

FINANCE STATEMENT – SUPPLEMENTARY BUDGET
SPEECH BY THE HON. MARK BROWN
Parliament Sitting on Monday 20th February 2012

Extract from Hansard – Proof Only

HON. M. BROWN: Thank you very much Mr Deputy Speaker. I move:

That the Appropriation Amendment Bill be now read a Second time

In moving this Motion I seek your indulgence Sir as I would like to proceed into explaining the principles and merits of the Bill. Thank you Mr Deputy Speaker, seeing that this is our first time for this Honourable House to sit since the adjournment prior to Christmas I seek your indulgence to extend greetings.

Kia Orana to His Excellency the Queen's Representative Sir Frederick Goodwin and Lady Goodwin, to our Prime Minister, Deputy Prime Minister and to all the Honourable Ministers. Kia Orana also to the Leader of the Opposition who is down due to poor health the Honourable Robert Wigmore and your Deputy the Honourable Wilkie Rasmussen and to all Honourable Members in this House I extend greetings to each one of you.

To the President of the House of Ariki, to the Members of the House of Ariki, to the Members of the Koutu Nui, Ui Mataiapo, Ui Rangatira, Kia Orana.

To the Orometua who conducted our service this afternoon, to all the various denominations throughout the country, I extend greetings to you.

Deputy Speaker, to you, to your Clerk, your staff members, Kia Orana.

Mr Deputy Speaker, I would like to extend greetings to my constituents, Kia Orana to all my people in Takuvaine and Tauae, Parekura, Tutakimoa and Teotue. To my traditional leaders, to our Ariki Makea Nui, Makea Karika, Makea Vakatini, Ui Mataiapo, Ui Rangatira in Takuvaine.

I have special words of greetings to extend to our Ariki Vaine Dame Margaret Karika Ariki. This is the first woman in the Cook Islands to be endowed with this prestigious title that is Mama Margaret. May the Almighty be your protector, your guide, may the Almighty bless you for the rest of your life.

To all our people listening in to our deliberations this afternoon, to our people on our sister islands Kia Orana to you.

Mr Deputy Speaker, before getting into the details of the Appropriation Amendment Bill before the House I believe it is appropriate to touch on a significant national event which re-enforces this Government's commitment to building a strong foundation for our country in partnership with our development partners.

Last month the Government opened the second development partner round table an initiative that re-enforces collective commitment to one development goal, one development plan shared through one voice.

At the donor round table we presented our National Sustainable Development Plan and outlined Government's intentions for the public financial management and sector reforms as well as the Government's key priorities for infrastructure development particularly in partnership concept for national water, waste and renewable energy targets.

Government has identified key actions which are being undertaken over the next three years to improve current systems, to better align resources and accountability towards development results, and to present a sound basis for development partners to provide general budget support.

I am happy to report that we are seeing some exciting developments in regard to the water sector, and I hope within a few months the Government will be announcing some major infrastructure investments in regard to water and renewable energy.

In saying that Mr Speaker, this was an opportunity to reaffirm the investment in our country by our development partners, providing greater certainty about how to fund our national priorities.

Honourable Members, the commitment of the development partners to this process and more importantly to the Cook Islands is evident not only by the positive outcomes of the Donor Roundtable but by the status and calibre of the participants in attendance.

Many of the public and private sector and civil society participants took advantage of this excellent platform from building networks and partnerships not only with the development partners but also where this could be applied locally.

Even the Deputy Opposition Leader was glowing in his praise of the Government in regard to the Donor Roundtable. I thank the Honourable Member for his support during the roundtable.

Mr Deputy Speaker, I would like to now return to the purpose of this session in the House the Appropriation Amendment Bill for 2011/2012. The Government has announced the need to pass an Appropriation Amendment Bill in Parliament for the current fiscal year.

I would like to assure all members that whilst some of the issues giving rise for the need for this Appropriation Amendment are complex in nature such as the Air New Zealand under-write agreement, the bill being tabled in the House today is relatively straight forward. This Appropriation Amendment Bill seeks an amendment to the principal Act passed in July 2011 by omitting the total appropriation of \$172,097,116 for 2011/2012 and substituting this with the amount \$178,327,447.

Mr Deputy Speaker, this appropriation amendment was prepared for items that firstly are beyond the control of Government, secondly that are time sensitive and cannot be deferred to the next budget process, thirdly are one off in nature and does not reflect an ongoing expenditure to the Crown and lastly have a level of existing cabinet commitment.

Mr Deputy Speaker, I now intend to move onto the more specific details of the various adjustments in the Appropriation Amendment Bill for 2011/2012 so that each member in the house, those observing in the public gallery and those listening by radio understand the changes vote items proposed.

