

EIGHTH DAY

Tuesday 5 December 2017

DRAFT HANSARD

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EIGHTH DAY

Tuesday 5 December 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 (**Mr Job Pomat**) again took the Chair at 10.55., and invited the Member for Ambunti Drekikir, **Honourable Johnson Wapunai**, to say Prayers:

‘Father, this morning, we invite the presence of your Holy Spirit to be among us. We acknowledge that your Spirit is in our midst. We ask the Holy Spirit to give us the wisdom and understanding as we sit to discuss national issues in this House.

Father, we commit the Prime Minister, the Treasurer, all the Ministers, Governors and us Members, unto your hands. We ask Heaven’s wisdom to be upon us so that we can deliberate on issues in this House with good understanding.

Thank you, Father God, for your provisions upon our lives. We ask you again to be with us in this House so that our discussions can be a blessing to the people of this country.

May you go before us this morning? Amen.’

BROADCASTING OF 2018 BUDGET REPLY – STATEMENT BY THE SPEAKER

Mr SPEAKER – Honourable Members, I have to inform Parliament that the Permanent Parliamentary Committee on Broadcasting of Parliamentary Proceedings met today and resolved that:

(a) The *National Broadcasting Corporation* Television and Radio will be allowed to broadcast live the Opposition's speech in reply to the 2018 Budget delivered by the Shadow Minister for Finance and Treasury at 2 p.m. clock this afternoon.

(b) Also, *EMTV* will be allowed to broadcast live the Opposition's speech in reply to the 2018 Budget delivered by the Shadow Minister for Finance and Treasury at 2 O'clock this afternoon.

(c) *TV WAN* will also be allowed to telecast live the Opposition's speech in reply to the 2018 Budget delivered by the Shadow Minister for Finance and Treasury at 2 O'clock this afternoon.

**DEATH OF FORMER MEMBER (MR JOHN NUMI) –
STATEMENT BY THE SPEAKER**

Mr SPEAKER – Honourable Members, I wish to inform Parliament of the death on 7 November 2017 of Mr John Numi, a former Member of the Sinasina-Yonggamugl Open Electorate. He was elected to the Third National Parliament from 1982 to 1987 and was re-elected to the Fourth National Parliament from 1987 to 1992.

As a mark of respect to the memory of the late honourable gentleman, I invite all Honourable Members to rise in their places.

All Honourable Members present stood in their places and observed a minute of silence in the memory of the Mr John Numi.

I thank the Parliament.

**GUESTS IN THE CHAMBER –
STATEMENT BY THE SPEAKER**

Honourable Members, I have to inform the Parliament that we have 22 special guests from the Cheshire Homes attending this Parliament session with us today.

Cheshire Homes is a disable organisation in PNG providing service which empowers persons with disabilities so that their dignity and human rights can be respected and upheld through increased social participation and inclusion.

02/08

QUESTIONS

Bougainville – NID Program

Mr TIMOTHY MAISU – Thank you Mr Speaker. I wish to ask my question to the Minister for National Planning & Monitoring. This is in regards to the NID, whether Bougainvilleans are required to register under the PNG NID program in spite of the referendum in 2019 or is Bougainville a special case and will be exempted.

Mr RICHARD MARU – Thank you Mr Speaker. As far as our Government is concerned, Bougainville continues to be an integral part of Papua New Guinea and they will be issued with NIDs.

Milne Bay – Enforce Law and Order

Mr ISI LEONARD HENRY – Thank you Mr Speaker for recognising the people of Samarai-Murua. I also thank you for giving me the opportunity to participate in Question Time.

I wish to direct my questions to the Minister for Police.

Mr Speaker, there was an armed hold-up at 10.a.m yesterday morning at BSP Bank in Alotau. Armed men with home-made guns held up the Bank and walked away with substantial amount of money. In that event, two security guards were shot without retaliation from the police and the public got rowdy and took the opportunity to also ransack the nearby shops. The criminals got away with it.

On Thursday, last week, a group of armed man using high-powered dinghy in the early hours raided Samarai Island. They held up a shop and got away with substantial amount of money but in the process they terrorised the islanders of Samarai including women and children.

In 2014, there was another raid in Misima where two high-powered dinghy's armed with criminals raided a shop there and kidnapped the owner and his family. They also got away with it.

Mr Speaker, the police were under resourced. They did not have the fire-power and spectated. The criminals escaped.

Mr Speaker, we are in the festive season now and our people are supposed to be enjoying the festive season of Christmas. But the criminals are now out at large doing what they love most that is to terrorise, rob and steal.

My questions are:

(1) What is the Minister's immediate plans right now to get down there and pursue those criminals and get them arrested, because without that they will strike the other remote areas of Milne Bay Province.

(2) What are your long term plans in enforcing law and order in Milne Bay Province?

Mr JELTA WONG – Thank you, Mr Speaker. I thank the good Member for Samarai-Murua for his questions.

The immediate plan is to go down to Samarai.

03/08

We have a team set up to go down there to assess and to chase up these criminals. He took the deposit on the way into the bank and this is the same guy who has been running around. We've caught him once before, he's escaped, I don't know how but he escaped. But we are working on it now.

We are looking to beef up the Milne Bay side, the Government is working on it with the help of other programmes to ensure that these things don't happen again. But, once I get the information I will let you know.

We are on to it. We got this report yesterday. And it would also help if the leader has any other information to bring it to our attention so we can send people down to deal with it.

East New Britain New Britain – New Court House

Mr NAKIKUS KONGA – Thank you, Mr Speaker, for giving me this opportunity. I send out my question to the Minister for Justice and Attorney-General.

Mr Speaker, we all know that in 1994 twin volcanic eruptions occurred in Rabaul. The Government at the time established an authority known as the Gazelle Restoration Authority in 1995. Up to now the infrastructure in Rabaul has not been fully restored as yet.

My question is, when will they build a new court house in Kokopo? We have heard last week that there was a jailbreak at the gaol in Kerevat. We have had a lot of prison breaks

over the last six months and it has been ascertained that many of the escapees are remands; people who are awaiting their day in court but unfortunately they cannot be heard because there is no facility to accommodate the Supreme Court.

We are supposed to have three judges for East New Britain and the region as a whole but at this point in time because there is no proper court house. We are not having those Supreme Court Sittings.

When are they going to build that Court House? I believe there was an amount of K75 million budgeted for a new court house, the Justice Department went ahead and cleared the land three years ago but to date we are still waiting for the Court House to be build.

Mr DAVIS STEVEN – Thank you, Mr Speaker, and I thank the honourable Governor of East New Britain for this important question. It raises important discussions in relation to the judicial servicers to our people in our country.

The main question relates to a proposed court building in Kokopo. It predates my time. Of course the unfortunate events in 1994 also includes the fact that I wasn't a Member of Parliament and not in this seat in particular but I undertake to give a formal and full response to the issues raised by the honourable Governor, especially where he referred to a possible budget allocation.

I take the opportunity to inform the House and, especially our people in East New Britain that the national court is fully functional in the province, in fact, that is our main centre in the region.

The national court facilities have received some upgrade in terms of maintenance but for the present moment the government's focus is on the main court premises in Waigani. This is now ongoing and I am happy to say that the current government is fully supportive of that and the Mt Hagen Court House project but we will go to the other centres later.

Mr Speaker, the demand of our people on government services increases as our population increases and in relation to judicial services, more of our people are now involved in business and commerce, and more have become aware of their rights. It is only right that as a Government we respond to these demands.

04/08

Mr Speaker, it is with great joy that I say to our people that since independence we have now a much more higher number of Judges and that is a deliberate decision by the current

Government to support the submissions of the Judiciary in the time when the Honourable Member for Sinasina-Yongumuggl was the Attorney-General.

Mr Speaker, the Government has been consistently supporting the Judiciary and the important work on the facilities is ongoing and the current Budget that is being delivered is reflecting that particular position.

Supplementary Question

More Magistrates Needed

Mr KERENGA KUA – Mr Speaker, there was concern expressed by the Magistrates for the need to increase the number of Magistrates in the district Courts as reported in last week's Dailies. They need about 200 Magistrates.

Can the Attorney-General inform Parliament and the people of our country if he personally has any plans to increase the number of Magistrates in the District Courts through Papua New Guinea?

Mr DAVIS STEVEN – Mr Speaker, the question relates to the Kokopo National Court and Supreme Court, obviously my learned colleague supplementary relates to something else.

But let me take this opportunity to say that yes, the District Courts are receiving attention at the moment. We are supporting the important work being undertaken by the Chief Magistrate on the reform that is required and the reform will be whole and conclusive because we do not want to increase the number of Magistrates when the corresponding infrastructure support is not there.

We will be working with the Chief Magistrate to increase the number and capacity of Magistrates.

Mr Speaker, I will be presenting a statement in Parliament in due course which will refer to a *White Paper* which is a policy blueprint that we want to put together in the term of this Government that addresses all of our Court Systems. This Parliament passed an important amendment to the *Constitution* to introduce a tri-tier upper Courts and therefore the emphasis on the upper judiciary is there but the Member for Sinasina-Yonggamugl in order for us to better service our people we need to look at the lower judiciary. That is what we are doing.

Kokoda Track Authority Board

Mr HENRY AMULI – Mr Speaker, I thank you for recognising the people of Sohe District and I direct my question to the Minister for Provincial and Inter-Government Relations.

Before I ask my questions let me take this opportunity to congratulate you on behalf of my people for being elected the 10th Parliament Speaker.

Mr Speaker my question is in relation to the Kokoda Track Authority. Since the Establishment of the Authority, the first Board and first Management were appointed, and they served for three terms. The Board was changed after that and a new Board was appointed with a new CEO and this Board and the CEO is going to their eleventh year now.

Can the Minister clarify the Terms of Contract for this Board and the CEO?

My people want to know because as a landowner and the mandated leader of my people we want to know and it would be benefiting to my people if the Minister can attend to our concerns.

05/08

Mr KEVIN ISIFU –Thank you for your question; Kokoda Trail Authority, is similar to other authorities that are set up to serve a special purpose in the country. And those that are under LLGs and are affected; many of which are under my ministry. In regard to the Kokoda Track Authority, there is still an outstanding issue. There are Acts in place to guide and regulate these authorities to function and serve their purposes.

In these authorities, they abide by their own constitutions so I am fully aware of the Kokoda issue, I will take note of your question. I have to get more information and see for myself what status the Kokoda Track Authority is at right now before I can respond to your question.

Relating to the terms that each authority has to be running for is about three years but it depends entirely on individual authorities. As I said earlier, each authority has their own Acts in which they set out their terms and conditions. Thank you, Member, for your question, I will get a progressive report on the issue of Kokoda and will respond to you accordingly.

Circulation of Illegal Tender

Mr ALLAN BIRD – My question is directed to the Treasurer and I would like the Minister for Police to take note. Early this year, a shipping container full of PNG currency in notes was on its way from Papua New Guinea to Germany for destruction when it got singled out somewhere in Indonesia and that container with its contents was stolen. For some reason these notes were not specifically marked and I have reliable information that these notes are now being sold in Indonesia. It came to my attention recently when K12 million in cash, consisting of K20, K50, and K100 notes all brand new and in plastic bags and boxed in specified cartons and are being sold at a 75 per cent discount. So if anyone has K3 million you

can buy K12 million in Indonesia. This is just one small part of the notes that were in that container. My concern is that my people have been trading very much on the border in West Sepik and Jayapura. The biggest commodity traded there is Vanilla and we are aware that at least a hundred million in trading has occurred this year on the border.

Mr Speaker, in the past when there was normal trading, you will find that there is a lot of PNG kina on the other side of the border and we would be chasing that money. Vanilla is expensive and it is being purchased at K1000 per kilo along the border. And these funds are not entered into the banking system, because when a villager is hanging onto K300 000 worth of cash and under our laws on preventing money laundering, they are not allowed to deposit that cash back into the system. I am aware that some of these cash is entering the country from the border.

06/08

Because the village people in East Sepik are sitting on these cash in their villages, most of these cash are not entering our system and some of it maybe circulating.

Mr Speaker, my questions are as follows:

(1) Could the Minister inform this House and particularly my people of East Sepik and West Sepik about what steps have been taken or will be taken to prevent these notes from entering our economy?

(2) Can the Minister assure my people that they will be protected, since they are now in possession of these notes that was the responsibility of Central Bank to destroy? Because of their failure, my people are now the victim.

(3) Finally, Mr Speaker, most of us are not aware of this situation and how it occurred, could the Minister inform us as to what future steps can be taken and what other steps have been taken to identify what actually went wrong in the process of notes destruction and could the people responsible be taken to task?

Mr CHARLES ABEL – Thank you Mr Speaker and I thank the Governor of East Sepik for these important questions relating to the allegations of missing Papua New Guinea currency during its transit to destruction overseas somewhere.

Mr Speaker, the whole process to the management of the monetary system and the currency etcetera comes under the Central Bank who is independent and administers that process. I will take some efforts to find out how that process works, if indeed there's some loopholes in there that leads to that sort of thing.

Mr Speaker, this particular matter remains an allegation to date and I appreciate the Governor raising the matter. But I put back to him through you, Mr Speaker, that he brings some specifics. To say my people are in possession of these notes, there's trading happening at the border, I believe there bundles of plastic notes floating around, could he bring samples of those currencies or in some sort of substantiative amounts to the authority including the police and Central Bank including Treasury so that we can substantiate these allegations because they merely remain allegations at the moment.

Once this is established then we can take measures relating to what you said about protecting our people when actually looking at those notes. Also, we can look further into the process of how old Papua New Guinea currency is destroyed and if there is facts that there is tranship in containers in the open sea making them vulnerable to these kind of abuse.

Mr Speaker, I would encourage the Governor to bring in some evidence so that we can substantiate at this point what remains an allegation.

Mr Garry Juffa – Point of Order! The Bank actually admitted this through public advertisement detailing that these monies which are demonetised monies in transshipment to Germany were intercepted between PNG and Indonesian waters. So it's actually a fact, it was placed in the papers as advertisement by the Bank of PNG and signed by the Bank's Governor himself.

Mr CHARLES ABEL- If that is the case then the Bank is actually taking steps around that as I am not aware of that but will find out further to see what more need to be done to support the Central Bank in the process.

07/08

Rehabilitate Run-down Plantations in Anglimp-South Wahgi

Mr JOE KULI – My question without notice goes to the Agriculture Minister.

My question is that in many parts of our provinces and districts in the country, some have vanilla, some have coffee, some have oil palm, kaukau and copra.

But in my electorate of Anglimp-South Wahgi has fertile land and my people grow vegetables and coffee.

Mr Speaker, many of my plantations in my electorates, my district and province are run down. Even, the largest plantation in our country Wahgi Mek Plantation is run down.

There are twelve plantations that are run down; Kurumul, Maranban, Warawau, Pukamul, Mandang, Kindeng, Aviamp, Kudjip, Kram, and Naola. These plantations have brought a significant revenue for our country and my electorate in the past.

My question is to the Minister for Planning and I would like the Agriculture Minister to take note is, are there any plans of rehabilitating these plantations?

Thank you, Mr Speaker.

Mr BENNY ALLAN – Thank you, Mr Speaker, through you I would like to thank the Member for Anglimp-South Wahgi for asking those series of questions.

Mr Speaker, I would like to thank him because Anglimp-South Wahgi or the new province Jiwaka, Western Highlands, Eastern Highlands and Simbu Provinces grow and produce coffee. So, I am thanking them especially Jiwaka because it produces a great amount of coffee and it is very important that the Member raised this question.

I would like to reply to his question and let him know about the plans through the Agriculture Department to try to rehabilitate some of those run down plantations in the country, not only for coffee but cocoa, rubber and the other commodities.

Mr Speaker, I would like to also thank the Government today. I know the Budget will be handed down this afternoon but I would like to give recognition because after 42 years a large amount of money will be given to the Economic Sector in particular, the Agriculture Sector.

So, I would like to acknowledge the Prime Minister, Treasury, Planning and the Finance ministers for their support through Cabinet and all of us.

It is important that we must grow our economy because currently we are facing money crisis and we can also admit that we are enjoying the blessings through the moneys that are coming from the extractive industries, however, we have not invested in the Agriculture Sector.

So, today this Government under the leadership of the Prime Minister and the Deputy Prime Minister we have a large amount of money which has been given to agriculture and tourism sector so it is important that we grow our economy to help address this money crisis we are facing in the country.

The National Executive Council had approved the establishment of an agency called the National Plantation Management Agency in the past. It now has been revived for the rehabilitation of the commodity plantations that have been shut down.

The National Plantation Agency will work together with my department, Minister for State Enterprise to address the issue and run down plantations.

08/08

To cater for some of the rundown plantations. Of these plantations that are in Jiwaka which you mentioned 12 of them the biggest is the Wahgi-Mek Plantation. It is the biggest in Papua New Guinea and the Southern Hemisphere that had Papua New Guinea of the world map. It is also rundown including many of our other plantations like cocoa, copra, coffee and many others so we need to look into it. This Government is serious about looking into the agriculture sector and to rehabilitate our rundown plantations.

We will work closely with the honourable Member and the National Plantation Management Agency to identify some of these plantations and rehabilitate them. One major obstacle that we are going to face is the landowner issue. Many of those plantations have been taken over by family groups so we need to address this issue in the best possible way. We want to work closely with the local Members of Parliament to identify these issues and address them for the benefit our people in the 2018 Budget.

Another issue that we want to address under Agriculture ministry is to build nurseries. We want to rehabilitate our plantations and at the same time build nurseries to grow our crops. I appeal to all Members of Parliament to at least commit K1 million or so from your DSIP Funds to counter fund those programmes. We can increase our production by counter funding our nurseries and plantations. I ask you all again to work together with the NPA so that we can look at the best ways of rehabilitating our plantations.

Middle Ramu – Maintain Airstrips

Mr JOHN ALONK – I thank you for recognising the people of Middle Ramu. On behalf of them, I congratulate you for being elected Speaker of Parliament. I also congratulate Honourable Peter O'Neill for being elected Prime Minister for a second time. I direct my questions to the Minister for Civil Aviation.

We talk too much about our roads but for my electorate there are still no roads. I know roads will be built but not in the near future as yet. But whilst we are waiting for that to happen do you have any plans for electorates like Middle Ramu to build airstrips or fix the rundown airstrips? I have about 15 to 16 airstrips that are rundown. There are only about 5 or 6 airstrips that are still in operations but that is not enough since we do not have accessible roads. Whilst we are waiting for our roads to be built do you have any plans for our airstrips?

Mr ALFRED MANASE – I thank the Member for his question. I thank him too that this would be the first question that I will be replying since taking up this ministry.

09/08

Mr Speaker, this is a good question. Many people in our country live in rugged terrains where it is too difficult to construct roads and to do so would be very costly therefore our Government under the leadership of our Prime Minister Peter O'Neill has come up with some interventions to assist rural airstrips. We now have a Rural Airstrip Agency and I thank the former Minister for Civil Aviation for his initiative to establish this agency which now works in partnership with MAF to assist all airstrips across Papua New Guinea.

Papua New Guinea once had almost 4000 airstrips most of which are now defunct and the 15 are part of these 4000 that have closed down. We now have plans to assist rural airstrips and to upgrade them and the Rural Airstrip Agency is servicing these air strips. We have now opened 50 of them and 79 others are in the process of being reopened. In this year's Budget our Government has allocated funding to restore these airstrips so I want to inform the Member that his airstrips are among those to be restored, therefore, he has to communicate with me and the Rural Agency Airstrip so that the funds allocated from the Budget can be utilised in restoring his airstrips.

This is a major intervention. Many people travel mostly by road but roads are expensive and is hard to construct in some parts of this country so rural air strips is one of the major interventions the Government is looking at and the Government will look into assist in setting up airstrips so we can be travel, fly and access service.

MP's Exemption from Tax

Mr BRYAN KRAMMER – Thank you, Mr Speaker, my question is in relation to a press statement on the front page of *The National* newspaper on 15 November in which the Attorney General is responding to an article that I had posted on social media that also found its way onto the front page in relation to the remunerations of salary and wages for Members of Parliament, it was disclosed that 70 per cent were non- taxable.

(Members interjecting)

Mr BRYAN KRAMMER – And the Attorney General issued a statement saying and I quote 'I do not agree that there should be exemptions or special treatments for Members of Parliament for the Constitution. He expressed the view that there was nothing that he was aware that was wrong with it but he said that he would find out.

My question is, has the Minister made any finding in relation to his statement?

Mr DAVIES STEVEN – Thank you, Mr Speaker. I thank the Honourable Member for Madang for that question.

Mr Speaker, I am responsible to the people and to the Government in respect to our laws. We pass them and implement them. In that response, I made a very clear statement that matters affecting perks and privileges of leaders including members of the House is a matter that is protected by law. The law established a constitutional body that regulates and decides that particular issue. That body is headed by the Speaker of the House.

Mr Speaker, in answer to the Honourable Member concern, I did express in a formal discussion with the Speaker's people that if there is any truth in what the Member for Madang is saying then the processes must be allowed to take place to correct this issue. The question of taxation, the tax burden that our people face is one that we must be very careful about. Leaders are not exempted, that is the point that I was making. Before our salaries enter our account the taxes are already deducted.

10/08

If the Member for Madang is concerned about these issues, then he should raise them in a formal way because we as leaders need to be responsible. We need to react to this issues in a very responsible manner.

Mr Speaker, I am happy to say that a formal letter has been issued to the tax office from my office enquiring on any discrepancies or issues of irregularity that may be of concern so that this Government can deal with them. There is no point to be gained by bad mouthing other leaders especially on issues like these.

(Government Members agreeing)

Mr DAVIS STEVENS - Mr Speaker, we are responsible to the nation and it is also important for me to say now that the people elect our leaders to come and provide public service for remuneration. There is no-one in my respectful view from both sides of this house who will come here and provide volunteer services for free.

It is in the interest of our nation, Mr Speaker that their leaders are appropriately remunerated and there is already a process in place. That process needs to be protected.

Mr Speaker, sensationalised issues by Members of Parliament is not going to help the process. Thank you.

Mr Pila Niningi – Point of Order! He is clearly misleading the Parliament and telling the people of Papua New Guinea that Members of Parliament do not pay tax. This is false and misleading. I therefore think that the Honourable Member should be referred to the Parliamentary Privilege Committee.

(Members interjecting)

Mr Pila Niningi – He is telling lies to the people. We do pay tax, Mr Speaker. So I move that the Honourable Member to be referred to the Parliamentary Privilege Committee.

Mr LINO TOM – Thank you Mr Speaker –

Mr Pila Niningi – Mr Speaker, please deal with my problem first.

Allocate District Support Grants

Mr LINO TOM – I direct my question to the Minister for Deputy Prime Minister and Treasury. I have been following up on this grant since I took office. As you know, in the last election, a lot of people in Wabag lost a lot of properties worth over millions of kina as a result of election-related violence which was none of their doing.

The election of Kandep came to Wabag and the people of Wabag lost a lot of properties and homes. While we are preparing to go for Christmas holidays I will be faced with disgruntled people who are trying to build up their lives again.

Because of these issues I was following up on my DSG grants so that I can actually assist my people. But I have been neglected for the couple months because I could not get my DSIP grants.

My questions are:

(1) Are we going to get the DSG grants for this year?

(2) Does the Government have any plans for these group of people who are victims of election-related violence and destruction of properties in a nationally sanctioned event which they had nothing to do with? Thank you.

Mr CHARLES ABEL – Thank you, Mr Speaker, and I thank the good Member for Wabag for his important questions on the District Support Grant.

I also note that the issues that he raised pertaining to the election whether the Wabag district suffered in terms of the violence and some other destructions. I sympathise with you.

11/08

We all need funding, the funding that has been committed is needed in one way or another by each and every Member of Parliament.

The District Support Grant is a constitutional grant and is guaranteed to all Members of Parliament. This government is committed to that, it is appropriated it in the Budget as are all the other commitments, including DSIP, and there remains, as we approach the end of the year 2017. I hear your concerns about Christmas and the festive season, some outstanding commitments that have been raised on the Floor of Parliament to the Finance Minister and I.

I have mentioned many times regarding those outstanding commitments, whether they be DSIP or DSG, we are fully committed to meeting those. I have spent a lot of my time ensuring that the integrity of the Budget is met in terms of the revenue that is collected so we can meet those commitments.

Parliament and the country knows, and I have said this many times before, we are going through some tough economic times at the moment, government revenue is squeezed. So, we have an exercise before us to try and complete all the commitments as per the 2017 Supplementary Budget.

To reiterate, in terms of the DSG commitment in particular, we fully intend to clear these commitments before the year ends.

