

**POST-CABINET PRESS CONFERENCE: Monday, 27 July 2015**

**PM:** OK, kia ora tātou, and good afternoon. As you know, the National Party held its annual conference in Auckland at the weekend. I'm sure you'll agree it was a successful event, focused on the things that matter to New Zealanders, particularly the economy. As I said in my speech yesterday, I believe we're much more resilient as a country than we were 7 years ago. New Zealand is better placed to deal with global challenges and uncertainties, and our long-term prospects remain strong. The Asia-Pacific countries are on our doorstep, they're becoming wealthier, and they want higher-quality goods and services. National supports building strong international trade and investment connections with these countries. This is helping to diversify our economy and support higher incomes and more jobs for New Zealanders.

Our connectedness with the world also encourages highly skilled people to live and work in New Zealand. They provide us with the skills, capital, and business links we need to grow further. That's why I announced some changes to our immigration settings to help spread the benefits of migration across the country. We particularly want to help regions crying out for workers, skills, and investment. Overall, the feedback to our announcement has been positive. Local mayors and business groups have welcomed the opportunity to access the skills and capital their regions need to grow and create jobs. I want to again stress that the migration measures are about achieving a better balance of migrants and skills across the country. They're not primarily focused on taking pressure off the Auckland housing market.

As we've said many times, the key issue in Auckland is supply. The Government is addressing that in a number of other ways, and these include special housing areas, the housing accord with the Auckland Council, and the development of new housing such as at Tāmaki and Hobsonville. Of course, we also have tools to help Kiwis in affordable housing, like our HomeStart package.

Today I can advise that next Tuesday I'll be traveling to Rarotonga to celebrate the Cook Islands' 50<sup>th</sup> anniversary of self-government and free association with New Zealand. The 50<sup>th</sup> anniversary is an important milestone in our unique and close relationship with the Cook Islands. Reflecting the importance of this occasion, I'll be joined by a senior delegation of Ministers, the Leader of the Opposition and other political parties, MPs, and Cook Island community leaders. I'll take part in a formal event for the Cook Islands on constitution day, and, of course, while I'm there Prime Minister Puna and I will have a chance to discuss a range of things, from tourism to education and economic development. I'll be returning to New Zealand on Wednesday evening for a function, actually, for the New Zealand Olympic team.

Now, just in terms of coming back to the week ahead, the Government intends to continue the estimates debate and the New Zealand Flag Referendums Bill in the House this week. We also intend to begin the second reading of the Health and Safety Reform Bill. As for my movements, I'll be here in Wellington and in the House at question time as usual on Tuesday and Wednesday. On Thursday I'll be in Tauranga, and on Friday I'm heading to Hunua and Pukekohe for a number of visits. And that really probably sums things up.

**Media:** At the weekend you spoke about having tools available to deal with foreign buyers. Is one of those tools a stamp duty?

**PM:** That would depend on the country involved and both the FTA that might be relevant for that country or a double tax agreement. So the answer is yes, potentially. That's always a tool in some cases, but not necessarily in all.

**Media:** What about land taxes?

**PM:** Land taxes are generally—are available because, I think, from memory, it's not a, it's very complicated, because there's lots of double tax agreements and lots of free-trade agreements. But as a general rule we've always preserved the right to apply other taxes at

the, you know, behest of the Government of the day. So I'm pretty sure that the land tax will fit in that category and would work.

**Media:** At what point do you start looking at stamp duties?

**PM:** Well, the first step is let's just gather a bit more information, and we're working our way through that at the moment. Exactly how that information is going to be collected, what's on the box, if you like, that people have to fill in. We're trying to, obviously, work on the situation of getting the most accurate information we can, while recognising that we are dealing with non-tax residents, which is slightly different from, you know, essentially New Zealand citizens and residents. But the Cabinet's giving some consideration to that issue, because, obviously, there'll be interest in the data. And I think it's in our interest to get the most accurate information we practically can.

**Media:** Why are you so opposed to a foreign buyers register when you've got the head of Barfoot and Thompson, and now the head of Leaders, saying that they'd be happy to see one?

**PM:** Yeah, so I think everyone has a little bit of a different definition of what a register actually is, and when, sometimes, someone like Richard Thompson makes a comment like that, you pretty much have to ask him what he actually means by it. Because, for instance, a register could be right down to the individual residential address—who lives at 245 "X Road" in Auckland.

