



FORTY-NINTH SESSION

Hansard Report

49th Session

Eighth Meeting

Volume 8

FRIDAY 19 JUNE 2020

MADAM SPEAKER TOOK THE CHAIR AT 10.00 a.m.

OPENING PRAYER

MADAM SPEAKER (N. RATTLE): Honourable Members, please be seated. Thank you very much to our Pastor this morning for the beautiful message. Let this be our guide during our deliberations today.

Greetings to all our Honourable Members who have entered the House today. I greet and welcome you all along with my staff as we look forward to the end of this week while we wait for the beginning of next week's sitting.

Special acknowledgment to the staff from the Ministry of Finance who are with us in the public gallery this morning. I would like to pay special acknowledgment to those of our people who are ill or sick in the hospital or at home. I pray that God will give you the strength and heal you from your sickness. To all our people around the Cook Islands, those of you who are following us on the radio or watching us on the livestreaming, I give you our greetings from all those in this Honourable House.

Honourable Members, I do not have any other business except we are going to start with the business of the day, with our Question Time.

But before we do that, I have a message from the Queen's Representative. I shall read that to you.

Message to Parliament,

Royal Recommendation signed by the Queen's Representative, Sir Tom Marsters,

Message No. 2

"The Queen's Representative, in pursuance of Article 3 of the Constitution, on behalf of Her Majesty and in pursuance of Article 43 of the Constitution, recommends Parliament to proceed upon the Bill, the Short Title where is The Appropriation Act 2020."

DATED at RAROTONGA this 18th day of June, 2020.

I lay this on the Table.

We will now commence our Question Time and our time limit is for half an hour and the Floor is open.

QUESTION TIME

I see the Honourable William Heather and you have the Floor.

MR W. HEATHER: My question is for the Honourable Deputy Prime Minister. There is currently a lot of public concern about this Government's Policy to add the chemical chlorine to our water. The concern was so big that our citizens petitioned Parliament and your Government voted their concerns out. Your answer to my question may give some closure or satisfaction to our concerned citizens.

The question is, has your Government considered any other alternative to chlorine to make our water drinkable?

HON. M. BROWN: Thank you to the Honourable Member for an excellent question. It allows me the opportunity to explain why the Government declined the petition that came before this House. I think there is no argument from any Member of this House or even indeed in the public that all of us in Rarotonga want clean water. How we clean that water, I think is the pertinent question here.

The Government has been very mindful in consulting with key stakeholders especially landowners in the improvement of our Rarotonga water supply to the extent that we have now expended close to 90million dollars in upgrading our total water supply to give Rarotonga a first world water reticulation system. The decision to disinfect our water, Madam Speaker is one that is based on medical advice from Te Marae Ora. It is based on opinions from not only medical experts but also scientific experts as to the best way to clean our type of water.

The water in our island, Madam Speaker comes from water that is captured in our streams. As that water travels into our streams and into our intakes it collects debris and it collects bacteria. Our project team has looked at various ways to disinfect our water which include the use of ozone, the use of ultra violet light and the use of chlorination. And the most effective way to keep our water system clean so that when you have water running out of your tap at home that it is clean enough to drink the scientific experts all point to chlorination.

And it is of no surprise because chlorination has been used as a method of disinfecting water in every country around the world. It has been used for over a hundred years, Madam Speaker and proven its worth and it has been reinforced by the medical fraternity. It has proved to be the most effective treating of water from the source and all the way through the system to the final end, when water is consumed.

I do not think that there is any dispute Madam Speaker about the effectiveness and the safety of chlorination to disinfect our water. I would like to remind the Members that the petition issues that were highlighted are a matter that is also currently before the court. And the court in its wisdom had appointed an independent water engineer to address the concerns of petitioners. In terms of the structures that were established and

the processes that are put in place for Te Mato Vai project. And that independent water engineers report is currently with the Judge.

And although the report has yet to be released some parts of it have been made available. Clearly pointing out that chlorination is the most favoured way of disinfecting our water. And that concerns over engineering aspects will be addressed by the project. So, I am quite happy Madam Speaker that due process with professionals to look at these concerns is being undertaken right now through the judicial process. And I do not see any practical sense in bringing this petition through a Select Committee. Other than as a means to muddy the waters, excuse the pun and to sow misinformation. Thank you, Madam Speaker.

