

POST-CABINET PRESS CONFERENCE: MONDAY, 11 MAY 2015

PM: OK. Good afternoon. So since 2012 the Government has reduced ACC levies by around \$1.5 billion, which is benefiting businesses, workers, and motor vehicle owners across New Zealand. These levy cuts are possible because of ACC's much-improved financial performance in recent years. The Government has taken a prudent approach to ensure that levy reductions are sustainable and that they are balanced against the Government's other fiscal priorities. Today ACC Minister Nikki Kaye has confirmed the Budget next week will set aside funding for further ACC levy cuts, totalling around about \$500 million. This includes \$375 million in 2016 and a further \$120 million in 2017. Final decisions are subject to ACC's public consultation and recommendation to Cabinet later this year, but we expect the cuts will cover all levied accounts and will reduce annual costs for businesses, workers, and motor vehicle owners. If confirmed, that will take levy cuts since 2012 to around about \$2 billion. This is \$2 billion that will stay in the pockets of Kiwis. For example, this year the average ACC motor vehicle levy will fall from around about \$330 to \$195. On current projections, this is likely to fall further to around about \$120 from 2016. That's an overall saving of around \$210 for motorists, compared to current levy rates. So we're making good progress in passing on the benefits of ACC's better performance.

Minister Kaye has also confirmed today that she will introduce legislation to introduce a new ACC levy-setting framework. This is expected to take effect in 2016-17. So I'm going to hand over to Nikki. She'll run you through her remarks. We'll take some questions as per normal on this, and then I'll just come back to a few other things and take any other questions you've got. So Nikki, we're in your capable hands.

Kaye: As the Prime Minister has said, today I have introduced legislation that will put in place a new framework for setting ACC levies. This legislation has been developed over the past year and will take effect in 2016-17. It was tabled this afternoon and will be available online within hours. A new ACC levy-setting framework is needed because in recent years the process for setting levies and ensuring that they remain relatively stable has not worked as well as it could have. There have been big swings in levy rates and confusion about who and what drives the final decisions on levies. To address this, from next year the Government will release an overarching funding policy that guides the development of levies, on which ACC will consult.

This contrasts with the current approach, where the Government's role is confined to making a decision on levies at the end of the levy-setting process. New principles of financial responsibility will also be embedded into the Accident Compensation Act, and the Government's funding policy will need to stick to these. The principles are aimed at helping achieve the delicate balancing act of making sure the ACC scheme is adequately funded to withstand the economic volatilities, but at the same time ensure that levies are kept as low as possible and stable over time. ACC will also be required to publish the long-term implications of the Government's levy decisions—in other words, how the levies that it sets in any particular year impact on things like future levy rates and the solvency of the ACC accounts. This change is about making the levy-setting process clearer and more transparent. It's also about making sure levy payers have much more stable levies over the longer term. In terms of the indicative levy reductions already signalled by the Prime Minister, we're committing to at least \$500 million in levy reductions based on a funding direction that will see ACC's three levied accounts heading towards a solvency band of 100 percent to 110 percent.

The legislation is timely. This is the first year where all three levied accounts are now finally solvent. In May 2014 Cabinet made an important first step, recognising that changes to existing legislation would probably be needed. Since then, during a period of considerable short-term volatility in discount rates and actual account solvency, we've been considering how best to move towards the new arrangements. Today's announcement is the outcome

of that work. We have progressively reduced levies each year since 2012. These indicative levies take the total saving to around \$2 billion. The new legislation will help us achieve a more sustainable and transparent ACC scheme for all New Zealanders.

Media: How much of this new legislation change is because you've been embarrassed by recommendations from ACC in the past?

Kaye: None of it. Actually, if you look at where this comes from, it's a couple of things. The first is: if you look at some of the recommendations, they would lead to massive swings for everyday New Zealanders but also businesses. So it is about stability. The second thing is: there was a recent report actually, out—the Performance Improvement Framework—that actually recommended that we look at changes in the way that levy setting happens; and the third point that I'd make is if you look at actually what happens now, we set the funding policy, but it's at the end of the process via Cabinet with no transparency around it, and I think that a lot of what businesses are saying to me is they will really appreciate the Government taking control at the outset, saying what the funding policy is, and then having lots of transparency around the reporting of that.

