

Response by the Leader of the National Federation Party, Professor Biman Prasad to the 2017/18 Budget

July 11, 2017

(CHECK AGAINST DELIVERY)

Madam Speaker

Introduction

As I listened to the Budget speech on 29 June, I kept coming back to one thought – that after the government changes next year, how much work there will be to do.

The Minister promised us a short speech. Instead, he gave us about an hour and a half monologue on how fantastic the Fiji economy is now. So let me begin by talking about that.

The Minister talked about the size of the economy. He talked about continuous economic growth. He talked about foreign reserves. **But let us remember what he did not talk about.**

He skipped over the rising tide of government debt, now over \$5 billion. One way or another, these are debts that both our current and future generations will have to pay. More and more tax revenue will be needed to pay the interest on this debt.

He did not talk about how many jobs the economy has created, because he has nothing to report. And he did not talk about why the incomes of Fiji's poorest people have not improved.

These are some of the things I want to talk about in my Budget response today. But I also want to talk about the broad economic policy areas in which the NFP, if it comes to government, will drive change.

A vision for the Fiji economy

Madam Speaker the Government says it has suddenly discovered, after 10 years in the job, that the Budget is a strategic exercise, not just a year-by-year allocation of Government and taxpayers' funds. But you need strategy. And we are asking – what is your strategy for the economy? The Government seems to make it up as it goes along. Last year's slogan was “green growth”. Now all we are hearing about is “climate adaptation.” And that is all very good, I am sure. But while we are obsessed about climate change and our Prime Minister pops up in every corner of the world giving speeches about it, the global economy continues to develop and adapt. There are many other areas in which it is growing.

Madam Speaker the Government has effectively presided over an economy built on tourism, government spending and overseas remittances. This is an economic vision that requires zero imagination. Tourism is an established industry and it grows by itself. It is true that Government gives it money for marketing. But this is a fraction of the 25% tax imposed on tourist spending that is now making Fiji an uncompetitive tourism destination. It also helps to explain why Government's ambitious economic targets for tourism have not been met.

The Government's next idea to grow the economy is to give away taxes, such as income tax and VAT. It is very good to raise the income threshold for income tax. But if you do not earn more than \$16,000 in income, this is no help to you at all.

Finally, we have overseas remittances. Our people are using their skills to grow other countries' economies – and are sending their wages back to Fiji.

Fiji citizens need a government with a strong long-term vision. We need to know that the Government understands how the world works and how the global economy is developing. They need to understand how Fiji will take opportunities from the global economy. They also need to know that the Government is listening to their ideas and willing to be criticised.

Madam Speaker one of the first things that the NFP will do in government is bring back the annual National Economic Summit. This will be a two or three-day annual meeting in which all sectors of the economy – including business, the unions, social and community organisations, resource owners and representatives of the poor – are able to communicate freely not just with the government, but also with each other. Working together, we can share ideas and create strategies and opportunities. The National Economic Summit will have a full-time secretariat which will continue to work with stakeholders throughout the year to implement the ideas that have been created and the strategies that have been shared.

Right now, Madam Speaker, Government's economic consultations are carefully stage-managed affairs, usually reported by the *Fiji Sun* with pictures of Ministers holding a microphone – only the location is different. The government's latest brainwave has been to consult high school students, obviously in a bid to woo first-time voters. That is fine. But the point is – all the economic consultations are fed through government and come back out through government. This government is obsessed with controlling every dialogue and every idea.

We want the stakeholders in the Fiji economy to work with each other. Government must play its role in creating the right economic and political climate for investment. It must build the infrastructure. It must regulate sensibly and sensitively. But it must then get out of the way and let the people of Fiji work with each other.

Opportunities are in abundance. Has the Government thought about the fact, for example, that the demand for timber in the world is likely to double by 2050? We have vast areas of land available for forestry. And yet we are still importing wood for construction. When the world's demand for food is increasing strongly, how is it that our agricultural exports are so small? Why have we not been able to attract the world's biggest agricultural investors to Fiji? Our people have a strong advantage over many others in the world – they are educated in and speak the English language, which continues to grow as the world's global language. We set up the tax incentives for call centres in 2009. And yet our call centre industry employs fewer than 2,000 people. Our

people have proven skills in the areas of personal service, particularly for the sick and the aged. They use these skills all over the world, including in the United States and the Middle East. Medical tourism and offshore retirement centres are a growth industry all over the developing world. The ageing populations of Australia and New Zealand offer us these opportunities. Why can we not do anything about them?

