

**FINANCIAL STATEMENT PRESENTED TO PARLIAMENT ON MONDAY 15TH
JUNE 2015 BY MINISTER OF FINANCE, HON. MARK BROWN.**

Madam Speaker, I now come back to the Budget Speech for 2015.

Today, Madam Speaker, the Government will present a Budget to the Parliament of the Cook Islands which builds on four years of hard work and vision.

[Interruption by Point of Order]

It appears that the strategy of the Opposition is to try and obstruct and stumble and put in place obstacles for the presentation of the Appropriation Bill before this House Madam Speaker.

I anticipate Madam Speaker that during the course of the Speech for the Budget that I will again be receiving Points of Order regarding minor technicalities, ignorance in matters of the Orders of the Day which will serve to do nothing but to disrupt the Budget that we are presenting.

A Budget, Madam Speaker that is for the benefit of the people of this country that these people over here are trying to stop our people from benefiting from.

I fully anticipate Madam Speaker to be able to take on board anything they throw at me this afternoon.

And as I was saying, Madam Speaker, this Budget to the Parliament of the Cook Islands builds on four years of hard work and vision undertaken by a Government with resolve and purpose.

It is a budget delivered by our Government that is navigating on a national vaka on a voyage that continues to meet the aspirations of our people.

In just a few weeks we will be united under a common purpose of celebrating 50 years as a self-governing nation. I know that many of you listening now in the Northern Group and in the Southern Group are busy getting ready to join us here in Rarotonga uniting together with our families returning from New Zealand and Australia to acknowledge this great milestone in our nationhood.

These celebrations are important, Madam Speaker, they allow us to strengthen our kinship, our culture and our unique identity as Cook Islanders a proud Polynesian people with a long and equally proud history.

These celebrations, Madam Speaker are celebrations which some people in this House did not want to occur and those people are still here in the Chamber but I hope they have changed their views. I hope they can see the value in bringing our community together. I hope they forget their political differences and join us.

I am proud that the Government stood firm on our vision. We understand and respect the value and benefits of the importance of getting together the nation for our community, both local and external to unite on special occasions such as these.

Since 1965, as a nation we have been challenged by natural disasters, the nation rebounded. We were challenged by economic difficulties, the nation rebounded. We must be careful, we must build our economic resilience to face the challenges in the future. One thing I know is that with our faith in God and the wisdom he bestows on us that we will face them united and strong.

By our very nature we are a spiritual, resilient and strong people and that flows through to being a spiritual, resilience and strong nation. We have a sense of purpose, a sense of pride, that is why we are one of the strongest economies in the Pacific, and the vision of this Government is to remain as one.

The 2015 budget, Madam Speaker demonstrates this strength. It is an action plan. It is a plan that clearly outlines the direction of the Government in steering the national vaka the direction of a viable and strong future.

It is a plan that celebrates our environment, celebrates our people, maximises our productivity, provides opportunities and protects the needy and the vulnerable.

Politics is full of promises. In elections it is easy to make promises and say things that people want to hear but it is completely a different thing to deliver. We cannot just cast a magic spell and make everything right. That is naïve. We achieve results through hard work, discipline and being smart about how we use our resources.

During the election our promises were modest, we were responsible, and we knew what could be done and what couldn't be done. We went to the election pointing out the things we had achieved. This Government has a track record of achievements in delivery on so many different fronts. True there have been some bumps but compare our record, Madam Speaker with others who have governed. Our record is second to none. "*Aere ki mua*" go forward, that represented our Government's courage and commitment and determination to make a pledge for the future.

The planning and delivery of a budget such as the one presented today demonstrates the capacity and capability of Cook Islanders to govern ourselves. The budget presented to the House today demonstrates that when a Government responsibly manages its affairs, makes the hard decisions and remains physically disciplined it can deliver to the community.

Madam Speaker, before outlining the budget, let us remember the chaos that governed our nation prior to our elections in October 2010. In the preceding 10 years since 1999 to 2010 we had five different Governments. Infrastructure investment was totally neglected and deals were being struck which would have an on-going detrimental budgetary impact. People were being burdened by high taxes and pensions were low. Our development partners did not have faith in using our systems and would go off and do their own thing.

As I glance around the House today, Madam Speaker to my fellow Members of the Government I see a solid and united Cabinet that has remained steadfast on doing its job. Oh

what a difference five years makes, Madam Speaker. In five years the Government has worked hard to turn that mess around.

We have done a lot, Madam Speaker but there still remains a lot to do and we are getting on with the job.

Over the next few days, Madam Speaker you will hear a lot from all of us here in the Parliament and you will hear many exaggerated claims from the Opposition. An Opposition that hasn't had to make the tough calls and who hasn't had to prioritise. An Opposition that wants to be everything to everyone.

In other words, Madam Speaker they want to be an Opposition like the fairy Godmother. They have to get real.

I ask that you make your judgments on actions, not words for we are governing for the benefit of all Cook Islands, be they new born, the elderly, the public servants, the taro farmer, the school student, the road worker, the tourist operator, everyone.

