010. This Report will assist Members to understand what the Bill is about and when contributing to the debate on the second reading of the Bill. To give the Committee time to meet, I will suspend sitting and Parliament will resume when the Committee has completed its deliberation on the Report.

Sitting suspended at 9.32am

Sitting resumed at 11.28 am

PRESENTATION OF PAPERS AND OF REPORTS

- 2009 Annual Report Ministry of Commerce, Industry, Labour and Immigration. (*National Parliament Paper No. 9 of 2010*)
- Report of the Bills and Legislation Committee on its examination of the Customs Valuation (Amendment) Bill 2010. (*National Parliament Paper No.10 of 2010*)

QUESTIONS AND ANSWERS

National Futsal Stadium

7. **Mr. MANENIARU** to the Minister for Home Affairs: Can the Honourable Minister inform Parliament of the government's position on the idea of building the National Futsal Stadium in Honiara to meet international standards?

Hon. MAELANGA: I rise to respond to the important question raised by my good colleague Member of Parliament for West Are Are in regards to the government's position on the idea of improving the national Futsal Stadium in Honiara to meet international standards.

I wish to confirm that as I speak now, the SIFF is finalizing plans to start the work on the first two stadiums. One is for Beach Soccer and one for Futsal. I can confirm that work on this sporting infrastructure will start in March 2011. The stadium will be built at the back of the current SIFF Soccer Academy just between the Panatina Rugby pitch and the KGVII playing field. The facilities will be of international standard.

Funding for these developments will come from the OFC and government assistance to these important projects would be in the area of tax exemptions. This is government input in supporting SIFF for the building of this project, especially on materials, equipments that would need to be brought in for the implementation of the project. My Ministry will also do consultations with the Ministry of Finance on that area.

Just additional information for the information of this House. There is also a regional project which will be also implemented by SIFF in the next eight (8) years concerning the two sports, Beach Soccer and Futsal. One of the projects will be in Gizo and that will be for the Western and Choiseul Provinces. Another one will be in Auki, Malaita Province and this will cater for the Central Province and Isabel Province. The other one here in Honiara is to cater for Guadalcanal, Rennell/Bellona, Makira and Temotu Provinces. That is information on some of the projects that will be happening in our provinces.

These are series of projects that the OFC would really want to see them happen, as these are very important projects, and that is why these projects will continue to happen in 2011. That is the plan, and by working very closely with SIFF and the Ministry, the stadiums asked by my good Member will be built sometimes in March 2011

Also for your information, Solomon Islands is currently ranked 14 in the world amongst 250 other countries on Beach Soccer, and we should be proud of this. This is a major advancement in the area of sports development for a country of over just 500,000 people, compared to countries with large population. We should be proud of this country, Solomon Islands because we have been ranked 14 in the world among 250 countries.

Also, Solomon Islands is currently the Futsal Champion in the region and we should be proud of that as well, and our world ranking is 47. That is why the Ministry will be looking seriously to work closely with SIFF so that projects for the Futsal Stadium and the Beach Soccer Stadium must be built and must be up to international standards.

That is all I can contribute to answer the question raised by my good Member for west Are Are.

Mr Wale: I want the Minister to clarify the partnership between government and SIFF and OFC for development of these facilities. What exactly is the role the Minister envisages the government will do in this partnership? What exactly will the government do in development of these facilities? It almost sounds as though SIFF and the OFC are going to do it themselves, but maybe there are other information there that clarify the role the government will be a part of in this partnership.

Hon. Maelanga: I would like to thank my good Member for Aoke Langa Langa for his supplementary question. I think the government will play an important role, as I have said. This project to build a stadium, the OFC has total mandate to build the stadium and the government will continue to support SIFF in the areas of tax exemption on building materials coming in, land transfers and so forth and the building of the stadium is the OFC. If you had listened to the speech of the OFC President during his visit, he really confirmed that the OFC will be looking very seriously into support SIFF on these projects in the building of these projects. Thank you.

Hon. HOU: I have a supplementary question to ask, but before I do so, I also want to commend the government, especially the honorable Deputy Prime Minister and Minister for Home Affairs for taking up this project, as it is a very important project for us.

My question is on the project itself. I do not know whether the Minister could reveal to us the contractors of this project, of the stadiums, if they are locals or overseas contractors. My second question is in relation to FIFA project generally in the country and one project that I know about where FIFA and SIFF are working on is this is goal project. I want to know whether the Ministry has any report on the status and progress of this project.

Hon. Maelanga: I would like to thank my good Member for Small Malaita for his supplementary question. In regards to the contract work, SIFF will be working closely with the OFC to look at which contractor to build this national stadium.

Mr Speaker: And the second question?

Hon Maelanga: Can the good Member repeat his second question please?

Mr Hou: The second question is in relation to a particular project which SIFF has received funding for; I understand funding from FIFA. This is a project, I understand, has been going on for a number of years. The name of the program is goal project. I want to know whether the Minister has anything from the SIFF administration on this project.

Mr Speaker: If the Deputy Prime Minister has no information on that then it should be a new question for the Minister to get the answers.

Hon. Maelanga: I will find out information about that question and then my good colleague know about it.

Mr Speaker: It appears that that maybe a new question and I would like the Member for Small Malaita to submit that as a new question on that important project.

Mr. Maneniaru: Just a supplementary question. All of us are well aware that this particular sport has given us a lot of pride, but facility is our problem. But despite of that, as the Minister and Deputy Prime Minister has confirmed on the floor, our achievement is such that we are amongst the best country in the world.

In regards to expanding this sport to the provincial centres, the Minister has highlighted focus on the centres, I want us to consider our remote areas because I believe there maybe some good skilled young players out there in the remote areas. Will the government look at expanding this sport into the provincial and remote areas or will they just have to wait to get the experience and training facilities in the provincial centres?

Hon. Maelanga: I think we will first start in our provincial centres and then move onto other areas inside our provinces, apart from the provincial centres.

Dr Sikua: This might be a new question, Mr Speaker, and so it would be up to your ruling. But after we build this nice facility to international standards, I want to ask the Minister if there is already an emerging government position on the idea of considering our players that have done us pride in the Futsal code on what kind of rewards can be given to them for the effort that they put in, in bringing a lot of pride to the country. Has the government been able to think about it and come up with a position on how we can appropriately reward our players, not only in Futsal but in beach soccer and the other soccer codes as well?

Mr Speaker: It is a related question and so the Deputy Prime Minister can give a reply to that.

Hon. Maelanga: It is very important that we reward our players for their success. I know that the previous government has been working on the idea of rewarding players of certain sports, to give them rewards, like those who won gold medals are awarded with trophies or whatever rewards to recognize their performance. We will look into that and we will still reward our players in futsal and beach soccer who have raised our country's name. I think the Government and the Ministry will look into this.

Hon Abana: As the Deputy Prime Minister stated, the futsal and the beach soccer sports have actually given a good name to the country so far, and so I joined the other colleagues too in commending them for the good work for the country. But in regards to the 11 aside soccer that SIFF is responsible for at this time is going really, really low, even our ranking in the world is very low. I just want to flag it to the DPM if can seriously consider what best approach can we take with SIFF to try and bring back the level of the 11 aside soccer as it is continuing to go down, and it is something we must address. If the Minister can take note of that, I want to flag that.

Hon. Maelanga: The Ministry will look into that.

Mr. SILAS TAUSINGA: Supplementary question. Can the government confirm that the Government of Libya is interested to build the futsal stadium for Solomon Islands?

Hon. Maelanga: I will have to find out on that and will inform my colleague Member know about it.

Mr. SANDAKABATU: Thank you Deputy Prime Minister for the responses given to the questions previously asked. My supplementary question is that we have been having good success stories on soccer in the '70's, '80's and so forth, and we have had programs to support that areas, but as soon as the boys grow older they somehow lost interest and also strength in the sport more or less went down. With the current situation we are having a kind of an upsurge in interest in futsal as well as beach soccer, and that is more or less the flagship of the day.

My question is, does the Ministry have any programs at all to try and continue coax young people of this nation or the provinces to also take part in a program for which to first train them and secondly to continue the success story of futsal and beach soccer in the years to come.

Hon MAELANGA: The Ministry is working closely with SIFF on this. I think you are aware of a program happening in schools where students come and live in the school and the part arranged by SIFF is where the students come to live at the school and they play or do their training. I think that is one of the programs the Ministry is working closely with SIFF to help our children with their skills on soccer. You can find one in Aligegeo School and some here in town at the KGVI School. The children are picked from all the provinces and were brought to Honiara to come and learn and also trained on soccer. That is one way the Ministry is working closely with the SIFF to help our children upgrade their skills in soccer. .

Mr Sogavare: This question is to do with accountability. We understand that SIFF does not receive direct grant or subsidy from the government. The only organization that receives direct subsidy from the government is probably the National Sports Council. But huge amounts of money are coming through for the benefit of this country through that organization which is not accountable to any ministry and eventually to government.

There were some talks about the possible misuse of funds coming in for the purpose of strengthening the development of soccer and football in Solomon Islands so whether it crosses the mind of the government at all that SIFF being one very important institution that millions of dollars come through for the purpose of assisting us, but in terms of accountability it is accountable directly to the OFC, and there are a lot of

questions raised in the minds of the people of this country as to how these funds are managed. I wonder whether the government through the appropriate ministry that deals with sports has any thinking on this area so that we make such a body more accountable to the people of this country.

Hon Maelanga: I think that is a very good question. I think SIFF is affiliated to NOCSI, the Solomon Islands National Sports Council and the National Sports Council is now working very closely with the Ministry. That is the chain at work now. That is how I understand it. I will find out and let you know how SIFF is using the funds coming in for soccer into the country. I mean that is what you would like to know so I will let you know.

Hon PHILIP: I think that is a very valid question which is the concern of many people in this country. The recent past of SIFF is not very good in terms of implementing and management of funds as we are all aware.

Just last week the President of the OFC was here and he spelled out in a televised interview the mechanism that the OFC is now going to use for in-country sporting facilities in terms of financing member country's sporting facilities in our country. By listening to that particular interview, I think it is not necessary for my government because SIFF does not have money, futsal does not have money nor does the National Sports Council. What we are depending on now is the remittance and grant from the OFC, which comes from the main body of football in the world and they have now implemented within themselves a mechanism. This money will not appear in our budget here but it will go under the criteria of the OFC and the FIFA so that the implementation of the major projects in Solomon Islands will be dealt with according to its criteria. And I think that is what the Minister is going to provide to us, both sides of the House so that in the future anything that OFC or FIFA are doing in this country will be in our own interest to know about too. The Minister will have to find that information, but the OFC has put in a very accountable mechanism now that no cash money will come to the establishment and construction of these facilities. There will be an international tender process that will take place and resources will be channeled through those contractors with proper administration of funds, and what we will have at the end of the day is a turn-key situation where the key is given and the facility remains with us. From that point onwards, I think it will become the responsibility of the Solomon Islands Government to make sure that those facilities are properly looked after and maintained through our local organization, the SIFF and futsal and whoever is managing these facilities on our behalf in this country. Thank you.

Mr Wale: For many years, now and I suppose more a point for the Minister of Finance because he is looking very sternly at me as well as the Deputy Prime Minister so that they can think about it since the government is now in the budget process. Youths represent a fairly huge chunk of our demography and we have had a lot of youth issues and we still do and we will into the future. The building of facilities is good and is a necessary prerequisite to having a good sporting culture amongst our young people, but it is not the only necessary ingredient. Obviously, strong administration in sports federations is important as sports development, effective development program and leagues organized and so forth in schools is probably the more longer term sustainable thing to do. But over the many years, we have paid lip service to this by not really allocating enough funds to it. It takes money for these things to work and perhaps as the Prime Minister is always saying in this particular meeting that we are preempting it because the government is yet to come out with its program yet, but so that in that program and in the budget process some serious money is allocated for sports, and not just for facilities but sports development, administration and good competitions not just in Honiara, too much of it is in Honiara, but many more in our provinces.

Hon. Maelanga: Thank you Member for Aoke/Langa Langa for those good comments. As I said today, it will start off in the centres and then move to the rural areas. For the provinces, I want to let them know that the Ministry is working on this when Solomon Games are held. This is so that others do not think why only put it at Gizo or Auki. The next Solomon Games will be held in the Central Province, and so when it is held in the Central Province the Ministry is going to give some funds over to start building facilities. That is how we will slowly help other provinces to build their facilities so that the Solomon Games can be held in those places and they in turn have their sporting facilities. That is how we will work towards building sporting facilities in our provinces.

Mr. Maneniaru: Before I thank the Deputy Prime Minister and Minister responsible for answering this question, I have a few comments for the Minister to take further note of. I am very happy to hear the Minister confirm that the government is now seriously looking into taking this very important project onboard and to commence next year with assistance from the OFC. I think we have been waiting for this good news for our young people. I think this growth is only 12 years old but the fine achievements so far really demands that appropriate action is taken, and in this regard I want to thank the Honorable Minister for assuring our young boys and girls who have taken us this far in terms of the pride we have received through their achievements.

In looking at the achievements so far, for three consecutive years we have been sitting down on the number one spot in the region, and I thank the Minister as well for fully recognizing this hence this project could be our reward for the hard working young people who have taken us this far.

I also think about the facilities in town that whilst interest is really high because of the achievements and encouraging programs, the young people are searching for just any corner in town to play and this is because there are not many facilities in town to cater for the growing number of young people who are interested in sports. If the Honiara City Council can work with the Ministry, look at the car parks, I am actually having in mind this large car park at the market, if that can be developed to standard so that it is open for our young people to play. The car park can be up to maybe 4:30pm and beyond that it is closed to allow for our children play. We need that facility because we have proved we are one of the best in the region, number one, and we can be very, very competitive in the world. Let us look at these things so we can engage our children so that we continue to get this excellence achievement.