MADAM SPEAKER: Thank you and I see the Honourable Tina Browne you have the Floor.

HON. T. PUPUKE BROWNE: Greetings to all of us on this Friday morning. To you Madam Speaker and all of us in this House and our people listening to our debate and watching the livestream, Kia Orana to all of us in the Name of our Lord.

I was not going to speak on this subject matter but because it has been mentioned and my question is not to the Deputy Prime Minister but I will ask the question to the lawyers of Government and the question is on Standing Order 81 and Standing Order 82.

Standing Order 81 that was what we voted on the other day and the Motion was that we accept the Petition. We voted on the Petition and that it was not agreed that the Deputy Clerk read the Petition.

When we refer to Standing Order 82, it reads, "*all Petitions shall be ordered without question put, to lie upon the Table and shall then stand referred to a Select Committee appointed by Parliament*". This is the question, it does not say all Petitions except those ones that have been declined to be read, it says all Petitions shall be referred to a Select Committee. All that we voted on was that it should not be read by the Deputy Clerk.

Yesterday, the Member of Parliament for Matavera made mention of all the lawyers in the House. We have one on this side, you have the advantage you have two, not sure two three or six. So please I request that if you may, to answer my question, as to what transpired yesterday and as mentioned by the Deputy Prime Minister.

MADAM SPEAKER: I see the Honourable Tingika Elikana you have the Floor.

MR T. ELIKANA: Thank you, Madam Speaker and I would like to thank the lawyer from the Opposition side of the House for raising a very good legal question. I actually thought when I came into Parliament I will do away with my times in the Court and concentrate on the business of making laws rather than the business of interpreting laws. However, I guess you cannot escape those kind of responsibilities and being a lawyer I hate to take all the time that has been allocated for questioning. Otherwise, the other Members of the Opposition particularly my friend from the Constituency of Matavera and his sidekick from the Constituency of Ngatangia will be disappointed they would not be able to ask their very valuable questions in this House.

The answer to the question, Madam Speaker is a very short one and it does not take an Einstein IQ to answer it because Madam Speaker, Standing Order 81 read as follows; *“On a Petition being presented any Member may move that it be read. No debate shall be permitted on such Motion and if it is seconded the question shall be put forth”*. Madam Speaker that is exactly what happened when this Petition was put before this Honourable House. The last sentence of 81 states *“if the Motion is agreed to, the Clerk shall read the Petition”*.

By that which means if the Petition is defeated then there is no Petition. So Standing Order 82, which the lawyer from the Opposition has focused on, becomes redundant. So that is the simple answer to the question put forward by the lawyer from the Opposition because Standing Order 82 only applies when you have Petitions that have been passed or agreed to be read. I will stop here, Madam Speaker so my friend from Matavera can raise his question.

MADAM SPEAKER: Honourable Prime Minister you have a Supplementary answer?

HON. H. PUNA: No, the question was put to the two lawyers on this side so I feel obliged to stand and have a say.

MADAM SPEAKER: You have the Floor.

MR V. TUPA: You are the junior lawyer.

HON. H. PUNA: Yes, our senior lawyer has given his answer. I cannot argue with him because he has held the senior position of Solicitor General of this country and he is absolutely correct in my view. Standing Order 81 is the critical Standing Order and as he has correctly stated if a Petition does not get through Standing Order 81, it cannot go on to Standing Order 82.

Madam Speaker, we stand to be corrected but the Standing Orders are put in very logical order and only if a Petition is agreed by the House to be read can get past Standing Order 81 but if the House votes not to have it read then there is no Petition. So really, there is no Petition currently before this House and it should not be brought again before this House.

But I want to add an extra point for our consideration. We all know that in business time is money. Many people quite rightly have complained about the increase in the cost of this project, unfortunately most of those same people are the ones that are holding up this project and that is why really the cost for Te Mato Vai has ballooned, and the more the project is delayed the more the cost will increase. So I just thought it's important to make that point so that our people can understand that it is not Government's fault that the cost for this project are exceeding the original cost. So please let us get on with the business of completing this fundamentally important infrastructure project not just for Rarotonga but also for the whole country. Thank you.

