

Kia Orana MFEM Team

Firstly a big meitaki maata for the draft EDS 10Yr report. Great work to date

I have read it and it made me go back to all my 2011 ETF files and reports.

I have included copies of the final ETF 2011 Report, the Specific Actions and our ETF priority recommendations. If you can find time to re-read some of these there are some interesting comparisons that might encourage us to retain the research value & continuity of our past, while innovating and motivating us to do even better.

The EDS 2030 Actions schedules under the 5 Objectives highlight the diversity and complexity in developing the flexible framework /pathways for future sustainability for the CI Economy, acknowledging the pandemic scarring that is currently an added complexity causing disruption, interventions and in many cases unmanageable impacts to our businesses and their growth.

Having the combined benefit of the 10yr old hindsight, today's EDS draft and the vision for the next 10yrs leads me to make a number of observations / submissions. I hope some of them resonate and can be filtered into EDS2030

1. **People & our Population** - In 2011, I think we failed to highlight the urgency to address population and the place of labour in a growing economy. It might be today's single most limiting resource in our ability to grow our economy.
 - Greater emphasis needs to be placed upon reversing the 50yr trend since 1970 of exporting our labour. The Government should consider investing in incentives and subsidies to encourage Cook Islanders, especially skilled business people, employees and active workforce now living in Australia & New Zealand to return to grow the CI Economy.
 - To give access to all, transform our economy, develop our people and culture, invest in our Islands & diversify business, through digital, technology, restructuring/transitioning of our tourism assets; bringing home Cook island families is an immediate policy with significant economic & cultural benefits
 - I encourage MFEM to do the economic benefit analysis to determine the impact based on say 1,000 identified / skilled CI residents returning into our private sector. The impact on GDP is immediate and a catalyst to a significant ROI to our economy. I have also tested this assumption across a number of company clients investigating diversifying their business & believe the private sector demand is already high. Achieving growth through transformation / restructure of our tourism sector and a positive investment into diversified industries / new business models will only increase this demand for skilled labour.
 - Developing our people and our culture will be best aligned with a government policy that invests in returning Cook Islanders. *It is not true, and simply wildly speculative to*

listen to the gossip "There are no jobs for us to return home". A combination of Education, social media based on new positive Govt policies will reverse this opinion.

- Returning trained productive Cook Islander (and perhaps replacing 1,000 hospitality only service permit holders) will have a tremendous positive impact on diversifying our productive capacity, our culture, our ability to invest in the Pa Enua, transforming business capacity and greening our economy.
2. **Minimum Wages or Equitable Employment.** A change in terminology will assist in positive outcome for both the Public & Private Sector and will be strategy to stimulate equity, access, efficiency and productivity. Ultimately wealthy Cook Islanders
- Minimum Wage Policy should be replaced by Equitable Employment Policy (EEP). Replacing our current minimum wage rates with an EEP based on NZ currency pegged employee rate based on an acceptable formula.
 - The true cost of health, Education, Government Services, infrastructure projects etc is no different to the Private sector cost of qualified employees (Accountants, Lawyers, Pilots, CEOs, CFO,s etc).
 - Providing an equitable employment policy that rewards employees irrespective where they work (In Auckland or Avarua - or at home or in the office - for that matter. It's time to invest in the Cook Islands, and even remotely is good.
 - Surely, we no longer wish our CI tourism to be branded a budget destination a low cost product. Surely we never really wanted that, neither our infrastructure, our environment, or our people deserve to be set aside in search of the illusive dollar. An EEP will turn upside down the impact on our GDP and add value to our economic growth - plus improve the welfare, health, education and lifestyles of all Cook Islanders "Equity & Access"
3. **Cohesive Cook Islands.** The ETF in 2011 talked about a cohesive economy and the EDS 2030 talks about this same policy.
- The gap between the Public & Private sector, the reliance, recognition, trust and respect must and is changing.
 - The Pandemic has made us think twice and has taught us about our human needs, our society, our priorities to our communities, our culture, our traditions. A modest reflection upon the values passed on from our ancestors tells us cohesion within our society is the gold standard.
 - A significant impact of the Pandemic, worldwide, the office driven workforce & a reset to residential & local rather than National /Headoffice. - About 30% of the workforce in the world will not return to a downtown office. Many companies are closing offices and working from home or residential pods. This must impact our choices about Rarotonga and the Pa Enua. The principle of Equity & Access. Maybe we can conceptually adjust to Pa Enua Akiva - a meaningful cohesive CI strategy.
 - Investing in our Islands, enabling access to all, Government shall lead these changes by example. The EDS should expect all Ministries to review their Rarotonga location and employee policies- it will not be a good standard to have 100% of Govt staff residing in Rarotonga and deliver 100% of outputs from Rarotonga.
 - Government services, all of them not just some, must be available to all Cook Islanders irrespective of population numbers, our colonial history, existing buildings, place of

