

POST-CABINET PRESS CONFERENCE: Monday, 3 August 2015

**PM:** Hello. I'm just conscious of the fact I've got to go to something at about 4.30, so I'm going to try to be as quick as I can, but I'm just going off to another meeting, and I've got to go back to Auckland. But anyway, I'll try and keep this brief. I'd like to start by making a few comments about the TPP, which was unable to be concluded over the weekend. I can't go into too much detail because the negotiations are continuing, but, as you know, there are a few challenging issues still remaining, including intellectual property, cars, and market access for dairy. We want to get the best possible deal for New Zealand, but, of course, not at any cost. As you know, the TPP has been a big focus for the Government over several years. It's part of our wider plan to diversify the economy by building stronger trade links, investment in economic ties around the world. An agreement would give New Zealand exporters and investors access to more than 800 million customers in 11 countries across Asia and the Pacific, including the giant economies of the United States and Japan. That's important in supporting more jobs, higher incomes, and a better standard of living for New Zealanders.

New Zealand is becoming an increasingly open and confident country that backs itself on the world stage; the Government supports that. We won't get rich selling things to ourselves; indeed, we need to sell more of our products and services to customers around the world. I'm confident that we'll reach an agreement that is in the best interests of New Zealand over the coming weeks.

New Zealand's month as the president of the United Nations Security Council concluded on Friday. Murray McCully chaired a meeting where the council endorsed the P5+1 agreement—an Iran nuclear programme to set out the process for removing UN sanctions. The confirmation of this agreement is vitally important for Iran's relationship with the West, and the hope is that we can form a basis for building trust in the regions. We're proud of the work we did in terms of the small island developing States. We did this via an open debate, which we hosted in New York last week, giving leaders and representatives from the Pacific and the Caribbean and other regions a chance to have their voices heard. We also presided over a debate on the Middle East and the renewal of mandates for a number of UN missions in the Middle East, Africa, and Cyprus.

As we know, family violence in New Zealand is far too high, and this Government is committed to addressing the longstanding issues. This Wednesday justice Minister Amy Adams will launch a discussion document that aims to ensure the laws that apply to family violence are fit for purpose. At the heart of it, this is about helping ensure people are safer in their homes and that people are not revictimised. The discussion document is intended to spark debate and a nationwide conversation about family violence and how we can do better to address it.

As you will have seen, I'm heading to Singapore on Thursday for the 50<sup>th</sup> anniversary of independence. New Zealand is honoured to be one of the small number of countries invited to celebrate this historic occasion, acknowledging the close friendship between our two nations. New Zealand exports over \$1 billion of goods to Singapore, which is also a regional hub for many of our companies and business people. Singapore is also, of course, a partner in TPP. As well as being Singapore's 50<sup>th</sup> anniversary, this year is also the 50<sup>th</sup> anniversary of diplomatic relations between New Zealand and Singapore. I'm looking forward to the celebrations and catching up with Prime Minister Lee Hsien Loong.

Finally, in terms of my activities this week, I'm heading to Rarotonga tomorrow to celebrate the Cook Islands' 50<sup>th</sup> anniversary of self-Government and free association with New Zealand. I'll be in Auckland on Thursday for a number of visits before flying out to Singapore on Thursday night. I'll be back on Tuesday morning, so there will be no post-Cab. next Monday. Questions?

**PM:** I mean, I could go now. I was going to say this'll be a record, but yes.

**Media:** I'll jump in there. Is the Government doing enough to help Philip Blackwood, who's down in Myanmar? There was some suggestion that he missed out on being one of the 7,000 prisoners who were released. Could MFAT be doing a bit more to help him?

**PM:** Look, I think it's fair to say that the Government is keeping a close eye on the situation. With all of these things, we do the best to provide support, but in doing so we want to make sure that we don't make, potentially, the situation worse. So, yep, we would be—it's obviously understandable that the family of Mr Blackwood are very disappointed that he wasn't on that list; nor were the other two Burmese that are alongside him. My understanding is that there will be some more work done, if I could put it in those terms, but that's for another day.

**Media:** Can you explain the rationale for those appointments for the Prince of Wales, to our military?

**PM:** Yeah. So OK, firstly, they are traditional. So, currently, Prince Philip holds these titles, and so Prince Charles will be holding them currently. They are consistent with what happens in other armed forces, so it will be a consistent rank with what happens both in the Canadian armed forces, and it actually has since 2009, and the British armed forces. But it is, you know, for all intents and purposes, largely ceremonial.