MADAM SPEAKER: Thank you very much, I see the Honourable Tina Browne you have the Floor.

HON. T. PUPUKE BROWNE: Thank you to the two lawyers for the answer. We understand how lawyers function you have your interpretation and I have my own interpretation. Before I ask my question for this day, I want to give an explanation on the background for this question.

Yesterday we talked about seabed minerals and what I heard it seems the Northern Group is in a strong position when replied to the complaint of the Southern Group. What I heard we have the nodules and the fisheries and we have another advantage, which we had from way back. Today as you can see all the women on our side are wearing the traditional Rito hats because we know Rito hats are made in the Northern Group.

This is a talent for the women of the Northern Group weaving hats. Although the Honourable Member for Penrhyn in his remarks yesterday said most of the nodules lie on the seabed of Tongareva, I want to make an announcement that the most beautiful rito hats comes from the island of Rakahanga. I will agree that the most beautiful traditional mat comes from the island of Pukapuka but the most beautiful rito hat comes from the island of Rakahanga, then Manihiki follows and then island of Penrhyn. If you want to buy any rito hats from Rakahanaga, please contact me.

My question is, because we're not planning any more but putting things to action. What are our plans to help the people in Rakahanga to transport their hats, brooms and coconut oil to sell at the market here in Rarotonga? I am not sure who will answer this question but I can see the Minister of Transport. I am sure I will not get a good answer because I didn't say the island of the Minister have the most beautiful rito hats.

MADAM SPEAKER: Thank you. I see the Honourable Minister Robert Tapaitau.

HON. R. TAPAITAU: Greetings Madam Speaker, staff of Parliament, to the Prime Minister, Deputy Prime Minister, Ministers and all the Members of Parliament. To the Leader of the Opposition and your Members, Kia Orana.

Thank you for the question and it's a good question. However, there's a little bit of oversight. I think the order of count from one to three is incorrect. I think Penrhyn is number one because when you look at the rito hat from Penrhyn it is so beautiful. Although the Honourable Leader of the Opposition claimed the most beautiful rito hats to come from Rakahanga, if you look at my wife and you want the most beautiful rito hat, see my wife, Meli Tapaitau.

I will now come back to the question. Yes, you're right, we are of the same thought, I am looking for a ship for us but Government is waiting for the roadmap plan. The roadmap is completed and we're now looking for a ship but we have been interrupted by COVID-19 hence the delay. In terms of our need for the ship, I do want a ship for the Northern Group.

Since day one when I came into Parliament, that has been a pressing issue for me. Let us the people in the Cook Islands think that I am not doing anything for us. There was a major issue during the Christmas period. A ship was chartered to take our people, so whoever out there is disputing that the Minister of Transport is not doing anything for transport, that is so sad.

Since I was 18 years old, I have been travelling on Tapi's ships for that long. If anything, I do not think a lot of you have been travelling by ship. These ships that we travel on is intended to carry cargo and not for passengers. I am looking for a better ship and why did you criticize about my trip to Penrhyn. I went there for the airport project. Why do our people continue to travel on these ships when we can do our airport and fly our people home?

The ships that are still in use now are the same ships when I was still eighteen years old, I am almost forty years old and it is still the same. You people try and sail on these boats and see what it feels like. I apologise to the Honourable Member for Rakahanga but the issue for shipping is always close to my heart. You should support the proposal for \$10 million to buy a ship. My need is also your need and this is also the need of our people in the Northern Group.

Every Government from past years including your Government did nothing. This is not a problem from ten years ago when CIP got in, this has been a problem for previous Governments. We must all come together and work together and of one mind to acquire a ship for us.

It is a beautiful question but we are still trying to get a ship for us.

MADAM SPEAKER: Thank you very much Honourable Minister. It is perfect timing and our thirty minutes is over.

We will now move on to the business of the day which is on the presentation of Bills, which is on the Appropriation Bill 2020.

I call on the Minister Responsible.

ACTING CLERK AT THE TABLE (J. DANIEL): Short Title Reads: Appropriation Bill 2020.

BILL READ A FIRST TIME

MADAM SPEAKER: Can the Minister please give the date and the time for the Second Reading of the Bill?

HON. M. BROWN: Forthwith Madam Speaker.