**PM:** The second thing, of course, with a register is that you would then have to—if it's really, truly a register, you'd have to record when that property is on-sold. So it's a bit like the issue we have at the moment with the Overseas Investment Office and the Overseas Investment Act. If a foreigner comes in, for the purposes of the Act, and buys, for instance, you know, some company or some land in New Zealand, that triggers the Act and we're aware of that. But, for instance, if they on-sell it to a New Zealander, they're not. So I guess the—it really comes down to what are you trying to achieve? I think, for the most part, New Zealanders are just saying we'd like a bit more information about the tax status as a proxy for the people who are buying homes in New Zealand. And we agree with that, but we don't want to do it in such a way that's so cumbersome or expensive that it's probably not justifiable.

**Media:** So could Chinese buyers face a stamp duty?

**PM:** Well, it depends on the situation today, vis-à-vis into the future. I'm pretty sure today they could; whether they can in the future will depend, I think, on a number of factors.

**Media:** And will the TPP rule out a ban altogether?

**PM:** As I understand it, the—in terms of China or do you mean the other places, other markets, other countries?

**Media:** Other places, and then China perhaps.

**PM:** So in the case of China, because Labour wrote in the most favoured nation status clause, the effect of signing the Korean FTA is that in the practical sense it stops a ban of Chinese—of Chinese buyers. So it stops the ban on a Chinese buyer by virtue of the Korean FTA and the fact that Labour put the MFN status into the China FTA. But, technically, if the Korean FTA wasn't there, then, yes, it's also possible that TPP would trigger that, but in fact the first cab off the rank, if you like, is Korea.

**Media:** Would you fix the Korean deal, or is that what you want?

**PM:** No, we don't—as I said on the weekend, you know, we do not support a ban on foreign buyers. We think that it's neither justified nor likely to be terribly effective. There's bans in other countries. You know, for the most part, countries don't have bans, but where they've had them, we don't think they've worked very well. There's lots of ways around them. If you really wanted to stop non-tax residents from owning property in New Zealand,

a far more effective way would be an ongoing tax—far more likely to be prohibitive than actually a ban, which they'd just simply get around.

**Media:** So would you prefer a land tax rather than a stamp duty?

**PM:** Well, probably at the moment we're not considering either. We're just saying that it's always important that a Government keeps tools in the tool box for that. I suspect when the data comes out it'll support the view that the bulk of the buying is actually happening, for the most part, not by, if you want to take a specific case, China—not by Chinese people with no connection to New Zealand or without, you know, residency or citizenship. I think it's a—I think it's happening, though, with residents and citizens, should I say. It's not happening from people that have no connection to New Zealand. Now, I don't know; we'd need to check that nearer the time, but that's what—you know, when we have better information, but I suspect actually that that's the case. So in which case it wouldn't have any difference, because, of course, they wouldn't be included in any kind of other provisions.

**Media:** So what sort of time frame are you looking at for this gathering of information and then doing policy work on what sort of response you'd need to do?

**PM:** Well, there's a logical order here, isn't there. I mean, the first thing is to set the rules around the information that'll be collected. We'll start collecting it from 1 October, determine under what basis and how we're going to report that data, and then once we do that, I think a public debate will ensue.

**Media:** So before the election?

**PM:** Sorry?

**Media:** Before the election?

**PM:** I would have thought—well, we're going to try and produce that information as timely as we can, so that'll be certainly well and truly before an election.

**Media:** So it could potentially be early next year?

**PM:** Yeah, I don't have any advice on that yet. You'll appreciate they're working their way through that, but, you know, once they start gathering the information, then I can't see why that information shouldn't be brought into the public domain.

**Media:** So would it be something that could apply under the withholding tax regime if you introduce that?

**PM:** Withholding tax is a different issue. So we—we, as I say, at this point, haven't seen any evidence to support, you know, a land tax or a stamp duty, but we're strongly of the view there should be a withholding tax. The difference, of course, is that—the way tax works at the moment is if you are on revenue account or you trigger the, effectively, trigger the intent rules, and therefore you're liable for tax, if you're a New Zealand resident or citizen, obviously, we have a much greater way of engaging and interacting with you.