**Media:** So what does our military and the New Zealand public get out of this?

**PM:** Well, I think that's a very longstanding, sort of, question, but there's always been a connection with the royal family and our military, and I think they value that. From time to time when there are visits from members of the royal family you'll see them engaging very actively with our military. You know, you'll remember most recently that Harry, I think, spent some time at Ōhākea. William, on previous occasions, has been out to various military facilities. So this is, you know, as I said, ceremonial, but I think it's an important link that the military would want to continue.

**Media:** Did Cabinet consider lowering the threshold for GST on overseas goods?

**PM:** Not today, no.

**Media:** What's the state of play with Solid Energy?

**PM:** It's in a precarious position. Quite a bit of work is happening behind the scenes to see what the next step is in the process. Obviously, we are very conscious of a number of important stakeholders—firstly, those that work for Solid Energy. You've got the creditors, of which there are, you know, quite a number of companies, some quite small ones. And then, finally, you've got, you know, the interests of the banks. So we've made it clear to the banks that they need to sort the situation out, but it's fair to say the Government and the board are working with the banks on what the next steps might be.

**Media:** Is a decision imminent on its future? Because we've heard that there may be a move—one of the options may be to put it into liquidation. Is that a live option at the moment?

**PM:** Because the banks control the process, in a way it's a call for them to make about what the next step is. I think, it's fair to say, liquidation isn't the No. 1 preferred option of the Government, because liquidation is literally when the company would cease trading, the assets would be boarded up, if you like, and the assets would be sold to repay the creditors. And there are other options which would find more favour with the Government, but, of course, the call is one that is made by the bankers, because it's essentially their debt.

**Media:** So would one of those options be sort of a break up, with the sell-off of its existing assets or its bankable assets?

**PM:** There's a range of other potential options that sit there, and it's a question, I think, of what can be achieved, but it's in a very delicate stage at the moment.

**Media:** So are we in the end-game of this? Should we expect an announcement in the next few weeks or this week?

**PM:** Not this week, but, potentially, in a few weeks, yes, but they're working their way through it.

**Media:** Is there any chance that the Government could add more capital or provide more support to keep it [*Inaudible*]?

**PM:** We're not planning to put in more capital at this point. It depends on your definition of support. I don't think financial support, but support can also be in other forms or other ways, and we're working our way through that.

**Media:** Including?

**PM:** Well, I just don't want to get involved in those, given the commercial nature of what's happening.

**Media:** So it's like a Government guarantee?

**PM:** No, I wouldn't put that on the table.

**Media:** The TPP, Prime Minister—given that the Canadians called an election yesterday, what specifically gives you optimism that we're going to get a settlement quickly?

**PM:** Well, I didn't think they announced that yesterday. I was talking—well, I had spoken to Stephen Harper at some point, and that was some weeks ago, and I thought they'd already named their date, which was 14 October, back then, but maybe I'm wrong.

**Media:** Yeah, but they issued the writs yesterday.

**PM:** Oh, they issued the writs yesterday. OK. Yeah, so, look, it's not new news that they're having an election. Yes, of course, you know, it's an issue, and like any leader, it may or may not be welcomed at a particular point when you're going through an election campaign, because there'll always be those that are opposed, just like, obviously, arguably, there'll be many that are in favour. But, in the end, you know, the question for Canada is the same question that is posed by any country: are you going to be better off being in it or being out of it? And I still think, providing the right deal can be negotiated, we're all better off being in it, but, obviously, that's subject to that caveat of the right conditions being able to be met.

**Media:** But why would Harper risk agreeing on a TPP during an election campaign when that TPP is going to be an issue in that?

**PM:** Well, firstly, he's been aware for quite some time that it's at least a reasonable chance that these negotiations would tie up at around a time when his general election's there. So it's not a time of his choosing, but, nevertheless, he just has to deal with that. Secondly, you know, the question then becomes—I mean, of course he, yes, he could take the step of saying "I'm not going to be in it.", and Canada will come out of that, but then that brings with it its own set of questions about whether they would be better in or better out. And, of course, if you're supporting the deal, then one assumes you believe that's because you think you're better off in it. And, thirdly, he doesn't control the whole timetable. He's one of 12 countries, and, in the end, there is only a window of opportunity—which runs out, you know, not too far away from now, really—for President Obama to get this done. And so I'm not sure we have the luxury of saying "You can wait until another year down the track.", because we'll be right in the middle of the US presidential nominations and the election. Australia's got an election next year—there's just never perfect timing when you're dealing with 12 countries.