MADAM SPEAKER: Thank you Honourable Minister. The Appropriation Bill 2020 is called for a Second Reading forthwith. I now call on the Minister for the Second Reading of the Bill.

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

That the Appropriation Bill be read a Second time

Madam Speaker, I am pleased to be here today to talk about the Government's 2020 Budget, the key financing mechanism that will help our country withstand the economic storm that we are facing.

Before I start, I would like to extend a warm welcome to everyone with us here today in Parliament, and to our people listening from Rarotonga, our Pa Enuā, and abroad.

As the Minister of Finance Madam Speaker, I am proud to fulfil my duty to present a budget today that will support our households and our businesses as we voyage together through this storm. I call it a storm Madam Speaker because that is what we face right now.

COVID-19 has swept the world, coming out of the blue, killing thousands, devastating economies, and wrecking havoc in businesses and the lives of people. It has caused economic chaos.

We in the Cook Islands have been blessed that the worst of the storm has missed our little paradise so far, but have been and we are still being bashed by strong and dangerous headwinds.

These winds are in the form of some severe economic challenges that will affect everyone in our country, either directly now, or less directly as our economy absorbs the impact of this severe shock.

Madam speaker, this budget is about steering our country, our people, our Vaka, through this storm, to safety and shelter on the other side. Before we look forward, we should first understand where we are now, how we got here, and even where 'here' is.

Last year's Budget was the first budget of our new Medium-term Fiscal Framework, and implemented the first year of the medium-term fiscal strategy.

That budget saw us move to a four year planning horizon for government, and the inclusion of what we call the counter-cyclical fiscal measures or to put it simply it means when times are good we put money aside for a rainy day.

So, as part of that strategy, this Government transferred \$56.7 million into a stabilisation account. And those funds Madam Speaker are a blessing and will position us well to face the huge challenges ahead. But, I hear you ask, where are we today?

The first three quarters of this fiscal year indicated that we were going to continue to another record year of strong growth. July 2019 saw record tourist arrivals, again, to the Cook Islands with 18 ½ thousand tourists, a record that has been growing year on year. Arrivals through to February were greater than the year before. Outside of tourism, construction was also growing strongly with Government and private investment. Business was booming!

But in December 2019 we began to hear news of a new virus in China. And in January and February we kept hearing further stories about the spread of COVID-19 by now a global pandemic. And by March countries were closing their borders to slow the spread of the virus. And our country, along with our Pacific Island neighbours, and New Zealand and Australia, we made our decision to close our borders too.

I would like to pause for a moment here to acknowledge Te Marae Ora, our Ministry of Health, the Secretary and her officials who so quickly saw the risk of COVID-19 and began preparing. We have been blessed Madam Speaker that so much of their planning and preparation has meant that the virus did not arrive here, that we have remained safe and healthy. A lot of work went into that planning and preparation to closing the borders, to managing the quarantine of stranded Cook Islander in New Zealand in partnership with the Ministry of Foreign Affairs and Immigration, and bringing our family home safely.

There were many sleepless nights during those months, and again we say thanks to the Ministry of Health in particular for their tireless efforts. Madam Speaker, we successfully kept the virus out, and likely saved many Cook Islands lives in the process but there has been a cost to our economy and it is a cost that we will take some time to recover from.

But have no doubt that it is a cost that I believe that all Cook Islanders agree was necessary to protect our people. We have a high population of mamas and papas, we have many who suffer from non-communicable diseases, both categories of high risk which would make the impact of COVID-19 deadly.

Having kept the virus out, at least for now, it is time to look forward to the future, to look at what we need to do to balance the needs of our people, both the health needs and the economic needs. Most people think of big businesses when we use the word economic, but here in our country it is different, our economic needs are across all people and relates to those same mamas and papas whose health we need to protect. Our Cook Islands economy has roughly a 65 percent exposure to the tourism industry. The shut-down of tourism to the Cook Islands has caused an immediate and substantial economic shock which has had far reaching impacts within our community. Our Gross Domestic Product, or GDP, is now expected to decline sharply by 9 percent in 2020, keep in mind that this impact is due to one bad quarter.