Just on the reward, I also join my colleague Member for East Guadalcanal to also put to the Minister that we must look at rewarding our children. I think something big that we cannot achieve has been achieved by them for us so thank you Minister for your acknowledgement of this.

On the government of Libya which my Hon Silas has commented, I have also heard that Libya is very interested. I think we all know that Kurukuru has participated in one of the tournaments where the best teams in the world come to take part and our boys surprised them and there was this coconut news that they strongly have an interest to help us on that sport. If funding is delayed as you have assured us, communicate with them because we have this relationship with them if they can help out on this too because we really need to achieve this timely for our children.

With those few remarks, I once again would like to thank the Hon. Minister for Home Affairs and Deputy Prime Minister. I also would like to thank the Prime Minister for also helping out in answering this question. I also want to thank my colleague members on this side of the House for also contributing in their supplementary questions. Thank you.

Mr Speaker: Thank you and at the same time I would like to remind the House to look at Standing Order 23.

Purchase of the Sasape Marina Limited by the NPF

10. MR. HOUANIPWELA to the Minister of Finance and Treasury: Can the Minister inform the House of the background details to the recent purchase of the Sasape Marina limited by the Solomon Islands National Fund

Hon. LILO: I think the question would have been better phrased because of the facts surrounding that particular case. The Minister of Finance has not yet granted approval to the National Provident Fund to purchase the Sasape Marina.

Mr. Houanipwela: Sorry, if the Minister can repeat his statement please?

Hon. Lilo: I request if he could rephrase that question because the facts he is asking are not right. The Minister of Finance has not yet granted approval for the National Provident Fund to purchase the Sasape Marina.

Hon. SOGAVARE: With that information, has the board now made any request to the Minister to approve the proposal by the National Provident Fund to participate in the acquisition of the Sasape Marina limited?

Hon. Lilo: Yes, there is a request made by the board requiring the approval of the Minister under the Act which is still pending consideration of further information on the risks and the return on the investment analysis.

Dr SIKUA: As the process is ongoing, my supplementary question is to do with the involvement of the Central Islands Province. Has there been any consideration or furtherance of the concern by the Premier of the Central Islands Province to be involved in the purchase and the whole undertaking in the sale of the Sasape Marina.

Hon. Lilo: In terms of that particular question, over the last four weeks the Minister has not yet received any request from the Premier of Central Province as to any particular interest that may have been expressed by the Central Islands Provincial Government. But as it stands right now it is only a request by the National Provident Fund.

Mr Hou: Just a further supplementary question. Given the fact that the Minister does not have information to inform Parliament, I want to ask the Minister whether he can make the undertaking to inform Parliament when he has the information about this particular acquisition by NPF.

Hon. Lilo: In fact there have been some developments done on the Sasape Marina by the previous government, more specifically in May when the previous Cabinet made

the approval to proceed with the sale of the Sasape Marina. A process was established by a virtue of the Cabinet decision, first of all, requiring that a notice be put out for expression of interest and various candidates submitted their interest expressing their interest for purchase of the Sasape Marina. A process of qualification was made with three categories selected, and out of those three candidates, somehow one name was plastered onto another one, which is the National Provident Fund which joined up with the name of one of the candidates. The three candidates that submitted their interest and were shortlisted were Rabaul Slipways PNG Company, Bulacan Integrated Woods Company Limited and Silent World.

The NPF decided to join with Silent World and that is the interesting part as to why and how the decision was made by the board to join with Silent World and not with Bulacan or Rabaul Slipways, and because of that the request by the Fund right now has to be further considered. Because even before they made any decision to join with anyone, they have to seek the approval of the Minister first. When we went through the papers to check whether or not approval was given by the Minister for them to find the best partner to submit a bid to purchase the Sasape Marina, there was no evidence of any decision by the previous Minister of Finance or any other person acting in that decision for the National Provident Fund to join with either of the three candidates that have been shortlisted. And so that leaves a gap that needs to be further investigated as to why the Fund has decided to partner with a particular one without transparently making the decision as to why it sided with that particular one and not with the other two. That is the intriguing part of this whole case, and I am sure that you will appreciate and I am sure also that that side of the house and this side of the House will understand as to why this government has to go back and review the situation as to how the Fund has been drawn into this whole equation by submitting its bid together with one particular candidate that has been shortlisted through the evaluation process or the pre qualification process. That is the situation right now.

In relation to this particular question, there is a background detail of how the Sasape Marina was going to be privatize but not to the extent that approval is granted for the National Provident Fund to purchase Sasape Marina.

Mr Speaker: I think the question is on details of the sale but in fact that is not yet the case and so I ask the questioner to thank the Minister?

Mr Hou: I want to thank the Minister for his response to my question and I would like to also thank my colleague members on this side of the House for asking supplementary questions. Thank you.

Mr Speaker: I think this is the appropriate time for labor time and so I shall suspend the Meeting until 1.30pm this afternoon.

Sitting suspended at 12.58pm for lunch break

Parliament resumed at 1.29pm

14. **Mr. HANARIA** to the Minister for Fisheries and Marine Resources: What are the current management approaches that your Ministry is undertaking in relation to Fisheries Conservation and Management Principles under the Fisheries Act?

Hon. LUSIBAEA: Thank you for asking this very important question.

My Ministry as obligated by the current Fisheries Act concerns primarily with fisheries management to ensure stocks are sustainable whether tuna or inshore fisheries, sustainable utilization of our resources is the key. For inshore fisheries, management plans are currently being developed for important commercial species, including beche-de-mer, trochus, black lips, tilapia and corals and other marine resources. We are currently reviewing our tuna management plan as well. The ban on some important commercial species is an important management tool as well. Marine Protected Areas is another management tool used for species protection.

For tuna, we have the Vessel Day Scheme (VDS) in place. Vessels fish during days and implementing arrangements in place. Underlying our management strategies is the application of Ecosystem-based Approach to Fisheries Management where an entire area of the reef is managed rather than individual type of resource. Thank you.

Mr Hanaria: Supplementary question. Has the Ministry done any research into the possibility of breeding beche-de-mer as a way to help sustain a resource that is rapidly diminishing due to over harvesting?

Hon. PHILIP: Because the question is specifically on management of fisheries conservation, the other question relating to other species and onshore facilities in the country will come under the Ministry's sectoral reform. I think that is an ongoing aquaculture and something like that, even in fish farming, re-generation of beche-de-mer and other species are ongoing part of the Ministry's emphasis on fisheries and marines resources that we have in the country.

Yes, in the current scheme of things, this will continue, the research into regeneration of endangered species of beche-de-mer, even aquaculture of trochus, shellfish, crayfish and other things like fish farming are continuing aspects in the planning and program of the Ministry as we go along.

Mr MANENIARU: Just a supplementary question, and thank you Minister for giving a good intention to seriously look at our stocks and species, which is very, very important.

In regards to corals, I understand that our wantoks in certain parts of the country are exporting corals to generate income. That could also be endangered if management is not in place to look at how to control its harvesting. On that question as well, I understand that there were aquaculture projects of coral, which I think in Marau, coral farming has started. Whether that still continues or not is also information I want to ask the Minister about.

Hon. Philip: As we know, coral is one very important aspect in the current global agenda of climate change, and very recently as you know just prior to the Copenhagen initiative at the Conference of Parties in that particular country, it was agreed that global attention should be given to coral species in the world. Part of that initiative is the Coral Triangle, which includes Solomon Islands, parts of South East Asia, Australia and this part of the region. There is a very pronounced global policy on that particular aspect of coral preservation because it contributes to the preservation of climate. It is a very pronounced global policy and we are a signatory to that initiative. The Ministry of Fisheries jointly with the Ministry of Conservation, Environment and Climate Change will take these things into consideration in terms of policy as well as implementation.

Hon. Abana: If the Prime Minister or Minister can confirm that this line of conservation and management principles is extended to beche-de-mer?

Mr Speaker: I think that point has been raised by the questioner and it has been answered. However, the Prime Minister might like to repeat the same answers given to the House.

Hon. Philip: Yes, that question has already been answered in terms of the government's ongoing policy on the preservation and protection of our cash earning marine resources of Solomon Islands such as beche-de-mer, crayfish, and even fish under the Ministry's aquaculture department in the Ministry of Fisheries. As part of that conservation program, there has been a fallow system policy that has been also introduced so that certain periods of time like in Ontong Java and throughout the country now are having a fallow period or a rest period for these species to re-generate and then it will open again and then people can harvest them and get their means of livelihood from.

Yes, I think there is an existing policy and an actual law so that at certain times those resources are not accessible and such a time as the government or the ministry

feels that they regenerate enough before they are open again for the resource owners to harvest them and turn them into cash for their livelihoods.

Mr MUA: Supplementary question. What is the Ministry's view on the threat that crocodile is posing against our people in some parts of the country in relation to conservation and management of sea resources.

Hon Philip: Again, the crocodile threat in some of our communities throughout the country is a matter of concern. At the moment there has not been any government policy on the killing of crocodiles. Some people in the country now have got the liking to the taste of crocodile meat and I think that is part of conservation. Where the threat is very high, there is a mechanism and solution by various communities if they think that a certain crocodile is causing threat and havoc in the community, they can ask RAMSI to go and shoot the crocodile. I know that an area in Russell, the salt water crocodile has been a menace and has actually caused some fatality cases there in the past.

Minister, I am sure we can arrange with RAMSI to go and hunt down one or two crocodiles that are causing problems in the Russell islands. I think you have a case to ask RAMSI to help you get rid of one or two crocodiles that are starting to act dangerously in Russells. Thank you.

Mr Sogavare: The Minister in his response earlier on also made reference to the Ministry reviewing the Tuna Management plan. Which aspect of that plan are you looking to review?

Hon Lusibaea: Thank you Honourable Member for East Choiseul for the supplementary question. We have an existing plan that we are using at this point in time.

Hon Philip: Supplementary information is, yes we have an existing Fisheries Plan, which I think it has been in here for the last two consecutive governments. Our plan on fisheries has connections with multilateral agreements as well. For instance our tuna management plan has to do with the FFA as well that supervises the Multilateral Treaty, as well as the new Tuna Commission in Majuro also has some aspects of tuna control, as well as another sub regional tuna treaty that we signed with eight other countries in the PNA or the Party to the Nauru Agreement. In consultation with all these entities in the region, we can relook into this. I think there is a necessity now for us to revise our fisheries resource management master plan. I think that is very, very important.

So yes, I think the government will focus and make amendments if necessary to the old tuna management plan and marine resources management plan that the Ministry and government currently holds at the moment.

Mr Sogavare: Just a supplementary question in the management and development of our tuna resources. The idea of involving our people as well to participate in the harvesting of our tuna resources, is the government continuing to pursue that idea or not anymore?

Hon Lusibaea: Yes, the government will still continue to pursue that.

Mr Speaker: I think the question has been well covered.

Hon FUGUI: Point of order. Just to add on to what the Minister has mentioned because my Ministry is also responsible for conservation.

In terms of management approaches, especially on management approaches for coastal marine resources, my Ministry is working in partnership with the Ministry of Fisheries and Marine Resources and other stakeholders to implement the National Plan of Action on coral reefs, fisheries and food security. Just last Friday, for our information, my Ministry launched the report called the Ridges to Reefs Conservation for Solomon Islands. It is a report that deals not only with the boundaries or what is called the conventional boundaries before, which starts from the top right before the condensation of vapors right down all the way to the sea and maybe into the depth of the seas in the deep seas. That is the approach this report is talking about. I will be presenting in the course of this parliament meeting possibly next week these management plans.

Together with the above mentioned, you would know that the Eight Parliament, the last parliament, has passed early this year the Protected Areas Act 2010 to oversee establishment of systems of protected areas for conservation of biodiversity in the country. With all these in place, I believe the government would be well fortified on this area of conservation be it by the Ministry of Fisheries or by my Ministry. We will work together on this one in terms of conservation.

I just want to enlighten us in terms of conservation management, fisheries and environment conservation. These are the issues that cross over like this (shows sign). This time, this reminds us that the conventional way of governance has changed a bit because the cross cutting issues are too big and that is why in terms of the formation of Ministry of Environment Conservation is now Disaster Management, my Ministry's new name, is now set in place because for the last three years, this new ministry caters for issues that before are not catered for in our country because the global politics has changed very much nowadays. In other words, if we do not provide for this one, the

funding that is supposed to come to us will not come and we will miss out. So in terms of conservation, I want to inform the House that we will work together with the Ministry of Fisheries and Marine Resources. Thank you.

Mr Hanaria: Thank you very much for the answers I have for the question. But before I thank the Minister there are a few things I would like to say, and one is that the government needs to look at ways to prevent the species that is diminishing, for example, bechedemer needs the way to breed. It is also important to start looking at aquaculture fisheries now than ever before. Our coral is also depleting very fast, and so I thank the Minister for Environment and Conservation for that program he was talking about. I am sure we will start stopping people from selling corals overseas as this is happening now. W

With those few points I would like to thank the Minister for Fisheries and the Prime Minister for answering my questions.

Political Appointments: PMO Office

16. Mr. SOGAVARE to the Prime Minister: Can the Prime Minister inform Parliament on the followings:

- (a) The number of political appointees the government is thinking of engaging;
- (b) Their postings;
- (c) The terms and conditions of each of the appointees;
- (d) How much it will cost taxpayers of the country to engage these appointees?

Hon. PHILIP: Yes, this is a very important question and is something of very strong interest to the public at large. I would like to thank the Member for East Choiseul for asking this question today.

Yes, I am also conscious of the importance of this question and therefore two weeks ago or maybe more than two weeks ago I appointed a political appointees' review committee to look at what has happened before and the recent times and today. The terms of reference of that particular committee is to review the number of political appointees, to review the political appointees' structures, to review the political appointees' terms and conditions and to review the political appointees' postings to PMO and other ministries. The committee has completed its work, so in reference to part one of the question, the government has engaged about 13 political appointees, and that is a reduction from the previous 18 and before that government was about 20. We have drastically reduced that to 13 so far.