**Media:** —the luxury of waiting until after the Canadian elections?

**PM:** No. I don't think so.

**Media:** How far away from an acceptable deal was the offer on the dairy?

**PM:** Well, it was—it clearly wasn't close enough for a deal to be concluded, but that's because the serious bit of that negotiation didn't start because it was contingent on some other things happening. I think that's really the—could there have been a meeting of the minds? I think, eventually, yes, but there are some other parts of that negotiation that are happening.

**Media:** Has Minister Groser indicated to you another meeting pencilled in for the next few weeks? If so, where and when?

**PM:** Well, I had, I think, half a dozen discussions with him on the equivalent of my Friday and Saturday. They certainly indicated that they'll—when it was obvious that talks were ceasing at that point—that they'll have to come back around the table. And I don't know if—I don't think you can rule that out being, you know, relatively soon. There is a finite window, I think, where if we can't complete the deal in that time it becomes more difficult for, certainly, the United States and others. So I still stand by the view that you can't rule out the fact that there won't be intense negotiations and, potentially, another meeting within the next 2 to 3 weeks.

**Media:** What did you think about Winston Peters' comments on the weekend that Lotu-liga was corrections Minister because he's Polynesian?

**PM:** Well, I hope he doesn't believe that that's the reason he became the corrections Minister, because I think, you know, people should be chosen not on ethnicity but on ability. I think Sam's got a lot of ability. He's dealing with some difficult things in his portfolio at the moment, but I don't think he can or should be selected solely on ethnicity.

**Media:** Was it racist, what Peters said?

**PM:** It's very—it's very difficult to know whether—bluntly, I just can't read it. Whether he was trying to be provocative or he was standing up for someone that he has a bit of a liking to? I really just don't know. I wasn't there; I didn't see the conference. I don't know how deliberate it was, or whether—you know he, I mean, Winston Peters is known a bit, sometimes, for standing up for people that he likes. He doesn't normally stand up for me, so maybe that means something, but he does stand up for others from time to time.

**Media:** When you visit the Cook Islands tomorrow, are you committed to tackling tax evasion whilst there with [*Inaudible*]? Will you be discussing anything to do with that with them—I know it's a place where people hide their assets?

**PM:** Well, generally we do have good discussions, and we work alongside our partners in the Pacific to make sure that they have robust tax laws and that they implement those laws. So, you know, I can't rule out that there'll be a discussion about that, but, you know, we've always found the Cooks to be a good partner that we can have those open discussions with.

**Media:** What else are you going to be talking to the Cook Islands PM about?

**PM:** I mean, it's bound to be a wide-ranging discussion. I mean, Pacific Islands Forum, you can't—you know, bound to be some discussion about Fiji. I think it'll just generally be about, you know, their aspirations, how their economy's going, the things that they're doing, you know. It's always possible that there'll be a discussion about, you know, their position on the UN. I mean, you've heard them have those discussions before. I mean, New Zealand's made our position pretty clear, so that won't change, but, you know, it's possible that that might get raised.

**Media:** On GST, whereabouts is the Government on the issue of charging for GST on services—[*inaudible*] services—and also on the threshold for physical goods?

**PM:** Yeah, so we haven't had a discussion at Cabinet about that, so you'd really have to direct your question to Todd McClay, except to sort of reiterate where we're going, which is—my understanding is our officials are working closely with the Australian officials. It's quite clear from the public comments they've been making that Australia's looking to reduce

its de minimis rules—the level at which you have to pay GST—from \$1,000 potentially down to \$20 and maybe even, potentially, to \$0. The challenge for all of us is how you can make that workable. So the OECD has been working on a process of registration for companies, and that would certainly fit into the sorts of big companies you're talking about that provide those services—you know, kind of think Apple and the likes. So we are confident that we're marching towards a potentially successful outcome, from the Government's point of view, where GST can be applied fairly and evenly, whether you buy a purchase online or directly in a store. But we're still some way away from that.

**Media:** And the threshold issue coming down—?

**PM:** Well, we haven't had that discussion. But clearly, you know, the threshold's going to have to come down, otherwise, you know, the gap is too large. The balancing act always for us is between, you know, the Government trying to have a level playing field and not massive inconvenience for the consumer.