What the withholding tax does is effectively says we're going to say as a starting premise that you owe the tax, and the burden of proof moves from the IRD saying "Maybe you owe the tax, and you have to pay us.", to "We're withholding the tax, and you have to prove to us that we have to give it back to you." So that's why we like the withholding tax, because what we've found in the past, or certainly the advice that the IRD's given us, is that there are people that have bought properties in New Zealand—probably would've been subject to tax, but they disappear into the ether and we find it very hard to collect that tax from them.

**Media:** So what advice have you had about how many people were doing that?

**PM:** I haven't seen any advice specifically. Todd McClay's office might be able to, you know, give you some better information on that.

**Media:** But you could use the withholding tax to collect, say, a land tax. You could use that mechanism.

**PM:** Again, we haven't considered that, so I don't know. All we have done is, I think rightfully so, identified that it's always important that the Government of the day has some tools available to it. I just personally don't think the ban is the right one, because the ban's a very blunt instrument. I mean, as I said, I think in the weekend, I mean, would you want to ban, for instance, an Australian buying a property in Queenstown? Would you necessarily want to ban a foreigner buying a property in Wellington, where house prices haven't been going up very much? So your bans are very inefficient things, and whereas taxes, you know, are easier to apply and actually they're a bit more coherent.

**Media:** What about sensitive land, farmland—if we sign the TPP will it make it easier, or, you know, for, say, an American to come and buy a big chunk of the Wairarapa?

**PM:** Look, I have to—they haven't completed the negotiations of that yet. And so, you know, I'd be a bit reluctant to give you—

**Media:** But will they still have to go through the Overseas Investment Office? Or will that be taken out of the equation?

**PM:** I'd prefer to give you an absolute and definitive answer later. But on balance it's the way I understand it at the moment—recognising that things can always change—that they will be subject to, you know, the sensitive land provisions. And, you know, the question, for instance with things like the Overseas Investment Act and whether that's triggered, is all to do with the threshold. And, as you've seen, for instance with the Australian FTA, we substantially increased that threshold and they increased it with us. And so for New Zealanders investing in Australia for instance, you know, in many instances they don't trigger the threshold any more. So the question is not so much about sensitive land, I think from memory; I'm pretty sure it's about whether it triggers the threshold and how much that increases. But—

**Media:** What, like \$10 million or something—

**PM:** It's all work in progress at the moment, but, yeah.

**Media:** Labour says the TPP would be trading away our sovereignty—

**PM:** Sorry, who said that?

**Media:** Labour—if they can't do a foreign-buyers ban under it.

**PM:** Well, a slightly crazy thing in the slightly schizophrenic position that Labour now have is if they felt so strongly about that, why on earth did they write the MFN provisions into the 2008 China FTA? I mean, you see, the point is that up until they had massive divisions within their caucus, they were totally supportive of basically TPP, from what I could see, and actually they weren't trying to apply a ban to foreigners.

I mean, house prices doubled under Labour in the 9 years Helen Clark was Prime Minister, and they didn't for one moment think about banning foreigners from buying, and they wrote, under exactly those conditions after house prices had doubled, a most favoured nation status clause, which gave China the benefit of any other provisions that other Governments had.

So their position's changed, and their position hasn't changed because they don't want to do a free-trade agreement with the United States. I mean, you know, are you really telling me Phil Goff, who seems to have dedicated his career to trade and to opening up trade, along with, you know, Clayton Cosgrove, and a lot of others, really believe it's in New Zealand's interest not to sign a free-trade agreement with the biggest economy in the world and the fourth-biggest economy in the world? It's just barking madness.

I mean, if they don't support New Zealanders to do—to, basically, compete and succeed in these big economies of the world, when you take away all of the things that hamper that and let them fight with both hands in front of them, rather than one tied behind their back, then they don't support New Zealand. And actually they do, it's just that Andrew Little's desperate to try and find a way to keep the left flank of his caucus in check. And the

problem you've got is you've now got the Labour Party aligning itself with the Greens, Jane Kelsey, and New Zealand First. Well, they're welcome to be there, but that's not the history of the Labour Party, and that's actually not been a successful strategy for New Zealand.

I mean, the China FTA, on the advice that Tim Groser last gave me, was 11 times more successful than the most optimistic economic modelling that was shown. So they're now telling us that that wasn't a good idea.