The Public Service Commission has just approved those appointments and it is yet to approve or endorse their agreements of service; we are still working on those. In regards to part (b) of the question on their postings, the 13 political appointees will be posted to the Prime Minister's political office which consist of two units; the political unit which is headed by the SSPM under te Prime Minister's Office and the policy unit also under the Prime Minister's office.

Thirdly, their terms and conditions have been drastically reduced compare to the last set of political appointees with their salary levels pegged at appropriate public service salary structures, with a 30 to 40% reduction in fringe benefits. This is to ensure fairness and affordability to the government at this point in time.

On part (d) of the question, hence the 13 political appointees will cost the government about \$2million per annum, which is half of what the last government has spent on 18 political appointees. The last political appointees cost the government \$4.4million in a year, so this is a reduction on the level of expenditure.

Mr. Sogavare: I thank the Prime Minister for that. Would it be possible for the Prime Minister to provide more detailed information on question (b), the postings of those 13 political appointees? If he cannot do that now then maybe he produce it later on so that we know exactly where these people are posted so that we can take up questions later on if we can do that. But if he has that information he can provide it now.

Hon. Philip: Without calling names, I will only mention the posts. There is one (1) post for the special secretary to the Prime Minister, 1 post for the private secretary to the Prime Minister, 1 post of the press secretary to the Prime Minister, 1 post of secretary to caucus, 1 post for the deputy secretary to caucus, 1 chief for the chief political analyst (government caucus office), 1 post for the caucus office for a political analyst under the same department, 1 post for the director (policy interpretation and evaluation); we want that department to interpret government policy and evaluate it, 1 post for the deputy director (policy interpretation and evaluation), 1 post for the director of the government communications unit, 1 post for the chief administrative officer (political) and the last one is driver (logistic political)

Mr. Sogavare: Thank you Prime Minister for those details. What is the role of this private secretary to the Prime Minister?

Hon. Philip: The terms of reference, as I have already said, is not yet available, but from this time it looks like the secretary will be responsible for certain things delegated by the Prime Minister for him to do such as employment of the Prime Minister's residence by looking after them and making sure they are doing their job. Also in a case where the Prime Minister cannot go to the bank, maybe he can do that kind of work as

well. Other constituency matters, if it is really pressing, the private secretary can look after some of those things and other things like that. But there will be a definite terms of reference drawn out for him in regards to his posting.

Mr. Hou: If the Prime Minister could affirm whether he envisages more appointees or does the number he now has is enough.

Hon. Philip: As we all know, this country has two governments, one is what I would like to refer to as the established government that has a public service, it has the ministries and departments and that government is there all the time. The other one is the political government. Like those of us here now we come in for only four years and then we leave.

Through observation over time and the many various times in politics, there seems to be something in between the two governments. Sometimes the established government seems to think that the new government coming in is overstepping him. But the other side of the story that is also true is that that established government cannot evaluate the political government, therefore, the necessity of political appointees. I think they are the people who are very familiar with government policies. The problem is that sometimes when they give directives to the established government, it was thrown back at them. There must be over time, an evolution of things whereby these two governments must work together making sure government programs are carried out.

I would really like to have more political appointees because government work, political directives and ensuring the work of the government and the programs are carried out, it is the political appointees that normally carry them out. But then we all know that the established government has a law called the GO which they are governed by. The problem also is that we only have the same purse to pay everybody with.

Yes, at the moment I am sitting down on these 13 first and see how we go. But as we know and I am very conscious of the fact that we have a very comprehensive reform program coming up, which can only be accepted, I think, in the view of public opinion. I am very conscious of public opinion, but at the same public opinion must be cultured to understand that there are certain things that the government wants to carry out that must be carried out, and only human beings can carry them out. Yes, at this point in time we are very conscious of the cost of political appointees and as time goes on we should be able to rationalize, and justify if there is need to have more political appointees.

Mr Sogavare: We really appreciate the rationale that the Prime Minister has been telling us on the thinking behind engaging political appointees. I think the issue really boils down to cost and results analysis, whether we achieve something out of the

appointees. I think at the end of the day that is what it boils down to; you incur less cost and achieve bigger result.

The supplementary question is the idea of having a secretary to caucus and then a deputy secretary to caucus and then we have the director of policy and the deputy director. What are the terms of reference of these posts and what are they going to do differently from each other because they will be engaged concurrently?

Hon. Philip: As you know, the Deputy Chairman of caucus is also the Deputy Speaker to Parliament. At the moment, we also have other departments in the Caucus Office that do not have any secretary. At the moment we do not have an EPS who should be sharing some of the tasks and so the deputy secretary to caucus is there to carry out some of the work and part of the job is to carry out some of the tasks of Members of Parliament, which is quite huge. As you have experienced in the past, even though you have CDOs but you are still using caucus office to run around for this and that. There are some tasks there that the Deputy Secretary can carry out on behalf of Members of Parliament or Ministers or something like that.

Mr Sogavare: I thank the Prime Minister. Is the deputy chairman of government caucus drawing any additional remuneration for that work?

Hon. Philip: No.

Mr Sogavare: Before I sit down I want to thank the Prime Minister for taking a deliberate move in addressing this problem by setting up this committee to look at the structures and the conditions of political appointees, and to cap, I guess, the cost of that office to \$2 million. That is an achievement, which I would like to commend the Prime Minister for and with that I thank the Prime Minister for responding to my question.

Forgiveness Bill

17. Mr SOGAVARE to the Prime Minister: Can the Prime Minister inform Parliament on the nature and working of the proposed Forgiveness Bill?

This question is directed to the Prime Minister simply because of the announcement he has made, but I understand that may be the Ministry of Peace and Reconciliation will also help out on this.

Hon. PHILIP: Yes, background to this is that we are in post conflict Solomon Islands. Just after a major social bankruptcy and economic bankruptcy of this country, we think that we are well placed as a government, all of us in this House included, to look at

ways and means in making sure reconciliation and the healing process and reconstruction in our country is sustainable.

I think that is the bottom line of the philosophy and the thinking of government, and this is in line also with the spirit of the preamble of our national constitution, which recognizes the wisdom and the worthy customs of our ancestors, our own cultures to ensure that we are able to treat ourselves and to sustain ourselves with the codes and practices of our ancestors and customs in this country, which is clearly the way forward in my opinion after the ethnic tension in this country. As it is, at the moment, the Truth and Reconciliation Commission continues, and hearings are continuing to be conducted at the moment. There will be public consultations in seeking the terms of the proposed bill. We will go into that so at the moment it is a big lump thing that we are carefully but definitely getting into. We must be mindful also of the decision of the judiciary, and the government continues to encourage individual reconciliations to continue.

The nature of this bill will therefore demarcate or sectorize some of the offences and some of the things that customs can go into and others will be left for the court to decide on. The peace process has been slowed down a bit because as you know from the Ceasefire Monitoring Council to the Peace Monitoring Council (PMC) to the National Peace Council, while we are trying to organize communities to reconcile and something they have done with all genuineness of heart, only to find out that the law and order people came around, handcuffed these people and took them to prison or to the court. Where is the boundary between what we see as the value of the society in addressing problems as opposed to the legal mechanism that we have in this country. I think for us to continue as a country, we must have a clear demarcation of the boundaries; where is the limit to custom to help our people to be at peace and where should the court start.

Of course, there are other very important legal things that we cannot change with this Reconciliation Bill. A murder is a murder. But our law also says that you are not guilty until you are proven guilty. Custom says justice first before there is peace. Right from the start custom says 'you reconcile, you kill a pig, and you do this first before peace comes'. To be true to our constitution, I think as a government we should get into a kind of mechanism, a law by nature that should also respect the reconciliation and the maintenance of law and order of this society as well as leaving the aspects of the British law or the Whiteman law take its course in the fields it is mandated to carry out justice.

Hon. Abana: Just on the timing Prime Minister. With the current process of reconciliation that is going ahead now, the timing of the bill, what time do you think the process can come on board seeing that this reconciliation process might take a while? How do you approach that?

Hon. Philips: Like I have read out in the political appointees, I have a group there that will look after policy interpretation. You cannot evaluate a policy unless a mechanism is built up, put a cost on it and make sure that mechanism has value or something like that. The policy interpretation group under my department in the Prime Minister's Office will be in consultation with the Truth and Reconciliation Committee as well as the Ministry of Peace and Reconciliation and other stakeholders to sit down and work out a mechanism on which we can construct the new reconciliation or forgiveness bill as we term it at this time.

I am not sure about the timing but most probably will be after the conclusion of the Truth and Reconciliation Commission and the government will find the time to get all stakeholders together to further interpret this particular bill in its nature, form and everything so that it can be introduced to parliament. What time, at this point in time I cannot give a specific date to us, what month, but it will definitely be in the lifetime of this House.

Mr TOZAKA: If the advice from the Truth and Reconciliation Committee (TRC) to the honorable Prime Minister that what he has been planning to achieve in this forgiveness bill can be achieved by the Truth and Reconciliation Committee effectively, what then would be the position?

Hon. Philip: That will be even better if the Truth and Reconciliation thinks that the way we are doing things now can sustain society in the next 10 to 20 years is even better. But if there are doubts cast by the Truth and Reconciliation Committee that down the line in the next 10 to 20 years this country will encounter some other problems, then I think we should start establishing some fundamental mechanisms whereby the society would be sustained. We do not want a Solomon Islands that only exists for the 100 years. If the good Lord does not come, for the next thousand years, but we would like make this a functional society where not after every 20 years it enters an ethnic tension. So long as we exist as a people, forgiveness must be something that exists all the time whether personally or under the roof of the Church or under our custom huts, forgiveness must be a thing we keep all the time.

Prescriptively, I think we need to have some kind of guidelines to ensure that our society is more cohesive, more inclusive, and more peaceful.

Mr Maneniaru: Before I ask my question and the question relates to government contribution to the budget of the TRC, a very important function but maybe because of the cash flow problem it came out in the media and the radio programs that they are

affected, their budget is not able to meet their work plans. Has this problem been addressed or looked at?

Mr Speaker: That is a different question altogether. We are talking about the forgiveness bill. If the honorable Member wants to ask that question he could put a separate question for the Truth and Reconciliation terms and conditions or whatever.

Mr. Sogavare: This is following on from the supplementary question asked by the Member for North Vella and the Prime Minister answered.

I am just trying to understand this whole idea of trying to legislate forgiveness. Forgiveness normally comes from the person who is hurt or has foregone his/her right to do something to someone who has done wrong to you. It is really a voluntary thing moved by that person, moved by a genuine desire to sort out the problem, and I am comforted by the part of the answer given by the Prime Minister that if the reconciliation process can achieve that purpose then it is good; let us stick to that.

It is just the complication of trying to legislate something is what I am trying to get at here. What aspect of forgiveness are we going to legislate? Are we going to coerce people to forgive to force people to forgive? Maybe the Prime Minister may want to elaborate more on these guidelines as to how really are we going to legislate this subject of forgiveness when it really comes from the person that is hurt.

Hon. Philip: As I have said this and I totally agree with the Member for East Choiseul that forgiveness cannot be prescribed because it comes right from the heart. I totally agree. The way that current reconciliations and process is going, I am sure people are pouring our hearts in the process to the TRC. I think there is also the need to prescribe, maybe the forgiveness bill is a big label that might raise eyebrows, but even prescribing codes of conduct to ensure that deterrence is put into the society so that certain things like this will cause national insurrections or something like that. Like in Australia, even if you just make some racial remarks the police can arrest you and take you to the court straightaway. In here, people talk about other races, they talk about swearing but it is just something nothing. I think we have to be serious in some of those things.

Yes, the concept is still at its very early stage but we will be putting things together contextually in the light of what the Truth and Reconciliation Commission will come up with. We will consult the Peace and Reconciliation Ministry. We will talk to the judiciary and the legal fraternity of this country. We will talk to RAMSI and talk to the Royal Solomon Islands Police, provincial communities, the people of Guadalcanal and the people of Malaita before we can put together something and we will make sure that everybody else knows what we are doing in terms of what this forgiveness bill really entails in the final analysis.

Hon HA'AMORI: Thank you for this opportunity. Just as much as it is very difficult for us to legislate for this concept called truth, this is the same with the idea of the forgiveness bill. I think the bill was intended to create an environment so that another approach of bringing back this country to some degree of acceptable normalcy after we had gone through some social difficulties in the not too distant past is what this bill is about. It is a kind of another tool because many people still think that we have not really returned to an acceptable level of normalcy yet. Some of the things we have been using so far, truth and reconciliation have been the most common one.

This bill is intended to create another mechanism whereby we can perhaps speed it up a bit so that our country comes back to an acceptable normalcy. And so it is not so much legislating so that we go around and force people to forgive each other, but to create an environment so that those who would perhaps decide that they do not want to go through the grueling experience of recounting the past that has been very painful to them would rather try the other approach, and that is to forgive instead. Once that one happens, the facilitation of that decision can be accorded to people who probably decide to use that mechanism in bringing peace and harmony come back to the country. I think that is the spirit behind the intended bill. Thank you.

Mr WALE: Just going on what the Honorable Minister for Education has said, if that is the spirit behind the proposal, of course, the detail of the proposal is yet to come out, but if that is the spirit behind it then it is a good spirit, and that spirit ought not to be any different from the spirit, it is the same spirit behind it and the framework of the Truth and Reconciliation legislation that is already in place. There is absolutely nothing in the current TRC Act that would prohibit or in any way mitigate against such a process happening nor would it block it if that is the way they would approach their own story. I suppose there ought to be some precedent distinguishing characteristics that would make that thinking cannot work under the TRC Act and therefore it needs a different piece of legislation to bring into force.

The question naturally is what distinguishes the conditions that could not be met under the current TRC legislation that the proposed forgiveness bill would deal with that could not be dealt with under the TRC Act?

