



GOVERNMENT OF THE COOK ISLANDS
OFFICE OF THE DEPUTY PRIME MINISTER

Announcement by Deputy Prime Minister and Minister of Finance the Hon. Mark Brown
Cook Islands Covid-19 Economic Response Plan
18 March 2020, 6pm

Greetings

Kia Orana tatou katoatoa i te arua maata o to tatou Atua

Ki te iti tangata Kuki Airani, to Rarotonga, to te pa enua, e to vao mai i to tatou tai – te Atua te arua no tatou katoatoa.

Warmest kia orana to our people and friends tuned in to this important announcement – from around the world - via livestreaming over the internet, Cook Island Television, Araura Television – kia orana.

I acknowledge those in attendance in this room, representing a broad cross section of our society – media, government, business, Te Aronga Mana and civil society. Welcome.

Scene setting

Today, we are confronted with an unprecedented challenge of monumental proportions.

One which pays no heed to economic status, geographical borders and it is creating social and economic havoc worldwide with devastating loss of life in more and more countries. No country is immune. Not even the most powerful. Certainly not us.

This challenge requires of all of us extraordinary levels of effort, of sacrifice and of collaboration.

It requires government leadership and support which is responsive, decisive and accountable in the interventions we make and the support we provide. Both in our immediate, as well as the mid to longer term period.

Most significantly – it requires all of us – as one people, to work closely together through this most challenging of times. Our communities throughout Rarotonga, the pa enua and beyond; our businesses and private sector, employer and employees alike; our church leaders; Te Aronga Mana, civil society and international partners.

We are all in this together and only together will we overcome. Ka taokotai tatou, kia autu, kia rangatira.

Introduction of Package

Today's Covid-19 economic response package puts people first.

It is about prioritising our people's health and security.

It is also about cashflow and confidence.

But ultimately it is all about our people.

I'm pleased to announce on behalf of Government an Economic Response Package totaling \$61 million to support our people respond to and mitigate against the effects of corona virus (Covid-19).

This is a significant commitment and investment, possibly one of the largest and most comprehensive Covid-19 response packages in the world on a per

capita basis, averaging around \$4,000 per resident. Unprecedented times require unprecedented actions.

The Economic Response package has three components:

- 1 further support the preventive measures to delay Covid-19 arrival to our shores and strengthen our preparedness to contain its spread when it gets here; delay its arrival then contain it and isolate it when it gets here;
- 2 strengthen our support to the most vulnerable in our community and supporting and protecting our overall workforce;
- 3 an economic package that will cushion the impact of the economic shock on businesses and workers and support confidence in the near term and buy us time to restructure our finances as a country to get back on our feet quickly;

It is significant to note that the mid-longer term recovery package will go beyond the measure being announced today. Government officials, led by the Ministry of Finance and Economic Management will continue to engage closely with all stakeholders to inform the development of a broader recovery package, to be tabled in Parliament as part of the June budget session.

1 Supplement to Immediate Public Health response

Our first and most significant response to Covid-19, has been and will continue to be, a public health one.

It is our fundamental duty as Government to do so. But it is also ultimately the first and best economic response we could make.

The imposition of some of the strictest international travel and border measures in the world was not taken lightly but out of necessity, to give our people a fighting chance of mitigating the worse effects of Covid-19.

Our most important line of defence against Covid-19 is our international borders and health workforce.

We must continue that critical work to smooth the curve, strengthen our preparedness and resilience for the inevitable arrival of this virus.

Today's Economic Response Package includes an immediate commitment for an additional \$5 million to bolster our public health efforts.

This additional assistance will be directed at:

- Scaling up our public health communications to ensure our people have practical advice and support to contain the virus and stay healthy, and on how to self-isolate.
- Ensuring continuity of care and support our communities. This has two elements:
 - 1 scaling up support for our vulnerable communities, including our Pa Enea;
 - 2 supporting our health workforce respond and implement that scaling up
- Elevating clinical and diagnostic support.

I want to thank our health workforce, working closely with government, business community and most notably our Puna in communities across Rarotonga and throughout the pa enua for your work. Akamaroiroi, vaerua okotai, taokotai, ka autu tatou.

At this juncture, I want acknowledge all our international partners who are supporting our national response to Covid-19 – the Government of New Zealand, the Waitemata District Health Board and the World Health Organisation in particular.

2. Social Support and Workforce Preservation

With respect to the wellbeing of our people, let me again reinforce Government's unwavering commitment to putting our people first.

As part of this economic response package, we will be boosting our current financial support to our most vulnerable including pensioners, caregivers and those unable to work due to poor health.

To this end, we will be providing a one-off payment of \$400 ensure this group are able to prepare for any further social distancing measures to come.

Secondly, Government are currently working to support and protect our workforce and ensure ongoing employment for households.

We recognise that in some cases, loss of employment may be unavoidable.

In these instances, we will provide an unemployment benefit for up to one month. At the same time, in coordination with the Ministry of Internal Affairs and our Immigration Service, we are working to put in place initiatives to manage and support our labour force, and in particular, our contract workers who are, at present, especially vulnerable. I wish to stress that any redundancies must be a last resort.

The worst thing we can do in a recession is cut our labour force as this has been proven to make our recovery that much more difficult. It is important that we continue to stand in solidarity during these uncertain times. Government is and will continue to play its part in supporting our business community but it is equally important that private sector act responsibly.

