

SECOND DAY

Wednesday 27 September 2017
DRAFT HANSARD

Subject:

Page No:

QUESTIONS	1
Proceeds of Sale – Oil Search Shares	1
Unfair Distribution of Wealth - Western Province	3
Shortage of Foreign Currency	8
Supplementary Questions – Repercussion of UBL Loan	10
Uncertain Future – Manus Internal Revenue	10
Return Un-used Cocoa Plantations	12
Government Intervention Fund – Bougainville	14
Supplementary Question – Deteriorating Madang Roads	17
PUBLIC SERVICE COMMISSION ANNUAL REPORT 2016 – MOTION TO TAKE NOTE OF PAPER	19
MOTION BY LEAVE	20
LEAVE OF ABSENCE – Sir JULIUS CHAN	20
BROADCASTING OF 2017 SUPPLEMENTARY BUDGET – STATEMENT BY THE SPEAKER	20
MOTION BY LEAVE	21
SUSPENSION OF STANDING ORDERS – PRESENTATION OF 2017 SUPPLEMENTARY BUDGET	21
SUPPLEMENTARY (APPROPRIATION) BILL 2017	21
First Reading	21
Second Reading	21
Message from the Governor-General	33
Third Reading	33
PAPUA NEW GUINEA FISCAL RESPONSIBILITY	33
(2017 SUPPLEMENTARY BUDGET) (AMENDMENT) BILL 2017	33
First Reading	33
Second Reading	33
Third Reading	57
CUSTOMS TARIFF (2017 SUPPLEMENTARY BUDGET) (AMENDMENT) BILL 2017	58
First Reading	58
Second Reading	58
Message from the Governor-General	58
Third Reading	58
ADJOURNMENT	59

PARLIAMENTARY DEBATES
CORRECTIONS TO DAILY DRAFT HANSARD

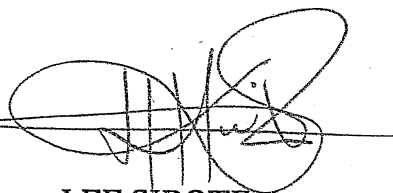
The Draft Hansard is uncorrected. It is also privileged. Members have one week from the date of this issue of Draft Hansard in which to make corrections to their speeches. Until the expiration of this one week period, Draft Hansard must not be quoted as final and accurate report of the debates of the National Parliament.

Corrections maybe marked on a photocopy of the Daily Draft Hansard and lodged at the Office of the Principal Parliamentary Reporter, A1 – 23 (next to the Security Control Room).

Corrections should be authorised by signature and contain the name, office and telephone number of the person transmitting/making corrections.

Amendments cannot be accepted over the phone.

Corrections should relate only to inaccuracies. New matters may not be introduced.

A handwritten signature in black ink, appearing to read 'LEE SIROTE', is written over a horizontal line.

LEE SIROTE

Acting Principal Parliamentary Reporter

SECOND DAY

Wednesday 27 September 2017

The Speaker (**Mr Job Pomat**) took the Chair at 10 a.m.

There being no quorum present, Mr Speaker stated that he would resume the Chair after the ringing of the bells.

Sitting suspended.

The Speaker again took the Chair at 10.40 a.m., and invited the Member for Kairuku-Hiri, **Honourable Peter Isoaimo** to say Prayers;

‘Thank you Heavenly Father for this day. Thank you for inspiring the 8 million people of Papua New Guinea to give the mandate to us to lead each and every one of our electorates.

Father God, I pray that we as leaders, not only portray leadership but truly serve our people as expected of us. We will lead them with honesty, and that we do not deceive them in any manner whatsoever.

Father God, we are sinners. We come before you and pray for your grace and blessing. We ask you to guide us in this session of Parliament in our deliberations and to ensure that any word uttered in our thoughts are of godly.

Father, I pray for your blessing upon the Prime Minister, the Leader of the Opposition, the Speaker, the Ministers of State, Governors and Members of Parliament to at all times serve to the best of our ability as expected by you to serve our people in whatever capacity we represent them.

For this we pray to the Lord, Amen.’

QUESTIONS

Proceeds of Sale – Oil Search Shares

Mr KERENGA KUA – Thank you Mr Speaker. The Prime Minister correctly pointed out to the Parliament yesterday that Oil Search story is a long story. Accordingly, it will take a long while to tell the full story.

While we are doing that, the landowners and the provincial governments in the impacted provinces are still waiting for their money.

My five questions are directed to the Prime Minister.

(1) Will the proceeds of the Oil Search shares go to pay up outstanding UBS Loan?

(2) If that is so and after that has been done, how much of the loan is left?

(3) How long will it take to pay up the balance of that loan?

(4) While the Prime Minister is busy playing the stock market, how long will the people of Hela, Southern Highlands, Gulf, Western and Central provinces wait. They have their representatives on the government side who have effectively prevented their people from getting their loyalties, levies and equity benefits.

02/02

(5) When will they put their finger on that money which is rightfully theirs? Or will their duly elected members on that side continue to suppress the rights of these people in these five impacted provinces from getting their rightful benefits and pushing it further and further into an unseeable future.

Mr PETER O'NEILL – Thankyou Mr Speaker and thankyou the good Member for Sinasina-Yonggamugl, as I said yesterday, shareholdings in Oil Search is not a new thing, I don't play the stock market, in fact the sale of Origin Mineral to Oil Search was done by the Morauta Government. Oil Search is a publicly listed company then and now and as a publicly listed company, we continued to own some shares in there.

Mr Speaker, as we sold all our shares, UBS loan is now zero balance, there's no further obligations on part of the State or Kumul Petroleum Holdings (KPH). The proceeds from the sale of shares have completely paid off all the UBS loans, including the interest that is outstanding. There is a balance of residual value to be paid to the State close to over K120 million. That will come to the State through KPH and to the consolidated revenues. So there is no further obligations from the part of UBS to the State.

The second issue on the LNG project benefits, in their desire to get this project going, the previous National Alliance government went without proper clan vetting process to identify the real landowners of each of these project areas. Today we are

cleaning up that mess, the clan vetting process has not been concluded yet. The former Treasurer and current Opposition Leader knows that very well.

We paid the plant site owners the first lot of benefits about two to three weeks ago. We are going up the process where the Gulf pipeline owners will be paid very shortly after the clan vetting process is concluded and then the most difficult part in Hela and Southern Highlands Province.

Mr Speaker, our people are very understanding about the benefits that are due to them. About K200 million is parked at the Central Bank. So nobody is diverting that money anywhere, we will pay the landowners when the clan vetting is concluded.

Mr Kerenga Kua – Point of Order! I distinguished the entitlements from loyalties to levies to equity benefits. My question is about equity benefits which he hasn't answered. He is talking about the benefits paid for the loyalty entitlements. There's no question about that, but when will they access their equity entitlement?

Mr PETER O'NEILL – Mr Speaker, if we do not know the actual landowners, who do we pay the benefits to? So the equity has the same issue as the levies and all the other loyalties. They are still parked at the trust account until we identify the proper landowners, we will pay them, as simple as that.

03/02

Unfair Distribution of Wealth - Western Province

Mr TOBOI AWI YOTO – Thank you, Mr Speaker. On behalf of the people of Western Province, I would like to congratulate you for being elected as the Speaker of the 10th Parliament.

I direct my questions to the Prime Minister of this country. Honourable Peter O'Neill. But before I do so, I congratulate him for being re-elected as the Prime Minister of this country.

Mr Speaker, I represent a Province which is the backbone of this country. We have shouldered this country for the past 36 years through the revenue generated from OK Tedi Mine. We contribute almost about 30 percent of the total annual budget of this country through our interest in PNG Sustainable Development Program Ltd. We have also contributed towards building roads, bridges, schools and hospitals and funding economic projects around the country.

I know that this Government is breathing at the moment because of timely infusion of close to US\$40 million, which is approximately K160 million per month through the revenue generated from OK Tedi.

Mr Speaker, we are proud as a Province from our contribution through OK Tedi Mine. Having said that, I would like to place on record my utmost indignation of what I see as an unfair inequitable distribution of wealth by this Government.

Although we are a very important resource Province in terms of contribution we make, we have been blatantly ignored and overlooked when it comes to sharing wealth and resources by the Government.

For instances, Mr Speaker, according to the previous Works Minister, Mr Francis Awesa, the last Government under Prime Minister Peter O'Neill spent about K35 billion from 2012 to 2017, on major infrastructure development incentives around the country under its Public Investment Program. It should be noted that Western Province didn't receive any funding under these massive expenditure exercise, not even a toea.

Mr Speaker, my questions are:

(1) Are we part of this country? If PNG is not interested in Western Province then can we propose that you consider letting us go.

We are capable of surviving on our own and we have survived without government support. A kind reminder that people along the border don't know what a kina looks like. Currently, we are using a different currency which is foreign to this country.

(2) Alternatively, my people would be interested to know if you have any plans for Western Province for the next five years of your Government.

Mr PETER O'NEILL – Mr Speaker, I thank the good Governor of Western Province for his questions.

Mr Speaker, it's fair to say that, Western Province continues to receive its fair share of funding from National Government through various allocations.

Let me explain; it's almost 35 to 36 years now and for the first time they are getting very good equity dividends because this Government gave them one-third of the OK Tedi Mine, free-carry. They don't even have to pay one toea like every other landowner group and Provincial Governments right throughout the country.

As a result you have now so far received K100 million in dividends and it's the first of its kind.

04/02

Secondly, on the CMCA and non-CMCA, over close to two or three hundred million kina of those funds are parked at the courts trusts accounts because of various litigations that are instituted by various parties from Western Province. Those are funds that are due to the landowners and the provincial government.

Mr Speaker, those funds are earmarked for infrastructure and projects to deliver services within Western Province.

Mr Speaker that is more money than any of the other provinces in the country have but there is continuous mismanagement of those funds by institutions from within the Western Province itself.

Mr Speaker, when we have wastage as such, especially when we have projects not delivered, for example, we have had a project that has been developed by the PNG Sustainable Programme, namely the Daru Port.

Mr Taboi Awi Yoto – Point of Order! The funds that you are talking about belong to the people of the Western Province. I want answers from the Government. What's the Government's contribution to the people of Western Province? Those funds that you are talking about rightfully belong to Western Province. I want answers on the National Government share. What has the National Government contributed to the people of Western Province?

Mr SPEAKER – Governor of Western, the Prime Minister is answering your question.

Mr PETER O'NEILL – The funds that the good Governor is talking about are the allocations from the National Government out of the revenue and dividends that it receives from Ok Tedi which has been redistributed to meet the non-CMCA and CMCA communities within the Western Province. In reality, these are National Government funds that have been reallocated.

So, Mr Speaker, I think there are sufficient funds there but it is the leadership of Western Province that needs to organise itself in managing these funds in delivering the services that our people are demanding.

Mr Speaker, as I have said, the wastage such as the Daru Port that PNG Sustainable has funded with over AUS\$200 million. From the reports that we have

received that amount has been spent on doing studies and yet there has not been a single port, built and AUS\$200 million is close to K600 million. This is one such wastage that we are trying to avoid.

That is why since in government, most of the funds for non CMCA and CMCA have been locked away in trusts funds until we get the process right.

So, Mr Speaker, I am quite happy to sit down with the Governor and the members of Western Province to address this.

The second issue is that when the State took over the OK Tedi it was deemed as being closed. This simply means that the arrangements that we had for the sustainable funds of K1.4 billion to K5 billion was to allow them to return to the Western Province. They should not be spent anywhere else in Papua New Guinea and should not even be given to other parts of Papua New Guinea.

Sir Mekere Morauta – Point of Order! The programme rules and the Memorandum of Understanding and Articles of Association of SDP says, the long-term fund can only be released after mine closure. And mine closure is defined as, complete cessation of mining and milling. And that definition can only be changed by the State and BHP.

Right now the Ok Tedi Mine is not closed and so the long-term fund is locked in. If the Prime Minister wants the long-term funds to be released for the Western Province, then I will ask him to get together with BHP and change the definition of mine closure now although the mine is still operating.

So, tell the truth!

05/02

Mr PETER O'NEILL – I will tell the truth and it is very hypocritical of you, Sir.