Mr Speaker: I think that question has already been answered earlier on. I think the Prime Minister has already given an answer to that, but if the Prime Minister thinks otherwise, he can repeat the answer given earlier.

Hon Philip: Just additional information. I think that is a reasonable question. Yes, as I have stated in my answer to the supplementary question by the Member for North Vella La Vella, if the findings to the TRC Act say that there may not be a necessity for

the establishment of this policy because policy does not mean what we are saying has to be put in the policy, we are looking at the whole thing very conscientiously. The report of the TRC will be very important to guide us to formulate and implement such a policy as this forgiveness bill.

In the context of a group of seven political parties coming into share ideas, we will have to work on it and that is why the Director of Policy himself has got the job as policy interpretations. If the interpretations come to the department with the report of the TRC and the Ministry of Peace and Reconciliation, maybe there is no necessity for this, but as it is at the moment, yes we are very much focused on the long term sustainability, very concerned about our custom of respect and compassion must exist in this country, and how can that be sustained.

If the Truth and Reconciliation Act is an adequate mechanism that can guarantee the sustainability of this society for many, many more years to come, then perhaps there is no need for this bill. But if there is a loophole that must augur the effectiveness and the sustainability of the TRC then, of course, we need to have some kind of extra prescriptions to sustain our society in Solomon Islands.

Mr Sogavare: I think the question at this point in time in the absence of the bill before us can make us talk until kingdom comes, but I want to thank him and probably when the necessity for a forgiveness bill comes, we need to look at all the parties that need to forgive.

One very important party to all of these things is the government, the Solomon Islands Government, the state. We may require the two parties that have problem to forgive each other, but the state is always forgotten because a person can be arrested and taken to court.

In saying that, I thank the Prime Minister for answering the questions and we will wait for the policy to come before we can discuss this further.

BILLS

Bills – Second Reading

The Customs Valuation (Amendment) Bill 2010

Mr. Speaker: Honorable Members, the honorable Minister of Finance & Treasury moved the second reading of the Customs Valuation Amendment Bill 2010. Debate on that second reading was adjourned to the next sitting day being today. We will now commence debate of the Bill and I want to remind all Members of Parliament, all of us, to abide by the rules of debate.

Hon. ABANA: Thank you once again for the opportunity to contribute briefly on this important bill, the Customs Evaluation Amendment Bill 2010. Before I do so, I want to thank the Minister Finance and Treasury for bringing this Bill for amendment.

The objective and reasons as stated in the Bill is to continue to use the calculation method of import duty based on the cost insurance and freight charges (CIF) rather than free on board or FOB introduced under the principal act. The other important objective is also to protect the Solomon Islands Government revenue by improving the collection of import duty by way of empowering the Customs and Excise department in relation to customs valuation of imported goods and at the same time introducing a range of customs offenses with penalties that will operate as a significant deterrent to people breaking the customs law.

The other positive side of the bill and one that I think has been left unattended to for quite awhile now is giving Customs and Excise to challenge stated value of imported goods that an importer has entered. Another important aspect of the Bill also is for Customs to have a range of customs offenses in the legislation with penalties that reflect the seriousness of such offenses committed by the importer. The scope of the Bill is fundamental in that it helps to address leakages inside the systems in terms of revenue loss to the government by some people who continue to falsely declare through value of imported items into the country. Therefore, this amendment is very necessary to deal with such people to ensure they face the full force of the law. This reminds of recent prosecutions under Customs and Excise Act were ineffective since penalties for offenses under this Act are inadequate, not strong to operate as a significant deterrent to people committing customs and excise offenses such as smuggling goods into the country. The same goes to the level of penalties in relations to different offenses within the Customs and Excise Act which do not reflect the level of criminality of those offenses.

In the negative, because we must look at the balance, the good and bad sides to everything, there are questions as to why charge tax on ocean freight when what is to be taxed should only be on the cost of the goods arriving in the country. For the private sector this is a double jeopardy taxation policy for importers because GST is computed based on the CIF and import duty, but at the same time duty is also taxed on it. Therefore, taxation in terms of the private sector is really harsh because the implication of this legislation might impact on domestic prices. So it is one thing I want to urge the Ministry to look careful at because what I understand here is otherwise we might not understand it properly and there needs to be a comprehensive public awareness in terms of what relates to these issues otherwise the private sector and people think that there will be mark up on the cost of goods that come into the country and even in the absence of price control not monitoring what exactly is happening, I think the Ministry

of Finance must look carefully at the issues I am raising. With that, I support the Bill and I resume my seat.

Hon. SOGAVARE: Thank you I want to join the Leader of Opposition to contribute to the debate on the motion to the second reading of this Bill. It is a very simple bill but do not be fooled by it. The objects of the Bill as stated by the Minister as outlined in the objects and reasons column of this Bill itself and that is to reinstate the CIF method of valuation on imported goods for the purpose of calculating the level of duty that the importer is required to pay. Apparently, this Bill comes because the principal act, the Customs Valuation 2009, as we were made to understand has changed the method of valuation to free on board (FOB). I think a pertinent question that comes out at this point in time is whether this is an oversight or a deliberate move. Whichever it is, is not clear, but although the Minister submitted when he made his statement that it is an oversight. I would like to believe otherwise because the move, okay, maybe it is an oversight but it is in line with the direction of the tax reform that is pursued by the government then. Be that as it may, we have a situation here now where the merits of a position that maybe we have arrived at by default has given rise to serious policy questions, which Parliament is now given the opportunity to discuss it seriously.

Within the overall issue of tax reform, the policy in question highlights the desirability of one very important attribute of a good taxation system and that is fiscal flexibility of our tax system. The principle requires that our tax system should be responsive to changing economic situations. What I am implying therefore is that the move by the government really works contradictory to the principle of fiscal flexibility; contrary to that move. It is unfortunate that that issue is now placed before Parliament and so we really need to scrutinize it.

There are two issues that came out very clearly as the policy rationale from the Minister's presentation, and they are like these: first the importance of ensuring that our taxation system is fair. That is what the Minister came out very clearly on. Secondly, the government has the responsibility to maximize the collection of revenue to finance the annual budget. These are the two that the Minister has highlighted.

These are qualities that any tax reform endeavors to achieve and indeed are two attributes of a good tax system. That is any tax system must be able to fulfill its revenue objective in a fairest possible way. The issue of fairness in any tax system is more involved than the ordinary use of the terms imply. There are two aspects to fairness, and I think in the history of this country, Mr Speaker, probably you and I will go down in the history of this country as bringing in one of the biggest reform to our tax system. The term used by tax experts is equity, and they are split in two; one is vertical equity and another one is horizontal equity.

Vertical equity requires that as much as possible people of the same economic standing are equally treated for tax purposes. So if I earn \$100,000 I should not pay more than what the other person pays. That is an example of this. It is a defiance of this principle of fairness, for example, if a village dweller who earns \$100,000 from timber royalty gets away with paying tax when a wage earner, an income earner in the formal sector earning the same amount is subjected to source deduction because if you fall they will come and hold you and put you in prison.

Horizontal equity demands that people who earn more than others should pay more tax. That is common sense. The other desirable aspect, of course, is efficiency which basically requires that in the design of our tax system we must ensure that we strike a proper balance between the different matters of collecting tax from the various tax bases. Simplicity requires that a tax system must be simple to administer but not to go overboard so as to undermine the principles of horizontal and vertical equity that I already described to you.

Of course, fiscal flexibility is concerned with the ability of the system to respond quickly and with ease to the direction of the government's fiscal policy. In other words, the system must not be rigid. As it stands, the Bill satisfies three attributes, namely fiscal flexibility and, of course, an easy way of maximizing revenue collection; simplicity, fiscal flexibility and an easy way to collect tax to maximize revenue. Unfortunately, it desperately falls short of the other important attributes and that is where I want to express my concern that we maintain the CIF valuation at a time when businesses are struggling to survive. It is quite a serious consideration. It is very easy for the government to be carried away with revenue objectives that we forget the effects of our tax policies which can be very, very devastating to the people affected if we are not careful in the way we handle this matter.

This is more so in times when the budget is starved of revenue due to the effects of a general slow down in the activities that are supporting our revenue base, and the only for us to maximize revenue collection is to resort to policies that will have the effect of increasing tax rates on the same tax base.

Of course, I take the Minister's point. The Minister made it a point in defending the policy as not increasing the tax rate. That may be true, but the effect of the policy is not different. In fact it is more serious because not only will the importers be paying more tax because by nature it is front loaded tax, the importers must accumulate more funds from their savings or their working capital to pay the tax upfront. And depending on the level of tax to be paid it can have very, very devastating effect on the cash flow of our businesses.

The Minister has explained that the amendment is to rectify an oversight, and I would like to believe that this is a good oversight given the difficult times that the private sector is facing right now. This side of fiscal flexibility demands that the system must be able to respond, as I said earlier, to any deliberate moves to adjust our tax

system in order to accommodate the needs of the taxpayers, which is the goose that lays the golden eggs. The amendment should really be done, in my view, now that this policy comes before us, I really believe that we should maintain it. The amendment really should be done in the Customs and Excise Act to bring it in line with the Customs Valuation Act. And there are powerful, powerful economic arguments for that. As you would already appreciate, I advocate that because of the current economic environment, the government should be sympathetic to the private sector. The adoption of FOB as the basis for valuation has the effect to reducing the tax burden on our importers which should be in line with the direction that our tax reform is taking at this time. What I am saying now goes in line with this thinking and the direction our tax reform is taking now.

Of course, if we come back to the law making responsibility of this Parliament, and it is very relevant, it is subject to section 59 of the national constitution, and that is, Parliament is empowered to make laws for the peace, order and good government of Solomon Islands. The Constitution is very, very careful in setting the standards within the doctrine of what is called parliamentary sovereignty. Whilst we accept the old competent nature or status of parliament, in this regard, the reference to peace, in my view, order and good government, they are not put there for nothing. They are incorporated to ensure that parliament exercises its unlimited power with care so that while it achieves the objectives of the legislation, while we achieve our legislative objectives, we minimize the negative effects it has on our people.

Now, this amendment that we are going ahead now to discuss, under the different attributes of a good tax system, it affects the two very, very important responsibility of the government, which are sound economic management and maximization of revenue. Interestingly, these responsibilities are vested right on the shoulders of the Minister of Finance and Treasury as the manager of the economy. Ideally, these responsibilities must be complementary. The reason is simply and that is because we are dealing with the same people. It is the private sector that is the engine of growth; that is what we always say in here. It is the private sector that creates the revenue base upon which the government levies these taxes. It is the private sector that must find the additional cash, additional, I am talking about, and not taken from the profit of the business but must find additional cash to pay the levies in the case of indirect taxes because they are effectively additional charges on the businesses and paid up front, even before the business starts to earn an income.

Clearly, the Act has retrospective application and therefore the government has serious or pertinent questions to answer to the satisfaction of Parliament and the people of this country, especially the business fraternity who are facing the full incidence of tax in every instance. Firstly, since the amendment is designed to collect revenue immediately and it has been doing this, is the government saying that the revenue

measures that form part of the 2010 budget is not giving the level of revenue required. If that is the case then probably the economic assumption of the 2010 budget was premised and is now called into question together with the credibility of the people giving such an advice. Or is it the case that government is now faced with additional financial commitments that must be settled all cost? Of course, I understand that this thing has been applied already.

I am asking these questions because the move is certainly irresponsible and out of norm in terms of sound and effective management of the economy in the areas of fiscal responsibility. The acceptable practice is that any fiscal bills must form part of the budget, so that parliament can be in a better position to make sound judgments on the effects of the bills on the economy. I say this while appreciating the government is coming up with a supplementary appropriation bill and therefore the net effect of this bill, which is to collect revenue to maximize revenue maybe a revenue strategy to finance the supplementary appropriation. That would be, clearly on the face of it, irresponsible because the move is akin to squeezing the last breath that the economy is really struggling to use sparingly in order to survive and stay alive.

The truth of the matter that the government cannot deny is that the Solomon Islands economy is struggling to cope with the effects of the global financial crisis and we would be simply irresponsible to tax it to death which this policy is likely to do if we are not careful. I am saying this with a desire that we move back to FOB.

Taking this into consideration what we have here is a standalone bill in a sense that it lacks economic rationality. As a matter of fact, the ad hoc approach taken by the government on this bill goes against the claim by the government that believes in a holistic approach to undertaking reforms on the major macroeconomic tools, and one important one is taxation; it is a very, very important macroeconomic policy tool. And because of that, Parliament must not be carried away by the simplicity of this bill.

On the contrary, the Bill has significant impact on a number of key areas. Firstly, it has and continues to increase the cost of government in Solomon Islands and therefore, has direct effect on the cost of doing business in Solomon Islands, and prices too. You see, the cost of government in year 2010, this Parliament places it at \$1.62billion, this is by none other than this Parliament when we passed the 2010 Appropriation Bill. This cost, of course, is to be financed by the taxpayers of this country. What the government is saying in this Bill is that it still wants Parliament to authorize to continue to use this way, the CIF method to establish tax base upon which the different rates of import duties will be applied.

What this Bill is effectively doing in order to achieve these objectives, as I have stated already and the Minister has stated already is that we return to the CIF method, we add the cost of freight, insurance on how we determine establishing the volume upon which the rates are applied. Since this amendment is to bring the Act in line with the current practice, we take it that it has across the board application.

I wonder whether we have taken the effects of other government imposts on the behavior of cost in Solomon Islands when we came up with this policy. I raise this concern because the effect of government levies on the current level of taxation is already killing businesses. I am going back to the direction that we have already set, and that is, reduce the burden of taxation on one group of taxpayers. Businesses in the country already have the following levies at the current values to account for in their costs. Okay, income tax which is levied at the end and so it is probably one of the best system in that you are not building in the cost. The goods tax is another one. The wholesales value of goods is the base upon which we are taxed. The sales tax is the retail sales value of services used. The export tax is the tax base value of exports. Import tax is the value of imports. Excise tax is where the tax base is ex-factory value of manufactured goods. Stamp duties, the tax base there is value of tangible and intangible property that is transacted. Business licenses, registration fees, vehicle registration and related fees, immigration and labor related fees, investment application related fees, other charges, the use of specific services like cost of energy, water, communications and other essentials that are levied on services which have direct effect on the operating cost of businesses.