Think of rapidly growing global phenomena like the sharing economy. AirBnB allows people to offer their homes to visitors to earn income. The Government is obsessed with hunting them down so they can tax them. Services like Uber and GoGet create imaginative transport solutions, where people share their cars rather than leaving them sitting idle all day after driving to work. These are ways we could ease traffic congestion and bring better and more flexible transport options to urban travellers. Where is the Government's thinking on these big issues? Does it even know these things are happening?

Madam Speaker, this is tiny fraction of how the world is changing. What we can learn from the world economy is that the nature of work is changing. Fewer people will work in waged employment. More and more people will work for themselves, in small and medium enterprises. In particular this is the way many of our young people will make their way in life. They are adaptable to technology. They use social networks for business. They are connected to their peers around the world and quickly pick up their ideas. What they need are simple,

uncomplicated tools for getting into business. They do not want to waste their time filling out forms.

Government's vision for small and medium enterprise is a joke. Fiji's World Bank ranking for starting a business is 155 out of 189. A few months ago the Minister for Industry, Trade and Tourism said the Government was going to address this. He said that this pathetic ranking was not the Government's fault. It was all the fault of lawyers and accountants who deliberately slowed things down to make money for themselves.

Madam Speaker, blaming everyone else is what this government is good at. The Minister for Trade blames professional people for slowing down investment. The Minister for the Economy blames supermarket owners and distributors for the high cost of living calling them bandits. The Minister for Health even blames people for being sick! The Minister for Education used to blame the teachers for poor quality! That is the clearest sign that this is a government that is out of ideas, and it is time for this government to go.

Delivery

Madam Speaker the Minister very quickly and quietly glossed over what is a major problem with this Government – that it cannot deliver what it promises.

Every year, the Budget promises fantastic things. New roads, school and health centre upgrades, welfare payments – the list goes on.

Various Ministers travel around the country, closely followed by the *Fiji Sun* of course, to be photographed alongside new water supplies and solar panels as a sign that they are doing something. But the facts, as the Minister for Economy himself has confessed, is that the Government cannot do the work it has promised to do.

What did the Minister tell us? That last year's projected Budget deficit of 4.7% of GDP will be only 2%. This is because, he tells us, there were "unforeseen delays in implementation of some of the capital projects as a result of bad weather, shortage of materials and non-availability of construction companies." In other words, "we did not deliver."

This is a government that cannot plan its capital projects around bad weather. It cannot plan ahead to get the building materials it needs. And it blames construction companies for "not being available." If you cannot plan these things properly, why do you promise them?

Madam Speaker, ask the victims of Cyclone Winston how well this Government has delivered. The disastrous "Help for Homes" initiative has done nothing except waste tens of millions of dollars of taxpayers' funds, enrich the hardware companies and shatter people's hopes. Those of us who have talked to the cyclone victims know what has happened. The Government went around handing out \$1,500, \$3000 and \$7,000 debit cards. The hardware companies swooped in, took orders and received payment. And then the people waited and waited. It took months for goods to arrive. When they arrived, not everything arrived. Sometimes the cement arrived, but not the timber. By the time

the timber arrived the cement had gone hard and was useless. There are people still living in tents, in temporary structures all over Ra and the Lomaiviti Group. The government makes a big deal worrying about 96% of schools not being cyclone compliant. But there are thousands of people living in homes that will blow down in a minor windstorm. The Prime Minister is seen at conferences in hotels around the world talking about climate change. But he is rarely seen in the communities affected by Cyclone Winston. Perhaps Qorvis advised him that it is too late - there are no votes there.

Now Madam Speaker, let us talk about delivery in the area that Government is most proud of and where it spends the most money – roads. A few weeks ago, the Chief Executive of the Fiji Roads Authority suddenly resigned. His resignation, it was announced, was for “personal reasons.” Only a few days ago he told ABC Pacific Beat that Government and FRA Board had, I quote, “unrealistic expectations about how to repair Fiji’s transport infrastructure.” And the story goes on: “Fiji has suffered from trying to initiate cosmetic, quick-fix solutions, but the roads cannot be fixed properly without a long term, sustainable plan.”

Madam Speaker, that sums up this Government in a nutshell. Too much of its capital expenditure, the huge amounts of public money it is spending, is for show. It is for a *Fiji Sun* photograph. It is to make a Government Ministers look good when they give a so-called directive that this road will be fixed or that bridge will be repaired. We have all

seen roads which have been the subject of intensive road works and then fall apart in a few months' time. This is how, Madam Speaker, the Government spends our money. This is why the Government of Fiji is more deeply in debt than ever before. Fiji's young people will be repaying a debt that was created only to attract the votes of their parents to the Fiji First Party. And it is politicising issues by dangerously spending the public's money to do it.

