

**FINANCIAL STATEMENT**  
**Hon. Mark Brown - Minister of Finance**  
**Thursday 21 February 2013**

**ORDERS OF THE DAY**

Appropriation Amendment Bill Second reading, I call upon the Minister of Finance.

**HON. M. BROWN:** Madam Speaker, I move:

**That the Appropriation Amendment Bill be now read a Second time**

First of all, Madam Speaker greetings to you and all the Honourable Members of this House this afternoon. I would now like to provide you with an update on the Supplementary Budget for 2012/2013 otherwise more officially known as the Appropriation Amendment Bill.

Since the 2012/2013 Budget was tabled in Parliament in June last year there have been some changes and we outlined the change to the public finances of the Cook Islands before Christmas. Essentially, Madam Speaker the total underlying revenues since the budget was passed has increased by 1.3 million dollars and this is being driven mainly by greater collections in our tax revenue and increased amounts of official development assistance from our development partners which have amount to \$968,000.

Total underlying operating expenditure after our extra spending decisions will increase by \$700,000.

And Madam Speaker will note that I am wearing a blue tie and this blue tie of course signifies that we have an underlying surplus in our budget, a surplus of \$824,000. Of course if we were running a deficit budget then I would be wearing a red tie to signify that Madam Speaker.

Additionally the government will spend a further \$1.262 million dollars in capital items. Madam Speaker, I am very pleased to announce to our people that we have a strong underlying operating surplus of \$824,000. This is significantly more than the \$98,000 surplus we announced at the time the budget was struck in June last year.

**HON. W. RASMUSSEN:** Madam Speaker, may I raise a Point of Order please?

**MADAM SPEAKER:** I beg your pardon.

**HON. W. RASMUSSEN:** My apologies to the Minister of Finance and to the Government, but I'm not sure whether this is a departure from the protocol of presenting supplementary budgets or any budgets. I would have imagined that a Budget Statement would have been prepared and circulated for the benefit of Parliament to read instead of the Minister actually stating the Budget in his debate.

I'm only putting the question, because that's my understanding of the presentation of budgets that should be.

**HON. M. BROWN:** Interjects and says "I am speaking to the motion".

**HON. W. RASMUSSEN:** Interjects and say's alright, my apologies Madam.

**MADAM SPEAKER:** Yes I was going to say maybe that's going to follow because he's just speaking to the motion now that's going to be moved.

**HON. W. RASMUSSEN:** Interjects and asks is that a Budget Statement.

**MADAM SPEAKER:** So, may I ask the Minister, you do have a statement that's going to follow.

**HON. W. RASMUSSEN:** Humble apologies Mam, humble apologies.

**MADAM SPEAKER:** Thank you Honourable Member Rasmussen. You may continue Honourable Minister Brown.

**HON. M. BROWN:** Yes, thank you Madam Speaker I can certainly understand the Leader of the Opposition's bewilderment at such good figures that are being presented to him, very overcoming for someone in the Opposition I guess. Thank you very much Madam Speaker, I am also very happy to announce that our additional spending in capital will be comfortably accommodated from the cash reserved of the Crown.

Our cash reserves Madam Speaker are currently around \$13.5 million dollars.

One of the large items of expenditure is the Crown's underwrite of the long haul air services provided by Air New Zealand for return flights from Sydney and Los Angeles to Rarotonga. At Budget time we estimated that the cost would be approximately \$13.6 million dollars, the Ministry of Finance have reduced that estimate to around \$12.3 million dollars, a significant savings of \$1.3 million and this is mainly attributed to improved patronage, the high numbers on our flights and increased revenues, but also to slightly lower than anticipated fuel costs.

Honourable Members, new Ministry expenditure there are only two ministries that have an adjustment in their operating expenditure of \$36,000 dollars this will be provided to the Ministries of Finance and Foreign Affairs and Immigration for unique one off expenditures.

