

POST-CABINET PRESS CONFERENCE: MONDAY, 29 JUNE 2015

PM: OK. Good afternoon. So this week New Zealand assumes the rotating presidency of the United Nations Security Council. This means we'll chair the council for the month of July. New Zealand is proud of its role on the UN Security Council so far. As the council is a body that deals with global crises, much of our time in the past 6 months has been taken up by conflicts such as those in Syria, Yemen, and Libya. With regards to Syria, the council is maintaining its pressure on the Assad regime over its alleged use of chemical weapons and obstruction of humanitarian assistance. New Zealand has played a leading role in calling for improved access to besieged areas, home to more than 440,000 people, and for a stop to attacks on medical personnel trying to deliver that aid. In Yemen, with the Saudi-led airstrikes continuing and the worsening humanitarian situation, we've called for political talks to resume and for more humanitarian assistance for the victims. We're also chairing the council's al-Qaeda sanctions committee responsible for overseeing sanctions imposed on those associated with the terror group. This includes sanctions against ISIL. There've also been a focus on the ongoing conflicts in Africa, including in South Sudan and the Central African Republic. Around the globe, the UN has about 16 peacekeeping operations currently. This month New Zealand's involved in negotiations to renew the UN mandates for Mali, Darfur, and the Golan Heights. Next month, we'll be looking at mandates in Cyprus and Somalia. We're seeking improvements to the way peacekeepers can manage the risks they face when maintaining order and protecting people in conflict zones around the world. The focus on those areas will remain during our presidency.

Chairing the council means New Zealand can promote some of the issues we campaigned on to win the Security Council seat. This includes the peace and security of small island developing States. Despite making up 15 percent of UN membership, only 3 small island developing States have served on the Security Council over the last 25 years; none of these from the Pacific. Such States rarely have the opportunity to be heard on the range of challenges they're confronted by. These include cyber and transnational crime, the exploitation of resources, and the effect of climate change. Putting that open debate on the council's agenda will allow those States to address the global community and outline their concerns and ideas themselves.

The disputes between the Israelis and the Palestinians is one of the most longstanding and intractable issues on the council's agenda. While not everyone agrees, we believe the council has a role to play in getting both sides back to the table. New Zealand is among a relatively small group that enjoys excellent relations with both Israel and Palestine. Over recent months, we've been looking constantly for opportunities to find a way in which the UN Security Council can jump-start negotiations on the Middle East peace process.

We also want to use our presidency to draw attention to what we see as failings of the council and do our bit to encourage members to consider how we can improve things. New Zealand's permanent representative to the UN, Gerard van Bohemen, will be the council's spokesman during the presidency, and Minister McCully will also travel to New York in July. We stood for the UN Security Council because we believe New Zealand can make a positive difference to world affairs and provide a unique and independent voice at the world's top table. We've been doing that for the last 6 months, and our stint as president will allow us to build on that.

Just in terms of this week, from 1 July a number of changes come into effect which will benefit New Zealanders. Starting Wednesday, all children under 13 will have access to free GPs visits and prescriptions. The average motor vehicle levy, including the annual licence fee and petrol levy, will fall from around about \$330 to \$195 per year. And paid parental leave payments will increase. For those who are eligible, the maximum weekly rate will go from \$504.10 to \$516.85. More funding will also be available to hospices to help them expand palliative care services to better support terminally ill people at home and in aged

care facilities. These are yet more examples of how a growing and vibrant economy is delivering real benefits to families.

Just in terms of this week, we'll—in the House, we'll continue the third reading debate of the Harmful Digital Communications Bill and the Committee stages of the Environmental Reporting Bill and New Zealand Superannuation and Retirement Income Amendment Bill. As for my own movements, I'm here for question time tomorrow and Wednesday, before heading up to Auckland. On Thursday I'll be in Christchurch, where I'll have a number of meetings and visits, and will deliver a speech to the Canterbury Chamber of Commerce before heading back to Auckland, where I'll also be on Friday.