What we are saying here is that this country has exhausted every tax base that can be taxed at rates that are already considered too high in the context of a very narrow economic base and therefore the only way for us to generate more revenue is to increase the rate of tax or we resort to structural measures that is achieving the same result. This is exactly what happens here and the government must be warned.

The status of our tax agenda is an open book for everyone to see is declared here on the very floor of this Parliament. The observation that was shared around this floor of Parliament, you know what, we are yet to design a regime that strikes an acceptable balance between the main desired attributes of a good tax system, and they are what I have told you already; equity, efficiency, simplicity and fiscal flexibility.

On efficiency, the system is yet to strike an acceptable level of tradeoff between the different taxes and the levies that I have discussed already, which are effectively different methods of collecting tax from the same ultimate base, namely business earnings. The Solomon Islands system is still very heavily frontloaded, meaning businesses are heavily taxed upfront before they even begin to earn their income. This is the nature of most of the levies that I have stated where you pay first before you start to work and not earning income as yet. Apart from income tax which is a contingent cost and the de facto goods and services tax which is effectively semi-broad based consumption tax and therefore the incidence of tax is delayed to the final consumers, all the other methods are imposts upfront and directly add to the cost of productivity in Solomon Islands. We need to appreciate that the various imposts that I have already mentioned and highlighted are not water tight in terms of their overall effects on business costs. Not so, and this is particularly true with import duties, especially when

they are levied on goods that are required by other operations in the service and manufacturing sectors as inputs to production. They have direct impact on business costs.

As a matter of fact, if we do not properly structure our tax system, taxes imposed on entry of goods have far reaching effect on the components of costs that make up other tax bases too, for example excise duty on locally manufactured goods; retail sales value of services rendered by professional services; charges on the use of essential services like water, electricity and communications, all those things have other tax elements built in them too. What I am saying here is that any decision to increase the level of import duties on imported goods without any sensible tradeoffs in other forms of taxes could lead to a situation where the efficiency of our tax system will be seriously undermined giving rise to the very issue that the Minister is concerned with, and that is unfairness. This Parliament was made to believe when the new valuation method was introduced in 2009 it was part of a reform agenda to reduce the effects of taxation on the behavior of costs and its impact in doing business in Solomon Islands. The move was deliberate and the government then did not hide its intentions, at least the intention to reduce the level of taxation on particular tax bases. That one is very clear. Is that still the understanding of the policy rationale? If not, then I believe the Minister has the duty to inform this House. Was it a mistake to use FOB instead of CIF? What is the economic rationale behind the policy which is more important than narrow revenue reasons?

This Parliament is noting that as part of the ongoing reform it has passed, in fact, we approved a final payment regime when it was introduced to this Parliament in direct taxation system, those that were taxed under the individual tax rate. Now the effect of that policy removed the end of year review of the tax position of any tax payers, normally the Ministry of Finance, the Inland Revenue is performing this. This reform will effectively remove the requirement for tax payers coming under individual category to submit their return of income to the Inland Revenue.

There was also plan to remove business licenses at both the national and provincial level as a move to reduce the cost of doing businesses and the administrative costs associated with establishing businesses in Solomon Islands. So the move is very clear; reduce tax, remove taxes that have direct impact on the cost of doing business in this country. It is not clear to date whether this policy has been already implemented. Have those licenses been removed or not yet?

What I am effectively saying is that there is all the indication to suggest that the reform that was already in place is aimed at reducing the level of taxation that one group of taxpayers are paying to the government. I am raising all of these questions because what the government is now proposing under this Bill is clearly drifting away from the objective of the ongoing reform of our tax system. This is effectively increasing the burden of taxation on a particular group of taxpayers. Of course, the

government will argue that since this is indirect tax, the importers will pass the burden of taxation to the final users of the goods they are importing, and in that way the government will achieve its objective in getting more people to pay tax. That is too simplistic, too cheap an argument. There are important considerations that have different effects on the economy. Firstly, of course, the coverage of the new level of costs that will be determined by the type of goods imported into the country. Secondly, how the goods will be used by the consumers or whoever will finally buy them. Thirdly is the capacity of the Solomon Islands economy, this economy to absorb the aggregate volume of tax paid upfront by our importers. The latter conditions determines the level of taxation that consumers are able to absorb from the importers which will in turn determine the level of taxation that businesses and importers are capable of passing to the final consumers. The whole exercise is referred to as establishing the incidence of tax in a tax regime; who is actually paying tax? It is this exercise that should find that out?

As a matter of fact, I would like to call on the so called experts in the Ministry of Finance, our experts in there to conduct that exercise. We may be surprised to find out that importers still carry the bulk of the tax if that analysis is carried because of the way this economy is structured. The Minister is therefore obliged, in my thinking, to inform Parliament as follows: in the ongoing reform of our tax system in this country, was the government provided with essential data to make sound decision on the direction the country should take the reform. What is the position of the present government on the concern that inputs to manufacture have been subjected to tax all these years? What effect does this policy have on the behavior of costs in this country because it has been implemented ever since?

It is a known fact that taxing of inputs to manufacture can have very compounding effect on costs, and worse still if the goods manufactured are predominantly for export then the importer will be stuck with the burden of tax because he cannot pass it on. We must not underestimate the businesses because they are smart and they will find ways of passing the burden of tax to local consumers by other ways, and when that happens the effects on cost in general will be very huge, and in this case it will be a distorted cost because they do not have any relationship with the goods traded. We just get it, lump it inside and try to recover it that way. How the consumers will use the goods imported will also determine how much of the tax will be passed on.

On the issue of the capacity of the economy to absorb the increased level of taxation on the same goods that they are used to buy at lower prices, I have the following observations to make and maybe questions. Are we conscious of the fact that our consumers are finding it very, very difficult to maximize the volume of goods they can buy from the present level of their income from employment and businesses? And it is almost a daily thing. Are we aware that the buying power of one Solomon Islands dollar is deteriorating by the very, very means that we try to legislate under this Bill?

Are we conscious of the fact that there is a serious mismatch between the cost of goods and services and the ability of the consumers to buy them? If not, then I think we must think again.

This Parliament must appreciate that Solomon Islands as a country imports everything it needs to function as a country. We import matches to bulldozer; just about everything. If we are to appreciate that fact then our attitude towards our desire to collect more revenue by way of increasing the import value of goods must be done in moderation and strike the appropriate balance between the affordability of consumers, the effect of our additional impost on behavior of costs and the duty of importers to comply with the law that we will pass. I fail to see that in the policy presented to Parliament under this Bill. All I can see is revenue objective. If that is the case then we are being irresponsible, this parliament. Furthermore, the policy is clearly not in line as I have already mentioned with the various announcements made by the government on the issue of taxation. Resource tax will come. You see, the government's announced policy is to have a fairer tax system where all tax payers pay a fair share of the country's tax burden. The Prime Minister has assured this to us on the floor of Parliament when he answered some questions in here. This policy is not going to guarantee that. It is country to that direction.

As matter of fact there are differing views among the political parties that make up the present coalition on how the tax system of the country will look like. It would be interesting to see when the policy framework comes out what we have collectively agreed on, and especially the direction that we wanted to take on this reform. If this policy is an outcome of a collective position by the group, then I would be surprised because I would have expected some people to talk out strongly against it.

I personally believe the Minister must fully explain the reason why the current economic environment, our importers must pay more taxes in the middle of a fiscal year, which is what this Bill is doing so far. The Minister is obliged to inform Parliament as well on the coverage of this new policy. What effect will it have on the cost of inputs to production? I can assume the government is fully aware that the only fair tax system is a move to a comprehensive broad base consumption tax but instead the working towards that system has compounded the negative effects of a narrow based tax system in this policy. Whether this is intentional, I am not sure. The policy is clearly not in tune with the general direction of the ongoing tax reform in this country, and the question is what is necessitating the redirection of this policy? What is the policy rationale behind the move to increase the cost of government at a time when the ability of our people to support the regime is also questionable? How much revenue does the government envisage to collect? What was the policy rationale behind the adoption of FOB or the thinking there? Is it really an oversight? Like I have already said, the policy is raising more questions, and I believe the Minister is obliged to provide some answers. Parliament must not be dragged into passing of this bill

without the government fully explaining why it is very necessarily in terms of its economic rationale because we are talking about increasing the level of import duty that importers must pay, and nothing short of that.

I want to make a final observation, and that is if financing of the budget is probably the issue here, and that is to do with the dictates of the Honiara Club in the way the Solomon Islands Government is conducting its fiscal affairs. If we are not careful the restrictions imposed by this Club will stifle this country and we will never be able to pull ourselves out of our economic woes. What we are now concerned about is directly concerned with the capacity of the Solomon Islands economy to generate the resources to enable the country to engage in credible public and private sector investment programs. We are stuck economically and the only way out is to lubricate this economy financially and then target the areas that will respond quickly to any recovery measures. The way to do this, and this is coming from me personally, is to secure financial resources now by way of long term loan, and probably this will come as a shock to the adherents of the Honiara Club but there is no other way. The government must now come out of its fears, the fears of the future and commit the country to deficit financing of the budget. What are we afraid of?

We have been hearing this balance budget nonsense for nearly seven (7) years now since this thinking came in, and this is getting us nowhere in terms of reviving this economy. In fact, we are playing right into the hands of people who are bent on probably exerting greater control. It is the motives that we need to be clear of. We must now resort to the national money making strategies if we are to survive as a nation that can help itself, otherwise we will continue to be beggars forever. This needs great sacrifice and strategic thinking by the government and we have capable people on that side to do it.

I will withhold my vote at this point in time until the Minister adequately responds to the questions I posed. As I said, this is a minor amendment, as they said just return to CIF because that is what we have been doing. Unfortunately, it is brought to the attention of the highest decision making body of the land, that mistake, and because of that it comes under serious scrutiny now. What is stopping us to go back to FOB, to change the methods of valuation to FOB? Is it just because the Customs Act says so, so that these two acts harmonize? Can we not see it in a different angle because of the current economic environment? There is the need for us to relook at the idea of removing insurance and freight from the method of establishing the base, the revenue base, the import base that we apply the various import duties on. Is that not a sensible proposition to make in this Parliament conceding the fact that the economy is struggling to survive? That is the question I am posing to this parliament. Although it is a simple amendment as I have said already, it provides a great opportunity for this Parliament to do what it believes in and especially this government that says it is concerned with the welfare of the business in this country. And it is for good reason

because they are the ones to pay tax; they are the goose that lays the golden egg. You kill the goose you will not collect tax, you will not be able to implement your budget. As I said already I will hold my vote and listen to the Ministers defending this policy first and then we will decide on it. Thank you.

Mr SOFU: Thank you for recognizing me, the Chairman of the Bills and Legislation to contribute to this very important amendment.

I also want to join the Leader of Opposition and Member of Parliament for East Choiseul who has briefly spoken today. I think the purpose of the Amendment has been made very clear by the Minister himself when he presented the Bill, which even the Leader of Opposition and my colleague the MP for Choiseul have touched on today. I think it is very important that the Bills and Legislation Committee brings in a bill before Parliament so that the Speaker knows that the chairman and the committee members are also working.

I would also like to thank the hard working members of the Bills and Legislation Committee for their time and effort in scrutinizing this bill before as it is a requirement under Standing Order 71, which we did. I also want to thank officers that come and appear before the committee; the officials of the Ministry of Finance, Commerce and also the AG's Chamber.

The report compiled by the Bills and Legislation Committee which is now before us spelled out the recommendations that the government is going to look into if this bill is passed. In the past, important recommendations brought to Parliament were not considered by the government. Recommendations by the Bills Committee are very important in that they provide information to the government to consider and make amendments to the bill when it implements the Bill. The Committee came up with recommendations in this report, which I feel is very important for the Minister of Finance and stakeholders when implementing this Bill must seriously consider. If I can go back to the contribution by the Leader of Opposition the MP for East Choiseul, most of the things they were talking about are in the recommendations by the Bills Committee. I believe that the Minister of Finance or the government for that matter takes note of them to look at improving or adjusting the Bill during the course of time when implementing this amendment.

The public does not know what is going on in this amendment, what its focus is and what it will achieve. I think it is very important that one of the aspects is that the Ministry of Finance must conduct public awareness so that people in the rural areas and even in town as well do not know what is going on. It is very important that the recommendation of awareness needs to be conducted.

One area of concern that becomes very obvious is the escalating prices of goods. That is the concern that our people will be looking at and so it is very important that during the course of time when government carries out awareness it must make sure

our people are made aware. Awareness is a very expensive exercise that the government must have a budget for it. If the government is serious, and I know that this government is serious, it will budget for it so that officers reach out to our places in the rural areas and conduct awareness so that our people know what is going on in regards to this new amendment. With these few remarks, I support the amendment and I resume my seat, thank you.

Hon. SOALAOI: Thank you for recognizing the Leader of Independent. Before I touch a bit on this amendment, I want to thank the Minister for coming up with the Bill.

I would like to thank the Minister for coming up with the bill. My only regret is that to me this seems to be a matter that is directly linked to the fiscal policy of any government. If you listen to questions being asked on the floor of Parliament, even the Prime Minister refused to inform us the policies of the government and maybe comes Monday before we will know. I the Minister has jumped the gun by bringing a bill which to me seems to be part of the government's fiscal policy.

