

POST-CABINET PRESS CONFERENCE: TUESDAY, 27 JANUARY 2015

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PM: OK. Well, good afternoon and happy New Year. I hope you all had a restful and good summer break as, indeed, I did, and you've come back refreshed and looking forward to the year ahead. As you know, I've just returned from my trip to Europe, where I attended the meetings of the World Economic Forum and the International Democrat Union. The trip offered a great opportunity to talk to a range of leaders and to exchange views about economic issues and what countries are planning to do in Iraq around the issue of terrorism.

In short, it's clear that a broad range of countries are working on contributions to the international effort against ISIS. This was a key topic of conversation in my meetings with the Prime Minister of Turkey, the Netherlands and Sweden, amongst others. With respect to a potential New Zealand contribution, decisions are still a matter of weeks away. Scoping work is still being undertaken by Defence. Ministers will take their findings into account, alongside advice from MFAT and other relevant agencies.

In terms of economic issues, internationally there's a lot of interest in New Zealand at the moment, as we are seen as one of the few countries with a growing economy. New Zealand's GDP growth is expected to average around about 3 percent over the next 5 years. Employment is increasing and wages are rising faster than inflation. At the same time, we are benefiting from an extended period of low interest rates, and the Government is working its way towards a surplus and repayment of debt. So we have a story that people are genuinely interested in. Our focus this term is to continue to deliver further steady reforms that deliver better results for all New Zealanders.

One area we are concentrating on is housing, which will be the focus of my first speech of the year in Auckland tomorrow. Nick Smith's speech last week showed the Government's commitment to reforming the Resource Management Act to increase land supply, reduce red tape, and make housing more affordable.

I'm going to talk about another important aspect of housing policy, which is social housing. Quite a lot has changed in this area over the last couple of years, because our focus has been on getting a more diverse and fairer social housing system that works better for tenants. So MSD, rather than Housing New Zealand, now assesses whether people need social housing. Importantly, we've made it so you don't have to live in a State house to get income-related rent subsidies, which is the greatest level of housing support the Government actually provides. People with high housing needs can get the subsidy if they live in a property run by an approved community housing provider and they've been referred there by the Ministry of Social Development.

We've also introduced reviewable tenancies, so we can encourage and support people to move out of social housing if and when their circumstances change and other accommodation is available.

We're taking these new approaches in social housing because we don't think the old system worked as well as it could do for tenants or, indeed, for taxpayers, and they fit into our wider approach to delivering better services to vulnerable New Zealanders who need government support. Tomorrow will be about setting out next steps in this social housing programme.

Just looking to the rest of the week, on Thursday I'll be in Auckland. On Friday I'll be visiting Rotorua. The following week, as is the tradition, the National Party will be holding its full-day caucus at Premier House on Tuesday. I'll be heading to Waitangi at the end of the week.

Questions?

Media: Prime Minister, will you give details tomorrow of State housing stock that is going to be sold?

PM: Yeah, we'll be broadly giving you an indication of what we think the make-up of social housing will look like, and the sort of broad mix between new housing providers and Housing New Zealand.

Media: So will you give some numbers tomorrow on how many houses the Government intends to sell?

PM: Yeah, I can deliver a better indication of what that programme looks like and what those numbers might look like over the course in the next few years.

Media: Are we talking thousands of houses being sold?

PM: Ah, I think you'll be better to wait tomorrow, but, I mean, the overall focus here is to accommodate more New Zealanders in social housing. So we know there's a need. We know at the moment that the primary provider has been Housing New Zealand. The very clear message from the Government is we want to provide more houses to New Zealanders. How do we do that without the Government deploying more and more of its balance sheet? And we think that by using community housing providers in a more targeted way, we can accommodate more vulnerable New Zealanders. So that will require a change in the balance sheet, but you'll get a sense of that tomorrow.

Media: Will the overall number of houses under social housing increase or decrease according to your policy, no matter who the owner is?

PM: The overall number will increase.

Media: So houses will go on the block tomorrow?

PM: Well, more New Zealanders will be accommodated in social houses.

Media: But houses will be sold?

PM: But more people will be accommodated in social houses.

Media: How concerned are you about the Auckland housing market—the signs are setting back to 10 percent annual inflation growth in that market? We've got a mortgage war with interest rates getting down to, you know, levels we haven't seen since the global financial crisis. That's going directly against what you're trying to do. I mean, what's—how concerned are you?

