

POST-CABINET PRESS CONFERENCE: MONDAY, 20 AUGUST 2018

PM: All right. My apologies, everyone, for the delay. Welcome. The coming week, obviously, is a recess, but the Government has another busy two weeks ahead. We have our justice summit kicking off this evening, and running the next two days and later in the week, and there will also be key announcements on capital spends in health and education.

Tomorrow morning, I have the honour, along with Minister Mark, of welcoming home the remains of 27 New Zealand Defence Force personnel buried in Malaysia and Singapore, including also—to take it to 28—the body of an infant, following the Malayan and Vietnam conflicts or those who were based in Singapore and lost their lives in our service.

On Wednesday, I will celebrate Book Week with the children at Marist School in Auckland, and will hold a bilateral with President Duda of Poland. On Thursday, I'll be making an announcement around the Government's capital spend on hospitals in Auckland. On Friday, I'll be making a school capital announcement, and Saturday will be quite rugby-focused. I'll be opening the Women in Rugby conference in the morning, before attending the Black Ferns and All Black games at Eden Park that evening, where our teams will be looking to continue their ongoing trans-Tasman dominance.

Today, though, before we begin, I would like to advise that the Remuneration Authority has issued its determination on MPs' salaries to the Minister responsible for* Ministerial Services. It indicated that based on the formula that they are legally obliged to use, and have no discretion over, they would be issuing us an increase in the order of 3 percent. That is not acceptable to this Government. Cabinet has today confirmed a decision to freeze MPs' salaries and allowances for a year while we develop what we believe will be a fairer formula for future pay increases. Cabinet agreed that while the Government is focused on improving incomes for ordinary working Kiwis, it's just not appropriate for MPs to be the subject of such an increase. Now, this move doesn't save a lot of money in the scheme of things, but it does send, we believe, a strong signal about what our Government values—what we stand for—and our determination, of course, to make sure that the economy is working for everyone.

Today, this afternoon, before coming down here, I notified party leaders that we'll introduce legislation to freeze MPs' pay for one year—in fact, the only way we can freeze our pay is by changing the legislation. We'll then use that 12-month period to develop a fairer formula for the Remuneration Authority to use when determining future pay rises. I have with me Minister Iain Lees-Galloway, who, of course, as *Minister for Workplace Relations and Safety, has a role in the drafting of that legislation, so he's accompanying me for any questions that relate to that announcement.

Good; any questions.

Media: How did that go down with the other party leaders?

PM: Yeah, they were brief conversations. Obviously, confidence and supply and coalition partners I had an earlier conversation with—totally supportive of that decision. I've just got off the phone to Simon Bridges and David Seymour, and the general sentiment I sensed from them was complete understanding of the situation and, reading between the lines, I think they probably agreed with the move as well.

Media: How much is this about perception with the nurses' strikes, the teachers' strikes?

PM: It's about values. You know, we are focused on lifting the incomes of low and middle income earners, and also acknowledge that there has been an increasing gap between those income earners and those at the other end. We are at the other end. It's just not right for us to have an increase like that currently, and so we want to change the way that our salaries are calculated in the future—our increases are calculated in the future.

Media: When did Ministers start thinking about this? Was it the Rem Authority draft—

PM: It was the determination. Yeah, so we received the determination, and that caused us to go back and look at the 2015 changes, and then make a judgment that in our view, the way that that had been calculated just did not feel fair and that we'd like to look at the formula and the way that they came to that increase in salary.

Media: When did that determination come to you?

PM: Oh, a couple of weeks ago, I would say, maybe—yeah, not more than three or so weeks ago, I think, from memory.

Media: So it's not connected to Simon Bridges' spending or anything like that? It's a separate thing?

PM: Not at all. Absolutely not. I want to make that really clear. The determination—the draft determination—came through to the Minister of Ministerial Services some weeks ago. We started this conversation with Cabinet a couple of weeks ago, and today signed off what draft legislation might look like. It is completely unrelated.

Media: This is supposed to be an independent body. I mean, isn't that the whole point: that they make decisions independent of political considerations?