**Media:** But won't it depend on the deal in TPP? Because I think there's a study just out of Australia saying that the Australian free-trade agreement with the United States has actually constrained trade to the US, not increased it.

**PM:** Well, like anything, yes, of course it depends on the deal and what's negotiated, but from the things that I've seen, I'm pretty confident that on the balance of benefits New Zealand is going to do a lot better if they sign the free-trade agreement with the United States than if they don't.

**Media:** Would you have the numbers to actually pass the enabling legislation that you might need for a TPP if you didn't have Labour?

**PM:** Yes, I believe so.

**Media:** So Peter Dunne, has he given you—

**PM:** Well, he's always historically voted for free-trade agreements.

**Media:** There's also reports that Australia is leading a push against [*Inaudible*] restrictions on State-owned enterprises, in a bid to sort of combat influence of China in the region. Do you also see the TPP as a way of restricting China's influence in—

**PM:** Well, for a start off, China's not a member of the TPP-negotiating countries. So whether you alter something for TPP, you know, depending on your MFN provisions, doesn't really make any difference, actually, to what's going on when it comes to China.

The second point I would make is that we're in the process of these negotiations now and taking place in [*Inaudible*]. So the ministerial meeting is going to take place Wednesday New Zealand time. We don't know what all of those, you know, final negotiations look like. But there is give and take both ways in this thing. So, yep, people will be wanting to push back in certain areas, and we'll have to give something as well. That's the nature of any negotiation. Nothing I've seen so far when it comes to SOE's has been of concern to me in terms of the initial reporting back from our mandating team.

**Media:** One thing the Japanese Finance Minister said about 10 days ago was that if Canada and New Zealand continue to insist on access to Japanese dairy markets, they could be invited to leave the TPP negotiations.

**PM:** Canada could be invited and New Zealand could be invited to, or—?

**Media:** Countries which insisted on holding out for quid pro quos in Asian farm markets could be invited to leave the negotiations. I guess the question I wanted to put was is access to those markets a sine qua non for New Zealand?

**PM:** Well, the discussions I've had with the Japanese have been the opposite to that. For a start off, Prime Minister Abe, in the discussions I've had with him, has been very supportive of this being a high-quality deal. The United States are the ones, along with New Zealand, who've been saying this has got to be a comprehensive deal. Actually, Prime Minister Abe is the one that's been saying he needs to shoot all of the arrows in his quiver, and one of those is certainly liberalisation of the Japanese economy.

We've made some progress in terms of the agreements we already had with Japan as part of our negotiations and with the United States and Canada and others in TPP. What we are now pushing for is to try to get an even better deal. But no one's talking about walking away; everyone can see the real benefits of doing this deal. There's always a bit of give and

take and there are always domestic sensitivities in Japan. It has those domestic sensitivities.

**Media:** Well, this guy was talking about inviting New Zealand and Canada to walk away. So the question was—it seems so out of kilter with the general statements we've been hearing—whether you see this as purely an eve-of-negotiations ploy?

**PM:** Yeah, well, I mean, I've never seen any suggestion of that, and I'd be very surprised if that was to take place. We have, this has been an ongoing negotiation and its iteration upon iteration over a successive number of years. Even the deal as I last saw it, I think, is looking and shaping up quite well. It's not perfect, as I said to you a while ago. It didn't achieve as much as I would have liked in dairy; in other areas it was pretty good. But no one is suggesting, I don't think, seriously, that New Zealand shouldn't be part of TPP.

**Media:** On Auckland housing there has been new modelling from the Auckland Unitary Plan process, which says that given the existing rules only about a quarter of the new houses that need to be built would be built under the rules. You're focusing on supply as the solution in Auckland, but the modelling seems to be saying that there's no way that you can actually keep up with the demand.

**PM:** OK, well, I don't think I've seen the same report that you've seen, but what I would say is there is quite a debate, a bit of debate going on about Auckland's Unitary Plan and whether it will allow enough intensification to actually build the supply that is required. Everyone can, I think, more easily recognise and identify the greenfields sites. It's the intensification of the brownfields site that's somewhat more to debate.