PM: Well, there's a couple of things happening there, isn't there? I mean, for a start off, there's clearly renewed confidence in the economy, and I think you can see and feel that New Zealanders, and particularly those living in Auckland, are feeling better about the economy. They're more interested in buying a house. Secondly, those low interest rates, which are now much more likely to continue for longer, are encouraging people to get into the housing market.

What the Government is seeing, like everybody else in Auckland, is a lot more activity. More houses are being built; a lot more land being released. But, yes, we want to make sure that Auckland doesn't turn into a housing bubble that has a big impact on the rest of New Zealand, and the way to do that is to deliver more stock, that's what—

Media: But that won't work in the short term, though, will it? I mean—

PM: Well, you saw more housing—more land released, I think, in the last 9 months of last year than you did in the 9 years prior to that. The economic building activity and the

housing construction activity in Auckland is rising very, very rapidly. So I think you can see a lot more supply coming on and you will, in fact, see more supply.

Media: But the Reserve Bank can't really hike interest rates to deal with that problem because there's no inflation, so a number of economists are suggesting they are going to have to turn to other tools to try and deal with Auckland. Are you comfortable if they have to do that?

PM: Well I'm not aware of any new ones that they're proposing at this point. I mean we saw them have, you know, LVR ratios as one idea. I can't rule out that they won't come to the Minister of Finance with other alternatives or other ideas. And if they do, then we'll go through the same process we did last time, which is consider the merits of those. But we haven't seen any of those yet.

Media: But on the numbers of what you see in Auckland, with the way it is heading, do you think that those types of measures are warranted?

PM: Well, I think the first and most important thing that we can do is ensure the fast release of land and the maximum amount of resources available to build properties, and there's no question we are seeing that. This is not a new issue in terms of Auckland, but the approach that we have been taking as a Government is new and it actually is working. But you're right that very low interest rates and the continuation of those low interest rates is likely to spark demand. To a certain degree, migration has some impact on that, so there's some elements there.

I mean, overall, these aren't new issues for us to contend with. They are a sign of confidence in our economy. So rather than probably lament all of that or try and magic it away, I think we are a lot better to say what can we do to fix the situation. Let's build a lot more houses. You're certainly seeing that happening in Auckland.

Media: Doesn't it concern you, though, that house prices are rising much, much faster than _____ **4:39:59**

PM: I think in Auckland that's the case—that they are rising faster—and that does concern the Government, and that's why we've had so many special housing areas now announced in Auckland. Like, if you look at the number that we've announced, the bulk of them have been in Auckland. But if you take somewhere like Hobsonville—which is, well, was in my electorate; it's just moved out of it—that is the largest single housing development in Australasia. So it's not like there aren't a lot of houses being built in Auckland, I mean, the interesting question—I mean, last week as I see it from the media I was following from Davos, there was an interesting debate about whether house prices were going to collapse in Auckland—and by up to 25 percent. So I'm not suggesting that's going to be the case; I'm saying there's lots of interested parties here.

Media: But they were saying that was going to happen in 5 years' time. What we're dealing with here is a short-term problem of a demand problem in Auckland that could potentially cause a financial stability issue in New Zealand. So what can the Government do to help the Reserve Bank—

PM: I don't think it's going to cause a financial stability issue. I think what you have got is, you've got, you know, a buoyant New Zealand economy, you've got low interest rates in Auckland, and you've got people wanting to buy properties. No question about that. But equally what you've got is building consents at much higher levels than we've seen them for a very long period of time and a lot of activity to build new houses. And I think, in the end, this is, you know—there's two sides to this equation: demand and supply, and, in my view, the way to resolve it is through supply.

Media: So Auckland being in the top ten cities in the world in terms of the most expensive housing—is that, to your mind, a crisis?

PM: Well, it's definitely not a crisis and, also, I think you've just got to be a little bit careful—that is one survey. So that's Demographia, and Demographia don't use interest

rates as the measure around affordability. So, if you look at Roost or the Massey surveys, they do consider those and they give you quite a different picture.

So, I mean, in the end it's a pretty simple issue, isn't it? It's, you know, how many new houses are coming into supply versus how many people are demanding those houses. And all the Government can do is what it is doing, which is make it a lot easier to build houses. Go and have a look at how much activity there is taking place in Auckland. The answer is a hell of a lot, and it is as a result of those special housing areas. And it argues the case why we need permanent reform to the Resource Management Act, and we need to continue to increase that supply.

Media: So you're doing nothing to curb demand in the short term?

PM: Well, the demand side of the equation has always been the preserve, really, of the Reserve Bank.