DEPARTMENT OF FINANCE – PUBLIC ACCOUNTS REPORTS FOR FINANCIAL
YEARS 2010, 2011, 2012, 2013 AND 2014 – PAPERS –
MOTION TO TAKE NOTE OF PAPER

Mr JAMES MARAPE (Tari-Pori – Minister for Finance) – I present the following reports pursuant to statute: –

- (1) *Auditor-General's Audit Opinion on the Public Account of Papua New Guinea for the Year Ended 31 December 2010;*
- (2) *Auditor-General's Audit Opinion on the Public Account of Papua New Guinea for the Year Ended 31 December 2011;*

I encourage our citizens and stakeholders and Member of the Parliament to look into this report and see what happens in closets of Vuludpindi House and in the many trust accounts held by the Government.

13/08

The shadow finance Minister is giving a good smile so am sure he will give a good reply later today. And I hope to hear from him a commendation that we are tidying and not only handing down a budget but also reports of budgets that we have handed down previously. Thank you and with this note let me present to the Clerk, the Public Accounts 2010, 2011, 2012, 2013 and 2014 reports.

Motion (by **Mr John Simon**) agreed to –

That the Parliament take note of the papers and the Reports be referred to the Permanent Parliamentary Committee on Public Accounts.

CREDIT SUISSE LOAN AGREEMENT – PAPER AND STATEMENT – MOTION TO TAKE NOTE OF PAPER

Mr CHARLES ABEL (Alotau – Deputy Prime Minister and Minister for Finance) – Pursuant to Statute, I present the Credit Suisse Loan Agreement. Honourable Members and fellow citizens of this country, it is a great honour for me to present to this House and the people of Papua New Guinea a copy of the loan agreement executed between the State and the Credit Suisse Bank on July 29 2016. The facility agreement is for the State to borrow up to as far as K500 million to finance the budget deficits. The Loans and Assistance (International Agencies') Section 2, subsection 7, states that seen as practical, the execution of a loan agreement the Minister shall table a copy of the loan agreement in Parliament and shall inform the Parliament the amount, purposes and the sources of borrowing and of the terms and conditions of the loan agreement.

Mr Speaker, the Loan's (Overseas Borrowings) No.2 Act Section 2 subsection 8, also states that as soon as practical, after execution after a loan agreement, the Minister shall cause a copy of the agreement to be laid before the Parliament for its information.

The *Public Finances Management Act* part 6 Section 37 (3) also requires the Minister after presenting to the Parliament after guaranteeing that the payment of a loan shall at the first

sitting of the Parliament, following the giving of the guarantee table the documents relating to the guarantee.

Mr Speaker, given the above legislative requirements of the State, the Department of Treasury, through the Minister is required to table all copies of the executed loan and guaranteed agreement for the purpose of the Parliament. Honourable Members, you all should note that all loans and guaranteed and issue by the state and governed by these legislations, thus these legislations are required compliant with the borrower and the State to inform Parliament.

Mr Speaker, I wish to inform you that the Cabinet in its decision No. 118/2017 has approved that a copy of a loan agreement be laid before parliament for its information. From the total credit facility of US\$500 million, the state has drawn down US\$310 million in two separate trenches US\$200 million was dispersed under trench 1 in August 2016 and US\$110 million was dispersed in January 2017 for Budget financing. The remaining balance of US\$190 million will be disbursed by the bank once the state complies with the legislative requirement. It is now necessary that the state complies with this condition to enable Credit Swiss to disburse the remaining US\$190 million as a last trench of the US\$500 million agreed between the state and Credit Swiss.

I wish to advise the Parliament that the funds of US\$310 million was used to finance the following activities and projects;

1. National Bridge program,
2. National Highways
3. APEC related infrastructure
4. NCD roads
5. Waigani court House refurbishments
6. Correctional Service Infrastructure Development
7. Police Housing and Infrastructure
8. Election related infrastructure
9. PSIP program
10. DSIP program
11. Local level Government SIP program
12. The National Broadband network
13. Port Moresby Grid development
14. PNG town electrification investment project
15. The transmission line upgrade.

14/08

Mr Speaker, I now lay before Parliament a copy of the Loans Facility Agreement between the Independent State of Papua New Guinea and Credit Suisse AG, Singapore. Thank you Mr Speaker.

Debate (on motion by **Mr James Marape**) adjourned.

MOTION BY LEAVE

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

Leave granted.

SUSPENSION OF STANDING ORDERS – REARRANGEMENT OF BUSINESS

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

That so much of the *Standing Orders* be suspended as would prevent Notice No.4 of Government Business this day being called on forthwith.

MINERAL RESOURCES AUTHORITY (AMENDMENT) BILL 2017

First Reading

Bill presented by **Mr Johnson Tuke** read a first time.

Second Reading

Mr JOHNSON TUKE (Kainantu – Minister for Mining) – I move –

That the Bill be now read a second time.

Mr Speaker, allow me to thank you for this opportunity to present this statement on the introduction of Amendments to the *Mineral Resources Authority Act 2005*. There has being numerous calls from various sectors calling for the *Mineral Resources Authority Act* to be changed over the years.

Mr Speaker, the NEC in its decision No.100 of 2011 endorsed the proposed Amendments and directed the first legislative council to draft a Bill to effect the proposed Amendments to the *Mineral Resources Authority Act 2005*.

However, due to circumstances, the Bill was withheld. Nevertheless, I am pleased to announce that I am now introducing the Bill to bring about the change to the *MRA ACT 2005*.

Mr Speaker, the current *Mineral Resources Authority Act 2005* provides the mandated functions and responsibilities of the mineral resources authority. However, there are changes and alignments that are necessary to improve the functions of the Authority and to give effect to and implement government policy directives.

There has being challenges on administrative and financial management including the lack of proper reporting structures.

Mr Speaker, factors that gave rise to very serious concerns since MRAs commencement in 2007 are as follows:

- (1) A very high turnover of local professional and skilled staff;
- (2) A negative report by the Price Waterhouse Coopers in 2010 on the overall management failures of MRA;
- (3) Compromises by certain MRA Board Members on their board duties and responsibilities and their employment obligations;

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(4) A necessary budgetary control by certain MRA Board members intentionally influence the effectiveness of MRA and limiting it from achieving its full potential.

(5) MRA Board members direct involvement in the recruitment of senior staff thereby compromising the staff;

(6) The misconception by the industry's representatives on the MRA Board have the mandate to control the receipt and application of the production levy.

(7) The industry's influence on the *MRA Act* to enable a pro-rata debate, rebate on surplus funds levy that could amount to double dipping on government revenue and

(8) The total lack of reporting by the MRA Board through the Chairman nor the Managing Director to the Minister for Mining;

(a) A current reporting structure of MRA places a constrain on the implementation of government policies and directives to MRA.

The Managing Director reports directly to the Board of MRA but the Board does not necessary report to the Minister. Therefore, the Government must take control of MRA which regulates the industry that contributes the largest percentage of export revenue to the country from the proceeds of mineral ore of the country.

(b) During the unprecedented period of high global commodity prices, MRA completely misses the opportunity to continue applying the minimum production levy rate of 0.25 per cent instead of the maximum of 0.5 per cent, thereby significantly affecting the income due to MRA.

Mr Speaker, the mining industry began a significant contributor to the economy for many years since Panguna in 1967 and will continue to be a major player in generating revenue for the State in years to come with the major projects that are waiting to come on stream in the very near future.

Therefore, it is quite imperative that the National Government is empowered by law to implement its policies, directives and policy controls over such agencies and instrumentalities that are regulating this important industry and to prevent any direct influence from the private sector to ensure government business is not compromised in any manner by the mining industry.

Mr Speaker, certain changes have been proposed to the *MRA Act 2005* for Cabinet to deliberate upon and endorse in order to rectify these concerns that have been identified which have been favourable to the mining industry but not to the State since MRA began operation in July 2007.

Mr Speaker, the intention of the amendment is to ensure that MRA effectively carry out its mandated functions and ensure compliance through deterrence and the implement of government policy directives.

Mr Speaker, the proposed amendment will address and rectify these shortfalls as follows: firstly, under the functions of the authority, amendments are made to existing provisions to include the MRA functions, the administration and implementation of National Government priorities and policy directives issued by the Minister.

Mr Speaker, in relation to MRA Board, amendments are made to enable the Minister to give general or specific directives to the Board in consultation with the department responsible for mineral policies.

Mr Speaker, in addition, the membership to the MRA Board is now amended as follows; an independent Chairman will be appointed under the Regulatory Statutory Authorities. Appointment for certain officers *Act 2004* for a period of four years.

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The same will apply to all non-ex officio board members. The deputy chairman is the secretary for the department responsible for the mining policy and ex officio.

Mr Speaker, the four industry representation is now reduced to two members. The industry will be represent by the two members nominated by the President of the Business Counsel of Papua New Guinea.

Mr Speaker, of these two representatives, one is to be recommended by the PNG Chamber of Mines but there is a qualification that their must not be employees of any Mining Companies and they must be members to any of the following; (1) PNG Law Society, (2) PNG Institution of Accountants, (3) PNG Institute of Directors.

Mr Speaker, the new additional board members include a PNG national businessman but the rest of the board members are the current ex officio members comprising the heads of the Departments of Treasury, Finance, National Planning and Monitoring and the Managing Director of MRA.

Mr Speaker, in terms of reporting the current reporting requirement is quite general. The Board and the Managing Director do not report to the Minister so this will now be changed for the Board to report to the Minister on the administration of MRA whilst the Managing Director will report to the functions of MRA.

Mr Speaker, in terms of financial reporting the Board is required to produce within 3 months, from 31 December, a financial statement which must be certified by the Auditor General before a copy is given to the Ministers for Mining and Treasury for tabling in Parliament under their respective mandates.

In addition, the Managing Director must prepare a report to the Board within three months from 31 December on the performance of the MRA. The Board shall within two months after receiving the report produce an annual report to the Minister who will be required to present the report in Parliament.

Mr Speaker, the current *MRA Act* prescribes K100 000 as the financial limit of MRA. This limit is not practical. The MRA has custody over the production levy and in its daily operations deals with big projects and programs costing substantial amounts.

The limit will be now increased to over K500 000 or such other amounts greater than K500 000 prescribed under the *Public Finances Act 2016*, as amended, and an increase is necessary to enable MRA to effectively carry out its activity.

Mr Speaker, the *MRA Act* currently allows companies to claim a rebate on the savings made by MRA on the production levy. This is favourable to the industry but could be perceived as corrupt double-dipping by these companies, this will no longer be allowed under the amendment Act.

Mr Speaker, one of the changes relates to the funds of the Authority. The MRA Board ultimately will decide how the funds of the Authority will be used.

But, some of the new inclusions requires MRA to: -

(a) Fulfil State commitments and obligations under project agreements such as the MOAs and other related agreements,

(b) Invest the funds to generate income and be self-reliant to stop MRA from relying too much on the National Government PIP funding,

(c) Assist the Department of Mineral Policy with 35 per cent of the production levy it collects to reduce the strain on the annual National Budget,

(d) To set aside funds it requires for its operations for the next year end; and

(e) May contribute any surplus funds to the consolidate revenue as determined by the Board.

The production levy rate is increased from 0.25 per cent to 0.5 per cent.

17/08

Mr Speaker, the authorities right to brief out legal matters to private lawyers is still available, however, the State Solicitor will have the final say to ensure the best interest of the State is protected at all times. Under the amendments, the State Solicitor of Papua New Guinea is given oversight over any interpretation and application of the laws by the Authority.

Mr Speaker, the MRA is now empowered bring both criminal and civil action against any investor who breaks the law of our country. Mining is a major revenue earner of the country and therefore the State must have the power and authority to through the MRA to enforce its laws against any offenders.

Finally, the penalties under the *MRA Act* have been increased as a deterrent to ensure compliance with the laws. The penalties range from a fine of K25 000 or up to two-year imprisonment for general penalty and up to K100 000 for specific penalties such as failing to

produce information and making false statements. A K20 000 fine is placed upon the offender for breaching the regulations.

Mr Speaker, it is, therefore, imperative that the *MRA Act 2005* be amended to align it to serve the best interest of the people of Papua New Guinea. With the upcoming new major projects on the horizon. It will also complement the introductions of the new revised *Mining Act*.

Mr Speaker, I conclude my remarks and call upon every Member of Parliament to share with me to uphold these changes and to ensure we take ownership of our important State institutions that regulates the biggest money making industry in Papua New Guinea. Thank you Mr Speaker and thank you all for your attention.

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

That the question be now put.

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 22 November 2017 was announced recommending the expenditure of public moneys in accordance with *Section 210* of the *Constitution* insofar as the Bill relates to and provides for such expenditure.

Third Reading

Leave granted to the move the third reading forthwith.

Motion (by **Mr Johnson Tuke**) proposed –

That the Bill be now read a third time.

Mr KERENGA KUA (Sināsina-Yonggamugl) – On behalf of the Opposition, I have some reservations about the impact of *Section 27* of the proposed Bill and its constitutionality. We know that the starting point is the *Constitution* and the famous *Section 209* of the

Constitution requires the State to appropriate the expenditures relevant to all agencies and instrumentalities and authorities of the State on an annual basis.

The effect of such a Bill like this is Section 27 which the Minister has referred to has the impact of permanently delegating that function away from the oversight of this Parliament on a year to year basis and vest seat in the hands of a statutory authority. Such that every year this Parliament will not have the powers or the oversight of the expenditure and revenues of that the Authority because Section 29 permanently diverts that oversight of Parliament away from that Authority.

18/02

In particular, if you look at section 27, 1(e), (f), (g) and (h), those recite very significant revenue that is intended to come into the consolidated revenue of the National Government, (e) concerns all revenues paid under the *Mining Act* and the mining regulations, the *OK Tedi Agreement Act*, the *Bougainville Copper Agreement Act* etc. Revenues paid under all those legislations will go into the Authority, (f) all rent payable under the *Mining Act*, the *OK Tedi Act*, the *Ok Tedi Agreement Act*, the *Mine in Bougainville Copper Agreement Act* all of those rent fees will go to the new Authority.

More significantly (g), the production levy of every mining company in this country which is limited to 0.5 per cent will run to millions of kina and that constitutes a very significant revenue that should be coming into the consolidated revenue. Whatever that amount is, it has to be significant because we have a lot of mining activities going on in the country. At a time when the State is short of cash, we cannot afford to see significant revenue that is intended to come to the coffers of the State being diverted to an independent authority which will not be dependent upon the State for appropriations on an annual basis.

And (h) talks about all monies, fees and levies paid to the Authority under this law. So when you add all those together with all the other types of revenue, it will add up to a very substantial amount. On its own, it may not be very significant, but if you add these to the many other authorities of the State that are operated out there under similar financial arrangement under their own respective enabling legislations, it can add up to a very significant amount in its totality. That is why, when we introduce such a Bill like this containing such a provision like this, having such an effect of the nature I just described, we have to be very careful that we are not denying much needed revenue flowing freely into the consolidated revenue that can be made available to the Government of the day to use it to then spread it out.

This brings me to the second point; financial issues, resources, are matters that you need to finance the governments priority of the day and the priorities of the government can shift year by year, from time to time it changes. But the government of the day has to use the financial resources to make sure that the authorities implement the government's priorities of the day. How can we do that when there is an Authority that is financially autonomous and does not depend on the government of the day for income and revenue? It is financially independent, the connectivity will be lost. The government will not be able to control to make sure that its priorities are being implemented by that Authority using financing as a means of ensuring that its priorities are being implemented. That is very important too.

The Minister himself in introducing the Bill in his speech is admitting to the fact that the previous authority established under the 2005 Act has not been accounting to the Government. Did we figure out why that has happened? It may be because a similar provision like this existed in the older legislation that he is trying to repeal. You are trying to correct a miss-set but the miss-set is being continued in *section 27* here where you are continuing to give financial independence to that new Authority and you will not have control in the succeeding years. So, for those two reasons and more importantly because of the fact that it is going to deny this Parliament financial oversight over this authority under Section 209 of the *Constitution*, the Opposition feels that Section 29 in its current format is unconstitutional.

19/08

It will not give the government of the day the opportunity to control authorities like that on a year by year basis. So we do not support the Bill in its present form because of Section 27 in particular.

Mr MICHAEL NALI (Mendi – Minister for Works & Implementation) - Mr Speaker, I have been a miner myself. So I have been working with the Ok Tedi Mining for nine years.

Mr Speaker, this Bill is timely. I also appreciate the fact that we need the private sector to give us some guidance as we participate with the Government to ensure that we sail safely and calmly. But, Mr Speaker, on many occasions, being around for a while you will come to realise that things are not straight forward as you and I would think.

A lot of these laws give a lot of comfort and it also restrict us from doing business the way we should do business in Papua New Guinea to protect the interest of our country.

Mr Speaker, I have a personal view that we are the most over blessed group of people in the South Pacific with a lot of resources such as mining, petroleum and now into gas.

Mr Speaker, it is time to take control of the operations of these major companies insofar as legislation is concerned so that we as a government know where we are going.

Sometimes we have a lot of lobby groups that go around to discredit and ill-advise us, and at the end, we are the one to suffer.

So I support this Bill. We as a country will now need to re-look at a lot of issues that surrounds us. I have a classic example where a very great man in this country who continues to serve the Independent State of Papua New Guinea is sitting at the back of me, who has tried so many times to try and get his provincial government and his people to try and review some of the agreements that affect his people, have never being given an opportunity to review.

So that is why a lot of mining companies like Porgera, Lihir and Ok Tedi could be one of them as well. A lot of mining agreements have not been reviewed, so our people are missing out.

Our people have missed out a lot because their grievances are not taken to the table where they are supposed to. I think it is important that we support this Bill.

The Treasurer has made it clear that any Statutory Organisation who may think that they have the financial authority to run their own budget will come under the national appropriation through the Budget.

If what the Member said is correct, that it can be fixed. I think, that particular portion of the law is not a bible that you cannot rewrite. This can be rewritten, so Mr Speaker, I think insofar as benefit is concerned in Papua New Guinea, especially in terms of how businesses are conducted, we have been pushed to a corner and told that we cannot do it the way we are thinking.

20/08

Mr Speaker, in all our resources developments we are paying for our share of the equity.

What we need to do now, especially in mining, petroleum, fisheries and forestry is to go out to other parts of the world and study how they do their business in these industries and start talking about it in a positive way to try and change the goal posts a little bit.

It seems we have been too scared to change the goal post but we have the opportunity in the form of the changes advocated by this Bill to sit down and work out how much our country and our people should benefit from this industry.

With that, Mr Speaker, I support the Bill.

Mr ALLAN BIRD (East Sepik) – Thank you, Mr Speaker. I think one of the things that all of us as Members should understand is that one of our sacred duties is to make good laws notwithstanding the current Bill that is before us.

Mr Speaker, I am happy to support any good law. I am happy to support it so long as it will resolve the problem that we are facing in the particular area of government where the respective minister is proposing the law.

As my senior, the Member for Sinasina-Yonggamugl has already explained, we have some reservations and we are putting them on the table.

I am wondering if MRA is a regulatory organisation or a business. I am wondering if the proposal that they bring before this House to get the support from both sides is to empower themselves so they end up with another organisation like Fisheries where they can collect vast sums of money and hide it as the Treasurer has already mentioned in the House.

I don't want us to support a bill here on behalf of all our people that will end up creating another situation that we have to come back and rectify. Therefore, in the making of laws, I feel that we should be very careful, we need to take great care and responsibility. It should not be a personal thing. It should not be something between Opposition and Government. It should be something that we do in the best interest of our people.

This regulation seems to be focused on how it can collect revenue to sustain itself. I worry about that, Mr Speaker.

We have a similar situation with CEPA at the moment. I referred to the instances of illegal logging or the logging that we do not understand and do not know what is going on. CEPA is supposed to do inspections. They are supposed to regulate what is happening in terms of what is happening to the environment.

Now, Mr Speaker, because they collect revenue from the organisations that are requesting environmental permits, my view is that they are more interested in collecting revenue for the permits than they are in actually regulating what is going on.

My fear, Mr Speaker is that, if we are to give the same kind of power to MRA they too will fall into the same trap that CEPA is in. And they too will only focus on revenue collection and they will neglect their regulatory function. Mr Speaker, I want some guarantees that this Bill will resolve this problem.

Now, if we cannot be assured as a unified House to make a good law on behalf of our people then this law that we are going to pass today will fail to resolve the issues where the Honourable Member for Sinasina-Yonggamugl has raised then.

Mr Speaker, I implore the House that we take this Bill back. Let's make sure that all of the safeguards that we need, it is not about resources, it is about the regulatory functions of regulating mines and regulating how they operate.

Mr Speaker, we should take more care and be more responsible when we pass such laws.

Mr WERA MORI (Chuave – Minister for Commerce and Industry) – Thank you, Mr Speaker.

21/08

Mr Speaker, what I will be saying is basically my own opinion and that it is only fair that I give my opinions on this subject because I come from the affected industry.

Mr Speaker, from the out-set I would like to point out that there is a possibility that it could see the demise of the mining industry in this country.

Mr Speaker, if such amendments are allowed to be perceived we may see the exodus of a lot of exploration companies because we are not, as Members of Parliament, make very responsible decisions.

Mr Speaker, because of the fact that the mining industry is a very high risk venture you can spend up to K20-K30 million and if you don't find anything you can simply walk away from it.

What could have been better is that we see the dissolvent of the mineral policy and amalgamate with MRA and basically try and regulate in such a way that it will meet what we desire to effect and that it must come under the radar of the National Government.

Mr Speaker, it is true that MRA since its establishment has become a juggernaut of its own and somewhere along the line it must be towed in line to be responsible to what the desire of the Government in terms of the main agenda to basically to have a vibrant mining industry in this country and help drive the Government's agenda forward.

Mr Speaker, one thing that concerns me most is the Board composition and I would ask the Chamber of Mines and Petroleum to have someone from the law society or accountants to represent them on the Board. This is a technical industry where it is far more technical than any other industry for that matter. I cannot see the rationality in this. Because this country depends on mining as much as it depends on Oil and Petroleum.

We all want to ensure that all the industries in this country must respond to the drive of the National Government.

Mr Speaker, there are rooms for improvement and the best way forward is that we want to see MRA be more responsible to the National Government.

RESCISSION OF MOTION

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

That the Third Reading be rescinded and that the Bill be referred to the Permanent Parliamentary Committee on Constitution Laws and Acts and Subordinate Legislations.

Sitting suspended from 12.42 p.m. to 2.00 p.m..

22/08

APPROPRIATION (GENERAL PUBLIC SERVICES EXPENDITURE 2018 BUDGET) BILL 2017

APPROPRIATION (JUDICIARY SERVICES 2018 BUDGET) BILL 2017

APPROPRIATION (NATIONAL PARLIAMENT 2018 BUDGET) BILL 2017

Second Reading

Debate resumed from 28 November 2017(see page...).

Mr IAN LING STUCKEY (Kavieng – Shadow Minister for Treasury) – Mr Speaker, I am humbled as I am honoured to stand in the House today to present her Majesty's Opposition and the alternative Government's detailed response to the 2018 Budget.

I convey our appreciation to the Prime Minister and also to the Leaders of the Government Business for abiding with Parliamentary Convention, for not repeating the shocking mistake of 2016 and therefore allowing for an Opposition Budget Reply this year.

The alternative Government will only fight the good fight and we have a genuine desire to rebuild this nation to partner with likeminded leader, many of whom sit on the opposite side of the House. Oppositions in the past in most countries share a simple motto, Expose, Oppose and Depose. But we want to rebuild our country the proper way. So our motto will be different; during this term of Parliament the alternative Government will expose, oppose and propose, a small difference but one that will establish and magnify our integrity and showcase our

experience and most importantly our track record of successfully managing the Government, the budget and the economy. This is our point of difference.

Mr Speaker, I stand here not just to oppose the errors and misjudgement of the 2018 Budget, K2 billion of State revenue, fake loans and inevitably a fake budget. Because when the Government runs out of money again in 2018; we will all be called back to the House. Passing yet another Supplementary Budget. Mostly it is a sign that the budget has failed, yet again. This budget is filled with misguided spending priorities and failed plans for financing and yet another huge deficit that will burden our children with too much expensive debt. Rather I stand here to propose solutions representing the alternative Government of Papua New Guinea.

23/08

Mr Speaker, the alternative government has the experience to fix this economy and fix this country. The National Alliance Party had to take over the reins of bedding down economic reform commenced around 1999 to 2000. These reforms were started by the former Prime Minister, the honourable Member for North West, who is currently sitting on this side of the House. They continued during the term of the Leader of the National Alliance, the honourable Member for Aitape-Lumi, in his senior role as an NA minister and Grand Chief Somare's Government including his years, as Minister for Treasury and Finance.

Those National Alliance years were good years, they were good for PNG. From 2003 to 2011, there was growth after allowing for inflation of five per cent per year in income measured by non-resource GDP, for reasons I will go into later. It is better to measure the economic welfare of the people of PNG, by focusing on the non-resource parts of our country rather than giving too much weight to just big mines and LNG projects.