PM: Yes, absolutely, and I accept that, that we do want to give that transparency and have another group determine the way our increases in salaries are constructed. But, in 2015, this Parliament made an alteration to that formula, and, I think, with good intent, but what I think we've seen at the outcome of that formula change I don't think sits with our expectations—certainly not this Government's expectations.

Media: What would be acceptable, in your view?

PM: Yeah, well, you know, I've looked at what some alternative formulas might generate, and without wanting to pre-empt what we might land on, it's fair to say that the current formula sits at the upper end of some of those alternatives. It's a percentage increase rather than, for instance, other formulas that exist that might be nominal or might be based on median average incomes, or so on.

Media: So if it had come in at, say, 2 percent, would you have felt moved to—

PM: What I know is that 3 percent did not feel acceptable to me.

Media: So is that a message, though, to public servants in particular, I guess—teachers, nurses, whatever—that they can't expect to get 3 percent either?

PM: No. It is a message solely that we do not believe that, given that we are at the upper end of the salary scale, we should be receiving that kind of salary increase, because we, of course, already are on a high income. We acknowledge that, and one of the things we've been trying to bridge, as a Government, is the fact that we see these increasing increases at the top end of the scale without that same increase at the end of the scale where most New Zealanders sit.

Media: Is there the possibility that those—

PM: Oh, hello!

Media: Hello! Is there the possibility that wages might drop—that the amount that MPs and Ministers receive might actually reduce if you're going to be looking at it?

PM: Yeah, I haven't modelled—and, again, this is hypothetical, because we, of course, haven't modelled alternative formulas at this point; what we have determined is that the current formula isn't meeting our expectations.

Media: This is precisely what John Key was setting out to do in 2015.

PM: Yeah.

Media: So how will this be any different?

PM: Yeah, and I acknowledge that I think he made an attempt to try and ensure that we were meeting, you know, our public expectations and ours as well, but what we've seen in this determination, I believe, is out of kilter with those expectations.

Media: Is it also the case that, with the current round of public sector pay increases, that the perception of the problem would only have magnified in the coming year, in the next year?

PM: No, actually, this is really just about us. You know, of course, we are doing this in an environment where there are other public sector workers—nurses, teachers—who, of course, are discussing with the Crown their salaries. But, actually, this is about us acknowledging that we are at the top end, and when you look at percentage increases as a formula for salary increases, that only continues to extend that gap between MPs and others on high salaries, and those in the middle or at the bottom end, and so it's about us acknowledging that there are other formulas that wouldn't continue to increase that gap in that way.

Media: So how could this look? What would you like to see MPs' salary increases aligned to?

PM: Well, there are a range of other options. I don't want to pre-empt that at the moment, but, as I say, some of those other options wouldn't land us in quite the situation that this current funding formula does.

Media: Was it 3 percent on the nose or was it—

PM: Sorry, what was that?

Media: Was it 3 percent on the nose that the Remuneration Authority recommended?

PM: It was roughly 3 percent.

Media: What about [*Inaudible*] for inflation?

PM: There's a range of options and, again, I don't want to pre-empt the work that will be done on that, but I do want to do it in a way that brings in the view of others like the Remuneration Authority. I'm sure they'll have a view on the formula that they've been legally obliged to follow; so we'll be seeking their view as well.

Media: Have the MPs' salaries sort of gone away from where they should be relative to median wages or what they are overseas? Are New Zealand politicians overpaid, essentially?

PM: Well, I mean, if you look between 2016 and 2017, Ministers at least were given pay rises of, on average, \$7,000, while ordinary workers were getting pay increases of \$1,000. Now, that speaks to the way that the formula works. And so what we're questioning here is whether or not that's fair.

Media: Would you like to see it in line with the labour cost index?

PM: Yeah. As I say, there are a range of options, and we'll be considering those over the next 12 months.

Media: Is it the environment of the strikes that have kind of led directly to this?

PM: No; it's this Government's values.

Media: Who's going to look at it?

PM: Well, we'll have the—

Hon Iain Lees-Galloway: My turn?

PM: Yes, enter.