Sometimes we do things which may affect a group but it has to be done to benefit the whole. We must remember that ultimately when the ocean rises so does everything floating in it.

So when the Opposition get on auto pilot and start their criticism of the budget, you should ask them, how you would do things differently. How would you tax, how would you affordably raise pensions, how would you fund and improve services like policing, health and education. How would you invest in the much needed infrastructure? How would you manage our regional and international relations?

When people tell you that they can reduce the VAT, reduce income tax, stop fishing, raise pensions and build infrastructure, stand back and ask how?

Madam Speaker, the Government has walked the walk for the people of the Cook Islands since we came to Government.

Mortgage interest rates as the BCI have fallen from 9.5 percent to 8.49 percent. Business base interest rates at the BCI have fallen from 8.95 per cent to 7.7 per cent. The Pension for those over 60 has gone from \$400 a month to \$500 a month. The pension for those over 70 was increased from \$400.00 to \$640.00 a month and will now increase again to \$660.00 a month.

We have increased all other welfare benefits by 10% since we came into office. We have decreased the Income Tax paid by all Cook Islanders with someone earning \$550.00 a week who now pays \$50.48 cents in Income Tax instead of the \$76.92 they were paying previously and we will continue to decrease it further when we can.

We removed tariffs on common day items like eggs and pork which people need and consume and we introduced excises to reduce the consumption of goods and the fizzy drinks which do us harm.

This Government Madam Speaker helped to install 2,000 water tanks around the island of Rarotonga. We have planned and invested millions of dollars into infrastructure, roads,

sanitation and water. We are investing in a water network which will provide for the people of Rarotonga. We introduced the baby bonus for every Cook Islands child and six weeks paid maternity leave for all expectant mothers.

We have invested in our tourism industry, the lifeblood of our economy, with around 125,000 tourists come to our shores, when we came into Government that was just over 100,000, these extra people directly put in an additional 32million dollars per annum into our economy.

With the assistance of New Zealand we have installed 8 renewable energy power stations across the whole Northern group Pa Enea. We got things done, the Pukapuka cyclone shelter, Project city on Rarotonga, Te Mato Vai on Rarotonga, the Punanga Nui foreshore, the harbours at Manihiki, Mangaia, Mauke and Mitiaro.

The Punanga Nui Stage, upgrading the terminal Atiu, subsidised water tanks for households on Rarotonga and new household water tanks for Aitutaki, Palmerston and Atiu, and upgraded the hospital on Rarotonga, the completion of the clinic at Palmerston, and improving waste management facilities on Aitutaki and Rarotonga.

Our legislative record is unmatched, we have passed over 30 pieces of legislation and enacted well over 50 pieces of regulations.

Madam Speaker, this Budget focuses on meeting the commitments we made in our manifesto, increasing assistance for our elderly, establishing a regular shipping service to the Pa Enea, managing our fisheries, giving back to our tax payers, encouraging savings amongst our primary school children, establishing a Sovereign Wealth Fund, working on our systems and with our partners, helping our growers; improving our waste management; building our disaster response fund; expanding our international footprint; making our public service more productive and encouraging our young Cook Islanders to stay in our country; growing tourism; making capital investments and most importantly looking after our people.

Madam Speaker, prior to our first Election we outlined our desire to eventually increase the pension paid to those aged 70 to over \$800.00 per month, a doubling of the \$400.00 which was being paid then. We have increased it by 60% to \$640.00 a month.

Today Madam Speaker, the Government announces an increase of a further \$10.00 a month from 1 July 2016 and another \$10.00 a month on 1 July 2017. For those solely on the Cook Islands pension that will be an additional \$240.00 a year. This measure comes at an on-going cost of \$180,000 per annum by 2017.

[Speech continues after Parliament lunch break]

I am happy to report, Madam Speaker that we are getting Crown Law to have a look at some of the concerns raised by the Member Bishop regarding the divulging of information on the Budget prior to the tabling of the Budget.

I am sure the Honourable Member will be happy once Crown Law gives him their Opinion that nothing untoward has occurred and that this is standard business by the Government to release information on the Budget on what its intentions are for the year.

Something that we have done, Madam Speaker, since I have been Minister of Justice for the last four years which is called the principle of no surprises. Everybody knows what's happening and it can only enhance the public debate when people are made aware of what the Government's intentions are.

And now back to the Budget, Madam Speaker.

This Government has put an additional \$3.5 million per annum into the appropriation for pensions to Cook Islands pensioners. We have kept our efforts on looking after the 1,757 pensioners and nearly all of them who sit under the tax-free threshold of \$11,000 per annum.

Contrast that, Madam Speaker, with the position of the Democratic Party and the One Cook Islands Movement. Neither Party has ever made an actual public commitment to actually increasing the pensions. They focus their political voice Madam Speaker on the wealthier individuals who now have to pay a small amount of tax on their extra earnings. They want to only help those who have money to get more money.

Ask the leadership of their Party what level the Cook Islands pension should be and how they will get there. Unfortunately for the 1,757 Cook Islands pensioners across our country, their voices have been silent.