Media: Well, you could do immigration.

PM: Ah, yeah, but to a certain degree, what's changed in New Zealand has been around the number of people leaving not around the net number of people coming in. Quite a lot of those people who are coming in are actually helping solve the issue. So if you want to close off, you know, for instance, people coming to New Zealand, you'll be closing off a lot of the Irish builders that are part of the solution, not part of the problem.

Media: We got some inflation figures out last week showing very low inflation—potentially deflation. Is that going to make it harder for the Government to get to its surplus this year?

PM: It's one of the factors that affect the surplus because, effectively, very low inflation affects the Government's revenue. So insomuch that it has a slight negative impact on the revenue numbers—and you saw that reflected in the DEFU—it's a really good news story for the rest of New Zealand. So if—

Media: Are you going to stick to your target of getting to a surplus?

PM: We are, and the Minister of Finance's view still remains that we can get there. But my point would be, you know, if at the margin it knocks around the Government revenue a little bit but it is good for New Zealanders, I would much rather have that scenario than the other way around.

Media: So you'll accept a deficit, given that it's caused by low inflation?

PM: That's not the Government's intention. It's to meet the surplus target, and that's what we'll be aiming to do. But you are talking about a very, very finely balanced number on the back of a \$220 billion economy. But, as we know, inflation is fundamentally poor for New Zealanders. It erodes their savings and it forces up interest rates. The counterargument of that, of course, is what we currently have, which is real wage growth, low levels of inflation, and low levels of interest rates. That's actually good for New Zealanders.

Media: What do you intend to do about the Mike Sabin police investigation? Do you expect him to stand down from the committee or as an MP?

PM: Oh, I just don't have any comments to make at this time.

Media: When did you find out about it?

PM: I don't have any comments to make at this time. If I have something to say on it, I will, but I don't at this point.

Media: Your MPs are openly speculating about a by-election. You don't expect one?

PM: I don't have any comments to make.

Media: But why don't you have any comments to make?

PM: Because I don't.

Media: Is that because there's a police investigation under way?

PM: I don't have any comments to make.

Media: Just on ISIS—did other leaders put pressure on you to join the forces against it?

PM: No, but what we did do, in talking to other leaders, was get an opportunity to exchange views on what they are thinking of doing. And there's quite a big range out there. But what there is a uniformity of view is that countries need to do something to stand up to ISIS. I think we can see from the despicable acts of the Japanese hostages right through to the other brutality that has been administered by ISIS that they are a great and worrying force. These people are a death cult and countries do need to do something to stop them. But every country is going to take a different view. As I said in my speech in November, we'll make the decisions on what we think are in the best interests of New Zealanders. One of those options might be to train some Iraqi forces, and that's something that we're actively exploring at the moment.

Media: Does that mean if we do contribute, should New Zealand brace for some kind of retaliation?

PM: I don't think so, but my point would be that we're not going to have—you know, if you're a believer, as I am, in independent foreign policy, I'm not going to not take steps because of threats from a terrorist group. Otherwise, by definition, you don't have independent foreign policy; you have foreign policy determined by a bunch of terrorists. And, actually, that isn't going to keep the world or New Zealand any safer. I mean, in fact, actually standing up to ISIS and reducing their threat, in my view, makes it a safer world for New Zealanders.

Media: Given what we saw with the Japanese hostages, though—that was retaliation, according to IS.

PM: I think IS will always try and claim those things, just as they have claimed them with others. That might be a convenient excuse that they use, and they use a great many. I wouldn't take too much out of their comments.

Media: After speaking to other leaders, are you leaning more towards sending troops over there?

PM: No, I think I'm in the same position I was late last year, which is I don't think New Zealand should be fighting Iraq's war for Iraq. I think, in the end, the best way through all of this is actually the Abadi Government making decisions which demonstrate to their people that they are inclusive and that they will encourage and encompass the views of all the three parties over there: the Kurds, the Shiites, and the Sunnis. But ultimately, they may need some support in making sure that they can defend that position, and that may involve some training. And I think that's a credible thing we can do. We're not going to send air capability we don't have, you know, in the form of air strike capability. We don't have that. There's many other things I don't think are right, but we might possibly be able to add that area. That's something we've got Defence looking at.

Media: You have in the past said that there is some risk of retaliation. Why are you now saying there isn't much of a risk?

PM: Well, I'm just saying I don't think that position actually changes.