I know many of you who are Parents have questions around our response to providing first and foremost for the safety of our children, in addition to

ensuring their learning is not overly disrupted. For every additional fortnight of school holidays, we will double the child benefit per child.

I can confirm that the Ministry of Education are working with a broad range of partners to maintain continuity of learning should Covid-19 require longer school closures. This will be done by utilising existing technology and working with schools to provide workable solutions should there be a shutdown. The Ministry of Finance and Economic Management are standing by to provide immediate financial support as may be required.

3. Business Continuity and Support

The third key area of priority is the support to Businesses.

As part of this Economic Response Package, government is allocating \$22.5 million to support business continuity.

This has several measures focused on supporting local business to ensure that the economy is able to continue to operate even at a reduced level.

Firstly, Government will work with the banks to achieve debt repayment holiday of 3 months for all debt. People with mortgages are worried about how they will make their next loan repayment. This will alleviate the stress and help us all keep calm.

Government recognises the significant number of small tourist accommodators that form an important part of the Cook Islands Tourism landscape. Many of these operators hold some level of debt with our banks. To ensure their ongoing viability, Government is offering an income tax credit of \$2000 for accommodation with up to 10 beds.

The second piece of work is the Private Sector Wage Subsidy.

Government will provide a wage subsidy at the minimum rate to all employers who are affected by COVID19 for a period of up to 3 months. This initiative seeks to assist in alleviating any additional pressure on business owners in meeting their weekly payroll obligations.

In addition to this, should businesses take advantage of this time to upskill their staff, Government will provide an additional 3 months of wage subsidy to support recognised training initiatives. In the event of staff needing to undertake the two week self-isolation process, Government will cover this period via a minimum wage subsidy.

The third measure is the provision of cash grants to businesses that have been negatively impacted by this crisis. Businesses will be eligible to apply for assistance of up to \$15,000 subject to criteria which my team can elaborate on in the coming days.

With respect to Provisional Tax Adjustments, Government are prepared to arrange early refunds where Provisional Tax has been overpaid. My Ministry is standing by to provide further detail if this applies to you.

In addition, the Provisional Tax threshold will be increased from \$2,000 to \$5,000. I do want to remind you, if you are facing difficulty in meeting your tax obligations, I would encourage you to please see the team at RMD who are standing by ready to assist with your queries.

Government can also confirm an immediate reduction in the compulsory Superannuation Fund contribution rates from 5 percent to 3 percent for all parties for a 3-month period to June 2020. These rates may be further adjusted should circumstances require.

Lastly, I am most pleased to be able to announce that in reducing the burden on households and businesses brought about by the global economic effects of Covid-19, Te Aponga Uira will be reducing electricity costs by 100% for

domestic users, and by 60% for businesses in Rarotonga effective from the first metre reading from Thursday 19th March 2020 until June this year. This concession will be extended to the island of Aitutaki where 100% discounts will be offered for all electricity usage customers.

In addition, Vodafone have also come to be part of this collaborative effort acknowledging that we are all in this together. Therefore for Residential and Small Business customers, incorporated societies and community groups, the following will be available:

Pension plans free of charge for 3 months from 1 March; Free line rental for all customers from 1 March; the due date for payment of monthly postpaid accounts is extended from 30 – 90 days; No termination of any customers service under financial hardship; 50% reduction on all postpaid Broadband and Mobile data plans from 1 March for 3 months; 50% reduction in the rate of all local and national landline and mobile calling for 3 months (prepaid and postpaid). Corporate customers facing financial hardship can contact Vodafone and they will work out the right assistance package for you.

Conclusion

In closing, I would like to emphasise that this is Government's first response to our immediate situation, and our immediate needs.

These measures have been developed for the purpose of strengthening our preparedness, our support to our most vulnerable groups and to secure the foundations of our road to recovery in the aftermath of this unprecedented experience.

Government will continue to review our response measures and are putting in place stringent frameworks and procedures to safeguard the 12 months ahead. Further measures are therefore being developed in the event that we face a much longer period of uncertainty and disruption.

This will include providing access to low interest loans to businesses across the board. This will assist them in remaining afloat during an extended downturn period. A number of additional tax relief measures will also be rolled out, including adjusting new asset-write off provision, and adjusting tax deductions, the details of which my team is still working through. I wish to reassure our people that we have sufficient fiscal space to increase our financial support if and when needed, and for the longer term.

What I wish to leave you all with is the eternal truth that the greatest asset of any country, is and must always be its People.

This is most certainly true for the Cook Islands.

We have faced challenges before – the painful lessons of the 1990’s Government restructuring; Cyclone Sally; world economic recessions – and it is in these times that the best qualities of our Cook Islands people have always shone through.

We know that the vibrant, natural splendour entrusted to each of us by our Creator is vulnerable, it is fragile. But it is our People who provide the resilience, the compassion and care for one another that will sustain the security and prosperity of our Ipukarea – to ensure that we as a population will survive and thrive, as we have done in the past.

I am therefore calling on every individual – as stewards of our small but resilient nation – to come together to minimise the impacts of COVID19 on public health and limit its potential for further disruption to the lives and economy of our nation. The actions of a few will not add up to a sufficient response but the sum of many individual actions can and will. The announcement by Te Aponga Uira is another tangible demonstration of what we can do together.

It is only through coordinated action by public service, private sector, communities, and development partners – at an exceptional scale and speed – can we potentially mitigate the risk and impact of this unprecedented crisis.

Te Atua Te Aroa.