This one quarter of the year Madam Speaker has impacted businesses and households, it has cost jobs, affected livelihoods and it will continue to do so for a while longer. However, we need to be clear that the impact would have been far worse, Madam Speaker, without the Government's Economic Response Plan.

GDP is expected to contract by a further 5.3 percent in the 2021 year and that sounds bad and it is bad. But to provide some context that 5.3 percent decrease is over the course of a year, as opposed to the 9 percent we just had over the course of a single quarter.

While we expect the contraction to continue into the next year, it is with Economic Response Plan that we can begin to look forward towards our recovery. The Economic Response Plan is the centrepiece of the Government's, it focuses on Lifeline Support, Kick-starting our recovery and transforming our economy to become smarter and greener and more resilient. How are we expected to fund all this I hear you ask. Allow me to explain.

The strong economic growth of the last few years and the first 3 quarters of this 2019/2020 year has cushioned us somewhat from the shock of that last quarter. Tax

income for the year is forecast to be \$140 million, that is \$19 million below last year's level. The Government's other revenue is expected to reach \$49.5 million, which is about half a million dollars below expectations.

It is important to note that some of these funds are one-off receipts, such as the generous support provided by the Government of New Zealand of an additional \$7 million to support the Phase 1 of the Economic Response Plan, as well as the support from Australia of \$600,000.

These funds are vital in supplementing our fiscal reserves as we move into 2021 and are most appreciated. Having friends to look to support us at such times is incredibly valuable and reassuring particularly as that support has been and continues to be vital for our long term recovery.

So the strong revenues of this year will place us on reasonable footing as we enter the next financial year but balanced against this are our operating expenditures and capital.

Our total operating expenses for this year are expected to be \$189 million which is a sharp increase on the \$157 million of the prior year.

The additional spending primarily relates to Stage 1 of the Economic Response Plan with \$28 million of direct support set aside to support our people.

Capital expenditure this year is estimated at \$38 million also slightly up on the previous year.

I announced last year that Government was launching a significant programme of capital investment and I am proud to say that we have made strong progress this year. Much of this driven by our Minister for Infrastructure and I probably don't need to tell you that. During a drive round the island you can see the Government's work in practice, roads, bridges, water, drainage and the work continues in the Pa Enea with cyclone shelters and other roads.

Madam Speaker, once we consider our revenues together with our expenditures we result in a fiscal balance of minus \$25 million or minus five percent of our GDP.

When I say minus \$25 million this means the Government consumed \$25 million of our cash reserves in this financial year. But most importantly we had the cash reserves to be able to do that.

And this is where those funds, Madam Speaker that we have accumulated over the past years through careful fiscal management and through prudent financial decision making, those funds that we have put aside into our reserves becomes so important.

Government started with a \$106 million in cash at the beginning of this financial year and even with a fiscal deficit of \$25 million we are ending this financial year with \$74 million in cash reserves and it is these cash reserves, Madam Speaker that will serve us very well as we move into the next financial year.

I have mentioned our cash reserves but there are more pieces to this puzzle. With GDP set to reduce further in this coming financial year before an expected improvement in the following financial year, Government will need to endure several years of reduced income.

When a household enters into a period of reduced income they have three options. They can opt to spend less money or they can borrow money or they can find a way to earn more money.

This is the same with the Governments although it is harder for Government because the health of the economy depends so heavily on what decision the Government takes. If the Government spends less, this can have a real negative impact on households and businesses. This is why the Government has chosen the path of stimulus.

If the next year goes according to our forecast the Government will remain in a reasonable position. We may have to spend a little less and together we may need to find a way of earning a little more.

The Government has already commenced this process in this Budget with the economic response plan. We have looked across Government and identified where funds can be better prioritised. We have had to put some new plans and programmes on hold and redirected that funding towards core services and the Economic Response Plan.

In the last Budget the Government started a programme of salary increases for public servants, reducing the pay gap to the private sector. These salary increases were expected to add around \$6 million to Government expenditure over the next two years.

This programme has now been put on hold to ensure that the Government can deliver a fiscally prudent Budget. However, I remain confident that we will re-introduce this programme at some point in the future but only when it makes fiscal sense to do so.

I have talked about the fact that the Government's response is based on stimulus, not austerity. To that end I call this a fiscally responsible Budget.

