

# Papua New Guinea budget targets public sector workers

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The Papua New Guinea (PNG) budget brought down last month is setting the stage for confrontations with public sector workers as the government prepares to implement its sweeping plans for privatisation and job shedding.

Already administrators are preparing the ground for layoffs with a vitriolic campaign against government employees. On January 3, Central Province deputy governor, Anthony Ikupu, declared that some public servants were "parasites" who were "sucking juice out of the government system" and "must be weeded out at all costs".

PNG Prime Minister Mekere described the budget brought down on December 7 as "perhaps the most austere that has ever (been) brought down in Papua New Guinea". It adds to the spending cuts imposed in the mini-budget introduced last August soon after Mekere ousted previous prime minister Bill Skate.

Central to the budget is the privatisation of all significant government enterprises within three years. The proceeds from the sale will be used to repay the government's debt, which stands at \$US836 million. The Australian National University is currently preparing a white paper, due for release in March, which will be used as a blueprint for the PNG privatisation.

The most profitable companies, including Telikom, the country's telecommunication carrier, Post PNG, Air Niugini and the PNG Banking Corporation, have been earmarked for an early selloff. Others include the PNG Harbours Board, the Civil Aviation Authority, public health services, superannuation funds, the Rural Development Bank, and prisons and correctional services.

The privatisations will undoubtedly result in major cuts to jobs and conditions as the government prepares

the public corporations and services for sale. In an early indication of what is in store, Air Niugini summarily sacked its entire engineering workforce last July for taking industrial action for higher wages. Around 60,000 workers out of the country's total workforce of 220,000 are currently employed in the public sector.

The PNG Trade Union Congress (PNGTUC), which has advised the government in drawing up privatisation plans and took no action to oppose the August budget cuts, is growing increasingly concerned over the reaction of its members.

Union officials lobbied parliamentarians during the budget session, urging them to reject the 2000 budget. They have also circulated a petition calling for a review, the removal of employment contracts and the reinstatement of the Air Niugini aircraft engineers. The union has attacked top executives calling for a reduction in their salaries and privileges. Strikes have been threatened at the country's ports.

Underlying the fears of union bureaucrats is a growing anger among the working class and rural poor at the decline of their living standards. The kina, PNG's currency, has not recovered from the drastic depreciation it suffered during the Asian economic crisis. Export industries, primarily owned by major transnationals, have benefited from the currency depreciation due to increased international competitiveness, but within PNG there is runaway inflation. Kerosene, used for cooking and heating, increased in price by another 41 percent to \$US0.87 a litre in early November, and phone services jumped in price by over 20 percent on January 5.

The Bank of PNG governor, Wilson Kamit, stated on December 29 that the economic conditions had "forced most companies to reduce the size of their labour force, cut down on operational expenditures and delay new

investments".

Despite the rising cost of living and the growth of unemployment, the minimum wage has remained at 45 Kina (\$US17) per fortnight since 1992. Such is the decline in real wages that urban workers are forced to sustain their families by maintaining vegetable gardens.

Other aspects of the 2000 budget also directly impact upon the living standards. Despite an inflation rate of 18.2 percent throughout the second half of 1999, most government departments have not had their budgets increased. Significantly two of the areas to have increased allocations are the Police Department and the Department of Corrective Institutional Services which had its budget for running the prison system boosted by 77 percent to \$US8.75 million.

Changes to the tax system further shift the tax burden off corporations and onto the working class. The introduction of Value Added Tax in July 1999 enabled the government to remove tariffs and import duties. Now the interest withholding tax on petroleum companies has been abolished altogether. The government is desperate to attract further investment in mineral exploration, which plummeted to \$US14 million in 1998 compared to US\$83 million in 1988. Investment in petroleum products exploration has declined from \$US150 million in 1988 to just \$US40 million last year.

Mekere presented his budget plans for approval at a Consultative Group Meeting held in Port Moresby in early November, which was attended by the IMF, the World Bank, the Asian Development Bank and the "Friends of PNG" group that includes Australia and New Zealand. Their agreement was necessary to receive the necessary supplementary loans to balance the budget—\$US200 million from the World Bank and the IMF, plus a further \$US200 million from international donor countries, including Australia, which contributed \$US80 million. Over 22 percent of the total budget, some \$US299 million, has been allocated to servicing the national debt.

The funds from the various international agencies and the "Friends of PNG" group were only released on the basis of a Structural Reform Program (SRP), which sets out a far-reaching restructuring program for the PNG government. A National Planning Committee has been established to ensure that the government bureaucracy meets the provisions of the SRP program.

Further government borrowing from the central bank will be severely restricted. The public service will be restructured to enable the streamlining of government functions. Many current government services will be contracted out, leading to a further reduction in public sector jobs. New recruitment into the public service has already been suspended.

An indication of the growing chasm between the country's politicians and the majority of the population is that the 2000 budget was carried with virtually no opposition. Former prime minister and now opposition leader Bill Skate dubbed the budget as being for the "elite and the business community" and presented a critique of the budget papers. But he and his party abstained from the vote and the budget was carried by an overwhelming majority of 55 votes. Since the budget was passed Skate and Mekere have sought to form a political alliance. Skate has offered to work with the government "without any conditions attached," effectively eliminating any parliamentary opposition in PNG.



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