In contrast, the current Government is aiming for increases of only two per cent each year. We need to aim higher in our opinion and need to get back to higher growth rate relevant to PNG's people, that what is expected of us.

During the National Alliance years, nearly 15 000 formal sector jobs were created every year. Under this Government over the last five years, there has been no formal sector job increase. In fact, the number of jobs has been going backwards by some 4 000 jobs every year.

The National Alliance has demonstrated that we can deliver on improving the standards of living and job prospects of our people. This is in a big contrast to the current regime.

Mr Speaker, the alternative government of PNG has a better vision for this country. This vision is truer to our founding principles ideals. Over the last five years, it seems, the government has lost some of its way on serving the interests, of the people of PNG.

We need to get back to focus on PNG's people, our rural people, the often forgotten majority, who have no access to clean, reticulated water, electricity and privileged access to urban services like shopping centres and even just basic government services. We talk a lot, eat a lot, smile a lot and are always in the newspapers, TV and even all over this uncontrollable dragon called Facebook. We need to see and touch, our billion kina budgets, we need to see these millions and billions working in our remote villages and remote provinces. It's just not happening! And if it is - it's not fast enough. We need to empower our rural people, so they and their children can live healthier and more productive lives. As the people's representatives in this Parliament, we have this as an obligation. One that should be above politics and personnel gain. With the kindest possible interpretation, possibly, the Government has finally started to accept the enormity of some of their mismanagement and the adverse impacts this has had on our families and our businesses. The Minister for Treasury seems to acknowledge that there is a revenue crisis. He also admits in the foreword to the Budget how "the shocks have had a much greater impact than initially anticipated and continue to have an adverse impact as we end 2017".

24/08

It is good to know that there is at least, some straight forward talking on how bad things have become.

To my brother members in this House, if you have been focused on the rural setting and touched the lives of our little people, I acknowledge you, I thank you and I respect you.

And why has this revenue crisis happened? Part of the problem is that this Government has been far too slow to respond to changing circumstances. The drop in international commodity prices occurred three years ago. So what has the Government done? They initially pretended there wasn't going to be a problem, believing it was a fake problem, pretending that there would be no impacts on the economy because LNG prices were claimed to be in fixed price contracts.

Mr Speaker, that was clearly a lie. The force of the lie was clear by the middle of 2015 when the PNG Treasury admitted that revenues had fallen through the floor. But still the Government continued to sit on its hands.

By sitting on its hands, by not doing enough to turn things around three years ago, it means that adjustment is now much harder. This was a serious mistake with the Government sitting on its hands for far too long.

The language in the Budget claiming economic recovery is underway is a wonderful sentiment. However, once you believe this is the case, the danger is that you sit back on your hands again.

Mr Speaker, contrary to the language being used by some Ministers on the other side, indications are that PNG is already in a recession. I am pleased that Minister Maru has stated that PNG was headed towards a recession, but others are pretending, the economic recovery is underway. However, the latest figures from the Bank of Papua New Guinea indicate that during the first six months of 2017, business sales have gone backwards, employment has gone backwards, and private sector credit has gone backwards. The fact that our income tax collections keep falling is also a sign that we are going backwards. Experts at some of the most eminent universities in our region, consider PNG is in a deep recession.

There is an urgent need for us to have the policies to turn around the economy and to improve the prospects for raising the standards of living for our people.

Things have become so bad that PNG's economy is like a badly leaking bucket. It is even difficult to determine which holes need to be fixed most urgently.

The alternative government has a vision for getting PNG out of this mess and this very deep hole that the government has dug over the last three years.

The alternative government understands that many economic issues must be addressed. Initially, it has made strategic choices and has decided to focus on just three critical economic issues for fixing:

- a budget crisis as clearly revealed by last Tuesday's Budget,
- a jobs and standards of living crisis as experienced by so many in PNG, and
- a foreign exchange crisis.

I will expand on each of these three crises in this budget response, setting out the challenges as well as solutions. These three economic crises must be fixed in concerted effort, together with other actions to address PNG's deep governance, corruption and social challenges. I will now start on the Budget crises and touch on the problem as we see it.

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Why not credible? When we go into detail, we see great expressions such as on page 70 of Volume 1 that, and I quote "In 2018, there is a greater emphasis on revenue generations, therefore K3 million has been allocated towards Revenue Raising Initiatives."

Mr Speaker, that sounds good but when we go even further into the details of this Budget, in the Public Expenditure Program, we actually find that the funding for the “Revenue Raising Initiatives” program, listed on page 78 of the Budget Volume 3, a program that actually commenced way back in 2014, that the Government actually has cut funding from K5 million in 2017 to K3 million in 2018.

Are we now seeing fake initiatives too? They talk about doing more resource raising initiatives, but this is actually an old program and they’ve cut funding for the program in this Budget too.

Why not credible? The Government claims it will receive K1250 million from our struggling State-Owned Enterprises, on top of a surprise and incredible K565 million once off payment. This is very suspicious accounting and it is very suspicious forecasting. There is no way that our State Owned Enterprises can pay such huge dividends. No way! There simply is not enough money in the balance sheets of these organisations for such huge payments.

Instead, these organisations are having to borrow money to pay these dividends in some very suspicious deals. These will simply mean poorer services from our power and water utilities.

Why not credible? The 2018 Budget assumes an increase of over K0.5 billion in GST revenue, up from K1.5 billion in the Supplementary Budget to K2.0 billion in 2018. When I first saw this, I was worried that the Government had decided to increase the GST rate from 10 to 15 per cent! How else could they have got so much money from GST? But they say that they are only going to review the GST rate, not that they have increased it is yet.

Mr Speaker, I am very concerned about the increases in the costs of living that are being considered by this Government. Without these K2 billion in sales, then either expenses have to be cut further, or there will be further losses and even more debt again. Goodbye DSIP!

Mr Speaker, Let me now turn to some major issues with the Government’s expenditure plan or choices on expenses.

The Government has been spending too much on the wrong things, and not enough on the right things. There has been Budget austerity-cut backs in the key areas required for development, and a free-spending approach to big projects, especially in Port Moresby.

So let’s look at the actual pattern of increases in this 2018 Budget. Who are the biggest winners? The biggest increase of an extra K482 million goes to interest costs. The next biggest increase of K310 million is to the administrative sector. These reflect poor priorities and previous mismanagement from the Government. As Secretary to the Treasury has admitted, there has been an extraordinary expansion in the number of public servants.

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I must conclude that the directors of the company PNG Government Limited are seemingly deceiving their shareholders.

Mr Speaker, this Budget is built on false and misleading foundations. It contains at least K2 billion in fake sales revenue in its starting base. Let me expand on this very important claim. From a simple businessman's perspective, if you don't focus your sales correctly then the rest of your business is at risk. The 2018 Budget revenue assumptions are frankly wrong. So wrong and so largely wrong that frankly we call them fake revenue. Given the state of PNG economy, you would have to be an ignorant businessman to assume that your revenues are going to increase as much as assumed in this Budget a 20 per cent increase in sales from K10.6 billion in 2017 to K12.7 billion in 2018. This is not on, Mr Speaker, this is fake revenue. This Government has a record of telling some lies about revenue. I will prove my point.

The 2014 Budget claimed revenues would be K12.7 billion but it wasn't. It was K11.5 billion, a shortfall of K1.2 billion. The 2015 Budget claimed revenue would be K13.9 billion but it wasn't. It was K10.9 billion which was a shortfall of K3 billion. The 2016 Budget claimed revenue would be K12.7 billion but wasn't. It was K10.5 billion which was a shortfall of over K2 billion again.

Mr Speaker, we are making the same mistakes time and time again, over and over again, and year after year. When will we learn? We don't know how bad the 2017 Budget estimate is yet. So far we know this much. The mid-year update acknowledged that would come in at least K500 million half a billion short. This Budget has nearly doubled that shortfall to nearly K1 billion or K900 million but we won't know until March 2018 how bad the actual figure will be.

Mr Speaker, a key requirement for this Budget as I have been stating for many weeks is credibility. A true building block and absolutely essential starting point was to have a credible revenue number for 2018. Instead this Budget is full of such obvious tricks that it would absolutely fail most credibility tests.

The 2018 Budget has at its early stage some K2 billion in fake revenue. When you start yourself with a lie you are tempted to make your expenses also a lie and that is when the rest of your Budget will fall to pieces quite frankly. This is not the building block that the Minister for Treasury promised us. So where is this K2 billion in fake revenue one might ask?

The first problem is that we have a fake formula. Giving K24 million to the Internal Revenue Commission and task them to collect and squeeze an extra K755 million in revenue. That is a return of K31 for every extra K1 in admin costs. This is not credible, workable and

not true. Why not credible? The Government tried the same trick in the 2017 Budget way it budgeted K19 million to IRC and Customs and expected to generate K400 million in extra revenue. It was a fake return of K21 for every K1 in admin costs. Instead revenue has gone backwards by at least K1 billion.

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Mr Speaker, let me return to a more detailed assessment of the Budget itself. As I work through the 2018 Budget, I inevitably bring my experience as a business person into understanding more, our country's budget. The perspective of a businessperson can cut through much of confusing language we see in budgets.

Put simply, when I look at the Budget, I think of PNG as being similar to very large and diverse company, PNG Government Ltd gets money, spends money and hopefully makes profit and not a loss. So for the 2018 Budget, all the budget revenue figures, those taxes, property income and donor grants, they are similar to the sales revenue of a company. Like a business, all those wages and grants transfers and interest expenditures are similar to a companies' expenses. The difference between sales and expense is either profit or loss.

Looking at this Budget, we see that the PNG Government Ltd has been making some very big losses in the recent years. These losses are, by far, the biggest in our nation's history! The latest loss we have confirmed is that for 2016. That was a loss of K3.1 billion. In 2015, we had a loss of K2.5 billion. In 2014, a loss of K3.2 billion. In 2013, a loss of K2.7 billion.

Mr Speaker, it has to be asked, is PNG Government Ltd broke? Our people are feeling the pain through a lack of jobs, a lack of incomes, a lack of foreign exchange and a lack of important government services. The last time the PNG Government Ltd made a profit was back in 2010 under the National Alliance Party. Later in my speech, I will show how the wisdom of the National Alliance can, working with the people of PNG, turn around the fortunes of what has become a very sick company under its existing board of directors.

And of course, when you make losses, you either go broke or you have to mortgage the house, sell off assets and borrow more money. And that is what the Government has been doing. Since 2011, debt has grown from K8 billion to over K24 billion. Looking at it another way, our past governments took 37 years since Independence to build up PNG's total debt to K8 billion. Then in five short years, between 2012 to 2017, the current Government built up debt to K24 billion, tripling the debt in five short years only. And with much bigger

debts, a company has to start paying out much more interest. Interest expenses have gone from K0.5 billion in 2013 to an estimated K1.8 billion in 2018.

This is an extraordinary and massive increase of K1.3 billion because of the government's irresponsible attitude to properly managing the finances of the company, our country especially the three-year gap before the Government finally admitted that it needs to adjust to the shocks. A three year wait - No business could survive with such inaction. So with this perspective of a business person, how does the 2018 Budget compare?

Let me first look at the projected sales figures for this is the starting point for any company in making its plans. Looking at this Budget's sales figures, I must conclude that the directors of the company, PNG Government Ltd, are seemingly, deceiving their shareholders

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The figures he's quoted are that public service numbers have jumped from 70,000 to 130,000.

On a more positive note, we support the increase in health expenditure of K285 million. But this still means health gets less money than in the 2016 Supplementary Budget. The Government has not even restored the slashing of funding of the bitter 2017 Budget. Relative to the 2015 Budget, health has been cut by 16 per cent in real terms. It's no wonder our health services are declining! It is good that more funds are being provided for medical supplies. However, the underlying issue is a lack of transparent competitive tendering in the medical supply contract. People know that this has been a major issue in the health system.

The next largest increase goes to the economic sector. This could be a good thing. But nearly half of this expenditure is for APEC. Whilst now locked in, there really were more pressing development needs in our economy than this expensive showpiece. Indications also are that the K300 million in funding will be entirely inadequate, and we expect the final cost will be much greater. The Government has also talked up big the increased funding for the agriculture sector. I will discuss that in more details when outlining how such spending could be spent much, much better.

So the biggest winners in this Budget are interest costs, administration, health and APEC. Are some of these really the right priorities at this time of severe economic pain and failing government services?

Further down the priority list there are increases in education of K131 million. But this once again does not go close to restoring funding. The education sector has had a cut from K1

554 million in the 2015 Budget to K1 293 million in 2018. This is a slashing, after allowing for inflation, of 31 per cent in real terms despite the pressures for more schools, more teachers and more access to ever higher levels of education. No wonder our important education institutions are really feeling the pain. As a result, this is pushing down the quality of our education standards. We need to stop and look seriously at whether this is the right education policy for our future. Certainly, many people in my electorate regularly talk of their concerns that their children are going off to school but not coming back to the village with practical skills. They are not being trained properly, and the jobs are not being created. I will discuss this issue more in the jobs crisis section below.

The transport sector has been cut from K1 586 million in 2015 to only K937 million in this Budget – a real cut of over 50 per cent.

Law and order has been cut from K1 244 in 2015 down to K1 064 million in the 2018 budget – a real cut of nearly 30 per cent. Why has this Government decided even in the 2018 Budget to slash funding for our vital police and judicial services? Provision of good law and order is so vital for providing safety in our communities, of dealing with issues such as domestic violence and fake witchcraft allegations, of providing reassurances that can build our tourist industry.

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And especially in this APEC time, it seems unusual that we are cutting support for our security and police services.

Mr Speaker, I must also state our concern at the enormous cuts in the community and culture sector from K222 million in 2017 to only K102 million in 2017. A cut of over 50 per cent in just one short year.

We applaud the increased emphasis on economic activities. We support that, Mr Speaker but we should not lose sight of the importance of our extra ordinary cultural diversity and the importance of supporting our communities.

A hidden feature of all of these is in the provincial allocations. This is funding for the provincial and district improvement programmes. Collectively, it seems, after the consultations with the Minister for Treasury there was a general acknowledgement that we may need to defer some of these payments until our books, the books of PNG Government Limited were in better shape.

This was a key feature of the supplementary budget where over 70 per cent of the reductions came from these deferrals. Given the revenue crisis we are facing, possibly, it would

have been better if we decided to defer some of these payments. Again this could have reduced pressures by nearly K1 billion. Instead we see that the Government has fallen back to the recent fall of patronage payments which in fact disempowers and debilitate our people and us as representatives of our people.

A standout area where the Government has lost some control of its spending is interest costs. As mentioned earlier these interest costs have exploded from half a billion in 2013 to K1.6 billion estimated for 2018.

This increase on K1.3 billion is double the cost of introducing tuition fee free education. This is a cost that should and must be kept under control. Once again, from a business perspective controlling interest costs has two key components.

The first component is ensuring that you keep a good credit standing. Unfortunately, despite the historic opportunity to improve PNG's credit rating because of the PNG LNG Project international credit rating agencies have downgraded PNG's rating.

The loss of confidence in the local markets have also contributed to the cost of treasury bills nearly doubling in cost.

Rebuilding confidence in economic management is crucial to reducing these interest rates again and every one percentage point drop in interest rate will now save close to K150 million every year.

A second part of controlling interest cost is controlling the level of public debt. This is where the extraordinary poor performance on self-planning has now come home to bite.

PNG has had its largest series of losses on its budget accounts ever over the last five years. The 2018 Budget now reveals that the deficit for 2017 has blown out yet again to K2.3 billion. So on 7 November, only three weeks ago, the Government said in its 2018 Budget Strategy Paper that the 2017 deficit would be K1.9 billion.

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Now, although this isn't clear the tables, 2017 revised revenue has fallen another K408 million.

This leads to a very major concern with those on this side of the House with the Minister for Treasury's Budget speech delivered one week ago.

Indeed, I am very concerned that the Minister for Treasury misled the house when he presented the Budget. For in his speech, whenever he talked about 2017, he only ever talked about the revenue and deficit numbers at the time of the Supplementary Budget delivered on 27 September, more than two months before last Tuesday's Budget. However, he knew that in

those two months, the PNG Treasury, working with IRC and Customs, had taken another K408 million off its revenue estimates.

Mr Speaker, he hid this K408 million reduction from this Parliament. He hid the implications that this means the 2017 budget deficit has also increased by K408 million. He hid from this house that this meant that the 2017 deficit is now 3.1 per cent of GDP, not the promised 2.5 per cent. He hid from this House that he had now failed to meet the very first point in his now expired 100 Day Plan – deficits were bigger and public debt was bigger than he promised.

Mr Speaker, unfortunately, the Minister for Treasury seems to be stretching the truth. Two weeks ago, During Question Time, I focused on the Government's announcement of a signed K16 billion deal with China. These figures and projects do not feature in this Budget! These projects are based on tied financing. Point 18 in his 100 Day Plan said the Government would cease tied financing. And even after this was pointed out, what does the Minister for Treasury do in his Budget Speech? He totally ignores this reality. He simply states "Point 18 is for the ceasing of closed tender financing which Cabinet has approved." and then goes on to talk about the National Procurement Authority. Another broken promise, another deception in the speech.

If you were on the Board of Directors with your Chief Finance Officer changing the numbers so much so quickly, and then hid this fact when doing their presentation on the accounts to the Board, and they also hid the fact of a K16 billion tied financing deal, you'd be suggesting he be replaced! Minister for Treasury, this was a very disappointing aspect of last week's speech. It seriously hurts one's future credibility. When Ministers do this, how can we trust them?

Experience suggests the actual loss in 2017 for PNG Government Ltd will be much worse than even a K2.3 billion loss but we won't know for certain until March next year with the 2017 Final Budget Outcome. For example, the Budget indicates that Ok Tedi has only paid a dividend of K130 million, not the K200 million shown in the Budget. Kumul Consolidated Holdings Ltd is also struggling to find the K100 million that is still in this Budget's fake revenue figures.

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Mr Speaker, from 2012-2016 losses on our Budget accounts averaged K2.9 billion every year, some 4.7 per cent of our economy annually. A loss requires more borrowing and that means more debts. PNG's debt levels have travelled from K8 billion to K24 billion in five short

years. Clearly this is not sustainable, no household, firm or company in PNG could allow its debt level to increase so much when its income and sales are doing so poorly. Unfortunately, the CFO has been failing in his job and we still do not know exactly how bad things are.

Even the K24 billion figure is hiding the debt; we know are on the books of the Kumul Enterprises as well as other liabilities, such as over K2 billion in outstanding superannuation liabilities. This is like stealing from your own employees, the very people who help keep your business afloat. We also know that there are significant debt arrears, in simply not paying suppliers for the Government. No business would be allowed to operate in this way and also funds have not been promised to meet resource owner entitlements. This is a very risky path to go down. Proper payments have not been made to the people of Bougainville and the Government has fallen behind in some very important payments to our people. Be warned, the resource owners of PNG are getting very angry because of this poor performance.

Mr Speaker, I have talked about the fake revenue in the 2018 Budget but I must also talk about the fake loans, the hidden and uncertain financing of this Budget. PNG Government limited continues to make big losses and these must be financed through some type of borrowings or financing, just as this government has formed in pretending there are fake revenues in each budget. This Government also has some serious forms about fake loans to finance the losses.

In the 2015 Budget, there was the incredible statement that the deficit would be financed through the sale of 4.27 per cent of PNG LNG shares held by Croton and this was according to the Budget, going to generate K2.5 billion in revenue. Instead during the Election campaign, the land owners were promised that the shares would be given away for free. And in this budget there is talk of neither.

This is either fake sales or fake promises. How long have we heard about the mythical sovereign bond? It keeps appearing in our books as a fake financing item. Extraordinarily, it is built into the 2018 Budget and plans for K640 million in 2018 in extraordinary financing, which appears to be the highly concessional budget support loans from the Asian Development Bank and the World Bank. However, there is no details of these loans in the budget documents. Apart from showing up in financing tables and some very broad comments, there is no details. There appears to be a new health sector program from the Asian Development Bank but it is only listed as providing K20 million, we were assured that there were discussions in Washington about such loans. However, I fear this is just a fake loan or on wishful thinking on the part of Ministry of Treasury.

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This is because the World Bank does not give budget support loans unless it is in consultation with the IMF. And the latest IMF report made clear that it thought the Government needed to fix up its exchange rate problem and look at reducing DSIP funding. This Budget does neither so the chances of a loan would seem very remote.

Another K640 million in fake loans in 2018 is the so-called Sovereign Bond. Yes, exactly the same figure as the claimed budget support loans. The Sovereign Bond has been promised for each of the last three years. Indeed, the 2016 Budget hoped for a K2.800 million Sovereign Bond – a plan which came to nought. The Secretary for Treasury assures us once again that the market indicates that the time is right. Indeed, he indicates that even Mongolia has been able to access a Sovereign Bond. This is an interesting analogy. Yes, Mongolia did issue a Sovereign Bond in August 2016 but by March 2017 it was reported to be in difficulty in repaying its bonds. So instead, it had to go to the IMF for an economic adjustment program which started earlier this year. This is bringing in some K15 million in cheap financing. We say rethink the Sovereign Bond issue! Possibly PNG should just skip the expensive Sovereign Bond attempt and jump straight to seeking friendly foreign support under a complete package of needed but painful economic reforms. Mongolia is now able to issue Sovereign Bonds again, but only because they are benefitting from friendly foreign support.

So if fake financing of selling the PNG LNG shares, fake budget support and fake Sovereign Bonds have not happened in the past, then how has the Government's big losses been financed? There have been three ways. First, more and more short-term Treasury Bills have been issued. The value of Treasury Bills has skyrocketed from K2.8 billion in 2012 to K9.4 billion in 2017. These Treasury Bills are having to be rolled over at least every year. That is why, as part of the budget, there is an Appropriation Bill to pay for these debt rollovers of an extraordinary K10.3 billion. This is on top of the K1.8 billion in interest costs. The second source of financing is the expensive Credit Suisse loan which didn't raise as much money as hoped, but still amounts to K1.4 billion. The third and related source of financing is the Central Bank effectively printing money by buying all leftover Treasury Bills from auctions-that no one wants. History indicates that is a very risky form of financing and certainly qualifies as a fake loan.

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Before I start setting out some alternative government solutions out of this mess, let me note the interesting similarities between the 2016 and 2018 Budgets. Both the 2016 and 2018

Budgets had around K14.7 billion in expenditure and assumed income of K12.7 billion. The 2016 Budget ended up having a K2.1 billion revenue shortfall. This led to expenditure cuts of K1.2 billion, and a K0.9 billion blow-out in the deficit and increase in public debt. It looks as if we have not learnt and are already going down the failed path of the 2016 Budget. It is better that we acknowledge that now.

So even though the Government is claiming that it is putting some money back into critical areas, we just won't get! There are huge expenditure cuts ahead. These will probably be delayed until after next year's APEC meeting just so the Government can look good. Just don't believe or rely on those claimed extra moneys for health, education and infrastructure. And don't feel confident about K100 million to the National Development Bank for SMEs, as once again this is likely to be just a hollow promise as the money won't be there. And when the crunch comes as the revenues are not flowing, I hope that members opposite fully understand that any bestie projects that have been promised in reality will not be funded, and that we should all feel very uneasy whether PSIP, DSIP and WSIP funds will flow.

We cannot support the 2018 Budget in its current form with its fake revenues, its fake financing and loans, its poor spending choices. This is a fake Budget. We would hope the Government will work with us to produce a credible Budget that better meets the needs of our people.

Let me briefly set out solutions for fixing our budget crisis. Over coming weeks, I will provide more detail on these actions.

The first step is simply to accept the facts. Finding a solution requires accepting how bad the problem is. There is some straight talking in words, but these are not reflected in realistic numbers. The 2018 Budget's K2 billion fake revenue numbers will just make the pain of adjustment more difficult. As my party leader will outline, we really are living beyond our means. And as the member for Moresby North-West will outline, we need an audit of government books to find out how much debt is being hidden in Kumul entities.

Second, we should accept the need for friendly concessional finance. The budget hole is so deep PNG can no longer get out on its own. We need to lower interest costs and bring in foreign, exchange not expensive Sovereign Bonds, Credit Suisse loans and tied, unaccountable Chinese loans. For the sake of our children, the sick, and our ailing infrastructure, PNG needs help to cushion the pain of adjustment.

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Budget adjustment is required, but it will take some time to do it well.

Third, we need realistic revenue estimates. We can't keep living in a balance sheet world of fake revenue numbers. We need to build the revenue base and this means tougher measures are required. For example, we need to get smarter returns from our natural resources-but of course, we need to study the issues involved and consult with industry on how best we can do this together. And if we decide to lift taxes of diesel towards petrol, we would want that increase directed to the National Roads Authority to improve maintenance of our roads and increase growth.