While I am expressing those concerns I am going to touch briefly on this amendment. I have come to realize that currently we are using the CIF to calculate duties on goods imported from outside into this country by importers. Just like what my colleague Member for East Choiseul has expressed, I questioned very much too whether it is an oversight or was it a policy intention of the previous government to shift to using FOB as a basis of calculating duty on imported goods. As I said earlier on, we are yet to know the policy intention of this government on this issue and now that this amendment bill is here it surprises me. I think the Minister should wait until the government launches its policy statement so that we know that the government would like to use CIF as a basis to calculate duty on imported goods. As I said when this comes to the floor of Parliament I would like to contribute briefly by raising these concerns, and I will be coming from the point of view of consumers of goods that come in from outside to Solomon Islands.

If you look at the price of goods in shops in Honiara at this time, the goods that our people normally buy, the prices have skyrocketed as compared to previous years. One of the main reasons I believe is because of the use of this CIF as a basis of calculating duties and so we find that the costs that importers incur are actually passed onto consumers who are our people. I think this amendment seeks to amend section 7(e) of the principal act, which the Minister said is to correct an oversight, but I think it is not an oversight but it is the intention of the government at that time to reduce the cost of doing business in Solomon Islands and also to make goods and services affordable to our consumers, which is also us too who are sitting down in Parliament at this time, we are all consumers and we complain about the high prices of goods in the shops. But this is one of the main reasons for the increase in prices of goods in the shops.

If you look at the report on the comparative analysis of the two methods, the CIF, as far as the government is concerned is going to improve revenue collection and even improve the capacity of Customs to impose some regulations it is mandated to carry out. When you look at FOB, it will be good for the business community and also good for us, the consumers. Goods should be affordable when FOB is used as the base for calculating duty. But I sympathize with the government in its effort to finance its activities, it needs money so basically I think what we are doing here is to improve revenue collection to finance our budget. If this is an effort to improve on government revenue, one area that can be seen as a warning to any government if we are looking at collecting revenue to finance our budget is to do the right thing. Whilst we are trying to collect revenue if people see that we are using this to collect revenue but at the same time we are giving remissions and giving exemptions, it would not make any sense to the people of Solomon Islands.

If the government is serious about collecting revenue, then that is good and that is why I say it is about doing the right thing. If we want to improve government revenue then we must do the right thing. If we are collecting here and giving out there on the other side it is going to be the same, we are going to go back to square one. I really feel, as I said at the beginning, whilst the amendment is seen as an oversight by the Ministry of Finance and the government for that matter, I do not really think so because when we passed this bill, it was an effort by the government to reduce the cost of doing business in Solomon Islands and also to reduce the price of goods and services to our consumers.

I am coming from a layman's point of view. Continuing in this will only see the continuing increase on the of prices of goods in the ships, the goods and services we will be paying for as consumers will continue to go up because of the increasing duty that importers are paying. Before I resume my seat, I think it is advisable that the Ministry of Finance and the Customs Department for that matter when collecting revenue must not give it away on the other side. I think this should be taken as a warning because if you look at this carefully it is us, the people who will be victims at the end of the line. All these costs incurred by importers are passed on until it gets to shelves in the shops where we go and pay from.

Whilst this is on the floor of Parliament we are being asked to amend this principal act, for me, I do not think this is an oversight. In fact, FOB to me should be a good direction to go into. I strongly believe the policy intention at that time was to shift from CIF to FOB. Now that this government wants us to go back to CIF, we will continue to see increase in the prices of goods and services in Solomon Islands. I think what the government should do instead is to increase economic activities which will in turn broaden the base of our economy so that there are more areas to collect revenue from instead of doing this as early as even before a government policy comes out. I hope the government through the Prime Minister will come up with its policies next

week. But honestly that is my view. I think the Minister of Finance is doing this too early. Whilst the nation is yet to know the policy intention of the government in terms of fiscal policies, this bill was brought to the floor of Parliament telling us that this is what the government would like to do, and that is continue with CIF as a base for calculation of duty on imported goods.

The Independent group would only wish that the government and parliament would do justice to our consumers and ensure that we make goods and services affordable to our people that we are representing and also to make life easy for our business community. Those are my brief comments on the Amendment Bill which is before Parliament now. Thank you

Mr HOUENIPWELA: I would also like to contribute to this Bill, a very important bill. I think the Minister of Finance has brought this to the floor of Parliament for our deliberations as this is quite important. What really strikes me is the fact that the purpose of this Bill is to rectify a minor error. That really strikes my notice. It strikes me because tax policies and especially amendments to tax policies and regulations for implementing of such policies is something that the business sector and everybody are sensitive about.

As we all know here, the target group for this particular amendment is the Solomon Islands importers. And as my honorable colleague, Member for East Choiseul has reminded us, this group, the importers of this country is a big group, not only in terms of numbers but in terms of economic activity in this country they account for quite a big chunk of our economic activity and also in terms of government revenue. From that standpoint, I want to question whether this is a minor error and that we need to look at it more seriously.

Like other speakers have already mentioned, this is an amendment to the principal act which has already been passed by this Parliament in 2009. The purpose, the objects and the solution it is supposed to bring about is already debated and scrutinized by Parliament and so I am not going to bore the House on this background again. But just coming back to the smallness of this error, is something I would like to look at this time. As we know, these amendments are expected to bring our system in line with the Customs administration to be GATT compliant. I think what is very important for us to remember is that any tax policy, any amendment we make it is very important that such actions are taken to broaden the tax base. I do not know whether this particular amendment will do that.

The other thing I would also like to mention here is where taxpayers and in this case importers are charged duty, and I have two questions in this regard. One is whether people are attached on a level playing field because as the Leader of the Independent group has been telling and reminding us, it would seem certain individuals and companies and corporations are enjoying tax holidays and tax

exemptions which other people are not enjoying. But more seriously the point he mentioned about the loopholes. We are giving away revenues that we should be collecting. That kind of way is not good in that we are trying to raise revenue and yet we are giving it away. But the other issue that I would like to raise here is tax policy that intends on casting the wider net or widening the net to broaden the tax base is a good policy or a good objective. But a tax net that has so many holes has no use at all. And this includes administrative and policing capabilities in the ministry. I would like to mention this because this amendment is concerned with a very technical area that the Ministry and especially Customs will have to keep up with.

I want to know whether these amendments will result in effective policing, or otherwise the administrative capability of the Ministry is not enough to administer and police this legislation. Legislations are very good but legislations that we cannot police do not make any sense. This, we have been reminded by colleague Member for East Choiseul. Legislations are good but if we cannot police them, it is of no value. I want to make that point and I am sure the Minister of Finance is taking careful note.

The last point I would like to mention, and this I think has been alluded to already by the Honorable Member for East Kwaio and also stressed by other speakers is the economic rationale for this amendment. Like I have seen here it is a small amendment to rectify a minor error, but to me it is a big one. Because what I cannot see here and what should have been done is an economic rationale that is backed up by some modeling that will look at the impact of this amendment on a number of areas. If Members of Parliament care to look at the report by the Bills and Legislation Committee, the recommendations as referred to by the Member for East Kwaio earlier on today, one is on domestic prices, domestic inflation.

Our economy is so structured that anything that happens to imports is affecting inflation. In other words, inflation is very sensitive to imports in this country. That is what I am a bit concerned about. Has there been any economic modelling done to see the impact on domestic inflation? I think if we do not see any economic modelling or analysis to support this as to what it would be on government revenue. I think the Minister would like to impress that this would be positive implications for revenue. But the way I see it now is that Customs right now is now going ahead to implement they have already asked for. I do not see where the revenue gains will be.

Thirdly, and an important point, which my Honorable colleague for East Choiseul has already outlined the arguments for and against this amendment on what this will do to the Solomon Islands investment climate. I think we have to work very, very hard to convince not only foreign investors but we also have to convince our own investors that this is an attractive place to invest in. This amendment is targeting only

the importers but the implications for investment in Solomon Islands could be huge. I do not see any analysis being put out as to what the impact might be, the implications for our investment in Solomon Islands will be. I do not know why we do not have analysis like this to help us understand better.

In conclusion, I think this amendment is to correct what has already been passed by Parliament, the principal act and this amendment is part of the principal act. If the government is thinking of making this a part of its fiscal policy framework that is yet to come out, it would be good for us to see it. With these very, very few remarks I want to support this Bill.

Mr. GUKUNA: I think it is appropriate at this time for me to thank the Minister for Finance for introducing this Amendment Bill. I could recall last year when we debated the principal act in September last year, we threw in a lot of good debates on it. I was just wondering and I have a feeling that this error may have been corrected last year. But I do not know why it was not translated into the final drafting of this Bill, and that is where the problem is. I could remember very well in September last year during our debates that this was corrected. This is a fundamental mistake and if it is the fault of the people who drafted the final draft, these people need to be penalised because it makes us to come here again and waste our time on a bill that has already been passed last year.

Mr Speaker, we need to check the Hansard but I think we have corrected this in our debate last year, and so it is really a waste of our time debating it again. I think we should adjust it by putting in the CIF and that is it so that we do not waste time. The rest of this Bill is just for change of full stops, commas and brackets and this is because this Bill should not have come here in the first place, but nevertheless it is here and I think it is very simple. When I heard the Minister of Finance introduced this Bill yesterday, I had to go back to Hansard and listen to what he said because I thought I heard him said something that does not sound correct, and that is when he said that this change from FOB to CIF will not increase government revenue, which in right thinking it will change but when I went to listen again he did say the right thing, and why he said the right thing is because the Customs is using the CIF. In the original customs act, the Customs is using the CIF to calculate duty. The Bill that we passed last year is not yet implemented and that is why we need to change it, and so it did not have any effect as yet. We just need to correct that error.

The Minister of Finance was correct by saying that it will not affect government revenue, it should remain the same. The Customs Valuation and Offence Act, hopefully

will work hard to catch some more and that is where the increase in revenue will come from. But if things go ahead as it is in Customs by continuing to use CIF to derive duty then really government revenue should not be changed, it should be the same, and I agree with the Minister on what he said yesterday.

For us to go ahead and talk about the economic implications of this Bill, we are talking about something that will not come in this amendment. In my view, the amendment is very simple, a very simple one, and that is we change it and there is an error which I said. I said it is simple because I have a feeling that we have amended this last year. The government and whoever needs to go and check officials who are responsible for this oversight, penalize them and tell them to smart up next time so that we do not come here wasting our time.

The amendment as I have said is simple and should be allowed to go through. It is just a simple amendment to change the letters 'O' & 'F' to 'I & F' and that is it. So let us leave it there, let us leave it that simple otherwise we add in more things and we may not pass this very simple Bill. Thank you, and I support this Bill.

Mr. TOZAKA: Thank you for recognizing me to speak briefly on this Valuation Amendment Bill 2010. I thank the Minister for Finance & Treasury for his action in bringing this bill for our consideration and enactment by this House. This Bill, as other colleagues, have said is a short bill and straightforward because it is simply to amend the principal act of 2009 that we have passed, which is a very good work of the CNURA Government, and the Minister himself was a member of that government, hence the Bill should not have any problem getting support in Parliament.

As stated by the Minister when presenting this Bill yesterday, it is necessary at this point of time because it will give greater power to the authority, the Customs & Excise Division to collect revenue by changing calculation methods as described in the Amendment Bill. In other words, the current system of calculating duties was found to be inadequate or it has limitations due to our advances in technology and the change in our import cultures. Therefore, the responsibility of protecting government revenue as far as the principal act is concerned is manifested by this amendment bill. Besides this, the Bill will also increase the capacity of the Customs & Excise Division to collect more revenue, perhaps through a range of customs offences and penalties. This is the bit that I think was missed out in the principal act, hence this amendment.

I am happy because I gathered that the bill will not require additional manpower or posts and staff in the Ministry responsible but, of course, should the need arise in the future I think there may be justification to increase the establishment of that division

because it is quite important. I am also happy with this amendment because it has wide consultations. When we came up with the principal act, there were wide consultations with both the private and government agencies.

I listened to the debates coming from the chamber, especially the debate by the MP for East Choiseul, it is very true and also from small Malaita his points were very relevant in regards to government mechanisms that one thing is to pass amendments like this and increase taxation and increase the ways we collect revenue. The analogy used by the Member for East Choiseul is that of the goose laying the golden eggs. He said let us not kill the goose that lays the golden eggs. Yes, that is true but we must identify the fox that kills this goose.

(laughter)

Why are you laughing, Minister of Finance? It is the fox that we must identify and warn and try to control. And I am not referring to anyone in particular as representing the fox. But I refer to the government machinery as a whole. I think I will put it that way. Because the emphasis here is that we must be fair to both the private and the government sector. It is very, very important that we must work as partners and the Prime Minister himself has said so as well as the Leader of Opposition; we must work together in that context.

When we look at our laws, the government has some weaknesses in its laws in that it is being unfair to our other friend, the private sector. But that is how the system that we frame works; the way our culture to our country that we do not put out these things, but we just use them. But I think times have changed, things are now changing but I'm glad that we are coming up to change these things and that we are more transparent and accountable. That is a point I want to make.

My advice to the honorable Minister of Finance is double check your mechanism in the Ministry of Finance so that this Bill is passed and implemented fairly in such a way that we do not destroy each other or destroy the private sector that helps support the economy of our country.

The other things I would like to mention, I think have already been covered very effectively by my other colleagues MP for Small Malaita and also East Choiseul, so with those few remarks, I support this Bill.

Mr MANENIARU: Thank you for recognizing the Member for West Are Are. I too would like to contribute to this important Bill, which we are now in its Second Reading, the Customs Valuation Amendment Bill 2010, moved by the Honorable Minister of Finance and Treasury. I also would like to join colleague MPs who have registered their concern about the goose that lays the golden egg. It is also interesting and important that we also recognize the fox that the colleague Member has also mentioned, which I think is what is causing more problems to us.

