

MONDAY 17TH APRIL 2014

The Deputy Speaker, Job Dudley Tausinga took the Chair 9.38

Prayers:

ATTENDANCE

All the Members of Parliament attend with the exception of: the Ministers of: Communication and Civil Aviation; Infrastructure Development; Education and Human Resources Development; Development Planning and Aid Coordination; Health and Medical Services; Foreign Affairs and Trade; Provincial Government. And the Members of Parliament for: Fataleka; North West Guadalcanal; Ngella; West Kwara'ae; Maringe-Kokota; Temotu Pele; South Guadalcanal; South New Georgia-Rendova/Tetepari; Hograno-Kia/Havulei; North Guadalcanal; West Kwaio; North Vella Lavella.

Mr Speaker: Honourable Members, the Leader of Opposition and Member of Parliament for North East Guadalcanal has sort person under Standing Order 21 for – to ask a question without notice.

I understand that sufficient private notice be given to the Government to enable the question to be answered – so I give permission to the question to be asked. The question relates to an issue at hand and is of an urgent character and relates to a matter of public importance. I call on the Honourable Member to ask his question.

QUESTION WITHOUT NOTICE

Hon DEREK SIKUA (*Leader of Opposition*): Thank you Mr Speaker. This question without notice is directed to the Honourable Prime Minister. The question reads – Can the Honourable Prime Minister inform Parliament on the steps his government is taking on the following regarding the Gold Ridge Mine;

- (a) De-watering of the tailings dam which is now holding water way beyond its capacity?
- (b) Ensuring that the hazardous chemicals at the mine site are stored properly?
- (c) Ensuring that the mine site and property is secured from any damage or theft? and,
- (d) Negotiating the return of the management and staff of St Barbra to commence mining operations again?

Hon. GORDON DARCY LILO (*Prime Minister*): Thank you Mr Speaker and I would also want to thank the Leader of Opposition for asking the question without notice. Sir, I fully agree with the Leader of Opposition that the issues surrounding the Gold Ridge Mine is quite important for our country and therefore it is important that the public and all stakeholders must be well informed on the necessary steps that have been taken to address the pressing issue that is before us. At this point in time, it is probably the result of the very recent events that has happened in the country but more so in relation to the situation in which the company has faced and has become very evident over the past six to eight months. But let me deal first with the specific issue in the context of the recent disaster that has occurred in our country.

As the result of the tropical low that happened within the geography of Solomon Islands around the 6th or 7th April of this month, the company had decided to abandon the mine and had not notified the government of their intention.

I want this House to understand how the government considers the recent action by the company, in deciding to enforce the *force majeure* closure of the agreement to walk out off the mine. Perhaps maybe they foresee certain risks that they could not contain. As a result they decided to abandon the mine.

I was informed through intelligence report on the evening of the 5th of April that there were plans for people to move in and start helping themselves to the properties and assets of the company and I have directed the Commissioner of Police to immediately deploy our public order management group to take control of the security of our mine.

Sir, this mine is the property and asset of the Government of Solomon Islands and the initial response that has been demonstrated by the company in as far as the government is concern is totally unacceptable. They have not given the government

any notice at all of their intention to walkout of this mine. But we were fully aware of the difficulties and the challenges the company have continued to face over the past six months. The Minister of Mines, Minister of Finance and myself have been right in the centre of discussion in the way out of this mine and suddenly the situation happen.

But the most immediate pressure that has surfaced as a result of this is basically this tailing storage facility is at risk, as well as the other hazardous materials and substances that are used in the mining operations that have been left unattended to at the mine site. And as a result of that, we all know that there is a need for us to really address the issue of security in the mine site.

On Monday the 7th April 2014, I immediately call on the Australian Commissioner and told him that I need the assistance of Australia to look after the mine, as a result of the unusual situation that has happened, in that the company had abandoned the mine. It was a lengthy negotiation until the Minister of Foreign Affairs of Australia call me on the night of the 8th April and confirmed that Australia will come in to provide the support through the Regional Assistance Mission to Solomon Islands. As a result, a 30men team both consisting of explosive experts and other forensic experts were dispatched to do the assessment of the level of risk at the Gold Ridge and to help support the security arrangement that has been put in place by the Commissioner of Police, with the deployment of our public response team from the Royal Solomon Islands Police Force Sir.