Fourth, we need to remove budget austerity-cuts, on key areas of health, infrastructure, law and order and education. As indicated above, there has been too much chainsaw cuts in critical areas over recent years. We also need to pay our arrears – those to our resource owners, our former loyal public servants and our local businesses with unpaid contracts.

Fifth, cut wasteful spending on less important areas such as the bloated public service.

Sixth, for the Sovereign Wealth Fund, we need to ensure all resource revenues flow through the fund without a large proportion being siphoned off by Kumul.

Seventh, we need action to lower interest costs. Greater confidence in the economic credentials of government will improve credit ratings and help lower domestic interest costs saving hundreds of millions of Kina.

Eighth, we need to take a long-term and historic perspective. If we compare actual spending per person in PNG, after allowing for inflation, we are now spending less per person than at any time in our history. Our development needs are enormous as PNG languishes at the bottom of many of the social and economic indicators for the Asia Pacific region. We have too many of our people living in absolute poverty.

So, while the answer is primarily about getting the economy going again and improving the quality of expenditure through less corruption and patronage, we probably also need to spend money better. We need a national discussion on what we think our overall sales targets-revenue and expense targets-expenditure should be.

Finally, the best path forward is to rebuild growth, support the private sector and re-focus the public sector. This will take some time to turn around but growth provides the basis for growing revenues and getting PNG Government Ltd back into shape.

Foreign Exchange Crisis Problem

Mr Speaker, our country is facing its worst foreign exchange crisis since 1994.

Our business people are crying out that this is the major business issue in PNG. When one hundred CEOs-bosses of PNG companies were asked by Business Advantage in its

2017 annual survey “What is the greatest obstacle to doing business in PNG”, the answer was overwhelming. Sixty per cent of CEOs stated that a lack of access to foreign exchange was the most critical issue facing businesses in PNG.

The people of PNG know that foreign exchange shortages are crippling the opportunities for new jobs and new businesses. New SMEs trying to grow their businesses into international markets cannot open overseas bank accounts or import key inputs to their own local production.

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The severity of this rationing of foreign exchange is revealed by Bank of PNG estimates showing imports have dropped to their lowest level since 2006 after allowing for inflation. PNG businesses can't import machinery to fix roads or build houses. Foreign exchange shortages are killing growth. But the Government does not seem to acknowledge this as a major problem. There is nothing in the 2018 Budget done or announced to help address this problem. Indeed, this 2018 Budget reveals the Government is heading down a mistaken path that will make things even worse. Let me give you some solutions to our foreign exchange crises.

My Speaker, the alternate government for PNG has a much better understanding than the Government or the Central Bank on how to deal with the foreign exchange crises. The alternate government's solution has several related elements; some short-term elements, some medium-term elements, and some longer-term elements that we need to start putting in place now. Let me briefly set out these inter-related elements of our proposed solution.

With our short-term elements of solution, Mr Speaker, once again the first step is to admit there is a problem. The Government should admit it made a very bad mistake when it instructed the Central Bank to lift the market value of the kina by nearly 20 per cent in June 2014. This move commenced a downward spiral of poor policy decisions that has moved PNG from a freely floating exchange rate with a fully convertible currency. Now, just over three years later, we are suffering the pain of these poor decisions.

It is time the Government is not committed to anymore silly investments but best left to the private sector. If PNG had stayed out of the Oil Search share deal, and the foolhardy investment in the experimental Nautilus, PNG would have saved at least US\$ 254 million and US\$ 113 million respectively, a total of US\$ 367 million or over K1 billion. This could be money available now to help PNG businesses to deal with the foreign exchange crises.

The second short-term solution is to bring as much foreign currency back into the country as possible. The Opposition understands that Kumul Petroleum is holding some K2 billion in a Singapore bank account. We do not know how much money is being hidden into

overseas bank accounts. Unless there are very convincing arguments, such funds should be held back in PNG to ease the foreign exchange and cash shortages.

The third short-term solution is to start using one of largest assets which is actually designed specifically to deal with such crises. This asset is PNG's foreign exchange reserves. These reserves are there to help act as a buffer when times are bad. They are designed to help deal with the short-term pain of an adjustment. These assets are worth some US\$1.6 billion. The Government did the right thing by calling down on US\$100 million of these reserves in its 100 Day Plan. But more can be done conditional on a sensible longer-term strategy to return to a healthy balance of payments

The alternate government would look at drawing down US\$50 million per month over the next two years to help address the foreign exchange crisis – a total required input of \$US\$1.2 billion over two years.

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Rather than stripping the Central Bank of its core assets by demanding dividend payments in kina (some K150 million in the 2018 Budget) a much better strategy is allowing the private sector to access its foreign exchange reserves.

The fourth and vital short-term element of adjustment is to reach out for friendly foreign concessional finance. We did so in the late 1999. The Morauta Government proved it could be done! It was hard medicine, but as I've already talked about, PNG now needs some hard medicine to correct the mess created by the Government over the last five years in the way it has been living beyond its means.

Fortunately, the international doctors are much better trained today than they were in the 1990s. The types of measures suggested by international bodies such as the IMF, World Bank and ADB are much more tailored to the needs of countries than 15 or 20 years ago. They've learnt from the Asian Financial Crisis and the Global Financial Crisis. There is a better understanding that fixes for economies often require transition support for policies that will get PNG back onto a better development path. Less austerity in critical areas and more support for inclusive growth. The size of any financing package will depend on negotiations. It will depend on how bad PNG's financial situation actually is once we've been able to see the true state of the books. For some perspective, on the size of possible assistance, the alternate government simply notes that nearly a USD6 billion package was recently provided on highly concessional terms to Mongolia, a country with many characteristics of PNG.

In addition to dealing with the immediate elements of foreign exchange shortfalls, the alternate government would initiate key medium-term strategies.

Some of the fault of the current foreign exchange crisis lies in the out-dated objectives set in legislation for our Central Bank. A review would seek to rebalance the current excessive emphasis on just the inflation objective with one that also includes a growth objective.

Such a review will provide an important opportunity for a national discussion of our foreign exchange system. PNG has moved away from being a freely convertible currency to being one dominated by central bank controls. Our businesses have been disempowered and the bureaucrats left to make decisions which can make or break struggling PNG businesses. This has been undermining our international competitiveness. If the outcome of a review is to move back to a freely convertible currency, there is a distinct possibility that the currency could gradually move downwards for a period of time before moving back up again. If this is the case, the alternate government would do things to ease with this transition.

The alternate government supports the policy of ensuring the people of PNG get a fair return on their resources. The current approach requires large foreign exchange inputs that divert funds from other businesses. The alternate government will explore alternatives.

Mr Speaker, as part of this review, we would want to re-examine the fiscal terms available for resource projects. We will however respect agreed fiscal terms for existing projects, but we must do better for any project extensions or new projects, of course with sincere industry consultations including more timely foreign exchange returns. This also is medium-term contribution to fixing the Budget.

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We will respect agreed fiscal terms for existing projects, but we must do better for any project extensions or new projects, of course with sincere industry consultations including more timely foreign exchange returns. This also is medium-term contribution to fixing the budget.

Longer-term elements of solution

PNG's alternate government has a bold vision for PNG's future. This vision is that we view our country as a key partner in the Asia-Pacific region, with this partnership backed by open trading relations. We believe that PNG can be a truly internationally competitive nation where the agricultural products of our highlands and islands fill the shelves of supermarkets in Shanghai, where our fish is sold in Hong Kong markets, and tourists flock from around the world to see the beauty of our country and the extraordinary richness of the cultural diversity of our peoples.

In summary, our vision is to fill the supermarkets of Asia, not just the supermarkets of Port Moresby.

This will require action on many fronts. It will require a smarter and healthier workforce, better infrastructure, better governance, better law and order, better regulation and better incentives.

What it certainly means is that the moves in this Budget to increase tariffs on dairy products and meat products, on top of the ludicrous tariff increases in the Supplementary Budget, is a sign this government is going in the wrong direction. These will really hurt consumers – so a 25 per cent tariff on milk products will be passed through wholesalers and onto consumers. Lukaut! Because the prices of your milk and your meat and even your rice will be going up significantly.

Using the figures from the Minister for Planning, when talking about how the new dairy industry will create 200 new jobs, let's go through some of the figures. He claims there are K400 million in dairy product imports. This figure is way too high, as total food imports are less than K700 million, but let's use his figures for now. He is proposing an import tariff of 25 per cent. This increase in costs will be passed by wholesalers onto retailers and then onto consumers-you and I. Milk prices will increase by 25 per cent. This increase in tariffs or import duty will be equivalent to K100 million extra in costs. So 200 jobs will cost K100 million! And ordinary citizens will pay for it when buying dairy products. Mr Speaker, this translates to 200 jobs costing K500 000 each! Paid for by you and I and ordinary citizens. There are better ways to create jobs in this country!

This policy approach has been tried before with the sugar industry. Ramu Sugar was protected by very high tariffs and import restrictions for decades, and is still protected in part by a high tariff. So 45 years later, with our people paying too much for sugar for decades, and still they want high tariffs.

We will also be hosting the APEC Summit this year. As host, we should respect the objectives of APEC.

The first pillar of APEC is "trade and investment liberalisation".

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When leaders went to the APEC Summit last month, Vietnam announced cuts in thousands of their tariffs. When APEC leaders come to Port Moresby, we are in the midst of raising tariffs and other obstacles to trade. We have stopped our tariff reform program and are

going in the opposite direction. We are insulting the philosophy of APEC and don't deserve to host such a meeting with our growing protectionist policies.

Let me touch on Jobs and Standards of Living Crisis, here how we see the problem. Latest BPNG figures confirm that there are fewer jobs in PNG than there were five years ago, even though we now have more than an extra million people in PNG. PNG is not generating the jobs needed for its people. We are training more and more students simply to join an unemployed line. We need to build human capacity in better ways to meet the job market in PNG, and we need the job market to be healthier.

PNG's standard of living is going backwards. When we look at true measures of economic standards of living, after taking out the resource sector, the impacts of inflation and population growth, PNG is going backwards. Even on broader measures such as the Human Development Index, PNG is not making progress. To meet the 2050 Vision, we must start doing better.

Part of the problem is also the current Government's approach to getting growth going. The 2018 Budget had headlines that it was a big growth Budget, especially with a major investment in agriculture. And one of the largest components of this was the "State Equity Fund" which received funding of K100 million for 2018 and a total of K440 million over five years.

So let's examine this show-piece project and discuss if this is the best way to spend K440 million to help boost the agriculture sector, a sector absolutely critical for the incomes of most of our people.

Page 190 of the Public Investment Program, the near 1000 page Volume 3 of the 2018 Budget, provides this very interesting description of the program. "Objective: To enable the Government to participate as equity partners in major agriculture investments". That actually is the wrong objective which I will discuss later – a repeat of the mistakes of the Waigani paper farmers of previous projects. The next part describing the "Status" is particularly interesting. The 2018 Budget say "Even though funding commenced in 2014" - now let me stop there. This was a project that was actually initiated by the now Treasurer when he was Minister for Planning back in 2014. Definitely it is not a new idea! And do you know how much was allocated to that program in the 2014 Budget? K160 million over four years. It was called the "Agriculture Commercialisation Equity Fund" back then.

Let me continue on this "rediscovered" 2018 Budget proposal and I will quote directly "Even though funding commenced in 2014, there has been no results due to a lack of guideline to effectively manage the implementation of the project."

Mr Speaker, old ideas. Same cancer, different bodies. No Planning. No implementation. No results.

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So we must then ask, will the new plan do any better? There really are no details to make full judgements. Which projects will be chosen, and what criteria will be used. If the equity is eventually sold “to the people of PNG”, how will it be determined who gets this and at what price? Will it be sold off to besties at very low cost? What are the accountability arrangements? Will the Auditor-General be able to examine the accounts of such entities to ensure the investment from the people of PNG are being well spent?

I note that the new Planning Minister stated at the PNG Investment Conference back in September that funds would be provided to Kumul Agriculture for these equity investments in the 2017 Supplementary Budget, but instead the funds are allocated to the Department of National Planning and Monitoring in the 2018 Budget, I suspect that this program has to undergo a lot more thinking before it is worthy of a K440 million investment.

Mr Speaker, we consider that this K440 million should be put into the agriculture sector, but not in the way of this highly dubious old idea of equity injections probably into the special projects of the government’s besties. Our rural people are much more deserving of this money. In the spirit of the speech, to not just oppose but also to propose, we propose that a similar amount of money be invested into schemes such as the Special Economic Zones – Sepik Plains concept. Of course this would scale up the program to other areas. The good things about this program is that it does the sort of things that a good government should do to get growth going and leaves other areas for the business acumen of its people.

The East Sepik scheme has five sensible inter-locking components. The first is good rural all weather road networks. The second is key bridges built. The third is electrification. The fourth is water supply. The fifth is construction of police barracks. In our expanded program, we would also ensure that there was investment in schools and health centres. Crucially, this would also include coverage of the costs of teachers and nurses and police and agricultural extension officers and maintenance crews – there is no point putting in capital works if the recurrent costs are not provided.

We would also do something else the government does well. There will be an assessment of soil types and other characteristics vital for determining whether an agricultural investment is suitable. This is similar to the initial geological mapping done for the mining sector. This lowers information costs and provides greater confidence for any private

investment decisions. Once again, this type of research and information sharing is something it is sensible for the government to do.

Putting in large equity investments into these projects, sapping our scarce revenue and foreign exchange, is a bad way to spend money.

Let me now provide a second example of a better ways to spend the money allocated in this budget. The Government is talking big about providing K100 million to support SMEs. We agree entirely with this allocation of funding. But providing the funds to the National Development Bank. The NDB continues to fail in actually supporting true entrepreneurs. Too often, we see the so-called loans going to government besties once again – not the people who could really use the money to get jobs and growth going.

There is also an assumption that the loans never have to be repaid – they become just hand-outs.

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They just become handouts and there are better ways to spend this money rather than costing what has proven to be a failing bank. It would be better to draw on the skills of the private banks when accessing loans. There are projects underway by the World Bank and others to effectively subsidise these loans to SMEs and to existing banks with strong governance mechanisms.

Mr Speaker, this is often best done by lowering the risk of lending to SMEs. These risks are a reality for lending in institutions as many small businesses go broke, although not to the same extent as the PNG Government limited heading that way. We also know that getting a small business up and running requires more than just excessive capital. There are lots of practical skills that are required such as keeping basic books, how to purchase, pricing, sales, marketing, customer service and negotiating properly. Support for the SME Corporation could be increased further in our view.

And the proposed incubation centres if properly executed with a sensible proposal could allow this practical sharing of skills and how to actually get a business going and get customers and to crucially see how to keep those customers coming back so you can grow your business. As stated previously, our approach is to propose as well as to oppose.

Let me touch now on the jobs and income crisis and give you some solutions. I provided some specific examples of how we the alternative government could spend taxpayer's funds better than contained in the 2018 Budget such as in the areas of agriculture and getting the growth going.

Mr Speaker, these examples start getting to the heart of why the alternative government can get growth going again while the current Government is putting scarce money into the wrong things which will just drag the economy down further. Essentially we bring a different philosophy to the table and our approach will be to change the focus of development and towards one that believes in people and their ability to respond to opportunities. The role of Government is to improve these opportunities in areas such as training, good infrastructure & utilities, good regulations, maintenance of law & order and a fair taxation system that applies to all. This is a very different focus from the current Government that has been about equity investments into big resource projects. Or putting even more money into a failing National Development Bank.

Development must come back to the people, let me be more specific with examples of how we would have approached the 2018 Budget differently with a people oriented philosophy. For example; the alternative government would:

(1) Redirect funds going to the proposed equity investments in big agricultural enterprises owned by the Government and instead put these monies into improving agricultural extension services for smallholder cash-cropping farmers.

(2) Put road infrastructure funding into rural areas rather than Port Moresby.

(3) Get incentives right for business, rather than imposing large cuts that hurt the cost of living.

(4) Deal with the foreign exchange shortages which are killing business growth.

The alternative government will commit to a growth target of five per cent per annum within three years. This economic growth target would be based on growing the non-resource economy. The current government has preferred to use growth of GDP figures, however this gives a misleading view of PNG's development, and we know that there are very poor links between the GDP measure and the standards of living of the people of this country.

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There was a major jump in GDP when the gas taps opened and PNG starting exporting its LNG. A big jump in GDP –although nowhere near as big as the Government pretends. But we know that as the gas taps were turned on, the number of jobs in the PNG LNG project were dropping from a peak of over 10 000 down to something closer to 1 000. The extra jobs and contracts associated with constructions and transport and food and housing services also went into reverse. GDP is a misleading measure of economic welfare in PNG. Measuring non-resource growth after inflation is a much better measure. Of course, even this yardstick must

be complemented by other measures of the actual quality of life, such as the human development index. But measuring just GDP is the wrong way to go.

The National Alliance will focus on a measure of progress that means much more to the families and businesses in PNG. This is real non-resource GDP.

The National Alliance commits to growing the non-resource parts of the economy by at least five per cent per annum within three years. This covers those areas that really matter to PNG - the agriculture sector, including the subsistence, cash cropping, and plantation components; the tourism sector, the wholesale and retail sector including informal traders; the transport sector; the community sector; and the construction sectors collectively growing at this 5 per cent rate. The National Alliance was able to do this in the 2000s.

Mr Speaker, we on this side can do it again! We will improve opportunities for small and medium-sized businesses, both start-ups and those family owned medium-sized businesses that employ so many of our people and are responsible for so much of our investment. We will establish a better business environment. What do we mean by this? Let me be specific - we will act to improve PNG's rankings on the World Bank's "Ease of doing business" ratings from 119 of 190 countries to under 100 within five years. This will be done in partnership with the private sector to identify key priority changes that can be made – and then focus on these. We will unleash the creative potential of the private sector by improving access to credit, making it easier to register for business, allowing firms to enforce contracts, and taking other actions to make for a better business environment.

We will focus on increasing incomes and jobs for the informal sector which includes the areas of opportunity for the vast majority of PNG's population. It is time to remove the focus on big projects and cosy deals done with special friends of the Government displayed in this 2018 Budget.

We will focus on making the PNG economy internationally competitive with exports focused on the Asia region. A stronger and more competitive economy will help with the jobs and standards of living crisis, it will in turn help bring in foreign exchange, and it will help generate the increased revenues to fix the Budget crisis.

The alternate government will set out more detailed proposals as part of a wider "Inclusive Growth and Jobs Strategy" that will give great weight to international trading opportunities, not just failed import-substitution approaches. This will be a more people driven approach, based around market incentives to allow people to use their potential, rather than an approach dominated by big government and big business besties of government.

In conclusion, as may be drawn from my comments to date, my preliminary response to the 2018 Budget from Charles Abel is one of disappointment. This is not a political comment, it is just a frank comment that I really consider that this Budget is failing the people of PNG.

My perspective is that of a simple PNG businessman that has had to deal with the ups and downs of an economy. And humbly, my family and I have successfully dealt with the opportunities and challenges of the PNG economy over the last 81 years-when my own grandmother Tai ToYing started trading in Kavieng in 1937.

My view of this Budget is that:

- unfortunately, it fails the people of PNG,
- unfortunately, it is not credible, especially its starting point of K2 billion in fake revenue,
- unfortunately, it will not deal with decline in jobs and standards of living of PNG's people,
- unfortunately, it will not deal with PNG's crippling foreign exchange shortages,
- unfortunately, it is not honest enough to actually deal with PNG's acute Budget crisis.

Mr Speaker, in this Budget response, I have sought to not only oppose the poor policies embedded throughout too many parts of the 2018 Budget, but also to propose specific solutions.

When putting forward these solutions, the alternative government considers this as only the start of the conversation.

We wish to talk much more broadly on the best solutions to PNG's economic problems. The community sector, churches, the private sector, our own academic researchers, the international community can help identify how to solve our most pressing problems.

We need to talk more openly rather than assuming our current advisers are always right.

As we face these tough challenges, our belief is we must focus on improving the lives of our children and grandchildren. That is our legacy, tough times to fix the mess so our children can face a better future.

The alternative government, the government of the people of Papua New Guinea, the National Alliance and its coalition partners, have a better vision to take our nation forward.

And on this note, I extend our sessions greetings and wish all our members a Merry Christmas and a Happy New Year.

Thank you Mr Speaker and Honourable Members of the Parliament.

Mr LEKWA GURE (Rigo) – Thank you Mr Speaker for giving me the opportunity to speak as the Chairman for Plans and Estimates on the 2018 Budget and the related appropriation bills.

Mr Speaker, I rise on behalf of the Plans and Estimates Committee to make some observations and comments on some aspects of the Budget 2018 and the related appropriation bills that were handed down by the Treasurer and the Deputy Prime Minister last Tuesday 28th of November 2017.

Constitutional provisions, Mr Speaker and Honourable members, as with other Permanent Parliamentary Committees, Plans and Estimate Committee is established in accordance with Section 118 of the constitution.

It is required under Section 209, sub-section 3 to examine the National Budget. Although this provision does not confer any rights or impose any duty of consultation, after the initial status of the preparation of the Budget, it is healthy to have this consultation process to take place during the formulation of the Budget, if the Plans and Estimates Committee is to effectively fulfil its roles as part of checks and balance of the government.

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Coming off the back of the general election, this had an in effect to many activities including the budget consultation process in as far as the Plans and Estimate Committee is concerned. The ensuring comments are made after a abbreviate consultation process and brief in sessions with the Treasury and Planning & Monitoring Departments.

Mr Speaker, during the construction face of PNG LNG, we were enjoying the heathy economic growth of 12 per cent. Since then, the collapse of the World Commodity Prices including that of oil and other environmental conditions such as drought and frost affecting production have had an adverse effect on the economic growth; it is now projected to be 2.4 per cent.

Although the above may sound depressing a quick comparison with the big countries and four of our major trading partners puts a balancing perspective on our economic growth situation;

- Brazil at 0.3 per cent;
- Russia at 1.8 per cent;
- India at 5.7 per cent;
- China at 6.8 per cent;

- Australia at 1.8 per cent;
- Euro area at 2.5 per cent;
- Japan at 1.7 per cent; and
- United States at 2.0 per cent.

Inflation is projected at 6.9 per cent and Debt to GDP ratio to be maintained at 32.2 per cent with a medium term fiscal strategy to target the lower 30 per cent boundary of the *Fiscal Responsibility Act* approved range.

The foreign exchange imbalance remains a huge balance and affects our ability to bounce back quickly.

Budget Strategies not only for the 2018 Budget but also for subsequent Budget as well.

Mr Speaker, the public service in the area of personnel emoluments, is the fourth largest consumer of the recurrent budget with a fortnightly bill of K150 million amounting to an annual bill of K4.1 billion.

It is, therefore, very important that the initiatives proposed by the Public Service Minister to right-size the public service and make it more efficiently must be commended and supported by everyone, including Provincial Governors and Open Members.

In our respective areas of responsibilities, we must carefully scrutinise our organisation structures to ensure the personnel that we have are what we want and that they are performing their service delivery efficiently and effectively.

Mr Speaker, our population growth rate is currently 3.2 per cent; a figure that we just accept whilst we wait for the effects of the third National Population Policy 2015-2024 to become known. For a start the population policy should be effective in the migration of people from other countries which becoming quite prevalent.

In the meantime, in the urban centres out of financial necessities couples tend to have smaller families where as in the rural areas where traditional values still exist the average family sizes are larger.

Either we plan to grow the economy at a rate that will cater for this population growth rate or better still a population policy that will regulate the population growth to a level that can be sustained by the projected economic growth rate.

What it requires is that of the growth rate and the expectations of the population policy such as family size are communicated to the nurses so that they can plan their family size accordingly.

The education TFF and the primary health care policies should then be tied to the National Population Policy to make the picture complete.

Mr Speaker, in our development plans both at the national and sub-national levels, we must factor in the effects of climate change and the associated disaster risk reduction measures. It is such a cost cutting issue that affects many growth areas that we are now targeting to grow our economy, such as agriculture, fisheries, tourism and SME's

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Mitigation measures such as coastline protection by appropriate seawalls for the worst affected communities must be considered. The Wewak Seawall Project is an example but there are many other areas that require urgent attention. The selection of climate resilient crops will help climate-proof our investments which in turn will help make our economy more resilient.

Mr Speaker, in relation to revenue considerations everyone wants goods and services but very few contribute to the national coffers by way of personal income tax to pay for them. If 80 percent of the population live in the rural areas and counting only those eligible to vote, this equates to approximately 4 million people. This is a very significant portion of the total population and therefore serious consideration should be given to how best they can be brought into the tax nest so that they can also contribute to the national coffers.