Madam Speaker, I will turn to establishing a regular shipping service to the Northern Pa Enea.

We have recognised the need for more regular transportation to the Northern Group, in particular to support economic activity. Now we are putting resources where it matters. This Government has put aside \$1.5 million over three years to support a regular shipping service to the Northern Group.

Expressions of interest to provide a service will shortly be sought by the Government for companies to provide suggestions on how they can accommodate such a proposal. We are hopeful of arriving at a solution which is not prohibitively costly to the taxpayer but provides a regular means of transport to our people in the North.

To our fisheries, Madam Speaker, our fisheries are a blessing from the Good Lord. Not only has God provided us with the responsibility to take care of the ocean and her species, but also the responsibility to use that blessing productively for the benefit of all. Sustainable management of our fisheries is crucial. It needs to be managed so that our children and their children will continue to benefit from its bounty.

Management is done at the regional level with our neighbours. That is where the burden of conservation lies and that is where the decisions that matter are made. We need to be at that table and you only have an effective voice and have influence if you are a fishing nation.

The regional management structure is about how we manage and distribute the wealth of the ocean. As a country, if we don't benefit now, then we never will. We will be shut out of our own fair share. If we arrive at the regional table, Madam Speaker on a high moral ground preaching conservation, then the other countries will say to us "You don't fish. This has no impact on you so you can go away." That, Madam Speaker, is the simple truth.

Our share of the ocean's resource needs to strike a balance, Madam Speaker. We need to diversify our revenue base. Our current quotas are not a significant amount of the Pacific fishery.

Madam Speaker, in 2009 revenue from fishing licences was around \$1 million. This steadily increased to \$5.6 million being collected in 2013-14 and revenues of at least \$12.7 million will be received in this Financial Year.

Managing our fishery wisely, Madam Speaker, means that we will be eventually able to give our workers more money. We will be able to build better schools and clinics. We will be able to improve our economic resilience. We will be able to seal our runways and to increase child benefits and the old aged pension.

This is the side of the equation, Madam Speaker that those who agitate against purse seining don't talk about. They don't want you to hear it. Our neighbours, Tuvalu and Kiribati, will get at least \$105 million from fishing revenue this year. Banning purse seining in the Cook Islands does nothing for conserving our fish stocks. All we will do is but give up our \$12 million for other Pacific countries to collect.

Almost 20,000 tonnes of fish were caught in our waters in 2014; 12,000 tonnes which were skipjack tuna, the species which are able to be caught on a sustainable basis. We will be working on our fishing regulations to further control catches in 2015 and 2016.

We will return some of the revenue back to our marine industry. In the past we provided significant on-going additional resources to the Ministry of Marine Resources recognising the increased effort which would be required.

Next year we will provide the Ministry with an additional \$25,000 to enhance the Ministry's ability to communicate on these key fisheries issues to ensure a balanced public debate that outlines a more balanced set of facts is presented for public discussion.

It is the Government's intention to have at least one Fisheries officer on all of the Pa Enea and to allow MMR to support and report the artisanal fishing and game fishing within the entire Cook Islands waters. Additional resourcing has been provided to have a person on Mitiaro.

The Government is outlining a target and putting aside \$800,000 over four years to establish 13 FADs on Rarotonga, seven FADs on Aitutaki and four FADs on each of the remaining Southern island groups.

Fishing aggregate devices or FADs have been shown to significantly increase catch rates and are particularly important for the Southern islands where the waters are less productive and the catches are highly seasonal.

This is a significant investment, Madam Speaker, and will see a big increase on the current number of FADs which are just eleven FADs on Rarotonga, three on Aitutaki and one on each of the Southern islands.

The Fisheries Development Facility in the Pa Enea will provide an additional \$100,000 per annum to be distributed to domestic fisheries with development programs. These programs

which will be boosted to \$300,000 per annum include activities held by local fishing clubs, local fishermen and Cook Islands Fishing Associations.

We are giving back to the taxpayer, Madam Speaker. After meeting our Election commitments, we look to alleviate the burden on the income tax pay-out. We are grateful for those that meet their obligations willingly. The Income Tax Amendment which will be passed by this House later this week presents our commitment to the taxpayers of the Cook Islands.

When we came to Government, Madam Speaker, a person on a modest income of \$25,000 a year paid \$3,750 a year on Income Tax. In 2014 the CIP reduced that down by \$1,160 to \$2,590 per year.

From 1 January 2016 the first income tax bracket will fall from 18.5 percent down to 17.5 percent and from 1 January 2017 down to 17 percent a further \$210 per annum reduction. On 1 January 2017 income taxes will have fallen for those people significantly by \$1,370 a year.

So let us do the maths a bit further, Madam Speaker two people in a household with a couple of kids will have had their combined income tax bill reduced by \$2,740 a year. In the same period the interest rate on the average \$180,000 mortgage has been reduced by just over one percent and that is equivalent to an additional \$2,340 in the pocket. The child benefit for those two children has increased by \$144 a year.

