

**Prime Minister's Statement  
to Parliament**

**8 February 2011**

**Contents strictly embargoed until  
Prime Minister starts speaking  
in the House.**



# Statement to Parliament

Rt. Hon. John Key  
**Prime Minister**

8 February 2011

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accordance with Standing Order 345

This year the National-led Government will continue building a brighter future for New Zealand.

Our 2011 programme will focus on achieving two of our key goals: We will build the foundations for a stronger economy and build better results from the public services New Zealanders rely on.

These are the platforms upon which New Zealanders' aspirations rest.

Building a strong economy, based on real enduring growth, will provide New Zealanders the jobs, improved incomes, and improved living standards they desire and deserve.

Building better results from our public services will improve the lives and wellbeing of New Zealanders, help solve social problems and improve the prospects of the next generation.

In addition to progressing these key goals, the Government will in 2011 continue its important work in responding to two tragic events which struck New Zealand in 2010: the Canterbury earthquake and the Pike River Mine disaster.

The Canterbury earthquake of September 4th was a terrifying and devastating event that caused considerable damage to our second largest city. We give thanks that no one died, and we are getting on with rebuilding.

The recovery process for Canterbury will be a long one.

The earthquake is one of the largest-ever insurance events in New Zealand's history and resulted in more than 175,000 claims being lodged with the Earthquake Commission (EQC).

EQC is on-track to complete assessments on all damage claims received as of 31 January by the end of March; it has already paid out more than \$675 million on claims and it expects to pay out around four times that amount in the coming months.

The Government has also committed to funding additional land remediation work in the suburbs most affected by land damage from the earthquake.

Fletcher Construction has been tasked with coordinating the rebuilding effort and the Government will ensure a continuing sense of urgency in this vital task.

The Pike River Mine tragedy of November 19th saw the death of 29 men, striking a blow to their families and the communities of Greymouth and its surrounds. There are many questions to be answered about how and why this disaster occurred.

The Government has established a Royal Commission of Inquiry to look into the circumstances and causes of this tragedy, and it will progress its work this year.

In 2011, the National-led Government looks forward to continuing strong and effective relationships with our confidence and supply partners, the Act, Maori and United Future parties.

Our productive relationships with these parties ensured that in 2009 and 2010 we were able to deliver New Zealanders the stable government they expect.

We have achieved much together and, while we may not always agree, we have made progress on issues that matter to New Zealanders.

We look forward to continuing this co-operation with our confidence and supply partners in 2011, and to providing New Zealanders the stable government they deserve.

## **BUILDING A STRONGER ECONOMY**

In 2008 the Government inherited an economy that had been in recession for nearly a year and that was up against a world economy in crisis.

Our immediate focus was to stabilise the economy and put it back on a growth path.

We have achieved that goal. Despite two years of challenging and volatile global economic conditions, in 2011 the economy is forecast to grow in excess of three per cent, which will result in better job prospects and higher incomes for many New Zealanders.

While the immediate crisis is over, our focus is now on repairing the structural imbalances that have built up in the New Zealand economy over a number of decades. We are rebalancing the economy away from debt-fuelled consumption and government spending and towards savings, investment and exports.

Under the last Labour Government the economy got way out of balance. Since 2004, almost 60 per cent of new jobs have been in heavily government-dominated sectors, while jobs were lost in the export-focused agricultural and manufacturing sectors.

So this Government is building the conditions for more enduring and better-paid jobs. Our strategy for job creation is to build the economic conditions that will give businesses the confidence they need to hire new workers.

The future opportunities for New Zealand are great. Economically-speaking, we are in the fastest growing region of the world and are very good at producing the goods and services that are in rising demand.

The Government's economic plan is about ensuring New Zealand can maximise these opportunities.

We are building strong foundations to give New Zealanders the confidence and certainty they need to invest in and create new businesses, take on more workers and pay them

more.

We have already made good progress, having introduced tax changes to encourage work, savings and investment and to discourage excessive borrowing and housing speculation.

This year a New Zealander earning the average wage will take home \$64 more each week from their pay packet than they would have in 2008.

On April 1 this year, the company tax rate will be cut from 30c in the dollar to 28c, which will help make our companies more competitive with Australia and the rest of the world, and will give them more capacity to grow and create new jobs.

The Government is conscious that for most New Zealanders an indicator of how well the economy is doing is whether or not they can keep up with the **cost of living**.