Mr Speaker, the former Chairman of the PNG Sustainable Development knows very well the rules that he set up. He and his former Chairman, Mr Ross Ganaut, came and saw me in 2011/2012 about him becoming Chairman of that fund, I had no objections.

But, Mr Speaker, in the process they spent close to over US\$300 million dollars in trying to do a mine study for a mine life extension.

Mr Speaker, that study concluded that Ok Tedi Mine was not worth keeping open and that they wanted to walk out of it. That is where the State intervened and stated that we cannot afford to close the mine. That is the mere fact.

Sir Mekere Morauta – Point of Order! Mr Speaker, if the Prime Minister wants to debate the issue of Ok Tedi, I think we should do that separately.

Mr James Marape – Sir, you brought it up.

Sir Mekere Morauta – Don't meander around the bushes, answer the question. Mr Speaker, the point is this –

(Members interjecting)

Mr SPEAKER – Order! Order! Member for Moresby North-West, what is your point of order?

Sir Mekere Morauta – Mr Speaker, the monies spent in SDP improving new ore for the Ok Tedi Mine to continue is not a waste as the Prime Minister is telling this Parliament. He is telling lies.

That's the point of order. He is misleading this country. Can he just answer the question instead of turning around in the bushes?

Mr PETER O'NEILL – Mr Speaker, the good Governor of Western Province asked about the funding that is available for Western Province. That is the question that I am answering the K1.4 billion that Sir Mekere and his cronies at BHP have locked away belongs to the people of Western Province. He is the culprit who is lying his way through because he is benefiting directly from BHP.

Sir Mekere Morauta – Point of Order! This is the man who tried to steal the long term fund.

(Uproar in Parliament).

Mr SPEAKER – Member for Moresby North-West, your point of order is out of order.

Mr PETER O'NEILL – Mr Speaker, I have stated all along publicly that these monies belong to the people of Western Province. If he transfers it to the Governor tomorrow I will be a very happy man. But I can assure the Governor of Western that his sticky fingers will continue to be put in there to benefit himself.

Shortage of Foreign Currency

Mr ALLAN BIRD – Mr Speaker, I thank you for recognising the people of East Sepik during this question time.

Mr Speaker, I direct my question to the Prime Minister and would like to also ask the Treasurer to take note.

Mr Speaker, my question is in relation to the Forex shortage in the country that is becoming very chronic. I have received various calls from five companies and one of them has been operating in Papua New Guinea for 40 years and it operates out of Lae, Morobe Province. It employs 230 Papua New Guineans and they have not been able to access Forex so they took tough measures by standing down workers and cutting hours of work. They have K16 million in the Bank and they need to pay their foreign suppliers K12 million. I am told that there is K3 billion in orders sitting there in all the Banks.

06/02

Mr Speaker, I understand that the LNG Project ships one shipment every three days and for one shipment they pay us US\$50 million which is a total of US\$9 billion a year. The Government has a good policy on the SMEs but I want to know something about the foreign currency shortage because we have never had this problem.

In 1994 when we first faced problems with exchanged rates, my brother the current Governor of Gulf was the Finance Minister at that time when they devalued the PNG Kina. In those days we didn't have a shortage of foreign currency and today we have an economy that is three times larger.

Why is it that we have developed a foreign currency shortage in the last two years? I think all our small businesses want to know when this is going to be resolved. Secondly, whose responsibility is it to fix this foreign currency shortage that we have?

Mr PETER O'NEILL – I thank the Governor of East Sepik for his questions. It is common knowledge that there is a certain amount of shortage in the market.

Mr Speaker, this issue about foreign exchange is a monetary matter that is managed by the Central Bank. It is not managed by the Department of Treasury or the Government. When we refer to the LNG Project, I agree with him that governments in the past have allowed exporters and project components or developers to park all these revenues overseas. While we are making the exports they have been allowing them to park the money overseas therefore the money is not coming back into the country. That is the reason why we are not receiving enough foreign currencies back in the country even though we are making the exports. Agreements have been made very unfairly for Papua New Guinea.

In the past there have been smart economists who have had fear about the Dutch Disease where there is too much foreign currency in the economy. And as a result of that they have been parking all the money elsewhere.

Mr Speaker, we are trying to unwind that. We are talking to some of the projects developers to bring in the foreign currency that is rightfully ours back into the country. There have also been issues about day to day demands for foreign currency that have been met by the Central Bank. It is the extra ordinary payments like dividends that have been paid out in large amounts that is causing the little stress in the availability of foreign currency in the country.

Mr Speaker, some of the big companies who have foreign operations are using revenue and profits from Papua New Guinea operations to fund their losses or businesses that are not doing so well overseas. And that is also sucking a lot of foreign currency out of our market.

Mr Speaker, the third issue is that some of the big companies that are owned by foreign multi-nationals who have been supplying line of credits to their operations here have now been fully paid into hundreds of millions of dollars. It is also to do with that that we have an extra-ordinary shortage of foreign currency. However, the Treasurer will make a detail statement in Parliament shortly. We are working with our development partners and we are getting support from the Asian Development Bank (ADB) and the World Bank in order to meet the immediate shortage of foreign currency soon. Those negotiations are being finalised and the facilities will be made available to PNG soon.

Supplementary Questions
Repercussion of UBL Loan

Mr KERENGA KUA – Thank you, Mr Speaker. The State has 19 per cent or so equity with the PNG LNG Project and the revenue that was supposed to come into the country through foreign exchange to relieve us of such problems like these so that we manage the business of our country was diverted to service the UBS Loan in Switzerland.

(1) Could the Prime Minister now concede that he made a mistake in picking up that UBS Loan that has created a problem that is now inflicting all the businesses in these country?

(2) Now that he says that it has been paid up, will he tell the Parliament that with this revenue coming back into the country in, US dollars should we be seeing some relief like tomorrow?

Thank you.

Mr PETER O'NEILL – Thank you, Mr Speaker. I want to assure the good Member for Sinasina-Yonggamugl that almost all the funds that have been received by Kumul Petroleum Holdings (KPH) from the Liquefied Natural Gas (LNG) payments that are due to Papua New Guinea are being brought onshore and parked in local banks to meet the foreign currency demands of our businesses.

Likewise we are doing the same with Ok Tedi. All the revenues that Ok Tedi is now exporting is being brought back onshore to meet the market obligations. As the good Governor of East Sepik stated, it is the backload of issues of unforeseen large payments that are outstanding that has given us stress.

So, we are working with our development partners, particularly World Bank and Australian Development Bank (ADB) and we will get on this issue very soon.

Thank you, Mr Speaker.

Uncertain Future – Manus Internal Revenue

Mr CHARLIE BENJAMIN – Thank you, Mr Speaker. My question is directed to the Minister for National Planning.

We are all aware that the Australian and Papua New Guinea Government has already decided on October 31, 2017, that the asylum seeker camp in Manus will be closed down.

A week ago, the first 22 asylum seekers were transferred to Australia.

When this Camp shuts down, about 1200 workers will lose their jobs suddenly and the SMEs that are currently benefitting will stop suddenly.

The Manus Provincial Government has already advised the Government to try to slow down the program and to find fall-back plans to mitigate this predicament of unemployment and cessation of SME businesses operations in the province.

We are also aware that in the asylum seekers deal between the Australian Government and Papua New Guinea Government, there was no specific deal or agreement made with Manus province, instead Papua New Guinea benefitted as a whole.

Whatever happens, the Manus Provincial Government must work with the Australian Government and question what sort of support they will receive in the province.

What will the Government of Papua New Guinea do for Manus province, in terms of providing assistance to help the young people of Manus who will be jobless and the SME business operations which will shut down once the Asylum Seekers Camp is closed?

Thank you, Mr Speaker

Mr RICHARD MARU – Mr Speaker, I thank the Governor of Manus for asking this very important question.

You are aware that I was in Manus last week and I would like to thank the Speaker for accompanying me. We discussed the impact of the closure of the centre in Manus and I would like to inform the people of Manus and the nation that the internal revenue in Manus will drop from 25 million annually to 1.5 million. We will lose 1200 jobs as a result of that and hundreds of SMEs will basically go out of business because we have failed to come up with a plan to build Manus over a long period of time.

08/02

This is not only the responsibility of the current Government but also of successive governments in the past.

I am pleased to announce to the Governor that the current Government will work with your administration under your leadership to set up a special economic zone in Manus. We will set aside funding from the Budget to set up a Marine Park in the west coast of Manus in the township called Drauke.

We will also allocate funding to set up a nursery to plant 40 000 rubber trees inside Manus in the logging area that has been completely clear-felled by Seal Manus and Rimbunan Hijau. No replanting has been done and there are no business operations in that land.

(Members interjecting)

Mr RICHARD MARU – We bring these companies to carry out logging in our area but yet they don't create opportunities for our people. The provincial government must take some responsibility when they bring these companies to harvest our trees. These people have become very rich at the expense of your province and your people. The provincial government of Manus has to be pro-active, but we have taken stock of that matter and we will work with you.

I have written to your office. We need to find an investor to come into Manus to set up a fish plant, because the whole country knows, the waters of Manus has the largest tuna stocks and it is a fact. Therefore we need to set up a fish processing plant in Manus to help build its economy. Otherwise, I don't know how Manus province will survive with the internal revenue of only K1.5million.

In this Parliament, our Government has taken stock of these issues and I will work with the Governor and the administration and people of Manus to set up that special economic zone in Manus, starting with funding allocation in the Budget next year.

We will also be talking to the Australians and we will also talk with Rimbunan Hijau to come back and re-invest some money in Manus for all the logs they took out of Manus.

Thank you, Mr Speaker.

Return Un-used Cocoa Plantations

Mr NAKIKUS KONGA – Thank you, Mr Speaker. Firstly, on behalf of my people of East New Britain, we congratulate you. We would also like to have the

opportunity to congratulate the Prime Minister who was re-elected and the Deputy Prime Minister.

Mr Speaker, my question is directed to the Minister for Lands and I would like the Minister for Agriculture to take note. In the Governors meeting last week, I am pleased to know that this Government is emphasising on agriculture.

Bryan Kramer – Point of Order! We have Opposition and the Government and this is Question Time. If the Members of the Government ask questions to members of the Government, then these questions can be asked during Government caucus.

Mr SPEAKER – Member for Madang, your point of order is out of order. The Chair has allowed Members of the Opposition to ask their questions and now this is the second Member from the Government asking a question.

Mr NAKIKUS KONGA – Thank you, Mr Speaker. We all know that my province has produced a lot to the economy of this country in the last 40 to 50 years. My people depend on copra and cocoa. Now, since the cocoa pod borer (CPB) came into Papua New Guinea some seven years ago, my people are suffering. We lost about K780 million in exportation of cocoa. East New Britain was a cocoa-driven economy. We have a lot of run-down plantations in East New Britain and the original landowners have left.

Can the Minister for Lands return those plantations to my people?

09/02

Mr JUSTIN TKATCHENKO – Thank you Mr Speaker. I thank the Governor of East New Britain for his very important question about giving back the plantations to the people of East New Britain. This is land that is no longer owned or their ownership is still in question.

I would definitely like to have a meeting with the Governor of East New Britain and to see all the documentation that he has on those plantations that are in question. I am more than happy to work with him to either return that land or to make that land productive once again for the people of East New Britain.

Government Intervention Fund – Bougainville

Mr JOE LERA – Thank you Mr Speaker. I wish to acknowledge your appointment as the Speaker of the Parliament. I acknowledge the Prime Minister, his Ministers and all the Members of the 10th Parliament.

My question is directed to the Prime Minister, and I ask the Minister for Finance and Rural Development and Minister for Treasury to take note.

My question is concerning the intervention fund. Intervention fund is not a constitutional grant. It is an initiative taken by this Government to allocate K100 million to Autonomous Region of Bougainville (ABG) yearly commencing 2002 to 2017.

This is to fund high impact projects that our people in Bougainville are now enjoying. It enabled development and the sealing of Buka township road and the Buka ring road.

Two major projects are also funded under this arrangement which is the sealing of Arawa to Toimonapu and Toimonapu to Kangu Highway. This will also see the upgrading of Aropa airport and enable electricity supply into Arawa Township.