My simple maths tells me that, those parents on a combined income of \$50,000 per year, with two children and an \$180,000 mortgage on the 1 January 2016 have saved almost \$5,000 per annum returned to them in interest payments and tax cuts compared to when we came into the Government in October 2010. That is nearly \$100 a week back into the household.

In that time we also reduced the cost of electricity on Rarotonga by five percent, and we saw an additional reduction in electricity tariffs announced by Te Aponga just recently and removed the tariffs on imported foods to make them more affordable. The price of internet access has also fallen.

For the first time, we have provided the costing on our tax expenditures. The Government can provide assistance either through spending money or by exempting taxes on certain activities.

We have a number of concessions, Madam Speaker which includes no levy on fuel consumed in the Pa Enua except on Aitutaki where the rate is 15 cents per litre on petrol and 5 cents per litre on diesel. That compares to the rate for Rarotonga which is 28 cents per litre on petrol and 22 cents per litre on diesel. That comes at a cost of lost revenue.

The Government provides concessions for returning Cook Islanders. All levies are waived for returning Cook Islanders who have been away for more than three years and are returning to live in the Cook Islands for the next two years. This concession is estimated to cost \$450,000 in revenue just during the year last year.

Deductions to charitable organisations also come at a cost to revenue of \$250,000, Madam Speaker.

Madam Speaker, I will turn to the encouraging of savings amongst our primary school children. The good Book, Madam Speaker talks about savings and thrift. The Government believes in giving people back their money so they can do what they like with it. Of course we would like them to save some of that money. It is important for society to teach the importance of saving so that children can learn to save and invest in themselves and their families.

At the moment we have close to 2,000 enrolled primary school children in the Cook Islands. They are our future and they will become the leaders of our nation whether it is to be in the private or public sector. When we are long gone, 24 of those children will someday occupy the places in this House.

This Government, Madam Speaker believes strongly in three virtues, investment, savings and education. We want to encourage savings amongst our children. The Government has today put aside \$230,000 and welcome the contribution of a further \$20,000 from the Bank of the Cook Islands to create the Jubilee Jumpstart Saver.

Each registered Cook Islander primary school child who is enrolled at school on 4 August will be allocated a share of that fund depending on the final enrolment numbers that should equate to around \$125.

The Government has negotiated a five year term deposit with the BCI of 4.4 percent which compounds monthly which at the end of five years will be allocated to those children.

The establishment of a Sovereign Wealth Fund, Madam Speaker, private and public savings are crucial for our future, Madam Speaker. The Government established the loan repayment fund to manage our debt last year. This budget sees the setting aside of monies to establish a Sovereign Wealth Fund in which revenues from the harvesting of seabed minerals will be deposited.

This fund will primarily be the vehicle for storing our wealth which will eventually come from the harvesting of our seabed minerals. However, it can be used to save other monies which are windfalls.

We will initially capitalise to fund the one off revenue gains such as fines from illegal fishing and vested assets which come back from our offshore finance industry.

Today MFEM will begin to set aside from this point on the fishing fines we receive and the vested assets that we know we will be in receipt of. This leads me to reporting on our activities with the harvesting of our seabed mineral.

Last week the House passed the amendments to the Seabed Minerals Act and the Regulations will soon be enacted. This will enable us to start work on licensing exploration blocks and working with our European partners GSR in the international seabed Authority area known as the Clarrington Clipperton Zone.

In this budget, Madam Speaker the Government has set aside \$175,000 per annum to establish an agency to work in partnership with GSR and additionally a further \$50,000 will be provided from 2016/17 onwards for work to be undertaken with our commitments in the ISA.

I turn now, Madam Speaker to working without development partners and having trust in our systems. When we came into Government, Madam Speaker our financial systems were a muddle. The Opposition gave us systems that our development partners didn't trust. Monies sat in bank accounts that didn't earn interest and a 1.2 million dollar annual legacy of TOAGATE that will just continue to sit around the neck of our community until 2018.

We have worked hard Madam Speaker to improve our lot to get our systems up to a state where they are trusted. Our partners in the EU and the ADB trust our systems now and are willing to let us manage their resources on their behalf as long as we achieve satisfactory outcomes. The Government is now working with New Zealand on a higher modality partnership.

New Zealand acknowledges the significant improvements that have been made in our financial systems and processes we are now seeking a higher modality of assistance with New Zealand. Members will see that these monies have gone straight into the areas of Health, Education, Tourism, and Internal Affairs and strengthening up of our public service.

In all Madam Speaker, we expect around \$122million of assistance over the next three years which includes assistance from our major development partners, New Zealand, China, European Union, the Global Environment Facility and the UN adaptation Fund. These are tangible benefits from our efforts to attract investment to our shores.

Economic activity in our Agriculture sector is important and the Government is enthusiastic about assisting farmers in the area of vanilla production. Raising the production of export quality vanilla will be a key initiative for the Ministry of Agriculture. Additional resourcing of \$100,000 will be provided over two years to assist the Ministry to obtain technical assistance in the area and a further \$150,000 will be provided to the revolving credit scheme to free up almost \$250,000 in concessional funding for vanilla growers.

