

POST-CABINET PRESS CONFERENCE: MONDAY, 4 MAY 2015

PM: OK. Good afternoon. So as you know I've just returned from a 10-day trip to Gallipoli and the Gulf States. It was a huge privilege to lead our country's official delegation to Gallipoli to mark the centenary of the Anzac landings. It was incredibly moving to stand on the ground where more than 2,700 New Zealanders lost their lives, and it was an experience I'll never forget.

My visit to the Gulf States was an opportunity to strengthen and grow trade and business links. New Zealand has a lot to offer the Gulf region, and a number of our businesses already have a good presence in this market. In fact, it was pretty impressive to visit a local supermarket in Dubai and see so many Kiwi brands on the shelves. I was proud to lead an 18-strong business delegation with some of New Zealand's top performing companies, including Silver Fern Farms, Tegel, Fonterra, and Orion Health. Enormous opportunities lie in these wealthy countries for a broad range of New Zealand industries, from agriculture to education services, and while trading relationships with the Gulf States will take time to build, I'm happy with the progress being made. It was extremely important to meet leaders in Dubai, Abu Dhabi, Saudi, and Kuwait face to face, and I'm much more positive about the prospect of concluding the free-trade agreement with the Gulf Cooperation Council given the response that we got.

In just over 2 weeks Bill English will deliver the Government's seventh Budget. It will be delivered in the context of a strong and growing economy and improving Government finances. Since we took office in 2008, New Zealand has made significant progress. Last year we were one of the fastest-growing developed economies in the world. We remain on track for further solid growth over the next few years. This growth is supporting tens of thousands of new jobs each year, and our economy is growing, allowing wages to rise faster than inflation. Add to that very low inflation, which is helping to keep interest rates lower for longer, and we have a positive environment for households and businesses.

The Budget will build on that progress and set out some important next steps in the Government's overall programme, but the very factors that are helping households and businesses get ahead are making aspects of the Government's finances more challenging. The combination of low inflation, low interest rates, and lower dairy prices is slowing growth in the Government revenue. Treasury now expects the Government will collect \$4.5 billion less over the next 4 years than it forecast just a year ago. Slower revenue growth means getting to surplus may take a little longer than expected, but there's no question we're heading towards a surplus, which means we can start repaying debt.

As Bill put it on Friday, if you set out to lose 10 kgs and by the end of the year you lose 9.8, it still amounts to considerable progress. So we won't be cutting services or changing direction to try and offset the lower-than-expected revenue. To the contrary, we'll continue to support the most vulnerable New Zealanders and to invest more in health and education and improve public services, and we'll focus on improving our competitiveness so the economy can continue growing in the future and support more jobs and higher incomes. New Zealanders have come to expect these kinds of considered and sensible policies from the Government. We won't be changing that approach, but over the next couple of weeks we'll make a few pre-Budget announcements, as we usually do in the lead-up to the Budget itself.

You may be interested to note the Flag Consideration Panel will launch its engagement campaign tomorrow. I welcome this next step in the process. The campaign itself has been devised by the independent panel. Ministers have had no role in it. We said that, out of respect, the public engagement process won't start till the Gallipoli commemorations were over, and that's what we've done. I'm looking forward to seeing the flag suggestions that come forward from the public and I'm confident people will take the opportunity to have their

say. But, as I've said before, in the end I'll have one vote in each referendum, just like any other New Zealander on the electoral roll.

Finally, I'm looking forward to welcoming Prince Harry to New Zealand on Saturday in his first visit to New Zealand. The Prince has asked to meet a wide range of New Zealanders, so his programme has been designed with that in mind and will see him visit six New Zealand centres. I'm confident Prince Harry will have a great time here, and I encourage all New Zealanders to pop along and get a chance to see him.

This week in the House we intend to make progress on a number of bills, including the New Zealand Business Number Bill and the social assistance bill. And also to note Wednesday is a members' day.

Finally, in terms of my own activities this week, I'm in Wellington today, tomorrow, and Wednesday. On Thursday and Friday I'm in the Taupō electorate. On Saturday I'll be back in Wellington for Prince Harry's arrival before heading to Ashburton for the National Party mainland conference. Questions?

Media: Labour says there's a clear conflict of interest over the case of the brother—the Minister's brother—who's facing indecent assault charges. Is there a conflict of interest or perceived conflict of interest?