The ministerial statement by the Forestry Minister suggests areas where the Government is deemed to be cheated of huge potential revenue from our forest products. It is hoped that some of the increase in the Customs Budget by 32 per cent will be targeted towards the proper valuation of log exports and increase the revenue collected this area.

We must stop the lip service to downstream processing and enable our people to participate in this space. Given our timber resources, the natural progression is for our people to go into downstream manufacturing of furniture, even if it is for domestic consumption only to start with and do away with the expensive imports.

Mr Speaker, with expenditure it is of paramount importance that everyone including the provincial governments and the District Development Authorities are disciplined and stick to their budgets. For a start, their annual budgets should realistically reflect what is in their 5 Year Development Plan. Otherwise the development of this document as required by various Acts is meaningless. The use of shopping lists for political convenience must be discouraged at all levels.

Mr Speaker, in our development, especially in the area of human development, there are some fundamental questions we need to ask ourselves as we are framing the Budget:

- (1) How many jobs are we going to create by this expenditure?
- (2) What qualifications or skill sets are required in the PNG labour market?
- (3) What is the female participation level in the formal sector?

Mr Speaker, job creation should be one of the main aims of any development expenditure. By answering the second question, human development expenditure can be targeted at areas where qualification or skill sets are lacking in the domestic labour market. Women remain under represented in formal employment in PNG as it elsewhere in the world. If this untapped human resource is harnessed, it could immediately boost the available labour supply.

Mr Speaker, in conclusion and endorsement by investing heavily in the agriculture sector, we are reinforcing our natural strengths for inclusive growth and in concert with the SME sector, the Government has signalled its desire to grow the economy and broaden the tax base. Apart from the other obvious benefits, the net result will be to strengthen the resilience of the PNG economy.

Although the 2018 Budget and the related appropriation bills have been framed against a very tight fiscal regime, the necessary caution has been exercised and the medium term outlook remains positive.

The Plans and Estimates Committee therefore hereby endorses the 2018 Budget and the related appropriation bills as presented.

Mr RICHARD MARU (Yangoru-Saussia – Minister for National Planning) – Thank you Mr Speaker, I too would like to speak in support of the 2018 National Budget and respond to some of the comments expressed in the NA reply or the Opposition's Reply to the Budget; it is not clear.

45/08

Mr Speaker, from the outset, I would like to thank the Prime Minister, Ministers of Cabinet and Members of the Government Caucus. He kept referring to NA so much that we thought it was the NA reply rather than the Opposition.

(Laughter-in-the-Chamber)

Mr RICHARD MARU – Mr Speaker, let me commend the Government for your assistance in helping the Treasurer and myself and our teams put together the 2018 Budget.

Mr Speaker, I need to now talk about the NA record and place it on record for this country to know. They had nine successive Budgets where there were budget surpluses – surpluses, where did it go?

(Members interjecting)

Mr RICHARD MARU – You had nine Budget surpluses. They cannot now come and say they built all the infrastructures in the districts in the rural areas, the airports, the wharves, where did all the money go?

Mr Speaker that is a question they need to answer. How come K10 million was not given to every district of this country? How come they did not offer free education and share the wealth among our people? How come there was no free health? It's one thing to come and say, they could manage the economy better, but let's look at the records. Were you there when the price of everything was as low as it is today? You were enjoying the price boom, let's get the record straight, Mr Speaker. There is really nothing to show for.

Let me now comment on some of the specific issues raised in the Opposition reply. Let us talk about the revenue streams, the Treasurer made it very clear, K400 million will come from the NFA. It is the first time a Government is now getting statutory authorities and bodies who are keeping record levels of funds to roll it back into consolidated revenue. It amazes me that the Treasurer has not been given some credit for that. For too long statutory authorities have been keeping moneys, even keeping it in IBD accounts causing this Government to go and borrow from the banks, from our own funds. Its time you give credit where it's due. You know where the fund is coming from. I also want to comment about agriculture and how the NA government squandered K600 million in NADP.

(Members interjecting)

Mr RICHARD MARU – How can you talk about paper farmers when you presided over a period where you gave hundreds of millions of kina to paper farmers?

(Members interjecting)

Mr RICHARD MARU – Mr Speaker, what was given to me through the Bank was lent to farmers. Yes, Mr Speaker, what was given to the bank was lent to farmers, but not paper farmers under NADP.

(Members interjecting)

Mr SPEAKER – Order! Order! Allow the Minister to debate.

(Members interjecting)

Mr RICHARD MARU – Mr Speaker, to say that the hundred million kina for agriculture is going to paper farmers is completely wrong and I need to get the record straight. Under this Government, no public servant will be charged with the responsibility of looking after the fund. Two things are going to happen; all the funds are going to NDB and be lent by the Bank using normal banking guidelines and rules.

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In terms of equity funding, let me now make it clear. The PNC-led government partnered with an investor and built a farm at 9 Mile. I want to thank the Governor of Western Highlands and his team for investing in that farm.

That farm alone has just about replacing all imports –

Mr Henry Leonard – Point of Order! That farm at 9 Mile was not initiated by PNG Government, it was PNGSTP Investment. Thank you.

Mr RICHARD MARU – I am saying we supported that investment. We got the provincial governments to also invest in that project. To say that we are going to partner private sector companies and not deliver is completely wrong.

Fresh food prices has now come down by 30 per cent because of this investment here. This is the first farm in Papua New Guinea and we have started exporting to Fiji because of the partnership with the private sector.

We are not going to just give away money. We are going to partner companies who have a global record for farming. For example, if we are going into rice mill, we are going to

partner a company that grows rice and has the expertise to do it. Government is not the expert at growing rice. We have to find a partner.

We are not talking about paper farmers, we are talking about real projects. And I will invite the Opposition to go and visit Illimo Dairy Farm because by January, we are going to produce our own milk for the first time in this country, because the Government has invested the trade to commence.

Mr Speaker, this will result in bringing down the price of milk by 40 per cent. At moment a cost of one litre of milk is K5 per litre. This investment alone is now going to reduce that by 40 per cent.

And why should we not support a dairy industry to attract more investors in the sector so that we can substitute for all the milk that we are now importing.

If any of you care about agriculture, why didn't you invest in dairy industry, the rice industry and the all the other Industries?

You had the opportunity in the nine years you were here but you did not make a start to do so. You had a windfall and you did not make a start. So you do not know how to do it. Don't try to tell the world that you are capable when you had nine years and you did not prove anything.

So I want to get the story right. Today the farm will reduce the cost of milk in the country by 40 per cent. The 25 per cent tariff is only for those who choose to continue to drink imported milk.

Mr Speaker, we must support our local industries because they will be creating jobs for our people. So that is the story and do not mislead our people. The milk price will be low and more people can afford to buy it. It is also good for their health.

Mr Speaker, let's talk about the transformation of agriculture. We have heard about green revolution. All the governments in the past came up with all sorts of buzzwords.

I saw what happened in Israel recently when I was there. They turned a desert nation, the size of my province of East Sepik, into agricultural land. Now, they are earning \$US 18 million in exports. A desert nation, size of East Sepik, exporting products worth \$US 18 million.

We have over 50 times the size of that land. We have no desert. Mr Speaker, we are very happy to partner our Israel friends and look at what they have done so we are going to partner other firms to go into rice and we are going to find –

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Mr Henry Leonard – Point of Order! He is alluding to Israel, a desert country that is turning desert into a productive arable land.

Papua New Guinea is a wealthy country with fertile soil. The reason why we are not –

(Members interjecting)

Mr Henry Leonard – The reason why we are not fully benefiting from the potential of agriculture is simple. Within the Agriculture Department –

Mr SPEAKER – Honourable Member, you are debating, your time will come therefore, and your point of order is out of order. Continue Minister.

Mr RICHARD MARU – Mr Speaker, our Government is determined to unleash the potential of Agriculture in this Budget. We are going to make a start and we will continue to invest in the next five years.

Mr Speaker, in the past, we have given so much funds to hard growers and small holders but we have not seen the volume growth in terms of exports. So we are now going to find private sector partners with expertise and records.

We've got capital and if we are going to partner with them so is fine. If they need the Government to help them, we will partner them in very high risk because we are prepared to help them to try and stimulate the growth of this important sector.

Mr Speaker, a lot of problems today is because of our over dependent on the resources. Both Opposition and Government agreed on this. We now need to diversity the economy and invest in the agriculture because we have the greatest potential.

If Israel with one twentieth of the land can export 18 billion, you can just imagine the potential of our country. We are talking about 100 million plus. If you exempt late that figure.

Mr Speaker, in terms of agriculture, our model is to use the private sector. We are going to reinvest in the plantation sector and will support our farmers through NDB. That to us is the start of a major shift in policy to try and ensure we start to grow our economy instead of just allowing the economy to decline further.

On top of agriculture, Mr Speaker, we are also as a government going to start investing in manufacturing haves. I know the Opposition today have been talking about only supporting

competitive industries. In principle we agree with that statement but we cannot continue to allow our country to import goods that we can produce for ourselves in the country.

Let me give an example of the Madang IMIZ. This government came in and we negotiated with the landowners to get that project back on track. We just signed a loan agreement for that project. Once it is completed, we are going to have 30 000 jobs that can process 100 per cent of our patch in this country.

This government is determined to grow the non-resource factor in terms of economic growth. We are going to do that starting next year.

We are also investing in the national breeding farm. We would like to start looking at how we can bring big turtle for small farmers and growers. We have parked funding in the Budget for that and we are determined to start replacing all the half of the imports that we currently get.

So our focus is growing the economy using agriculture and manufacturing in a very big way.

Mr Speaker, we intend to have a major manufacturing hub in Port Moresby and we are putting funds for that.

We believe Kikori is a very strategic location as well in the Gulf Province. They have a lot of gas resources holes. We have a road coming down from Tari to Kikori and we believe that a port in Kikori is very important that will link three provinces. So they do not have to travel to Lae.

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They don't have to go all the way to Lae to bring goods up to their provinces. All it takes is a few hours to come down to Kikori. So that's part of our aim to start stimulating growth in this economy, build economic zones, focus on agriculture in a very big way, and partnering the private sector using their expertise to stimulate investments in key sectors.

Last week we were in Yalu in Lae, and land is now sorted out and we are going to start the second Dairy Farm in Morobe. We are not talking. We are walking the talk. We are going to be providing the equity and we are going to ask the Morobe Government and the people of Morobe and other investors to start investing in the second farm.

This is common sense. We don't have to look for a market. The PNG market is just waiting for us.

Mr Speaker, those are some of my comments on the economy growth that we have embarked on and I want to assure everybody this afternoon that we are determined and we

accept constructive criticisms and we have no issues with that. But we cannot just accuse each other. We have to work together to start sorting out the economy of this country.

Mr Speaker, on the issue of tariff, generally there was a statement in the Newspaper today that all the goods are going to have 25 per cent tariff increase is completely false and misleading because most of the goods are not even going to have a tariff increase.

Some goods are going to have some type of increase from just 2.5 percent to 10 per cent, very small number. Please don't give a wrong signal that we are going to have a 25 per cent increase across the board in tariff. That is a false information and it stands to be corrected.

Mr Speaker, to say that we are not investing in services is completely wrong. I am surprised the Opposition has not even thanked this Government for starting an investment for building district hospitals in all the rural districts in this country.

Mr Speaker our desire is to make sure every single district has a district hospital in the next five years. That is in itself is a very key intervention.

In February when we have the National Planning Conference we have to look at all the districts with hospitals and those without we will try and support them over the next five years to improve our health services there.

Mr Speaker, one of the reasons why we don't have doctors in the rural areas is because we don't have hospitals where they can practice. We need to provide hospitals with all the facilities to attract all the doctors to go back into the rural areas of this country.

Yes, we are focused on services and we have invested funds in the Universities and we are hoping by next year we can complete the Western Pacific University and start having student enrolment in the following year.

We have also invested in a Nursing School in Wewak which we hope to have 100 students enrolling in the year after that. Also we are investing in a TVET institution in Chimbu.

Mr Speaker, we are focused on training the human resource of our country.

Finally let me say this, we must all accept responsibility as a country for failing to invest in the sectors that would have allowed us to build a much more stronger and more resilient economy.

Mr Speaker, today is no time for cheap politics. We all have to get together and work together to make this economy broader and stronger. That is what this Budget has been about. I want to conclude by thanking the Treasurer for looking at every way possible to raise revenue so that we could fund a K4.6billion Development Budget. This has allowed us to be able to

invest in agriculture, tourism, manufacturing and building the hub for the process in building the foundation so that we can build our economy into the future.

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Mr Speaker, I want to thank the Prime Minister and everyone for your support. We have an ambitious and practical, development Budget. In 2018, I want to assure everyone we have already started on making sure we implement the Budget. And I am confident that this Budget will set the foundation for us to build a more robust and strong economy to generate more jobs and revenue to help us.

Thank you Mr Speaker.

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 – ALTERATION OF HOUR OF SITTING

Motion (by **Mr Douglas Tomuriesa**) agreed to –

That so much of the *Standing Orders* be suspended as would prevent the Parliament Sitting beyond 5pm, this day and that the Parliament adjourn on a motion to be moved by a Minister at any time.

Mr PATRICK PRUAITCH (Aitape-Lumi – Leader of Opposition) – Mr Speaker, let me take this opportunity to thank the Treasurer for handing down his first Budget.

Mr Speaker, we just heard from the Shadow Minister for Treasury, a detailed Opposition response to the 2018 National Budget. This budget is like a runaway train accelerating towards an untimely disaster. Fuelled by huge budget deficits and soaring public debts. The Government refuses to put on safeguards to lessen the coming shocks. This Budget is the most physically irresponsible budget that presented in this House in all my years in Parliament.

Mr Speaker, the fake revenue numbers referred to by the Shadow Minister, Honourable Ian Ling Stuckey allowed the Government to live expenditure beyond prudent fiscal levels. This is a total disregard for fiscal discipline. Twice in this nation's short history, governments have created similar train wrecks to the detriment of living standards of most Papua New Guineans. This Government is repeating journeys that led to the lost decade in the 1990s and political and economic recession that ended in late 2002. There is one significant difference though, more than ever before this Government has capitalised on economic gains from the nation's most successful decade from 2002 to 2011; to implement budget deficits on a scale that could not have been contemplated in the past.

It is clear within this side of the House that the current Government has deliberately derailed the nation's prospects for sturdy and sustainable growth for many years to come. Although National Government debts has sky-rocketed out of control and will consume the largest increase in expenditure in 2018, the Budget presented last week is not heeding the danger signals. This is in fact the strategy of the PNC leadership. In my former role as the Treasurer, I was confronted by demand for several billions of kina in additional expenditure a few days before the handing down of the budget.

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It did not matter to the PNC leadership that Government spending was unsustainable.

The PNC philosophy was to spend all the revenue available and to borrow as much as possible to expand the expenditure envelope. This may be reasonable in a recession, when government spending can boost economic performance. However, when done year in and year out, as has been the case for the past five years, living beyond one's means becomes an intoxicating brew.

In the past five years the O'Neill Government managed to spend K27 billion more than the previous NA-led Government, with K12 billion flowing from increased revenue and public debt making up the remaining K15 billion.

Mr Speaker, please see this for what it is: A Government spending way beyond the nation's means and recognise that the 2018 National Budget is offering the same troubling formula of near record expenditures based on rising debt. There is no change in strategy.

O'Neill Government paints a misleading picture of the economy

In the 2018 Budget, the Treasurer, Honourable Charles Abel, paints a gloomy picture of the PNG economy by focussing on the fall in revenue as a proportion of Gross Domestic Product over the past decade.

The ratio of revenue to GDP may be great in analysing long-term trends, but is less relevant for year to year changes in fiscal regimes. I assure you no Treasurer in the past has prefaced their Budget comments in this manner.

This comparison is misleading because the PNG LNG Project has contributed to a doubling of Gross Domestic Product, or the size of the overall PNG economy. However highly capital-intensive projects like this take considerable years before they become significant contributors to Government revenue, more so as this project was 70 per cent debt financed.

Leaving aside Government attempts at creative accounting and generation of "fake revenues", a close look at the 2018 National Budget would lead an objective observer to anticipate a reasonably healthy fiscal situation.

2018 Government revenue highest on record as debt servicing costs soar

As the Treasurer noted, Government revenue and grants in 2018 at K12.73 billion is projected to be K1.75 billion higher than in 2017.

Mr Speaker, just reflect on that: Next year, Government revenue is forecast to increase by 16 per cent compared with 2017. It will stand out as the greatest annual revenue ever received by any government in PNG's history.

This Government has got so used to living beyond its means. The Treasurer is attempting to convince the nation that revenues are abysmally low, which is contrary to the actual data in the 2018 Budget. The O'Neill Government plans to borrow an additional K1.99 billion to take overall expenditure to K14.72 billion. This is only K736 million less than the record spending in 2015.

The cost of debt servicing will skyrocket from K1.53 billion to K1.86 billion in 2018.

The biggest increase in 2018 Budget expenditure is for debt servicing; the second largest increase of K310 million goes to the non-productive administrative sector.

Accelerating debt service obligations is very much part of PNC's runaway disaster train. Prior to 2013, government spending on debt service was less than K500 million. Two years later it surpassed the billion kina mark and by 2019, it would have doubled again to surpass K2 billion.

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Two years later it surpassed the billion-kina mark and by 2019 it would have doubled again to surpass K2 billion.

In 2016 the cost of servicing the soaring level of public debt had already overtaken Government spending on education or health. Spending on the core education and health priority areas have declined sharply since then. Continuation of the failed O'Neill strategy will perpetuate problems that has resulted in this Government being unable to make timely payments for tuition fee free education, for medicines and drugs, in keeping up with rental payments for government premises as well as the upkeep of PNG embassies.

This situation is occurring even though the O'Neill Government next year will receive K5.4 billion more than the NA-led Government in 2011, its final year in office. In effect, revenue received by the O'Neill Government since 2012 has been greater than the total annual revenue of any government in the past.

In his recent Supplementary Budget. Treasurer Abel promised to cut expenditure, particularly Service Improvement Programs, which take the largest slice of the Budget. Clearly, this has been vetoed by Prime Minister O'Neill so that reckless expenditure programs can go on, as before.

Friends and colleagues let me repeat for you the good news that Treasurer Abel failed to deliver. The revenue in the 2018 National Budget will be at an all-time high of K12.7 billion. This Government has several billion more kina flowing into Waigani each year but more than any government since 2002 but it struggles to keep up with contractual payment obligations.

Sharp contrasts between NA-led and PNC Government

What a sharp study in contrasts between the NA-led Somare Government and the PNC-led O'Neill Government.

The Prime Minister likes to repeat that he has had to deal with a mess inherited from the Somare Government, although the reality is that he inherited an economy that was firing on all cylinders, as shown in official statistics.

The NA-led Government reduced the nation's overall debt but nevertheless saw formal sector employment rise by over 40 per cent during the five years from 2007 to 2011. Under O'Neill's Government, employment has slumped by 10 per cent. For the past three years employment has fallen, especially in non-resource sectors; per capita incomes are also falling. Tens of thousands of Papua New Guineans are worse off today than they were in 2011 and the 300 per cent increase in public debt in the past five years will leave an additional burden for our children and grandchildren. Foreign Direct Investment, which helped fuel GDP growth in the earlier period, has shunned PNG under O'Neill.

This Government has been desperately trying to drive this economy by enormous borrowing while failing to make an impression on economic growth or employment.

The O'Neill Government's K15 billion in additional borrowing the past five years is twice as much as the total public debt amassed by all PNG governments in the 37 years between 1975 and 2012. The planned borrowing of K1.99 billion next year, together with record revenues, is what will underpin forecast expenditure of K14.7 billion.

Since 2012 the O'Neill Government has received more revenue than the annual revenue and/or expenditure of any PNG government in the past. Mr Speaker, Honourable Members, the Treasurer has treated these record revenue and expenditure figures, as though they are a reason for gloom.

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The reality is that even though Government revenue from the Resources Sector has fallen sharply, total revenue and grants received by the O'Neill Government since 2012 has been higher than the K9.30 billion received by the NA-led Government in its final year in office in 2011. Annual revenue for this Government has ranged between a low of K9.4 billion and K9.8 billion in 2012 and 2013 to a high of K11.87 billion and K11 billion in 2014 and 2015.

Since 2014 LNG exports have overtaken gold as PNG's top export earner, adding to the nation's economic diversity. Although gold prices are well down from their peaks prior to 2012, PNG gold exports last year were worth a record K6.6 billion. The 2018 Budget forecasts it will hit a new record of K7.3 billion this year.

Last year, the nation's Current Account surplus, which takes account of the nation's entire trade in goods and services, stood at an all-time high of K25.1 billion with K20.2 billion contributed by petroleum and mineral exports. It was the economic diversity generated during the Somare NA-led years that greatly broadened the revenue base, as demonstrated by growing export revenues, rising employment and government revenues. Harmful O'Neill Government policies that have left government struggling to maintain satisfactory cash flows has also resulted in imports collapsing from a peak of K12.14 billion in 2013 to a mere K6.5 billion last year. Once again let me reiterate; the economy is in a mess because the O'Neill Government has thrown fiscal responsibility out the window, and continues to do so. People at the grassroots level will suffer while a few among the elite will prosper.

To justify ill-conceived policies, senior Cabinet Ministers have been making false claims about PNG's export performance and imports. One has been attributing the lack of foreign currency to a mediocre performance for PNG exports and an inability to fully pay for imports. The reality is that PNG gold export revenue alone last year topped the entire PNG import bill by K400 million.

Last year's Current Account surplus, which takes account of the nation's entire trade in goods and services, stood at an all-time high of K25.1 billion with K20.2 billion contributed by petroleum and mineral exports.

Are the Ministerial comments a case of ignorance or deceitful behaviour? Totally false statements have also been made about the importance of import substitution for agriculture with the ridiculous claim. As broadcast by virtually all our media, PNG's annual food import bill was costing K4 billion.

In fact, government statistics show that all PNG food import costs in the four years to 2016 does not add up to K4 billion. The value of food imports plunged from K1.15 billion in 2013 to a mere K681 million last year.

This is how the O'Neill Government makes false propaganda and designs its economic policies!

The O'Neill Government's greatest claim to a dramatic policy shift has been the commencement in 2012 of free education, based on government allocations for a tuition fee free education. In the past five years, the public has become aware of a big fall in educational standards. One reason has been the doubling or tripling of class sizes to cater for a sudden influx of new students.

Just imaging this, Mr Speaker, honourable colleagues, since 2012 there has been a doubling in the number of students enrolled in primary, secondary and high schools around the country. The numbers have gone from one million to over two million.

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And yet again the Government's Education budget for 2017 of K1.16 billion is K500 million less than its 2012 allocation and K900 million less than the record 2015 allocation. The Government spending for an average student has more than halved since 2012. This is what the Government considers as its proud legacy.

The Government claims to have also made a significant difference because of its Free Primary Health Care Policy. But the Free Public Health budget allocation remains unchanged at K20 million since 2012, a farcical amount that contributes to a multitude of problems at hospitals around our country.

Mr Speaker, let me conclude by pointing out that many Papua New Guineans who struggle to survive on low incomes will be badly hit by the 2018 Budget. Mismanagement of the economy, as we have argued, has resulted in the loss of thousands of jobs involving single income families. The plight of these people will be worsened by a government decision to

impose an additional import tariff of 10 toea per litre for imported diesel and petrol because importers are seen to be making super profits. The cost of diesel in 2018 will rise by 23 toea per litre because the Government has also decided to align diesel and petrol prices. Starting next year, the excise on diesel will increase by 13 toea every two years until the diesel excise reaches 61 toea per litre to bring it on par with petrol.

Mr Speaker, the price of everyday goods has already increased because of unavailability of foreign exchange and a weaker kina. They will go up even more next year because of newly increased import duties on some 280 categories of imported goods. The 2018 Budget will result in the least well-off in our society facing additional burdens because of falling employment prospects and wide-ranging cost increases. The callous disregard these past five years for LNG landowner identification has also created a law and order time bomb that this Government continues to pretend does not exist. The O'Neill Government has failed to commence LNG royalty payments to some 60 000 landowners, for many of whom a life of poverty remains a daily challenge.

Mr Speaker, the Police Commissioner recently publicly appealed to national politicians, including the Prime Minister, to travel to Hela Province and Southern Highlands to resolve a growing law and order crisis and ongoing landowner threats to shut down gas supplies to the LNG project. Even the Police Commissioner's call has gone unheeded.

Mr Speaker, the O'Neill Government is leading this nation down the crisis path taken during the first resources boom in the 1990s and the eventual political and economic crisis prior to 2002. One of the hallmarks of both periods was a breakdown in law and order and the emergency of sorcery-related killings –

MR SPEAKER – Honourable Opposition Leader, your time is almost up, so can you seek leave to incorporate the rest of your speech?