On behalf of my people, I thank the Government and the people of Papua New Guinea for enabling this funding.

I understand the country is currently facing economic hardship, however, in the name of Bougainville Peace Agreement, I urge the Government to continue this funding for the next five years. I won't mind if the allocated amount is reduced because this is one of the funding that has impacted Bougainville. My members and my people are grateful for this.

Mr PETER O'NEILL – I thank the Governor of Bougainville for his question on the government's intervention fund. We created this to ensure that there must be change in the delivery of infrastructure and services in Bougainville.

Mr Speaker, since the Peace Agreement was signed some twenty plus years ago, there has been huge neglect on Bougainville.

Autonomous Bougainville Government and the people of Bougainville cannot carry this burden alone.

10/02

Although we transferred powers to them, funding is still limited, therefore through that arrangement we tried to intervene despite the peace agreement processes by providing K100 million every year for infrastructure and service delivery on the island.

Mr Speaker, in the first two years, we gave direct funding to Autonomous Region of Bougainville (AGB) and we saw little happening on the ground so we decided to make a deliberate intervention through the National Government and we got involved in specific projects on Bougainville including projects the Member is alluding to.

Mr Speaker, in the last five years, services such as health, postal and banking as well as telecommunication have opened up. We have reopened the wharf, and the airport in Arawa. Buka town is a lovely town now with roads being sealed. We are extending the infrastructure network all the way down to Buin and Kangu and back to Kokopao and accessing to small Buka.

Mr Speaker, a lot has been happening and I want to assure the good Member that the arrangement is only for five years that has come to an end now but I am certain there's a lot more work to be done. So we will put this matter on the agenda for the joint meetings that we have with Autonomous Region of Bougainville (AGB) and come to a firm arrangement. It may be a reduced amount but we as Government have the obligation to continue to fund infrastructure programs on Bougainville.

Mr Speaker, one issue is the Restoration Grant that Bougainville has and that is, we have some differences about the calculation. And the increases that Autonomous Region of Bougainville (AGB) is suggesting is something that we cannot afford. That is reality, we can agree to the numbers but if we cannot afford giving them money, there's no point agreeing to it. Again, in the joint meeting, we will put a ceiling to that grant for every year on the maximum and the projects to work on. So, Mr Speaker, we will work with the leaders of Autonomous Region of Bougainville (AGB) and Bougainville in addressing this.

Mr KENNEDY WENGE – My supplementary question is that Lae city always make a lot of money like Bougainville.

Mr. SPEAKER- It is not a supplementary question so you can ask it as a new question.

Mr KENNEDY WENGE – Thank you, Mr Speaker, Lae city is an industrial centre and is facing a major problem with the road from Bumayong down to Lae city, connecting with my electorate. Numerous scope of work carried out by the Works Department but no actual construction and sealing of the road has been done on that part of the city from Unitech to Bumayong area.

Can the Minister confirm when this road will be sealed?

Mr MICHAEL NALI – Mr Speaker, I wish to congratulate you and the Member for Nawae in your elections. The member for Nawae is an old time politician.

I thank you for your question.

11/02

I want to inform you that the previous O'Neill-Dion Government and now O'Neill-Abel Government have already committed for Lae City roads. And Lae City road is priority on the list in terms of funding for roads followed by Port Moresby City roads.

These two cities got the highest portion of funding, not in 5-10 million, but close to billions of kina, were allocated to these two cities. They are our two main cities in our country and the Government has already committed funding for it.

I am fully aware of the commitment made by the current Government in relation to this very important portion of the road that you are referring to. This particular road leads to so many business houses, University of Technology, Igam Army Barracks and even many people residing around there use this road as well.

Therefore, I want to assure you that the Government has committed through the Department of Works to fully take care of this particular road.

I will definitely give you a good answer once I check with the Department and the Provincial Works Manager in Lae to find a solution to this portion of the road leading to Nawae road so that it's maintained at all times.

Supplementary Question

Deteriorating Madang Roads

Mr PETER YAMA – Mr Speaker, I thank you for recognising me and the people of Madang.

Firstly, I want to thank you for being elected as the Speaker of the 10th Parliament which the people of Manus are proud of.

Secondly, on behalf of the people of Madang, I congratulate the Prime Minister for being re-elected and I voted for him on the eleventh hour and some of you came later.

Mr Speaker, my question is directed to my brother and Minister for Works and Implementation. I welcome him back to Parliament once again and I acknowledge him as Member for Mendi.

Mr Speaker, every time we speak highly of Madang by saying beautiful Madang. And at times both Government and Opposition Members do travel to Madang and we all have seen the deteriorating face of Madang town. And seriously speaking, as the Governor of Madang, I am tired of seeing it.

Mr Speaker, over billions of kina is spent here in Port Moresby such as on the Fly-over Bridge or all sorts of bridges, construction of Taurama Road for 3-4 billion kina and other roads by bulldozing mountains after mountains just to construct roads with instruction from your Governor of NCD.

Nothing is wrong with that and I am happy that more funds are allocated to Port Moresby and Lae, but don't forget that Madang is part of PNG. Madang is geographically placed in the centre and it's represented as the face and eye of PNG and when you see the map of PNG then you will know where Madang is exactly situated.

The issue here now is that Madang road has deteriorated badly over the years and now we are faced with traffic congestion because of one-way lane.

For instance, if we drive from Newtown to Madang town it will take 45 minutes to get there because of so many potholes and every second you step on your brakes.

Mr SPEAKER – Governor of Madang, ask your questions.

Mr PETER YAMA – I will ask questions and at the same time I tell you the story of Madang.

(Laughter in the Chamber)

Mr PETER YAMA – Mr Speaker, I am happy that the Minister went to Namatanai and saw Sir Julius to fix the roads of New Ireland.

But when exactly will you fix the potholes of Madang? Contracts after contracts have been awarded but the potholes have remained and not been fixed yet. People of Madang are fed-up and tired already.

Mr Allan Bird – Point of Order! Government Members are complaining about the Budget. Can they resolve this issues in-house instead of wasting question time?

Mr SPEAKER – Governor of East Sepik, you point of order is out of order.

Mr PETER YAMA – The Governor for East Sepik is part of Madang and he should be supporting me but anyway.

(1) When exactly will the funds be allocated to fix the Madang roads?

There was a K10 million allocated for Madang road but to date it's still with National Planning Department.

(2) Can this K10 million be made available to the Madang Provincial Government so we can get the roads fixed?

12/02

We need the roads to be fixed because we cannot continue to have you all coming into Madang from the back door or the front door without even consulting me.

I am your governor and you know that you should be working with me and at the same time my roads need to be fixed.

Mr MICHAEL NALI – Thank you, Mr Speaker. Thank you to the Governor of Madang for asking these important questions.

I wish to inform him that Madang is one of the very important provinces as it is popularly called beautiful Madang but over the years it has been allowed to deteriorate. Those of us who go to Madang have seen Madang and sympathise with it.

I wish to inform you that the contracts for Madang have already been awarded and the Department of Works will make sure that cash is made available for the contractor to start work on the roads. So, your question is answered.

Also, there is a K29 million parked aside for the upgrade of the Ramu to Madang Road.

On your point about the Buluminski Highway, straight after the visit the Australian Government honoured its commitment and allocated K30 million last week as well as an additional K17.5 million on pro forma.

So, New Ireland has received a good report. East and West Sepik provinces also have money in that programme.

I will be touring all the provinces to inspect the roads since the policy of this Government is that we have to make sure that we upgrade those roads because the building of other infrastructure such as schools, hospitals and ports hinges on roads.

I have to inform all of us that it is not an easy task to keep all the roads up to date. The Government, through the Department of Works, needs close to K1.6 billion to make sure that all the roads are in good conditions. But that kind of money as we all know, is not easy to come by but I want to thank everyone and inform Parliament that the Government is aware of the people's concerns and we are working closely with all the Works programmes in the provinces. We have enough reports to inform you on which roads are going to happen.

The East and West New Britain provinces also stand to benefit through the New Britain Highway and the contract will be awarded soon. This will be from Kokopo to West New Britain.

So, to answer the Governor's question, yes, the contract has already been awarded and that project should start anytime now.

**PUBLIC SERVICE COMMISSION ANNUAL REPORT 2016 –
MOTION TO TAKE NOTE OF PAPER**

Mr SPEAKER – I present the following paper pursuant to statute:

Public Service Annual Report 2016

Motion (by **Mr James Marape**) agreed to –

That the Parliament take note of the paper and the debate be adjourned to a later date..

Debate adjourned.

MOTION BY LEAVE

Mr JAMES MARAPE (Tari-Pori – Minister for Finance) – I ask leave of Parliament to move a motion without notice.

Leave granted.

LEAVE OF ABSENCE – Sir JULIUS CHAN

Motion (by **Mr James Marape**) agreed to –

That the Honourable Sir Julius Chan be granted leave of absence as he would be in Australia attending a meeting at the same time.

13/02

Sitting suspended from 12 noon to 2 p.m..

14/02

BROADCASTING OF 2017 SUPPLEMENTARY BUDGET – STATEMENT BY THE SPEAKER

Mr SPEAKER – Honourable Members, I have to inform the Parliament that I have approved (a) the *National Broadcasting Corporation* to broadcast live presentation of the 2017 Supplementary Budget by the Minister for Treasury; (b) *Kundu 2* to telecast live presentation of the 2017 Supplementary Budget by the Minister for Treasury, and (c) *TVWAN* to telecast live presentation of the 2017 Supplementary Budget by the Minister for Treasury.

MOTION BY LEAVE

Mr JAMES MARAPE (Tari-Pori – Minister for Finance) – I ask leave of Parliament to move a motion without notice.

Leave granted.

SUSPENSION OF STANDING ORDERS – PRESENTATION OF 2017 SUPPLEMENTARY BUDGET

Motion (by **Mr James Marape**) agreed to –

That so much of the *Standing Orders* be suspended as would prevent the Minister for Treasury presenting the Supplementary (Appropriation) Bill 2017, Papua New Guinea Fiscal Responsibility (2017 Supplementary Budget) (Amendment) Bill 2017 and Customs Tariff (2017 Supplementary Budget) (Amendment) Bill 2017.

SUPPLEMENTARY (APPROPRIATION) BILL 2017

First Reading

Bill presented by **Mr Charles Abel** and read a first time.

Second Reading

Leave granted to move the second reading forthwith.

Mr CHARLES ABEL (Alotau – Deputy Prime Minister and Minister for Treasury) – I move –

That the Bill be now read a second time.

Mr Speaker, it is a great honour for me to stand here as Deputy Prime Minister and Treasurer to present this 2017 Supplementary Budget on behalf of our coalition

government. The priorities of this Government are represented in the *Alotau Accord II* and based on growing the economy sustainably and the empowerment of our people.

Honourable Members, the first eight months of 2017 have been difficult and the economy has under-performed our early expectations as presented in the 2017 Budget. In particular, world economic growth was lower than projected and commodity prices did not resume upward trend. Following the impact of the El Nino drought and the persistently low gas and oil prices, government revenues have declined. Some of our operating costs continue to rise and the foreign exchange in balance has affected commercial activities and business confidence.

Mr Speaker, the Government in response and to activate the *Alotau Accord II* had brought down a 125 Day Point Plan. This plan followed after extensive consultation with stake holders from government, the private sector, development partners and others such as the Institute of National Affairs.

15/02

This plan presents 25 critical policy actions aimed at maintaining fiscal discipline, addressing the exchange imbalance, enhancing revenue, strengthening our economic base and improving governance. It has received widespread support including the private sector and the IMF.

Mr Speaker, the 100-Day Plan commenced on 24 August 2017, following NEC endorsement. It is not intended to address every issue confronting us nor solve them within the 100-Day Plan but it does, however, bring focus and commitment to a timeline.

Mr Speaker, in fact, I see a series of 100 days plan potentially but only if the first one have some successful outcomes. I will list some very specific National Executive Counsel (NEC) instructions and actions towards the end of this statement that come from the recommendations with the Supplementary Budget. But for now after 25 days, I want to report that the progress is being made on many fronts.