Hon Iain Lees-Galloway: So, the process we're going to follow is we'll need an initial piece of legislation to bring about the freeze, which we're going to progress as quickly as we can. Then we'll have time to do that review. That will sit with the officials at MBIE, who support me in employment regulation. So we'll go through that process and look at the kinds of

examples that have been raised, and I'm sure some others as well. We'll want to talk to a range of people about what the best system is for determining MPs' pay in the future.

Media: Presumably the determination that you've just got is backdated to July 1—

PM: Yes.

Media: —your freeze is backdated?

PM: Yes, exactly. So, yes, it will be frozen from that point for the next 12 months.

Media: Have you been given any advice on whether the relativities between politicians and other people, and overseas, whether that's gotten too much out of whack?

PM: No, and we haven't really, to be honest, had a chance to do that work. Obviously we received this determination a few weeks ago. Instinctively, our response was that that doesn't feel right to us. We know that unless we act to change the legislation we'll have no choice—it will come in. So our focus has been on drafting the legislation to put a halt to that determination by the authority, and then the next step is undertaking a piece of work around a formula that will then sit with the Remuneration Authority, that we have greater comfort with.

Media: So what would the date be that you had to work towards before the new determination comes into effect? Where do you have to get—when do you have to change—

PM: Well, we're freezing salaries for a year, so nothing—we have no expectation there'll be any movement for the next 12 months. This will apply then for the next financial year beyond that.

Media: So do you have to change the law now under urgency to freeze that determination?

PM: Yes. Yes, we do. Yes, we do.

Media: And there's no—you just need to do that within, as soon as you can—

PM: Yes, we do. Yes, we do. We looked at whether or not we could, as in 2009 when there was a resolution of Parliament to give an indication to the Remuneration Authority that Parliament did not want to accept a pay increase. We looked at that option, but unfortunately the 2015 legislation removes all discretion for the Remuneration Authority. They have no choice and we had no choice but to change the law if we want to put a hold on it.

Media: So will this be at the top of the agenda when you come back to the next sitting session? Will this be—

PM: It will be part of the agenda, yes.

Media: When was it due to kick in, the 3 percent increase?

PM: It would be backdated to 1 July—I think sometime this month the expectation is that they were going to then make that official determination.

Media: Just back on expenses and, in particular, Simon Bridges—the issues around Simon Bridges' expenses last week. Do you see how this could look like you're trying to politically capitalise?

PM: No, not at all. In fact, I would say that would do a disservice to the response that I received from Simon Bridges when I told him. Without wanting to disclose too much of the conversation, I sensed from him that he was generally supportive of this. So absolutely not. I see this as this Government acting on behalf of Parliament. We are the ones that have this ability, in terms of the majority, to provide for the votes to get this through Parliament. But, in a sense, I feel like we would probably have the support of all of Parliament to do this.

Media: Prime Minister, your salary's not too far off what Donald Trump gets. I mean, is it out of whack for a country of 5 million people how much politicians get paid?

PM: Is that your natural comparison point there? Ha! It's just—sorry, is it out whack? This is an absolute acknowledgment that we are high-income earners relative to other New Zealanders—we are—which is why, when we received this notice that even though this

formula is based on the percentage increases received by public servants, we were not comfortable with that. And this is our response.

Media: But I mean you're comparing within New Zealand; I'm saying, compared to overseas, to other jurisdictions, are New Zealand's politicians—

PM: Yeah. I think we'll stick with what we feel comfortable with relative to other New Zealanders rather than looking—because there will be a range of other factors that relate to the way the systems work in overseas jurisdictions. We might have a glance, but I think we'll stick to the New Zealand context.

Media: Have you been briefed on the—

PM: Thank you.

Media: —the sudden departures of the chief executive and a board member at Antarctica New Zealand?

PM: I've seen the reporting on it. It is an employment matter, though, and so it's not something I'd have an expectation that I would be commenting on.

Media: So you have no concerns over—you know, if an investigation brought up potential, I guess, indications of the use of—

PM: If there are wider—of use of what, sorry?

Media: Public assets.

PM: Oh, look, if there are wider ramifications, but at the moment this is certainly being reported, and I've been advised, as an employment matter and therefore something that I would as a matter of course leave to the organisation to manage appropriately.

Media: So you're happy to—you know, you've got no further concerns or you wouldn't be seeking—

PM: I currently consider it to be an employment matter.