MR PATRICK PRUAITCH – I only have the last two paragraphs to finish.

Mr Speaker, as the shadow Treasurer has pointed out. The Treasurer has deliberately misled the Parliament in his claim that the 2017 Budget deficit is 2.5 percent of GDP in line with his Supplementary Budget and 100 Day Plan. In fact, 2018 Budget papers the Treasurer presented to this Parliament show that the 2017 deficit has blown out to an unsustainable 3.1 per cent.

In most other jurisdictions such a serious error would have led to calls for his resignation from the position of PNG Treasurer on this score alone leaving aside the additional issues of fake revenues, fake loans and fake budget.

Mr Speaker and honourable Members, please take these facts away with you as we break for the Christmas holidays. The Government has been covering up its ineptitude and mismanagement by hiding the truth that I have exposed today for the benefit of the people of PNG.

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Before I complete, Mr Speaker, let me also take this opportunity to wish every Members of the House season's greetings and Merry Christmas to everyone.

Mr SPEAKER – Honourable Members, before I allow another speaker to debate, I would like to remind you all to be time conscious when debating, I will apply strict measures on timing so when your time is up, you must stop debating.

Mr JAMES MARAPE (Tari-Pori – Minister for Finance and Rural Development) – Thank you, Mr Speaker.

Let me join this debate by firstly congratulating the Treasurer and our Deputy Prime Minister for handing down a wonderful Budget in a time when all prophets of doom predict doom and gloom. For the Treasurer to compose himself and try to stick to the gist of what we planned in the *Alotau II* camp and for him to deliver a Budget that embraces the focus that we have outlaid in the *Alotau II* camp as well as embracing some of the advises that he has received and the team has received in putting forward a Budget under the present circumstances; he deserves greatest commendation from every one of us.

He hasn't deviated much from the intention of the O'Neill Government and his government associated by the Planning Minister. They have remained focused on how we outlaid our plan to take the nation from where we have started in 2012.

Mr Speaker, when you look closely, I take note from the response by the Opposition spokesman on Finance and Treasury as well as the Opposition Leader, and they are not wrong. In one fact is that, we stick to the gist of our focus as we started in 2012.

Mr Speaker, our focus in 2012 has not been much different as it is today, building infrastructures, focusing on education, focusing on health, growing infrastructure and maintaining law and order.

Mr Speaker, the conclusion of the shadow Minister for Treasury and Finance goes like this, the line from the second last paragraph reads, 'That is our legacy – tough times to fix the mess so our children can face a better future.'

The choice that befalls our nation today is how we endeavour to fix the future of our children by the interventions we make today. Do you fold your hands and sit back because the economy is struggling and do you allow one million children who are supposed to be in classrooms not to be there? The challenges we see today are the challenges we saw in 2012, those are the same challenges.

Mr Speaker, the Government foresaw in that time and no one dared to take that big step to fix these challenges that face the nation.

Today, Mr Speaker, 40 years on, and I stand here and feel ashamed that I am travelling on roads not sealed and I am from the LNG area. My road is not yet sealed, children are not at school, hospitals are not yet being built and the reason accounts to this; no amount of money we find in any fiscal year or financial year can fully and adequately address all the needs we have in this country.

Without repeating my speech I gave earlier but just to recap as a pointer, I asked the Works Secretary, Works department and Works Minister about the 30 000 kilometres of national highway

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The Minister for Works did mention to us in Cabinet today on a best case allocation on K1.5 million per kilometre. K45 billion will be needed to fix the national highways including my road from Mendi to Tari that is not yet sealed.

To educate the 3 million students in the country, will cost more than the K6 million which we are investing in education and to provide education for the 8 million citizens of this country.

When you look at the advanced nations or medium income earning nations like us spend on average more than US\$ 1000 – 2000 per citizen on average allocation. That type of money we have in the country, Mr Speaker, in any given year is not adequate to fully develop our country.

So the Government must be innovative in the times when our economy is shrinking because, Mr Speaker, it's not in our doings. We are price takers. Big economies decide on the price of gas, gold and oil. Those international prices affect the price of the revenue we take home every year.

So when our economy collapsed in 2014 as a result of firstly, oil price that dropped by more than 60 per cent, and secondly, Ok Tedi that's starting into drought. At that time, coincidentally, our current Opposition Leader assumed office of the Treasurer, he had every opportunity to participate with us and he participated with us for three budgets in the O'Neill Government.

Mr Patrick Pruaitch – You controlled them, I didn't.

JAMES MARAPE – The former Treasurer before him presided over two budgets but when they are on the other side, they criticise the strategy. When they were on this side, they were willing participants in the strategy.

Mr Speaker, the strategy is simple, they both know this. Within the *Fiscal Responsibility Act*, we need to find a little bit of space to ensure that we fund our programs consistent to our medium term development strategy consistent to our government's strategy to ensure that our five pillar programs work and consist to the long range vision of our country, and that is to make our country wealthier, safer and better place for every one of us.

Mr Speaker, they talk about debt as bigger part of the reply. Current debt we have is relative to the growth of the economy.

In 2012, Mr Speaker, our economy was in the K30 billion mark, today our economy has expanded above K70 billion mark. So within the legal framework of the *Fiscal Responsibility Act*, our Government cannot sit back and simply fold its hands at the expense of children not going to school because this has not being worked on.

Mr Speaker, talking about districts and children not going to school, let me highlight two casing points. I stand here, quite happy of this record. Unfailingly, K5 billion has gone on to districts.

Mr Speaker, I make reference to an issue that the Opposition Leader raised in respect to the quality of education. We allocate money both for the free education and we allocate money straight to the province and districts.

Mr Speaker, we have allocated K220 million unfailing each year since 2012 for five years and that is equal to almost over a billion kina to the education sector, infrastructure, to provinces and to the districts. When you include the K3 billion made to education sector in the last five years, it amounts to K4 billion for the education sector putting numbers or student heads into the school system today and that equates to one million extra students who were previously not in school into our school system.

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Mr Speaker, big economic numbers looks good and it is not relevant if we do not translate it into tangible development on the ground by putting children to school and building infrastructures.

Some Members complain that the O'Neill Government is only focusing in Port Moresby and I sometimes make inferences to that but when I take a closer look into Port Moresby, it has 40 per cent if not 50 per cent business activities in this country. It current has 10 to 15 per cent of PNG citizens living in Port Moresby.

A famous politician once said in this Parliament that he will never ever drive over the Flyway but I have seen him many times driving over it.

Mr Speaker, our record in deficit budget if it is used properly as a tool to ensure we grow as a country by investing in assets. This Government made deliberate intervention, whilst the country is facing tough times, we cannot fall back and scale down on our focus on investment in key development areas in the five sectors that I have mentioned.

We make deliberate interventions on those sectors so that it becomes incubation for us to continue to build on and grow to meet the target that our Shadow Minister for Finance and Treasury didn't indicate a better future for our children. We are heading in this way to ensure that we have a better future for our children.

Our current focus to invest in agriculture is something that many governments in the past have failed to serious pursue it. This is something that the combine O'Neill-Abel Government focussed in Alotau. Our focus was to ensure that economic growth becomes the number focus of this Government.

We seated the alignment of the *Alotau Accord* from what was previously the *Alotau Accord I* from education, infrastructure, health, law and order and economic sector came last. In this *Alotau Acord II*, economic sector in growing the economy became our number one focus. We need to diversify, not only focus on our extractive industries that are non-renewable in which we have invested but we are now investing into renewable sectors.

Mr Speaker, I would like to conclude by making these remarks. Our Government in as far as expenditure is concerned for a first time are arresting the ever increasing public sector expenditures. We have two key areas and we are putting our hands on the Public Service salary and office rental accommodation. Because of the crisis in oil and gas prices, now we are able to open our eyes and look at where our wastages really are.

Mr Speaker, those two things along was previously costing the government K600 million to K700 million annually. Today, our Government has brought two expenditures to around K200 million respectively. It is in a working progress and we are trying to ensure that these two recurring areas of annual expenditures are curtailed or brought down.

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Mr Speaker, you will know in the budget and in this Government's policy that resource sector reforms taking in fisheries, the forestry sector, the agriculture sector, the mining sector and today there was an attempt to reform the MRA, these are part of the overall scheme of things where this Government is now looking to for revenue envelopes. Some of the laws, since 1975 have stopped our nation from really advancing and progressing to the next level.

Mr Speaker, this Government is taking a holistic approach in ensuring that some of this laws especially laws pertaining to the resource sectors are looked at closely and make them into a win-win situation for our country and our economy and also our resource owners are taken into consideration.

Mr Speaker, we also doing procurement reforms as I indicated earlier, there is a lot of wastage in the procurement sector and this is something the Treasurer has indicated which we are working to ensure all is tightened.

Mr Speaker, let me conclude by saying that former Treasurers in this Parliament know very well that Budgets are operated in cash accounting system. You make a Budget forecasts and you collect and you honour the Budget as you go right through the Fiscal Year.

Our records shows in the last five years that no matter how much we have stressed we are able to deliver to the gist of our Budget intentions.

The last five years we stood the test of time and we ticked off all our major commitments in as far as the Budget forecast is concerned.

Mr Speaker, the Treasurer has handed down a good Budget and we all have many needs across. And as I indicated earlier that the needs far outweigh the actual resource envelop we have within our disposal for next year.

The Treasurer has very much tried his best to capture the focus of the *Alotau Accord 2* and to the focus and plan of the Government and I appeal and rally the conscience of all the leaders that whilst we may not feature prominently in the Budget directly, but the Budget embraces every internal Government to ensure that our children's future is given fair consideration, and I whole heartedly support the Treasurer.

Sir MEKERE MORAUTA (Moresby North-West) – Mr Speaker, may I take this opportunity to congratulate the Deputy Prime Minister and Treasurer for his first Budget.

Mr Speaker, I endorse strongly the comments and analysis given by the shadow Treasurer in his reply to the Budget.

As an experienced and successful businessman he knows the importance of being realistic about revenues and careful with costs to have a healthy bottom line.

He has brought a keen eye for a detailed and financial discipline to his analysis to the 2018 Budget. Identifying K2 billion in fake revenue and missed opportunities to tighten up spending yet protecting basic services and suggesting solutions to fix the mess and restore credibility.

Mr Speaker, I would like to comment on three Budgets.

- (1) The Budget that PNG needs;
- (2) The Budget that the Treasurer thought he delivered; and
- (3) The Budget that PNG got now.

It should be clear to all of us that our economy is facing very serious problems.

In his speech to the Parliament last week the Deputy Prime Minister and Treasurer went some way towards acknowledging as much. He said, foreign exchange shortages are constraining growth, deficit Budgets have led to rising debts and are simply not sustainable, and revenue shortfalls have led to spending cuts and build-up of arrears.

But in his Budget speech the details were missing on the scope, scale and severity of these problems. First the foreign exchange shortages are at least K2 billion and 60 per cent of CEO's report this as the biggest constraint. Public Debt reported in the Budget have risen to K25 billion and there are a large amounts of Budget debts, such as K2 billion in superannuation areas, K2.5 billion in SOE debts principally the Kumuls Consolidated Holdings, and the K14 billion more Chinese debt that are being currently orchestrated by the Prime Minister without the involvement of the Treasurer.

Mr Speaker, you have the revenue shortfalls of K3 billion in 2015, K2 billion in 2016 and probably close to K2 billion this year, which have caused cash flow problems, Budget implementation chaos, and build up arrears estimated at over K2 billion.

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These are real problems that cannot be swept under the carpet and ignored.

Mr Speaker, the Budget that PNG needs in order to have credibility, the Budget needs to fully disclose the state of the economy in quantifiable terms: the debts, the arrears, the foreign

exchange shortages. In order to have credibility, the Budget needs to correctly diagnose the problems and administer the correct medicine.

In order to have credibility, the Budget needs to have realistic revenue and tough choices on expenditure priorities and expenditure cuts. In order to have credibility, the Budget needs to be part of a properly thought out multi-year economic reform program, supported by concessional finance and an IMF balance of payments support program.

Mr Speaker, the Budget that the Treasurer thought he got, the Deputy Prime Minister and Treasurer thought that he had support from the Prime Minister for a responsible budget. He thought he had support for 2.5% of GDP deficits in 2017 and 2018. However, the 'revised' revenue numbers in Chapter 4 of Volume One already point to a 3 per cent of GDP deficit in 2017.

And, I think we can actually expect something around 4-5% of GDP by the time the final fiscal outcome is known in March. The Shadow Treasurer has shown how fake revenues in 2018 are likely to blow out the deficit next year. The Treasurer thought he had support for expenditure prioritization, including DSIP and various 'bilas' projects.

This also seems to have been the understanding that the IMF had in September after they met with the Treasury. The Treasurer thought he was getting good advice from the Secretary for Treasury on revenue, stimulating the economy and managing the nation's debt. Unfortunately, he did not get good advice. As a consequence, the Treasurer did not get what he wanted, and PNG did not get the Budget that it needed.

Mr Speaker, the real state of the economy: a severe recession. The Treasurer says that the government has falling revenues. Revenues are falling, but he has got the diagnosis wrong. Falling non-mineral revenues are the symptom, not the disease. The real problem is a severe recession in the economy. The Treasurer says that the economy is growing at around 2 per cent this year and next. But even such sluggish growth is not supported by the evidence:

- falling imports and sales,
- job losses, and
- a collapse in revenues.

These are all signs of a severe recession. The reason for the recession is the lack of liquidity: foreign exchange shortages and inadequate domestic financing for businesses.

The reason for lack of liquidity is the O'Neill Government's waste, mismanagement and corruption; the Government unpaid bills and empty promises. The reason for the revenue shortfalls is the recession. Squeezing businesses harder to pay more tax is likely to aggravate

rather than ease the recession. The 2018 Budget was an opportunity for the Treasurer to put the economy on a path to recovery:

- to take tough decisions on expenditure priorities;
- to free up finance and foreign exchange for businesses;
- to put in place a multi-year economic reform program supported by concessional finance.

But what PNG got is a budget that is bad for business—a budget that will spread and deepen the recession. The Government is looking for an easy way out of the cash crisis that it created through waste, mismanagement and corruption:

- The Government is raiding and crippling State-owned enterprises for quick cash,
- The Government is bleeding bank accounts and squeezing an already struggling business sector for more tax for example, delays in GST refunds are already hurting businesses, but will get worse now that the Government is stopping IRC from allowing offsets against tax liabilities.

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This is an example of the Government solving its cash flow problem by passing it on to struggling businesses, while the new taxes on imports and diesel will push up prices. These are not sustainable solutions; they are signs of desperation.

Mr Speaker, the raid on State-owned Enterprises, specifically the proposed K125 million dividend from Kumul Consolidated Holdings, is unrealistic and irresponsible.

State-owned enterprises are sick: a result of rising debts, poor investment decisions, and previous dividend raids. I understand that KCH is in technical default on the K800m BSP loan for the port relocation. A loan that is due to be repaid in July 2018.

I understand that Telikom is in default on its K150m ANZ loan and is living hand-to-mouth as it struggles with cash-flow problems. I understand that Air Niugini borrowed K70m from BSP to build new apartments for its bosses, blew out the budget and is having to cut costs elsewhere to pay for the overruns. Kumul Petroleum has received billions of kina in income from the PNG LNG project, but has only paid about K500 million in dividends to the State. Where has the rest gone?

For the budgeted dividends from KCH (K125 million) and Kumul Petroleum (K300 million) to be credible, the Government must release the financial statements and audits of these entities, so that the extent of the risks can be analysed, discussed and debated.

Mr Speaker, we were promised an 'Abel Budget' based on the 100-day Plan. What we got was yet another 'Peter O'Neill Budget'

- K2 billion in 'fake revenue'
- Lots of sweet talk, promises and lollies
- And the prospect of deep spending cuts later next year: APEC will not be cut, but spending on health, education, maintenance of public assets and provincial grants will

My colleagues and I are ready to offer solutions to the economic problems, including a credible multi-year program. We have a wealth of experience on economic management and reform. And we are happy to meet with the Treasurer to provide the advice and support that he is clearly not getting from his Secretary and the Prime Minister.

Hopefully the next Budget will be the one that PNG needs: a real Budget, not a Peter O'Neill fabrication of fake revenue and empty promises.

Mr WILLIAM DUMA (Hagen – Minister for Public Enterprise & State Investments)
– Mr Speaker, my speech will be very brief because most of our members have covered all the issues from both sides of the House. So I do not intend to repeat what has already been raised in Parliament.

Mr Speaker, I remember one thing clear when I was not the Member of Parliament yet, and when the good Member for Moresby North-West was then the Prime Minister of that day and when his government made that decision to invest in the road that leads from Waigani all the way to Gerehu. There were so many prophets of doom and gloom and they all said that it was not a good decision but I realised now that it was a decision that was made for the future.

Mr Speaker, likewise similarly when we look at the investment by the O'Neill Government in transforming our capital city with the intension of making it into one of the premier cities in the region. We all look at what is available before us but we don't turn to look at the future.

Mr Speaker, only time will tell whether the decisions of the Government to invest a lot of money in infrastructure in the city was beneficial. What I saw when Sir Mekere was the Prime Minister and this was a wise decision made by this Government. And all of us will one day eventually turn around and commend our Prime Minister for taking the lead

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If one looks closely at senior members of this House, most of them were either led by the founding father Grand Chief Sir Michael Somare or this Government led by Peter O'Neill.

Opposition leader himself was a key figure in the Somare Government and so was our Prime Minister and a number of us were there and we all worked very hard to develop the much talked about LNG project. It was a collective decision by both sides of the House.

Some of the decisions we made now were part and parcel of the Opposition leader's decision when he was part of the O'Neill's Government. On hindsight, some would say they were wise decisions and other would say foolish but we all made it happened in Government one way or another.

I tend to take the view in this budget that, this country is the exporter of commodities and is always subject to fluctuating world prices determined by factors beyond small countries like ours. We were all in the mercy of the fluctuation commodity prices and Papua New Guinea being a small country with no large manufacturing base was reliant on these prices. Either way, no matter which side you are on, you are confronted with the same figures.

I don't think we will benefit by having a go at each other by calling this Government's budget a fake loan, fake revenue with misguided spending priorities. I went through the Shadow Minister for Finance and Treasury's Budget speech and yes, he has made some valid points, but I am unable to find in the figures where he could then justifiably stand up and said these are fake figures.

Mr Speaker, all the budgets are money plans, which depend on the outcome that perceived and the cash collect so I wouldn't go to the extent of saying this Budget is based on fake loans or fake revenues.

These are all based on projections and we all have the opportunity to review the mid-year or end of the year performance or the Supplementary Budget. So I would be careful to say a Government budget is based on fake loan and fake revenue. Because the world is looking at us and once we call a Budget a fake Budget, then all of us turn to lose the gain. So we must be very care as it is a projection Budget.

Mr Speaker, back in the days when the Grand Chief was the Prime Minister, as I can remember, the price of oil at that time went up as far as \$100 and \$120 per barrel and at four consecutive times we were able to gain by reducing the surplus Budget. And I remember we put a lot of our money into what was known as a Green Revolution, basically to help our people to go back to our roots in agriculture in this country. And this is exactly what we are trying to do here now.

We said that if we collect enough money, we will give K100 million into agriculture sector so I don't think we are trying to introduce something that is new. This is something that has been done by Government year and year out, particularly in the case when the Grand Chief was the Prime Minister.

There were a number of large agriculture projects in the northern part of the country where we set aside a lot of money. But in many ways we are political leaders who simply pass the Budgets and leave it to our bureaucrats to spend the money. In many case when we are not careful, that is what happens, so I don't think we as politicians should to be blamed wholly for the mismanagement and the misapplication of the funds so we must be very careful about the way we go about criticising ourselves.

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Timing in any Budget is a very important conservation and in particular, in this case we have just come out of a very expensive election and as we all know towards the end and a beginning of government, when politicians leave the running of the country to bureaucrats you do not expect much and in most cases business come to a stop and we are here back in Parliament trying to come up with a money plan that will help restore our economy.

I for one will commend our good Treasurer, for trying his best to accommodate all the competing interest requirement and coming up with good balanced Budget where he has taken into account a growth rate of at least 2 per cent, which is similar to what we are seeing with the rest of the world apart from China and India, which are enjoying rates of maybe 5 or 6 per cent, 3 per cent for the US and 2.5 per cent for the European sector.

But, this is something that is applying elsewhere in the world so we cannot turn around and say that it is an unrealistic Budget. It is based on what is happening around the world with a 2 per cent growth rate and that is not necessarily low.

Mr Speaker, our economy, as I pointed out, is at the mercy of the commodities so this is a well balanced Budget. We can argue until the cows come home, we can criticise ourselves but realistically if we look around no other government will do different.

I have been in Government for many years and I tell you that no other government can do this, come up with a Budget that provides all the answers for everyone in this country so given the circumstances we should all support and make sure it works.

It is not the job of the Treasurer, to make sure that our people in IRC effectively and honestly collect what is due to us. It is incumbent about all of us here from both sides of the

House to make sure that our bureaucrats collect what is due to us so that we use that money to provide services for our people.

I think this is the Budget that requires support from both sides apart from the typical political name calling such as describing this Budget as based on fake loans, fake revenue and is a publicity gimmick. I think all of us should be responsible, accept it and support our Treasurer. I for one support the good Treasurer's Budget.

Thank you, Mr Speaker.

Mr ALLAN BIRD (East Sepik) – Thank you, Mr Speaker, and I want to thank the Government for allowing us to debate the Budget. May I also commend the Deputy Prime Minister on presenting his first Budget.

The issue I want to raise is whether the Budget will be a reliable planning document for our provincial governments. I am basing this over the historical data for my province in the past three years including this year.

I want to start by talking about agriculture and I am happy that there is funding there but I note that much of the funding is really for the commercial sector and we have to understand that we have about two to four million people who are actually small holder farmers and I am just sad to say that I do not see anything in the Budget for these people.

In my province, I have 100 000 small holder vanilla growers so if we are talking about jobs in this House these people have jobs in our villages on their small land. Now, I know that we feel that we have failed in our implementation so we are now focusing on the commercial sector to deliver some of the results we want.

But, I want to say that East Sepik is the second largest supplier of vanilla in the world and there is not one single large scale player in my province that has made Papua New Guinea for the first time in history, the second largest producer of anything in this planet.

So, I do not want to see a Budget that has forgotten about the hard working small farmers in our districts, and particularly my province who has put this country on the map. If it was not included, I understand how difficult it is, Mr Treasurer, I hope that in the next Budget or if there are donors that are coming to support the sector in my province, I hope the Prime Minister and the Government will support it.

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So far I have not seen one large scale producer in agriculture putting our country on the map.

Mr Speaker, secondly is our Budget as it relates to our 21 provinces. Most of our people do not live in Port Moresby but in the 21 provinces. I do not want to criticise but we talk about service delivery in this Parliament. Service delivery does not come from DSIP and PSIP. They are for building infrastructure and we all know that. Those are the guidelines.

Mr Speaker, the real basis for service delivery is in the functional grants. For the last couple of years my province and maybe some others have not received our grants. This year my province has only received 22 per cent of its entire allocation for service delivery. If you are an Open Member from East Sepik sitting here; what it means is that when functional grants for service delivery do not get to the province then you have to use your DSIP to pay for the services.

Mr Speaker, we have about two weeks left before our accounts will close and I don't know if the K45 million that is still outstanding for my province is going to come. I am concerned about the practical aspects of the Budget. We can come up with all kinds of figures and argue over it in Parliament but that is something outside of my concern right now. The real argument is the practical implementation of the Budget.

If East Sepik, Morobe and some others have only received 20 per cent of the service delivery grants then am I to assume based on this year's performance of the Budget that come next year, we are still going to get 20 per cent? That is what I am concerned about; the actual implementation of the Budget.

Mr Speaker, I will give you an example. When I entered Parliament, I stopped a strike from 4 000 teachers in my province. Why they wanted to go on strike was because of their leave fares and this is the practical part of the Budgets that we pass. In 2016, the National Government budgeted K1 million but they gave only K600 thousand for my province. The teachers were adamant because the Budget was for K1 million. K200 thousand was paid from the PSIP of the then governor so the teachers got a total of K800 thousand only.

Mr Speaker, I am sad to tell you that this year for the leave fares of my teachers only K200 thousand was actually funded. I do not know where I am going to get money to pay them in order to avoid them going on strike.

When we pass a Budget here, we can debate all we want but when our people on the streets get a copy of that Budget, how do we explain to them when money is not delivered? I and all other governors have to deal with that.

I am more worried about the practical aspects of the Budget and I can assure you that if I don't get the money by the end of the year, all my teachers will go on strike next year. As the

new governor I promised them to get them their full K1 million for their leave fares. Many of them have not gone on leave for 6 to 7 years.