The immediate issue that we have focused our attention on is the tailings dam. A team was dispatched on Tuesday and we have notice that the water level has reached a level that is basically beyond the level and capacity of this tailings dam to contain.

Sir if this tropical low continues to persist for another three or four days, it would have been a real disaster for our country. As we all know, a population of around 8000 to 9000 people live downstream. And also another very important economic infrastructure of the country, the Palm Oil investment is also within that area.-It could have been a real disaster for our country.

Sir, I thank God that the tropical low system has stopped and that we were not able to see a situation that could have been disastrous. But even with that, we can all say that there is a level of negligence on the part of the company for abandoning this mine site.

Sir, this government is taking that issue seriously. Gross negligence and it is a matter that we will have to discuss through negotiation with the company and all other stakeholders.

On Sunday last week, we have arranged a visit and I have asked the Leader of Opposition to join me in visiting this tailings dam, to see a show a bi-partition support on what we as leaders to take together to address this issue of high risk to our people. I am pleased to report this that a technical team has been established under the Office of the Prime Minister to advice and ensure that, firstly, the most important thing that we have to do is to do dewatering of the tailings dam because that storage facility now contains water in excess of its capacity. And we know that we have had three earthquakes so far. We never know, we might be experiencing some more earthquakes to come even though the forecast so far has shown that we may be free of any low depression weather conditions. But with climate change, anything could change at any time.

We have assembled a team which includes the Ministry of Mines, Energy and Rural Electrification, Ministry of Environment with the Principal Officer, the Director of Environment, the Ministry of Infrastructure Development to look at the design structure of the mine. Luckily we have the service of the General Manager of the Solomon Water Authority who is probably a well experience reservoir engineer around and he was able to advice on what we can do. A team was dispatched to assess the situation at the mine site. Our officials have agreed that dewatering must be carried out. Unfortunately because the mine has been abandoned those who were responsible to operate that system have left the country. We had no option but to look at all other possibilities that we can do to assess how we can carry out the dewatering.

It has been agreed that we had to do a detail analysis of the content of the water and that has already been done. Over the past two days samples have been obtained and it is now being dispatched to Australia to carry out further assessment on the toxic content of the water before any actions can be taken to dewater. We have already put in place arrangements to look at all other technical requirements for the water treatment to operate again. Dewatering will be carried out after that. The tailings dam system will be closely monitored by the Ministry of Environment and the Ministry of Mines and Energy should there be any more rain. And also to make sure that the place is out of bound from any people to just go and look at the facility.

I think it is important to say that this is one of the modern waste management systems in the South Pacific, including Australia. In other countries like Fiji or Papua New Guinea, those wastes just go into the rivers or the ocean. This is a return water system. It is properly treated and water keeps returning.

We do not know why St. Barbara could not continue to operate the system. We know that they have been facing a lot of financial problems over the past six to eight months. That could be the reason as to why they have not been able to fully operate the whole component of the mining infrastructure at the Gold Ridge.

We should be able to make a decision on dewatering once all those arrangements are done. The team from the Ministry of Environment and the Ministry of Mines and Energy have continuously check the tailings dam in the mornings and afternoons on a daily basis,. The security personnel there are looking after the facility.

We have the service of the Australian Federal Police Forensic and Explosive experts to work on the hazardous and other chemicals on the site. They are here in the country and a full report has yet to be submitted to me. They have visited the site and took inventory of all the chemicals and other explosives within the processing plant and at the tailings system.

It is not unreasonable to say this with regards to what the Leader of Opposition and I have witnessed. There is some careless storage of some of the very dangerous chemicals at the tailings system. Some chemicals, like hydrochloric acids, are left unattended in large quantities in the shed at the water treatment system. Luckily our police were deployed to manned that place. This could be a real disaster if it had gone to the hands of the people. It could pose high security risk for our people.

It has also been reported that there are some leakages on some of the pipes in the processing plant. That has been accounted for and I am waiting for the report from both the Ministry of Environment and the Ministry of Mines on how they have addressed those and to what extent the leakages have gone through the fragile parts of our natural environment. But the good thing is that an audit has been carried out and the report will be presented to the government later on.