While a few Government Agencies have received modest funding increases where it was necessary, others have seen either minor reductions in funding or deferrals of their planned funding increases.

Government provides critical services to our people and can only operate effective services with a certain amount of cash. Moving towards austerity would mean cutting Government head count and services and this would affect our services to our people.

I think we can all agree that Government services were not where they needed to be in 1996 and we do not intend to return to that position nor is austerity what the economy needs right now. It needs in economic language counter-cyclical fiscal policy and fiscal responsibility which means it needs stimulus.

Being fiscally responsible means looking at the funding that we could delay or divert to more important things and this we have done.

Government's operating expenditure is forecast at \$232 million in this coming financial year. A little over a quarter of that is for the Economic Response Plan. These funds will be managed by the Ministry of Finance and Economic Management.

We have also continued to fund for our medical response to COVID-19 which will support our work of opening the borders.

After the next fiscal year, we expect to see our operating expenditure return to what we would call normal levels of around \$172 million per year.

We will continue to monitor the economy and the effectiveness of the economic response and we will make future expenditure decisions as we gather the data.

The medium term fiscal strategy also introduced what are called the Fiscal Responsibility Rules to the budgeting process. These rules guide the Government in limiting the debt that we take on, limiting expenditure and spending our cash reserves.

It is important to note that these rules would limit the Government's ability to respond to the current economic situation. When we experience an economic shock of this magnitude the Government has the option of suspending its adherence to these rules, allowing us to make a stronger response.

To that end I can confirm that the Government will not meet our rules on fiscal deficit nor on expenditure and we shouldn't. We need to use our cash reserves to the maximum we can in support of our people in these unprecedented times.

As I mentioned the second way to manage on a reduced income and only ever a short term solution is to borrow money.

The size of the economic response that Government will undertake requires us to borrow extra funds. Government will draw down on debt agreements to borrow \$70 million in this next financial year and we expect to draw down another \$17 million in the following financial year.

As the economic recovery gains steam we forecast that revenues will begin to improve by 2022-23 allowing us to commence paying down this additional debt.

There is a problem with borrowing money though you have to pay it back and with interest.

Madam Speaker, the Government has looked carefully at how much we must borrow and in conjunction with our cash reserves and finding savings we have minimized the loans that we will draw upon.

The most important of our fiscal rules which we call the fiscal anchor is the net debt to GDP ratio. This rule is there to prevent Government from taking on too much debt, debt that it cannot support.

This rule sets a limit of 35 percent of GDP as the maximum net debt that Government can take on. I am very pleased, Madam Speaker to advise that we have stayed within this limit.

But we will still incur a period of time with increased repayment requirements while we pay down this new debt and this will require yet more fiscal prudence over the medium term to manage this effectively.

The last solution to reduced income is finding a way to earn more income as a country.

We had a plan to increase our country prosperity over the last ten years. We put our Vaka on a course and stayed true, holding firm to the *ama* in our voyage. Our Vaka has been hit by a huge economic storm. Now we must patch up our Vaka, plot a new course to renewed and restored prosperity.

Making more money is always a longer term or strategic plan and leads us into the center piece of this Budget, the Economic Response Plan Phase 2.

The intent of the Economic Response Plan Phase 2 is to increase investment, to drive growth in the absence of tourism while supporting Health and maintaining economic activity. It will aim to position the Cook Islands economy and our businesses to recover from this economic shock as quickly as possible.

The Economic Response Plan Phase 2 is budgeted to a total of \$76 million in this Budget through both direct and indirect budgetary measures.

Direct measures means through Government spending we will draw upon our reserves all the funds we will borrow and most of these funds will move into the community and the private sector in the form of support, grants or loans. Direct support totals \$64 million and is being appropriated in the form of an administered payment.

Indirect measures include revenues that Government will forego or another way to look at it is these are funds that people will be able to keep in their own pockets.

In Phase 1 of our Recovery Plan which started in March this year of the total package of \$61 million at that time, \$28 million was directly appropriated in the Supplementary Budget.

MADAM SPEAKER: Honourable Minister, I will have to interrupt you for now and Parliament will suspend until 12.00 p.m.

Sitting suspended at 11.27 a.m.

Sitting resumed at 12.00 p.m.