PM: No, the advice I've had is that there is not. We were first made aware of the issue on 1 April. We took advice on that day, and the advice on that day was that there is no conflict. I think sort of further deeper advice was even sought, and that continued to confirm the position.

Media: Are you worried about a perception of a conflict of interest?

PM: Well, there will always be people that might be able to claim that case, but we work on the best advice we can get, and the best advice supports the stance I've taken.

Media: So how are you managing that—because the *Cabinet Manual* sets out a few things that you can do. How are you managing the perceived conflict of interest?

PM: In line with the *Cabinet Manual*.

Media: So what are you doing?

PM: Well, we're doing it in line with the *Cabinet Manual*.

Media: So have other Ministers taken over some of the Minister's—

PM: No, there's been no change in ministerial delegations.

Media: So did you get your advice from the Cabinet Office?

PM: Yes.

Media: And anyone else?

PM: Yes, but I'm not in a position to say that.

Media: But private advice, you mean?

PM: Well, look, the Cabinet Office, in providing advice to me, sought other advice that I'm not in a position to comment on, but I'm quite confident the position is correctly assessed and thorough.

Media: How did you come to the decision that no further action needed to be taken?

PM: On the basis of the advice I received on both 1 April and subsequent to that.

Media: You said that you asked for some deeper advice. Can you tell us what you mean by that?

PM: I can't, unfortunately, no.

Media: Will the Minister still be receiving all official documents in his or her capacity as Minister?

PM: As appropriate, yes.

Media: So some may be held back?

PM: Maybe, if there was a conflict of interest, but, as I said, conflicts of interest are not uncommon. They are well and truly catered for in the *Cabinet Manual*, and providing they are dealt with appropriately—Ministers all the time manage conflicts of interest.

Media: Labour is also drawing parallels with the Mike Sabin case and the fact that he wasn't stood down from the law and order select committee. Are you worried there could be a perception of a trend here, that you're going soft on your MPs?

PM: No. I'm quite comfortable with the way I handled that decision, as well.

Media: Prime Minister, why have you taken legal advice over the ponytail business?

PM: Oh, look, only because, as you're aware, someone's filed a private prosecution so I'm required to, obviously, do that.

Media: Are you worried about that?

PM: No.

Media: Who's paying for the advice?

PM: I will be.

Media: You're paying in your capacity as a man, not the Prime Minister?

PM: In my own personal capacity.

Media: Would you be concerned if the waitress also makes a complaint?

PM: Look, I just don't really have anything else to say about it. You know, it's been a well-traversed track over the last couple of weeks. You'll appreciate I've made lots of public comments, but that's really all I've got to say. You can just refer any other comments to what I've previously said.

Media: Have you sought any advice in the instance of her taking any legal action?

PM: As I've said, that's all I've got to say on the matter.

Media: Prime Minister, the Office of the Ombudsmen are to investigate police over their decision not to disclose whether yourself and the Minister of Police were briefed on a no-surprises briefing about the investigation into Mike Sabin. Do you support that investigation?

PM: Absolutely. Well and truly entitled to do that. I stand by the statements I've publicly made on that, which was the first I was advised was 1 December, I think it was, last year.

Media: So you're fully confident an investigation won't pull out any information that contradicts previous positions?

PM: I am, yeah.

Media: With regard to Nick Smith, in your capacity as Minister for ministerial services, why does he get an accommodation payment when he's living in a flat in Bowen House?

PM: I don't—it's a slightly complicated position. I don't claim to have all of the absolute ins and outs of it, but the advice I've had is that he is adhering to the rules as set down by both Parliamentary Services and Ministerial Services. My understanding is he has an apartment that is covered under his ministerial allowance. He does have a spare room, and I think the rules do allow for somebody to let a family or friend member stay there, and that's what he's done at no charge.

Media: I'm more interested in the fact that it's a property that is administered by Parliamentary Services and is technically owned by the taxpayer. What makes that property different, say, to the Crown properties that are occupied by yourself and Steven Joyce?

PM: Well, one's owned by the Crown, and one's leased by the Crown.

Media: So the lease is the reason for the payment?

PM: I don't think—my understanding, I think, there wasn't a payment, but you'd have to check with his office.

Media: Sorry, does he pay rent?

PM: I think he's—I think Felix—you'd have to ask him—is referring to the fact that Nick had a sort of a friend, if you like, or a person staying in his accommodation but didn't charge him any rent, and I think he's entitled to do that under the rules.