I'm actually optimistic over time we'll get there. I think there will be some areas that will be easier to intensify than others. There will be a degree of nimbyism in certain parts of Auckland, which will stand pretty strongly against intensification, but there are other parts where it's pretty openly welcomed. Certainly the whole CBD rail tunnel and the investment in the infrastructure there argues very strongly, for instance, for more intensification in downtown Auckland, which is far less controversial.

So, overall, I saw a report that was written for me by one of my officials this morning, which just gave a bit of an indication of the pipeline of activity, both the designation of sections and the building programme, and it looked quite positive, I thought.

**Media:** What hopes do you have for the debate later on this week on the Security Council on small island developing States?

**PM:** Yeah, I think it's very useful, because it was one of the big commitments that we made when we asked for the support of the small island developing countries, that we would be their voice at the Security Council, and so this is one of the first times, I think, they've actually had a legitimate sort of debate at the Security Council on some of the issues they face. And I think, you know, that probably ties in to a certain degree with their views on things like climate change and other issues where they want an opportunity to have their views expressed. So I can't tell you how successful it'll be, but I think it'll be a useful and worthy debate at the Security Council.

**Media:** Do you think the council should make a definitive statement that climate change is a threat to security?

**PM:** What's always really important, I think, is that you build as big a consensus as you can, and I'm not in a position, you know, I haven't spoken to Minister McCully about that—about whether you could actually get that sort of mandate and have it supported by the, certainly the P5; some might, some might. I don't know yet. All I do know is I think we should use that position to advocate strongly for these small island developing States, across a range of issues, and clearly climate change would be one of them.

**Media:** Do you think climate change is a threat to security?

**PM:** I think it could be. I mean, it depends on how you define security, of course. Their physical security is, you know, one particular issue at point. Certainly, my views on climate change are well rehearsed now. I mean, I personally believe in anthropogenic climate change. I think it's occurring. The advice I get, it may be even occurring at a slightly faster rate than some of the models. I think we have to take it seriously, but it's a just a question of making sure everybody does their bit.

**Media:** Well, I spoke to Geoffrey Palmer this morning. He said that, you know, some small island States face the prospect of disappearing, and there's no greater threat to security than the disappearance of a sovereign State.

**PM:** Yeah, and, look, that case has been made. If you think about the Maldives, for instance, you'll remember, going back to, I think 2011, 2010 maybe, they held a Cabinet meeting underwater to demonstrate physically, you know, the kind of threat. And, you know, you can go to a few other places—you know, Kiribati, the Marshall Islands, very low-lying States—where they are deeply worried about the impact of a significant rise in sea levels. And we acknowledge that. How you might resolve those issues is a question both of adaptation and mitigation, though, and there are a number of things you could do there.

**Media:** Is one of the methods of adaptation to have—allow in climate refugees?

**PM:** Well, some time ago I was asked that question about what would happen to, say, Kiribati, for instance, if, you know, there was a significant issue. As I said at the time, I think, you know, countries would do their bit to try and support a nation if they really were in that state, and I stand by that view. I mean, it's a long way down the track but—so, I certainly won't be Prime Minister and I don't know whether there'll be a National-led Government, but I think people would understand that position and look favourably on it.

**Media:** Julie Bishop has travelled to New York in order to lobby Security Council members, including New Zealand, on setting up a tribunal. It's still not confirmed that it will be on the agenda during New Zealand's presidency. Do you see setting up a tribunal as a way of ensuring justice?

**PM:** This is for MH17, right?

**Media:** Yes.

**PM:** Yep. So, I mean, New Zealand's view is that there should be accountability and we support a regime of accountability. What we're in the process of working through at the moment is what is the best possible outcome for achieving that, and that's the debate.

**Media:** What are the different options?

**PM:** Well, I think it depends on a number of factors. It's important that whatever the Security Council decides to progress, and asks then the chair, if we progress that, that it can go all the way—in other words, that if it was decided it would be a tribunal, that tribunal could actually be established and under what terms. It's not, from New Zealand's point of view, a question of whether there should be accountability—there should be—but how do we make sure that that can ultimately pass the support of the other Security Council members.

**Media:** On dairying there's some reports that a bank is starting to call in loans in South Canterbury. Has the Government had any discussion with the banks to discourage them or talk to them about whether they should be pulling the plug there?

**PM:** I haven't, so I just can't answer whether Bill English or Stephen Joyce have, but they certainly haven't reported to me that they have.