The immediate plan now is that it might be safe to keep some of these chemicals on sight in the storage with good security provided, because if we lift them to some other place it could be dangerous. For the other explosive and commercial materials, I have been informed that that those things will be transported down to the Royal Solomon Islands Police Headquarters storage at Rove for safe keeping.

We have also deployed 50 to 60 members of our Police Responses team to the mine site as the security of that site is important. This is the only mine that we have here in the country and so our commitment is that the security of this place must be guaranteed so that it will give space for the government to consider the options on the corporative solutions with regards to its license in the next few months.

There is also a plan to look for other security arrangements to help with our Royal Solomon Islands Police Force and such options are currently being discussed with the Regional Assistance Mission's participating Force on what sort of combination would it look like to ensure maximum security is ensured at the tailings Dam system, the processing plant and the pit. That is where a lot of illegal mining is happening right now.

At this point, maybe I should just say something about the issue of illegal mining because that has been a concern to the company. This is because the people are helping themselves to the mining pit and with that situation we can only think of situations in other countries, especially in Africa, where the nucleus mine have been undermine by the small holder mines around. For instance, in Angola the mighty diamond mine went down because of illegal mining by the small holders and their production exceed this Nucleus. This is an issue that we must give some thoughts on.

And we have to find a solution to it as well. I do not think that security is the way forward because it will be a very expensive exercise to continue do that and so we have to look at both combinations of security firms and some policy actions. For instance, policy arrangement like we have to do away with private gold dealer's license. This was my initial reaction to the company.

Because there are much gold that is going out in the form of galvanised tubes, walking sticks and belts and that is what we have been informed of by our security intelligence recently. And it is a real threat to this asset and mind you that this is the only mining asset that we have in the country.

And if we don't do it properly this time it could affect another mining. So we need to get the right mix on how we will ensure that good confidence to the investor as well as the right approach by our various competent authorities in the way that we manage them.

With all of that we hope that there is a team now that is working on the corporate solution. The ministry of mines and Energy, the Ministry of Finance and

the office of the Prime Minister are working around these options. We know that it is a very difficult one because this is the first mine that we have and it is not one that is not perfectly favourable to us.

Since 1996 the agreement is always one sided and I can say this because I was a member of that five committee team that negotiated the agreement on behalf of the government. And when we recommence it again in 2010 against the back drop of this social situation that we go through, there was then a further give away.

And I like to say to this house that in 1996, we had the environmental bond for instance. In 2010 we waive the environmental bond and there was no environmental bond. These are issues that we have to consider at this time. We must put that back and we are determined to ensure that when it comes to ensuring that this issues are taken care of in the way forward for a corporate solution to this asset and this must be considered.

But ultimately I think the main principle that we have to be working towards is this sir, what we want to have a mine with an investor that has to be profitable but at the same time an investor that shows social and environmental responsibility? And how we can figure it out in a way that these things has to be sorted out, that is a matter that we are working on to try to deliver in the next few weeks and months in finding a solution to this investments.

Mr Peter Shanel Agovaka: Thank you Mr Speaker, I don't know whether the Prime Minister tries to debate this issue but this is just a simple issue. The questions are there, it's just for him to answer. May I make a statement before I put a supplementary question?

Mr Speaker: You asking a supplementary question?

Mr Peter Shanel Agovaka: Yes, before I do that, can I make a short statement?

Mr Speaker: Yes, you may.

Mr Peter Shanel Agovaka: Sir, the Prime Minister alluded to visiting Gold Ridge on Sunday. When he went to Gold Ridge, I thought that Gold Ridge was situated in Gizo/Kolombangara. The Member for Central Guadalcanal is here; he would have with due respect invited him to also accompany them. Because the member for Central Guadalcanal was the chairman when Gold Ridge started in 1996. And I know all the issues up there, we could have helped out in addressing some of these issues and some issues are just simple ones.

Sir my supplementary question is with the dewatering, some time ago there was a road block by the Metapona tailings dam Association, due to the dewatering which the Gold Ridge Mine is trying to do. To appease the situation, the Solomon Islands Government made a payout of \$100,000.00 to the Association. To date, we have not heard about this issue and the company has not made any attempt to properly drain or dewater the tailings dam.