Media: Prime Minister, just looking at the Horizon Housing interest in the State housing stock, do New Zealanders have anything to worry about in terms of Australians owning and managing our State housing stock?

PM: In my view, not in the least. I mean, you know, it's a theoretical thing at this point because Horizon actually haven't put in a bid and they have come to New Zealand, I think, for a bit of a recce of what's possible. But look, in the end, they are a not-for-profit charity based in Australia. They've been successful, as I understand it. They've got significant expertise and I can't see why they, in theory at least, couldn't play a role in terms of the provision of social housing.

Media: Sure, so what's your message to a State house tenant? Should a tenant be worried that their landlord changes from the New Zealand Government and the New Zealand taxpayer to an Australian entity?

PM: No, I don't think there'd be anything for them to be concerned about. At the end of the day, there will be a contract ultimately for any of the community housing providers. So, you know, whether they are an Australian-based charity or, ultimately, whether they're iwi or whether they're some other New Zealand - based charity, in the end they'll have conditions they need to meet. I mean, the purpose of what the Government's really doing is we're looking to shed some of our stock in certain locations around the country—Invercargill, as an example—and we're looking to reinvest that capital in other initiatives the Government's got. We also believe that there's a really legitimate case that the social housing providers can provide, if not as good a job, arguably a better job than potentially job than Housing New Zealand can.

Media: The Australian less privileged will be the beneficiary of this, given that this Horizon group will repatriate the money to Australia to advantage the disadvantaged there.

PM: Well, firstly, we're quite a long way ahead of ourselves because they haven't actually even put in a bid.

Media: No, but if they did do it, Prime Minister

PM: Not necessarily. It's actually, arguably, the other way around because they will have to export capital to New Zealand to fund at least the deposit part of what they're doing and that arguably is capital that was earned in Australia. So rather than New Zealanders exporting capital to Australia, it's the other way round. It's Australians exporting capital to New Zealand to invest in our social housing provision.

Media: But what about—did you put any guarantees around that in terms of the contract, in terms of would you make Horizon Housing, or any overseas entity that wants to get involved, reinvest any profit from New Zealand back in New Zealand? Would you put that guarantee on—

PM: No, I don't think you'd want to do that. I mean, for a variety of reasons. Firstly, the capital flows are likely to be much, much larger coming this way than going the other way because, as I said, you know they're going to have to pony up with a pretty big deposit and that's money they will have earned not in New Zealand, and that money will be used for the provision of social housing for New Zealanders. So that's a positive.

The second thing is we don't have those conditions on other charities. There are many charities and non-for-profit organisations that raise money in New Zealand and they expatriate it to other countries for other charities or causes, or whatever they're working on. So I don't think you would do that.

I mean, the question ultimately is, you know, firstly, is the system perfect at the moment? I think the answer to that is no. Is there a strong case that someone else can do at least as good a job as Housing New Zealand, if not better? The answer to that, I think, is potentially yes. And do these people have a proven track record? The answer is yes. So there's no particular reason why they should be ruled out. There's no particular guarantee either than they'll either be successful or ultimately want to do this.

Media: But the situation could arise, couldn't it, whereby Horizon Housing as a not-for-profit, it reinvests all of its profits back into its own services. So the scenario could easily arise where they make a profit off a house in South Auckland and then put that back into one of their houses on the Gold Coast. That could happen, couldn't it?

PM: But if you're looking at cash flows—I mean, I haven't looked at their numbers and they haven't even put in a bid, but if you just looked at cash flows, I'd strongly suggest it would take a very, very long period of time before the cash flows would be going to Australia. The cash flows are all going to be coming to New Zealand .

Media: Are you talking about them as a possible landlord only, or would, if they put in a bid in—would they have to provide social services as well?