Media: Members of the board, however, are Crown-appointed. Have you been briefed by the chair that they carried out an internal investigation into the chief executive?

PM: I've not received any such briefing. We would receive further advice if it was relevant to us in our role as appointing board members. Of course, we play a role in replacing the departing board member, but beyond that I consider this an employment issue.

Media: That departing board member, Sharon Hunter. She's obviously Crown-appointed as well. Have you received advice about why she's departed?

PM: No.

Media: Can you confirm that Brian Roche conducted an investigation into the—

PM: Again, these are employment matters. Of course we have a role in appointments, but beyond that I see these very much as issues that should be managed appropriately by the organisation.

Media: You've appointed Brian Roche. I was just wondering if you can confirm that he's done an investigation?

PM: Again, that would be for him as a member of the board. Nice attempt to draw a link there, James.

Media: So should the chair of the board maybe explain what's going on here?

PM: Again, I said this is an internal matter and one for the board and the organisation to manage.

Media: Do you have full confidence in all the board members?

PM: As I say, I have not been briefed on anything that would give me any cause to not have confidence in them.

Media: The board is seeking more funding, isn't it, in the next Budget?

PM: That's not something I've received a bid for directly at this stage.

Media: On the justice summit that's coming up—

PM: Hello.

Media: On the justice summit that's coming up, can you just talk about whether the Government's goal of reducing the prison population will result in the softening of bail laws?

PM: Yeah. We equally have a goal of making sure that all New Zealanders are safe, that we have a justice system that works effectively, that we're making sure that we're using the evidence around what achieves both of those goals. So the justice summit is about really assessing whether or not we are improving our justice system, because we have had increases in some of those regimes, changes to them, and an increasing incarceration rate, but not necessarily any tangible impact for members of the community in terms of them feeling safer.

Media: What would you say to the criticisms then that the summit is just a talkfest?

PM: I would refute that, obviously.

Media: World Vision's calling on you to help out the children on Nauru.

PM: Yes.

Media: Will you?

PM: Yeah, my message—and I intend to have that conversation with them directly. I intend to meet with World Vision. I've asked to see them this week. My message to them and beyond would be that New Zealand is ready and willing to help. We have made the offer to take 150 refugees from Nauru and / or Manus, and that offer remains. We've talked directly through various channels with the Government of Nauru about that offer, as we have with the Australian Government. The Government in Nauru has continued to point out that they wish to work directly to Australia in the ongoing management of the refugees on their island.

Media: Your hands are tied?

PM: You could say that.

Media: Prime Minister, World Vision says that you should prioritise these children and their families on Nauru over the mainly single men on Manus Island. What do you think of that?

PM: Oh, well, there's a reason that we've always said that our offer was both around both Manus and Nauru.

Media: So you wouldn't seek to prioritise these children over Manus refugees?

PM: I think naturally if you're in a process of screening for refugees, there would naturally through that process, I imagine, potentially through UNHCR, be a prioritisation of children in particular.

Media: Will this be discussed at PIF? Will you be bringing it up?

PM: Oh, I imagine this amongst many other issues are likely to be the subject of discussion at PIF.

Media: How much of a focus will it be for you, personally, though?

PM: Oh, look, as far as I'm concerned, you know, we have made our position abundantly clear. New Zealand is here and willing to help. We've made the offer both to Australia and directly to Nauru. Really, it's now beyond our own capacity to deliver on it, but we have made the offer.

Media: You've been critical of this policy around asylum seekers and detaining them and what's kind of come about through that. Is it hypocritical of New Zealand to be critical towards Australia when we have the exact same—

PM: What I would say is that we've acknowledged that we are not in the same situation, and that it is up to any other country, including Australia, to manage their own policy. Where we are absolutely of one voice is on the need to take a very firm and strong position on the issue of people-smuggling, which, ultimately, is at the core of this issue.

Media: Would you look at all at repealing that law that was put in place in 2015?

PM: What I've continually said is that for the scenarios that we're seeing currently, of course, they all relate to Australia, and we absolutely respect their right to manage their own policy.