Media: Is this because earlier there had been recommendations for ACC to cut levies more and the Government hasn't agreed to that?

Hon Nikki Kaye: Well, I think there's two parts to that. The first is the legislation currently doesn't enable stability to be at the heart of levy setting, so that is quite an important point when you look at this legislative framework. It embeds some basic principles there. One of them is around stability. The second point that I'd make is that, again, you've had these quite big swings in some of the recommendations, and also it's sort of the first year that we've actually had these three accounts in solvency. So everybody's been focused on how do we build up the investments and returns to be able to make sure we pay for those liabilities. And this is the first time where we've been able to actually say there is some inherent volatility in the scheme, and a buffer is reasonable, but we need to be able to have a decent debate about that at the outset of the levy process without over-collecting too much. And I think we're now in this great position where we can do that, and we've got some legislation that enables that to happen in a transparent way.

Media: [*Inaudible*] the political difficulty you've had though, where you've been seen to ride over the top of ACC and not cut as substantially as it proposed?

Hon Nikki Kaye: Well, again, I think it will be interesting to see what some of the business groups come out and say today, but the offline conversation that I had with one particular business group previously before—they said to me, look, they actually think this is great because it removes the political football that has sometimes been around ACC. This actually says there's a funding policy at the outset that everybody can consult and debate, and that is very clear in terms of the way that levies are set, and I think that transparency is in line with the Public Finance Act, it's in line with other pieces of legislation like the Reserve Bank of New Zealand Act, and I think that's a really intelligent thing to do.

PM: It's worth making one point, and that is that the biggest disagreements actually between where the board has made recommendations and the Government has set the levies hasn't come, actually, on the cutting levies; it's come on the increasing levies. So if you go back and look at that 2009/10 period, the board wanted to increase levies enormously, and the Government's view was that that wasn't the appropriate move. Part of what was driving that was the board wanted to fund the accounts to a much higher level of buffer than the Government thought was necessary. In fact, they were talking 130 percent for some of these accounts. I guess what we're just trying to say is rather than go through a process which the board sort of sits there and says "This is theoretically what we think is right.", when the Government would never adopt that, I think it's better for the Government to be up front. It doesn't mean that in the end there still can't be some wrangling over those issues, but, realistically, it's better to have a sort of more intelligent conversation, which is at least underpinned by what the Government thinks is the right framework and setting.

Media: These cuts are in line with ACC's recommendation last year, so doesn't that just go to show how out of step the Government is with ACC, and are you just playing catch up?

PM: No, like I said, it's been the other way around. I mean, the board has wanted to—and you've seen me answer those questions in Parliament. The board has been wanting to increase levies far more than it's been wanting to decrease levies in so much that it has had a different view from the Government. What this is really about saying is, OK, let's, as a Government, up front say what we think the right funding criteria is. The board will understand that in day one. They can then go out and make their own recommendations with, at least, the knowledge of what the Government thinks is the right funding formula, and then, ultimately, there's less likely to be changes at the other end.

Media: Doesn't this make it even more political though—

Hon Nikki Kaye: No.

Media: —that you're getting involved at the start of the process rather than at the end?

Hon Nikki Kaye: No, not at all, and just touching on Tova's point, as well, though, is the ACC board actually recommended to us the Cabinet decision in May 2014. They got to a point of 100 percent to 110 percent. So they've actually recommended that. So in terms of this discussion about whether there's a big gap between the Government and us, they've also indicated to me they're likely to head along that path. But I think one of the issues—and I've highlighted that in, I think, your Q and A—is around this issue of the residual levy going. That's what makes this situation over the next two years a little bit more complicated, in that when that goes, it could see increases in terms of ACC levies, and we're trying to offset that by ensuring that when the work account reductions happen, that happens at the same time as the residual.