Mr Speaker, we firstly had to construct the 100-Day Plan and seek its endorsement from Cabinet. We now have the 2017 Supplementary Budget in front of us and the 2018 Budget Consultations, Budget Strategy Paper and Budget Proper are well underway.

There are several specific actions underway, some of which I will detail later in the statement regarding government payroll access including a reconciliation process which is underway starting with the teacher's payroll.

The drawdown of the second tranche of the Credit Swiss Loan is imminent although it has been reduced to US\$75 million. The negotiations with the World Bank for budget support for debt restructuring is on track to be included in the Budget, and I will be travelling to Washington to conclude these negotiations on the 9th October 2017.

Asian Development Bank (ADB) support to the health sector of US\$300 million for over 10 years will also commence next year together with US\$1 billion for the Highlands highway reconstruction over 10 years. We have negotiated to have Oil Search provide 50 per cent of the crude oil requirements of Napanapa Refinery in kina rather than in US dollars, which has commenced already with Puma being the largest individual consumer foreign exchange in the market today.

The Bank of Papua New Guinea has offered to support the plan by an increase intervention in the foreign exchange market of US\$100 million in these 100 days.

Regulations are now being composed by Treasury and Finance to compel the remittance of 90 per cent of revenue to consolidated revenue by non-tax collecting avenues of government. Revenue task forces are being established for Lands, the Internal Revenue Commissioner (IRC), Customs and Illicit Trade. The Lands Minister, myself as Treasurer and the Attorney-General respectively will take charge of each of these teams.

The Bank of Papua New Guinea and the Internal Revenue Commission (IRC) will be coming to the media shortly with announcement about the compulsory tax identification numbers (TIN) for opening bank accounts and Investment Promotion Authority (IPA) registration of businesses. Commercial Banks will be required to report on personal and other bank accounts being operated as business accounts back to the Internal Revenue Commission (IRC).

The US\$115 million 58megawatts Port Moresby gas powered plant is close to ground breaking stage and the US\$500 million dollars. Ramu 2 Project is progressing to financial close end.

Mr Speaker, the 1706 allotment in Gerehu, 3b housing project with stage 1 with 300 allotments is having water and power put in as we speak.

The International Submarine Cable Project can be a game changer for communication cost in Papua New Guinea which has a great offer for blended grant and

concessional financing on the table for Australian Department of Foreign Affairs and Trade (DFAT) and the World Bank.

Mr Speaker, royalty payments have commenced for landowner on the Papua New Guinea Liquefied Natural Gas (PNG LNG) Project and instructions have come from Cabinet to respective ministers and departments on the review of proposed amendments to the Lands, Mining and Investment Promotion Authority (IPA) Acts to alleviate private sectors concerns and encourage investments.

A review by Independent Consumer and Competition Commission (ICCC) into rice pricing in Papua New Guinea is on the way and through the Agriculture Minister we are considering options for a fiscal regime to support rice and stockfeed production in Baiyer, Sepik Plains and the Central Plains to push agriculture, food security and import replacement.

Mr Speaker, there is a medium term revenue strategy being developed in concept with the International Monetary Funds (IMF) primary around reforms to the a tax system to strengthen, simplify and improve revenue collection and there will be certain measures in the 2018 Budget to counter transfer pricing activities prelude to this medium term revenue.

Mr Speaker, let me now provide the background setting and impact of the 2017 Budget today and the details of the 2017 Supplementary Budget.

16/02

Mr Speaker, the key outcomes of the 2017 Mid-Year Economic and Fiscal Outlook Report from Treasury were that whilst our medium term prospect remain positive our GDP growth in 2017 has slowed modestly from what expected in the 2017 Budget due to the continuation of ongoing structural issues, weak recovery in commodity prices and deepening of foreign exchange imbalances. The domestic economy is projected to grow at 2.7 per cent, slightly lower than the 2017 budget estimate of 2.8 per cent;

However, non-mining GDP growth is expected to improve slightly to 2.4 per cent against an initial budget estimate of 2.3 per cent: and inflation is projected to increase from 6.7 per cent in 2016 to 6.8 per cent in 2017 following modest depreciation in the kina exchange rate.

Mr Speaker, the revised lower real growth projection of 2.7 per cent for 2017 is largely due to lower than anticipated growth in output in the mining and agricultural

sectors, with the oil and gas sector projected to contract by 0.5 percentage points in real terms.

The downward revision reflects a benign world economy where gold and oil prices have not resumed clear upward trends, and where many of PNG's agricultural commodity prices (particularly coffee, cocoa and palm oil) have deteriorated further over the first half of 2017.

Mr Speaker, when this is coupled with a continuing tightness in the availability of foreign currency, then the deterioration in local business conditions over the year to date is apparent, which helps explain the shortfalls in expected company tax receipts, royalties' tax and gaming machine tax receipts in 2017 compared with budget.

But mining is still projected to lift 12 per cent in 2017, following full year production from Ok Tedi and higher volumes from Ramu Nickel, although gold production is anticipated to be down from both Ok Tedi and Porgera

Overall, the agricultural, forestry and fishery sector is expected now to grow at 3.2 per cent, which is slightly lower than the budget estimate of 3.3 per cent. The downgrade reflects lower log production, the base effects of weaker growth in 2016, following the drought and some output effects from lower commodity prices.

Encouragingly, production of some agricultural commodities should reach expected levels due to improved weather and growing conditions. Palm oil production is expected to return to normal after the devastation caused by the EL Nino weather phenomenon in 2015 and 2016.

The supply response from cocoa is expected to gain momentum with new areas coming into production especially in the Sepik province despite the sharp contraction in cocoa prices.

Copra production will continue to benefit from favourable prices, while coffee production is set to moderate in 2017 as the crop recovers from a bumper season in 2016.

It is important to note that this outlook does not capture the possible adverse impact of the Coffee Berry Borer due to limited data to date.

The Treasury understand that CIC and NAQIA are currently conducting a baseline survey to quantify the nature, size and impact of the infestation and the Government in this Supplementary has allocated some additional funds for this purpose.

Apart from the modest reduction in primary production, other non-mining output should reach budget estimates, being supported by election-related spending, APEC

preparations and an expected easing foreign exchange constraints over the final quarter of 2017.

Mr Speaker, let me now report on the fiscal operations for the first half of 2017 as presented in the 2017 Mid-Year Economic and Fiscal Outlook Report by the Department of Treasury.

The Mid-Year fiscal results showed a deficit of K784.4 million (or 1.0 per cent of GDP) bringing the total outstanding public debt level to K24.6 billion or (33.1 per cent of GDP).however, most of the increase in the fiscal deficit was late in 2016 and,therefore,was not captured in the 2017 Budget.

Total revenue and grants was K4.4 billion for the first six months which is estimated in MYEFO to result in a 2017 outturn of K10.9 billion compared to the 2017 budgeted amount of K11.5 billion, K514 million shortfall.

17/02

Therefore, Mr Speaker, as a responsible Government, we have decided to make the required downward adjustment to appropriated expenditures to ensure that the deficit remains at the budgeted level of K1.8 billion or 2.5 per cent of GDP. This will maintain the debt to GDP ratio at 32.1 per cent, down from the 2016 ratio of 32.4 per cent.

Mr Speaker, the Government is committed to fully implementing these adjustments to restore a prudent, responsible and sustainable fiscal path for the remainder of 2017 and beyond.

Importantly, it should be noted that many commodity-dependent exporting economies that have been hit hard by depressed commodity prices are experiencing slow growth, widening fiscal and external deficits, and some combination of exchange rate depreciation and decline in foreign reserves.

We are no exception but how we have responded to this external shock has been widely commended by leading global financial institutions and rating agencies.

Mr Speaker, on the other side of the ledger, total expenditure and net lending over the first half of 2017 amounted to K5.2 billion, which is 39.1 per cent of budgeted expenditure. This low level of expenditure to date is largely due to Government's prudent management of warrant releases in response to both the shortfalls in revenue over the same period and the difficulties in reliance on the short term domestic money

market for financing. There is liquidity in the monetary system but this in part reflects the pent up demand for foreign exchange.

The cautious release of warrants and prioritisation of expenditures remain crucial under declining revenue trends in order to reduce pressure on the Government's cash flow and ensure stability in domestic financial markets. The priority expenditures have been focused on essential services in Health, Tuition Fee Free Education, Law & Order, 2017 General Elections and key national infrastructure projects, as well as preparation for the 2018 APEC Summit.

Mr Speaker, despite tight warrant control over the year to date, if no adjustments are made, then MYEFO estimates show total expenditures increasing to K13.8 billion and with a further K370 million discovered subsequent to MYEFO, taking expenditures to K14.1 billion.

This is K800 million higher than the 2017 Budget. The increase is attributed to, - amongst other things - personnel emoluments up K430 million, debt service up K150 million, office rentals up K50 million, requirement for additional pharmaceutical drugs up K100 million, Department of Works expenditures up K51.2 million and other expenditures up K18.8 million.

Together with the shortfall in revenue of close to K500 million would mean that if the Government failed to act, the deficit would increase by K1.3 billion pushing out debt to GDP and the fiscal deficit significantly beyond the 2017 Budget proper.

Mr Speaker, I now turn to the 2017 Supplementary Budget. The Supplementary Budget reduces anticipated revenue from K11 473 billion to K10 979.20 billion, a reduction of K494 million in line with the MYEFO projections. Expenditure and net lending is then reduced from K13 349 billion to K12 855 billion, a corresponding K494 million reduction to maintain the fiscal deficit position of the 2017 Budget.

On the expenditure side, reductions of K25.784 million to the recurrent budget, and K1,268.28 billion from the capital budget, totalling K1 294 billion is utilised to accommodate the K494 million expenditure cut and a reappropriate to cover K800 million in cost overruns.

Mr Speaker, it is important to note that the 2016 Final Budget Outcome (FBO) resulted in a higher fiscal deficit of K3.1 billion 4.6 per cent of GDP against the planned deficit of K2.1 billion 3.1 per cent of GDP which has rolled into and affected the foundations of the 2017 Budget.

Mr Speaker, we remain concerned about the rising cost of running government particularly the payroll and we are taking measures as explained in this statement,

18/02

However, we recognise that adjustments to salaries and wages and most of the other operational expenditures in the short term are largely fixed. Therefore, the main adjustment has to come from the capital expenditures or PIP and other development projects. Only a modest adjustment in operational expenditure can be achieved at a later stage of the year and because of the backlog from warrant restriction and impact on service delivery.

These operational reductions mainly relate to purchase of vehicles and other operational expenditures.

Mr Speaker, to guide this process, the following key performance criteria were applied to refocussing of the capital expenditures and other development projects. These were projects with a relatively high rate of disbursement and projects with donor counterpart financing as these turn to have a high rate of disbursement and are focused on development enablers.

Mr Speaker, in addition the 2017 Supplementary Budget also aims to limit spending on less productive capital expenditure as much as possible while safeguarding expenditure on maintenance. Furthermore, key platform priorities such as tuition fee, free education, free primary health care and APEC preparations as well as statutory funding such as public debt interest remain unaffected.

Mr Speaker, with the revise expenditure envelope, K800.1 million is reallocated to projected expenditure overrun to fund. As mentioned previously, K430 million for personal emolument; K150 million for debt servicing; K50 million for office rentals; K100 million for pharmaceutical drugs and K51.2 million for Department of Works. Another K18.8 million for other minor adjustments to allow for allocation to coffee berry bore disease response at K5 million; PNG Games - K4 million; IRC and PNG Customs Task Force - K3 million; payroll audit - K2 million; the Land Government Information System - K1.8 million and the ongoing clan vetting exercise for K3 million.

Mr Speaker, this returns the 2017 Budget to its original fiscal anchors of a deficit of K1.8 billion or 2.5 per cent of GDP and a debt to GDP ratio of 32.1 percent of GDP. In this respect, the Government will be seeking an amendment to the *Fiscal*

Responsibility Act to alter the 30 percent GDP ceiling to a range of 30-35 percent to provide the Government with some flexibility to manage fiscal and financing policies through this protracted economic downturn.