Mr Speaker, I want to see a Budget that has more honesty to it so we can rely on it to make our own plans to deliver services. If we cannot rely on it then what am I to do in the province? Do I follow the budget estimates that were given in this book? It says I am going to receive the same amount in my province but in actual fact I won't.

In September, 2016, I was on the Health Board and we had a meeting. At that time, the budget was around K1.6 billion and our health sector was allocated K300 million. We had a smart young fellow from the Treasury who came and told us that they were going to cut our budget and promised to give the rest before the end of the year. I asked him this question. Can you be honest and tell me, are you certain that we going to get the remaining K900 million before the end of the year?

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This smart young man in Treasury did not answer my question.

My difficulty is, Mr Speaker, I don't want to go and tell my people that, we the East Sepik's will receive K58 million in service delivery grants and we have to pay for the rural health care and everything else and support the Government in its free health care policy and by November next year, I find out that I am not getting it. We lose credibility, this whole House loses credibility, Mr Speaker. So that is my concern.

Looking in further into budget implementation, I want to pose a question, if the Treasurer could take note. If it is possible in the future, when you table the 2018 Budget, could we also get a percentage on how the 2017 Budget performed? All these targets were in place when the Budget was made to be achieved as a country. Can you provide this House a report that tells us how we have performed? Did we achieve those targets that we set with the money that we spent? I refer to the previous time when I was asking the education Minister, I had to divert funds because the TFF policy was not working this year. I had to look into the legality of transferring K750 000 away from areas which this money was allocated for, just to keep the schools open because the TFF did not come. So in next year's Budget, the Treasurer must tell us how we performed because at the end of the day it's not your Budget or our Budget, it is the county's Budget. If we come next year and there's another Treasurer, he can show how well the Budget has worked, I think that is reasonable for us to ask.

On another matter, I know that jobs and crime have a direct correlation. When you have more jobs, crime rate goes down. When you have less jobs, crime rates goes up. All our

provinces are filled with criminal issues. We just heard this morning about the issues in Milne Bay. In the next Budget, I want to see a number of jobs project to be created from the Budget. I want to see it in the Budget. It's not about criticising. It is about making sure that we have a target there and we have a way of working towards it. Let's not talk about GDP and all these fancy numbers that most of our people don't understand because our people understand jobs and things like that so I want to focus on that.

This is a request again and I don't want to criticise for the sake of criticising. I am worried about the new K4 billion loan that we are going to get. I understand from what I have read in the paper that this money will be used for infrastructure.

Mr Speaker, I know the Government has built a lot of infrastructure over the last five years and it stands on that record, but I want to see how that infrastructure contributes to GDP growth; how that infrastructure contributes to the expansion of the agriculture sector? I want to see how that infrastructure provides long term jobs for our people. If you look at the figures and we just had some debate on it by the Honourable Finance Minister, we have 76000 young people coming out of colleges and other institutions at the end of this year. The challenge for this House is, are we creating 76 000 jobs each year whether it be in formal or informal sector. If we are not, Mr Speaker, I put it to you that should be the focus of our Budget. How many new jobs in our modern economy are we creating for our young people?

Thankyou Mr Speaker.

Mr MICHAEL NALI (Mendi – Minister for Works-Mendi) – I am eager to contribute to this Budget debate. I have been in Parliament for more than 15 years and this year is my 16th year. I know most of the members of Parliament here, however, there are also new members.

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There are always good and bad times when we are putting the money plan together. So we should not criticise other governments. We have been around and we have seen what is happening on the Floor of Parliament.

In real life, we try to survive from the sea or from the mountains and see ourselves as being fit.

Mr Speaker, Papua New Guinea is not like Singapore where it is located amidst the world and can see the number of planes landing and the number of ships anchored at its ports. The amount of investors moving for coming into their country cannot be compared to us. So that is

the reason why they are able to have huge revenue generating opportunities unlike Papua New Guinea.

Mr Speaker, our economy is small compared to theirs. The public of public servants we have is also nothing compared to them. Almost 98 per cent of our population live in the rural areas. We also know that the Government owns three per cent of the land in our country while 97 per cent belongs to the landowners.

With that, Mr Speaker, I want to commend and congratulate the Prime Minister and the Deputy Prime Minister and the Minister for Treasury, the Minister for Finance and Planning & Monitoring for presenting this money plan at a time when things are tough. This was not their doing.

But, Mr Speaker, I was not there during the Alotau Accord 1 but I was present at the Alotau Accord 2. I was a party to that Accord and to those who came and joined us later. We were the Members of Parliament who are seated here who planned and set the priorities for this Government and not the Prime Minister nor the Deputy Prime Minister or the Minister for Finance and Planning & Monitoring. We all contributed and our Chairman was Sir Puka Temu.

During my term as a Member of Parliament in the past parliament, I have been in Cabinet many times but this is the first time we went through refining this budget in Cabinet two times.

It went through a major refining process. We all had different levels of profession in the Cabinet. I am not equivalent to some of them but I am content with who I am. I too had my say in this Budget and I am telling you that if you think that this Budget is rubbish, it is not rubbish. This Budget went through us so the word 'fake' must be removed because the whole Budget is based on predicted revenues.

You do not know what is likely to happen in January, February, March of next year, 2018, yet we are framing a Budget. How many of you participated in that? The former Prime Minister is not here. He knows that because he did formulate the Budget at one time. His Budget was also made on estimation. If his Budget estimate was fake at that time, then this one is also fake.

So the word 'fake' should be thrown out of the window. We do not need that kind of rubbish. That is nonsense. You are trying to pick and choose words to rubbish the Budget but there is no Budget with accurate figure. The Budget has always been an estimate so I therefore, remove the word 'fake.'

Mr Speaker, in 1975, I was a small boy wearing my traditional attire when we gained independence. They told me Somare was here and independence was here. I didn't know what

the term meant until later. Independence meant freedom. At that time, our annual budget was below K3 billion.

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They told me Independence arrived but they were not referring to ta man, they were referring our freedom.

At that time, our population was small and our annual budget was below K3 billion and over time we picked up. We are now looking at K12 billion to K14 billion.

I have been in Opposition and Government. All new Members better be thankful to a very fair man because in the past, when you are sitting in the Opposition side you get nothing. The government in the last five years gave you K10 million DSIP grant, K10 million PSIP grant and on top of that there are other grants too.

You can rubbish the Budget, yet you will come and ask for this money. So it is better to tell some truth here. When you become a Member of Parliament, and whether you are in the government or opposition, our people don't care, so who will help you deliver. Who?

Mr Kerenga Kua – Opposition!

Mr MICHAEL NALI – Opposition will help you deliver. I feel sorry for you. You will all come and get your DSIP and PSIP grants.

Mr Speaker during my time I have never touched K10 million. K250 000 was allocated to the districts and we were able to talk to our people nicely. We told our people that is the only money we had so with the K250 000 I was able to take care of four council of Mendi Town.

Mr Speaker, now you have K10 million and you can do many things with that money. But who is giving this money to you? This Government is giving you that money. So be thankful and don't rubbish DSIP and PSIP grants.

Mr Speaker, in terms of free education. Tell me which government provided for free education. It is the current Government.

Mr Kerenga Kua – Enough now, Mr Speaker?

(Laughter in the Chamber)

Mr MICHAEL NALI – This is the Government that provided for free education and free health care.

Mr Speaker, the Government was continuing to make sure that children's school fees are paid so that children can go to school. It is their right. In doing so, government want to see the parents utilise whatever little money they have conducts small businesses. Such as in the economic sector whether they are working or not, the government is doing its bit.

Mr Speaker, whether you like it or not, you are not going anywhere but stay here with me and sink with me or sail with me. So you better say some truth about where you are going.

Mr Speaker, we have support and nurture it. We must make sure that we are doing the right thing.

Mr Speaker, I believe the 2018 Budget is a good budget. We all know there is a time for everything.

We used to grow coffee but all the coffee trees have dried up and no-one is interested to grow coffee again. There is no-one interested in looking after kaukau or copra plantation. But people have their own reasons may be the price has dropped because of the freight charges. So where does the money come from?

Mr Speaker, we were depending very heavily on the mining sector for its copper, gold that is now scaling down. We were depending heavily on oil but the oil wells are drying now. We are now depending very heavily on gas but we do not control the prices.

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Mr Speaker, we were depending heavily on gas but yet we don't control the prices. So let's tell some truth. Be honest because it is common sense that we do not control commodity prices. When the Market sinks, we will all sink because we depend on those commodity prices.

Mr Speaker, in conclusion, The Government has tabled a very good Budget and we have tried our best to make sure that we give our people the best. We have issues with imports, roads and many more but one cannot answer all these problems when faced with this tough times.

I think the most important thing for us is to stand up together and put or country first and whatever we do when it comes to opportunities and investment; for example, I am from the road sector and I oversee the road infrastructure, so along the road sector I should have Commerce Department, Agriculture Department and Members of the 89 districts should all be working with me and putting some of the much needed funds into this Ministry and its programs.

Mr Speaker, I don't see any reason why we should not borrow. We can go and borrow as long as we do not over borrow. But when we borrow we put the money to good use.

There are a few businessmen who are politicians and you go to the banks to borrow because you have identified an opportunity and you want to invest in the business. That is the same as running a country.

Mr Speaker, having said this, I thank all the Members of Parliament for paying attention to me and on behalf of my people of Mendi, I congratulate the Minister for Treasury for handing down a very good Budget in this tough times.

Mr GARRY JUFFA (Northern) – Mr Speaker, I rise to contribute to this debate but I will not be long because I think all the things I want to say have been captured by both sides of the Floor.

Mr Speaker, let me congratulate the Deputy Prime Minister and Minister for Treasury for handing down his first Budget. It is not easy to frame a Budget under very difficult circumstances. Whilst we look at the difficult circumstances and think about how we can best manage our economy, this is a good time for us as a nation to revisit our policies and to look at the mechanisms in place that govern the expenditure of public funds.

You will realise there has been significant wastage of public funds because of basically poor management throughout the public service, SOE's, districts and provinces.

Mr Speaker, let me share a few words from my experience in the provincial government sector.

I totally agree with the East Sepik Governor and a large portion of my debate was about that but he had covered all that I wanted to say.

Mr Speaker, recurrent grants and functional grants are grants that allow provinces to function. Without these funds provinces will not move. Sadly, we barely receive these funds.

I say barely because we only get a portion of these funds every year and when we look at the Budget Papers we are hopeful. We see all these figures and we expect these funds to be given to the provinces but they have never been given in its totality. Often times we have to come chasing for it. We need to revisit this situation so that we are not seeing to be misleading our people because that is what essentially what we are doing.

We meaning you and I. We are all part of this very important decision making institution.

Those functional grants should hit the provinces every month. Can we make an effort to improve here? The price is being paid by the most vulnerable; the women and children, especially in the very remote rural areas.

I understand that the government continues to support the free health care and free education policy. But gentlemen, we need to review those policies and find out why they are not working because the funds as alluded to by the Minister for Finance are being paid but they are not actually making it to where they are supposed to go. And on many occasions we are forced to pay from our DSIP or PSIP for basically keeping the schools open so that children will continue their education. Can we re-visit those policies and find out why they are not working?

Mr Speaker, otherwise, we will keep coming back here, continue shouting, debating and shouting at each other, while our children and people are suffering. From the provincial perspective, these are the things that I want to bring in here in regards to the Budget. Again, we see here that the funds are allocated to the provinces but in reality those funds never make it to the provinces. If we were to accumulate all outstanding funds that are due, from past budgets there would be substantial amounts outstanding due to the provinces. And the functional grants especially for small provinces which do not have significant internal revenue is very vital for us to be able to provide the services that the people deserve. Secondly in regards to GFT remittances, the Treasurer has to sit down with the executive of the IRC and you need to reform how the organisation thinks. I visited them on a number of occasions and I was totally discouraged to see that they still think the way they have been thinking since I left them, which is how not to do things.

Mr Speaker, this is the problem that premiered in almost every government department. When you go and ask departments what needs to be done they will give you a list of things that you cannot do and how not to do it. But we want solutions and answers. In this day and age with modern technology we can be able to do more.

If you want revenue to come to the office, you need to visit the revenue agencies and you need to sit with them and find out what their problems are, so that you restructure and rebuild them so that they are functioning machines. This is the best way to do it. Also we pay them competitive wages, provide them housing and the capacity they need and you are guaranteed they will collect the funds that are due to this country. We also have to take some hard line in decisions against a significant number of tax payers who aren't paying their taxes in this country.

Mr Speaker, they are not hard to find, you will find them in the forestry and fisheries sectors. This is the starting point which is quite simple. You go to forestry and fisheries, get a list of all these companies and where they are operating. Then you go to the IPA and find out

if they are registered and then you go to IRC and likewise check if they are registered and have tax identification numbers. Do they have files? Have they been paying their taxes? Then you conduct audits. You need an operative team that will be more balanced, fly around the country and audit these companies. The *Income-Tax Act* is one of the very powerful legislations that is totally overlooked in this country. That piece of legislation can be used to enter any premises anytime without a search warrant and collect the taxes that are due to this country. It is designed that way because it is designed very similar to the tax laws in Australia. And if we want to collect the monies that are due to this country we are going to have to be aggressive and assertive in our efforts. We can't go clapping our hands and begging them to pay the taxes that are due to this country. What we ought to be doing is turning up and saying, you have declared losses for the last 10 years and yet you have all these logging points operating, you've built all these from our analysis of the revenue that are leaving your accounts, we see a significant money flow out of this country and why aren't you paying your taxes?

And demand them to deliver the tax returns and from there you can collect the taxes. I tell you if you do that you will collect billions. We have to be assertive in this manner. What we are doing is going after companies that are compliant and we keep hammering the same people. But we are not going after the people that are not paying their taxes. Why are we so scared of touching these people? I am willing to assist in this area.

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I am willing to assist there and I noted and I congratulate the Deputy Prime Minister for putting together a task force and I would like to be on this task force. I understand the Attorney-General and yourself are putting it together and I can give you a list of those companies who haven't been paying their taxes and let's go and collect them together.

The other issue that I would like to mention is law and order. This is the biggest impediment to any real investment efforts especially in crime-ridden provinces, we would say. If you look at the Budget papers, there are significant amounts of money being allocated to police every year. But back in the provinces and every member in here will agree that we keep dipping into our own funds to fund police activities. When actually they did receive a significant amount of money which comes down again to management of those funds. And what happened to those funds. How are they being managed? Are they being managed effectively?

I believe we ought to revisit this. At the last Southern Region Governors Conference, we all agreed that this was one of the issues that needed significant attention because prior to the

Provincial Government reforms, the provinces seemed to be functioning quite well. But after the reforms they started to deteriorate and not functioning so well, so we must revisit and find out where we went wrong. Did we fix something that didn't need to be fixed? Let's find out. Can the provinces be allowed to collect the taxes or some taxes?

I want to commend the Deputy Prime Minister again, because he has allowed for that and that's good but rather than just allowing for it I want to make sure that it actually happened. Licenses and permits for resources projects - provinces must be involved in this and we can't be sitting and all of a sudden be surprised when some companies turn up with the logging permit, fishing permit or with some PPL or some ML. How did you get this licenses, we don't even know and we have never even discussed it. Some landowners are operating from the back of Boroko Post Office have never been home for the last 20 years, for instances.

And procurement laws; whilst we are here fighting for money and starting to look at ways to get money, a substantial amount of our funds is basically been cut-off by private firms who inflate the contracts that were facilitated by Government. Come on gentlemen, we know that many of these projects are not worth what they claim them to be worth.

In many instances, we are paying above and beyond what they worth; roads, bridges and et cetera. And this are through loans and here I want to mention the ADB loans. We are always excited about ADB projects, but who is actually going out there and inspecting those projects to ensure that there is quality output? But I can tell you that there is no quality.

In many instances, they are almost deteriorating while they are still building it, how come. What are we saying about ourselves that we don't have standards? That people can just come and do this to us and then we have to pay with interest for substandard infrastructure that we will have to repay anyway. So I would like to have some attention being paid to the quality of this ADB projects. I say DBP because they are the main offenders as far as I am concerned. I don't know why they keep selecting those companies when they are building sub-standard infrastructure in this country. And it's unfair to us and our people and at the end of the day it's our people who are going to fork out the money for these loans and remember that.

But having said that, the biggest problem we have here in this country is the fact that we are such a rich nation with poor people is because all of us allow standards to drop and that's what we do, go back to your ministry and department you manage and find out. Have a look at how that department is functioning. Increasingly most of these organisation - instead of serving the interest of this nation and promoting and protecting the very Papua New Guineans that they have sworn to serve by taking an oath - they are basically selling the country. And we have to impose discipline to make them function so that they deliver and get paid from 7:45am to 16:06

pm, it's the contract they have with the people of PNG. And you, as the Minister, must ensure that everybody down the line tows the line.

In conclusion, I tell you a terrible experience whereby we delivered our provincial budget and it took us almost three weeks

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Three weeks to have this letter processed. I had to communicate with the Minister and it happened so quickly. But the officer responsible had not been to work for one week misleading my provincial government staff that he was processing this and that but it never happened. It took three weeks which would have taken three days or less than a day in some countries to make it happen.

They had travel allowances, accommodation, hire car and they had to stay here waiting for this to be processed and the Minister had to intervene to make it happened.

Our administrator is charged with a criminal offence so we had to put in an acting administrator in place. Similar situation took us another three weeks for something that normally takes a day, and again the Minister had to intervene. Officers disappeared, they didn't care and were not in office. We had to wait with frustration as close of accounts is looming.

This type of situation is dragging us down as a nation. There is no commitment where there should be commitment. So I implore all us here that we must ensure that commitment is there. If the Government is giving the funds then the funds must go where they are going and the people who are there must be committed to what they are doing. If they are not there then we must put in place discipline measures.

Finally, the public service reforms must be passed during the next five years because those reforms basically proposes radical changes to the *Public Service Management Act*. We have to do away with that Act and put in place a Contractual Obligation where everybody from a tea boy to CEO must be a contractual contract. That's the way we will reform these organisations and the public machinery will implement the budget like this. If that machinery is defective, not functioning and if the contents have jumped out and are pushing in different directions, we are going nowhere.

Commendation to the Deputy Prime Minister, I think it's an ambitious Budget and we have to be critical. But at the same time, some of us are ready to provide advice where we can assist and where we can, thank you.

Mr PETER O'NEILL (Ialibu-Pangia – Prime Minister) – Thank you, Mr Speaker, for allowing me to join all other speakers in firstly congratulating our Deputy Prime Minister and Treasurer. Certainly Sir Mekere doesn't want to hear what I have to say.

This is one of the best budget I've ever seen since I came into Parliament sixteen years ago and this includes budgets that I have presented as well. I say this because this Budget is putting us on a course which will make sure this country is economic based and its growth will be such that it will be self-sustaining.

Mr Speaker, I cannot say that for the Shadow Minister's statement, I can't give him the same commendation because, Mr Speaker, some of the terminologies that he used in his speech are unbecoming of this honourable House.

We have to be careful how we portray the image of our country and of our own Parliament and of ourselves. Sometimes for short political convenience and point scoring, we say things and do things that are not really in the best interest of our country,

Mr Speaker, we have to become constructive. It's easy to have the blame-game going all the time in politics, but some of us really what to go ahead and tackle the challenges that are ahead of us, trying to work towards meeting those challenges.

Mr Speaker, I saw the budget reply focusing more on the National Alliance led Government and the things that they have done which is fair enough, they have done some good work and we commend them for it, but they have made lot of mistakes.

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You know that many of our international speakers, like IMF, World Bank, ADB and even the Australian National University, established in recent reports that from year 2000 to 2010 it was really a lost decade for PNG. That is a fact that has been established by international independent observers not aligned to anyone's political thinking.

Mr Speaker, when you look back at the last 16 years, you will find that National Alliance has been in charge of the economy and leading the treasury for 12 years. So, they have been an integral part of all the economics plans and charts that we have put in for the forward and now all of a sudden we will take no responsibility. I think that we will be too rich to be given anyone any commendation.

Mr Speaker, when you look at the past decade we have had some record Budgets, huge surpluses and lots of money in the Trust Accounts, close to up to K8 billion. In 2011, when we took over Government you would be lucky if there was more than K500 million in some of the Trust Accounts.

So, one has to ask the question, where did all this money go? If those moneys were parked and invested in key infrastructure, like Health and Education, attending to Law and Order issue in the country, we would not be having this conversation. In fact, there will be a completely different Budget but the wastage, that, nobody can give credit to any Government for having such huge wastage when you have the money and you are not doing the right thing by the people.

You talk about the Green Revolution that the Minister for State Enterprise has spoken on earlier; hundreds of millions of kina wasted on paper farmers. When you talk about the programs like the National Agriculture Program that is the one that has been misused. You talk about the RESI Program, the infrastructure that they were supposed to build for the Education Sector in the country, nothing! When you talk about the community college program, hundreds of millions of kina was given and nothing happened.

Now, you cannot continue - it doesn't matter who you are - to waste money like that, unnecessary, when we know that we need every toea. Yesterday, in Cabinet, the Minister for Health made an interesting observation when he said that the United Nations preferred allocations for medical budgets for each person in the country per population per head is US\$10. So to say that if we have 8 million people, it will amount to K8 billion. We do not have such money to spend. You and I know that our population is increasing at an alarming rate having on average 4 or 5 members in a family and that is not sustainable.

We are always running behind revenue because our challenges and our expenditure levels are overtaking us. That is a fact that will face any government in the future if we do not correct what we are doing today, so that is why some of the priorities that the Treasurer has set in this Budget are commendable. We have to give him credit. Against all his demands he has put his foot down and he said this is where we are going to go this way and we are very supportive of that.

Mr Speaker, the Shadow Treasurer has promised us that they can be able to achieve five per cent economic growth. Globally, the World Bank and IMF predictions are that the world economy is growing closer to three per cent per annum and we are struggling to even get there so to make five per cent it is a miracle. You will have to be China or India where you have the size of that population demand and the markets to achieve those growths.

So, let us not fool our people. Our Budget growth projection of two to three per cent is achievable. That is what the global institutions are predicting that we can be able to achieve and our focus is right.

When we focus on issues like the revenue adjustments that we are talking about, we are trying to lessen the burden on our people, we have not increased one new tax. The tariff increases that are happening in the Budget are merely to protect our jobs and industries. We don't want the imports to come here and replace jobs for Papua New Guineans. We cannot afford to have Papua New Guineans losing jobs and their families out on the streets. We have not increased one new tax either it be personal or company. Our aim is to broaden the tax base.

Mr Speaker, when you look at the growth and some of the figures that have come about is because of the exceptional growth that we have achieved in the past. Our growth on average in our country over time has been anywhere between 2 per cent and 3 per cent. But during the LNG construction phase and the expansion of the communications investments by Digicel and so forth our gross levels went from 10 per cent to 12 per cent per annum.

However, once the LNG construction phase stopped in 2014, and if the Government did not intervene by introducing a deficit budget so that we can make investments in infrastructure; I can guarantee you thousands of Papua New Guinean families will be struggling to put food on the table. We are talking about thousands of people who are employed by the LNG constructions and they would have been displaced right after its closure. It went from 10 thousand to almost a 1 thousand employees over night. The Government had no choice.

Mr Speaker, for example, we know that the National Alliance was in power for nine years and we all know that the Lae City is the industrial hub of the country but what did they do? Absolutely nothing until we insisted that in 2011 and 2012 that we will cement that place against all the arguments that were put forward by various interest groups. We made sure that we went along the path that we are going.

We are building world class, high standard infrastructure right across the country. When we continuously talk about debt, I must tell you that this debt, has been approved for many years prior. Our issue has been the draw down because we have never put counter-part funding together to draw it down for key infrastructures across the country.

The Lae Port was approved by the National Alliance Government but when we came in we drew and forced the contractor to start work. That is why it is in our books that this Government borrowed K800 million. It is the same thing with the Civil Aviation Development Investment Programs (CADIP). Look at all the high standard airports and terminals that we are building right across the country. Those are ongoing programs and yes we do have loan arrangements but we are borrowing concessional loans.

The only high interest borrowing that we are doing is treasury bills from our own bank. That is why the Government has deliberately gone out to IMF and World Bank. I do not want to do business with them because they have so many conditions that are going to strangle all our people. That is why I have avoided doing business with them for a long time. I know some people want to live under that kind of stranglehold but I don't because the people who suffer the most are our poorest people. I do not live in a glass house and drink red wine and pretend that I don't know what the world is up to. I know the real problems and their solutions that our people face.

Mr Speaker, this Government is going to continue on the key programs like health, education, and infrastructure that are going to change this country. The infrastructure that we are building is not going to be used in one term of Parliament but it is going to be here for a very long time. We are insisting on the contractors that they must build quality infrastructure that is going to last for many years because I am sick and tired of the maintenance mentality that goes on in this country. We cannot look after things because we are still nomadic in our way of thinking.