The cost of living increases when prices for essentials like food and petrol increase faster than incomes. So this Government is working on two fronts to lower the cost of living for New Zealanders and their families. We are combating rising prices through strong monetary policy while also building a strong economy that can deliver faster rising incomes.

The Government will continue to support stable and predictable monetary policy, focused on maintaining a low level of inflation and thereby minimising price increases across the economy. We note that this is not the position of some other parties in this Parliament.

We will also continue our work to increase the incomes New Zealanders earn. That is a fundamental objective of our plan to build a stronger economy.

In 2011 we will build on the progress already made. While circumstances may vary for individual New Zealanders, on average wages under this Government have risen considerably faster than prices. According to the official statistics, the price of goods and services has gone up 6 percent since September 2008. Over this same period, however, the after-tax average wage has gone up 16 percent. This year we will work to ensure that after-tax wage growth continues to outstrip price increases.

### **Building Stronger Government Accounts**

In 2011 we will strengthen the economy by building stronger Government accounts.

We inherited from Labour a set of government books showing never-ending budget deficits and government debt spiralling out of control. This would have ruined the economy and created an onerous debt burden destructive to jobs and income growth.

The Government has been working hard to turn these books around. As a result, we are now expecting to return to surplus in four years, and from then on to start paying down debt.

We have signalled that in this year's Budget our new spending allowance will be reduced

to around \$800-\$900 million. This compares to the average \$2.8 billion per annum increase under the previous Labour Government.

In addition, until we get back into surplus, we have committed to allocating any upward revenue surprises to further reducing the deficit.

This commitment to debt reduction and spending restraint means the Government must build better results from the public services we fund for New Zealanders.

Accordingly, in 2011 Ministers will continue their work of scrutinising their departmental budgets to ensure that every taxpayer dollar is being spent as carefully and effectively as possible. I have asked them to think not just about what will make savings for a year or two, but to think in a bigger picture sense about how doing things differently could result in more significant gains over the medium term.

For example, last year's Defence White Paper proposed reprioritisations of spending from the back-office to the front line to not only replace core capabilities, but to also develop a capability that will respond to a changing environment and enhance our international security over the next 20 years.

It's that kind of thinking – that both keeps a lid on spending and improves services – that the Government is demanding.

We want to see better results for the public services we fund and we are driving significant reforms to achieve that. More detail about this aspect of our work programme is provided later in this statement.

In 2011, a particular focus will be progressing work to **build greater value for money in the Government's own bureaucratic machine.**

Front-line public services are the priority for this Government. We want to free up money for these services by reducing the costs of back-office and administrative functions.

We have already taken several steps to achieve that.

Since coming into office we have reduced the number of full-time equivalent staff positions in the core government administration by five per cent.

We began procurement reforms last year, and from the first four projects we expect to save around \$115 million over the next five years.

We have also made progress in reducing the number of government agencies, for example; by bringing Archives New Zealand and the National Library into the Department of Internal Affairs; and by merging two science agencies to create the Ministry of Science and Innovation.

Even so, the government bureaucracy is still a long way from being a lean and efficient organisation.

The Government machine still consists of more than 80 Crown Entities each with their own Board, 38 Departments, more than 70 portfolios and more than 60 separate Budget Votes. The costs of running this machinery are still too high.

Clearly, there is more to be done to make the government bureaucracy smaller and better.

Therefore, I have asked for advice on further reforms to streamline and improve the performance of the government bureaucracy.

This year, and in the years that follow, you should expect to see more back-office savings initiatives, further restraint in terms of core government administration positions, and more consolidation of agencies and functions.

The Minister of Finance will, in a few weeks, give a speech outlining in more detail our objectives for continued reform of the Government machine.

We are not interested in change for the sake of change. We want change to achieve a better focus on what matters to New Zealanders, an enhancement of services to the public, and less complexity and duplication.

### **Building Savings and Investment**

In order to reduce our dependence on foreign lenders, New Zealand needs to build up the pool of Kiwi-owned savings and investment, held by both the Government and everyday New Zealanders.

That will be the focus of this year's Budget.

As I outlined two weeks ago, the Government currently holds around \$220 billion worth of assets, including schools, funds, state enterprises and other infrastructure.

Over the next five years we intend to acquire at least \$33 billion worth of new assets needed to expand public services and build the platform for future growth.

The government cannot keep building up debt forever so we need to look at where we can change the mix of assets we own.

This year we will consider advice on extending a model of mixed private-public ownership to a select group of commercial assets currently owned solely by the Government.

