

PARLIAMENT SITTING

Wednesday 29 October 2014

Subject: Financial Statement Speech; Minister M. Brown Appropriation Bill 2014

Note: PROOF ONLY

- START OF EXTRACT -

ORDERS OF THE DAY

I call upon the Minister Mark Brown to move for the Second reading of the Bill.

HON. M. BROWN: Thank you Madam Speaker. Madam Speaker I move:

That the Appropriation Bill for 2014 be Read a Second Time

And I will take this time now Madam Speaker to present the Budget Speech.

Madam Speaker, within two months, we will be commencing the celebration of our Golden Anniversary as an Independent Self Governing Country. The 1st of January will be the start of a year of reflection, celebration and hope.

It will be a time where we commence to honour those that helped us to get to this point and to reflect on the efforts of individuals such as Papa Albert Henry and Sir Tom Davis and Sir Geoff. There are many who have contributed to our success Madam Speaker and we need to remember their efforts in our special journey.

On the 1st of January Madam Speaker, it will be a time to step up and remind the world that we are Cook Islanders and that we are a proud nation. We are a proud nation with a long heritage, a culture that is industrious, motivated and determined to forge our way in the world. After all, our forefathers launched from the Avana Harbour to colonise Aotearoa and we're still colonising them today.

Madam Speaker, it will be a time for discussion and debate about setting the path for our nation towards the next 50 years to the year 2064. The path needs to be one of prosperity, of self-reliance and finally most importantly of dignity. Not only must we continue to uphold our dignity in all levels but we must prevent those things that can erode it and that requires an effort that Government level at business level and at a personal level.

Almost 100,000 Cook Islanders woke up this morning across the Cook Islands, Australia and New Zealand. These people woke up first and foremost as Cook Islanders, not as members of the Cook Islands Party or the One Cook Islands movement or the Democratic Party or Rarotongans or Manihikians or Mangaian but they woke up as Cook Islanders.

The simplicity of our flag says it all. A circle of fifteen stars of the same shape and size representing each island is clear. It represents us all at the table equitably sharing the same dreams and confronting the same challenges. We cannot do it in a divided fashion. We are not strong if we all go in a different direction. United we are strong, divided we are conquered. When we all walk in this Chamber, our Party labels divided us but first and

foremost, we are all Cook Islanders and we're been put here to do what is best for the Cook Islands.

Establishing our Economic Independence

To our people listening today, our national ability to forge our way to invest and care for our people to protect our vulnerable to maintain justice and law and order and to build our future generations to welcome those that want to come here to make a life here and to engage with the rest of the world and to protect our culture. This is all dependent on our continued economic independent.

Economic independence Madam Speaker does not come easily as it needs a continued hard and productive effort from all of us, from the public sector, the private sector and the individual households. But as I mentioned Madam Speaker, we are a strong and resilient people. We can do it and we will do it and this Government will ensure that yes we can do it.

The lessons of the mid 90's economic reforms were harsh. Those times demonstrate what can happen if we do not maintain our discipline. Our lack of economic discipline cost us our dignity. Many nations today confront those same issues, just ask Ireland, Greece, Portugal, Spain more closer to home take a look at the transformation that New Zealand had to undertake as well.

Economic governance is not easy. There are always hard decisions that need to be made and there will be those that cry poor but we must govern for all not just for some for that is the just way for if we don't make these decisions then others will make these decisions for us.

We are a resilient and resourceful people Madam Speaker and the Government is her to unlock the potential of our people to assist them down the corridor towards greater prosperity. There is just not one door to unlock there are many doors that need to unlock and the journey is long.

Papa Arapati often commented that no one in the tribe should be left behind and he was right but we also need to ensure that we move everybody along forward for we do not advance economically; we will go backwards in many other sectors and in debts.

Our Tax System

Almost a year has passed since December 2013 when the Government embarked on an ambitious journey of reforming our taxes. Many people focus on the increase and VAT from 12.5% to 15% but we have moved our tax environment to one where the burden is eased on our people. On the 1st of January 2013, every worker in the Cook Islands received more money through a tax cut.