Media: Prime Minister, if I may, you may have seen over in Australia there is a bit of political turmoil. The man responsible for the asylum-seeker policy, also the deportation policy, Peter Dutton, is being touted as a potential Prime Minister. Do you think that might change Australia - New Zealand relations?

PM: And as someone that has, over a period of nine years, experienced my own political turmoil, I certainly won't be commenting on anyone else's.

Media: Prime Minister, do you have any concerns about pressure being placed by China on the Tongan Government, after China complained to the Tongan Prime Minister last week, which caused them to reverse his comments that Pacific Governments should work together and ask China for debt forgiveness at the Pacific Islands Forum next month?

PM: These are issues between two sovereign nations and their diplomatic relationship. When it comes to China and Tonga, those are matters for them.

Media: Is debt to the Pacific an issue that you will be raising at the Pacific Islands Forum?

PM: Of course, what we've acknowledged is that we have a role, as a member of the Pacific, to make sure that we are working in earnest alongside our Pacific neighbours and focusing our vision on partnership alongside them. I acknowledge that there are nations that are carrying significant debt. What we've at least said is that we see it as our role in the future to try and find ways to work really productively together to meet some of their expectations and some of their needs.

Media: Would there be any question of New Zealand being able to give further aid to Tonga to meet some of Mr Pōhiva's original questions, which were whether the debt could be converted into aid?

PM: Yeah, and I wouldn't want to, you know, intervene on points of conversation that would appropriately be happening with our *Minister of Foreign Affairs and directly with his counterparts in Tonga, but, obviously, we have a relationship directly with Tonga. My expectation is that they would raise with us projects or programmes or need for support directly with us in our bilaterals and through our relationship. Of course, those doors are always open for conversation.

Media: Would you consider visiting the detention centre on Nauru while you're there?

PM: I'm still working through the programme I have at the moment. I am there for quite a restricted period of time, and we haven't finalised my programme just yet.

Media: But is it an option? Is it an option for you, Prime Minister?

PM: The time constraints are a bit of a difficulty, given the PIF programme. I have a hope and expectation, at least, that I will at least be given an opportunity to be exposed to some of the issues around refugees on the island. What form that takes is not yet clear.

Media: Are there political constraints as well?

PM: No, not from my perspective. For me, it's just—

Media: From their perspective?

PM: Obviously, you will have seen some of your visa conditions, and they take a position on what their expectations around PIF hosting will look like, but that doesn't stop that being a subject of conversation, I'm sure, once we're there.

Media: Does that worry you—those visa conditions and the expectation that the Government doesn't seem to want journalists?

PM: Well, of course, we would never enforce expectations on what would be reported and what wouldn't here in New Zealand, so I maintain that same policy—that same principle—for our journalists wherever they travel.

Media: Sorry, Prime Minister, can I just clarify, when you say it's your hope and expectation to be able to be exposed to some of the refugees, what do you mean?

PM: I'll be making that clear when we release my programme, but, again, I do want to just say upfront I do have a very tight time frame while I'm there, and that is constraining what I'm able to do while I'm on Nauru.

Media: But if time allows, would you—if time allowed—

PM: I'm not clear if that's going to be possible or not at this stage, James.

Media: At the very least, though, you would expect it to be discussed between you—

PM: Yes.

Media: —and other leaders, or you and the Nauru leader?

PM: Yes, yep.

Media: So part of the agenda of PIF?

PM: I'm not clear on whether it's part of the agenda, but that won't stop the conversation, I'm sure.

Media: Prime Minister, what's your position on Winston Peters' call for a referendum on Māori seats?

PM: Yeah, that's not Government policy, and, certainly, we've always made it clear from a Labour perspective that the future of the Māori seats should be determined by Māori, and I see no suggestion that there's any interest in changing the system that we have. In fact, we've seen a small but an increase in those on the Māori roll after the Māori electoral option.

PM: All right everyone—last question.

Media: This morning on Radio New Zealand, Mike Williams said that there was a witness to the discussion between Ron Mark and Simon Bridges. That's the discussion that Bridges has denied, and Williams named the witness as Ron Mark's press secretary. Are you up to speed with all of this?

PM: No. I wasn't present for the conversation and couldn't comment. Right, thanks everyone.

conclusion of press conference