MFEM will be provided an additional \$20,000 dollars for legal advice it has sought on issues around Crown finances and obligations which were unanticipated at the time of the Budget. The Ministry of Foreign Affairs and Immigration will be provided with an additional \$16,000 dollars for protocol services associated with ANZAC Day and also for costs for officials to assist the Prime Minister in his role as the Chair of the Pacific Island Leaders Forum. Excluding the impact of the first part of the Chinese loan coming through the Crown Accounts other expenditure will increase by \$727,000 dollars.

Over one third of this expenditure Madam Speaker is simply a transfer of funds to the Emergency Disaster Trust Fund. The Government has decided to direct \$268,000 dollars to the Emergency Disaster Trust Fund, a trust fund that this Government would like to build up to \$1 million to ensure that the Government of the day can respond immediately in the likely case of a natural disaster, the balance of our trust fund then Madam Speaker will be just under half a million dollars.

These are the benefits of good sound financial management Madam Speaker, it enables us to save and demonstrates how we can save for rainy days.

The Government will replenish the Contingency Fund to cover emergencies and unexpected crown obligations in the near future. Expenditures from the Contingency Reserve approved in 2011/2012 by

Cabinet are the following and these are costs Madam Speaker associated with the state funerals that were held for Sir Geoffrey Henry and Sir Terepai Maoate, legal fees associated with the Ministry of Health and the St Mary's medical school legal challenge and also costs associated with the Toa mediation which were unpaid costs from the previous Government and election costs associated with the recent Tamarua bi-election.

Madam Speaker, we are beginning to see work commence on our water supply, we anticipate that we will shortly be taking on our Chinese loan to start works on the major ring mains, this will need an initial \$375,000 dollar debt servicing payment for the establishment of a loan from the Export Import Bank of China to fund the construction of a new water supply ring mains for Rarotonga and this consists of a management fee, commitment fee and an interest payment.

Payments on behalf of the Crown will be reduced by \$793,000 dollars the savings of \$1.3 million in the Air New Zealand underwrite that I mentioned previously have been offset by some increased expenditures.

The Government will provide additional funding of \$153,000 dollars to accommodate the extra cost of transporting the team from Penrhyn associated with the Te Maeva Nui Celebrations back to their home island.

The newly instituted Seabed Mining Authority will be provided with sufficient funds to operate until the 30<sup>th</sup> of June this year and the funding for the Seabed Mining Authority will come from the partial transfer of the POBOC which was previously administered by the Ministry of Marine Resources.

A one off payment of \$50,000 dollars will be made to Rarotonga Golf Club for a long standing claim on works undertaken by the Club to prepare the greens to an agreed standard for the Pacific Mini Games in 2009.

Additional funding has been provided in the budget to recognise the extra funding from the Government of New Zealand which confirmed further assistance for the Pacific Leaders Forum and this arrived to us after the Budget was passed in June.

**MADAM SPEAKER:** I see the Honourable Ioane, the Leader of the House.

**MR M. IOANE:** Madam Speaker, I move:

**That we continue the sitting until the Financial Statement of the Minister is completed, then we have the same thirty minutes break as normal**

**MADAM SPEAKER:** Is there a Secunder?

**Secinded by the Honourable Teina Bishop**

I will put the Question. The Question is:

**That the Motion be agreed?**

**Motion agreed**

You may continue Honourable Minister Brown.

**HON. M. BROWN:** Thank you Madam Speaker, to continue on.

An increase to the Civil List which will increase it by \$175,000 dollars to cover expenditure constraints which have arisen in the Civil List.

Madam Speaker, I would just like to clarify some issues around the Civil List. This increase in the Civil List needs to be contextualised in terms of previous year's spending on the Civil List. It should be noted that with the additional \$175,000, the final appropriation for the Civil List will be \$2.4 million. This is below the actual expenditure of 2010 which was \$2.58 million or even last year's which was \$2.59 million.

All Ministries last year, Madam Speaker, were asked to take measures to reduce their expenditures in their Budget by 10 per cent. The Parliament was actually – the Civil List was cut by 30 per cent and it seems that this expenditure reduction in the Parliament may have been a bit extreme. So even with the added top-up for the Civil List, Madam Speaker, it is still much less than last year's appropriation by at least over \$140,000.