Not just a small cut, the average worker earning \$20,000 a year received an extra \$70 in their pocket every month. Our changes Madam Speaker were monumental, earlier this year when I spoke to the ADB President Nakao he pointed out to me personally that he had seen the changes we had made and admired the courage of the Government to make changes which was not particularly politically popular were good for the economy.

Our Pensioners

On the 1st of March 2013 Madam Speaker, every person receiving the local pension got an increase. Those who were between 60 and 70 received a \$100 increase to \$500 a month and those over 70 are now in receipt of \$625 a month.

And from the 1st of January next year, Madam Speaker, I am proud to say that the over 70s will go up again to \$640 a month as part of our commitment, part of our commitment to increase and look after our over 70s.

There are those that argue, Madam Speaker, that we should not tax local pensions. I say that we are trying as hard as we can to give you more and if that means taking it off some of those of us who are more fortunate and earning more income, then so be it.

MADAM SPEAKER: May I just interject a bit. Sorry Honourable Member, I just want to make sure that the people listening in can hear what you are saying and there is a bit too much noise. When a Member has the Floor, only that Member may speak unless you really, really have to.

Thank you. Continue please Honourable Minister.

HON. M. BROWN: Thank you Madam Speaker.

My voice and those of the Government will continue to outline the benefits of those changes to all 1,700 pensioners who are receiving a Government pension at the moment.

To those in the Grey Power, we heard your issues and we worked on the law to remove the back tax. It has been done. It was the Government's first Act on re-election to Government and now the situation has been put to rest. The Government estimates that this action will cost around \$400,000. The time for division is over and we should now work together for the betterment of the whole community.

As of today, Madam Speaker, 42 of those Grey Power pensioners have come into the MFEM and have received refunds totalling \$121,000. I know that MFEM has been visiting some of the Outer Islands that have a number of New Zealand pensioners to assist them with this process.

The time has come to move on from this issue and look to more positive aspects. To this end the Cook Islands Party will now move onwards as per our Manifesto to the creation of an Elderly Gold Card.

HON. N. GLASSIE: Hear, hear.

HON. M. BROWN: This should allow for discounts on goods and services across the public and private sector regardless of whose pension they are in receipt of. Such a card would help nearly 2,000 of our elderly people across the Cook Islands.

Additionally, later in this Parliamentary Session, the Government will amend the Welfare Act to assist those that have been away from the Cook Islands for medical reasons, to be able to resume and receive their Cook Islands pension without having to wait one more year to qualify.

This year, Madam Speaker, we will spend \$11.8 million on 1,790 pensioners and a further \$2.7 million to 3,400 recipients of the Child Benefit. These are the efforts, Madam Speaker, of a Government who governs for all, not just for a few and let those who oppose our actions explain themselves.

Tourism and Our Economy

Tourism continues and will continue to be the key to our economic success. MFEM estimates that around 65 per cent of our GDP is from tourism. Our balance of payments, i.e. the moneys we get from the services we sell, far outstrip our imports and that is a crucial aspect to understand. Comparing just the export of goods with the import of goods is looking at one part of the story. We need to remember, Madam Speaker, that on average every tourist that comes into this country spends around \$1,600 a visit.

When we first came to Government, Madam Speaker, total visitor arrivals were reaching just over 100,000. Now they are reaching 121,000. That increase of over 20,000 people means an extra \$35 million being injected into our economy from our main tourism activity.

Where would we be, Madam Speaker, without those extra 20,000 people? It would probably mean a lower Budget, probably around \$10 million lower. What would that mean for our pensions? What would that mean for spending on education? What would it mean for health spending?

This Government is committed to tourism Madam Speaker. It will provide a further half a million dollars over two years to boost the marketing efforts of Cook Islands Tourism.