We want to give New Zealanders a chance to invest in these assets, while freeing up capital for the Government to invest in New Zealand's future asset needs.

We have set a series of tests that would need to be satisfied before we progress with these proposed changes in ownership structure and we will be sharing the advice we receive over the course of the year. We will take our resulting policy to voters in the November election.

The Government will also consider ways in which we can encourage New Zealanders to increase their private savings and investments.

Last year we asked the Savings Working Group to consider policy options to increase national savings, and it presented its report last week.

The Government will consider this report very carefully. We expect to announce resulting policy decisions in the 2011 Budget.

The Government is excited by the opportunity presented by a growing Maori asset base.

In part, that growth reflects the successful transfer of assets via the Treaty of Waitangi settlement process.

In 2011, the Government will continue to place importance on this process and on completing fair and final settlements. We are impatient to stop looking in the rear-view mirror at grievances past and to instead build the stronger foundations for future Maori prosperity.

We believe progress on the Treaty Settlement process, together with the economic development work led by the Minister of Maori Affairs, will provide a springboard for Maori development opportunities and allow capital to be invested in strong industries that provide the basis for new jobs and rising incomes.

## **Building Exports**

In 2011, the Government will continue building up New Zealand exports.

New Zealand needs to sell more of its goods to the world, at a better price, in order to pay down debt, become wealthier and create enduring jobs.

For too long our export sector has stagnated while resources have instead been focused on government spending and domestic consumption.

Prospects for a revival in New Zealand's export fortunes are good.

Commodity prices are high. World demand for agricultural products like meat, dairy, wool and wood is increasing. Our farmers are world-leaders at producing these goods.

New technology means New Zealand's distance from the world is being increasingly overcome, with the internet ensuring our film wizards, service providers and technology experts can produce their work here and sell it overseas. Ultra-fast broadband means our financial services exports can grow, leveraging off our already strong financial sector.

The Government is building the foundations that will encourage growth in exports.

We are conscious of the role the exchange rate plays in exporters' confidence and

competitiveness.

In the past a high New Zealand dollar has made it harder for our exporters to compete internationally.

Throughout the period of the last Labour Government high levels of Government spending put significant pressure on interest rates, which in turn put pressure on the exchange rate.

By contrast, this Government is supporting Kiwi exporters by doing our bit to avoid overheating the exchange rate, by being disciplined about government spending and thereby keeping the pressure off interest rates.

The Government will open up new markets for our exporters by progressing new Free Trade Agreements (FTAs) and making the most of existing agreements.

We have already signed FTAs with Malaysia and Hong Kong.

We have commenced negotiations with Korea, India, Russia and the Trans Pacific Partnership and this year we will continue efforts to conclude these negotiations.

We also wish to prepare the ground for further FTAs, in particular with the 'Mercosur' countries of Argentina, Brazil, Paraguay and Uruguay.

Ultimately, the World Trade Organisation Doha Round remains the Government's top trade priority.

In 2011 we will build awareness of the possibilities for New Zealand exports in emerging markets, both by promoting awareness of our products overseas and by supporting New Zealand businesses to make the most of opportunities in new markets.

We will progress work on an NZ Inc India Strategy and an NZ Inc China Strategy in order to better coordinate New Zealand's overseas links.

In 2011 the Government will build on the economic opportunity offered by our hosting of the **Rugby World Cup** (RWC).

In particular, we want to expose foreign visitors and investors to the very best of New Zealand and encourage their ongoing interest in our products and services.

This year the NZ2011 Office and a number of other Government agencies will work together to ensure that we showcase New Zealand's high-performing sectors, develop international awareness of the Silver Fern brand, optimise the presence of international media, facilitate business engagement and deliver the national REAL New Zealand Festival.

The RWC also presents a significant opportunity to drive increased tourism into New Zealand, and the Government will work with the tourism sector to maximise this opportunity.

Despite a volatile couple of years, New Zealand's tourism numbers have held steady. Now is the chance to build on that and drive more growth out of this important export sector.

The Government will also improve export performance by **building improved results from science and innovation.**

We want New Zealand businesses to use science and innovation to come up with new products and services to sell to the world and to improve the efficiency with which they produce those goods and services.

In the past two years we have increased funding for both Government and business-led science and innovation. For example, investment in primary sector innovation has reached new levels with more than \$475 million being invested in industry-specific science and innovation projects through the Primary Group Partnership.

