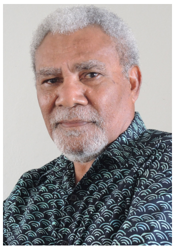
Public Statement
by Rt Hon Sir Mekere Morauta
Former Prime Minister and Member for Moresby North-West
Port Moresby, 08 August 2017

2017 Budget Blow-out



Former Prime Minister and Member for Moresby North-West Sir Mekere Morauta said today that at last some members of the PNC Government have admitted that the Papua New Guinea economy is in difficulty. Sir Mekere referred to the media statement by Deputy Prime Minister and Caretaker Treasurer Charles Abel, who said that the focus of the government in its first 100 Days would be on "economic recovery".

Sir Mekere noted that this was an interesting admission and use of words by Mr Abel, because the Prime Minister has consistently refused to recognise that the economy is in recession, and has mismanaged public finances in such a way that has allowed the recession to intensify.

"My advice to Mr Abel is that before he launches into any "recovery" measures, he needs to repair the budget and reform his Prime Minister and curb his extravagant and uncontrolled spending and borrowing," Sir Mekere said.

"The non-mining sector, on which the majority of businesses and Papua New Guineans depend, has been in recession for some years. Companies are not making profit – and therefore collection of company taxes is down; companies have retrenched staff – and therefore personal income tax payments are down; company turnover and disposable income in the hands of employees are reduced – and therefore GST payments are down."

Sir Mekere said that in the last two years, internal revenue (excluding grants and loans) had fallen by over K2 billion.

"Despite this, the Prime Minister continued his wild spending spree, financed through printing money and other commercial debt.

"The present and future generations of Papua New Guineans are burdened by the cost of Peter O'Neill's extravaganzas."

Sir Mekere said that it was important for Mr Abel to find out and reveal to the public the full extent of Papua New Guinea's public debt and liabilities.

"As I have been saying for some time, the debt disclosed by Treasury does not include off-balance sheet items such as the borrowings of state-owned enterprises, including the loan for the Oil Search shares, the massive and growing Chinese Exim Bank loans, the large borrowings by state agencies from the Bank of South Pacific, unpaid superannuation contributions or unpaid bills to the private sector for the provision of goods and services to the Government.

"The Deputy Prime Minister should instruct Treasury, Finance and Kumul Consolidated Holdings to tell him exactly what the Government's total liabilities are, so that he sees the full and true picture of our debt problem. He also needs to tell the public the truth about the total debt."

Sir Mekere said he was pleased that Mr Abel was planning a supplementary budget, but warned him that indiscriminate across the board cuts would deepen the recession.

"The answer is not further borrowings. The current level is already beyond sustainable levels. An increased interest burden will further reduce the money available for essential services such as health and education and maintenance of infrastructure, increasing the level of misery of millions of people."

"The answer is also not new revenue measures. They will further deepen the problem.

"The answer is to spend the money we have to protect basic services - health, education and maintenance, but very importantly pay in full and on time the Government's debts to the private sector. The Government itself must also spend some money to stimulate the non-mining sector, and favour the non-mining sector in its allocation of the scarce foreign currencies."

"Stimulating the non-mining sector is not achieved by NCDC borrowing K200 million to build a four-lane well-lit 8km highway from 6 Mile to Bautama, or cutting the mountain to build a road from Hanuabada to Tokarara without the permission of landowners, or destroying Ela Beach where many Papua New Guineans enjoyed their weekends."

Sir Mekere said that he was not surprised by the figures released in the Mid-Year Economic and Fiscal Outcome (MYEFO) document. The MYEFO shows that the budget deficit blow-out for this year is over 1 billion kina more than planned, as a result of further revenue falls and over-expenditure. The domestic borrowing requirement has risen over K4 billion since the Budget was brought down.

"It is very clear that the nation needs the Deputy Prime Minister to change the Prime Minister's habits, otherwise all his efforts will be in vain," Sir Mekere said.