Madam Speaker Waste Management in the Cook Islands is always a major concern. We're a small island with limited capacity to deal with waste in a traditional manner, particularly when it comes to e-waste and the lack of suitable recycling or disposal options available to Cook Islanders.

The Government will now provide the National Environment Service with \$100,000 every two years to assist in the collection and export of E Waste to ensure that the Cook Islands remains a clean and green environment.

To Natural Disasters Madam Speaker, it is an unfortunate reality that we will be at some stage hit by a cyclone and we need to be ready to immediately respond to the needs of our people in such a time. The Government has diligently worked on two aspects, the creation of the National Disaster Fund and the involvement in the Pacific Catastrophe Risk Insurance scheme. Both schemes are there to assist with immediate response.

The value of the Natural Disaster Fund by the 30th of June Madam Speaker is estimated or anticipated to be around \$880,000. This includes previous injections by the Government of \$800,000, a contribution of \$36,000 from the Small Islands States Fund, and \$44,000 interest which has been notionally earned over that period.

It has been this Government's stated aim to gradually increase the value of this fund to \$1million Madam Speaker and we believe that a further two contribution of \$50,000 a year will do it. If funds become available then we are pre disposed to get our target quicker and ensure that the \$50,000 on-going contribution continues on to ensure the viability of the Fund if and when it gets depleted in responding to a national emergency.

This fund works in conjunction with the Pacific Catastrophe Risk Insurance scheme (provided through the World Bank) to ensure that the Cook Islands have financial resources made immediately available in the event of major disaster. The Cook Islands pays an annual premium of US\$100,000 per annum. The countries of Tonga and Vanuatu, who have both suffered natural disaster events recently, have had pay-outs from this particular scheme.

I turn to the Cook Islands National Superannuation Fund Madam Speaker. Recently, I had the good fortune to meet with a well-known Atiuan and Cook Islander, Mr Adrian Orr. Mr Orr is the Chief Executive Officer of the New Zealand Government Superannuation Fund, the fund that provides for the New Zealand pension.

Mr Orr recently visited the Cook Islands to work with the Cook Islands National Superannuation Fund on possible amendments to the Cook Islands National Superannuation Fund Act which the Government hopes to bring to Parliament this year after consultation with stakeholders. These will include achieving a balance of greater member representation on the Board, without compromising the capacity of capability and improved portability arrangements.

The Cook Islands National Super Fund Madam Speaker is a fund owned by Cook Islands workers, it does not belong to the Government. It is a Fund designed to ensure that our people can put some money away to support their retirement. The Government wants to ensure the Fund's success in a global environment, so that it delivers for its members.

The Cook Islands is a leader in the Pacific in respect of retirement income policy. We have an initial tier of support in retirement through the universal Cook Islands pension which is available at the age of 60.

Then there is the second tier, the Cook Islands National Superannuation Fund which is a save as you go scheme. Members receive a return on their untaxed savings over the life time of their contributions.

Then there is the third tier that allows for people to use any additional income people choose to save for their retirement.

Mr Orr pointed out to me how he personally felt the Cook Islands National Superannuation Fund was a clear winner for the Cook Islands. The Government stands behind the Fund, because it delivers for Cook Islanders.

Despite the knocks and the critics of the Cook Islands National Superannuation Fund, it has stood the test of time. It has provided over the past five years average annual returns exceeding 10% over the past 5 years. It is disappointing that we are being made to go through a very long legal process to establish the credibility and integrity of the Fund, but we will defend the Cook Islands National Superannuation Fund, for it is in the long terms interest of Cook Islanders.

The Government will put aside Madam Speaker \$70,000 to cover the legal costs associated with the Appeal made to the Privy Council in London.

Madam Speaker, I'll turn to the Productivity in our Public Sector. Madam Speaker, our Public Service is an organ of Government that must continue to strive to function at its best. We must continually reform and strive for productivity and also provide opportunities for younger people and demonstrate clearly the benefits of joining the public service to make a career serving our community.

We have an ageing workforce Madam Speaker in the public sector, by 31 December, 97 of them will be aged 65 and over working, 122 will be between the ages of 60 and 65. If nothing changes in four years, those numbers will increase to 214 and 152 respectively.

The Government acknowledges the time; effort and expertise those people have offered and contributed. We acknowledge that there does need to be a formal retirement policy that would see a public servant retiring at 65 years of age and the Office of the Public Service Commissioner is working on a policy as we speak.

The Government will put aside \$672,000 in the Budget for a one-off retirement package for those aged 60 and over to leave the Public Service and enjoy their retirement.

There will be a range of packages available Madam Speaker and some of the examples will be made clear in the Budget documents that will be presented to Members.

In addition, Madam Speaker, we are continuing on with our process of centralising administrative and corporate processes. Agencies across Government will be asked to contribute annual productivities of \$16,000 for IT centralisation in the Office of the Prime Minister, \$6,000 for human resource and payroll centralisation in MFEM and the Office of the Public Service Commissioner and \$24,000 from 2016-17 for finance centralisation in MFEM.