I would ask that Members of Parliament refer to page 18 of the budget document for a detailed analysis of adjustments to Ministry votes. I will use the format of this table to discuss the adjustments to the Appropriation when it comes.

Ministry Outputs

Firstly there is an overall increase of \$0.121 million to Ministry Outputs. This reflects Governments commitment to establishing the Select Committee Support Services unit to initially support the Parliament in scrutinising the Government on various aspects of public finances, this would include audit reports, finance reports of the various entities of the Crown and the budget of the Government as presented to Parliament.

This initiative Mr Deputy Speaker puts the Cook Islands at the forefront of the Pacific in the area of finance oversight and transparency. These new initiatives go a long way in lifting our profile as we aim to be the benchmark for the Pacific in Public Financial Management processes and standards.

Other adjustments include the provision of an environment officer for the island of Manihiki to assist in addressing environmental issues such as their vulnerability to climate change and developing mitigation measures.

Mr Deputy Speaker, the Government is committed to achieving our renewable targets in a timely manner. Funds have been appropriated to fast track and support the renewable energy preparatory work on the islands of Mitiaro, Mauke, Mangaia and Manihiki.

Payments on behalf of the Crown

Mr Deputy Speaker, the majority of the increases in this Appropriation Amendment is driven by an increase in payments on behalf of the Crown. Payments on Behalf of the Crown are expected to increase by \$5.1 million to \$40.2 million through this Appropriation Amendment. The details of these costs to Government are further broken down in Page 31 in the Appropriation Amendment.

This increase is predominantly driven by an increase in the underwriting of certain direct routes operated by Air New Zealand to Rarotonga namely Sydney and Los Angeles.

The members will recall that at the time of the Budget we put aside \$8 million for the purpose of the underwriting of both routes in 2011/2012 and 2012/2013, we now estimate these to have increased to \$12.5 million in the same period. This was confirmed by Senior Executives of Air New Zealand on the 2nd of February this year when the Prime Minister and myself went to Auckland to discuss several issues with Air New Zealand of which this underwrite cost was one.

Honourable Members this increase is mainly due to the cost of aviation fuel, since April 2010 when the cost of aviation fuel had risen by around 35% in US dollar terms. It is an external cost and we are unable to control it and to this end, the Government cannot really contain costs. The outlook for aviation fuel is unlikely to get any better and could possibly deteriorate further.

According to the International Air Transport Association, or IATA, the increase in aviation fuel prices has cost the airline industry globally around the world, around \$32 billion dollars just for this year. It is interesting to note that the increase in fuel costs is being attributed for the collapse of Air Australia recently and also for the major restructuring of airline routes and resultant job losses in many airlines around the world.

Mr Deputy Speaker, we will act in haste in regard to the current arrangements, an irresponsible approach would be to panic and cease one of the routes in the absence of any strategy. We are approaching our tourism high season. It is important that we continue to build on the gains we have made over the last 12 months and ensure that an appropriate strategy to manage the underwrite costs.

The Government will review its tourism strategy to ensure we maximise our investment so that the growth is sustained in the tourism sector whilst the budget is brought back to surplus in 2012/2013.

Mr Deputy Speaker, in other appropriations, the Government has appropriated \$130,000 towards the Cook Islands performing team attending Queen Elizabeth's Diamond Jubilee celebrations. The Cooks Islands is the only Pacific Island nation, aside from Australia and New Zealand that has been invited to participate in this uniquely prestigious event.

MR DEPUTY SPEAKER: I have to interrupt you Honourable Minister, it is time for us to suspend the sitting and we will recommence at 3.00p.m.

Sitting suspended at 2:30pm

Sitting resumed at 3.00 p.m.

MR DEPUTY SPEAKER: All be seated. Parliament is now resumed and I call upon the Minister of Finance, the Honourable Mark Brown.

HON. M. BROWN: Thank you Mr Deputy Speaker.

Before our break I was talking about the appropriation of \$130,000 towards the Cook Islands team attending Queen Elizabeth's Diamond Jubilee celebrations and the Cook Islands being the only Pacific Island nation, aside from New Zealand and Australia that has been invited to participate at this prestigious event. Countries from Africa, from Asia, from Europe and from the Americas have been invited to perform at Queen Elizabeth's Diamond Jubilee.

The honour of being included in this event is a great testament to the regard in which the Cook Islands are held within the Commonwealth and by the Queen. Over and

above the honour, our invitation to this event presents a terrific opportunity for press and promotional coverage to showcase our country while in the United Kingdom.

