

SUPPLEMENTARY APPROPRIATION BILL (NO. 1) 2012-13

SECOND READING SPEECH

Hon. Roland Kun, MP

9 October 2012

Mr Speaker and Honourable Colleagues,

Today I table before Parliament the *Supplementary Appropriation Bill (No. 1) 2012-13*.

This Supplementary Appropriation Bill makes a number of adjustments to the Budget estimates of expenditure for 2012-13 which results in an overall increase of expenditure of \$5,088,574. This additional funding is required primarily for a number of expenditure items which have recently arisen and were not anticipated at the time of the 2012-13 Budget, as well as other items which were not included in the Budget bills for various reasons.

I am also pleased to announce that since the 2011-12 Budget there has been a substantial upward revision in revenue of \$7,997,000 primarily as a result of associated revenues from the operation of the Regional Processing Centre (RPC) in Nauru.

As a result there has been an improvement in the financial position of the Republic. As Honourable Members are aware at the time of the 2012-13 Budget, inclusive of the opening cash balance as at the start of the financial year, the Government predicted a small budget surplus of \$25,842. This Supplementary Bill and corresponding increase in revenues will mean the Budget is now anticipated to be in a surplus of \$2.9 million.

While this improvement is a pleasing development, the Government needs to remain vigilant in maintaining strict spending controls and only approve additional expenditures where they are absolutely necessary, and look to make budget savings in non-priority areas

In addition, there are also a number of risks associated with the 2012-13 Budget and which means adopting a conservative approach to further spending is prudent. For instance, the 2012-13 Budget included a \$3.7 million payment from Philphos. While it remains the Government's expectation that this will be

paid this year, it is unclear when it will be made, and if late in the year, may cause cashflow issues. Therefore, it would be prudent to make allowance for such possibilities.

Details of Additional Appropriation

Mr Speaker, I would now like to outline the details of the additional expenditure included in the *Supplementary Appropriation Bill (No. 1) 2012-13*.

Over half of the total amount contained in the Supplementary Appropriation is in the Department of Finance under two items.

The first (of \$1.66 million) is for additional fuel including 615 metric tonnes of diesel, 460 metric tonnes of JetA1 and 310 metric tonnes petrol. This additional fuel requirement is largely a result of increased demand for all fuels from the Regional Processing Centre and associated activities. Consistent with Government policy, both diesel and petrol are subject to 60 cents per litre customs duty, and this will result in additional revenue to the Government which I will speak of later.

The second (of \$1 million) is for the retirement of debt. Specifically, the Government will be allocating this amount for the partial repayment of public servants' pending salaries. Details on this will be announced later in 2012-13.

There are four other substantial supplementary appropriations contained in the Bill.

The first (of \$645,000) is for court orders. This comprises \$480,000 for justice for a court case that was made against the Republic (including \$150,000 for legal fees), and \$15,000 for corrections for a Court order.

The second is for expatriate accommodation (\$500,000). This is to provide funds to renovate 10 houses for expatriate workers so as to partially alleviate the housing crisis which is currently in Nauru.

The third for the New York Office (\$500,000), specifically for Nauru becoming the Chair of the Alliance of Small Island States (AOSIS). This amount covers costs for staffing, political outreach, scientific advice, climate change negotiations support and training.

The fourth (of \$320,000) is in the Department of Health and is for overseas medical referrals (\$300,000), a new vehicle (\$15,000) for the Taiwan and Cuban Medical Teams vehicle requirement as per the memorandum of understanding, and \$5,000 for various health stores items.