My question is the Ministry of Mines, Energy and Electrification is responsible to monitor situations at the tailings Dam. Has the Government received any report on what the mining company is doing with regards to dewatering before the situation has reached the stage it is now in? I believe that the dam was built purposely for slurry water and not to contain water.

However, the plan was to recycle water that sits above the slur to go back to the Mine site. The water is to go into a return water system, then it will go back to the storage tanks to be used again to process gold.

The question is to what extent has the Ministry of Mines, provide information to the Government on the issue of dewatering prior to the situation that we now experienced?

Hon Gordon Darcy Lilo: Thank you Sir. The visit to the tailings storage facility on Sunday was never meant to be political at all. The current situation before the Government is that the **TSF** is at risk, and it is the responsibility of the Government to ensure that whatever measures taken must ensure full security and minimising the risk of this facility from collapse or endangering lives - and that is what the government is trying to do during the visit.

Our apology to you Member for Central Guadalcanal but the visit that I and the Leader of Opposition took was basically to visit the places that have been

affected. However, when we reached Berande, we decided to go together to visit the facility so that we can inform Parliament as responsible leaders of the support and the awareness that both of us have been informed about– not only being inform but that we are actually there.

But I apologise for not informing you to accompany us. Our going there is not to talk to people or to try and say that the Member of Parliament for Central Guadalcanal did not come and visit you. Rather, it is just the risk from the tailings dam - and the risk is that if the dam bursts people living along the downstream will be very badly affected.

Last year a license has been issued by a competent Authority and that is our Director of Environment on the dewatering that was carried out. The assessment was carried out by our own experts and that is a very encouraging and welcoming news that I think all of us should be aware of.

And they have condemned the company on certain actions that they have taken and have also recommended that ‘the pump’ is the most crucial aspect that they must work on. Otherwise it will not do exactly what you have said. And both of us are well aware that, it supposed to be a return water system, it should be recycled unfortunately it did not happen. That is why at a certain point they usually pump water from the Tinavulu river to help in washing the Gold to an extent that a reservoir has built up. So instead for it to be returned to the top, it has to be dewatered down. And that’s what we don’t want to happen.

And the situation the company is facing recently is that I think financially they are in trouble and they could not meet all other operating costs of the company and also the pump is not working and they even cannot buy diesel. So when the rain continues and the dam is filled, I think they felt that, they knew that the dam will burst that is why they walked out-. They basically abandon the mine.

That one I can assure you and our good Member of Parliament for Central Guadalcanal that we are not going to take that lightly,-that particular action by the company to abandon that mine . It is basically an abandoning of the mine and that is quite serious. That’s not good and sound mining practice according to Australian standards.

You remember we have just recently affiliated to this extractive industry transparency initiative (EITI) and we want that all Mining operators inside the country must follow a certain practice. We just about to be a fully compliant member country of EITI. Australia is not a member, and they have their own

piloting standards and those are the standards that St Barbara shows. And we are really disappointed and I like to assure this House that we will take action to ensure that they must account for their responsibility.

But coming back to your point about what they have done at that time, maybe the recent event has overtaken that issue. But I understand that the Director of Environment have licensed them, though they have to dewater the reservoir and that dewatering should be done slowly on a monthly basis with close guidance from the ministry of Mines and Environment. Thank you.

Mr JOHN MANENIARU(Leader of the Independent Group): Thank you Mr Speaker and I would like to thank the Leader of Opposition for asking this question without notice.

Sir, supplementary question, the point raised by the Member of Parliament for Central Guadalcanal, also has some wisdom in it. And the Honourable Prime Minister also raised his point and reason as to why the Leader of Opposition and him went up to the mine site. Fortunately we have become Christians, otherwise in our culture, the MP for Central Guadalcanal has to call out to the spirits, before they can enter that place

Sir, my supplementary question is that the Member of Parliament for Central Guadalcanal implied simple issues and he also stated that he was a member on the committee; maybe the same committee that the Prime Minister is also a member.