PM: No, they don't have to provide other social services, but they could potentially provide other social services either of their own accord or in conjunction with someone else. I mean, one of the potential options here is that there are consortiums that join together with a number of interested parties. I'm not saying they will or they won't because we simply don't know. We haven't even seen whether they are going to put in a bid. But in theory the first and primary thing they have to demonstrate is that they will be a social housing provider. It is the provision of those houses for those in need that is the primary driver and they can't do anything else with the houses other than provide social housing. But whether they provide other services, that's a matter for them, but that all weighs into whose bid is likely to be accepted and whether they're likely to be successful.

Media: If the cash flow is mainly going to be coming this way, as you say—

PM: Well, it will be.

Media: Yeah. What's in it for Horizon, then? What—why? Why would they bother?

PM: Well, because a) I think they're obviously a not-for-profit charity that believes very strongly in what they're doing, which is providing, you know, accommodation for individuals who are in need. Lots of not-for-profit organisations spread their wings around the world, so they don't necessarily just stay in one location—we can point to many organisations that are like that.

Secondly, they probably do argue that they have some real expertise, so yep, they're building an asset, but that's an asset that, ultimately, they can use—maybe for extension in New Zealand; who knows what they'll ultimately do with that. But my main point to you would be that, you know, we want good social housing providers; they can do that, but if there's a cash flow argument the cash flow's coming to New Zealand and it would be for a hell of a long period of time.

Media: Is the Government looking more at leasing the State land to community housing providers rather than trying to sell the land, given that there seems to be a pretty high valuing of it?

PM: Do you mean in terms of these 4 to 500 hectares that we've been looking at, or—

Media: Both that and also the Housing New Zealand houses that you're looking to sell.

PM: I think we've got the provision to be able to do that, and that was in the Cabinet documents, from memory, but I haven't seen any of the proposals yet, so I can't tell you whether that's ultimately a route we'd go down.

Media: Bill English has said that some of the State housing stock could go to these community providers at a discount—you know, feed them to get them into the game, so to speak. Will that discount be available to Horizon, or will that discount be available to offshore buyers as well?

PM: Well, I can only tell you what he's told me, so I don't know exactly in the context of the comments he's made to you, but the basic argument around the discount is that the valuation, as I understand, that these houses are in the books at is based on an individual house and on the basis that it could be disposed of for any other purpose. And because there are such tight provisions around this—in other words, it can only go to a community housing provider and can only be used for the provision of social housing—the expectation, I think, of the Minister of Finance is they would sell for a discount. So it's—it is a discount, but whether it's a discount you can ever sort of monetise is a very different issue, because you're going to have to provide social housing.

Media: Yeah, but the Australians will get the discount.

PM: Well, they're going to put in—if they put in a bid, and that's a very theoretical position at the moment, if they put in a bid then they'll—their bid would be accepted if their bid is the best bid available and we believed it was providing the best service. I mean, in the end those who decide whether they're successful or not will have to look at the criteria, but I guess what we're saying is they're not ruled out because they're Australian-based.

Media: Who determines the rent on the properties, Prime Minister?

PM: Honestly don't know that. It'll be—you have to go and ask the Minister for Social Housing.

Media: When you're talking about the best bid, though—but do you have a bottom line where you wouldn't sell, if you didn't think any of the bids were good enough?

PM: Yeah. I think there's always the capacity to walk away from the programme. I mean, we just believe that there's a group of State houses in various locations where we believe we could take that capital out and put it somewhere else, and for—you know, I've got a big housing programme going on at the moment. If you take Tāmaki, for instance, where we're putting hundreds of millions of dollars—it's not unhelpful for us to be able to release capital and reinvest it.

Media: At what point was the Government prepared to let community organisations from overseas come into this? At what point did that come into your thinking?

PM: Oh, I don't know whether it's sort of something you can say has come into our thinking. What we're saying is: "Here's a process we're going through." If the—you know, the other way of looking at that is are they ruled out because they're not a New Zealand - based charity? The answer's no.

Media: Yeah, so was that right from the—was that right from the beginning? Were you always prepared to let overseas-based charities come into this?