Media: And what did you mean when you told the BBC that there has to be some contribution—that that's the price of the club? What did you mean by that?

PM: Well, my point there is that there's collective responsibility, and, in the end—we run an independent foreign policy, we make our own decisions, but, actually, I do think that, you know, no one single nation is going to defeat ISIS or any other terrorist group that's out there, but collectively we can work. And that's not just the United States and the United

Kingdom; that's the position held by the Netherlands and by Turkey and by Sweden and by a great many other countries.

Media: Is that reason enough to join the fight against Islamic State?

PM: I think it's reason enough that all countries who are like-minded would be of a view to try and do something, cos I don't think it's actually physically feasible or possible for one country to solely take that view. And my view is that New Zealanders are prolific travellers. We have lots of people in that region. We have—experience shows us that whenever there are significant terrorist threats, there is a high probability that a New Zealander will be a casualty as a result of that. So, in the end, should New Zealand play some small part to stand up against ISIS? I think, on the balance of probabilities, the answer to that is yes. But I think that's true for pretty much, you know, most countries that are of a like mind. And I think that they will.

Media: Prime Minister, on tomorrow's speech, previously it's been said about a third or 22,000 of the State houses are in the wrong place or the wrong size. Could we see that many being sold? Could we see 22,000 or, you know, 20,000 houses being sold?

PM: No.

Media: You said that after whatever happens, there'll be more social housing.

PM: Yeah.

Media: Is that because you've got guarantees from those other social housing providers that they will provide more?

PM: Well, I mean, ultimately the way we provide that social housing is the number of people that have the opportunity to, essentially, benefit from an income-related rent. Evidence shows us that when we've broadened that criteria or that eligibility out from just Housing New Zealand, that does bring other interested players in. So, certainly, the Minister for Social Housing and the Minister of Finance have had extended conversations with a range of different providers, and they have certainly indicated—under the right conditions—their interest.

So I think, you know, in a way, I think the way to think about this issue at the moment is—in a world where only Housing New Zealand could provide an income-related rent was a world that said the only way to build better access for New Zealanders was effectively for Housing New Zealand to either lease or build more houses. I think that's a very narrow window of opportunity for people. So I actually think Housing New Zealand does have a lot of stock that's either in the wrong place or the wrong configuration. To give you one example, about 30 percent, I think, of the demand for Housing New Zealand homes is actually for single-bedroom homes, but only 9 percent of the stock is in that case.

So we need to think more creatively, because right at the moment what we've got is a system that's locking out a whole lot of people in need. It's locking in a whole lot of people who could otherwise move and won't, and we're configuring our stock in the wrong order and in the wrong place. I think the test won't be how many houses Housing New Zealand owns vis-à-vis, you know, the Salvation Army or somebody else. The test will be: are we providing more accommodation to families in need? If we can meet that test and do better, then I think, overall, New Zealanders will support it.

Media: Is the Government prepared to sell some of that housing stock to community providers at a discount or at cost, in terms of just getting them into the game?

PM: Potentially, and we've already done a bit of that, because you can see that—I think it was last year we established the Social Housing Fund with about \$100 million, and that provided some capacity for those social housing providers to get in there. And there might be a very good reason why we want that. Because, for instance, some of those social housing providers are providing lots of services to those particular clients, and they may be

better placed, actually, to look after all of the affairs of that family as opposed to just MSD, which might be providing just one service.

Media: Are you wanting to sell some of those State houses to private landlords rather than community groups?

PM: Well, that has happened, because we've sold about a thousand houses, I think, last year. And it's been a range of different buyers there. So, again, it might be something that's possible if those resources are, you know—depending on how they're deployed and where they're used. But, again, you could have some houses either in locations that don't make sense for them to be there or in completely the wrong location, and that just frees up resources to do something else with them.

Media: But the bulk of them are going to iwi and community groups?

PM: That would be probably my expectation, but it also can be reconfiguration. I mean, you've seen a number of stories of that in that regard. But, for instance, you know, it might be that there's a group of State houses in a particular area and they could be knocked over. A group of affordable homes and social houses could be erected in that area—a great many more and in different configurations, but potentially with different owners of those. So it's a more sophisticated way of dealing with the problem.

Media: And if you do end up selling thousands of houses, would you describe that as an asset sale?

PM: It's definitely not. Selling individual State houses—you know, almost no matter what number—is not an asset sale. As we know, Meridian, under the previous Labour Government, sold Southern Hydro, and that was about 15 percent of their balance sheet, and I don't recall Trevor Mallard at the time referring to that as an asset sale.