To our Cook Islands family, this Government is about investment, investing in our community and in our people. The Government was the first to publish Budget Book 3, the Capital book. It demonstrated a disciplined approach to capital management which was not previously displayed. The Government will now spend an additional \$1.262 million of our own country's money on capital items.

As many in Rarotonga will know, the purchase of an additional ambulance for Rarotonga is long overdue. The two ambulances are now 11 and 8 years old. The new fully equipped ambulance will cost around \$150,000 and should give people the confidence about the capacity of our health workers to immediately respond to incidents.

**MR N. GEORGE:** We'll probably need more fire engines.

**HON. M. BROWN:** Madam Speaker, shortly the Government will be putting out a tender for the master plan for the water supply project here on Rarotonga. To enable that plan to be done accurately some measuring equipment will be needed to test the current water system. The Government will appropriate \$260,000 to purchase this equipment.

The Government is also keen to improve the opportunities for greater transport links amongst all of our islands and will immediately commence work on upgrading the harbour at Manihiki. This was previously earmarked to be financed from the New Zealand Aid program. However, we need to start work on it immediately while we have a window of opportunity between the cyclone seasons, so we will fund it ourselves.

Additionally, Madam Speaker, the Government will commence work on the Vaimaru water intakes on Aitutaki. At the time of the Budget, this was programmed against the UNFCC Fund. We will undertake to pay for this project to get the work started from our own money. This is one of the unfinished pieces of work following the devastation of Cyclone Pat on Aitutaki.

The Government will appropriate money for the installation of additional IT servers in the MFEM. This will assist in the consolidation of IT services across Government as well as for some new furniture for the new Immigration Office which will be established now on the ground floor adjacent to the Public Service Commission. We've heard the complaints of our people having to traipse up three flights of steps to see

the Immigration Department so we've brought them down to the ground floor now so you don't have to work so hard to get there now.

Finally, the Government will help the people of Mauke with the purchase of a 6 ton HIAB for Mauke.

Last week we had an important meeting with our development partners where the Government articulated its vision for our people and our partners were impressed with the comprehensive strategy and vision which the Government has established. Additional Overseas Development Assistance amounting to \$968,000 will be appropriated for official development assistance and these include:

The SPAC and EU climate change adaptation funds which are aimed at improving the environment in the atolls of the Cook Islands in which pearl farming and artisanal and small scale commercial fishing practices are undertaken.

Projects approved under the UNESCO Participation Programme. The Ministry of Education is the National Commission and responsible for managing the Participation Fund. An indicative project budget for this year is \$189,000.

We have used the funds to the amount of \$68,000 from the SIS Program for the Pacific Islands Forum Secretariat. This will be transferred into our Disaster Emergency Trust Fund.

Finally, at the August Pacific Islands Leaders Forum, Australia announced a ten year initiative across the region.

The Australian Pacific Women Shaping Pacific Development is a ten-year regional initiative aimed at improving the political, economic and social opportunities of Pacific women. The Ministry of Internal Affairs will be the focal point for the program and \$AUD 160,000 is allocated for this year's Budget to support the delivery of the National Policy on Gender Equality and Women's Empowerment Implementation Plan for 2011-2016. The projects proposed for an initial two-year period are, firstly, strengthening capacity for gender responsive development towards an enabling environment for the full participation of women in economic development; and, secondly, yes, strengthening the capacity towards the elimination of violence against women.

Madam Speaker, this is a financially responsible Government. It is a Government that has led the region in terms of financial management and transparency. Madam Speaker, this is a Government that is delivering to the people both in legislative reforms and the delivery of services and I commend this Amendment to the House.

Thank you very much.

*(Applause)*

**MADAM SPEAKER:** Thank you Honourable Minister Brown.

Can I have a Seconder for the Motion please?

**HON. N. GLASSIE:** I second the Motion.

**MADAM SPEAKER:**

**Seconded by Honourable Minister of Health, Nandi Glassie**

Honourable Members, we are now going to take a break.