PM: Well, I haven't had a discussion with the Minister of Social Housing about it, or the Minister of Finance about that particular point, but nor would I have—if they'd spelt that out absolutely clearly—would I have said no, because I think it's logical for—you know, the test isn't the "domicility" of the individual organisation; the test is can they meet the contract that we would be disposing these State houses on?

Media: So I guess what I'm saying is, when you launched the policy in your state of the nation were you fully prepared for an Australian buyer or a British buyer—or wherever—to come into this?

PM: I didn't spend a lot of time thinking about that particular issue. I was thinking about the provision of those social houses for those in need, because we want to build the amount of social houses available and we do want to change the mix of the provision of those. So it isn't something I can say I spend a lot of time thinking about, but—but I'm not ruling it out, and we haven't ruled it out, and I don't think it's actually that relevant. I mean, it's—look, some people will say they don't like Serco because they're not a New Zealand, you know, head-officed company, but, actually, there's been nothing wrong—in fact, they've done a pretty good job, from what I can see, in terms of their provision of services when it comes to prisons.

Media: So when you launched this policy at your state of the nation speech, you hadn't thought through whether or not you cared if it went to foreign buyers?

PM: Yeah, that's not the test. The test is: can they provide social houses for New Zealanders?

Media: Will the amount of cash flow kept in New Zealand in any way play a part in that test?

PM: The test is whether they can provide social houses and potentially other services, either by themselves or in conjunction with others. Will that be of net benefit to New Zealand and to those people who are renting those properties? You know, that's the test ultimately. Can they do the job and do it well?

Media: As a part of the sales agreement, will the Government specify a time frame for which these providers must hold on and provide these houses for tenants?

PM: Don't know that, but you'd have to go and check with the Minister what the contract will ultimately look like. But the contract is for, as I understand it, it's a long-run contract for the provision of social houses.

Media: Do you expect other organisations from overseas, other charities that are based overseas, to come and do this, beyond Horizon Housing?

PM: I can't rule it out, but I can't rule it in either, in the same way that I don't think you can actually rule in that Horizon will put in a bid. My understanding of it is that they've come and had a bit of a look, they might be interested and they might progress it. They also may not. It's very much in the unproven territory at the moment.

Media: And is there a case here with the Opposition that—is there a mind-set issue here? Because if you look closely at Horizon, they obviously do a very good job and could do a good job for Kiwi State house tenants. Is it a mind-set thing here that just because they're Australian they're bad or [*Inaudible*] they're bad?

PM: I can't speak for why they disagree with what we're doing, but they disagree with most of what we're doing so, you know, I guess that's why they're called the Opposition. But the bottom line here is that they don't like the fact that there could be a social housing provider providing services that are currently provided by Housing New Zealand. But my point to you would be: the current model doesn't work very well. We have quite long waiting lists, it's very sticky, it hasn't been highly effective, the previous Government left us with stock that was very badly maintained and, actually, there's not always, when it comes to specialist services maybe for certain tenants—there's not always the total wraparound service that maybe a specific provider could provide, either on their own or in conjunction with others.

So my point would be that if you go and have a look at Australia, certain states in Australia have moved to a greater provision of social houses by social housing providers. We certainly want to grow the number of houses available because what we know at the moment is there's not enough of them. Now the Government can do it either totally off its own balance sheet or it can do it with the use of other people's balance sheet. I think a mix is about right.

And, look, in the end of the day, it's no different from the provision of lots of assets that the Government has. We don't happen to own Wiri Prison, we don't happen to own two of the Hobsonville schools that are in my electorate. In the end, what New Zealanders want is high-quality services provided to them. I think they're far less concerned about whether the Government actually owns something or not. We don't own, for instance, the vast bulk of early childhood education facilities, but they provide a wonderful service for families and, actually, people like that.

Media: Could anyone set up a charity and buy these houses, for example could Serco set up a charity and buy some?

PM: I think, theoretically, yes. I mean the test isn't that. The test is that they have to be able to provide social housing which is obviously funded by the Government through the income-related rents and other subsidies that come there. So that's the test really.

Media: Prime Minister, have you had any information on two New Zealanders who have been intercepted by Israeli forces off Gaza?