MADAM SPEAKER: Honourable Members, please be seated. Parliament is resumed.

Before we suspended, the Honourable Minister Mark Brown had the Floor on the Second Reading of the Appropriation Bill 2020 and you may continue.

HON. M. BROWN: Thank you Madam Speaker. Before the break, we were talking about Phase 1 of the Economic Response Plan which we started in March this year and of the total package of \$61 million at the time, \$28 million was directly appropriated in the Supplementary Budget. Those funds allowed us to provide business grants, wage subsidy and unemployment support to our people and businesses, keeping them afloat.

And here I would like to acknowledge the Ministry of Internal Affairs, the Cook Islands National Super Fund, the Private Sector Taskforce and my own Ministry of Finance and Economic Management. Phase 1 required an incredible amount of work to get up and running, in a space of just a few weeks and these agencies responded and delivered a package of responses that have helped many, many people and businesses.

And now turning to Phase 2 of the Economic Response Plan. Madam Speaker there are three main thematic areas to the Economic Response Plan, these are: Lifeline, Recovery; and Transformation.

The first theme, the Lifeline, includes a range of short-term stimulus measures and initiatives that will deliver a lifeline of financial support to households and businesses. Further, the Economic Response Plan will deliver tools and initiatives for mid-term economic recovery and will also lay the groundwork for the transformation to a more diverse and dynamic economy for our future.

The Lifeline measures includes: continuing the wage subsidy, to extend the wage subsidy for eligible businesses until September 2020 at an increased rate of \$320 per week for full-time staff and \$160 per week for part-time staff. At last count, Madam Speaker the Government was paying wage subsidy support to 3,800 Cook Islanders who has been affected by this COVID-19 situation.

We will also continue the Unemployment Benefit and include re-training initiatives for our people who have been left without employment. We have developed an Emergency Hardship Fund, to provide essential relief for families and individuals facing financial hardship. The National Superannuation Fund has agreed to reduce contributions to 1 percent for employers and employees and this will be extended for another 3 months at this reduced reduction of 1 percent.

We will put in place legislation to increase the Tax Free Threshold for individuals from the current \$11,000 per year to \$12,800 back dated to the January 2020 and then up to \$14,600 from the 1 January 2021. Coupled with the increase in the minimum wage to \$8 an hour, this will put more money back into the pockets of particularly low income earners.

Te Aponga Uira on Rarotonga and also the Mana Uira of Araura have agreed to continue their discounts for the next three months for \$100 dollars of your power bill and also for businesses a continuation of those business that are receiving economic support from the Government 60 percent discount on your power bills for the next three readings.

The Sole Trader Cash Grants will again be provided in these next 3 months as a one-off immediate cash injection to all registered sole traders that are affected by this pandemic. We will be providing interest relief to those who have loans at the bank over

the period of the next 12 months so that we can reduce the burden on loan repayments. And those businesses that require more than what the Government can provide we will be making available a Business Continuity Credit Facility to be able to access low interest short term loans for businesses.

The second theme of this Response Plan is Recovery, which is about Kick-Starting the Growth of our economy.

Based on the pandemic's current trajectory, most indicators point to a gradual reopening of our borders. Government recognises the need to ensure the country is prepared for the day visitor's return, but even then, it is unlikely that we will return to our previous tourist arrival numbers immediately.

Phase II includes measures that focus on the medium-term and seeks to address to address some of the capacity constraints that we faced before March.

A Training Subsidy – for employees and grant funding for those businesses that upskill their employees. There will be a Fees Free Program to encourage the upskilling across the population, the Government is providing funding to waive of fees at the Cook Islands Tertiary Training Institute and a select number of certificates offered by the University of the South Pacific during semester 2.

Further, tax measures include accelerated depreciation targeting business to encourage investment in new productive equipment. And also towards the Business Growth Loan Program, we are looking into provide reduce interest, longer term loans and Government guaranteed loans to reduce finance cost for investment.

The Third Area in the Economic Recovery Plan is Transformation – moving on to a smarter, greener and more resilient economy.