**Media:** Serco's had \$500,000 of its \$1.2 million bonus taken off them from last year. Do you expect them to get any of that bonus this year?

**PM:** I don't know. I mean, what's happened today, essentially, you've seen is Ray Smith, the corrections chief executive, has made it clear the penalties, if you like, that they face for the June 30 year.

**PM:** So there's nothing unusual about what's happening today. It's just the bit that's, I suppose, unusual is only that he's publicly reported that rather than putting it on the online website. Look, in the end, the questions here will be better answered when we understand what's gone on. I think there's been plenty of allegations about what's taken place at Mt Eden prison, and there's some evidence, clearly—you know, fight clubs fit within that. The question is how widespread are they, and, you know, has all the reporting been to the level required, and should they face bigger penalties—you know, some potentially more extreme than just a financial fine. The answer to that is I don't know that, but that's why we've got an inquiry and also why there's been this step in provisions taken by the chief executive of corrections on Friday.

**Media:** Do you think they would be—do you think it would be acceptable for them to receive a \$1.2 million bonus this year?

**PM:** Well, it all, in the end, comes down to their contract and whether they have fulfilled their contract. You know, I've said on numerous occasions now I have very strong expectations of what I expect Serco to do. They have to honour their contract. So the Government can't, you know, via the ministry of corrections, not make payments on its contract if they're legally due and if they've been legally fulfilled. The question is have they fulfilled their obligations. And I'd be, sort of, speculating if I offered a view on that, because I simply don't know.

**Media:** Just on this third-party report proposing some pretty significant overhauls of large parts of the governance of the health system, has that come unprompted at all?

**PM:** Yes, so my understanding is, as you quite correctly identified, it's a third-party report. I think, as I understand it, it was part of a wider report that the chief executive of health actually requested, and so it was just one of the factors that they brought up. I don't think it's terribly likely that the Government would be advancing it.

**Media:** But it was noted in the Treasury document dump, in the Budget documents, that the Ministry of Health itself and large swaths of the health system are facing major budget constraints. In the absence of any significant increases of money, the governance is going have to change—

**PM:** Yeah, I mean, I think—I haven't seen the report, so I'm really working off the media reports I've seen, but the, firstly, it's not breaking news that there's, you know, financial challenges for the health system, because it is the area where, notwithstanding we put in more money every single year, there's just new procedures and new prescriptions that of course New Zealanders would want and we should be delivering for them as best we possibly can. So there's always pressure on the health system.

Secondly, it's probably not new news that some people think that there should be a restructuring of health governance. The question you have to ask yourself would be what would be gained from that, and how quickly could you implement that. And the answer is history tells you reorganisation of the health system is a trickier issue than people think and takes quite a long period of time. So, just the anecdotal feedback I've had from the Minister, I don't think it's something that they are actively looking to progress.

**Media:** Given how likely that is to progress, are you concerned at all that the Ministry of Health appears to be consulting with the [*Inaudible*] and chairs on this without the Minister's knowledge?

**PM:** Well, I suspect that they're just trying to make sure that when they have the discussion with the Minister—because this was a leaked report, so it's come out earlier. It's not unreasonable to say that, you know, given, having commissioned the report—which is, as I say, in my understanding quite wide-ranging, and this is one of the factors—that the



chief executive would want to be in a position to be able to say to the Minister: “Look, this is what the report says and this is the sort of feedback you’d get if you tried to advance it.” It’s just part of the healthy debate.

**Media:** But does it surprise you at all to see the Director-General of Health apparently making a bit of a power grab, suggesting that he should have powers [*Inaudible*] currently has and a much less democratic approach to DHB elections?

**PM:** Well, there’s—you know, given we are the funder, and the director-general, effectively, via his ministry, you know, is the majority funder, if not the sole funder probably, for the DHBs, you can understand why they might think it’s a good idea to have more control and more influence. That doesn’t mean that’s something the Government’s going to follow.

**Media:** Since McCully met with Prime Minister Waqa from Nauru there hasn’t really been any signs that they’ve actually gotten any better. Would you consider using the UN Security Council debate on [*Inaudible*] to bring this to attention and call him to account?

**PM:** Well, the Minister hasn’t raised it with me. You’d just need to take it up with MFAT, and his office will give you an answer to that, but I don’t have any update on that. OK.

**conclusion of press conference**