Media: Did you discuss David Bain's compensation today?

PM: We had a discussion about that issue in relation to David Bain. So, as you saw last week, the Minister issued a press release saying that the judicial review process that had been sought by Bain's counsel had ceased. And what the Minister is now going to do is, in the course of the next few weeks or so, come back to Cabinet with a next-steps process.

Media: Do you have a time frame for that?

PM: I think she'll be back within a month, in terms of what the next steps are, but in terms of determining what those steps actually are, that's going to take some time, I think.

Media: You don't have a time for a final decision?

PM: No.

Media: Eleanor Catton has said that she is very angry with the Government. She's speaking at a festival in India. She said that New Zealand is dominated by neo-liberal, profit-obsessed, very shallow, very money-hungry politicians who do not care about culture. What's your response?

PM: Well, you know, she has been aligned with the Green Party, and that probably summarises the Green Party's view of this Government. I don't think that reflects what most New Zealanders either perceive of the Government. If it was, they probably wouldn't have voted for us in such large numbers. And I'm disappointed if she doesn't have respect for the work we do, because I have tremendous respect for what she does as a writer. And that's why I think she's been so widely acclaimed and won the Booker Prize.

Media: You're not bothered that she's taken these criticisms to the world stage? It's been quite widely reported in India.

PM: Look, in the end, it's a free world and people will judge New Zealand on, you know, its record and its merits. I'm certainly very happy with the reports and the, you know, overall progress that the Government's been making on behalf of New Zealanders. We've had an election and they judged that themselves.

Media: Can you be any more specific about the timing as to when the Government will make a decision about sending troops to Iraq?

PM: No, except to say that the Defence personnel have been working on the issue, and I think some of them have been in country in Iraq dealing with that issue, but it wasn't on the Cabinet agenda today. I don't know whether it will be next Monday. It's a wee way away.

Media: How many people in Iraq are we looking at?

PM: It's no more than 10, but I can't tell you—oh, you mean in terms of, overall, how many could go there?

Media: No, how many are there at the moment?

PM: It's certainly no more than 10, but I can't give you the exact number. Gerry Brownlee's office would be able to do that.

Media: What sort of people are they?

PM: They're people who are doing scoping studies on the place that we could operate in if we went there, what capability would be required, all that sort of—I think they're from a range of different backgrounds.

Media: The place they're looking at, is that likely to be in Baghdad?

PM: No, I don't think so—no.

Media: Are they all Defence Force personnel?

PM: I think so, from memory.

Media: Did Cabinet today discuss putting any regions of New Zealand into official drought?

PM: It didn't discuss that issue. I know that our Minister for Primary Industries has been looking at that, and there are areas where, I think, he's deemed to be medium. Certainly, we are trying to work with those communities. You know, the Wairarapa being the obvious one. There's parts of the South Island. I mean, at the moment, all I can say is that, look, we are obviously concerned. We're trying to provide those communities support. There are options available to them—everything ranging potentially from hardship grants to dealing with IRD. But as—you know, we'll assess that situation and see what happens. Hopefully there'll be some rain coming in the short term for them.

Media: In your discussions with the leaders and CEOs of Davos, what surprised you about what they are saying about the economy and how it might affect us?

PM: There's a mixture of views on what will be the result of falling oil prices. So I would say, generally, the consensus view that I picked up is the one that I would certainly share, which is that it's great for consumers but there are some concerns that it will have an impact on, obviously, the fiscal position of a number of countries. That's certainly true in a place like Russia or, you know, Saudi Arabia or Norway—places where they have huge oil exports. Yes, it may have some impact on their balance sheet, but I would largely argue, you know, they can afford that and it's of no great consequence—Russia being probably the odd one out there. But, overall, the impact on consumers is quite strong.

The other thing, I think, that really came through in Davos is that, despite the fact that there has been the election of, now, what is a pretty left-wing Government in Greece, there's no appetite from European leaders for a substantial rewrite of the conditions that Greece will face. I'm sure they'll have some discussions, but in the final analysis, I think there was a

clear message from European leaders that they expect Greece to meet the conditions that were negotiated with the European Union.

Media: On Iraq, did the other world leaders accept the limitations of what New Zealand can do, or did you find yourself under pressure to do more?

PM: We certainly aren't under pressure. We did discuss, you know, what they were doing and everyone is a bit different, from the UK that's had air strike capability—and I think David Cameron had quite an extensive discussion with Barack Obama about it, and you saw that reported in the UK and US media. I think people understand that, but I think where New Zealand is prepared to do things, it's always welcomed, and you saw that in Afghanistan. But there is quite a realistic view of what we can do.