Other changes, Mr Deputy Speaker, include the provision of funds to CISNOC to support its operations for the remainder of the financial year and for the Cook Islands team to attend the Olympic Games in London. Mr Deputy Speaker, I understand that we have some athletes who have qualified for the Olympic Games on merit. If there are some of those of our people out there who believe that they should not attend, then I will let explain that rationale to our athletes.

Mr Deputy Speaker, the 43rd Pacific Islands Forum and related meetings will be hosted by the Cook Islands in August this year over a week-long period. The Government has appropriated funds towards the hosting of the Pacific Islands Leaders Forum in August.

The Pacific Islands Forum Leaders meet annually to develop collective responses to regional issues. Mr Speaker, this is an opportunity for the Cook Islands to generate greater economic activity and build upon the partnerships with our pacific islands community.

Mr Deputy Speaker, we have some Non-Operating Adjustments to Capital. Capital to Ministries and Outer Islands has increased by \$58,000 to reflect the provision of funds to purchase septic tanks for the island of Aitutaki. Mr Deputy Speaker, this is not new money but funds generated from the sale of the recycled materials that would be returned to the Aitutaki Island Administration.

This is part of the contract for the baling of ferrous and non-ferrous light metal in Aitutaki as part of the cyclone recovery efforts. The baled material was packed into shipping containers certified as suitable for export for recycling to New Zealand in September 2011.

We look to Other Committed Considerations in Donor Funds. As part of the Appropriation Amendment, the aid estimates have increased in the Aid Estimates Schedule. Foreign Aid has increased by \$0.946 million to reflect AusAID and the United Nations Development Program (UNDP) that have contributed additional funding outside of the original Budget.

These funds are tagged to specific target programs and aligned to goals established in the National Sustainable Development Plan. In particular, to support Climate Change Adaptation Initiatives and Community-centred Sustainable Development Planning.

In addition, donor funds have been given to support the Cook Islands hosting the Pacific Islands Forum meeting in August. This funding of \$250,000 will be programmed by the Ministry of Foreign Affairs and Immigration.

Mr Deputy Speaker, after making the Appropriation amendments that I have outlined, including the financial sources, we have arrived at the Budget balance with an operating deficit of \$2.5 million, leaving an overall net balance deficit of \$2.8 million.

In accordance with the MFEM Act, Section 23 outlines a fiscally responsible Budget is such that unless debt is at prudent levels, Government must run an operating surplus.

The Appropriation Amendment, Mr Deputy Speaker that I have presented on behalf of Government calculates a Budget deficit.

The MFEM Act, however, stipulates that Government may depart from these principles of an operating surplus only in acceptable circumstances. Mr Deputy Speaker, these are exceptional circumstances and include such events that are deemed temporary and I shall specify the exact details as to: firstly, the reasons for Government having to depart from these principles as well as the justification for the exceptional circumstances; secondly, the approach the Government intends to take to return to these principles; and thirdly, the period of time Government intends to take to return to these principles.

Mr Deputy Speaker, in addressing these stipulations of the MFEM Act, please allow me to note that the most significant operating expenditure increase in this Appropriation Amendment relates to the provision of the Air New Zealand Underwrite of \$4.5 million.

Mr Deputy Speaker, in accordance with the MFEM Act, the Government has met the requirements and principles of a fiscally responsible Budget. As part of Government's medium-term fiscal strategy going forward, we are determined to ensure our investments are targeted and will boost the economy in both short to medium-term spending and, at the same time, foster economic and social conditions for long-term resourcing and sustainable development.

In conclusion, Mr Deputy Speaker, if you consider the facts that I have presented, it clearly points to the Appropriation Amendment that Government has placed before you that is entirely in accordance with both the provisions and the spirit of the MFEM Act.

Mr Deputy Speaker and Honourable Members, allow me to express my utmost gratitude and appreciation to all those who assisted in putting the Appropriation Amendment Bill together, including the dedicated staff at the Ministry of Finance and Economic Management. I also take this opportunity to thank my fellow Cabinet Ministers and Caucus for their spirit of collaboration that has enabled the tabling of this Appropriation Amendment today.

Mr Deputy Speaker, on behalf of the Government of the Cook Islands, with confidence and in my capacity as Minister of Finance I commend this Appropriation Amendment Bill to the House for the current Financial Year 2011-2012 and kindly request all Honourable Members for your consideration and approval of the Bill. Kia Orana and Kia Manuia.

MR DEPUTY SPEAKER: Thank you Honourable Minister. I call for a Seconder to the Motion please?

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