But I don't think it does make it political because I think the point is that at the very outset—currently we end up making those levy decisions. All we are doing is saying at the outset what the rules of the game are, and I think that will be welcomed by a lot of New Zealanders, particularly with the reporting requirements. If you look at what happened in 2004 to 2008, the rapid deterioration of the scheme, some of the advice that I've had is that the last Government was not actually collecting enough levies to be able to pay for the long-term liabilities. Now under the new legislative framework that can never happen.

Media: Rather than reducing levies, why not put more money back into ACC services?

Hon Nikki Kaye: We will be doing that as well. If you actually look at their social investment plan, there are a couple of things in there. So the sensitive claims is a great example where we are doing more than ever to help victims of sexual abuse. I can also say to you, if you look at a couple of other things that they are investing in, more money in terms of rehabilitation. Obviously, I think, the under-13s policy will cost about \$30 million. There's actually quite a lot of social investment that's going in. We aim to do both—both reduce levies but also ensure that we care for our most vulnerable.

Media: In real terms what difference will these cuts make to your average worker or employer, or motor vehicle owner's bank account?

Hon Nikki Kaye: Well, obviously they're indicative, but I can give you a couple of examples. Obviously we've said, sort of, in terms of the motor vehicle account it's the average amount—would be in the order of about \$70. So the motor vehicle account at the moment, indicatively the reductions are about \$255 million. In terms of the work account it's about \$170 million. So the example I would give is a business where there's earnings of about a million; they'll pay about \$10,000 in ACC levies now. Within 2 years that could go to \$8,000. Again, it's a bit more complicated because you've got this residual coming off, so certain businesses won't be in that situation but some will be.

Media: No doubt the Prime Minister's right about the history of the recommendations from the board. I don't have the facts in front of me, but certainly the last year the board

was recommending far bigger cuts than you made, so could you address that? Why didn't you do it then, and aren't you just playing catch up with that recommendation now?

Hon Nikki Kaye: Well, I think there are a couple of things. You've got to look at—and this is what part of the new legislation is doing—and take a long-term view around the ACC accounts. A couple of reasons for that: the first is over the period that we've been in Government, if we'd taken the ACC board's recommendations, New Zealanders would be \$630 million worse off. So you've got to look at that long-term view. The second thing that I'd say is—and I think even the board, the chair, may have said this at select committee—what has been happening is quite a bit of volatility around discount rates. So actually we could see some of that stuff happening. We've always said, look, the Government's accounts will always be a factor, but that volatility was really significant. So we saw billions of dollars of shift in the overall claims liability.

Media: Sorry to interrupt, but last year you were defending the fact that you didn't move as far as the board went and now you seem to be saying you're doing exactly what it asked. Last year you said that was about too much volatility. Now you're saying you've got the volatility under control, aren't you?

Hon Nikki Kaye: Well, no. I think what we're saying is that if you look at the funding direction that these indicative levy cuts are based on, there are two principles that sit behind them. One is a band now, so that you can see what's a reasonable buffer to be able to account for that volatility whatever that volatility is, and the second is a long-term view. So it's over a 10-year horizon, which means you can absorb that volatility over a longer period. That's the key difference, and that's what helps lead to stability of levies.

Media: Well, looking at that buffer, from memory the Treasury recommendation was 115 to 117 percent across the earners and the workers account. You're dropping that to 110. So you're adopting a lower buffer than Treasury was recommending or have I got that wrong?

Hon Nikki Kaye: No. I think the thing you need to sort of realise is that the solvency rates have fluctuated quite significantly and so unless you take that 10-year horizon you're going to see solvency change. So at the moment I think March figures were 102 percent for the motor vehicle, 115 percent for the work account, and 127 for the earners account. But the thing is when you look over a 10-year horizon, because of some of the things that are occurring there both around claims numbers and the number of people in the workforce, you have to be looking at that longer term horizon, and that's why we're putting in this framework, so that you're not dealing with short-term issues of volatility; you're looking at a long-term framework that will enable you to be able to account for those short-term—

Media: So will the 100-110 percent be in the legislation?