But it must be emphasised, the Government will also amend the *Fiscal Responsibility Act* to compel the Government in its medium term fiscal strategy to target the lower 30 percent boundary and additionally to target an average non-resource, primary fiscal balance of zero over the medium term and through the economic term cycle. Importantly, this will facilitate the sustain build-up of resources in the Sovereign Wealth Fund once that resource cycle swings into an upward trend thereby sustaining the Government now and into the future from excessive spending in such upswing.

Mr Speaker, in financing the Supplementary Budget, there is an urgent need to shift the financing burden away from the domestic security market to both reduce rollover risk and to facilitate the reduction in the foreign exchange imbalance. In this respect, the Government has instructed the Department of Treasury to finalise negotiations for the second trench of the Credit Swiss loan and progress the issuance of the inaugural sovereign bond for Papua New Guinea.

Mr Speaker, to support the Supplementary Budget measures, and to progress the Government reform agenda, the Government has issued a number of directions to the departments and agencies in accordance with the 100 Days 25 Point Plan. Specifically, the Government has directed the Chief Secretary:-

(1) To immediately establish an office allocation audit committee to undertake an audit office, portfolio and report back to Cabinet by the end of September 2017 on the relocation of the government agencies in rental properties.

(2) The Department of Finance and Personnel Management to cease the use of figure for the Provincial Government accounting system for the purposes of personal emolument payment and report back to the NEC through the Ministers for Finance and Public Service before the 01 October 2017.

(3) The Department of Finance, Treasury and Personal Management to commence a physical audit into the government payroll starting with teachers payroll and incorporating a national identification registration and report back to NEC through the Minister for Public Service before mid-December 2017.

19/02

(4) The Departments of Treasury and Finance in consultation with the Office of the State Solicitor, through the Ministers for Finance and Treasury, to present to NEC by the first week of October 2017 legislative instruments that:-

(a) Cause all statutory authorities and other Government agencies collecting non-tax revenue under statute to remit 90 percent of those collections to Consolidated Revenue Fund; and

(b) Allow for a review process involving both Departments of Treasury and Finance for those agencies in (a) to present a justified case for why a greater portion than 10 percent should be retained;

(5) Through the Attorney General, the Office of the State Solicitor with the relevant client policy government agency, to provide a review report with recommendations on the appropriate policy and drafting changes to reflect stakeholder concerns on the proposed new or amending legislation for the *Lands and Physical Planning Act*, the *Investment Promotion Act*, the *Agricultural Administration Adjustment Act*, *Agricultural Investment Act*, the *Biosecurity Act*, the *Mining Act* and the Mineral Resources Authority;

(6) Minister for Petroleum and Energy to bring to NEC the proposed *Energy Authority Act* for approval for submission to Parliament.

(7) The Minister for Finance to review and bring forward the National Procurement Authority Bill to Parliament before the end of 2017;

(8) There be no new tied financing after the 15 September 2017, and these arrangements be managed under the new National Procurement Authority and the *Public Finance Management Act* once the Establishing Act is approved by Parliament and comes into force; no new tied financing after 15 September 2017, financing must be open tender.

(9) Ministers for Public Enterprises and State Investments and Commerce and Industry to provide a project delivery plan for the Pacific Marine Industrial Zone by end of November 2017;

(10) Department of Works and Implementation in conjunction with the Asian Development Bank to establish a Project Management Office for the Highlands Highway Rehabilitation for US\$1 billion Project by end of November 2017; and

(11) Departments for Treasury and Public Enterprise and State Investments together with Kumul Consolidated Holdings Ltd and DataCo to revert to NEC with

options for financing of the POM-Sydney International Submarine Cable by 1 November 2017.

Mr Speaker, the Government has also directed:

(i) that the Minister for Finance and Treasury present by the end of September 2017, the close of 2017 accounts process to be jointly drawn up by the Departments of Finance Treasury and that within this process all unspent appropriations lapse unless and only unless authorised by the Ministerial Budget Committee, chaired by Minister for Treasury with this to be reflected in the revised *2017 Budget Appropriation Acts*;

(ii) that the Attorney General to review and report to NEC by 10 November 2017 on the Gas Agreement for the PNG LNG Project to determine if an expansion will be subject to the same fiscal terms;

(iii) that there be a freeze on new recruits and for the Departments of Personnel Management and Finance to report on the status of the migration of all Government employees onto the centralised Government payroll system by end of September 2017;

(iv) that the Organisational Structure and Personal Emoluments Audit Committee (OSPEAC) revert to NEC with a list of State Departments, Offices and Agencies identified for amalgamation by end September 2017; and

(v) that there are no tax credit project approvals until further notice.

Mr Speaker, in conclusion, honourable members, these fiscal and policy adjustments and actions that the O'Neill-Abel government are undertaking are necessary to secure macroeconomic stability and a sustainable fiscal trajectory over the medium term wherein the Governments development's development priorities can be implemented and financed.

This more responsible and prudent approach to what a global shocks will underpin improved domestic and international market sentiment.

We believe that this Supplementary Budget and the associated 100 Days 25 Point Plan and its series of actions presented will give confidence to our domestic and international investment partners such that they will continue to invest and provide enhanced opportunities and prosperity for our people.

By tabling the 2017 Supplementary Budget in September, our key stakeholders, the private sector and development partners, will be able to plan their adjustments more effectively in line with the Governments intentions and corrective policy measures.

The message is clear, Mr Speaker, we have to live within our means and continue to build the structures that will enable us to weather us to storms more effectively than we have in the past.

20/02

The Supplementary Budget and associated actions directed by the Government set the basis for the fiscal framework for the 2018 Budget and the Medium Term Fiscal Strategy which seeks to return debt levels to the previous 30 per cent of GDP ratio over the medium term and build resources in our Sovereign Wealth Fund once the resources start to recover. The Government has and will continue to conduct its fiscal policy within this medium term framework.

It also needs to be emphasised that the number of corrective measures that we have introduced in the 2017 Budget are being implemented and will be given impetus by the actions and directions presented and this will continue into 2018.

These ongoing measures include, corrective measures to the expenditure side such as the amalgamation of departments and agencies, freeze on recruitment and constraints on the high personnel emoluments costs.

And corrective measures to the revenue side including corrective measures to improve tax compliance, especially tax administration and review of a range of excise charges and fees.

The revenue announcement in the Government's 100-day plan will be expedited, a further substantive tax reform package will be presented in the 2018 Budget consistent with the government's new Medium Term Fiscal Strategy 2018-2022.

Mr Speaker, we are, however, not talking about new taxes, we are talking about fixing the existing systems and collecting revenue that is already due to the Government and there will be a new Medium Term Debt Strategy.

Mr Speaker and honourable members, I commend the 2017 Supplementary Budget to the House.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a second time – agreed to.

Bill read a second time.

Message from the Governor-General

A message from His Excellency the Governor General dated 27 September 2017 was announced recommending the expenditure of public monies in accordance with *Section 210* of the Constitution insofar as the bill relates to and provides for such expenditure.

Third Reading

Leave granted to move the Third Reading forthwith.

Motion (by **Mr James Marape**) proposed –

That the Bill be now read a third time.

21/02

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a third time – agreed to.

Bill read a third time.

PAPUA NEW GUINEA FISCAL RESPONSIBILITY (2017 SUPPLEMENTARY BUDGET) (AMENDMENT) BILL 2017

First Reading

Bill presented by **Mr Charles Abel** and read a first time.

Second Reading

Leave granted to move the second reading forthwith.

Mr CHARLES ABÈL (Alotau – Minister for Treasury) – I move –

That the Bill be now read a second time.

Mr Speaker, this Bill relates to the adjustments referred to in the Supplementary Budget speech regarding adjusting to the *Fiscal Responsibility Act 2017* to enable the flexibility around the 30 percent Debt to GDP ratio but allowing Government to move to an upper boundary of 35 percent of Debt to GDP.

Mr KERENGA KUA (Sinasina-Yonggumugl) – Mr Speaker, these are important matters and I would like to repeat that opportunity ought to be given to the Opposition for these things to be debated.

Mr Speaker, let me comment on both the Supplementary Appropriation Bill which I understand has already been passed plus the proposition to amend the *Fiscal Responsibility Act 2017* of Papua New Guinea.

Mr Speaker, under the current Prime Minister's leadership, he has had the opportunity to pass six Budgets.

The first one was in August 2011, when he did a Supplementary Budget and the objective of that Supplementary Budget in 2011 was to spend a surplus fund of K500 million that was in the Government coffers at that time. So, it was easy to pass and spend all that money and most of that money went into the pockets of the Members of Parliament supporting Mr O'Neill unlawfully to extract powers –

Mr Peter O'Neill – Point of Order! Mr Speaker, we are talking about the 2017 Supplementary Budget and now he is trying to debate 2011 Supplementary Budget when he was not even present on the Floor of Parliament at that time.

Mr Speaker, he has got absolutely no evidence whatsoever to conclude that those funds were given to Members of Parliament. Mr Speaker, he should be ashamed of himself because he is a learned person and he should speak with some responsibility and take some care in what he says. This is not a House where you just come and say anything you like. He must have some facts. In fact, Mr Speaker, half the Budgets that he is talking about were managed by your Leader of the Opposition who was Treasurer at that time. So please speak some facts.

Mr KERENGA KUA – Mr Speaker, there is a lot of noise over on that side and I am not sure whether they are human voices or coins rattling in their pockets from the money they made in 2011.

Mr Speaker, the deficit that was made in 2011 has cascaded to today. That is the relevance. If you don't understand finance terms, it might help if you kept quiet.

The point is, at that point in time, we had K500 million which was distributed to the Members of Parliament and misappropriated so the deficit started at that point in time and cascaded all the way into 2017.

22/02

Out of the five years that they have passed five budgets, three times they had to come back into Parliament to fix supplementary budgets. These budgets are supposed to be prepared by experts led by so-called learned ministers. If they keep coming back into Parliament to ask for the majority of times or three out of five times then that is a reflection of gross mismanagement. If these people were running a private company then they would all have been fired and be on the streets and that is exactly what it is.

When you come continuously into Parliament and ask for a supplementary budget then you are saying that I have mismanaged my responsibilities at the front end therefore as a payment I need correction to legitimise all the mismanagement that have preceded it, and that's what's happening.

Mr Speaker, supplementary budgets are not supposed to be the norm. They are supposed to be the acceptance that once in a blue moon or maybe a blue year but no this has become the standard. Almost every year you take it for granted that the Budget will be subjected to another supplementary budget again. They will come back here because of the deficits they have created to expand the ceiling on the *Fiscal Responsibility Act* yet again as they have done.

Mr Speaker, this is very sad if this is the level of leadership that we have at the highest institution in this country. If you mismanaged the fiscal and economic regime of the country and come back with the benefit of hindsight all the time in retrospect to correct all the mistakes that you have made then there is something wrong with the way this country is being managed. People must hang their head in shame and go back and do things properly.

You have got to go back and find out exactly where you have gone wrong because by coming here and pushing the supplementary barrel you are admitting that

you have not done things at the outset. So in order to secure compliance you have to come back here like a beggar in order to procure the approval of Parliament to legitimise all the things that you have done wrong. Shame on you!

We have to observe some basic principles. We have to stop forward spending. Future revenue must be left for spending in the future. Let us not borrow again in the future because the future is not too far away, it is just tomorrow as it has come now. If you spend tomorrow's money, what will you do when you arrive tomorrow? This is the problem so let us get some basics right. Let us start spending money on economic infrastructure that can make money and keep the cycle going. Instead of putting the money into dead ends then you make no revenue out of it. For example, the APEC, that is all a window dressing. It is all cosmetics so what will you get out of it? What revenue will you get out of it? Look at all the sporting infrastructures that are there, it is once in a while that we get the adrenaline but 99 percent of the time all this infrastructure are there collecting dusts. The citizens in Port Moresby or Lae cannot afford to hire out these facilities. It is an economic dead beat. It does not make money. Those are some of the things that we need to stop spending money on. Look at the ring roads around Port Moresby, fly-overs or under-overs, they are a waste and we need to stop spending money on those sorts of things.

Let us spread the money out to places like Bougainville. There is a big economy out there in cocoa or copra or the minerals. If you build infrastructure there then you can generate a lot of money for Papua New Guinea. Spend money on the East and West Sepik plains where there is a lot of agriculture potential there. Improve the roads and help the vanilla and oil palm farmers there and we will make a lot of money, not in Port Moresby. We have to agree to some basic principles and stick by it.