This year the new Ministry of Science and Innovation will lead a leaner and more responsive support system for our scientists, entrepreneurs and exporters.

Over time, we have prioritised science and innovation as a target for increased investment, so we want to ensure we have in place the foundations needed to make the most of this investment.

### **Building Skills and Knowledge**

In 2011 the Government will continue to build the skills and knowledge New Zealanders need for future-proofed jobs.

As New Zealand strives to compete in an ever-more skilled world, the demands on our workforce will be greater than ever before. We need to maximize the potential of all New Zealanders, by ensuring they have the skills and knowledge needed to succeed.

It starts with getting the basics right. It's not good enough that for so many years as many as one in five New Zealanders have left school without the literacy and numeracy skills they need to succeed. That's why this Government is focused on building better literacy and numeracy skills in primary-school students through our National Standards policy.

We are also building more responsive secondary schools that can provide a wider range of pathways, so that students who don't want to pursue the academic path to university have other more appropriate opportunities to build their skills and talents.

Furthermore, we are building a more effective tertiary education system that provides good value, high-quality up-skilling opportunities for New Zealanders from all walks of life.

More about the Government's education work programme will be detailed later in this statement.

## **Building Infrastructure for Growth**

This year the Government will continue building infrastructure for growth.

New Zealand needs world-class infrastructure to ensure our workers and businesses can compete as efficiently and productively as possible.

An historic under-investment in infrastructure has undermined the competitiveness of New Zealand firms and limited their opportunities to harness new technologies. This Government is turning that around.

In 2011 we will roll out fibre for New Zealand's ultra-fast broadband network.

Broadband is the revolutionary technology of our century. This Government wants New Zealanders up and down the country to have access to ultra-fast broadband services, at an affordable price.

We have been working hard to design the public-private arrangements that will allow this to happen, balancing our desire for a timely fibre roll-out with the need to ensure the resulting contracts represent excellent value for the Government's \$1.5 billion investment.

In 2010, the roll-out began in Whangarei and in the early part of this year fibre will begin in Hamilton, Cambridge, Te Awamutu, Tauranga, New Plymouth, Wanganui, Hawera and Tokoroa.

We expect to finalise soon negotiations with commercial partners on the public-private arrangements that will drive the delivery of fibre to other regions throughout the country.

Further announcements will also be made on the detail of arrangements for the provision of the Government's Rural Broadband Initiative.

By mid-2011 we expect to pass legislation that will provide the regulatory frameworks for these commercial arrangements.

The Government will also be taking steps to ensure our schools can get on board the broadband revolution and make the most of this great new technology.

We will continue building New Zealand's transport infrastructure.

It is vital that New Zealand exporters and producers can move their goods efficiently throughout the country, and that New Zealanders can get efficiently from A to B. That requires a solid transport network that anticipates future needs.

In 2011 work will progress on developing New Zealand's State Highway Network with priority accorded to progressing the seven Government-designated Roads of National Significance.

Construction on four of these is already underway, and this year construction is scheduled to begin on projects such as the Waterview Tunnel, the Ngaruawahia Bypass and the

Rangiriri Bypass.

The Government will build the effectiveness of New Zealand's public transport networks.

We want public transport networks that are efficient, affordable and future-proofed. To achieve this we will work particularly closely with the Auckland and Greater Wellington Regional Councils on plans to build improved metro rail and bus services. It is important that these cities pay their fair share for the infrastructure their ratepayers need. The Government sees itself as an important partner in their plans, provided they are realistic and necessary.

The formation of the Auckland 'Super City' Council provides a significant economic opportunity for New Zealand, and the Government will be working to maximise this opportunity in 2011. We will be working closely with the Auckland Council as they develop their strategic vision for the City through the Auckland Spatial Plan.

This year we will support efforts to build financial durability for Kiwirail, by shoring up its capacity to operate commercially-viable freight operations. We want Kiwirail to be able survive on its own two feet, and that means ensuring it can provide a competitive service that Kiwi businesses want to use and pay for.

In 2011 the Government will build on our significant investment in the school network.

We want New Zealand families to have confidence that there will be sufficient capacity in their local schools in the future, even as the location of the population changes.

We also want to ensure that these schools harness new technology and are affordable to maintain. So we will be working with experts to design and build the schools of the future, and as such we remain open to public-private partnerships for the building of these schools.

The Government will this year address the risk posed by critical problems with New Zealand's housing infrastructure by implementing the Weathertight Homes Resolution Service's financial assistance package for owners of leaky homes.