Hon Nikki Kaye: The way the legislation works is that a funding policy has to be issued by the Government and there are features to that. One: what is the band? The second: what is that horizon? Is it 10 to 15 years? Is it 5 years? The third is that you might end up saying, well, over a particular time period there'll be a cap around the increases in ACC levies. But, again, people will be able to have that debate. At the moment we have signalled, based on what was a recommendation from the ACC board, that we should head towards that band, but we've said for this year, you'll be able to debate that through the current levy-setting process with the board consulting on that, and then for next year we'll be transferring at the outset, issue a funding policy, but there'll be quite a bit of debate about whether it should be 110 to 115—also that horizon.

Media: So you're saying you're not wedded to 100 to 110?

Hon Nikki Kaye: I'm saying the indicative levies are based on that, but, obviously, there'll be quite a bit of debate over the next year and a half until we actually formally issue that funding policy. The ACC board—remember, they're operating under the existing law. So they've indicated that they'll be operating at about 100 to 110 percent, but there'll be a consultation around that so people can have their say.

Media: Does this finally close the door to opening up any parts of the scheme to competition?

Hon Nikki Kaye: Well, I think what I would say to that is I don't think there's any appetite for that. I think, as I've said to you before, Rob, what is important is now that we're in this position where it's sustainable, we can look to ensure that it's performing better, and that means ensuring that we do better things in terms of rehabilitation, we have more meaningful injury prevention, we actually deal with some of the people that are in the system in terms of our courts and faster dispute resolution. I think we want to focus on those things, you know, rather than the latter.

Media: What sort of impact does this have on the Budget surplus or deficit next year and does it come out of the \$1 billion provision?

PM: It has an impact, and I don't know exactly. I'd have to go and look at that. I don't think it does flow through in that way; I think it just has an impact on the overall accounts, because the last ones, I don't think, flowed through in that way. I'd have to check it, though, to make sure.

Media: I don't think it did.

PM: I don't think it does—no.

Media: Prime Minister, on the Saudi agri-hub that we're—

PM: Shall I just finish everything? If you're done on ACC, I'll just finish off this stuff, and you can ask me whatever you like.

Media: On the issue of independence, if you're going to make it independent, why not just step those bands and then let ACC make the decision, as the Reserve Bank is a bank—I mean, it makes the decisions about the OCR?

Hon Nikki Kaye: Well, I think, you know the way that existing legislation—obviously there'll be a select committee process around it—is that the funding policy will be released, ACC will consult on it. At the end of the process, there is the ability under public interest grounds to do something different, but I think it's going to be much more rare because, effectively, the Government at the outset has been setting that funding policy. It would take quite an extraordinary event, I think, for something dramatically different to happen.

Media: But you're retaining the right to overrule them at the end of the process?

Hon Nikki Kaye: Yep, that's what is in the existing legislation that we've tabled before the House and, I mean, I think you take something like this residual, Bernard. This is an unusual issue and of course it's about historical claims, but I think that ability at the end of the process to do something different—it is important to be there, but I think it will be rarely, rarely used, but obviously, there'll be a big select committee debate about that.

Media: Prime Minister, are you concerned not so much about the impact that these cuts will have on surplus this year but on next year's surplus predictions?

PM: Sorry—one more time?

Media: Are you concerned about the impact that these cuts could have not just on this year's surplus but on next year's surplus predictions?

PM: Well, not concerned by it, but, as I said, you know, any ACC cuts run through the accounts and have an impact for the Crown. But we're committed to making sure that ACC is as affordable as possible and is sustainable as possible, and I think we've got that balance about right.

Media: So you'd prefer to do this over reaching surplus?

PM: What was that?

Media: Would you prefer to do this one than reach surplus?

PM: Well, this doesn't impact, of course, this year's surplus or deficit—you know, it's for future years, and we're quite comfortable it fits within our long-term aspirations.

Media: Could it mean that you won't make surplus next year, though?