Cook Islands Tourism will have from the Government a total of \$2.25 million for this 2014 Budget and another \$2.25 million for the 2015 Budget to assist with the new 777 aircraft which will service Los Angeles and the Sydney routes.

Since coming into Government we have done a lot for tourism. We have continued the on-going commitment to the provision of the long-haul services from Sydney and Los Angeles, services which bring us additional tourists from different markets.

How distant is the memory of the queues at the Airport to pay departure tax at the Airport?

HON. H. PUNA: Yeah!!

HON. M. BROWN: It took the strength and fortitude of the Cook Islands Party Government to bite the bullet and tell the airlines put it in the ticket price. Our departure tax now, Madam Speaker is \$66.30. Compare that with the \$49.40 for the passenger service and security charge in Auckland or the \$145.60 for coming out of Suva or the \$124.50 coming out of Sydney, \$45.50 coming out of Papeete, \$60 from Noumea, and \$48 from Vanuatu and around \$81 for Los Angeles and Honolulu.

We have a fair departure tax, Madam Speaker that remains competitive and reasonable and our investment in tourism, Madam Speaker tops 20 million dollars per annum. In departure tax and landing fees alone we receive 13 million dollars.

Fishing Revenues

I turn now, Madam Speaker to fishing revenues. This year we anticipate revenues of over 6 million dollars from our fisheries which consist of licence fees, catch revenues and penalties. These are significant and the government is cautious of achieving the balance between sustainable exploitation of a renewable resource and maximising financial outcomes.

Ultimately, Madam Speaker we believe that we could work towards a figure of ten million dollars from our existing fishery. This would not be an increase in the quantity but rather an increase in the price we get for our fish.

Health

The government will be spending 13 million dollars on health this year. We will provide additional base funding to recruit the next branch of 12 students into the Cook Islands Nursing School. The Nursing School, Madam Speaker was a Cook Islands Party initiative, a policy aimed at reinvigorating our nursing cohort with Cook Islanders.

Currently there are 14 students at the Nursing School and these young people come from all over the Cook Islands including Atiu, Mitiaro, Mangaia, Rakahanga, Pukapuka and Penrhyn and are expected to fully graduate into the nursing system by the end of 2016. This week they will be starting clinical work.

Additionally the government will be purchasing two new additional pieces of equipment a new immuno assay analyser and a laparoscope machine. On top of that we will now start further works on the fit out of the pharmacy at the Rarotonga Hospital, building on the recently completed renovations of the Outpatients part of the hospital.

It doesn't stop there, Madam Speaker. We will also be purchasing additional laptops and computers and will also be purchased to replace the old and out of date ones in both the Pa Enea and in the Ministry.

Madam Speaker, let me refresh the short memories of the Members of the Opposition and remind the House that it was the Cook Islands Party Government that last year increased the Budget for Specialist visits and pharmaceutical supplies.

Education

The investment in our children, Madam Speaker is significant and our operational spending this year on education will be the highest on record. The Members will see that actual budgeted spending on education which excludes depreciation will amount to just over 14 million dollars the highest amount ever allocated for education.

I will just repeat what the translator has said there, education spending will represent approximately 13 percent of the government's total appropriation and if we exclude the cost of the under write for our Los Angeles and Sydney routes that percentage actually increases to almost 15 percent of the total budget dedicated to education. The total personnel budget of 9.6 million dollars in the education Ministry amounts to nearly 21 percent of the government's total personnel budget.

A further 4.4 million dollars, Madam Speaker is provided in operating expenditure and payments to private schools. Previously families hosting students from the Pa Enua and providing them with room and board as well as pastoral and other support during their time in Rarotonga were paid \$50 a week. This will now be increased to \$100 a week.

In addition, Madam Speaker this scheme also meets the cost of return transport by air where possible from students to their home islands. On average, Madam Speaker there are around 45 students who benefit from the support of the allowance which amounts to a total of around 230,000 dollars a year.