Media: Well, I was more, actually, interested in the fact that he gets paid an accommodation expense, and the recent declarations show that, and I'm just curious as to why he's an accommodation expense when he's living in an apartment that's technically already taxpayer funded. Because you'd be paying the lease on that apartment regardless of whether it was occupied or not.

PM: I don't know. You'd have to ask his office that. I don't have that level of detail.

Media: In Hobsonville, for the affordable homes, the—

PM: Sorry, in which bill?

Media: Hobsonville.

PM: Oh, yeah, in Hobsonville, yeah.

Media: In the Hobsonville homes house the top price has gone up from \$485,000 to \$550,000.

PM: Yep.

Media: Do you still consider that is an affordable home for—

PM: Well, I think, from memory, under the HomeStart programme, it's \$550,000 or less. There's a range of properties at Hobsonville. I mean, it's, as I understand it, the single largest housing development in Australasia. So there's a range of properties there from, you know, millions of dollars down to, obviously, much, much cheaper ones, but I think there are plenty of—in the experience I've had of going out there—a lot of first-home buyers and young couples buying a property there.

Media: So they put it down to rising building costs. I mean, would you be concerned if that carried on and those houses continued to become more expensive?

PM: Well, clearly, the Government is doing everything it can to try and reduce those building costs, and that's what—some of the steps you've seen us take around all sorts of importer duties and the likes reflect that. So yes, of course, we're trying to do that. I mean, just looking at the latest CPI data, I don't think the data supported that there was exponential growth in building costs. From the top of my head, I think it was around 5 percent. I'd have to check it, but across—sort of builds around the country. Land seems to be the bigger issue, and the release of that land, and that's really the issue we've been focusing on through special housing areas.

Media: So do you think these are reasonable then, given that, I mean, that's higher than a 5 percent?

PM: Would depend on the property. There really is just such a massive range there, I wouldn't really want to comment.

Media: Does the ponytail business come up at Cabinet at all?

PM: No.

Media: None of your Ministers made any reference to it?

PM: No.

Media: What about any of the caucus?

PM: No.

Media: Are you worried about your wife being called as a witness?

PM: Look, I've just got no other comments to make on that issue. Thanks.

Media: The Australian Federal Police has come out saying that their passing on information to Indonesian authorities could have led to the execution of the Bali Nine duo last week. What's New Zealand's policy on providing information about Kiwis to foreign police if it could lead to their execution?

PM: You'd have to put that to the police Minister. I don't have an answer to that.

Media: I don't think they've been getting back to us. Do you know if it's up to a New Zealand—

PM: I really don't have any details on that.

Media: Do you know if New Zealand's ever withheld information from foreign authorities?

PM: Don't have any—don't have any details on that, sorry.

Media: Just on your comments on Government revenues, you say the surplus could be delayed. The market seems to think that it won't get there this year, anyway. Are you talking about another year of deficit?

PM: No, I'm talking about this Budget year.

Media: And so you've given up on—

PM: I mean, there's no guarantees. Whatever the number that happens on Budget day—that's, in itself, still a forecast. You've got to remember we don't actually know the numbers, I think, until, you know, ultimately, when the final revenue comes in. From memory, that's October, but I might have to check that.

Media: But you expect surplus next year?

PM: We would, yeah.

Media: Are you still committed to the tax cuts before the 2017 election?

PM: Well, the Minister of Finance, I think, indicated on Friday, when he gave his speech, that, you know, obviously, conditions are difficult, but at the moment, that's what they're working on.

Media: Just on the flag—public support for it seems to be waning. Would you consider changing the way that referendum is being held, or changing any part of that?

PM: No. I mean, look, if you think about the flag referendum and this whole process, this isn't really something new. I mean, the changing of the flag has been an issue that's been debated for at least 25 years, and if you go and look in the media, there's been endless commentary and opinion pieces written about, you know, why we should change our flag. I actually think there's a very strong rationale for doing that. I wouldn't take too much out of one poll that's sort of done around sort of Anzac Day. I think that's going to have some impact on that data, and I wouldn't read too much into it until people get a sense of what an alternative might look like.

So you have to go through a process. I think once we've gone through that process, New Zealanders will vote. It's always going to be, you know, a challenging issue, but I think

when New Zealanders get a chance to consider the alternative and consider the merits of the argument it's eminently possible we'll get it over the line.

Media: Why not just have a yes/no referendum?

PM: Because a yes/no referendum doesn't actually take you very far, because a whole lot of people who would vote "yes" will only vote "yes" if they know what they're moving to.