When we have the fox in the system, who is facing the consequences but our own people, the consumers ourselves. To me, importers are affected by our policies but they can pass it on, they pass it on to the consumers, and who are the consumers? They are our own people whom we are representing in this Chamber. They are the ones who do not have enough money to meet the costs that have been passed on to them, unfortunately. And that is of concern to me when we look at this important amendment in regards to our revenue collection to finance our budget.

I also want to thank the Minister for Finance for bringing this Amendment Bill. It is important that we look at this Bill as we are the responsible authority. This Bill, which is to correct an oversight in the principal act is important for us to support. The correction here, I hope, will enhance the administration of the principal act. If those that represent us to implement, monitor and police the implementation of this Bill have an environment that is still not conducive and they cannot even achieve the intention of our amendments, then we could face difficulties or challenges on this important amendment we bring in to this Chamber.

Creating an environment and a level playing field for importers is also very important, as already alluded to by the Member for Small Malaita. Our importers, some are receiving incentives and some not, and this is a concern if we can accord fairness and justice to such players. That is a very, very important point, which I also subscribe to. On over-valuation of goods which is also addressed by this amendment, a lot of goods that are imported into our country, some of them their prices are very low but when they reach our country, we even cannot afford the goods. I think the policemen who are the monitors to our legislation need to be equipped to safeguard our interests, especially the interest of consumers.

It can be very evident, especially when there is demand and supply. For example, if you look at goods in the shops which are always out of stock, take for instance, rice, if you go the next day the price has gone up, the price can rise within minutes and hours. This is a concern, and this comes back to effective policing of our laws. I understand the environment may be not for our policemen in customs and the

Ministry of Commerce, but that is an important area that we have to look at in trying to address the interest of our people, especially our consumers.

I would also like to briefly touch on how our importers get around our excise laws. May be they are smarter than our officers or they are good friends with our policemen and so they collude and so it affects us and our revenue collection. It is important for us to continue to look at the environment as to how it is set to help us achieve our objective, and in this regard, revenue for our government. Hence we continue to consider such an important amendment. It is important that we continue to enhance the legislative framework and produces so as to benefit our stakeholders whose interest we are addressing this time, which is going to be affected further by this amendment. It is important that we continue to look at the environment we are creating for our officers whether they have been looked after well very, they have been well equipped to carry out effective implementation of our legislations hence our intention of getting revenue. It is also important for us to look at. Otherwise it is the environments that are not conducive and that is why they did not perform their work efficiently and which could continue to affect us so that when we come up with policy decisions we continue to come up with amendments. But simply we need to look at who is in charge and responsible and if he did not perform to expectations, why? We should look at simple questions like that.

As those who have contributed to this amendment bill have stated, this is a simple bill brought here for us to assist the Minister to make a correction as required of us, and so I do not have any further comments, therefore, I thank the Minister for Finance and Treasury for bringing this important amendment for us to deliberate on. I beg to resume my seat.

Hon. Lilo: First of all, I would like to thank all Members who have contributed on this bill, the Leader of Opposition and others on both sides of the House. I would like to thank you all for very constructive and valuable comments and opinions you have expressed on this particular bill.

As I have said, this bill is a very small one. In all honesty, what this Bill seeks to do is to correct the error that has been caused in the original principal act that was passed this year. The principal act, if you look at carefully, is basically to put us in consistent with the way the customs valuations are enforced everywhere in the world under the GATT system or what is called the general agreement on tariffs and trade in the WTO.

Every entry of goods in any country must be based on CIF. You cannot find any other method of valuation. That simple principle is what this amendment is about. If you think we are going to base it on FOB, how are we going to determine the cost that has occurred domestically? How? It cannot. Do we produce those goods in Solomon Islands? No, we do not. Where are those goods produced? They are produced from overseas countries.

In the way that we demand goods to come into our country, we have to base the valuation of those particular goods on certain valuation methodology, and GATT provides the guideline. GATT under the World Trade Organization, which Solomon Islands is a member of since 1996. In fact, the WTO has started long before. We have weathered our way through to become a member of the WTO right up to 1996 when we decided that was the time and we go for it. In fact, that time I remember very well because I was the Permanent Secretary of Finance and most of you were in government at that time, and so is the Member for East Choiseul when Solomon Islands became a member of the WTO. That is basically the principle of this bill that we have to find how to put ourselves in consistent with other methods of valuations on import of goods that enter a particular country, not only here in Solomon Islands but in other countries as well. You know the purposes of us calculating, for instance, any landed costs in any country comes with ex-factory, and that is where a factory it comes out of, ex-factory, whether it be from, let us say China because China is the kitchen of the whole world; ex-factory from China is not charged any duty or tax, goes into the boat and comes here. Who is going to pay for the insurance? Who will pay for the freight? I mean logically you have to think of it in that way. It is for whose service were those goods imported to this country? It is for the service of the consumers of this economy, of this jurisdiction? That is basically why we have to align ourselves with a methodology that is consistent globally, and what is that global order we have accepted? The World Trade Organization (WTO) GATT, the general agreement on tariffs and trade.

Let me correct another misunderstanding here. This bill is not about change to the tax rate, whether it be in the form of direct or indirect taxation. No, it is not. It will not change the tax rate. It will not increase or reduce the tax rate. I mean technically both in terms of law and in terms of competition it does not change the tax rate. No, the tax rate remains the same and we are working towards elimination of indirect taxation. Yes, because we have to work towards a broad base tax; we have to work towards that. What we want to do is to work towards a broad base tax that would have the attributes that the Member for East Choiseul has been saying that it must have that flexibility, the fiscal flexibility as to how that tax is actually applied, and the incidence where that tax falls must be fair to all citizens of this country. It must be fair. But you just look at this country. The difficult reality of this country is on how we apply flexibility in

everything that we do. Just look at the makeup of this country. It is geographically dispersed that the cost to move it around the country is so difficult, so how fair can we apply a broad base tax here. It is difficult, very difficult indeed.

Every one of starts talking about to a more broad base tax, and people are talking about it in different way. The Member for East Chaiseul knows that the best we can move into is the GST system, which is a very de facto tax system. But then it comes to another question of the attributes of any tax system that is good, the efficiency of how tax is actually enforced; efficiency, how do you enforce it efficiently for you to collect it? Try and get someone from the rural area to collect tax on behalf of the government. You tell him to do that today and tomorrow you go back to him to check on the tax he has collected, that man disappears into the middle of the bush. We have to go through the process of reform, educational awareness to make everybody built into the kind of economy that we are trying to build. Others have been talking about it, so maybe the best catalyst to do it is through the growth we are trying to establish. Some are talking about the rural economic community concept. We can come up with all sorts of terminology to try and contextualize how we really build, recreate the fundamentals of our economy. Along with that, how are we going to apply tax? Very much central for us to come up with a much broader and effective tax base.

This Bill is just a very simple one. Firstly, are we going to apply it a bit different from any other countries in the world? No, we are not. In fact, it could be better too for us. Like, for instance, there are ambiguities in the way that enforcement of valuation at the wharf happened. We have seen a lot of dishonest importers and in the absence of a proper Act to subject them to a more regulatory and clearly explicitly defined process that they have to declare the true value of the import value, we will continue to see the way importers have been behaving in this country. Some of them charge very high price and yet declare very low profit or even none. But if you look at the way the value of imports are coming into the country, if the value is high, in a way, will commensurate very well with the level of tax they are paying too. If the cost of the import value is high they will declare less profit and will pay less tax too. The system also provides for that cushioning effect for them too so that they are not heavily taxed because it is that cost that finally determines the level of profit that should be taxed on them.

What we are trying to do here is to ensure that all those dishonest operators inside the country, which I am sure all of us in here know who they are, all of us inside in here, this bill will help us solve that problem. And thanks to the wisdom of the previous government for coming up with it, which I am also a part of it. We had an omission and I think the Member for Renbell has spoken very well that we almost sort of tune up to ask the Prime Minister to give him a position over here, but I think all the

positions have been filled up already and so we cannot give it to him. But I think he is the only one that had a very good memory of what has actually happened to this bill.

With those, we should all be convinced and I am sure the Member for East Choiseul is already convinced that he will vote in support of this Bill. We can go on to talk about what would be the best basis for us to create a better broad based tax base that has all the attributes of a good tax regime. I can say to you that in every economy, even though are advanced, transitional economy or developing economy, there is no any fair tax system in those economies. In theory we will talk about all these attributes; honestly in theory, just like any other thing because these are all fragile concept that all of us, the human beings are practicing them. Sometime we do them out of good economics, some with good politics, some we cannot avoid unnecessarily because they cannot be avoided anyway and so we practice it. For instance, even though how hard we have gone to complain very bitterly about the various tax compartments that we have in our own system now, we will have to find a way to get out of it. But maybe it resembles the way that this economy is doing too. I would have thought that the best thing is if we build a good basis for income earning somewhere with good investment, there will be good guarantee for a taxable market for this country. That is all I can see, then we will say all is even, let us apply a better tax system for this country. That is what I believe. But I am just talking about my own opinion on that one. Let us come back to this bill; it is going towards 4.30pm and your eye is already on the clock there.

I think with those very simple but very short succinct explanations on this particular bill, I am sure we will all be encouraged to accept it so that we can proceed with it.

The other thing is about the revenue side of it. It used to be on CIF before and only until this year it is FOB. But even when it was on CIF before, the application and the interpretation of the way that it should be enforced was a bit vague. You would see that when Customs ask for importers to declare the true value of imported goods, they would say, 'yes' it is true'. But how do you tie that up to something that you can actually ascertain it is true. Under GATT the amendment we did last year came up with a GATT system of valuation where there are about eight or nine sets of principles in the way imports coming into the country are valued, about 6, I think. These are transaction value, transaction value of another identical goods, transaction value of similar goods, deductive methodology, computed method and fallback method. But under the previous legislation that we have, we cannot enforce it because it is not tied to that kind of a uniform method of valuation. The bill that we passed last time under the good wisdom of the Member of Parliament for North East Guadalcanal, the Prime Minister then, has enabled us to ensure that all other ways when an importer is called and is asked about the true value of his imports, and if he says, 'yes, it is true, it is the

same', you can say I have some flexibility to use a methodology to apply it. At the moment you cannot. He is asked 'is it true', he says 'yes it is', 'it is okay' and so everything is passed. But this one will help us improve it because it ties up all the other methods that can be used. In a way it might. The only scenario that will give us to...

Hon Philip: I think it is 4.30 now and I seek your consent to move suspension of standing order 10 in accordance with standing order 81 to permit the continuation of the business of the House until adjourned by your, Mr Speaker, according to standing order 10(5).

The motion is passed

Hon Lilo: I thank the Prime Minister for suspending standing orders to allow the conclusion of this particular business. I am very bad when being interrupted because I almost forgot what I was saying in the first place. But I think it was really on the method of valuation and whether or not there is a good implication in regards to revenue on this particular bill.

I would say yes that there will be a slight, and I did not emphasize the revenue aspects in my opening speech, but I did say that there will be some good and significant revenue collection. I think what is more important is that we have a fair system that ensures imported goods into our country are treated in the same way that others are treating those goods as well, and this Bill provides for that.

Whether or not this Bill will give rise to some costs to our business houses, it could or it might or it might not. But in a way what we are seeking to do here is basically to ensure our importers are doing what the law says, and that is to provide proper disclosure on the valuation of imports coming into the country. That is simply what this Bill is talking about. As you know that for any material coming in the country that will go directly to manufacturing, there is also a standing policy in the Act that provides for exemption of duty on such goods. Until such time they go into some manufacturing form before the excise duties are applied where consumers must pay for the value back to the state in terms of tax.

I think this is a very, very simple amendment; it is a amendment that I think overall is safe and sound and one that I think we should implement. With those remarks I beg to move.

The Customs Valuation Amendment Bill passed its second reading

Committee Stage

Clause 1

Mr. Sogavare: The Attorney General and maybe the Minister can clarify this to us so that we better understand the effect of the Act coming into force on the day that the Customs Valuation Act 2009 comes into force. We would like to know this oversight of FOB and CIF has on the way the Custom Officers value goods that come into the country since the coming into force of the Customs Valuation Act 2009, which has advertently used the term FOB instead of CIF. Is there anything this Parliament needs to know so that it can be sorted out?

Attorney General: The Customs Valuation Act, the principal act, and the amendment act will both take force on the same day and should be read together as one.

Mr. Sogavare: My question is, so the Customs Valuation Act, as I understand it has come into force already or is it not so that Parliament is informed of that. If that point is cleared then I think that question will not be pursued further.

Hon. Lilo: That is correct, both acts have not yet come into force. They are yet to be gazetted for official commencement. The group on the other side looks very puzzled but that is the truth. The truth is that both acts, the principal act, which is the Customs Valuation Act 2009 has not yet come into force because of this particular oversight. Thank you.

Clause 1 agreed

Clause 2

Mr. Sogavare: In fact clause 2, 3, 4, and the rest all have one objective, and this returning the valuation to be consistent with CIF, which is the current practice. And as the Member for Rennell has been saying, the other section is just to put small words here and there to facilitate that objective. What I want to question is since the reasons are the same, and that is the point that the Minister raised when he rounded up his debate, the reason why we need to do this is to be consistent with the rest of the world who are in compliance with our commitment to the WTO arrangements.

If you look at the submission made by the Chamber of Commerce, it seems to suggest that internationally FOB is the standard of duty calculation on imports. Whether that view is not right but just for the Minister to clarify to us.

The other concern that the Minister has dwelled at length on when he responded to us is the direction we are taking the tax reform. As you know, Sir, you and I brought in the goods tax, and the Minister was correct in saying that that is how far we can go to put in place some kind of a broad base consumption tax. The whole idea of that and, in fact, you can maneuver within that. The question is, and I have already given one question, and that is to sort out the view that the Chamber of Commerce has put across. The other one is whether it is possible for us to establish the difference between the revenue laws between CIF and FOB. If we can project how much we can collect if we implement FOB and if it is CIF; how much we can collect.