The *Fiscal Responsibility Act* is supposed to come together with the principle Budget in November. In this case this one was supposed to come with principle Budget for 2017 last year.

23/02

The Government has not come to the peoples' Parliament with good faith, they have come with their hands dirty through reckless fiscal management.

Now, they are saying that we have overshot the mark so extend the term of the license and take it up to 35 per cent debt to GDP when they have already done the damage and now we are supposed to endorse it. I prefer that we do it upfront so your

projections will say we expect to spend more money, we expect to borrow more and incur more debt so let's have the front hand increase the ceiling and then manage yourself by agreement under that ceiling.

No, you caused the damage and come here and expect us to rectify it when we are in Opposition, but next time you are in Opposition you will be screaming compliance that will be double language.

Gentlemen, we owe a duty of care and good faith to the owners of this country and not you or us the 111 members here. We are only mouthpieces, our duty of care extends to the millions of people out there whom have given you the mandate to sit here and yet when it comes to managing the core business we mismanage it and we keep coming here talking about supplementary budgets. Supplementary budgets are evidence of gross mismanagement and it's a shame if you are the leader of the team.

Now, there are a lot of individual expenditure items that I do not want to go into but I will talk about one that is close to me and a lot of you members too, it's the Highlands highway which is the economic backbone of Papua New Guinea that no one can deny that and for years it has not attracted the respect it deserves. US\$1 billion over ten years, is that money? How can it be, Mr Treasurer?

US\$1 billion equates to about US\$100 million a year over a ten-year period. US\$100 million is about K300 million, K300 million for Lae/Nadzab, how far did that go? Only 8 miles out of Lae City. K400 million for 6-mile down to Bautama which is about 9 to 10 kilometres so K400 million per year from Lae up to Tari, where the Finance Minister comes from, will you reach that? No, you won't go past Kasam Pass so everybody will have to wait for ten years for some meaningful improvement to the Highlands highway. I can't believe that, Prime Minister you're a Highlander, Finance Minister, you're a Highlander, the road ends up in your district. Works Minister, where is he? Yeah, you are at the end of the road so why don't you talk to the Treasurer and the Prime Minister –

(Laughter in the Chamber)

Mr KERENGA KUA – Well, if you are giving me K1 million, I do not think I will reach Mendi, Mr Speaker, and you will be the first one to scream “foul”, I am speaking for him because he cannot speak for himself. He is handcuffed over there otherwise he might be asked to join me over here.

(Laughter in the Chamber)

Mr Michael Nali – Point of Order! Mr Speaker, my long distant in-law better refrain from all the comments he is making about me because I do not have any problem with him.

(Members interjecting)

Mr KERENGA KUA – Thank you, Mr Speaker, I think they have had their fun now, let me get on with the business.

(Laughter in the Chamber)

Mr KERENGA KUA – Mr Speaker, I do not think that the Treasurer has come to this Parliament with good faith when he seeks to extend the debt and that is not a good thing. We all have families and we know how to run at the small level.

24/02

We must not borrow frequently. The lifting off the ceiling only facilitates for the increase in borrowing. We must stop it now, rather than talking about increasing the ceiling from 30 per cent up to 35 per cent, we should stop it and start cutting back on the expenditure. Other expenditures, but not the DSIP and the PSIP.

(Laughter in the Chamber)

(Members interjecting)

Mr KERENGA KUA – I like it because my people like it and your people like it. So cut the other areas, that's what I am saying. Cut down the public service, cut down the amount of money you are making. You are getting a lot of commission, we know that too.

(Laughter in the Chamber)

(Members interjecting)

Mr Westley Nukundj – Point of Order! Can the Honourable Member withdraw his statement, unless he has evidence of Government members receiving commission because I think he is absolutely, wrong!

Mr SPEAKER – Your Point of Order is in order. Member for Sinasina-Yonggamugl withdraw that statement.

Mr KERENGA KUA – Mr Speaker, I can come up with evidence if the Prime Minister establishes a Commission of Inquiry into the Manumanu land transaction. They are suppressing evidence that is why we don't have evidence, but we need evidence, the country needs evidence and the people of Manumanu want evidence.

Mr SPEAKER – Member for Sinasina-Yonggamugl, before I allow you to proceed, can you withdraw that statement.

Mr KERENGA KUA – Which statement, Mr Speaker?

Mr SPEAKER – The statement that Members are receiving commission.

Mr KERENGA KUA – Okay, I withdraw it.

(Laughter-in-the-Chamber)

Mr KERENGA KUA – So, the road from Lae to Tari, the home of the Minister for Finance, is about 1000 kilometres so the US\$1billion is about K3 billion and over a ten-year period it is worth about K300 million a year and that is not enough because we know from the examples of Lae-Nadzab and the Six mile road. Three hundred million kina covers only ten kilometres of road. So the US\$1billion spread over ten years will only fund the road to Watarais.

(Mr William Duma interjecting!)

Mr KERENGA KUA – You don't have to borrow, Mr Speaker, make the money. Give some licences to the Petroleum Department, get the State Enterprises to make some money.

(Mr William Duma interjecting!)

Mr KERENGA KUA – Start making some money and we will see some dividends coming through and it can filter through into the consolidated revenue funding and you can spend it on these important infrastructure projects.

Mr SPEAKER – Minister for Petroleum, can you stop interrupting and allow the Member for Sinasina-Yonggamugl to finish his statement.

Mr KERENGA KUA – Mr Speaker, they have dealt with my sins in a Commission of Inquiry and they are holding on tight to that report but their time will come.

Mr Speaker, I am not happy with the fact that we are always bringing a Supplementary Budget here every time. We are leaders and we must be responsible. Live within our means. The Treasurer has made a very good statement but his actions don't follow. He said, "Let's live within our means", let's start walking the talk. That is my point from the Opposition.

Finally, most members are new to Parliament and they are not aware of the Procedures of Parliament. I think it will be better if through the Speaker, we can explain when they are able to debate so they can attend the Sitting. There a lot of issues to discuss but they may be confused thus the Appropriation Bill was sneaked through, therefore, we need to debate it thoroughly, there's nothing to hide, the money belongs to PNG. Thank you, Mr Speaker.

25/02

Mr JAMES MARAPE (Tari-Pori – Minister for Finance) – Thank you Mr Speaker. Let me commend the Treasurer for bringing in the 2017 Fiscal Year Supplementary Budget.

Mr Speaker, after hearing the comments from the Deputy Prime Minister and the Minister for Treasury as well as the Member for Sinasina-Yonggamugl, there is a clear case of paradox in Member for Sinasina-Yonggamugl's statement.

On one hand, he is demanding for more resource to fix the Highlands highway. I appreciate that he is voicing the need for the Highlands highway to be fixed on my behalf including anyone who benefits from the highway.

He is not wrong in that perspective because there is a real need to develop the Highlands highway likewise all the many infrastructures that have depreciated over time.

In our country, we have 33,000 kilometres of national highways. On world standard intervention to upgrade to world class highways, the cost of 1km would be in access of US\$3 million per kilometre.

When you times US\$3 million per kilometre for the 33,000 existing highways, and I am talking about the existing highways not the new ones, the numbers go past hundreds of billions of kina so to speak. So, that is the sort of money the nation needs over time to make intervention on one infrastructure sector on growth and not on all infrastructure.

When you throw in ports, airports, power grids, and infrastructure needs for a school and hospitals, for every one of us from the district planning and the national planning put together, the number runs in access of millions of kina that we do not have every fiscal year.

That is a problem not only to the O'Neill Government, but it was a problem since 1975. The money every government has on hand –

Mr Allan Bird – Point of Order! Mr Speaker, I would like to correct the Minister for Finance. We have a road in Wewak in West Coast. It is one of the best roads in the country. The Deputy Prime Minister has seen it.

That road cost around K1.5 million per kilometre to make and that is on record. Now, you have just quoted a figure to build world class roads for K9 million a kilometre.

Mr Speaker, we have talked about numbers all morning and we are still talking about numbers this afternoon. We should be able to verify these numbers. Thank you.

Mr JAMES MARAPE – I thank the Governor of East Sepik Province for his point of order.

Mr Speaker, let me use his number – K1.5 million per kilometre. When you times by 33,000 kilometres of national highways, that is equal to K45 billion. May I ask this honest question? Does this nation have K45 billion right now?

Mr Speaker, when you throw in other real development needs, the reality states in our face that we do not have the luxury of money to fix all the basic essential services in our country.

So, Mr Speaker, the Member for Sinasina-Yonggamugl informs us correctly the need for development but on one hand he is putting a very restrictive proposition to government not to increase the *Fiscal Responsibility Act* at least to higher level.

26/02

Mr Kerenga Kua - Point of Order! – I must clarify my statement which I said, if you want to amend, you must do so at the beginning. Don't do so after laws are broken and then you come to seek endorsement to make corrections.

Mr JAMES MARAPE – Mr Speaker, this is part of the entire budget formulation process. When you talk about debt to GDP, I want to point to some figures globally so that we all appreciate in what context we are discussing here. Japan has 250.4 per cent debt GDP. Greece is 179 per cent, USA 106 per cent, Singapore 112 per cent debt to GDP. Let me dwell on Singapore, so that when we talk about development on one hand, the realistic availability of resource tool in our country is so small that we must think outside of the box, Mr Speaker.

Economic introverts sitting behind glass houses and drinking coffee tells me not to borrow. For me, I put in a proposition, I must advance money for tomorrow to bring in development right now so that my tomorrow can be better. Do I sit behind and imagine tomorrow and not make interventions right now and for tomorrow? We had surplus budgets before. There are two types of surpluses; surplus when you have access revenue and we brought down access revenue in the past by access revenue surplus budget.

(Members interjecting)

Mr JAMES MARAPE – When I was with the National Alliance-led Government, supplementary budgets were introduced because at that time, access revenue comes in. In the same line, the access money cannot equate to lasting constructions that we can see on the ground.

Mr Speaker, we are now introducing again another supplementary budget when times are tough, numbers are down so we need to adjust our numbers so that we do not go, hey, why, so far as our big numbers and economies are concern.

Mr Speaker, the Singapore model had a national history of deficit budget. There are many educated leaders here talking on *facebook* and just talking. Since 1950, Singapore deliberately entered into a series of deficit budgets to accelerate their development to build the infrastructures, and ports. These are economic investments. that will derive benefits into the future. I agree when the Opposition talks about being careful on the deficit Budget.

The trend on the deficit Budgets the O'Neill Government had in the last five years was getting money to invest in the infrastructures and sectors to grow the economy. Singapore today since 1958 has a long running average of 88 percent of debt to GDP.

27/02

Mr Allan Bird – Point of Order! No, it's good for us to correct it. It is correct that Singapore has a very large debt to GDP ratio and that's because of their per capita GDP. They have one of the highest per capita GDP in the world. As for us, it's only around 3 000 dollars per person. So when we discuss matters of national importance – and I appreciate the comments by the Minister for Finance – we need to put it into its perspective and that is you cannot compare one of the top eight economic countries in the world with us and borrow at the same levels. Because at the moment your repayment rate against your GDP is also important and if you look at our current Budget, the total repayment rate is quite high.

Mr JAMES MARAPE – Mr Speaker, he is making his own statement.

Mr Allan Bird – Sorry, I stop here.

Mr JAMES MARAPE – Mr Speaker, may the good Governor of East Sepik look at the history of Singapore respectively, the per capita GDP at the time of independence was around our per capita GDP today.

But yet true politicians are willing to take the big risks for their country and make decisions that matter. And not just sitting and playing politics. They advance their country from a third world squatter settlers at the tip of Singapore point to where it is today.

Mr Speaker, we are sitting here talking and playing politics at the expense of our country from progressing. As I speaker today, the Member for Sinasina-Yonggamugl is correct, my place in Tari has not seen sealed roads yet.