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We think that when our house collapses, we will rebuild the next one tomorrow. Our ancestors have done that for a thousand years and that is commendable but we live in a different world today and we have to maintain things that will last and serve us for years to come.

Mr Speaker, when we talk about debt, the Opposition Leaders said that we have used K27 billion debt levels in the last five years. Our total debt is less than K25 billion and I don't know where he gets this K27 billion. That is the total debt since Independence until now but we still have to draw down more funds at concessional rates because our population demands it. We cannot say that we have no funds to build hospitals, our people want it, they want schools, roads, airports, that is what we have to continue to build.

Mr Speaker, talking about education, I am very disappointed to continuously hear that we should reduce the number of children in schools. Why? Do these children not have the right to be educated? Why are your children and my children more important than our people's children? Do we allow them to hang on the streets and live a life of crime? We have an obligation to them, we have to make sure that they have a fair chance in life. That is why we have introduced the free education. How many years, you leaders know, that parents were lined up in January and February in front of your house and office looking for school fees. That is the desperation that our parents faced to educate their children. That is why we introduced the

free education. Yes, there are issues about quality, there is no doubt about that, but that is where we have to come in and use some of the DSIP funds and other funds available to us to train more teachers and improve the training program. We have institutions like teachers colleges and universities right across the country. I am certain that many of our members of Parliament continue to invest and sponsor our students to go and get further education in tertiary institutions but it is the right of every child in this country to have a fair go in education. If we do not give them that fair chance, who is going to?

We have never missed one toea of the TFF, as long as this Government is in place that will continue. Our bureaucrats and our people must step up to improve the quality that is what we need, the quality of education that is going to our children. I am pleased to note that the Education Department and Higher Education are going to recruit more maths and science teachers in India and everywhere else. They will bring them in and they can go live in our remote communities and rebuild many of the schools and improve the quality of education our children are getting, likewise for health, Mr Speaker.

Many of our young doctors are not willing to go to the rural districts only because facilities are not there. We need to build it and move them there and bring services right to our people. That is why the funding allocation to district hospitals is another example of a government that is determined to bring the services right down to the communities. We are determined to make a difference. Our aim is to have a minimum standard of services in the districts, whether it be high schools, school or hospital, every district in the country must have those services available and these are the gaps that we are trying to continue to fill in so that our people have a real chance of getting the services they truly deserve.

Mr Speaker, my final comment is about foreign exchange control. It was interesting to hear Sir Mekere going on about financial reforms and other reforms that are needed to mitigate this problem. Why are we having foreign exchange problems, when we are a country as many say, so rich yet so poor?

The main culprit about this particular situation in my understanding is that we have made some mistakes in the past where when we had project agreements, we were allowing all the export revenue to be parked overseas. That is what happened. They convinced all of us that if we bring all the funds into the country, we will have what they call a Dutch disease, saying inflation will go up and currency valuations will be determined by the revenue that are coming in. That is fine, but it is about mitigating this problem where we have to bring all these revenues back into the country. Today, exporters are refusing to do that because they have agreements with governments.

LNG is a classic example. When you are trying to get approvals from Bank of Papua New Guinea, the then government decided to have a separate law for themselves and exempt them from it. So they are not even subject to our monetary policy. They keep all the funds outside and bring in what they determine is the right amount to bring back into the country. That is why we have a foreign exchange control issue, what is the availability of funding?

Mr Speaker, when you talk about Central Bank, they independently manage the currency issue in the country. It's got nothing to do with the National Government.

When they determine on when to intervene into the market, it is their decision. We only encourage them. Recently, the Treasurer encouraged them to enter the market and put US \$100 million in there.

I know the good Treasurer talked about putting K50 million in there every month to try and bring some shortage issues coming into resolution, Mr Speaker, but that is not the solution. Then you have a situation where our foreign exchange balance that gives confidence to the economy will reduce drastically. We have to have enough money to cover a certain limit of imports that are coming into the country. That is why Central Bank must continue to have a healthy foreign exchange account. It intervenes at the market when it sees the need and it is continuously doing that, coming in with K10 -20 million on a regular basis. But they do it as they see it.

What is happening with the commercial bank is, the customers are now putting extra demands for foreign currency knowing very well that it might not be attended to on a timely basis. So they are putting more so that the demand is growing, thinking that the availability of currency will be difficult so people who are not importing are putting more demands into the local banks.

But we will resolve these issues when we start drawing down on some of the funding in the currency issues from the Credit-Suisse when we tabled the documents today. The World Bank will provide some support as well as ADB. Those are already concluded and ready for drawn down. That will give us at least another US \$400 million and you will see the resolution of foreign exchange control will start to come back to normalcy.

So, Mr Speaker, there is a host of issues that can be debated, but I feel the budget priorities of the Treasurer is the right way to go. First time in the history of our country, we are putting money in Agriculture.

We have already learned especially in Agriculture that handed-out mentality to paper farmers is over. That is why we need to have institutions that have experience in managing these. I know we can do this because we have experimented with BSP on the Housing Loan.

Today, there are 4 000 Papua New Guinean families living in decent homes because of the initiative that we took. We have invested K200 million with BSP to lend for 40 years at 4 per cent fixed interest rate, giving our Papua New Guinean families a real chance so that they are not paying over the top on loan repayments and they are struggling to repay the loan. The income that they are getting is able to sustain them.

Today, they have given out 4 000 loans already throughout the country. We are expanding on that. We are going to put another K200 million so that 4 000 more Papua New Guineans can go in there and make sure that they live in a more decent home.

These are the sort of initiatives that we can simply apply to agriculture. We use the expertise of the banks but we put the terms ourselves. So that it is made affordable for our people especially the farmers, incomes earners and the families.

So, Mr Speaker, agriculture, tourism and Small to Medium Entrepreneur (SME) is the way forward. The SME incubation program has started. We are going to start one at 9 mile and credit must go to the NCD members, especially the Minister for Housing and Member for Moresby North-East.

We are starting the first SME program especially at the old buai market at 6 mile. That is a program that is going to also give opportunity to hundreds of Papua New Guineans to want to get involved into business but they do not have the capital to go out and buy large buildings or invest large amounts of money into businesses that are already established. I think when we duplicate that in major cities right across the country, the real SME economic growth will start to take shape and you can see that this is going really give opportunity for the people to have a decent income for their families.

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Mr Speaker, we had no choice when we took government in 2011, Our GDP was K42 billion, next year it is projected to be K80 billion. When you have doubled the size of the economy you need to know that it needs a lot of resources to keep on turning that on.

We have no choice in this country. We must continue to grow the economy. We must continue to increase the size of the economy because of the demand of the population. Population is growing, it is not stopping for anybody. We need to make sure that the economy grows with it at the same time.

I commend the Treasurer and I wish everyone especially all the Members of Parliament and all their families, and electoral supporters, my very best wishes for Christmas and New Year and look forward to seeing you early next year. Thank you.

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

APPROPRIATION (GENERAL PUBLIC SERVICES EXPENDITURE 2018 BUDGET) BILL 2017

Second reading

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 28 November 2017 was announced recommending the expenditure of public moneys of Papua New Guinea in accordance with *Section 210* of the *Constitution* insofar as the Appropriation (General Public Service Expenditure 2018 budget) Bill 2017 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 (by **Mr Douglas Tomuriesa**) agreed to —

That the question be now put.

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

Bill read a third time.

APPROPRIATION (JUDICIARY SERVICES 2018 BUDGET) BILL 2017

Second Reading

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 28 November 2017 was announced recommending the expenditure of public moneys of Papua New Guinea in accordance with *Section 210* of the *Constitution* insofar as the Appropriation (Judiciary Service 2018 budget) Bill 2017 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 (by Mr Douglas Tomuriesa) agreed to —

That the question be now put.

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

Bill read a third time.

APPROPRIATION (NATIONAL PARLIAMENT 2018 BUDGET) BILL 2017

Second Reading

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

Bill read a second time.

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Message from the Governor-General

A message from His Excellency, the Governor-General dated 28 November 2017 was announced recommending the expenditure of public moneys of Papua New Guinea in accordance with *Section 210* of the *Constitution* insofar as the Appropriation (National Parliament 2018 budget) Bill 2017 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 (by Mr James Marape) agreed to —

That the question be now put.

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

Bill read a third time.

CUSTOMS TARIFF (2018 BUDGET) (AMENDMENT) BILL 2017

Second Reading

Debate resumed from 28 November 2017 (see page ...).

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 28 November 2017 was announced recommending the imposition of taxation in accordance with *Section 210* of the *Constitution* insofar as the Bill relates to and provides for such imposition.

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.

EXCISE TARIFF (2018 BUDGET) (AMENDMENT) BILL 2017

Second Reading

Debate resumed from 28 November 2017 (see page ...).

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 28 November 2017 was announced recommending the imposition of taxation in accordance with *Section 210* of the *Constitution* insofar as the Bill relates to and provides for such imposition.

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.

GOODS AND SERVICES TAX (2018 BUDGET) (AMENDMENT) BILL 2017

Second Reading

Debate resumed from 28 November 2017 (see page ...).

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 28 November 2017 was announced recommending the imposition of taxation in accordance with *Section 210* of the *Constitution* insofar as the Bill relates to and provides for such imposition.

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.

INCOME TAX (2018 BUDGET) (AMENDMENT) BILL 2017

Second Reading

Debate resumed from 28 November 2017 (see page ...).

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 28 November 2017 was announced recommending the imposition of taxation in accordance with *Section 210* of the *Constitution* insofar as the Bill relates to and provides for such imposition.

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.

**INCOME TAX (SALARY OR WAGES TAX) (RATES) (2018 BUDGET)
(AMENDMENT) BILL 2017**

Second Reading

Debate resumed from 28 November 2017 (see page ...).

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 28 November 2017 was announced recommending the imposition of taxation in accordance with *Section 210* of the *Constitution* insofar as the Bill relates to and provides for such imposition.

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.

OIL AND GAS (2018 BUDGET) (AMENDMENT) BILL 2017

Second Reading

Debate resumed from 28 November 2017 (see page ...).

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.

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.

MOTION BY LEAVE

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

Leave granted.

INCORPORATION OF 2018 BUDGET SPEECHES

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

That the *Hansard* incorporate statements in support of the 2018 Budget that other Members of Parliament were unable to present as part of Parliamentary debates today.

The rest of the statements reads as follows:

Mr CHRIS HAIVETA (Gulf) – Mr Speaker, I rise to commend the Government of Prime Minister Peter O'Neil and Deputy Prime Minister Charles Abel on handing down a comprehensive money plan for 2018.

Mr Speaker, this Budget a money plan that is in my view both realistic and achievable to set the basis for economy to grow in the medium term. However, in order for the money plan to work in 2018, it will require a firm commitment from the all cross sections of the community to do their part. It will require a high level of commitment of the National Government and all arms of Government including all provincial and Local Level Governments and district authorities to live within our means and be realistic in spending. Gulf Province will live within its means as we work in 2018.

Mr Speaker, for the 2018 Money Plan to be a successful document, it would also require an even firmer commitment of the Public Service from all levels of Government to ensure that the revenue targets are met and the expenditures are spent in a timely manner.

Mr Speaker, I commend the National Government under the leadership of the Prime Minister, Peter O'Neill, for giving priority to the provinces. If any real change is to happen, it must happen in the rural settings of Papua New Guinea.

The allocation of 26.7 per cent or K3.9 billion out of the K14.718 billion to the provinces, reflects a strong commitment of this Government to bring real development to our people in rural communities of our country. I also commend the Government for giving opportunity to the provinces by collection of our internal revenues. Out of the K3.9 billion to the provinces, the Papuan Region will gain K475.6 and NCD will get K469 million.

Mr Speaker, outside of NCD, the five Papuan provinces of Western, Gulf, Central, Milne Bay and Oro, we are contempt with the allocation given to us. However, we also feel the plight of our brothers and sisters from the Motu Koitabu Council, whose quest for recognition

has sadly fallen on deaf ears. They are not included in the *Inter-governmental Financial Arrangement Act*, hence in the 2018 Budget they have received nothing.

Mr Speaker, how can we as a country continue to ignore the very people who gave up their very existence so that we can have a National Capital City? How can we not even hear their cries when their lands are grabbed by greedy and selfish Papua New Guineans? How can we not consider them budgetary support when NCDC alone will get K254 million in Goods and Services? How can we not consider them when their very shores will be used to host the APEC Summit next year?

Mr Speaker, I am therefore appealing to the Prime Minister, the Opposition Leader and all Members of this Honourable House to support me to make changes to the *Inter-governmental Financial Arrangement Act* to allow national budgetary support to be given to the Motu-Koitabu Council from 2019 onwards and to make changes to the *Goods and Services Tax Distribution Act* to allow the Internal Revenue Commission (IRC) to give their two per cent GST directly to the Motu-Koitabu Council, whilst the remaining five per cent to be given to Central Province and a further three per cent to the Gulf Province as per the amendments made to the *NCD Act of 2003*.

Mr Speaker, I fully welcome the announcement by the Deputy Prime Minister and Treasurer that the Government will remove the fixed Sector allocations under the Provincial Services Improvement Program and the District Services Improvement Programme funds. It will give flexibility for the Members and the Joint Planning and Budget Priority Committees to prioritise their expenditure and end accordingly to their respective developmental needs and priorities and to ensure that these priorities are meeting the machinery responsible in designing and scoping projects for approval by the JPP 86 BPC and JDP 86 BPC.

Mr Speaker, the onus is now on each respective province and district to now come up with their development plans and align them with the Medium Term Development Plan (MTDP) and the National Services Delivery Framework (NSDF).

Mr Speaker, with respect to the Papuan Region, I want to express my gratitude to the O'Neill-Abel-led Government in allocating K50 million to upgrade to seal 23km roads in Rigo District, Upgrade to seal 51km roads in Alotau District and to upgrade and seal the 9.5 km Epo to Kerema town section of the Hiritano Highway and the funding towards maintenance and rehabilitation of 112km from Vanapa Bridge to Bereina Junction of the Hiritano Highway.

Mr Speaker, I further extend our gratitude to the National Government to fund the mission links roads in the Papuan Region starting with linking Telefomin to Tabubil Road of which K5 million is appropriated in the 2018 Budget and K3 million for the Robinson River

Bridge in the Abau District. I further trust that the National Government will also continue to fund the Southern Highlands Highway to Gulf Province and link Kikori with Kerema under the missing link projects.

The funding of K10 million towards the Kikori Paise Wharf is long over-due and we welcome the allocation in the National Government Budget. However, since my government has taken steps to now do the design and staging of a domestic and international wharf in Paise and a domestic wharf in Kerema, we would like these funding to come to the Gulf Provincial Government to manage and implement and not sit with the Department of National Transport.

We are further encouraged by the National Government commitment to ensure that rural airstrips are open to service our rural communities and enable the rural populace to bring their goods to market, The Gulf Provincial Government has agreed to work with the National Airports Corporation to ensure that Kerema Airport is further upgraded and terminal maintained and both the Kikori and Malalaua Airstrips opened in 2018.

Mr Speaker, I am even further grateful to the National Government for continuing to support Agriculture and increase funding to Commodity Boards to drive agriculture in the Province. We are encouraged by funding in the Plantation Sector that will ensure that we continue to revive our Rubber Plantations in Cape Rodney (Abau District), Murua (Kerema District and Balimo (Middle Fly District).

The agriculture projects in the Papuan Region are ready to take-off and I am hopeful that the National Government looks towards ensuring that they are fully implemented. These projects include the Rice Farming, Casava Projects and Restoration of the famous Illimo Farm in Central Province.

We are grateful that a State Equity Fund is made available in the National Budget through tune of K100 million and it is budgeted by the Department of National Planning and Monitoring. It is our hope that a fair, equitable and transparent mechanism is put in place to ensure that all four (4) regions benefit equally through the commercial Bank as alluded to by the Finance and Planning & Monitoring Minister this afternoon.

Mr Speaker, in the Health Sector, we express our sincere gratitude to the National Government to continue to fund the rehabilitation of all the provincial hospitals in the Papuan Region. K10 million will be shared in 2018 National Budget.

We are further thankful for the funding of K2.5 million towards the construction of Community Health Posts in Maopa (Central), Kiorota (Oro) and Kukipi (Gulf) and towards the completion of Provincial Transit Medical Stores in Oro, Kiunga and the Central Province.

Whilst I am encouraged with the funding of K15.5 million towards TB Drug Resistance and Prevention, I would have thought the National Government would give more funding, considering that Disease has reached endemic proportions not only in the hot spots like Western and Gulf Province but also here in the National Capital District and this is spreading fast. The Gulf Province has just recorded its first case of drug resistance TB at Kapesu Hospital last week.

Mr Speaker, in concluding, it is imperative to mention, that any plan is as good as its implementer. We need a firm commitment from all fronts and that the National Government must show leadership and ensure that this achieved.

We, at the Provincial level will ensure that we have our plans in place and give realistic cash-flows and plans that are achievable but at the same time the responsibility will be on the Central Agencies to ensure that funds are remitted to provinces in accordance with the cash-flows and work plans that we submit. We cannot continue to be "drip-fed" as we have been doing in the past.

Mr Speaker, I commend the National Government in further reforming the tax system to ensure that much needed revenue is collected to support the Budget but by the same token the National Government must be vigilant to ensure that such reforms does create unnecessary flight of capital or regress growth and force those doing business into hibernation. I thank the Government for the relief given to workers in lifting the income tax band up further. The gradual increase in the price of Diesel fuel to match the price of Petrol. It must be carefully monitored to ensure that the increase is consistent with the growth in the economy especially with Sectors relying heavily on Diesel fuel to transport their goods and services to market.

Mr Speaker, I also commend the National Government in taking the bold step to come up with a Gas Agreement Template. To ensure that this template does address all the issues and aspirations of all stakeholders, we must ensure adequate consultation must be made at all levels before it is passed and accepted by Government. From the lessons learnt from the PNG LNG Project we cannot afford to repeat the same mistakes.

Furthermore, I implore the Government to approve this template quickly as the Paice and Kelu, Juha and Elk Antelope Projects are awaiting feed and commercialisation.

This also applies for the domestic market obligation policy still under drafting and consideration.

Having to move forward on this two important policy will no doubt lead to better terms, for the Government and all other stakeholders.

Whilst I am further encouraged by the National Government decision to raise

revenue by the issuance of a US Dollar Bond Program, I will like to encourage the Government to seriously look into inviting large fund managers and brokers into the domestic market and help create and sustain a Secondary Market. This I am sure can be managed by the Central Bank and the Port Moresby Stock Exchange and will raise sizeable capital to be injected into our economy.

On behalf of my people, I commend our support for the 2018 National Budget.

MOTION BY LEAVE

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

Leave granted.

SUSPENSION OF STANDING ORDERS – REARRANGEMENT OF BUSINESS

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

That so much of the *Standing Orders* be suspended as would prevent Notice Nos. 19 and 20 of Government Business being called on forthwith.

PUBLIC MONEY MANAGEMENT REGULARISATION BILL 2017

Second Reading

Debate resumed from 28 November 2017 (see page ...).

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 28 November 2017 was announced recommending the expenditure of public moneys of Papua New Guinea in accordance with *Section 210* of the *Constitution* insofar as the Appropriation (National Parliament 2018 budget) Bill 2017 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 – put.

The Bill requiring an absolute majority of 56 Members as required by the *Constitution*, Mr Speaker ordered that the Bells be rung.

78/08

The Parliament voted (the Speaker, **Mr Job Pomat** in the Chair) –

AYES – 95

NOES – 0

The Bill passed with the concurrence of an absolute majority as required by the *Constitution*.

Bill read a third time.

79/08

ADMINISTRATION OF TAX 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 CHARLES ABEL (Alotau – Deputy Prime Minister and Minister for Treasury) –
Mr Speaker, I thank the honourable Members of this House for their patience. This is the last item for this evening.

Just quickly, Mr Speaker, this Bill introduces a new legislation which consolidates the entire tax administration from tax payer registration through to tax appeal to this one law. It will greatly streamline and enhance the administration of our taxation system creating greater accountability and transparency into the mechanism of our taxation system.

Currently, the tax administration processes are contained separately in three main tax laws being; (1) The Income Tax Act, (2) GST Act, and (3) Stamp Duty Act. It has been this way since before Independence.

The Taxation Act was first introduced in Papua New Guinea in 1959.

Mr Speaker, this Bill is essential to modernising and enhancing the administrative capacity of the IRC and for tax payers to voluntarily comply with the tax payers to comply with their taxation obligation.

It will place Papua New Guinea among the best in the region in terms of how we administer and manage the tax system to increase revenue to the country.

Mr Speaker, I claim procedures for the main tax head, administrative rules and procedures, tax payer's obligations and rights will now be contained in this one legislation rather than three or more pieces of legislation.

This Bill is expected to improve tax administration and comply, increase revenue collection and is the key enabler of the Medium Term Revenue Strategy 2018-2022. It consolidates and streamlines the powers of the Commissioner-General acceptable methods of paying taxes and filing dates, electronic filing and payments, compliance improvement initiatives and penalties for non-compliance.

Mr Speaker, the Bill will enable standardised lodgement and payment dates for the various tax types, and prepare the IRC to implement and except E-Filing and E-Payments as it is done in more advanced taxation administrations within the region and the world.

Mr Speaker, the Bill is announced and introduced for enactment in this Budget session, however, its implementation will be deferred up until 2019 to enable sufficient time for public consultation and awareness. It is expected to come into force upon Gazettal.

Mr Speaker, I commend the Bill.

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.

Third Reading

Leave granted to move the Third Reading forthwith.

Motion (by Mr Charles Abel) proposed to –

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 – put.

The Bill requiring an absolute majority of 56 Members as required by the *Constitution*, Mr Speaker ordered that the Bells be rung.

80/08

The Parliament voted (the Speaker, **Mr Job Pomat** in the Chair) –

AYES – 93

NOES – 0

The Bill passed with the concurrence of an absolute majority as required by the *Constitution*.

Bill read a third time.

Mr JAMES MARAPE – Mr Speaker, before I move the motion, let me congratulate the Treasurer for delivering the Budget but more importantly also let me thank and commend the Members of the House for earning your salary. The Member who complains that that we are earning bigger salary is not in the House but for the rest of us, I commend every one of us for sitting right through.

MOTION BY LEAVE

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

Leave granted.

SUSPENSION OF STANDING ORDERS – APPOINTMENT OF CITIZENSHIP COMMITTEE

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

That so much of the *Standing Orders* be suspended as would prevent the Leader of the Government Business from moving a motion in relation to the appointment of the Citizenship Committee.

**PERMANENT PARLIAMENTARY COMMITTEE ON CITIZENSHIP –
APPOINTMENT OF CHAIRMAN AND DEPUTY CHAIRMAN**

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

That Mr Francis Maneke be appointed Chairman and Mr Koi Trape be appointed Deputy Chairman.

MOTION BY LEAVE

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

Leave granted.

**BOUGAINVILLE MATTERS BIPARTISAN COMMITTEE –
ESTABLISHMENT AND APPOINTMENT OF MEMBERS**

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

(1) That this Parliament establish a Bipartisan Committee on Bougainville matters consisting of Mr William Powi as Chairman and Mr Joe Lera as Deputy Chairman, Mr Thomas Pelika, Mr Isi Henry Leonard and Mr William Samb as Members of the Committee.

(2) The Committee shall oversee the overall implementation of the Bougainville Peace Agreement as stipulated in the *National Constitution* of Papua New Guinea.

(3) The Committee shall report to the National Parliament biannually or as and when required on the updates of the working progress on the implementation of the Peace Agreement.

(4) The Committee shall undertake visits to the Autonomous Region of Bougainville and hold regular consultations with all stakeholders on the matters concerning Bougainville and obtain information relevant for the purposes of updating the National Parliament.

SPECIAL ADJOURNMENT

Motion (by **Mr Douglas Tomuriesa**) agreed to –

That the Parliament at its rising, adjourn until Tuesday 6 February 2018 at 2 p.m..

Mr DOUGLAS TOMURIESA – Mr Speaker, before I adjourn Parliament, I would like to take this opportunity to wish all Honourable Members, the Prime Minister, the Opposition Leader, the Chair and the Deputy Prime Minister a Merry Christmas and a God blessed New Year 2018.

I also take this opportunity on behalf of the Treasurer to invite all Members of Parliament to a cocktail this evening at the State Function Room.

ADJOURNMENT

Motion (by **Mr Douglas Tomuriesa**) agreed to –

That the Parliament at its rising, adjourn until Tuesday 6 February 2018 at 2 p.m..

The Parliament adjourned at 7.35 p.m..