The mechanism under the goods tax that I and the Speaker brought in 1992 can accommodate this, and the way to do it is to move the tax element closer to the consumers. If we can establish how much we are talking about here, remain at FOB and then move the tax volume closer to the consumers, and the way to do that is to adjust the deemed markup value mechanism established within the Goods Tax Act. In that way, the tax is charged to them at one point, and that is at the retail or the wholesale level.

To make sense to that question and the relevance of it, the first one is for the Minister to clarify the views expressed by the Chamber of Commerce here that the international FOB is the standard duty calculations on imports, and that is on page 7.c of the Chamber of Commerce.

Hon. Lilo: I think we need to take the views of the Chamber in context. From CIF, how is FOB determined, which means that you have to go through deductive computation, deduct away from CIF and you will arrive at FOB. What the Chamber may be referring to is that to charge duty to goods say, for instance, will enter the manufacturing sector here, it must be based on FOB, which is the ex-factory from the point of origin the goods

are taken and arrives here so that they go into our manufacturing sector here. That might be what the Chamber is referring to here. Because how do you determine FOB; that is always a difficult part. Even if I ask you too as to how you determine a fair FOB value, not one of us in here can tell me how you determine it. The only the most appropriate way to do it is that we know what is accurate, and the accurate is the CIF value that lands here; the cost, the insurance and the freight when it arrives here. But the most arbitrary figure is the FOB and, for instance, that is the same argument we had with the logging industry as to how a fair FOB value is determined. And this is where we always go through the exercise of negotiating to slowly deduct it, use a deductive formula and even we can arrive at a FOB value to its final point of destination.

Maybe it is a very fair argument for those who have used the raw materials, say for instance the imports that come into the country for raw materials purposes to enter our manufacturing here that duty is not charged on it, it is not charged on CIF but it has to be FOB value, ex-factory there, out from the place it comes out and straight into our factory here. Then you would calculate a fair price that will finally be passed on to our consumers.

The way that our manufacturing sector has been behaving here, some have complained because others are enjoying it not in a very even way, not an even playing field, and that argument still continues. Some bring in the materials here, bend them a bit and say they are processed materials and therefore should be exempted and so they are only charged the cost of bringing the materials where they come from here and charge excise duty on. So it is too costly for those who are importing and then being charged the CIF full value and then they come selling the same things too. They are selling it at a lower cost because they are charged FOB as oppose to those who import and are charged CIF duty on top of the goods and then sell them at a higher price. That is probably the context in which they think it is best that we go to the FOB value.

Sorry, what is the other question you are asking, I have already forgotten? Can you repeat the other question?

Mr Sogavare: I think I have been trying to follow the points raised by the Minister of Finance, which probably begs another question. He said how are we going to establish what is a fair value if it is only on FOB. The 'C' acronym in the CIF is basically that value that we are trying to find out, the ex-factory cost from overseas. The only things added on here are insurance and freight. When the Minister said that we will have difficulty a bit to establish the fair value under FOB, I would have thought that it

basically refers to the ex-factory cost there. And I think the other issue is whether there is honesty in the ex-factory costs.

Probably the other thing that I have been saying earlier on is if we are settled, we say we agree that FOB is what we are thinking of because of the economic arguments being tendered around on the floor of Parliament, for the purpose of not losing revenue, you need to trade it off somewhere, and in this case how the revenue foregone on the port of entry is collected and then that is allowed to move down to when the wholesaler sells the goods to the retailers. What I am saying is that there is already a mechanism under the goods tax legislation where the deemed markup can be adjusted where right now is 30%. You can actually increase that so that the deemed markup is more than 30% to take account of the level of tax foregone upfront but is moved down when the wholesaler sells the goods to the retailers, and then you apply the same rate to 15% or whatever is the current rate, you would collect the same revenue on tax so that you do not affect the people who bring goods into this country. And as I have said already, we import just about everything from matches to aero planes. Importing is a very important function as far as this economy is concerned.

Hon. Lilo: The incidences of tax every time is a very sensitive thing where you will make it to fall. Sometimes it can look very unattractive for you to put it right at the mouth of consumers. That is always the fear that people have. And so politically, people always find the best and safest way to make that incidence fall. It is so unfortunate and undesirable for our importers that it has to fall on them first before it is slowly passed on. But as for us, where we decide that we have to make to fall where the consumers come and then transact your disposable income on, sometimes politically it is a very sensitive thing because people can see it as government really putting the tax onto of their mouths, in their front.

But like what the MP for East Choiseul has said is very true in that it is a choice of where you put it to fall, and this where the question of our efficiency as to collecting, enforcing and wherever we get it, comes into play. One of the things that we need to look at is to really broaden this registration of where we collect our goods tax from so that we can effectively collect them. Most of our people whom we are supposed to collect this tax from are very dishonest at this time, where they should collect it but they never collect it too from there. An example could be the shipping industry. I mean there is a very big volume of traffic of passengers moving throughout the country but sales tax from shipping is still at the bottom, it is very low. From the air we are on top because the airline always collects the sales tax and pays it to the government. For the shipping industry it is at the bottom but if you look at the movement of people

throughout the country, where are they moving, by the use of our sea transport from the east, west, north, south, people travel. That is another thing and as the MP for East Choiseul suggested, why do we not collect it at those points. It is an enforcement thing and one that we will continue to look at.

Mr Wale: The Minister when introducing this Amendment said that the impact in terms of, perhaps, additional revenue that will be collected from this particular rectification may not be as great but there will be some. To what extent, in terms of the Ministry looking at this, is the additional collection? This is an issue that was raised in debate by the Member for Small Malaita, whether it is significant enough that it will form part of inflationary pressure domestically.

Hon. Lilo: I might appear very conservative in my explanations today, but there will be some significant. There is always a margin of moving up, remaining the same and whatever.

In terms of inflation, I am not too sure whether the officials have actually explained this to the Bills Committee but if you look at the economy right now, inflation is around, the latest figure I am looking at was about less 2%, I think 1%. That is the overall inflation in the country this time.

In regards to the application of this particular valuation, I am not too sure whether it is going to make any significant impact to inflation. But inflation, I am told by the Governor of the Central Bank, has actually gone low. In terms of the assessment as to whether or not this will have impact on inflation, imported inflation is always unavoidable in any economy, those of us that depend very heavily on international trade, and imported inflation too is acceptable on international trade at times. But whether or not how significant it would contribute towards inflation, right now I do not have the competition, but I am told that inflation has actually somewhere low, less than 2% is the figure. You might complain and say to me that it is low but why are the banks not reducing their interest rates so that it reflects a real low. I think that is one aspect we are going to look into as to why the banks are not doing it, but inflation is actually going down.

Mr Sogavare: This issue can make very interesting discussions in Parliament. I think every leader in here should be placed in a position to, I guess, bring on this matter. I will be surprised, and you just need to go to the shops this time and look at just the

clear evidence of costs spiraling. You go to the shops the next day and the prices are different, they have gone up a bit. No matter how much we would want to argue here, I think the contribution of imported inflation to the cost structure in Solomon Islands is very big. Because as I said it is just significant in terms of the things that we need to survive as a country. We, as I said, import everything. And when you have to go and us SI\$10 to buy one US dollar worth of import, it would show very clearly there. You use more Solomon Islands dollars to bring in goods from outside, and so before you even do anything, you put charge on water, salary, wages of your employees, already 1 US worth of goods is already worth about SI\$10. As rightly inferred in here, your advisors need to put you in the picture every day so that you know exactly how costs behave, and that is why we have concern over these things. If you front load the cost that importers need to incur at the port of entry, when goods get to the consumers it has passed through several hands, like from the importer, the manufacturer, the wholesaler and retailer. All of these people put additional costs to the goods and so by the time it gets to the consumer, it is already very costly. And that is why we said what if you look at a mechanism where it is passed straight from the importer down straight to maybe the wholesale or the retail level so that you avoid the middlemen in terms of how the costs build up.

Hon. Lilo: I am sure all the arguments in here are against every possibility for cost inflation on the economy. I am sure that, that is exactly what all of us are working towards to do. I did say that imported inflation into the country is unavoidable because we have to rely on some of these things for production inside the country. The treatment as to where that incident falls is also a choice that we have to make, where it will fall. But eventually it will end up on the consumers too. Where the choice has to be made is upon us that we have to make the choice where sometimes people always think we take it and put it straight to the consumers and say tax it here. That is almost unacceptable and that is why the passage of tax every time is always done in a way that it permeates itself along the line it comes down from rather than it becoming so visible that people know it is this or that government that puts the tax right in front of us. But in aggregate, if whatever we say it falls there and so that is it or we allow it to come through the system and the aggregate effect of the tax still makes up on that one then there is not much difference too in the final analysis if the total incidence of the tax that falls is the same to one that we fix and it falls there or one that we allow and funnels through and then it eventually ends up on the taxpayer who actually pays it. Yes, I am sure that that is always the concern of everyone.

Mr Wale: I think the explanation given by the Minister is a valid one. I suppose our difficulty is in terms of policy response, this rectification is spot on. I supposed in the absence of quantum information is why we cannot understand whether there should be other fiscal tools employed so that its impact is not disproportionate on different sectors of the economy. But certainly, in terms of policy, this is a straight move. But like you admitted earlier on, the Ministry of Finance did not get that kind of information, whether that information could be obtained or it is difficult to obtain it but it has not happened and, so in that, Parliament is deprived of that information to be able to say yes, it is not only the right policy thing to do but it is also sensible within the other fiscal tools employed so that its impact is not disproportionate in the different sectors of the economy. That, I suppose, is the difficulty raising this question. But I think we rest our case in that because it becomes rhetorical and academic in the absence of that information. And so it is good for the Minister to take note of this so that next time he brings in any good amendment like this, it would be good to bring in statistical quantum information so that we are able to see the impact and the incidence this is going to have on the various sectors of the economy.

Hon Lilo: Yes, I think those points are well noted. This not a new bill, it is one that has been hanging around for that long, and I am sure everybody that had the chance of examining this bill at various forums in the past have got the information or may have requested similar information that we are talking about here, including even yesterday too when they met up with the officials at the Bills and Legislation Committee. That much I can say but, of course, in future maybe these are the sort of things that we will need to disclose to everybody so that everybody has good information on it. Thank you.

Clause 2 agreed to

Clause 3 agreed to

Clause 4

Mr Sogavare: In the absence of left hand pages we cannot make out the effect of that amendment in section 10. So maybe the Minister and the AG could brief us as to the effects of these amendments on the objective of this bill.

Hon Lilo: I think this is a legislative drafting error so that it looks like its literal meaning or legal meaning or something like that or semicolon and things like that.

Mr Sogavare: So are all these facilitating the process of going back to CIF. Is that what we are saying, all these in clauses 3, 4, 5 and down?

Attorney General: The typing amendments that you see in clause 4 of the bill are basically typing amendment and they do not change any part of the substantial bill, except for an insertion of another sub clause in 10(4), which is a new one. If you look at 4(d) it says, 'by adding the following new paragraphs in other prescribed circumstances'. This allows the Minister to make regulation. It gives him wider powers by regulation if he wants to add any other matters he could.

Mr Sogavare: Within the objective of this Bill, what would be 'these other circumstances', 'prescribed circumstances'?

Attorney General: We cannot tell at this stage. What it does is that it gives wider powers to the Minister if in a circumstance it appears to him that there should be other matters or circumstances to be prescribed instead of coming back to Parliament to amend it by way of an amendment to the act; he can so by prescription under regulation.

Clause 4

Clause 5 agreed to

Clause 6

Mr Sogavare: We note what the AG has been saying, in fact, they tag into all the sections, this bit about, “any other prescribed matters”. So the explanation would be what the AG has been telling us.

We are asking this because in the absence of the left hand page so that we can fully see how the amendment looks like, we can only get the assurance of the AG on how he explained to us the effect of those same clauses appearing all the amendments.

Mr Chairman: It maybe, if you look at clauses 3 to 6, “this provided that other matter maybe done by regulation from time to time’ is perhaps the intention as explained by the AG.

Attorney General: That is correct; it is the same provision that allows the Minister to add on other matters by way of prescription by regulation. The Principal Act allows certain matters to be included in a regulation and that is left to the Minister from time to time as maybe prescribed to so by way of regulation.

Mr Sogavare: Thank you, in fact we appreciate that explanation. The only reason is that we are legislators and I think we should be provided with full information on what we are passing here. It could say something different here and we just pass them so that we know exactly what section 13 talks about, section 10 and section 11 and so on. But if it is for the purpose of achieving the main reasons of going back to CIF, then we understand it in that context.

Hon. Lilo: I think that was meant to be the case in the first place that we have the appropriate clauses of the principal act to be attached to the margin but somehow it went missing. Maybe the group here misplaced those pages. We will communicate with the Office of the Speaker to make sure that it does not happen again next time.

Clause 6 agreed.

Parliament resumed

Hon. Lilo: I am most delighted to report to the House that the Customs Valuation Amendment Bill 2010 has passed through the Committee of the whole House without amendment.

Bills – Third Reading

The Customs Valuation (Amendment) Bill 2010

Mr. Sogavare: Point of order, if the Minister can be allowed to move this Bill in its Third Reading.

Mr. Speaker: It was already deemed to set down for the Third Reading.

Mr. Sogavare: Mr. Speaker, with due respect, can you allow the Minister to move the Bill under Third Reading?

Hon Lilo: Mr Speaker, I have to move it.

Mr Speaker: Yes, Honourable Minister, please.

Hon. Lilo: Thank you for that oversight. I move that the Customs Valuation (Amendment) Bill 2010 be now read the third time and do pass.

The Bill agreed to.

Mr. Speaker: Honorable Members, that concludes our business for today and in accordance to an earlier reservation of the House in pursuant of standing order 10(5) the House is now adjourned until 9:30 am tomorrow morning.

The House adjourned at 5.12pm