Additional spending on the 50 year anniversary

Madam Speaker, the government has put aside \$700,000 for a very significant Te Maeva Nui next year to be held on Rarotonga. This will be a time for our brothers and sisters in the Pa Enua to make the journey to Rarotonga and celebrate our comradelier and togetherness at the 50th year of our self-governance.

Additionally the government will make half million dollars available during the 2015 calendar year for the various events to be held across the Cook Islands.

Putting extra away for a rainy day

The capacity to respond immediately, Madam Speaker when a natural disaster occurs is paramount. The Cook Islands Party Government, Madam Speaker has two forms of insurance. The first is parametric insurance with the Pacific Risk Insurance Scheme.

This insurance scheme, Madam Speaker is one where we pay an insurance of around \$120,000 and it gives us coverage of over \$15 million, Madam Speaker in the event that our islands are hit with a cyclone.

The second is a further \$100,000 which will be deposited into the Natural Disaster Response Fund which will take its total amount to \$636,000 in the Disaster Response Fund.

MADAM SPEAKER: Thank you, I see the Honourable Willie John.

MR W. JOHN: Madam Speaker, I move:

**The suspension of Standing Orders to enable the Minister of Finance
to continue until the completion of his Budget Speech**

MADAM SPEAKER: Can I have a Seconder please?

HON. T. BISHOP: Madam Speaker, I stand to second the Motion not because of the speech but this will enable us to get our copies of the Bill and also it will enable us the breakfast by MFEM tomorrow, thank you.

Seconded by the Honourable Teina Bishop

MADAM SPEAKER: Thank you, seconded by the Honourable Teina Bishop and I will put the Question:

That the Motion be agreed to?

Motion agreed to

You may continue.

HON. M. BROWN: Thank you Madam Speaker and thank you to the Honourable Members for moving the motion and to the Honourable Teina Bishop for seconding it. I am not sure whether to be hurt or to be insulted by his comments but thank you Honourable Member.

The second form of insurance Madam Speaker is one that the Cook Islands Party government started three years ago just after we came into government, where we established the disaster response fund with a starting balance of zero. That Fund will now have a balance of \$636,000.

In the unfortunate circumstance that we have a state of emergency, the Government will be able to fund an immediate response for activities to affected communities to get them back on track.

Madam Speaker, this is the Government that has revolutionised our approach to debt. There can be no doubt, Madam Speaker, about what our debt levels are and we all know our debt position. Our net debt position, Madam Speaker, rests at 22 per cent of GDP, well below the fiscal hurdle of 35 per cent.

We are the Party, Madam Speaker that introduced the Loan Repayment Fund. This is to ensure that we manage our debt prudently and we are the Party that has borrowed for infrastructure development for water, for roads and for renewable energy.

There is no doubt, Madam Speaker that the Government has focused on infrastructure. We are now moving close to our 50 per cent target of renewable energy by 2015 with the help of the New Zealand Government.

Our next step, Madam Speaker, is the Southern Group where we will have a total of \$27 million from various funding sources to be spent on renewable energy.

Let's look at the work, Madam Speaker. People have often made naïve comments about travel but let's look at the efforts, the results of those efforts. We will have obtained nearly \$50 million of investment in renewable energy and our contribution is \$13 million of that investment.

This sort of money, Madam Speaker, doesn't fall on to your head by you sitting in your House and doing nothing. Our country is like a person. If you need help, you go out and look for it. You don't sit at home and expect someone to come and see you. If you want to buy a motor bike you go out and work for some money. If you are feeling sick you go out and see the doctor. Sitting at home will get you nothing.

This Government is delivering results, Madam Speaker and reducing our reliance on diesel. We will be moving on sanitation following on from the success of the Muri pilot project

where we are working with New Zealand to expand the program across Rarotonga and Aitutaki.

Kukupa Refit

Madam Speaker, I turn to our patrol boat, the Kukupa which is the busiest ship of its class in the Pacific. It has now gone to Australia for a \$6.5 million refit. Our patrol boat, Madam Speaker, has done 11,000 hours of work.