birth or personnel choices. This strategy must also apply to the Private sector and will bring its own cost efficiency, real and effective diversification, focus upon maximising our major resources - our maritime economy, our oceans, a country bigger in size than all the 27 nations of the European Union. I have a map of the world drawn by Pappa Tom with Rarotonga as the centre of the world and our EEC reflecting our true size and global impact.

- The Cohesive Cook Islands chart, (attached), remains valid today and (with updating) could be an inspiration for us to close the gap and become a cohesive society. Unifying & uniting our Aronga Mana, Traditional Leaders, Ariki's, and our traditional values, structures of society into our Government and Private sector is key to equity & access, investing in our Islands, our people & culture. Better understanding our natural size, capacity and relative concentration of institutions.
- The Government must recognise these principles and balance the wealth of the nation, the Annual Appropriations and the equity between the Parliament, Ministers & Public Service and our House of Ariki, Aronga Mana & Traditional Leadership, our vaka's Islands & our natural institutions, Marae's, Palace Parks & Gardens; our culture and our society. A balanced society equally recognising the equity of both the Institutions of Parliament & our Traditional Leaders

4. **Primary Industries & Circulatory Economy -**

- Shortening our trade patterns - This concept has developed as a response to global world trade imbalances and shocks such as the climate and health crisis. Promotes local economic development in strategic and sustainable industries, less wasteful and more connected production, distribution, consumption value chains.
- Strategic sectors for CI includes medicine, food, energy and transport. Needs new skills at local levels and coordinated industry investment to strengthen new industries. In the Cook Islands there appear good opportunities for better food security especially agriculture & fisheries, transport to connect the Pa Enea with Rarotonga's economy, etc
- Just starting with applications across industries enabled by digitalization and interconnection, which is accelerating the pace of change and new opportunity.
- More resilient business model providing sufficient funding for the diversified industries, assets needed for sustainable high quality and affordable national air transport services and the new productive primary industry business models.
- Leverage and build on local asset base, experience and technical skills
- Engage company transition to efficient and renewable energies and digital economy.
- Retrain staff and provide opportunities for unemployed to enter a new economy.
- Restructure equity capital with both new shareholder investors and increased share capital

5. **Digital economy (4th industrial revolution).**

- This megatrend includes augmented reality, big data and analytics, blockchain and internet of things with applications including smart control (operations, heating, cooling), predictive maintenance systems, simulators, mobile payment platforms.

- Adopting software as a solution (SAAS) applications across and within business. Sales and marketing, packaging, transport and delivery, finance and accounting, banking and payments, education, healthcare, maintenance, operations, insurance, legal, real-estate...
- Major advantages are lower costs, better information, shorter project time, broad connectivity. Back-end infrastructure, user support and ongoing product development included in subscription price and limited onsite investment compared to recruiting inhouse expertise and procuring ICT infrastructure necessary to support digital services – a high cost high technicity activity.
- E-learning schools, Tele Social welfare services, Tele Health services
- Fintech services - lower transaction fees and improve currency rates on international transfers, credit card payments. Automates payment processing, uses mobile apps, integration across sales platforms.
- Data mining, AI real time operations and predictive maintenance, autonomous vehicles, chatbots, location services, tracing,
- 'Work from home' economy. Enabled by connectivity tools like Zoom, Slack, Teams... Enable public sector telework - Work for ministry in Rarotonga, live in Rakahanga. Staff working from home offices.