Government can set up a platform for a diversified economy but government is not itself a business. Instead we look to the private sector to identify the opportunities and we will support them where we can. The smart economy initiative is the Government's soon-to-be online Manatua Cable and the reform of the telecommunications sector these are catalysts for a commercial ICT tech transformation. The smart economy will provide initiative will provide a mix of grants, lower interest loans and tax credits to support commercial business ventures providing innovative ICT applications and services to businesses and consumers.

Secondly, the smart agri-tech area, this initiative aims to foster innovation and productivity in the commercial agricultural sector by providing grant funding and equipment to encourage investment and improve commercial viability and economic sustainability. The green economy incentive Madam Speaker is enhanced accelerated tax depreciation to encourage investment in environmentally sustainable assets with a focus on greening our economy.

We have heard about the importance of diversification over the last few months. A transformation of our economy will require significant diversification and this week we have started sowing the seeds for diversification.

And so it is appropriate, Madam Speaker that this week's daily verses centred around the parable of the sower of seeds from the Book of Mark. And the three key Bills before the House this week were all aligned around sowing the seeds so that we can harvest the fruits in future years. Sowing the seeds to allow banking transformation in our country. Sowing the seeds to begin exploring the mineral wealth in our oceans that may increase our income and sowing the seeds here today that will continue to provide blessings to all of our people. And we have been blessed. The Scriptures gave us a lesson of putting aside during the seven years of prosperity so that we may endure the seven years of famine. And this Budget demonstrates that lesson, Madam Speaker that when God blesses you financially, don't just raise your standard of living but raise your standard of giving. I therefore give this Budget the name that it deserves, the Budget of Blessings.

The Government is able to deliver this Budget today because we set a plan ten years ago and we followed it in a fiscally responsible manner over the past decade. The strong revenues we have collected, the efficient management of debt, the active investment in critical physical digital infrastructure has positioned us well to be able to respond to the pandemic in the way that we have.

At this time, I would like to acknowledge the tremendous work that has been done by my team at the Ministry of Finance. The Financial Secretary, Garth Henderson, the Chief Economist Natalie Cook, our Budget Team headed by Kae Burlick, Lafala Turepu, Lufina Teulilo. This Ministry, this team has been burning the midnight oil for the last few months. They work during the weekends, they work late at night and in fact last night they didn't finish till midnight. So my grateful thanks, acknowledgment goes out to the team. It looks like I have to shout lunch next week.

In closing, Madam Speaker I think it's fitting and to all of those listening at home and at work that I leave you with a Verse from Jeremiah Chapter 29, Verse 11 – and it goes, for I know the plans I have for you declares the Lord, plans for welfare and not for evil to give you a future and a hope.

So I leave you with a Budget that balances fiscal responsibility of the needs of our Nation to help us navigate our voyage through this storm to safety together. Kia Orana e Kia Manuia.

(Applause)

MADAM SPEAKER: Thank you very much, Honourable Minister of Finance for the introduction of the Appropriation Bill 2020 otherwise known as the Budget of Blessings. I now call for a Secunder of the Motion for the Second Reading. I see the Honourable Prime Minister you have the Floor.

Secundered by the Honourable Prime Minister, Henry Puna

HON. H. PUNA: I reserve my speaking time for later on please, thank you.

MADAM SPEAKER: I see the Honourable Deputy Prime Minister.

HON. M. BROWN: Thank you Madam Speaker. I believe that in the interest of allowing all Members of the House to go through the Budget Book and to digest this fantastic Budget Statement over the weekend that we call for an adjournment of the House and resume Parliament again at 1.00 p.m. on Monday.

I believe that will provide Members the opportunity to read through these Budget Books. I also believe there will be time for our Budget Team who will be able to give a presentation to the Opposition early next week so that we may all be better informed when we come to the debate on the principles and merits.

Therefore, Madam Speaker I move:

**That Parliament be adjourned and to resume at 1.00 p.m.
on Monday afternoon, 21st June**

MADAM SPEAKER: Thank you and I see the Honourable Tina Browne.

Seconded by the Honourable Tina Browne

I put the Question:

That the Motion be agreed to?

Motion agreed to

May I ask somebody to say our closing prayer please.

CLOSING PRAYER

MADAM SPEAKER: Happy bedtime reading. Parliament is adjourned until Monday 21st at 1.00 p.m.

Sitting adjourned at 12.26 p.m.