PM: It wouldn't be my expectation at this point, but a lot can happen in that time, as we know. You know, the revenue numbers have been very different, the inflation numbers have been different, but as we sit here at the moment it doesn't impact that goal.

Media: So these cuts—they make the surplus smaller or bigger for next year and the year after?

PM: They make the surplus smaller over time.

Media: Are you talking about the—

PM: Not this year's—2016-17 going forward, yeah. They flow through the accounts, like every other one does, as well.

Media: Is that a trade-off for tax cuts, though?

PM: No, I don't think so—no.

Media: How much of the money will go towards sexual violence programmes? Did you consider any other community-based programmes or anything at all—child care, for example, social workers, and health workers and earners?

Hon Nikki Kaye: Oh, look, I'm happy to get you some detail of what the current investment plan is for ACC, but off the top of my head I'd have to check these figures. I think that the current sensitive claims is about \$15 million, but it's due to go up. We're going to be spending more on that. We are increasing injury prevention this year. I think we're going quite dramatically up from about \$14 million to \$50 million, which is quite significant. The board signed that off recently. That means more money for some of the community providers that you've mentioned.

PM: OK, that's great. So just, I guess, moving into my activities—I'll be in Christchurch tomorrow with Prince Harry and there'll be some good opportunities, obviously, for Cantabrians to say hi. On Wednesday I'll be in the Bay of Plenty for a range of visits. On Thursday I'm in Selwyn. I'm meeting with businesses and opening a local kindergarten. On Friday I'm in Auckland. On Saturday I'll also be in Auckland where I'm attending an event with Prince Harry and then farewell him before heads back for the UK. Finally, on Sunday I'll be attending the lower North Island party conference where I'll be speaking about another pre-Budget announcement. Details on that will come on Sunday. Questions?

Media: On the Saudi business hub that we've set up, are you aware that the businessman that we've gone into business with is the very one that had the live sheep export that had so many die?

PM: Ah, well, I wasn't aware of that, but I think Minister McCully's office was.

Media: When was he made aware of it?

PM: I don't know. You'd have to ask his office.

Media: When were you made aware of it?

PM: About 20 minutes before I came here.

Media: Should we be signing off on deals with a man who had 3,000 or 5,000 sheep die on one of his ships?

PM: Well, I think the real issue here is to learn from that. I can't tell you what went through Helen Clark's head, but if you're talking about that particular instance, I think it happened back in 2003, and I think she changed the policy which we've continued, which is one of banning the export of live sheep for slaughter. We do export animals for breeding, but not for slaughter. So I suspect—you know, there were a number of cases. I remember a

lot of the sort of *Sunday* type programmes running stories about the conditions and what actually ultimately happened. So a couple of things happened. One, the Government of the day changed the position. And the second thing is what dramatically changed are the conditions under which animals can now be exported for breeding. So there's a far more stringent process that has to be followed. You know, it's bound up in a lot more rules and red tape, so there are lessons that have been learnt from that.

Media: Now that you do know about the man's history, are you still happy with that \$6 million that we've given him in farm equipment?

PM: Well, I'm happy that an agribusiness hub has been established in Saudi Arabia. I think it'll be good for the establishment of our agricultural credentials in the region, yeah.

Media: His business partner told me that we compensated him for the loss of earnings as a result of the ban.

PM: Yeah, well, that's his choice of words. What I can tell you is it doesn't reflect what we believe is the outcome, which is we've established an agribusiness hub. We wanted to do that, we do these sorts of things in other parts of the world where we are at least involved in trying to promote agriculture, and in the region we think that'll be quite important.

Media: Is it a bribe?

PM: No.

Media: Are you comfortable that we've set up an agribusiness hub with this particular businessman?

PM: Yeah, well, I mean the fact that you had issues back—what was it—12 years ago, and the way that animals were transported and we've learnt from that, and it's surely a good thing. I mean, I suspect he wasn't the only person in the world that sent animals that didn't actually get to their final destination with the animal welfare issues that we would be much more conscious of today than the conditions that they were back then. I mean, so, the world's changed a lot, but that's a positive thing. I mean, we've changed our policies as a country and we've changed the conditions that are wrapped around live exports.