PM: Are these the guys that are—

Media: Part of the freedom flotilla.

PM: I haven't had very much information, I'm just aware that they were on this particular ship, but I don't know anything else other than that.

Media: Will you be getting more information?

PM: MFAT will probably provide me more, but all I know is that they were on the ship, and that's the only advice I've got.

Media: You're not concerned about them—you haven't had any reason so far to be concerned about their welfare?

PM: I was only really briefly made aware of them this morning so I don't know anything else, other than that.

Media: The price of milk. Do you think we should be investigating that?

PM: No. I mean, if you think about milk. Firstly, there's no international price for liquid milk, there is obviously for wholesale milk. If you go and look at—I think the Opposition have been jumping up and down, but I think someone went in to see Countdown today and the price they were claiming was—I think in the UK it was selling for \$3.19, well it's been selling for \$3.19 in New Zealand. I think it's gone up 9c on average for us, at one of the supermarkets in the last 5 years. So milk prices move up and down. You have a variety of different factors. For instance, in some countries overseas the equivalent of GST isn't applied to milk, for instance. In some countries overseas, like the UK at the moment, you've got a price war that's going on. There are a variety of different factors, but for the most part, there's a big range in what you can pay for milk, from the supermarket to the dairy, but it's a pretty competitive market.

Media: Do you think it's concerning that the price of milk is pretty much double that of fizzy drink?

PM: Well, obviously, we'd encourage people to drink a lot more milk than soft drink, and we encourage parents to encourage their children to do that. But if the argument is solely one of price, in most places in New Zealand, if not all of them, pretty much, you can drink water out of the tap, and that's free. So we're not like some countries in the world where the water's not safe out of the tap. So the argument is not just as simple as price.

Media: On the UN Security Council presidency, you talked about jump-starting the Israeli-Palestinian—

PM: Yeah.

Media: Do you really believe that we can make any steps towards that in a month?

PM: Of itself, you know, there's a limited amount we can do, obviously, because if you think about it, the US and a variety of administrations have been working on this issue for a very long period of time. It's—there've been a number of summits, I think, at Camp David and others to try and get the process resolved. But in the end, New Zealand's been a long-term advocate of the two-State solution, and it's a very important part of the world, and while I accept it's a big challenge to find peace between Israel and Palestine, the prize is so significant, it's got to be worth it if we can. So that's the purpose of New Zealand having its position on the Security Council—to be able to make the case for some things which, you know, sometimes are difficult for people to talk about.

Media: What can we do in that month?

PM: Well, I think we can continue, which we are doing, to talk to the Americans and others about why this is so important.

Media: Do you think people should consume less in the way of fizzy drinks?

PM: Consume less. Some people should definitely consume less and, if you think about it, obesity's a significant issue in New Zealand. It's a growing issue, and often if you see stories about people who are morbidly obese, in some cases they consume far too much in the way of fizzy drinks.

Media: So why would—if raising taxes is a good way to stop people from smoking, why would a sugar tax on fizzy drinks not be a good way to stop them drinking fizzy drinks?

PM: It's primarily a thing of—a point of elasticity. So if you think about what's happened with smoking, we've been putting up cigarettes about a dollar a packet. So, I'm not a smoker, but from the best of my knowledge, they're sort of 20 bucks a packet. So it's taken a lot to—excuse the pun—choke off that demand. And so if you look at, say, Coke or whatever fizzy drink at the supermarket, if it's \$2 whatever for a bottle of it, you know, a litre or two litres or whatever it is—I don't really know, because I don't buy it, I don't drink it the stuff—but let's say you did for a moment. How far would you have to take the price up to actually stop people? And, also, when it comes to sugar, isn't it one of those things where the consumption of too much sugar, salt or fat is a bad thing, but the consumption of some of it's OK.