Finally, there are a number of other items in the Supplementary Appropriation. These items are:

- \$95,400 in total for Justice comprising \$65,400 recruitment of a Public Prosecutor for the Office of the Director of Public Prosecutions and \$30,000 for the recruitment of a principal legal officer;
- \$80,750 for increased legal expenses which have arisen in relation to establishing the Regional Processing Centre;
- \$51,308 to pay for acquittals for UNESCO projects that were not completed in 2008-09 financial year. This payment will allow Nauru to access new funds for new projects from UNESCO, which over time, will be of greater value to Nauru;
- \$69,500 in total for the Nauru High Commission Office in Suva comprising \$53,500 to fund the Third Secretary for the Office which is a redesignation of the Welfare Officer position and \$8,000 to fund an increase in salaries for expatriate workers which is required to attract and retain capable staff. An additional \$8,000 is also allocated to the Nauru High Commission Office in Suva, for Staff Travel, to cater for return travel requirements of the High Commissioner and First Secretary, as required by their contracts;
- \$57,500 in total for the Directorate for Civil Aviation comprising \$32,500 for fund a UPS system for the airport's Flight Information Centre and \$25,000 to fund X-Ray Imaging Identification Training;
- \$50,000 for Ministerial travel to cover the increased overseas travel commitments by Nauruan Ministers;
- \$33,988 to further improve telecommunications services in Nauru through the creation of a new Department of Telecommunications which will subsume the functions of ICT;
- \$15,048 to pay for outstanding land rentals at the Taiwan Farm, in Buada District. The farm land is part of the Agricultural Development Program under the Department of Commerce, Industry and Environment, which is undertaken with technical assistance provided by Taiwan;
- \$5,000 to provide funds for logistical expenses (particularly in relation to travel) for the Solicitor General;
- \$2,000 for the New York Office for an increased clothing allowance which is necessary for the Permanent Representative to the United Nations to have the appropriate clothing, footwear and accessories to carry out her official duties; and
- \$1,080 for internet access for the Secretary for Justice to enable the download of large legal documents.

Details of Additional Revenues

Mr Speaker,

I would now like to explain the very substantial increase in the Government's expected revenues since the 2012-13 Budget.

As I mentioned earlier, this large increase in revenue is directly (and indirectly) due to the operation of the Regional Processing Centre (RPC) in Nauru and are in the areas of Border Control, Finance, DCA and Maritime Transport.

By far the largest increase in revenue (of around \$6.3 million) will be from visa fees. With asylum seekers now arriving in Nauru the Government has introduced a RPC visa of \$3,000 per quarter and this is expected to result in a large and ongoing revenue stream to the Republic.

Imports of machinery and general goods for the RPC will also attract customs duties and we estimate that this will result in additional revenues of around \$560,000

As I mentioned previously, the largest item in the *Supplementary Appropriation Bill (No. 1) 2012-13* is for the purchase of fuel. On-selling this fuel to retailers, corporations and airlines will result in total revenues of \$789,000 comprising fuel sales (of \$681,000) and customs duty (levied at 60 cents per litre) on petrol and diesel (of \$108,000).

The establishment of the RPC is also expected to increase revenues from medical services by \$15,000 in 2012-13.

Mr Speaker, with the increased aviation activity at the Nauru International Airport, substantial additional revenues (totalling \$241,000) will also flow to DCA. These revenues comprise:

- Increased Passenger Levies of \$45,000;
- Increased Departure Tax of \$36,000;
- Increased Air Navigation Fees of \$60,000; and
- Increased Landing Fees of \$100,000.

Finally, with the increase of cargo to Nauru as a result of the RPC and the general rise in economic activity on the Island this is expected to result in an increase in port fees (of \$73,000) to Maritime Transport.

Mr. Speaker,

In conclusion,

The *Supplementary Appropriation Bill (No. 1) 2012-13* reflects additional important expenditures in areas which were unforeseen at the time of the 2012-13 Budget, or not included in the Budget for one reason or the other. Much of it is a direct consequence of the establishment of the Regional Processing Centre.

When combined with the substantial expected increase in revenue associated with the establishment and operation of the Regional Processing Centre, Nauru's budget position has improved significantly.

However, as I mentioned previously, while there is now a large surplus of \$2.9 million, which is inclusive of the opening balance as at the beginning of the financial year, this Government will be doing its utmost to carefully scrutinise every dollar of expenditure it makes and investigate ways to maximise our revenue for the benefit of all Nauruans.

Mr Speaker,

I commend the Bill to the House.

Thank you.