### **Reducing the Costs of Doing Business**

In 2011, the Government will continue to build business confidence by controlling and reducing the costs of doing business.

We don't want Government rules and regulations to create unnecessary barriers for businesses who want to invest, grow and take on new workers. We want to instead give businesses confidence that New Zealand will be a good place for them to base their activities now and into the future.

We have already achieved reductions in the costs of doing business with the introduction of a Regulatory Improvement Act, a series of legislative improvements to the Resource Management Act and specific improvements to a wide range of government regulations.

This year the Productivity Commission, which has been championed by Minister for Regulatory Reform, Rodney Hide, will start providing advice on ways to improve business productivity in specific areas, including through one-off reviews to existing regulations and analysis of the impact of proposed regulations.

We will progress a Regulatory Reform Omnibus Bill to cut further red tape across government and we will introduce a Regulatory Responsibility Bill and send it to a Select Committee for submissions and debate.

The Environmental Protection Authority (EPA) will begin its work. This will streamline regulatory functions currently spread across Government and will ensure New Zealand is provided with more timely decisions on critical infrastructure and other major resource consents.

The Government values New Zealand's unique natural environment. It makes this country special and is the basis for much of what we do well – be it providing tourism experiences, using our abundant water supplies, or making money out of the land. We remain committed to balancing our environmental responsibilities with our economic opportunities and the EPA is a key tool for achieving this.

We also recognise the huge potential in New Zealand's fresh water resources and this year we will keep progressing work to help us realise the full potential of that resource into the future.

The Government wants to ensure that the Emissions Trading Scheme (ETS) is working as well as possible.

The ETS prepares New Zealand for a carbon-constrained future by providing businesses and consumers with the incentives and encouragement they need to reduce their greenhouse gas emissions.

In creating the ETS the Government worked to minimise the destructive effect such a scheme could have on job creation, and to limit cost-of-living increases for everyday New Zealanders.

This year the Government will conduct the legally-mandated review of the ETS, to see if there are any changes we can make to ensure it is working as well as possible.

The Government knows that poorly-formed employment laws can prevent businesses from expanding and hiring new workers.

We have already made it easier for small employers to take on new workers by introducing a 90-day trial period. Evidence shows that since passing that law total jobs in small firms have exceeded expectations by 2 per cent, and hiring rates have exceeded expectations by almost six percentage points.

In April this year, the 90-day trial period will be extended to larger employers also, and we expect this to encourage more businesses to take on new workers.

## **BUILDING BETTER RESULTS FROM PUBLIC SERVICES**

The Government's second major focus this year will be on building better results from the public services New Zealanders rely on.

New Zealanders expect a world-class health service, an education service that delivers for every child, a strong and effective justice system and social services that protect our most vulnerable while providing children from all walks of life with the opportunities they need to succeed.

Despite considerable investment in public services, the previous Labour Government failed to deliver on many of these expectations.

While it launched new initiative after new initiative, the Government didn't focus enough on the end result of the money it spent.

One example of this failure was in early childhood education (ECE).

Under the ECE system we inherited from Labour, the Government will this year spend a record \$1.4 billion, up from less than \$400 million a decade ago. Despite this, the number of children starting school with some form of ECE has barely increased at all and in some parts of the country up to 40 per cent of children are missing out on ECE altogether.

That is a clear case where, despite increased spending, Labour failed those who most need the Government's help.

By contrast, this Government is building better outcomes from public services by being clear about New Zealanders' priorities, by minimizing waste, scaling up what works, getting rid of what doesn't, and generally focusing our investment on changes that bring results.

Fiscal pressures and demographic trends reinforce the need for this approach.

The Government is motivated to improve the results from public services not only to better serve the taxpayers of today but also to ensure a better deal for the next generation.

We are building a future with more highly-skilled citizens, who have better job prospects, greater life choices and, in turn, who live in a society with less dysfunction, unemployment, welfare dependence and crime.

We want all Kiwi kids to have a fair crack at life, and for this to be a country that does all it can to give children the opportunity to succeed.

### **Focus on Vulnerable Children**

The Government will in 2011 bring a special focus to improving the results of public services for New Zealand's vulnerable children.

These are services aimed at ensuring all children, no matter where they are born or how much their parents earn, have the opportunity to get a good start in life.

We are concerned that in the past 10 years, despite hundreds of millions of dollars extra being invested across health, education, the benefit system, Child Youth and Family and the justice system, public services have too often failed the children who need them most.