So, yes, you could put on a sugar tax and try and use that money for an education campaign, but I myself, you know, am a bit sceptical. There's—Mexico, I know, has applied a sugar tax. I think there may be other places that are certainly having a think about it, but for the most part, I reckon it would be far better for us to follow a model of better labelling, better education, more encouraging young people, particularly, to be more active, and portion control, when it comes to obesity.

Media: But that sugar tax in Mexico has actually reduced consumption significantly.

PM: It's a very debateable issue, I think, at the moment. Look, I haven't seen the most recent data. Initially, Sir Peter Gluckman said to me it was at least mixed results, but it's very early on.

Media: On the economy, what impact do you think the Greek crisis and the Chinese slowdown—they've just eased monetary policy again—what impact do you think those might have on the economy and the Budget?

PM: Well, I think—Look, if Greece leaves the euro, it could certainly have some impact on the New Zealand economy, in so much it would have a ripple effect on the global economy. I think it would have a far lower impact today than it would have if it had happened a few years ago. Firstly, Europe generally is more stable and feeling a bit more confident about its own future. I think there's likely to be the domino effect that you would have seen a few years ago. So it's not great for sentiment, and it's something we'd have to, you know, keep an eye on, but, overall, the global economy is much stronger today than it was two or three years ago, when this was a far more pronounced issue.

Media: And in China? They're have to cut money—

PM: Well, China, I mean, it's very difficult to know. I mean, there's a whole range different numbers floating around about how China's really performing but you know, for the most part, we still think they'll achieve growth of around about 7 percent.

Media: Prime Minister, just looking at the Security Council again, do you think issues in relation to Islamic State and the kind of recent terror attacks—could they come up in any form while we have the presidency, in terms of us having to make some sort of ruling or react in some way, do you think?

PM: Well, it's possible. You know, it's always possible that those issues get brought there. I mean, ultimately, there's bound to be discussions, and what you've seen over the weekend, I think, is both terrifying and horrifying for people, because, you know, this is the main argument we've been making for quite some time—that, you know, if ISIL's activities were solely limited to Iraq and Syria, it might, arguably, be easier for New Zealand to turn a blind eye, although I, personally, think that would be the wrong thing to do. But this is a group that wants to take the war to you. And while I accept a lot of people don't go to Iraq and Syria, people do travel to Tunisia. They certainly do travel to Kuwait, and I did that myself just a month or so ago. So that is the worrying factor. The Security Council's certainly the place to be debating this issue, but, as you know, there's always going to be a range of issues—a range of views there, certainly from the P5 members.

Media: On the Middle East issue of the Security Council, at the weekend, on a current affairs show and at the Otago Foreign Policy School, McCully said that the two sides, Palestine and Israel, weren't that far apart—maybe not as far apart as people thought. He came in for a bit of criticism. One of the speakers said that he was deluded and thought he was Tony Blair. But what is it that leads you—

PM: I've never thought of Murray as Tony Blair, but there you go.

Media: What is it that leads you to believe that they're not that far apart? I mean, isn't it one of the most intractable international problems that we've seen for decades. Why is it—

PM: Look, I've seen his speech. I haven't—I wasn't, obviously, there to look at all the comments in the debate. I think the point he's making is that, at the heart of all of it, most people want to live in a country and a place where there's both a future and where there's peace and stability, and where people can feel confident to raise a family. And those emotions won't be any different for Palestinians or for Israelis.

The second thing is: it's quite possible, I think, to define the major factors when it comes to the dispute. I agree, though, that those issues have been on the table for a very long period of time, and, you know, the sharing of Jerusalem or the, you know, the establishment of more housing on the West Bank and the like—so all of those issues have been around for a very long period of time. But there's been successive US presidents who have always believed it was possible, ultimately, to find a way through.

I guess the only point is: yes, of course it's hard, but does it mean that the world should give up? I think the answer to that is no. And I think his main point is just that you can at least define what the contentious points are. That's the way I would have read his speech.

Media: One of the other themes of the conference was the difficulty New Zealand has interacting with security issues, with the US on the one hand, and with its trade imperatives with China on the other, and Paul Buchanan, who you'll know—

PM: Yep.