Media: If it's not compensation, why does he own all the equipment now?

PM: Well, in the end, we established an agribusiness hub. We want to use that to promote New Zealand. We do those kinds of things in other places.

Media: But why does he own all the equipment?

PM: Oh, you'd have to ask Minister McCully.

Media: Is it necessary?

PM: Yes, if you want to showcase the businesses that are there, yeah.

Media: The UN Security Council is tonight discussing the horrific abuse driving migrants to risk lives in Mediterranean crossings. What will New Zealand be supporting and what do you want them to be doing?

PM: Well, I don't have a briefing on it, but it's not surprising that the UN Security Council is talking about the issue of refugees. I think New Zealand will probably continue to discuss the points that we've made publicly before, which is we're concerned about the issues, we're, obviously, concerned very much about the welfare of individuals, we're concerned about people who under false pretences actually board these ships and then risk their own lives, but also, I think we'll be more than happy to talk about the programme that we have in New Zealand for resettlement of refugees.

Media: Amnesty International would like to see our refugee quota doubled. Is that something you'd consider?

PM: Not in the short term, no.

Media: On Auckland housing, how long can the economy of house prices afford for this stand-off between the Government and the council to go on for?

PM: Well, I think it's a discussion. I'm not quite sure I'd put it in terms of a stand-off. But we've never disputed that you need infrastructure to support the special housing areas, and we're responsible for some of that infrastructure. I guess our main point is we're not responsible for all of it. And, actually, both the council and the Government have responsibility to do the right thing for Aucklanders that want to buy a home. It's in both of our interests to do that. It's not simply a situation where the Government has to address this. We're partners, actually, in the special housing areas. We've been in discussions with them right from their infancy, and it's actually right that we both take responsibility.

Media: So there's some talk about a transport court. How long could that take to get up and running before we get new special housing areas in greenfields?

PM: Well, I don't know. But again, you know, the Government is going to sit down and have increasing dialogue with the Auckland Council about both its recommended initiatives of its transport plans and also how it might fund those. And, as you've probably seen over the weekend from both Simon Bridges' comments and my own, we are very committed, as a Government, to spending a lot in Auckland around transport. We've been spending about \$1 billion a year there, and that won't stop. Secondly, we do think that the council needs to think really carefully about how it allocates its own resources and the level of resources it allocates.

Media: One of the senior bank economists this morning has put out an analysis that suggests that the surge in house prices in Auckland is actually driven by the deregulation of building, if you like. That it's—

PM: It's easier.

Media: It's increasing the demand for land, because people can see that, in future, more is going to be able to be built on that land. Do you give that argument any credence?

PM: I haven't seen the analysis, but look, just in anecdotal discussions that I have with developers and others, you know, when I see people in that situation, what they largely raise with me is that the metropolitan urban limit locked off a lot of land that they couldn't access; and secondly, that the RMA and the process that they go through adds costs they have to pass on to consumers. So in a logical world where increasing supply—general economics is that actually helps reduce prices, or price increases, so I would have thought it's a slightly counterintuitive way of looking at it.

Media: I think his argument was that, you know, you're looking at a notional small bungalow in Mount Eden, and you think: "OK, in future I'll be able to build a five-storey apartment block on that, so maybe the land will be more valuable."

PM: Oh, I see, yeah. Re-development. Yeah. You're always going to get some properties—and that's one of the things. I mean, some of the individual cases that are highlighted in the media are absolutely accurate in terms of what someone might have made when they bought the property or whatever, but they don't necessarily reflect every single property in Auckland, because often they do have redevelopment capability. You know, they're a big piece of land; there may be potential to do things. So, like everything, you have to take it with a grain of salt. But I think, if you just look at Auckland, I think most of us would accept Auckland is a vibrant city that's growing. It's going to continue to grow in terms of population over the course of the next 20, 30 years, and actually it's going to need to grow up and it's going to need to grow out. And they're the two characteristics that you're going to see over the course of the—over time.