Agencies are being asked to contribute a further annual productivity savings of \$101,000 for general productivities.

The retirement package will provide an on-going annual productivity saving of \$576,000. All in all, Madam Speaker it adds up to around \$700,000 per annum savings from 2016 moving forwards.

Leadership of the Public Service, Madam Speaker, comes from the Heads of Ministries who are employed by the Public Service Commissioner. These resources are now completely within the administrative control of the Office of the Public Service Commissioner who has a total \$1.2 million for the output that manages the 13 Heads of Ministries.

Madam Speaker, today the Government announces the largest ever appropriation from the Budget for Health and Education. The Government will provide over \$33 million in appropriation to those two Ministries who deliver the essential human services to this country.

The Ministry of Health will be provided with \$13.7 million and the Ministry of Education with \$19.4 million. We are spending over \$1,000 per annum per resident, man, woman and child on Health and around \$5,000 per annum per student in Education.

Our children are our future and education is the priority of Government.

Under the leadership of this government, Madam Speaker, over the last five years, we have seen e-learning rolling out in the Pa Enua. We have seen the launching of enterprise and financial literacy programs, the strengthening of the Maori language and culture in our schools, improved NCEA and University achievement rates, the re-establishing of teacher and principal training programs, internships for IT technicians, improved support for isolated schools, the strengthening of numeracy and literacy programs. Our record in education, Madam Speaker, is a good one and will continue to be a great one.

This year the government will put in an additional \$200,000 to assist the Ministry with its operations and resourcing of school-based management teams. School-based management teams are led by the Principal and will be responsible for the day-to-day operation and management of the school along with governance activities such as policy development, qualification accreditation, and curriculum management and student pastoral care.

We have nearly 4,000 children being educated in the Cook Islands, Madam Speaker. This appropriation represents expenditure of around \$5,000 per child, not an insignificant amount.

We have many young, bright and enthusiastic Cook Islanders studying at universities in New Zealand and the government is fully committed towards those young students who have a sense of belonging to their home. We want them to come back one day and contribute to the nation.

The Government will provide \$5,000 per annum, Madam Speaker, to the relevant student associations to supplement their fundraising efforts in hosting their annual "Taokotaianga" event.

To the people of Nikao we are moving ahead and are confident that the final letter of agreement to commence construction of the fantastic new Apii Nikao School to rise out of the ashes of the old one in 2016 will be signed in a matter of weeks with the government of China during our Constitution Celebrations.

I turn towards the Police and strengthening of our youth, Madam Speaker.

Over the last few years the Cook Islands Police has been exploring ways to steer some of our youth away from crime.

Previously, partnerships have been struck with the New Zealand Defence Force, the New Zealand Blue Lights Youth and the New Zealand Police for the youth development and youth leadership courses to be run in the Cook Islands.

The pilot of these courses was successfully run in 2013. Since then, two more of these courses were successfully run in 2014, a total of 90 youths have successfully completed the courses with many of them making a positive change in their lives and moving on to a positive pathway.

The Government values the investment these courses make in our youth and also will provide an on-going \$45,000 per annum to the Cook Islands Police to run a similar style course on an on-going basis. It is hoped that the programme may also attract private sector funding from the community.

I turn to Health, Madam Speaker.

Since coming into Government, we have put a significant effort into improving the health sector. As a Government we have been committed to health.

We re-established and re-opened the Nursing School. We have implemented programs to tackle NCDs. We have raised the levels of investment in much needed equipment. We have recently completed the renovations at Rarotonga Hospital and we significantly increased remuneration for our people working in the Health sector.

But health is a two-way street, Madam Speaker. The Governments cannot do everything. People need to try and take lifestyle choices which will not adversely affect their health. Worryingly, our people continue to consume too much of the things that will eventually do us harm – fatty foods, sweet drinks, tobacco.

Embarrassingly, the Cook Islands were recently labelled by the WHO as one of the most obese on the planet.

This is a wakeup call, Madam Speaker.

Non-Communicable diseases are the health tsunami of the Pacific and we need to respond. We must reduce the consumption of those things which will slowly kill us through heart disease, stroke and diabetes and we must become more active. We cannot wait until the doctor diagnoses that an amputation is the only way to save our lives before we start changing our behaviour. It is too late for the individual and it is too late for the family that loves and cares for them.

In this respect, Madam Speaker the government will continue with the stated policy of reducing the immediate affordability of those things that can be directly attributed to causing NCDS.

The excise on sweetened fizzy drinks will increase at a rate of 5 per cent. Some will criticise us for the cost of living issue but a glass of water, Madam Speaker is healthier and cheaper than a can of coke. Fish is better and more nutritious source of protein than a can of corned beef and smoking is just plainly and simply not good for you.

The additional resources, Madam Speaker raised by these excise taxes will go directly to the Ministry of Health.

Government has recently invested in much equipment to improve the provision of health services, these including the purchase of an Immuno Essay Analyser, a Haematology Instrument, a Laparoscopic machine and an overhaul of the oxygen plant, an ultrasound machine and now a new operating bed for Rarotonga surgery at a cost of \$250,000. It is an expensive bed.