Media: —suggested that one of the ways through the dilemma would be for New Zealand to go to the "Five Eyes" and say: "Please give us an exemption from spying on China.", effectively. What's your reaction to that? Would you ever go to the "Five Eyes" and seek for a change to New Zealand's role?

PM: Well, firstly, we obviously, for good order, don't talk about who we undertake our intelligence-gathering activities against, for very good reason, so—

Media: But Snowden has shown that New Zealand did have a role in China, surely?

PM: Well, let's just leave it in the hypothetical. But in the basis of the hypothetical, what I'd say is: no, I don't think it's likely that we would do that. I mean, we gather intelligence when we think it's in New Zealand's interests to do so, and sometimes there's a very complicated reason why we do that, or there's a very specific reason why we do that. So I don't think New Zealand's likely to go and say to its "Five Eyes" partners that, you know, various places are off limits because we believe for our trading purposes we're not going to gather intelligence.

Media: Does that create a problem for New Zealand, though? The fact that its primary security interests lie in one direction with one superpower, and maybe, arguably, its trade interests lie in another direction with a rising superpower?

PM: Yeah, I mean—look, it sort of gets distilled back down to the argument that you sometimes hear from the Greens, that will say: "Well, we shouldn't have a trading relationship with someone that we don't agree with their, for instance, their human rights record on." And my view of that's always been that an increased trading relationship, you know, breaks down barriers and opens up opportunities for those sorts of discussions. I mean, they are different things and for different reasons. We gather intelligence for quite different reasons about individuals or about, you know, countries, and I don't think we should confuse the two.

Media: But it's the first time, isn't it, in history that we've got a major decoupling, if you like, between the people we trade with the most—the EU, Britain, Australia—and our security interests.

PM: Yeah, but, a) you're making lots of assumptions and you wouldn't want to make assumptions about what we do or don't do, or why we might do or don't do things, when it comes to the intelligence space. You know, there may be a particular entity or a particular reason why we think it's in New Zealand's interests to do that, and sometimes it can be protecting our own interests, because these things go both ways.

Media: Prime Minister, previous negotiations between Israel and Palestine have been led by the UN. Is this your way of saying that they've essentially failed and would be better if the UN Security Council started to lead negotiations?

PM: No, I don't think we'd argue at all that they'd failed. I think we would argue very strongly that the US has shown the best leadership it possibly can in a very difficult set of circumstances. But my own simple point is that in the end the UN Security Council is the most important body. This is one of the more significant issues in that region and therefore, on that basis, it's the right place for New Zealand is a small country with a good relationship with both parties to be able to say: "Hey, maybe we can make some progress here." That's all.

Media: And also your focus on the small island States and how climate change plays into that, is that a deliberate timing with the lead-up to the Paris conference and are you hoping that outcomes on the our World Humanitarian Summit will play into that?

PM: Well, I think it better reflects the assurances that we gave when we were bidding for our place on the Security Council. So one of the big arguments that we made to small island developing States was that we were a kindred spirit, we'd represent their voice, we'd do a lot of listening. And climate change is certainly an issue that worries many of these low-lying Pacific States, so, you know, it makes sense for us to fulfil both obligations, recognise that risk for them, recognise that work needs to be done, but also to have their voice heard. Because they can't—as the point, I was simply making, is very few of them have ever been on the council in the last 25 years and none from the Pacific. I think, you know, we're in a process of finalising our target to take to Paris, but I think New Zealand's

record, when it comes to climate change, is a pretty good one. It's not leading the world but we're doing our fair share.

Media: Just getting—sorry, just getting the small island States on the agenda, is that success, or are you looking for particular outcomes from that debate?

PM: It's hard to know, you know, exactly how successful we'll be. I think just making the case and having those discussions is important but, you know, obviously, any progress we can make is good. But I don't want to oversell that because it's just hard to know what we can achieve in that month.

Media: You're finalising those climate change targets. G7's going for between 40 and 70 percent reduction. Can we look for something similar from us?