Cost of living and raising incomes

Madam Speaker, read the newspapers and talk to the people and you will hear that the cost of living is one of their key concerns. The government however, says that this is all wrong. They tell us that this is all the fault of politicians for politicising the issue and greedy supermarket owners who are charging too much.

Madam Speaker the problem is not just the cost of living. It is that incomes have not risen, particularly for the poorest people in our country.

This is everybody's problem. None of us wish to live in a society which is so unequal that only the middle class and the rich can get ahead and the poorest people are permanently condemned to poverty. But that is what is at risk here. And that will bring with it many of the social problems associated with poverty including crime, poor health and increasing strain on our health and education services.

The Government thinks that increasing welfare allowances, social pension allowance, subsidised bus fares, raising the tax threshold etc. will solve this problem. Giving away tax doesn't help our poor.

The Government has increased the tax-free threshold above \$16,000 to \$30,000. But it is ridiculous to give away tax on the first \$30,000 for people like us and especially the ministers. We can afford to pay it and we should pay it. You can still help people earning below \$30,000 by giving them a tax rebate. Once again, the government is not thinking clearly. It's all politics-driven panic, and the only solutions they have are to just give away more tax.

But more importantly, if people don't earn \$16,000 to begin with, this benefit is useless. And that includes people earning \$2.68 per hour, or less than \$6,300 per year.

Madam Speaker, this wage rate is a disgrace. And it must be fixed. We are criticised for saying that this hourly rate must be increased to \$5 so that there is a living wage and living income. Of course this cannot be done in one strike after election day. This must be introduced in consultation with employers and other stakeholders. But that must be the target and we must stay focused on achieving that in the shortest possible time. We will not just ignore the lowest paid people and only worry about their wage rates when election time is coming.

The government says this is unrealistic. We have to think about the costs to employers, he says. Think about the tourism industry. They are happy to add 25% in taxes for hotel owners to pay to the Government.

Why don't they think about reducing those costs to employers, and allowing them to pay their workers more instead? They make the ridiculous suggestion that in their economy, employers are doing so well that they are paying above the minimum wage. If that is so, then it should be no problem to increase the minimum wage!

Madam Speaker, the 14.3 percent average pay rise for civil servants, particularly our teachers is abysmal, to say the least. This equates to 1.43% for each of the last ten years.

This doesn't even adjust the Cost of Living that has increased in the last ten years. On top of that teachers are now being asked to work additional days. This is ridiculous. Our teachers are the most over worked and under-paid civil servants given the importance of the work they do – shaping the future of our nation.

Worse still Madam Speaker, teachers and other civil servants are being compelled to sign contracts for a restricted tenure of their employment to qualify for the pay rise. A memorandum from the Ministry of Education clearly states that teachers whose employment is permanent will not get the pay rise if they do not sign the contract. This is blackmail. It is holding a civil servant to ransom.

In the case of teachers, they are now being asked to be on duty for seven extra days. This is not to teach but to upgrade their skills. What nonsense? As it is, because the entire year's curriculum is crammed into two terms, teachers are taking extra classes in the weekends. Teachers do not get paid for providing extra lessons during weekends and after normal hours during weekdays. This is an unreasonable burden on both teachers and students.

Madam Speaker the contracts being offered to civil servants and teachers breach the Bill of Rights of the 2013 Constitution, albeit the Bill of Rights has water-tight limitations.

The Honourable Attorney General and Minister for Economy, deliberately or otherwise, made no mention of the need for civil servants to sign new contracts, which is also applicable to those on permanent employment to qualify for the 14.3% pay rise.

I have here a copy of such a contract dated 4th July 2017. Some of its regressive provisions are: -

- (a) Renewal of the contract is at the absolute discretion of Government

- (b) The Civil Servant irrevocably agrees that non-renewal of the Contract will not give rise to any course of action whatsoever against the Government
- (c) The duration of the Contract expires immediately upon a civil servant reaching the retirement age of 55
- (d) Renewal of the Contract is subject to Government requiring the services of the civil servant and that too if he or she agrees to enter into another contract on mutually agreed terms
- (e) The decision of Government to transfer a civil servant on the existing terms of the Contract to anywhere in Fiji is final
- (f) Government has the right to change or vary the Contract anytime

Madam Speaker contractual employment, especially what is being forced upon our civil servants will not result in a harmonious, unified and productive civil service. Contracts like this demoralise our civil servants and teachers as such a Contract is like the *Sword of Damocles*, ready to fall on the neck of a civil servant, who has no avenue to challenge any decision made by Government in relation to his or her employment.