Despite decades of good intentions from government, we're still failing too many of our kids.

I have spoken previously of my concerns about a growing underclass, and vulnerable children are at the heart of that issue.

The Government doesn't believe that throwing more money around will improve the lives of these children. If it were that simple, then New Zealanders could expect significant improvements in outcomes for vulnerable children to have occurred in the past decade. They haven't.

I also don't believe that these results can be improved quickly, or easily.

Despite this, the Government has identified some specific legislative and policy steps we will take in 2011 to build better results from the services we provide for New Zealand's vulnerable children.

In the social development area these will include stronger support for children in State care, changes to improve the results of early intervention programmes funded to help vulnerable children, such as Family Start, and any changes that may result from the Ministerial Inquiry into a serious case of child abuse.

It will also include changes to the benefit system in response to the advice of the Welfare Working Group, more about which is detailed later in this statement.

In the justice area, this will include further work to protect children from abuse, introducing new laws to toughen the penalty for neglecting or ill-treating a child, as well as introducing a new offence of failing to protect a child from the risk of death, serious injury, or sexual assault. We are also developing measures to improve the treatment of children who appear in court as witnesses and victims, to minimise the trauma they face.

In health, this will include building on the improved levels of childhood immunisation achieved by this Government so far, making improvements to maternity and early parenting services to reach those most in need and taking action to reduce the incidence of rheumatic fever - a serious health issue strongly associated with poor housing and overcrowding.

In the education area, this will include further steps to promote participation in ECE for children most at risk of missing out, an expansion of conduct and behaviour services in schools, and the identification of children who are falling behind at school through the ongoing implementation of National Standards in literacy and numeracy.

Across government, we will be implementing **new approaches to social service delivery**.

We recognise that no matter what the Government does, it is ultimately families which raise children, and that social services need to support families to better provide for their own children.

We are concerned that Government-funded social services too often operate in silos, dealing with family members and their issues in isolation from what might be happening elsewhere in their lives or their family.

This often leads to the ‘five cars up the driveway’ syndrome where families are confronting multiple agencies, each working on one or two issues with separate family members.

We favour approaches which give families and communities responsibility for themselves, and that bring agencies together to deal with needs of the family as a whole, and in particular the needs of their children.

Our Whanau Ora programme is a stand-out example of this new approach.

Whanau Ora groups together social service contracts and empowers community providers to work with families to get to the heart of their issues. This year 25 Whanau Ora providers will be working across the country to improve the lives of families and their children.

We look forward to applying the lessons we learn from Whanau Ora programmes to improve the results we get for social service funding across Government.

## **Welfare Reform**

New Zealand should be proud to be a country with a social welfare system that looks after its most vulnerable citizens and that supports people when they can't find work, are ill or aren't able to work.

But we should be ashamed that others remain on a benefit for years even though work is available to them. That is no way forward for them and it is no way forward for New Zealand.

More than 10 per cent of New Zealand's working age population receives a main benefit. Perhaps even more worryingly, more than 220,000 children are living in benefit-reliant households.

That's not good enough. We have to improve the results we are getting from our welfare system.

Welfare reform for this Government is not just about financial outcomes. It's about improving the lives of a large group of New Zealanders whose exclusion from paid work diminishes their quality of life and, perhaps most importantly, the quality of their

children's lives.

Long-term dependency robs people of confidence, motivation and aspiration. Ultimately it can rob their children of these things, too.

This Government is not prepared to leave those people behind.

We have already started to build more effectiveness in our social welfare system through the 2010 Future Focus package of benefit reforms.

Later this month, the Government anticipates receiving the final report of the Welfare Working Group. This Group was established to undertake an in-depth examination of how our social welfare system is working, particularly for those with long-term dependency.

We look forward to receiving their advice and anticipate making changes in three main areas.

The first will be changes to better support beneficiaries with children back into paid employment and to ensure they are fulfilling their responsibilities to their children.

The second will be new approaches to better support sickness and invalid beneficiaries back into paid employment.

The third will be new approaches for ensuring young people have the skills and support needed to escape the benefit system and, ideally, to prevent them from joining it in the first place.

## **Housing**

In 2011, the Government will build better results from our investment in state housing.

Our goal is to provide good quality state housing to those most in need, for the duration of that need.