PM: Well, it depends what base you're talking about, because it won't be 40 to 70 percent off the 2000—off a 1990 base. I think the US's target is going to be 15 percent off 1990, I think they're talking—obviously a higher number, but it's off a 2005 base.

I think, secondly, you do have to recognise that when it comes to New Zealand, effectively, we're a developed country with a developing country's profile, because half or our emissions come from agriculture and, as we all know, there aren't simple answers to that on day one. So, you know, as you're probably aware, and ultimately when all the paperwork's released, you'll see that Treasury's done quite significant amount of work on the cost to the New Zealand economy, New Zealand household, and New Zealand business relative say to the cost of the EU—of them achieving their target. And their main argument is that it's a lot cheaper for the Europeans to achieve their target than it would be for New Zealand because of the makeup of our profile. Having said all of that, you know, I think we're starting to settle on a, you know, pretty good outcome actually—you know, what is both manageable for households, manageable for businesses in New Zealand, and also be shown to be playing our fair share.

Media: Will it have to involve some policy change from the Government to make that happen?

PM: Well, I think—there are always policy initiatives that we're rolling out. Part of what will probably ultimately make the biggest difference for New Zealand is if we can actually find a solution to methane nitrate emissions. And, ultimately, if you think about it, only half of our economy is in the traditional economy, and we have a very high proportion of our energy's renewable, so it's quite challenging for New Zealand. But ultimately I am actually confident that the greenhouse gas alliance will come up with a solution, and when they do I think you'll see quite a dramatic reduction in New Zealand's emissions profile. So in the short term we might be fretting a little bit over something that, actually, science will provide an answer to, but, like anything, I can't guarantee that today.

Media: Would you expect to see the price of milk drop in future months?

PM: Would I? I've got no reason to believe it ultimately will. I mean, I hope it does, always, because lower prices are good for consumers, but I haven't seen any particular reason why it would.

Media: Would you expect the price of milk to have some relation to what's happened on wholesale markets for milk?

PM: I don't know the exact way the pricing calculation works between the international whole-milk powder price and ultimately what liquid milk sells for; Fonterra would be able to answer those questions and the Commerce Commission are always free to go and have a look at those matters if they think there's an issue. But you'd have to say if you, I mean, go back to an argument—I mean, in 2010, you know, the average price from the food price index for 2 litres of milk was \$3.36. Arguably today it is 9c higher—\$3.45. As I said Countdown, I think, were saying today that they'd been selling it at \$3.19 for the last month. I mean, it's a pretty modest increase over that period of time.

Media: You going to the Super 15 final?

PM: I am just trying to work that out, actually. I'd like to go.

Media: And you'll be backing who?

PM: Well, it's a bit like judging a baby competition—make one mother happy and everybody else never votes for you the rest of their lives, so I'll think about who I want to say the answer to that to.

Media: More voters in Wellington.

PM: I know. Well, I mean, the truth is I'm a Blues supporter, for better or for worse, even if they are second to last, so I can go with a relatively neutral position. But it'll be a great game. The good part of the story is that hopefully it bodes well for the World Cup—a couple of very good teams.

Media: Just on the World Humanitarian Summit, what outcomes are you hoping will come?

PM: My understanding is it's a regional summit, so obviously Helen Clark's here, I think Julie Bishop's over here, but, I mean, look, it's just an opportunity to put a bit of a focus on an important issue in the region and feed back into the UN's overall programme.

Media: Did Julia Gillard ever take up your invite to stay at your bach?

PM: No, but I've been watching *The Killing Season*. Does that mean anything? Have you watched it?

Media: What are your thoughts on it?

PM: As political junkies I would have thought you'd all be glued to it on the ABC. I'm halfway through season two.

Media: Is there some link between that and your bach?

PM: Not really but she stars in the thing; it's pretty interesting. Have you watched it? Well, it'll be more exciting than this post-Cabinet press conference, so I'll leave you to go and watch it.

Media: What are your thoughts?

PM: See ya.

conclusion of press conference