Can the Prime Minister confirm to the House, is it those simple issues that made the company to abandon the mine? Thank you Mr Speaker.,

Hon Gordon Darcy Lilo: Sir, I did not get what the Member of Parliament for West Are'Are is trying to ask in his supplementary. I did not understand what he meant by 'simple issues'.

Well, let me just say this, it's true we should probably ask permission, but as you know that prior to the operation of Gold Ridge, there has been a customary ceremony, the Leader of Opposition when he was the Prime Minister went up there and conducted a ceremony there. In 2011 when I was the Minister of Finance during the first pour of gold, I was also up there and there was also a ceremony.

So we have these customary arrangements. But this issue last week if you look at it, it is quite crucial. We have to determine our way out on how to deal with that risk which is quite high. But I do not know whether those simple issues in 1996: Sir, can I ask the Leader of Independent to tell what this simple issue is?

Mr. John Maneniaru (*West Are Are*): Thank you Mr Speaker. As I said the Member implies that the two of you know the simple issues since 1996. I was assuming that he is talking about outstanding issues in relation to his people that may caused the company to run away.

So I was saying whether those issues, none of them related to their departure as you have already confirm in your statement. Also the explanations as to reasons why we saw those people abandoning the mine.

Hon Gordon Darcy Lilo: Thank you Sir. I would like to thank the Leader of Independent for that clarification.

I tried to think around the reason why the Company abandoned the mine site. And the only reason that I could think of is, maybe over the past 6-8 months they have been facing financial difficulties. And they have reached a point where they have to find a solution out of the commercial pressure that they have gone through until this recent natural disaster, which put a component of the mine at risk- the tailings storage facility. That could be the reason why they walk out but I don't know. But that one is only a speculation and I record it in this House. But I suspect that that could be the reason, I could be wrong.

But with the immunity around here, I can say that, but it could be that they had no way to address the situation of the tailings storage facility. When the water level built up as a result of the rainfall, they knew that the dam will probably collapse. So they just basically pack up and walk out.

We will talk that through with the company. But that in itself, this government has taken that seriously as demonstrative of the degree of negligence that any investor could have done to their responsibilities on the environmental safety of the human society surrounding an investment like that.

So when we decided to visit the site, it is all about that. We have to take responsibility. We must understand that for us here and anywhere in Melanesia, environmental risk is something that will always cause a big problem. Look at Bougainville, years of dumping into the Paguna River which had escalated into a civil crisis. The same thing happened at Ok Tedi, and we do not want that situation to happen here. That is why we have taken the action that we are doing right now

and we have put the government where this company has come from to help us to sort out this problem before it gets out of hand. Thank you.

Mr. MATTHEW WALE(*Aoke/Langalanga*): Just for the Prime Minister to confirm that there definitely was no theft of any material or hazardous substances at the site. Thank you.

Hon Gordon Darcy Lilo: As far as we are concerned, an audit team is there to verify the inventory of the company and a stock take report of the Hazmat Team that came. This is yet to be made. When they look at the inspection on site where these materials are being stored, there is no trace of any movements. The only one that the Leader of Opposition and I can confirm is what we actually saw at the treatment plant. Both of us expressed our disappointed as to why such materials are just placed carelessly. That is the only one that we saw.

Other areas are subjected to the report that will come. We are going to hold the company accountable for that so that the inventories show that nothing had gone missing. The Hazmat Team have actually mapped up a detailed report of where the storages are or where they may have been carelessly left. These may be evidences of negligence and we have to take that up with the company. Thank you.

Mr. ANDREW MANEPORA(*East Are'Are*): Can I make a short comment before asking my supplementary question?

Mr Speaker: Yes, you may.

Mr Andrew Manepora: Thank you Mr Speaker. I think we have experienced so many problems now with the mining operation. I understand that the current Act has been enacted some years back when we do not have any experience of mining operations within the country. There might be loopholes within the Act that need to be improved. I am happy that the current Minister for Mines has brought a Bill to Parliament for amendments that would help to improve the current Act.

My supplementary question is on the legal side of the issue. Are there any legal issues within the agreement? I understand that St. Barbara must have signed some agreements with the government and landowners before establishing the operation.