So in the whole Iraq situation and with regard to ISIS, I don't think I can recall a single leader actually coming and saying "New Zealand should do something." or asking New Zealand to do something. But I think every country is looking in horror about what's taking place and asking the obvious question: what could we do to try and stand up to ISIS? I genuinely believe the option is not to do nothing, but, equally, it's not necessarily to do some of the things that some people have suggested.

Media: When you make a final decision, will you give the New Zealand public an assurance that it won't go beyond _____ **16.59.15?**

PM: I would be very happy to do that, yes.

Media: In Australia there has been concern expressed about an Australian—actually now a former Labour Party official—who has gone to fight for the Kurds against ISIS. Would you be worried if any New Zealanders went across to fight against ISIS?

PM: We have reports of people who are in both Syria and Iraq—New Zealanders. You know, who they are fighting for and, you know, what cause they are fighting for is always somewhat of a debate. My general view would be to urge New Zealanders not to go engage in that fight, even if they believe they're standing up to that force. I think that's not the right approach, because in the end I think it puts them very, very seriously in harm's way. So I don't think they should do it.

Media: Just back on Mike Sabin—have you spoken to him since allegations about him emerged?

PM: I haven't spoken to him this year, no.

Media: Did you speak to him at the end of last year?

PM: Not other than at caucus, no.

Media: Do you expect him to be at Waitangi next week?

PM: It would be my expectation that all members who have indicated to the whips they're going would be there. I don't know whether he has indicated to the whips he's going or not.

Media: He is the local MP, though. Would you be surprised if he didn't turn up?

PM: I would be, but let's wait and see.

Media: If there's an investigation and no charges are laid at the end of it, don't you think it's fairer for everyone, including his electorate, to actually state that the investigation is finished and no charges will be laid?

PM: I really just don't have any comments to make on that issue at this time.

Media: Do you have any thoughts on David Rankin saying there should be a ban on the burka at Waitangi?

PM: Look, I've been going to Waitangi now for—I don't know—I think the last 9 years. I can't recall a single person walking around in a burka.

Media: Do you think he's just trying to drum up some outrage, then?

PM: Well, show me the photos of people walking around Te Tii marae in a burka.

Media: He says that extremists are going around the marae around the country recruiting. Do your spies tell you that?

PM: Well, I don't need spies, unless you are counting me as a spy, because I am there. I can recall people doing all sorts of things there, but I can't recall them walking around in a burka.

Media: Are you still hopeful that you'll get Peter Dunne and the Māori Party on board for the RMA reforms? Because the initial reaction to last week's speech wasn't great.

PM: It's a little too early to tell. It's going to take, as I understand it, some time before Nick Smith is in a position to finalise the legislation and to socialise that with other political parties. My understanding of Peter Dunne's primary concerns with the previous legislation was the merging of sections 6 and 7. So Nick Smith hasn't settled, as I understand it, on what the final make-up of the legislation should look like. When I get to see that and Cabinet has a chance to debate that, and we haven't done that yet because nothing's come to Cabinet formally yet, then I'll be able to give you an indication of whether we're likely to get support. I mean, obviously, in the perfect world we'd get the broadest support possible, but, in the end, I think it's a piece of legislation that needs reforming and if we have to take it with a bare majority, we would, but obviously our preference will be to work to get a bigger majority if we can.

Media: Do you think he went too hard last week?

PM: I don't think so. I think he's really just trying to spell out that, you know, on the one hand, people express—and lots of political parties in this Parliament express—concerns about things like house prices or certain times where there are tremendous costs on businesses small and large, and while they're keen to make that case, they often don't seem that keen to support solutions to those problems. And, you know, I think you can point to the RMA. It's not the only culprit for why there are higher prices in terms of building or sometimes slowness of supply, but it's certainly one issue and, you know, we can't be blind to that.

Media: Do you think it was wise to lower the flags for the Saudi King?

PM: Well, that decision, even though it's in my name, is a decision made by the Ministry for Culture and Heritage, but it reflects the fact that the Saudi King was the head of State and the head of State of a country that New Zealand formally recognises. So that's the appropriate step that we should take. It doesn't mean that we agree with every policy that Saudi Arabia has. Clearly, they take a completely different perspective to women than, for instance, New Zealand does, and we're opposed to their view in that regard. But that's no different from saying that, for instance, the Sultan of Brunei and Brunei take to the different perspective on some of those issues than New Zealand does, but we still have a free-trade agreement with them.