Media: Are you planning a reshuffle in the weeks following the Budget?

PM: No, I haven't got one planned.

Media: There was comments by Judith Collins at the weekend about how she felt that [*Inaudible*] would like to be back in Cabinet.

PM: Well, I think that's just a standing position, and I don't think she's working on any sort of particular information. I think she's just simply making the point she'd like to return to Cabinet.

Media: Is that likely to happen by the end of the year?

PM: I don't know. You know, I said when Justice Chisholm's report came out that that potentially cleared the pathway back for her. There's no reason why she couldn't come back to Cabinet, but that, you know—if a vacancy presented itself, you know, she would have to be considered along with other contenders, and there are other contenders. So we'd need to consider all of that.

Media: When do you anticipate that next vacancy coming up?

PM: Don't know.

Media: Just going back to Indonesia, the [*Inaudible*] discussing any further measures to support Australia with you. Would you consider any further measures, such as withdrawing the ambassador or anything like that?

PM: We're not intending to withdraw our ambassador. We understand and have great sympathy for the issue that Australia's faced, but, in the end, it's not a New Zealander, and if we withdrew our ambassador because a national of another country was subjected to their law, as much as we are opposed to the death penalty, then you can make the case that we would be withdrawing ambassadors from quite a number of countries. So we're not intending to do that.

Media: Any other measures at all that you'd consider?

PM: Nothing I've been advised of.

Media: What about Antony de Malmanche? If it comes to that with him, would you look at withdrawing our ambassador?

PM: Look, I—other than the comments I've previously made, I really haven't got a lot to add there. I think—I may stand corrected, but the advice I was given was his lawyer himself—Mr de Malmanche's lawyer—has made the point publicly that he doesn't want the Government intervening in the process, and, you know, I think we'd want to respect that.

Media: On Auckland house prices, Victoria has just announced plans for a new foreign buyers tax. Does New Zealand risk being the odd one out, the only one that doesn't have some restrictions on foreign buying?

PM: My understanding in Australia—there may be differences by state, but for a long period of time, Australia—or I think it's a long period of time—for a reasonable period of time, at least, Australia's had a position where you can buy new properties if you're a foreigner but you can't buy existing properties. I think the changes that we saw on the weekend largely reflected that. In other words, it was more about adherence to that policy, because the Australian authorities believe that people have been going around the rules. We don't have that, but you'd have to say it hasn't worked terribly well anyway in Australia,

has it? I mean, Sydney house prices, from what I've seen, have been rising, if not as fast, then faster than Auckland house prices. So, you know, having a restriction in that area hasn't really worked.

Media: So to that end, is this tax a prudent thing then and one that New Zealand should look at implementing as well?

PM: In terms of stopping them buying existing properties?

Media: No, no. No. The 3 percent tax.

PM: Well, I might be reading it wrong but my understanding of what they were really doing was, you know, arguing the case that there should be greater adherence and following those rules around, essentially, when you buy an existing property, which you're not allowed to do if you're a foreigner. I mean, in terms of sort of stamp duties and withholding taxes and the likes, Australia, again, has had those for a long period of time. They haven't really changed the appetite, it wouldn't seem now. It doesn't mean you don't raise some revenue out of it, or at the margins it could potentially do something, I suppose, but, certainly at the moment, there isn't a great evidence that it's stopped foreigners from wanting to buy.

Media: This is a separate announcement from the Victorian Government of a 3 percent tax on foreign buyers [*Inaudible*] over \$300 million.

PM: Yeah, I mean—look, if New Zealand was to do that—and for a start off, it wouldn't be able to exempt Australians, Japanese nationals, or Mexicans, cause they're already covered under the FTAs that we have—so you'd have to look at other buyers.

Media: The median house price for Auckland—\$809,000 in March. I mean, how much higher can it go before it's unsustainable?

PM: Well, I don't know. I mean, in the end, house prices have, clearly, been rising, and the Government's response to that is pretty clear, which is, you know, try and pump up the supply volume. You know, the Reserve Bank's always looking at those issues, and you've seen the Governor, or Deputy Governor, make some comments, but, you know. The bank's always looking at what response it can also have, but you do have a situation where you've got strong levels of consumer confidence, very low levels of inflation, and very low interest rates, and, as you probably saw on the weekend, what looks like a bit of a mortgage war already taking place. So consumers are getting access to quite a lot of capital at low prices.