Are there legal issues within the agreement with the government or landowners could that can help the Government to take legal actions or to lay some

financial claims against the company for withdrawing without giving proper notice?
Thank you.

Hon Gordon Darcy Lilo: The existence of any agreement and license between the government, the company and the landowners is obvious. There is no doubt about that. There is in existence in the agreement and license issued to the previous company and is now transferred to the current company. Whether or not there are legal avenues, we will have to be guided by the various legislations of the country- the Mines & Minerals Act and the Environment Act. From there on we can find whether or not there is an inexistence of real legal issues that are needed to be raised to the attention of the company.

So we need to sort out those legal issues first before we move forward with find the corporate solution to this current issue. Let me just say this one, we are not going to address this issue in an ad hoc way but we want to sort it out in a way that the responsibilities are contained properly.

This is because we want to ensure that the standard and the practise are there to show to the investors that show interest in our mining sector in the country. And it must be one that has to be borned within their own capacity to be able to deliver things like profit, social responsibilities and the environmental responsibility that they have.

And so we are not just going to allow that situation to go on otherwise it create an environment of confusion and misunderstanding. Rather we want to contain the situation and manage it properly and where legal obligation need to be taken; we have to handle it appropriately. So that it can be addressed in a most responsible way.

Mr Speaker: I think the question is adequately answered but I will allow the Honourable member for Ulawa/ Ugi to ask his supplementary question.

Mr JAMES TORA(Ugi/Ulawa): I want to take this opportunity to thank the Leader of Opposition for asking this question without notice and also I would like to thank the Prime Minister for the answers that he provided, also, for his concern for this gold mine when he took his time with the Leader of Opposition to visit those areas.

My simple question goes like this, the Honourable Prime Minister is also saying something on behalf of the state and the national government, on other hand what is the view of landowners and the Guadalcanal provincial government about this company called St. Barbra when they moved out without notice?

Hon Gordon Darcy Lilo: We have not yet gone to that extent of asking the landowners and the provincial government about their views. But as you know, it has become apparent to the Government that what action that the company has taken in abandoning the mine and so the government must act upon it immediately to ensure that security of this place is guaranteed.

The next stage is to sort out the issues that could affect the interest or the equitable interest of all the stakeholders including the landowners and the Provincial Government. Hence, it is the work of the government to sort out such issues first before you go right down to the landowners and we do not expect the government to act and go around saying this and that. We have to take amount of those issues. First of all these are your rights, these are your issues that will affect it and also, our downstream communities. You cannot just perceive there is a risk to them, in a situation where you have this tailings storage facility that stores water beyond its capacity, and that if the rain continues it will flow down . Or if the dam cannot handle the water then it will collapse at anytime. There is an imminent risk to them; it's just a matter of another rain or another tropical low and that situation could have been possible.

So what I am saying is that what the Government is doing is to take control of the situation first. By assessing what are the issues, what are risks, how high and low is the risk? Maintaining the security on the site and then you go out to the people, these are the issues that we intent to manage. This is what we want you to do or to be aware of and same with the Provincial Government. That is what we are doing in this situation.

In fact last week there have been meetings with the Gold ridge land owning council as well as with the Provincial Government. We told Guadalcanal Province to be put on hold, there is an administrator looking after it; a very capable administrative arrangement but the Assembly is suspended.

That is how we are dealing with it and I feel that it is necessary that we must inform our people what appropriate and responsible actions are taken to address such situations.

Mr. Peter Shanel Agovaka: Thank you very much Mr Speaker for your indulgence. Mr Speaker, I spent two weeks in London when Gold Ridge is closed; to represent CDC and Gold ridge on a force majeure case. As I look at this case I would like to ask the supplementary question to the Prime Minister whether they have in their dealings; in their discussion with the company that there is a possible *force majeure* claim by the company on this case.