So, you know, I think there are a lot of things with Saudi Arabia that we agree with, and they've been an important part of the fight against some of these extreme Muslim groups, and that's why you've got everyone from Barak Obama right through to, you know, Francois Hollande and David Cameron all in Riyadh paying their respects to the passing of King Abdullah, and I think it's appropriate for New Zealand to do the same. But the decision to lower the flags at half mast is ultimately the decision made under a set of criteria established by the Ministry of Culture and Heritage, but done in my name.

Media: Will we do it for all world leaders?

PM: We do. We do it when a head of State for a country, as I understand it—a country that has passed away—that we recognise passes away.

Media: Robert Mugabe?

PM: Well, that's possibly pushing things a little too far.

Media: Why didn't you do it for Kim Jong-il?

PM: Well, like I said to you, it's for countries that we have, effectively, a recognition and a practical relationship with. I don't think Zimbabwe in its current form or North Korea fit within that category.

Media: Did you know that decision had been made, though? Were you aware of it?

PM: Well, yes, because the press release was done in my name, and I saw that press release, and, secondly, I would expect that to happen. I mean, as I said to you, I don't agree with the position that Saudi Arabia adopts in relation to women and the rights that they allow women to have in Saudi Arabia, but I also recognise a lot of, you know, the other working relationship that we have with Saudi Arabia. In the end, he is a head of State that has passed away from a country that New Zealand has a working relationship with.

Media: Just in terms of the social housing providers and in terms of income-related rents, do you care whether the provider is non-profit or profit?

PM: I don't think I can recall a proposal I've seen from someone that is profitable. I would have to go and check it, but I'm pretty sure the way it's structured means that they are non-profit organisations. But they are organisations that, within the context of that, could theoretically use money in one sector versus another, but they typically fit within the category that you would expect—you know, the Salvation Army, the Presbyterian Support—

Media: How do you plan to deal with the discrimination that's likely to result from things like that, given that, for example, it's often queer and trans people who are left out of housing or face that discrimination, and providers like the Salvation Army have a long history of homophobia?

PM: Well, there'll be a range of providers. I mean, what we know at the moment is that prior to the changes we made to income-related rents, the only party that could provide income-related rents was Housing New Zealand. So we know that while they're the largest landlord, and will remain the largest landlord, there is a finite number of houses they either lease or loan. So the whole policy intent here is to say how do we get more vulnerable New Zealanders, irrelevant of their sexuality or ethnicity or anything else—how do we get more of them accommodated? And I think, you know, by bringing other interested parties in—internationally that's been proven to be a far more successful model. This isn't—it might be new territory for New Zealand but it's not new territory internationally. I mean, the UK—I think, Australia—quite a number of countries use a range of different providers. I think it makes sense. There's a whole lot of reasons for that. It's no different from saying, actually, in New Zealand's history we've either had Housing New Zealand, or State Advances Corporation as they used to be, and councils providing those kinds of—that kind of accommodation. Now we're simply saying there are not-for-profit community groups that could do the same.

Media: But you're not going to have any regulation on preventing the discriminating out there?

PM: Well, they'll have to meet a range of criteria. And, as I said to you, you know, I can't speak with, you know, enough authority about the criteria that one organisation might use, but all I can tell you is we're not looking at targeting one; we're looking at a set of generic policies that a whole range of community providers could meet.

Media: From your discussions in Davos, what's your reading of the global economy, and do you have any concerns about any of our major trading partners?

PM: I think the general read is the United States is doing a lot better than people have thought. I think, generally speaking, people were asking me what I thought of Asia, but my view is that Asia still remains very solid. You can see that there are concerns in Europe, and that's why the European Central Bank has undertaken now, you know, an open-ended

period of quantitative easing. But, overall, I think the markets are far less concerned, for instance, about Greece today than they were a few years ago.

Media: And our trading partners—

PM: Um, it depends on, you know, who they're exposed to. I mean, you've seen lots of changes. I mean Australia, for instance, is going through a period of reform led by the Abbott Government, but for all of that—and certainly more affected than, say, a lot of other countries by a minor slowdown in China, but on the other side of the coin, they're still expected to grow at 2.5 percent. I mean, in the end, I think all that New Zealand can do is what it's been doing, which is do everything it can to make the country competitive and successful in the international markets. And I think we're well placed to do that. Most people look at New Zealand with, I think, a degree of envy. You know, we've got relatively low levels of Government debt, relatively low levels of [un]employment, certainly very low levels of youth [un]employment compared to the rest of the world, a growing economy, and, generally speaking, we're seen as, you know, a very bright future.