Despite record levels of Government investment, waiting lists for state housing in high-demand areas continued to grow under the last Labour Government. In many cases, those most in need of a state house were held out of a property by those who could have instead moved into the private rental market.

There was also a frequent mismatch between the size and type of properties and the needs of the people who lived in them.

This Government is focusing Housing New Zealand (HNZ) on looking after tenants most in need.

From 1 July 2011 we will implement reviewable tenancies for all new state house tenants. This will allow HNZ to move on tenants who no longer need state house support.

We will also focus HNZ on managing their assets so that people are in a house that fits their needs. It is not right, for example, that under the last Government a single person might have lived in a four- or five-bedroom state home, while families of six or more lived in garages.

We are also committed to growing the pool of affordable housing, so that lower-need state house tenants, or those with more specialized requirements, can be provided for with private or community housing. Accordingly, this year we will be developing mechanisms to help grow the capacity of community organisations like the Salvation Army and IHC to provide more social housing.

## **Education**

In 2011 the Government will build improvements to the results New Zealanders get from the education system.

We value early childhood education (ECE) because we know it helps prepare children for future learning and assists parents to participate in the workforce.

However, we are concerned that New Zealand won't be able to afford record ECE funding increases into the future. Furthermore, we are concerned that in recent years these increases have not achieved the results we would expect, particularly in terms of better participation by vulnerable children.

Last year we appointed an ECE taskforce to review the value gained for our investment in early childhood education. That group will make its report and recommendations later this year. The Government looks forward to considering its advice about how we can build better results from our early childhood education investment, particularly for the children who are missing out on ECE altogether.

We are building increased effectiveness from our investment in schools.

While many of New Zealand's schools and teachers perform brilliantly, too many children are leaving school without the literacy and numeracy skills they need to succeed.

The Government's National Standards policy is designed to help schools measure and compare the literacy and numeracy skills of our children against national benchmarks, to identify those who are falling behind, and to keep parents informed about their children's progress.

This is the second year of our three-year National Standards implementation plan.

This year our National Standards plan will focus on supporting schools to ensure National Standards work effectively to raise student achievement. We will be offering targeted professional development to teachers to ensure this, as well as funding a new team of Student Achievement Experts to work alongside schools to get the most out of National Standards.

The Government wants to ensure our secondary schools adequately prepare students for future work or training.

We are concerned that too many students are leaving secondary school without even the basic qualification needed to enter trades training, and that too many of our schools focus on preparing students for university when other pathways may be more appropriate for many of them.

This year we will progress our Youth Guarantee policy. This is designed to give secondary schools and tertiary providers the flexibility to design learning programmes that suit the need of a wider range of young people.

We will this year open eight Trades Academies. These will provide hundreds of students the opportunity to learn a trade in a school setting while also ensuring they have the foundation skills needed for future learning.

The Government is building a high-quality tertiary education system that can be accessed by a wide range of New Zealanders wanting to improve their skills and knowledge.

Our focus is on getting better results from money in the existing budget for tertiary education and ploughing any savings into creating more places for students to take up education and training.

There has been good progress so far, with universities this year set to provide record numbers of student places, and funding in place to allow for 16,500 additional places across the wider tertiary education sector, as compared to 2008.

In 2011 we will undertake a careful examination of lower-level tertiary provision, such as that provided in level one and two certificate courses. We will ensure this significant area of expenditure is focused on those who stand to gain the most from it, such as young people and those without qualifications.

We will also focus on improving the results from the investment we make in workplace training. We will work with employers to ensure we maximise the value of the investment we make to encourage them to take on apprentices and up-skill their staff.

The Government will continue work to build better value out of the interest-free student loan system, including considering further changes to encourage repayment by graduates living overseas.

## **Health & ACC**

In 2011, the Government will continue our focus on providing a strong public health service that delivers the high-quality care New Zealanders expect.

We are concerned that in the past too many of our precious health dollars have gone into bureaucracy, at the expense of services for patients.

We have already made good progress in righting the balance.

The health bureaucracy has been significantly streamlined, with fewer administration staff across the Ministry of Health and District Health Boards (DHBs), significantly fewer committees, a reduction in the number of Primary Health Organisations from 81 to 46, and this year we're moving to four regional training hubs consolidating medical training instead of all 20 DHBs having their own training programmes.

This has freed up funding for frontline health services and it will continue in 2011.

In particular, we have established Health Benefits Ltd. to undertake bulk purchasing and to provide better value support services to health providers.