Mr Speaker, we are adjusting and bringing this Supplementary Budget at the expense of some projects simply because we are thinking big for our country and adjusting where it matters most. I commend the Members on this side of the Parliament for their support, when the Treasurer proposed the DSIP funds. Members and Governors on this side of the Parliament didn't complain like the Member for Sinasina-Yonggamugl. They agreed that we must make cuts to re-adjust. And that's being responsible and prudent for our country and it's not only 2017 Budget but 2018 is coming up.

This Supplementary Budget adjustments is made in the context of what will come in 2018.

Mr Speaker, I don't know how much time I have but let me touch on the Budgets from 2012 to 2017. When we entered Government in 2012, the Opposition Leader, the then Treasurer in our Government and a former Opposition Leader who is not present today, was the Member in Government and all of us collectively had a five-year money out-look. The Member for Sinasina-Yonggamugl was a Minister in that Government and we had a five-year money out-look and of those five years, we thought that we would run it back to a surplus balance Budget. Of the five year, we focused on a four-year structured deficit Budget. Now, deficit Budget for me is if applied correctly is a tool for making intervention for our country to grow.

Now, when you look at borrowing money, there are two parties on the table; the borrower and the lender. PNG goes to the international markets to get money from lenders and these lenders make their quality checks before lending their money.

28/02

Mr Speaker, when a credible lender such as the World Bank or IMF lends money to a nation, it shows that they have done their due diligence; they have done their fiduciary checks and they would have assumed that we have the ability to repay.

It's a simple principle of borrowing. When you go to a bank, the banks look into your future and if you can repay, they'll lend you money. The whole world is built on the concept of borrowing and repaying at a very sustainable rate.

When you look at the 35 per cent or so that we are proposing, we are not proposing a fixed rate of 35 per cent, we will come back to 30 per cent. When a nation can afford, and they are giving us that flexibility at 35 per cent of Debt to GDP ratio, or in this instance, at 32 per cent which is one of the lowest Debt to GDP anywhere in the world.

And when a country is in total need of fund for development, politicians like us, sitting here talking as if we have PhDs in economics, constricting our mindset for development is something that I propose to the table, Mr Speaker. It is something that every one of us should think about in a bigger and better way because right now, three million children of this country need to sit in good classrooms, have quality books and be educated to world standards.

Mr Speaker, world-class education for our children will require, on average, K3000 to K4000. This is not the rate of appropriation we are currently enjoying because the Budget can never afford that. You multiply K3000 by three million children that will be K9 billion a year. Mr Speaker, where can we get that kind of money?

Your multiply eight million people by K1000 per head for basic healthcare every year and that will amount to K8 billion.

Mr Speaker, we don't have the luxury of those kinds of money and yet, we come and abuse ourselves by saying, you cannot borrow money because someone sitting in a glass house somewhere drinking coffee is advising us.

Mr Speaker, I want this House to think big and grow the economy. We should work together because the road that we build today must lead somewhere that can grow agriculture for us, which can harvest the fish for us and can take the country forward. We cannot continue to sit back and criticise and think that when the Government talks about 35 per cent debt to GDP, that is the end of the world for us.

For goodness sake, advanced economies like Australia for instance, when the war hit them in 1942, successive governments had deficit budgets. It was only in the 80s

that they came out with surplus budgets. For 20 or 30 years, from numerous deficit budgets they were able to build highways schools, and businesses. When they borrow, they invest in business, in SME participation and growing their economy.

Mr Speaker, I propose to this House for us to think big. When the Government comes in with a supplementary budget like this in the face of the closure of the 2017 fiscal year sacrificing Government plans, it is because the Government thinks big about this country and proposes that we can take this country on with the sort of budget tools that we are proposing to the table.

Mr MICHAEL NALI (Mendi – Minister for Works and Implementation) – Thank you Mr Speaker, I also wish to congratulate the Treasurer for bringing the 2017 Supplementary Budget in.

Mr Speaker, let's not forget, we went to the elections and just returned. I will collect my third pay packet tomorrow. This means that what has transpired during the tenure of the last parliament and previous other parliaments show that there is nothing wrong with us having a supplementary budget.

I must make it clear here so that the nation must not have a misconception that a supplementary budget is a wrong idea. A supplementary budget is not a new thing. We've always had supplementary budgets before and there is a reason for it.

Mr Speaker, I wish to correct the honourable Member for Sinasina-Yonggamugl who said all the Members of this Parliament get money, that wording must change. The K10 million DSIP that the government allocates does not go to the pockets of the Members. We must be very careful with what we say because our people who are sitting up at the Public Gallery and those watching on TV must know that we are not sitting here in vain.

29/02

We are no longer in the 1940s where we wore grass skirts and information dissemination was poor. You have the social media, mobile phones, the newspapers and radio, and the people of this country are watching and they hear all that we say. We have to be mindful of what we say here. We are governed by Parliament privileges but as leaders we must be responsible for our actions and words.

We are all leaders, including Prime Minister and the Member for Sinasina-Yonggamugl so we must be very careful with what we say.

Mr Speaker, our people are branding Members of Parliament as thieves. Just by these kind of statements and it is wrong. We must refrain from this kind of approach and language.

The money for the people is not for the Members of Parliament, it belongs to the people.

Mr Speaker, I was first elected to this Parliament in 1992 as a young leader and today I have a bald head. But in 1994, a senior Member of Parliament made a sceptic statement and many of our investors were shaken and they all packed up and left this country. Businesses and opportunities were lost because of just one statement. I won't name that leader who made this statement.

This leader echoed this statement where he said, Papua New Guinea is going to face a big financial crisis and collapse. Just that one statement sent the wrong signal.

Mr Speaker, let me commend the Prime Minister and I believe this is his second term. We all must accept responsibility because what is happening in this country today is not the problem that was created by this man. These are accumulated problems over the years.

Yes, government after governments have come and gone, and yes, they have enjoyed the benefits of this country's resources when gold, copper and crude oil prices were soaring at that time. Now, Mr Speaker, we have the Liquefied Natural Gas and that has promised billions of kina for this country.

Mr Speaker, but the fact remains, we did not know whether the oil, gold, copper and now the gas prices would be stable.

When the world market was hit, Papua New Guinea suffered great losses and it is a fact that international markets control the prices. So now we have come to the point where we have a cash flow situation.

Mr Speaker, let me say that after my election, I have decided to come into Parliament and support the Prime Minister and this Government not just because we hail from the same province but I have a responsibility, and that responsibility is to stand up in this Parliament and stand for what is right and what is best for the people for Papua New Guinea.

I support this Government because I believe in decisive leadership. We must make decisions. If a decision is not made then who will come and make the decisions.

Yes, we will falter along the way but we have got to start somewhere. If I want to go to Mt Giluwe and I take the route from Tambul and go, I will realise I got the wrong road and I can always turn and come back to Ialibu and go up to Mt Giluwe.

This country must start somewhere.

Mr Bryan Kramer – Point of Order! Mr Speaker, the issue at hand is in relation to the Budget so can the good Member debate issues concerning the Budget? His issues can be raised in Grievance Debate on Friday. We are here to argue and debate on the proposed Bill.

30/02

Mr MICHAEL NALI – I am not talking about grass down at the river, I am talking about the Supplementary Budget. For the benefit of the young man, I am saying that we have always done the wrong things. Every time when we have surplus money, we look anywhere and everywhere to spend that money but we do not wisely spend that money on the right things. That is what I am saying.

Mr Patrick Pruaitch – Point of Order! I know the Minister for Works and Implementation is trying to compliment the Member for Madang but I think it is unparliamentary so I think he should withdraw the phrase 'young man'.

Mr SPEAKER – Your point of order is in order. Honourable Minister, can you withdraw the phrase 'young man'?

Mr MICHAEL NALI – Mr Speaker, I withdraw that phrase 'young man' but if someone calls me that then I would be very happy.

(Laughter in the Chamber)

Mr MICHAEL NALI – Mr Speaker, the truth is I just felt like talking the whole day here. The truth is that we must accept some responsibility here.

We had all the money from all the gold, oil, copper and other resources that were extracted, but we the politicians with the bureaucrats and the system never put money where it should go. We never put money into agriculture or we never invested enough.

We never put enough money into tourism. Which government that was in power replaced imports? We cannot sit around and complain about US Dollar reserves in this country. Everything that you see around you, about 75 percent of them, are all imported goods so where do you think our US Dollar went to? That is where it has gone.

Mr Speaker, I would ask all leaders both in the Government and the Opposition to talk some sense. When you are debating issues, you must always come up with constructive criticisms and positive opinions about how we can make things better. We cannot always rubbish all ideas and not give positive opinions about how to make things better. I am the Works and Implementation Minister and all of you Members of Parliament want roads but where will I get the money to build our roads? We must support the Government and debate constructively. All our roads are very important because without them, we cannot do anything.

This Supplementary Budget is about facing reality. Do not underestimate our people sitting in the Public Gallery or even the guy on the streets. They know how to budget and live their lives on a smaller scale. But here in Parliament when we see that there will be a shortfall because maybe our revenue projections are not working out, we then need to come up with a supplementary budget to adjust them so that we live within our means. We, therefore, do not need to rubbish this Supplementary Budget.

Mr Speaker, I would like to inform this Parliament and the people of Papua New Guinea that the Prime Minister did not have anything to do with this *Alotau Accord II*. We the Members of the coalition were the ones that structured the *Alotau Accord II*. This means that we were not dictated, bullied or pushed.

31/02

So, I must applaud the Prime Minister for the kind of leadership that gave us the opportunity to contribute to this Government's policy.

Mr Speaker, in the last term of Parliament, the Prime Minister through his government thought that he must give free education so that the parents can save their money, is it a bad thing to do or is it wrong? It is not wrong, when you have the money, why not spend it on your children by educating them so that we have an educated society. The Government has done the right thing.

I am the Minister for Works and my job is to make sure that I keep the highways open, build new roads and connect the missing links.

You know what our people are doing? We have all gone wrong, every road that we go through, kilometres after kilometres but not many people are doing business. Land is just there with no development and people are not serious to grow coffee, copra or cocoa and no one is serious about raising cattle too but yet we want roads. Where will these roads come from? Where will the money come from?

We are looking for money to feed ourselves and our country but our people must take responsibility. Funds are put into health that is why we have free health services, and infrastructure. There is money put into that so there is nothing wrong with borrowing. We can go and borrow money but don't allow people to tell you that you cannot borrow. If you borrow money and put it into good use like investing it can roll over economic benefits.

So, Mr Speaker, I would like to say thank you, as you know I like to talk a lot but I will shorten it by saying thank you to the Treasurer for bringing this Supplementary Bill and yes, we must acknowledge that we are in this current situation.

But before I take my seat, I thank the Prime Minister because when I was outside of Parliament I was watching to see if this 1994 statement that came out of the then Prime Minister's mouth would be repeated but it didn't come out. So it takes a real man with guts to stand up for his decisions so don't spoil him all the time.

In 1994, a Minister raised a foul statement and investors took their money away and only few expatriates stayed back and I know the names of a few. Many of them stayed on and have passed on. But since these past three years we are feeling the strain but someone has been holding the country together for a good three to four years.

In my village when we have a traditional dance all the men like to take the outside lane because in Mendi when they dance on the outside you have to be the greatest dancer but people think that it's easy but if you were not meant to take the outside lane, you can't do it.

Thank you, Mr Speaker.

Mr CHRIS HAIVETA (Gulf) – Thank you, Mr Speaker, before I speak I would like to congratulate you for becoming the Speaker and for conducting Parliament meetings.

32/02

At the same time, I want to congratulate the Prime Minister, the Deputy Prime Minister and all the Members of the Cabinet with the Ministers, Chairmen's and the Leader of the Opposition too, who occupies a very important position which ensures there's democracy and transparency in the these five years.

The Parliament term is five years so within that period, we can have debates but the very important thing is the welfare of our people. We have to look at our situations today and acknowledge where we are. Where we are today is the reality check, and that is, yes, we have made mistakes, we have a government in place, we have a Deputy Prime Minister who is vibrant and hardworking and he has brought the Supplementary Budget, a money plan for all of us. He started with a 100-Day Plan, NEC has endorsed. We have all had our input in Alotau too, and we had Members from the Opposition who have joined us, especially from the PANGU Party and THE Party because they know the value of working together in this tough time is much more important than playing politics on the Floor of Parliament.