6. Clean energy transition

- Energy efficiency, renewable energy and electric power are driving fundamental changes in world energy and related systems.
- Buildings represent 40% of estimated efficiency gains. Heating/cooling efficiency in public, residential and non-residential is a major job source of new construction sector jobs.
- Efficient energy use – energy audits, reduce waste, more efficient operations, procedures and equipment, building heating/cooling efficiency, etc. Local needs assessment, planning and implementation capacity is needed.
- Energy as a service business models.
- Transport sector is focused on electric mobility – road transport first, falling Electric Vehicle (EV) prices, lower operating and maintenance costs and subsidies are common. Economy will need electrical and motor engineering skills and new infrastructure like charging stations.
- Renewable energies – shift to electrification includes new power production capacity in Solar/Wind/Energy storage systems (battery/hydrogen etc). Needs high/low power electrical engineering capacity for installation, operation and ongoing maintenance. Trades training certification to set minimum skill levels.

7. Restructure our Finance & Banking sector

- Research the 2011 Economic Task Force Recommendations
- Review Sam Knowles Banking sector report & Recommendations
- Economic changes over the last decade indicate the urgency of this sector restructure

- Restructure both Licenses and Central Bank structure

Foreign Exchange Myth, NZD Currency Zones, Central Banks & Balance of Payments

- The harm done by export sector, (Tourism) ignoring our banking sector & prioritising GDP growth in foreign economies
- OCR 0.75% and the risk factors associated with rate setting at our banks
- 3 Banks operating in 3+ different Central Bank Zones – unsustainable country structure
- Lack of a Central Bank- hot topic with an easy solution. Relevance of “Realm” country v sovereign +NZD currency zone c/f to EU & Euro.
- Re-licensing BCI is a Gov policy priority
- Gov stimulus investing in BCI, + RBS, Swift, Nostra,

Balance of Payments, Foreign Aid & Import substitution

- The risks of using deposits/reserves to settle foreign / overseas payments - the need to prioritise how our economy grows first (BTIB Investment code applies to all economic activity)
- Gov Appropriation Act, operating budgeted, capital projects/infrastructure works

Public Private Partnerships (PPP's)

- Public Sector - Gov planning & regulating policy incentives are required
- Private sector – Companies & Sole Traders implementation delivery
- Next Stage 3 of Gov stimulus for CI Economic Recovery requires action
 - Equity investment by Gov in targeted private sector
 - Preservation of CI ownership
 - Ariki's and landowner Corporations the long terms equity partners in any global economy

Government Bonds – Pacific Fund (A PPT is available)

- Immediate implement ETF recommendations for Banking Task Force
 - Pacific Fund & option to issue Gov bonds
 - Pacific Fund offers umbrella PNG, FIJ, COK
 - Assume Issuer is CI Gov. Discuss option of Private Issuer
 - Bond interest 4-5% - annually appropriated
 - 5 – 10year bond
 - Sovereign guarantee
 - Repay on maturity
 - Covenants & Concessions, Div, Profits & Double tax arrangements
 - Bonds – portfolio invest % in Trustee Funds, Geographical (CI, NZ, AUS), CI Economy (BCI, CINSF, Private Coy Equity)

- JV partners, Sovereign Partners NZG / RB & CIG, KPMG/PWC Audit & Investment Memo, CINSF, BCI
- Create new product, major impact on restructure & economic growth, allocate to ED Sectors

8. EDS 2030 Advisory Body

- One of the significant omissions of the 2011 ETF was to not achieve an ongoing review and management of the ETF recommendation.
- In particular the diverse and complex specific Actions that were recommended. Refer to the Specific Actions excel workbook attached.
- The appointment of a Commission or Advisory Body coinciding the adoption of a 2030 EDS is recommended.
- The composition of the members of the Advisory Body will be significant in achieving cohesion, cooperation in the implementation of diverse, complex strategies and must be capable to represent all parties & Institutions engaged in delivering the EDS.
- TORS will assist to define the resources, capacity and expertise necessary for a successful restructuring and diversification of the CI Economy.

Kind regards and thanks for the opportunity.