Hon. Gordon Darcy Lilo: Thank you sir, in terms of the discussion with the company we have yet to formalize any particular discussion with the company. Given the fact that we have to understand the situation, we want to understand first what may be the reasons for their abandoning of the mine. We want to understand if some of the circumstances as to why they have abandon the mine and I think it would be fair to say this to this house, the government's attitude now, in that we haven't talked with the company; You look at this Prime Minister- I am really mad with this company as to why they have abandoned the mine and putting the lives of our people at risk; the lives of 8,000 to 9,000 people why did they walk away? The processing plant up there is not at risk; if anything happens there is nothing in this particular natural disaster that could show why they should activate this force majeure clause. They are the safest people, high up on the mountain; the only risk area is the tailings system. And the people that would have been in danger are the people in the downstream. And of course some people from the area of the leader of opposition. Why did they have to walk away from this mine? If you hear some of the reasons I mentioned earlier on - they were facing financial problems, they could not operate the pump - last year there was this issue of the pump and it could not be fixed so they just do tests and dewater routinely and when the rain comes they are not able to do any dewater and I think maybe they knew that the dam is going collapse. I am only saying that because of the immunity that we have here, and that is what I suspected.

But I want this House to understand is that we are working hard to get right down to the bottom on what maybe the principal intention as to why they have abandoned the mine.

The situation which you are referring to, I think it is a man-made situation. This is quite different because it is a force majeure related to a natural cause. The only thing that is happening there is that the bridge is like an island-if you look at the accessibility to the mine site. And if the whole water treatment and this TSF facility operates perfectly as it is designed. There could be no reason whatsoever for people to walk out. So I do not understand why the company has walked away. And I want the House to give Government the time to go deeper into it because officials are working on this situation to really assess the company's legal responsibility, obligations including other interests that are at stake.

Hon Derek Sikua: Thank you Mr Speaker for permitting me to ask this question without notice that falls in our Standing Order 21(4) as this matter is of an urgent character which also relates to a matter of public importance. So, I would also like to thank the Prime Minister for answering the questions.

Before I resume my seat I would like to comment on three points. The first one is with regards to the issue of dewatering. Before the dewatering is done a team should be assemble comprising of suitable people who will go around conducting awareness to downstream people, so that they fully understand how conditions upon this dewatering will be done, so that no rumours would reach them which could influence them to do road blocks and asking money from the Government unnecessarily.

The point I would like to make is; as the Government is looking for a corporate solution on the future of our mining industry I hope they are looking at local ownership of the mine - not looking for outside investors all the time. Is there a possibility of, say the National Provident and Fund (NPF), could buy off this mine and then hire managers to manage the mine when the mine actually belongs to people of this country-if that is feasible. So that we do not have any more problems that we are currently facing with outside investors. That is probably something that I would like to ask the team you have assemble, to look into corporate solutions for this problem to see if our NPF can look in or be interested in buying off the mine and then we hire the most suitable people to come and manage it for us,

And my final point Mr Speaker is to encourage the Prime Minister. Sir, when the management of St Barbara paid me a courtesy call, in my office. Sir, they really told me that they love our country very much and also our people and that they are here to stay. And this action that they took is totally unacceptable- absolutely unacceptable Mr Speaker. I encouraged the Prime Minister to be steadfast and not to be bullied by anybody, you are the Prime Minister of this country and that I like your leadership, as you look at the solutions on the way forward-you must be steadfast and to look after and protect our interests.

I am very surprised that this company leave without informing the government and that Mr Speaker, is utter negligence and whatever solutions you look for Honourable Prime Minister, I encourage you to protect the interests of our people and the Sovereign state of Solomon Islands. Thank you very much Mr Speaker.

Hon Gordon Darcy Lilo: Thank you, the first question that the Leader of Opposition mentioned, yes we will consult the landowners, that's exactly what the team that will be assembled is asked to look at. So I said about the social responsibility approach here and that is paramount, it will be done as soon as all this information are assemble, in fact they have started talking with the landowners already.

Sir, only the Minister of Finance can confirm to you, my initial reaction when the company came. I told him No, and I gave the option of approaching the National Provident Fund. That is the option I gave to the Minister of Finance few months ago to look at other solutions to the corporate program that the company is facing.

So as what the Leader have alluded to, that is exactly the thinking of the current leadership of this country Sir, and Minister of Finance can say that to you Sir. So I like to thank the Leader of Opposition for those comments and they are very valid comments Sir. Thank you.