Media: Obama mentioned the TPP in the State of the Union address. Do you have any fresh expectation to run to time line?

PM: Well, I had a sort of brief discussion with Mike Froman, who's the head of USTR, the trade negotiating wing of the White House, and, essentially, what I'd say is that there is—there seems to be a strong feeling that a successful TPP can be negotiated in, I'd say, the first half of this year. So you could see President Obama making that point in, as you say, in the State of the Union speech, and certainly looking to Congress whether they'll give him fast-tracked approval. There was more confidence that TPP would be concluded than the US Europe FTA, and, you know, the view that was expressed to me by Mike Froman was that they really felt that they were getting quite close.

Media: So you could have a deal before Parliament this year?

PM: Yes, potentially. I mean, it's one thing, of course, for a deal to be agreed, and then, ultimately, for that to be ratified by the Congress and Senate in the US, and the like. But, yes, in principle, I think by the middle of the year it's quite possible we'll have a deal that we'll be able to bring to the New Zealand Parliament.

Media: Did you manage to progress any other trade negotiations while you were at Davos?

PM: We weren't trying to really push any other along, other than Europe. So obviously we're just talking to the European leaders, just trying to drum up support, and it's fair to say we've got quite a bit, you know, from both, you know, the Irish and the Brits, and others. The Dutch have always been supportive. I mean, we're actively working on the Gulf States, and we're getting much closer there, and we think we'll be in a position to initial the Korean FTA in the first, sort of, half of this year.

Media: Tony Abbott's coming in for a bit of flak for making Prince Philip a Knight. Did you discuss that with him at all after you gave Prince Philip a gong, and are you surprised by the reaction that Australians—

PM: Well, I haven't discussed that matter with him. Look, at the core of it, I just don't comment on the honours system of Australia. I don't comment on the honours system in New Zealand. In the end, those honours stand and speak for themselves.

Media: Why did you make Prince Philip an additional member of the Order of New Zealand?

PM: Well, as I said, I broadly speaking don't comment on them, except I suppose I'll make one exception to say that, look, in the end, they are a reflection of the contribution of the Royal Family to New Zealand. In the end, you would never do that for the Queen, per se, because that's not the protocol. So it's up to Australia to make its own decisions of why

it does what it does, but I was quite comfortable with the decisions that we made in New Zealand.

Media: Has there been any progress on the relationship with Israel vis-à-vis the fact that we don't currently have an ambassador for trading issues there?

PM: Not that I'm aware of; you'd need to speak to Mr McCully about that.

Media: Has anyone in the Beehive been having negotiations with Israel?

PM: Well, I don't have any advice on that. Again, if you ask Mr McCully's office—that's where it would be handled, out of the foreign office, but I don't have any advice on that.

Media: The national press of Israel are reporting that Israel are making a big push to get it sorted out. Is that—

PM: Well, I haven't had any advice on that, so they may well be with MFAT and you'd need to talk to Mr McCully, but I haven't seen paperwork on that.

Media: I'm told the former ambassador, who is now your foreign policy adviser, has been having breakfast with the Israeli ambassador in Wellington in the last couple of weeks. No progress directly—

PM: He didn't raise it with me when he was in Davos with me.

Media: Why are you refusing to comment about the Mike Sabin allegations?

PM: Because I comment on things I want to comment on and I don't on things that I don't.

Media: And he's your MP and he's under fire, and you're just abandoning him?

PM: No, I'm not; I'm just saying I've got no comment to make at this time.

Media: On the question of the price of oil, do you see it as a net win, then, for New Zealand, and sort of on the flip side of that, are you concerned about oil exports and also that exploration might dry up there?

PM: I think on balance it's a net win for New Zealand. It's certainly going to positively impact on consumers, both in terms of paying less at the pump, and, secondly, with lower levels of imported inflation, and that leads to lower interest rates. So in my view it's a net win. Yes, it's true it has some impact on the oil that we export, but we import significant amounts, and in terms of exploration I think 2015 is going to be the largest year of exploration that we've seen. So look, you know, these things have some implications in the very short term, but long term I don't think it would have a dramatic impact on, you know, the big oil companies wanting to come and explore in New Zealand waters. OK, thank you.

conclusion of press conference