In addition the appropriation will cover an additional \$250,000 to be spent on improving training for our GPs to enable them to continually improve their diagnostic skills. Earlier presentation to the doctor and earlier and more accurate diagnosis leads to appropriate responses which in turn lead to better health outcomes. We all know that we cannot leave things too late and we know that our people must have faith in our medical practitioners.

I turn to Internal Affairs, Madam Speaker. The government is conscious of the needs of the more vulnerable people in our society. We have increased pensions for our elderly and we will provide an additional \$250,000 over four years through the social impact fund to assist the disabled in the Pa Enua and for those suffering mental illness.

These new monies, Madam Speaker will be specifically earmarked to Te Vaerua and Te Kainga who are currently qualified to receive funds under the Social Impact fund. We will provide Te Vaerua with an additional \$120,000 over four years to provide rehabilitative services to disabled people in the Pa Enua.

Te Kainga will be provided with an additional \$120,000 over four years to continue with the provision of mental health services.

The tourism Sector, Madam Speaker we must remember that many people when thinking about our economy focus on the balance of merchandise trade, the difference between the exports and imports of goods which has in fact reduced over recent years from the highs we inherited when we came into office.

We must also recognise the balance of services that we as a Nation export, which includes tourism and financial services. This is called the overall balance of trade which is steadily rising surplus.

So when we speak about tourism, Madam Speaker we need to realise that every tourist stays here for an average of eight days and spends around 200 to 250 dollars a day.

Madam Speaker, tourism remains the largest industry in the Cook Islands accounting for around 60 percent of the economy ensuring that tourism remains strong and robust provides the much needed demand to stimulate other parts of the economy. We have been committed to the industry and will continue to do so moving forward. Our strategy is to fortify our existing markets by improving access and commence efforts in new markets.

The Cook Islands has experienced 12 years of almost uninterrupted growth in tourism arrival numbers. We have been indeed fortunate to have this level of growth for the past decade.

We have done a lot for tourism. The Government included the departure tax in the ticket price and maintained at modest levels increasing to \$67.63 on 1 July 2016. Compare that to charges of approximately \$70 for Nukualofa, \$41 for Apia, \$121 for Australia, nearly \$100 now actually for Auckland and \$90 for Los Angeles and \$151 for Fiji.

We have supported the long haul routes from Sydney and Los Angeles to Rarotonga. In the two years from 2013 to 2014 the Sydney route brought in nearly 15,000 visitors. The Los Angeles route brought in nearly 13,000 visitors a total of nearly 28,000 visitors. Of the 21,000 visitors we estimate went to Aitutaki, 6000 came off one of those two routes.

Government recognises the increased competition in the sector and will increase the appropriation for the marketing to nearly five million dollars per annum to assist the Cook Islands tourism Corporation with marketing the Cook Islands.

I turn, Madam Speaker to national debt. This year represents the first full year of the operation of our loan repayment fund. Bancorp a reputable firm from New Zealand who provide advice also to the New Zealand Treasury have been contracted to advise MFEM on the loan repayment fund for a period of four years.

Our net debt position as at 30 June 2016 is estimated to be 29 percent of GDP and is modest when compared to other nations.

Further to this is that our definition of our net debt is very conservative. It only includes our gross debt and our loan reserve. International standards require the inclusion of all cash reserves; if this was the case then our net debt to GDP ratio would be 15.9 percent.

The biggest risk to our debt is a decline in the NZD to the USD. A ten per cent decline would see it worsening by around 8 million dollars but we would still be at comfortable levels. The government will continue where it is advantageous to move our debt over to NZ dollars. That is one of the reasons we have Bancorp providing services on the management of the fund to the Ministry of Finance.

Our net debt is well below our own established ratio of 35 percent of GDP and the government is committed to keeping it below 30 per cent to ensure there is a buffer in case we need to access capital in the future as a result of investments which may be required after a natural disaster.

And as will be demonstrated in Budget Paper 1 the net worth of the Crown will increase from an estimated 552 million to 606 million dollars.

In support of international conferences, Madam Speaker the government will provide around \$85,000 to assist the Cook Islands in hosting the Pacific Plant Protection Organisation Regional meeting in September this year and also in hosting the combined Forum Economic Ministers meeting with the Trade Ministers Meeting which will be in October this year.

Finally Madam Speaker, let me turn to our Capital Projects. Madam Speaker, we are the Government of Investment and we make no secret about needing to invest money to ensure the economic viability of our Nation. Whilst others went and borrowed money with no plan and no discernible way of moving forward this Government has undertaken significant changes in the manner by which we manage our infrastructure.

We developed a National Infrastructure Investment Plan which has been widely consulted and is publicly available. This Government Madam Speaker developed Budget Book 3, the Cook Islands Capital Plan outlining the medium term projections and projects to be undertaken.

We boosted the Infrastructure Committee to keep an on-going monitoring role of planning and implementation. We worked with our development partners Madam Speaker to leverage their comparative advantages and benefits. We instigated Government wide asset

management software. Our efforts are now beginning to come to fruition and it is tangible, you can see it being done right now.