We will also maintain our focus on building better services in hospitals by streamlining their processes and improving their productivity. Already we are seeing more operations, and doctors and nurses changing the way wards run so they can spend more time caring for patients.

We will ensure that the health service focuses on providing high-priority services as effectively as possible, through the use of public health targets.

The use of these targets has already improved health services to the public. We have, for example, delivered record increases in elective operations – an extra 400 people a week are getting operations like hip replacements, cataract and gall stone removal.

Specific targets for 2011 will include ensuring the volume of elective surgery increases by a further 4000 patients a year, that 95 per cent of patients wait at an Emergency Department no longer than six hours, ensuring cancer patients receive necessary radiation treatment within four weeks, and achieving 95 per cent immunisation coverage of two-year-olds.

We are also working to take pressure off our hospitals and to improve public health by expanding the range of health services provided in the community.

We are working with DHBs and some primary care organisations to improve patients' access to services, closer to home. This includes direct access to x-rays and scans without needing a specialist appointment, minor surgery in GP clinics, and in Auckland, a network of extended hours clinics.

We will continue our work to build better results for the ACC levies New Zealanders pay. In particular, we will extend the accredited employers scheme, and introduce experience ratings and no-claims discounts to reduce levies for employers with strong safety records.

## **Justice, Law and Order and Public Safety**

The Government will continue to build better results for the investment we make in ensuring law and order and providing justice, through our Police, courts and prison systems.

Our goal is to build a safer New Zealand.

We believe the public should, wherever possible, be protected from violent criminals and that a tough approach is needed to ensure this happens. We also want to build greater effectiveness in the mixture of policies New Zealand has to prevent crime and rehabilitate offenders.

We have already passed a three-strikes law to keep our worst repeat offenders in prison, strengthened laws against gangs, increased Police numbers - particularly in Counties-Manukau - introduced a Fresh Start Youth Justice programme to divert young offenders from crime, increased rehabilitation services in prisons and launched a huge assault on the 'P' industry.

In 2011, addressing the Drivers of Crime will form an important part of the Government's work to make New Zealand safer, by prioritising early interventions to stop people becoming criminals.

We will continue work on four key areas where we know early intervention can help divert people from a life of crime. These include increasing maternity and early parenting support, targeting services at young people with behavioural and conduct problems, progressing legislation designed to minimise alcohol-related harm, and developing tools for diverting low-level offenders and providing additional support to those most at risk of offending.

We will build the effectiveness of the services provided by the New Zealand Police through the continued roll-out of the Policing Excellence Programme. This focuses on increasing prevention of crime through increased Police visibility on our streets, and new ways of resolving minor offending, for example; by taking better account of victims wishes for redress.

We will build the effectiveness of the court process. This will include more wide-spread use of video-links in court proceedings, and the passage of legislation to simplify court procedures and lower the number of unnecessary court hearings.

We will improve the effectiveness of the legal aid system through new laws and operational changes that respond to Dame Margaret Bazley's review.

This Government has placed a special emphasis on the rights of victims. After all, they are the people the criminal justice system is built to serve. We have, for example, introduced new "on-the-spot" safety orders to help Police to intervene early in suspected incidents of domestic violence. And we are providing new grants and services to victims of serious crime, funded by a \$50 levy on all offenders.

In 2011, we will complete a review of the Victims' Rights Act and introduce legislation that will further improve the treatment of victims of crime and the services available to them.

We will also continue to build the effectiveness of our corrections system by improving

efforts to rehabilitate offenders and prevent re-offending. This will include opening new Drug Treatment Units in our prisons, prioritising rehabilitation of youth prisoners and increasing the number of prisoners in employment.

The government will continue work to help reduce the impact of high-risk drivers and young drivers, as part of its Safer Journeys road safety strategy.

## **Conclusion**

The Government has announced that this year's General Election will be held on Saturday, November 26th.

This year's election will be about which party has a realistic plan to achieve faster economic growth for New Zealanders. Growth that will deliver the jobs, higher incomes and better living standards New Zealanders aspire to and deserve.

It will also be about who can build the best results from public services and who has the better plan to build a safer New Zealand.

The Government will be working hard to achieve these goals and implement our programme to build the brighter future that New Zealanders and their families want.

At the end of the year, we will be asking New Zealanders to support that programme and to support the proven leadership that we bring to the table.

With the help of our confidence and supply partners we have been able to provide stable Government and we look forward to the opportunity to do so again, should New Zealanders vote for us on November 26<sup>th</sup>.