V BILLS

Bills – Second Reading

The 'Income Tax (Amendment) Bill 2014'

Hon RICK HOUENIPWELA (*Minister for Finance and Treasury*): Thank you Mr Speaker, I rise to beg that the Income Tax (Amendment) Bill 2014 be now put to the second reading.

Mr Speaker, I believe it is timely that as a nation, we put in place a regime that will attract investments but at the same time ensure that fair benefits are realised from the extraction of the nation's mineral resources.

Sir, the Income Tax Amendment Bill 2014 seeks the position in Solomon Islands by setting a fiscal regime that would be applicable to future investors in the mining sector.

Mr Speaker, the Bill before the Honourable House, provides for a robust fiscal framework that will govern the taxation of mining activities. The underlying policy objective is to promote business confidence as prospective investors will be aware of what they can expect when investing in the mining sector. The adoption of this regime would remove the need for Solomon Islands Government to negotiate fiscal deals on a one on one basis with mining companies. Also past experience has shown that dealings on a case by case basis not only undermine investor confidence, but promotes fly by night operators. It is therefore paramount that we establish a fair and effective tax framework that upholds investor confidence to develop the mineral sector.

Mr Speaker, the Bill has been developed in partnership with development partners and key stakeholders through a series of consultations over the recent years. The industry was also deeply involved in the development of this reform through stakeholder consultations and public submission processes.

Sir, the Bill presented to the House today is therefore the outcome of substantial work by the industry, civil society, development partners, the government and of course resource owners through the legislative and consultation process.

Mr Speaker, the primary focus of the Bill is to introduce appropriate tax arrangements that are not only fair but also competitive, simple and reasonable to investors. As you will recall the associated amendments to the Mines and Minerals

Act are also contained in the Bill which was presented by the Honourable Minister for Mines, Energy and Rural Electrification earlier.

Sir, in order to ensure that we make the most out of the nation's non-renewable mineral resources, it is vitally important that an appropriate natural resource tax framework is in place to encourage those with the expertise to extract resources, but at the same time ensure the country collects a fair return from the extraction of these resources.

Under the current tax regime for the mining sector, individual fiscal terms for each mining agreement are negotiated by the Government and the Mining company on a case by case basis. This results in uncertainty for investors, long project delays and causes difficulties in terms of tax administration.

Sir, in order to improve consistency and to enhance tax compliance within the sector, it is important to increase the transparency and strength of the tax regime and to articulate preferred tax policies by relevant legislations. The reforms presented in the Bill are the cornerstones of that vision. They are ambitious steps in a long term reform agenda. As we begin to develop our mineral sector, it is timely that we put in place a robust and fair fiscal regime for the sector now.

Mr Speaker, as already alluded to earlier, this Bill ensures that the country receives a fairer return for its non-renewable mineral resources. It is to be noted that the existing tax terms that the government has with the current mining company has provided a reasonable model on which the regime presented in this Bill was formulated. The new regime will provide a fiscal framework that will apply to all future investors in the mining sector.

Sir, a number of tax rate changes are proposed in the Bill. Firstly, the income tax rate is fixed at 35percent for mining companies. Given the potential resource rent in the mining sector, applying the higher rate is appropriate.

Secondly, additional profit tax rates remained at 20percent with associated threshold at 20percent. These are fixed to provide certainty and would allow the government to benefit as profitability increases. These rates have been determined to balance the return to Solomon Islands with the need to investment in the mining sector.

The amendments also provide certainty on the limits on debt and deductions available, provide tax credits for approved investments, require funds to be put

aside by mining companies for environmental cleanup, allow losses to be carried forward for seven years and introduce appropriate depreciation allowances for mining companies.

In closing, I would like to thank the Bills and Legislation Committee for their time under the leadership of the Honourable Member for East Choiseul. I also thank them for reviewing this Bill, which together with the associated amendments to the Mines and Minerals Act; will ensure necessary reforms in the sector are implemented. We know that the report of the committee is being finalised.

I firmly believe it is now time for us and our people to get a fairer return for the extraction of mineral resources. The onus is now on us to put in place a strong fiscal regime for the mining sector for the sake of all Solomon Islanders for this generation and those that would follow.

With these few remarks, I commend the Bill to the House and I beg to move.

Parliament is adjourned until 9.30am on Tuesday 22nd April 2014