Those in the Pa Enea Tokerau are the beneficiaries of our continued effort to work with other Countries to develop our Nation. It is through our hard work with the Government of New Zealand that those in Nassau, Palmerston, Rakahanga, Tukao, Tauhunu, Omoka, Tetautua and Pukapuka are now able to enjoy 24hr power, seven days a week.

Shamefully Madam Speaker, shamefully there are those in the Democratic Party that don't believe that the people of the Pa Enea Tokerau deserve such a benefit. This was an investment Madam Speaker of \$21million by the Government of New Zealand, \$600,000 by the United Nations and \$4 million by the Government of the Cook Islands.

The Democratic Party who have no plan or vision for those in the Pa Enea would rather you ration your power to a few hours a day - out of sight, out of mind for those in the Demo party.

It was the vision of this Government to establish a target five years ago of 50% renewable energy by 2015 that has enabled this to be done. Some mocked us about the unrealistic targets, about wishful thinking. Those same people will benefit from our vision.

And now we move on with bold steps Madam Speaker to the same for the Pa Enea Tonga, by December 2016 similar renewable energy installations will be finished in Mangaia, Atiu, Mitiaro and Mauke. I ask those people on those islands; ask the Democratic Party whether you deserve 24hr power, seven days a week because this Government believes overwhelmingly that you do. This investment Madam Speaker will be worth nearly \$14million. The efforts of the Government have seen us coordinating the European Union (EU), Asian Development Bank (ADB), the Global Environment Facility and the PEC Fund in mobilising funds to enable this.

We have worked with our friends from China Madam Speaker to deliver \$7million worth of heavy equipment to the Pa Enea. \$2million worth of pearl farming equipment's to the pearl farmers in Manihiki. There is around \$1million worth of agriculture equipment right on its way at this moment and it is expected to reach Rarotonga in September, this will include tractors and smaller equipment to help farmers in the Pa Enea.

Alongside working with China Madam Speaker, we're also working with Australia. With our Australia friends which enable the \$6.5million refit of the Kukupa this year, the vessel which proudly monitors our vast maritime EEZ.

We are working with New Zealand Madam Speaker with combining funds from both Countries to deliver sanitation to Rarotonga and Aitutaki, a total combined effort of \$16.5million over the upcoming four years.

And we are seeing great progress Madam Speaker on the laying of the ring main and the tenders will shortly close on the construction of our water project for phase 2 which will be for the upgrade of the intakes and the frontline and the storage.

In Aitutaki Madam Speaker, work should be commencing on the fuel storage facility there on the wharf which will cost around \$258,000. In this Budget we will be committing an additional \$915,000 for road sealing around the Arutanga to Vaipae area and from the main

to the waste management area, and put another coat on the back roads to the airport, this rolls on from our investment in a crusher for Aitutaki last year.

In Pukapuka Madam Speaker, the Government will commence the reconstruction of the health clinic at a cost of \$500,000 and community water tanks. In Nassau we will be building additional community water tanks.

In Atiu, we will be providing \$555,000 to assist with water and power distribution and a further \$828,000 will be provided for the stabilisation of the runway in Atiu.

In Mangaia, there will be project activities around renewable energy, water and roads.

In Manihiki, there will be the building of machinery shelters.

In Mauke, there will be activities around renewable energy and the building machinery shelters.

In Mitiaro, there will be the activities around renewable energy and upgrades of water tanks.

In Penrhyn, we will be doing work on community water tanks and machinery shelters for both Omoka and Tetautua.

In Rakahanga, we will be building community water tanks and machinery shelters. There is much Madam Speaker that will be happening but I will leave my colleagues to be delivering further details on not only what the Government is spending but also what we are working on with our development partners. I am sure that those Opposition Members who are from outside of Rarotonga will also welcome the investments being made in their Constituencies.

Madam Speaker, we have outlined capital activities from our own budget totalling \$54million over the next four years. Unlike before, we now have a rolling plan of capital projects linked to our medium and long term vision for the Nation. This amount of activity places pressure on the ICI to project manages these projects.

Ongoing resourcing, Madam Speaker of \$110,000 per annum will be provided to ICI to recruit civil engineers, to increase the ability and capacity of the agency to deliver capital projects in a timely manner.

The civil engineering resource will be responsible for undertaking the role of planning, technical design and preparation of project documents for allocated capital projects.

Over the next four years, Madam Speaker, this Government will continue to provide over \$50 million to resource various investments. My colleagues in the Government will speak to these in more detail but it obviously places a large burden on Infrastructure Cook islands.

Madam Speaker, my Speech was a long one and there is a lot in this Budget. It is a Budget for our people. It is a Budget which forges our journey further. *Iriki Moa* was our slogan, Madam Speaker. We are a proud and resilient nation which in six weeks' time will be uniting to celebrate our 50 years and confirming our intention to move forward over the next 50 years. This Budget proudly stands behind that effort and I commend this Budget to this House.

Thank you Madam Speaker.