Media: And the Reserve Bank said last week they could cut rates again, so there's the risk that you'll see even more petrol on that fire.

PM: Possible, but they're all the things that the bank manages, of course.

Media: So what made you more, much more positive about achieving the free-trade agreement with the Gulf States?

PM: Well, I think nothing beats face-to-face contact, and they're certainly a culture that welcomes and responds well to that. We also got incredibly strong feedback from three of the four countries, or States, that we were at. So the UAE, effectively—through, obviously, Dubai and the United Arab Emirates—were very, very positive, as was Kuwait. Saudi—I don't think it's so much that they're not positive, but they're always just a bit more cautious, so we've talked through what the next steps are, and there's a meeting, I think, taking place some time later in the year. It's either with—debate on their side about who would actually attend it, but it's either economic Ministers or Foreign Ministers, and that's the next opportunity they'll have to discuss the FTA.

Media: What are still the sticking points to get that over the line?

PM: Nothing was clearly identified, so I think we've dealt with the issues that we had in Saudi, but it's really just about whether they want to take the next step. I mean, one thing

with the FTA and the Gulf States is that the tariffs there aren't high. They're 5 percent. So if you think about Korea, we faced tariffs up around 45 percent in some product lines, like kiwifruit. So they're not really high, but I just think the completion of an FTA just gives us yet another, you know, reason for those relationships to grow and be closer together and more focused from our businesses.

Media: There's a suggestion that some of it could just be personal, isn't it? There's a suggestion that it could also just be a personal issue to do with a businessman who came, invested heavily here, and he felt let down.

PM: I think that issue has been dealt with. Yep.

Media: How can you deal with it without dealing with the issue of promising or allowing live sheep exports?

PM: Well, it's, as you know, a long, and been protracted, debate over successive Governments. But as I understand it, the investor understands completely New Zealand's position, which we won't be allowing the export of live sheep for slaughter, and that we won't be changing that position. So I think, you know, he may be disappointed, but he's comfortable with the next best alternative, which is some breeding stock have been moved. He's a very large—as I understand him—a very large investor of significant quantities of livestock, so, you know, he owns a huge amount of livestock.

Media: So those breeding stock, the 900 that went over, was—

PM: I think it was a thousand, but yeah.

Media: A thousand—as a way of dealing with that issue?

PM: Yep.

Media: Given tariffs aren't high, presumably there's no sensitive industries that they're trying to protect. I mean, so did you get no indication of why they wouldn't want to just—

PM: Well, the—if you look at the history of what's been happening there, the Gulf States have been getting almost to the finishing line with quite a number of countries. I think it was last year that they finally ratified with Singapore. So they've definitely taken that next step. And the impression we got from all of them is New Zealand's the next cab off the rank, and, you know, we pushed as hard as we practically could with the Saudis. I mean, the others were effusive in their praise of why it should happen; the Saudis were a little more guarded. But I wouldn't take that as negative. I just think it's just a slightly—culturally and probably different way of dealing with it.

Media: Just another question on the Minister's brother. Are you kind of stuck between a rock and a hard place here? Obviously, you can't stand the Minister down now, because in doing so you'd break suppression.

PM: Because of—the last bit, sorry?

Media: Because in doing so you'd essentially break suppression, by revealing who the Minister is.

PM: Well, I'm not going to go through all of the rationale and advice that was provided to me, but I can just tell you that, you know, we were presented with the issue on 1 April, we sought advice straight away, the advice was very clear, and the advice was very thorough, and for all of those reasons, I'm very confident in the position we're taking.

Media: Would you stand the Minister down if suppression wasn't in place?

PM: No. No, I wouldn't.

Media: Was that a consideration in your decision—the name suppression and whether or not naming the Minister, or standing the Minister down, could—

PM: Well, that could be, you know, a factor, but there are many factors, and all I can tell you is it's what I would describe as strongly worded advice.

Media: But that was part of the consideration not—

PM: Well, there are many factors. I wouldn't really want to pull too many out of it.

Media: But that was one of the factors?

PM: You'll have to wait and see one day, if you see it.

Media: Were you told as soon as this became an issue, or was there a delay at all?

PM: I was told as soon as the Minister was aware of it.

Media: And that was how long ago? Three weeks ago?

PM: 1 April.

Media: If there isn't a suppression granted and this does become public, will you look at standing the Minister down?

PM: No. The advice is not to stand the Minister down. OK.

conclusion of press conference