The next closest patrol boat in the Pacific has only done half of that. It is a testament, Madam Speaker, to the efforts of our Police Force and the patrol boat crew who have worked hard to maintain the integrity of our waters and protect our fisheries stock.

This is an important input and the Government is serious about the management of our fisheries and this not only means ensuring that we maximise sustainable levels of revenue, but that those who infringe in our waters are dealt with appropriately.

So far this year two fines have been imposed totalling \$1,225,000 in total. Due to confidentiality clauses in the agreements that were signed up to, we cannot go into any more detail on these fines but needless to say that all intents and purposes are well intended. We believe we can extract more than \$5 million we now receive from the issuing of licences and catch revenues.

If there is any example of the need to be one as a nation, it is a fact that our fishery is rich in the northern waters and whilst the benefits of tourism are mainly in the Southern Group, the benefits of our fisheries arrive from the Northern Group.

Modernising our Public Service

Madam Speaker, we are modernising our Public Service and making it more productive, this means less forms and more IT systems. The new payroll and HR system provides a professional way of paying our staff and managing our leave.

The statistics on public sector employment which will be available in our Budget books to be distributed demonstrate some of the benefit of the information that we now have at our fingertips.

The automated customs, goods and processing system is now operating with the majority of importers using it and reporting a more efficient and easier processing of goods. We will then shift and move on to the next phase of automating the Immigration system which is still a highly manual process.

The Government will now continue to make investments into pushing the RMD system online enabling businesses to submit their monthly tax returns online and will greatly help business administration.

Our new online Asset Management System. This system will now be the repository of the Government's assets providing detailed data on the state of assets and when they need to be replaced. It will be used by all agencies of Government, including the SOEs.

MFEM have now created a payment gateway so that people can start purchasing goods and services off Government online. This will assist Cook Islanders overseas in particular who will be able to pay for their birth certificates online.

The new centralised network continues to grow providing for greater security of our information and a more systemic and considered approach towards our IT network across Government. Nearly 20 agencies and 500 public servants are accessing this system.

New Currency

Next year, Madam Speaker, we will reintroduce our Cook Islands coins and cease our importation of New Zealand coins. Coins are used by everyone and contain important symbols of our nation.

On the 4th of August we will introduce the new coins to celebrate our independence. These coins are slightly smaller, similar to the size of the New Zealand coins and are made of different alloys.

The \$1 and \$2 coins will retain their shape but they will be gold in colour. The new \$5 coin, Madam Speaker, will feature a voyaging Vaka.

A testament to our Voyaging Society and our voyaging heritage and especially special with the landing of the Marumarū-Atua and the other voyaging Vaka yesterday in Australia.

But the best of all, Madam Speaker from the Minister of Finance perspective anyway, this will bring money into the government as opposed to us having to give it to the Reserve Bank of New Zealand.

Heavy Equipment

Many of us will be aware, Madam Speaker that the government has signed a contract with the Chinese providers of our heavy equipment. It has been two years in the making of this particular project.

It's been some time but we are now very happy that around six and half million dollars' worth of equipment will be provided to all of our Outer Islands in the new year and I know that the Minister for ICI and also the Members of Parliament for our individual islands will have an opportunity to explain the specific machineries that will be going to each of the islands.

All good things come in good time, Madam Speaker and although we have waited a while for this machinery, I can say that it is coming at a very, very appropriate time.

Madam Speaker, to conclude after a very difficult election we can now confirm the business of governing. Let's get on with the business of governing and investing in our people and in our communities and our nation and together let's forge a path for prosperity as we hold our heads up high and march on to the next 50 years and Madam Speaker with that I commend the Budget to the House. Thank you very much.

(Applause)

COOK ISLANDS PARLIAMENT
HANSARD EXTRACT

MADAM SPEAKER: Thank you, Honourable Minister and I would like to keep this tidy if we may and ask for a seconder of that motion please.

- END OF EXTRACT -