Such draconian contracts are subjugating our civil servants and teachers. They have no place in a genuine democracy and an NFP Government after the elections will ensure that all contracts and its

draconian provisions are revoked and restore dignity and employment security of our civil servants and teachers.

Madam Speaker, the SME or Small Medium Enterprise grant is a good example of why lack of monitoring has resulted in it not providing the desired results. Recently one grateful beneficiary of this grant appeared on TV saying he was grateful for the grant even though he had forgotten the reason why he had applied for it. That, Madam Speaker, sums up the whole Fiji First Party so-called “small to medium enterprise strategy.”

Madam Speaker, if our country is to thrive economically, we have to be focused on increasing welfare payments to our poorest people, on increasing the wages of our poorest workers and making it easy for our entrepreneurs to make the most of the economic opportunities we have. It is incomes that must rise. And that is what NFP economic policy will be focused on.

Sugar industry

Madam Speaker, earlier on I spoke about a vision for the economy and the need for commercial agriculture. And let us not forget the biggest component of our commercial agricultural sector – the sugar industry.

Whenever we say anything about the sugar industry, the Government accuses us of playing politics. And yet it is this government, frightened by a bad opinion poll in *The Fiji Times*, rushed out a sudden package of \$10 million in goodies for cane farmers in May. What was the

package? It was “don’t worry about this cane payment, the Government will pay for everything.” It was unbelievably short sighted. It solved no problems. And it wasted 10 million dollars. As a letter-writer to the newspapers said, if the money is that easy to come by, what about dalo farmers and yaqona farmers and pineapple farmers?

Madam Speaker, the sugar industry is in a shocking state. If any of us were in any doubt, they only had to read the highly informative series of articles in *The Fiji Times* a few weeks ago. *The Fiji Times* did the people of Fiji a great service. It reminded the rest of us of the importance of the industry, the mess that it is in, and most importantly that farmers, and their families, have human faces and human problems. They and their families are not just thousands of faceless people.

And let us remember squarely where the responsibility for this lies. It is this government, in its military form, that sacrificed \$350 million of European Union funding for the industry over the last decade, because it would not give the people their democratic rights. By destroying the Sugar Cane Growers Council, it is this government that has destroyed the means by which farmers have dialogue with other stakeholders. Farmers are demoralised and angry. They do not want their children to stay on the land. If that is so, where will the next generation of farmers come from?

Madam Speaker the NFP is attacked for saying it will rebuild Penang Sugar Mill or that it will pay a \$100 per tonne price for sugar cane. We

are told that it is economically unrealistic. But what this government done for the industry in the last 10 years is economically unrealistic. It has managed to write off hundreds of millions of dollars in loans to FSC – and achieved nothing. Now, because we have been demanding that it tell us its vision for the sugar industry, it has come up with a so-called sugar industry strategic plan that is full of holes.

Madam Speaker, I can assure the government side that I am in better contact with cane farmers than they are, and, unlike the government, cane farmers are not afraid to tell me the truth. For 10 years this Government has neglected this vital industry. It may not be as profitable as it once was and it may not be as fashionable as it once was. But it still offers many opportunities. We have the basic infrastructure and the basic skills. And most importantly, tens of thousands of people depend directly on it. And let us not forget Madam Speaker that the export proceeds that cane farmers earn go right around the economy. Those of us who sit in our offices and shops and homes in Suva also benefit from this money. We too will be affected if this industry goes down.

Our vision for the economy

Madam Speaker, I regret that this year I have only 20 minutes to speak. I am sure that the Government is relieved about that. But they should not rest too comfortably. So I want to be clear about NFP's vision for the economy. This is what we want:

- We will renew and reinvigorate the National Economic Summit process, as I have said
- We will slash the red tape and simplify the rules and regulations for all investors, whether they are large foreign corporations, or young people who wish to market an app
- We will simplify the tax system and ensure that it is attractive to foreign and local investors and that people spend less time worrying about whether they have met all the rules and regulations
- We will hold nationwide consultations on the issues that are vital for Fiji going forward – land use, education, the sugar industry, health and housing. These will be the focus of an NFP government.
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- We in the NFP will have a lot to say about these things in the coming weeks and months. So to the people of Fiji, we say, enjoy the benefits that the Government has given you. After all, it is your money they are spending. But better government, and better economic management, is coming. **CHANGE IS COMING!**