Mr Speaker, the money plan that the Treasurer has brought forward today is detailed and at the same time constructive. In my time, in 1994, I brought in a money plan budget and it's not the first time I am doing this. You bring in money plans when you have a surplus and you bring in money plans when you don't have any money and you are over spending.

Let's put all these things into focus, the important thing is in the midst of it, the reforms that are there, do they do enough to set the platforms for us to plan better in 2018 and beyond to 2022?

In my experience, having served in the Opposition and delivered two or three Opposition replies and five Budgets, I would say this one fits very well for this time. We have to commend the Treasurer and the Government for bringing in something as realistic that's sound on which it is a working document for us to work for the next five years. It's sound in response to the Honourable Member for Sinasina-Yonggamugl, who tried to get the emotions of Members of Parliament on DSIP and PSIP. The Government is not saying that it's cutting; it's just deferring and everyone has to feel the pinch and it starts with us. Leadership starts with us and Members of Parliament on this side have agreed to bite the bullet and allow services to flow to the provinces to deliver. Let's cut back on development expenses for only three months. You cannot spend everything in three months and that is why I say, it's realistic.

The fiscal stability provision amendments are brought in into the overall plan. It's not like we are opening the flood gates, it is a responsible limit and I believe that has been done in consultation with IMF and World Bank who are our partners. Its fiscal responsibility. We all have a part to play. Last week, the Governors met the Treasurer, and he told us that this Government and the budget aims to grow the economy on revenue led growth.

33/02

What projects can you bring in? What projects can you give us? In caucus today, the Treasurer asked what new economic projects can the new Members bring in? So, let's look at things in a more positive way.

Mr Speaker, the biggest problem is the public servants and how do we move them forward. This is a challenge that we will be facing over the next five years. So the re-structural budget of the public service is so important.

In my case, Mr Speaker, I have a problem because I do not have a petroleum division and yet I have 18 to 20 TCF for gas. What do I do? Do I rely on the National Government? No, because the Department of Petroleum does not have the staff as well.

So we have to start asking the Minister for Public Service and his Secretary to give us the powers in the provinces and assist us to make the necessary changes. Give us the powers so that we can assist to help grow the economy. So this will be the on-going conversations and that should come with the powers of being autonomous.

How can we work in the provinces or how can you help us? Just give us more power in the provinces and we will grow the economy. You have to make us more independent so that we do not come and ask you for money on this Floor.

Mr Speaker, it is important that we look at all this things together rather than saying National Budget is a national budget. Do not try to over control us.

Mr Speaker, I do not wish to take up more time, but this is a fair Supplementary Budget. These measures are fair and the responsibility provisions in which we are allowing ourselves to operate is the ambit of a responsible government. It is setting the stage to move to 2018 and beyond up to the elections.

We have to pay for our elections as well. How do you pay that? We do that through the Supplementary Budget which we are doing now. Thank you.

Mr JOE SUNGI (Nuku) – Thank you Mr Speaker. On behalf of my people, I take this opportunity to debate on the Supplementary Budget.

Mr Speaker, we all have wards in our districts. I was with the Government in the previous government who debated and supported the allocation of K64 million forwards in the 2017 National Budget. This was the first time in the history of this country that saw the allocation of K10 000 to respective wards in Papua New Guinea.

Mr Speaker, I supported that initiative because it was the first time for an allocation to reach the village levels but today I am sadden to hear that this allocation has been stripped off. Are you penalising me because I am in the Opposition?

34/02

Why is that you remove the K64 million from the majority of the people living in the wards area? Why don't we cut from some other areas and live this K64 million for the first time to the 64 wards in the country so that for the first time they can benefit from these fund. Since independence up through numerous budgets, no money has ever gone down to the people. I commend the Government before going for election that for the first time we have broken the record.

But as of today, it's a sad day for our wards this afternoon. I know the Budget has gone through but is there any other ways we can put back this fund?

Mr Speaker, this is like showing lollies to your child but you took it back and chew it up. That's what it means. You are also reducing the DSIP, Mr Speaker, which I have been funding my electorate through the DSIP. This is double penalty, Mr Speaker.

As a responsible Government, we have to put these funds back because it's the first time such funding has gone down to the wards, we have announced to the people already on this. I am assuming that maybe we have used these funds to lure our people to vote us during the election campaign and now we removed the funds from them.

Mr Speaker, I am asking the Treasurer and the Government to review this and hopefully restore this funding back to the electorates because people are aware of it and it is benefiting our people directly.

I commend the Supplementary Budget.

Mr PETER O'NEILL (Ialibu-Pangia – Prime Minister) – Many comments were made, but just to give clarity to few comments made such as from the Member for Nuku. But first, let me thank the Treasurer for putting out an excellent Supplementary

Budget. This is his first time in putting out the country's money plan and has done an excellent job. Due to some renewed sense of energy, as a result of that we are driving at some issues that have been outstanding with us for quite some time.

Issues like over expenditure by public service where over K300 million are blown over the budgeted amount every year in salaries and wages alone. Mid-year focus are showing that it will blow out by K300-400 million. No country like ours can continue to fund that kind of blowouts. We talked about these issues over and over again but some of our public servants are like falling on deaf ears. So as the Treasurer has pointed out, we have given some specific instructions and timeline on this 100 days plan he has put forward, particularly on expenditures on salaries and office expenses that are depriving our people the right to basic services because we are diverting funds to meet these expenses.

35/02

Mr Speaker, the Treasurer is trying to get it back on track. I know that some of our friends in the National Alliance Party and the People's National Congress have been running this country for the last 15 years and with Sir Mekere for the last 20 years. We take our share of the blame for what is happening in our country and it would be fair that everyone else must take their share of blame.

I want to correct the Member for Sinasina-Yonggamugl that supplementary budgets are not new and I agree with the Governor of Gulf. When we have more revenue coming into the nation with surplus that's when we put up supplementary budgets. Over the nine years from 2002 to 2011 we have had six or seven supplementary budgets from National Alliance (NA) when they had surpluses. But what did they spend that money on? Even today they cannot name one infrastructure that they have built in the country.

When we came into Government there was no money in the Trust Account. You spent everything. Over the last 15 years treasury is the engine room of any government and country. It is the heart that is pumping your body. If you are the one controlling it then you should be very careful. Mr Speaker, NA has been controlling it for 13 years.

Mr Patrick Pruaitch – Don't forget, you withdrew that power.

Mr PETER O'NEIL – I withdrew it because you were not doing your job and that is a fact. I withdrew it for only six months. But that aside it is a fact that we are all responsible to correct the position. When there are cost blow-outs this Supplementary Budget is not putting any new additional expenditure. We are in fact cutting expenditure to correct it so that we can be able to meet the targets that the good Opposition Leader set for 2017. And that is 2.5 percent deficit of GDP.

Mr Speaker, when we came into Government in 2012 every one of us agreed that we must enter into a deficit budget so we can fund the infrastructure. At its completion, the LNG Project kick start the economy because it was sliding into recession. If we did not build infrastructure then the recession will be far worse than what we are experiencing today.

We started with 4.5 percent of GDP deficit levels in 2012 and our aim was to bring it down to balance budget. This year 2017 we budgeted for 2.5 percent and next year it's going to go further down. Our aim is to balance the Budget at some stage within this term of Parliament and that is a commitment that we have made and we will deliver it. We are on the right track because we are not increasing the level deficit but reducing it on a sliding scale.

Mr Speaker, we are heading in the right direction. We are not borrowing money to fund unnecessary expenditure. When you look around the country there is something happening in the provinces and in the districts. We are spending money on infrastructure, health and education. The districts, the provincial governments and the National Government are all funding the same sectors in infrastructure, health and education.

Mr Speaker, in terms of infrastructure, the Member for Sinasina-Yonggamugl gave some ridiculous figures about the Six Mile to Bautama Project costing K400 million. I do not know where he gets all these figures. All he has to do is go to NCDC and ask the Governor and he will give a copy of the contract. I think it is within the vicinity of K160 to K170 million so get your facts right before we mislead the public. They all think that some big money is missing somewhere and that is not true.

Mr Speaker, you look around the country today, we are building feeder roads in almost every part of this country, particularly in some Highlands provinces.

36/02

We have not neglected the Highlands provinces at all and in fact Mr Speaker, we are correcting the mistakes that NA made.

I'll explain to you, Mr Speaker, when NA was in government they told the development partners such as World Bank, ADB, AusAID and others that they will divide the whole country up.

They said ADB will look after the Highlands, World Bank will look after the Southern Region while Momase will be looked after by AusAID. Some of the development partners did not live up to the expectations, only ADB lived up to it.

That is why we had this situation where some parts of the country were missing out. So when we got in we are saying that we are now going to pool everything together, it's not going to be isolated where some development partners are taking charge of certain regions and when they are not delivering the infrastructure. That is why the government is now pooling all the development grants that are coming in so that we can divide it equally right across the country.

Mr Speaker, in terms of Highlands highway, it has an emotional attachment with every one of us and it's an important link for all of us. We are aware of that but again, governments in the past have neglected it for many, many years. It took us almost three and half years to negotiate this package with ADB.

The first section that we are now addressing and is ready to go to tender over the next few weeks because the designs are now ready is the Chimbu section. We will not spend K100 million in that section, we will spend K300 million in that section.

So, the facility of US\$1 billion can be drawn down at any time. There is no arrangement restricting us to drawing down K100 million a year.

So, let us be factual in what we say. Mr Speaker, we are committed to building infrastructure in the country and the Highlands highway is a priority.

Today you can drive all the way from Port Moresby to Kerema because we've been able to focus on that road. You can drive all the way to Namatanai, all the way to Kavieng, barring the last 20 or 30 kilometres that are yet to be sealed.

Mr Speaker, we are also sealing the road to Arawa to Buin which Dekenai is doing, and you can also drive from Alotau to East Cape, that road has already commenced. Also when you look at the road from Semberigi to Kikori, these are roads that have been constructed all around the country because of the need to build

infrastructure for economic growth as well as delivery of basic services such as health, education and all the other services that our people deserve.

Mr Speaker, in terms of hospitals, we are building hospitals right around the country. I know the good Governor of Oro Province did not want me to go and open the new hospital extension in Oro Province but that is again a national government funded project.

The project in Eastern Highlands where we are building a wonderful hospital up there is funded by a European Union concessional loan.

We are planning to build a new one in Boram during the course of this year, the loan agreements have been signed, and we are going to build a new hospital for the people of East Sepik, something which National Alliance failed to do for over 20 years.

When you go to Madang you will see that we have built four new operating theatres because we are funding the hospitals directly for the first time in the history of the country. All the hospitals throughout the country are receiving money directly from Treasury.

Mr Speaker, when you go to Vanimo, you will see the extension of the airport and the new terminal that is coming up.

Mr Speaker, we are doing something that has been neglected for many, many years and it is only the beginning. We will make sure we deliver before this term ends.

Motion – That the question be now put – agreed to.

Motion, – That the Bill be now read a second time – agreed to.

Bill read a second time.

37/02

Third Reading

Leave granted to move the third reading forthwith.

Motion (by **Mr Charles Abel**) proposed –

That the Bill be now read a third time.

Motion — That the question be now put — agreed to.

Motion — That the Bill be now read a third time — agreed to.

Bill read a third time.

**CUSTOMS TARIFF (2017 SUPPLEMENTARY BUDGET)
(AMENDMENT) BILL 2017**

First Reading

Bill presented by **Mr Charles Abel** and read a first time.

Second Reading

Bill by leave, read a second time.

Message from the Governor-General

A message from His Excellency, the Governor-General dated 27 September 2017 was announced recommending that the expenditure of public monies in accordance with *Section 210* of the *Constitution* insofar as the Bill relates to and provides for such expenditure.

Third Reading

Leave granted to move the third reading forthwith.

Motion (by **Mr Charles Abel**) proposed —

That the Bill be now read a third time.

Motion — That the question be now put — agreed to.

Motion — That the Bill be now read a third time — agreed to.

Bill read a third time.

ADJOURNMENT

Motion (by **Mr James Marape**) agreed to —

That the Parliament do now adjourn.

The Parliament adjourned at 4.45 p.m.