Media: Would you like to see rules change so there's more intense development around that CBD, in Parnell or Epsom or Mount Eden or Ponsonby?

PM: Well, I think you inevitably will see a bit of that, and, actually, where I live—I mean, Parnell's one of the—I think the densest suburb in Auckland. I might be wrong. But it's got very small sections. It's not IQ, I don't think, but I think it's land size, but—

Media: You saw my brief already.

PM: Well, I just saw your eyes go, so I thought I'd just correct that before we get another piece. But the long and short of it is, yeah, it's already pretty dense. So there are going to be a range of views, and we all know the sort of views of some people about, you know, building big apartment blocks in certain areas. There's always a lot of pushback. This isn't just a straightforward issue. But eventually what I do think you'll see is construction of more, intensification in certain areas, and the expansion of the city boundaries.

Media: Just one more on refugee quotas, sorry. Why won't you look at increasing the refugee quota?

PM: Well, we take 750 people. We work really hard on those people to make sure they're settled properly in New Zealand. They get all of the resources and we allow family reunification, so typically, on the advice I think I've had, the numbers are much greater than the 750, and I guess, you know, we're a small country, we have to work our way through how we do a really good job for those people. So I've always been focused on the quality of service we provide to people when they come. It's a very intensive, wraparound service. You know, they need lots of support. We've got to have the right facilities to house people when they first come here, got to make sure we can get them into housing, try and transition them into jobs. Often there's language issues we have to deal with, there's education issues, there's a range of things happening, and I do think it's—it's more of a quality issue than a numbers game.

In the end, everyone can see that there are millions of displaced people, so, ultimately, if New Zealand took its quota from 750 to 1,000 I think most people would say that's actually not going to make much of a difference on the overall issue of these refugees. What will, though, is stability in the regions that these people come from. So the Turks will tell you that they've got a couple of million Syrian refugees. They'll also tell you the moment things settle down in Syria half of them will go home.

Media: Is it also because it's politically unpalatable? Because that number hasn't been changed since the 80s, has it?

PM: I don't think so, so much. You're right; it hasn't changed for a very long period of time. Would there be enormous pushback if we moved up slightly? I don't think so. People, in the most part, would say, you know, whether it's 750 or 1,000—you know, they'd probably be fine with that, but it's really just about our capacity to do a good job.

Media: Do you think New Zealand can draw any lessons from the UK election, particularly the Labour Party?

PM: I hope so, but not necessarily. Every election's different. They've got first past the post. But, I mean, the only overarching comment I'd make is that in the end, I think the economy is what drives a lot of voting patterns. And the Cameron Government has been really the standout in Europe in terms of economic performance. So I think that was a big issue. But there are certain factors which are a little bit different. I suspect some of the voting was actually driven off people being worried about the influence that the SNP might have with Labour, and whether that would see a break-up of the Union. I suspect that probably energised, you know, the Tory base, and I suspect there were some floating voters who might—who were thinking about voting for UKIP or for, basically, Labour that actually went home and voted for the Tories because they wanted to see that position off the table.

Media: Did you text Boris Johnson?

PM: Boris? No, but David Cameron did a couple of times, yeah.

Media: The Australian Government's just announced an extension of the GST to include imported digital products. You've got a review on digital products at the moment. Any chance you'd act before that review comes in?

PM: Well, the Minister, I know, is looking at this issue and getting some advice. He's been talking to his Australian colleagues. I saw some paperwork on the weekend over that, but, you know, I wouldn't want to say we're going to move there just yet, but he's certainly considering the issue.

Media: Prince Harry: do you reprimand the DPS for beating him in the pub quiz?

PM: No, but I'm not surprised that they won. In my experience of the three particular guys in question, they're real guns. The *Dominion Post* representatives will be pleased to know that—I'm directly advised by them—that they came the quiz every morning. So I'm not surprised they've got such a good general knowledge.

Media: Should they be running the country?

PM: Some people might think so, but I think I'll just leave them with their handguns and their responsibilities. Thanks very much.

Conclusion of press conference.