**Media:** But are you saying it would be—the threshold would be similar to Australia?

**PM:** Yeah, potentially. I can't see why there should be a dramatic difference. I mean, if Australia can get to a point where they can adequately, you know, complete the test, if you like, of being able to be fair, but also not dramatically inconveniencing consumers, then we should be able to do the same. But the question is how you do that and how easy it is to apply. I think it's pretty easy to get a company like Apple to register worldwide, because this is a, you know, global issue, I think. In the end those big global companies will; the question is, can you also, say, deal, for instance, with a small company that sells T-shirts based in LA? That's a very different issue.

**Media:** On family violence, are you willing to pump more resources into the justice sector to tackle the problem?

**PM:** On family violence, potentially—I mean, it's a discussion document to look at all of the particular issues. It's quite thoughtful. We've already done quite a bit of work in that space and, you know, we'll see what comes out of it. But it's a serious issue and it deserves more attention.

**Media:** But you are willing to put more money in rather than repurpose the budget from elsewhere in the justice sector?

**PM:** Well, potentially. I mean, let's just sort of see what comes out of the discussion document and, you know, ultimately, you know, we'll also have a look at resources we're applying and whether we think they're working, I guess.

**Media:** Has Cabinet discussed the issue of an inquisitorial approach to domestic violence cases and sexual violence cases? I mean, is that something you would like to see changing?

**PM:** We didn't have that discussion today—no.

**Media:** But do you have a view on whether that's where we need to go in terms of those cases?

**PM:** I think I'd rather wait and see what, you know, comes out of the discussion document. Amy's going to announce all the terms of reference on Wednesday, and I've sort of seen the draft terms there. It's going to be quite a wide-ranging debate from what I can see, and I think there will be a lot of interested parties. You know, ultimately what happens next is, you know—I think we should wait and see where, you know, what suggestions come up.

**Media:** Will you be applying the investment approach to that—the sort of approach you're using in other social areas to family violence?

**PM:** Well, that's possible—which is in answer to Andrew's question; could we put in more money—that's exactly what we've done around since welfare, where we have

invested some money up front to, ultimately, get, you know, better long-term gains. Now, in the case of welfare, it's both about the improvement of the livelihoods of the individuals and the cost to the Crown. That is also true—there are some potential costs, but it is also mainly about the impact on the victims, and that's where the big payback comes, if you like. But if we can reduce the amount of family violence and have a safer society, then we're a much better society for that.

**Media:** Did Cabinet discuss what to do with Solid Energy today—or did you discuss the Solid Energy issue today?

**PM:** Yeah, we discussed Solid Energy today. Yeah.

**Media:** What did you discuss as your options, I guess?

**PM:** Yeah, look, I mean, as I said, the company is in a somewhat precarious position. It has been for a period of time. You've been probably aware of the issues that've been going on behind the scenes and the negotiations that the banks are holding, because they are the holders of the debt and, therefore, they have the—actually, they have the legal rights to, essentially, recover their debt or work out a plan that will best allow them to recover their debt. So they're leading the process, but the Crown, obviously, is an interested participant and also actively engaged in those conversations.

**Media:** So if the loan is ruled out or a Government guarantee, are they—just catching up on what you were saying earlier—a Government loan is out of the question, is it?

**PM:** Look, I think I'd rather wait, because it's a reasonably sensitive place at the moment—where those negotiations are happening between the banks and the company—and I think I'd just rather leave it there. I mean, we're working through the process. Liquidation's our least-preferred option, but I can't rule out that that's a possibility.

**Media:** You ruled out a Government guarantee—

**PM:** I did, yeah.

**Media:** —but a loan is—where does a loan sit?

**PM:** The Government injected a significant amount of capital into Solid Energy some time ago, and I don't think it's looking to inject more. It doesn't mean there can't be other ways that the Government could assist, but we need to work our way through that.

**Media:** I understand workers from Stockton mine have been told that liquidation is probable, but there are two foreign buyers looking at buying Stockton—do you know anything about that?

**PM:** No, I'm not aware of foreign buyers looking to buy Stockton. I can't rule it out—I mean, it's a significant asset, and someone ultimately could, but I haven't seen any details of that.

**Media:** So a controlled sell-down, you know, obviously being one of the options—you know, would it be in the Government's interest for it just to basically sell the whole thing?

**PM:** It really is at a point where it's just very challenging for me to say much more than I have.

**Media:** But can you rule out a sale, because that was the original plan, for partial privatisation, wasn't it, long ago?

**PM:** Look, I don't think a wholesale sale of the entire asset, as we currently know it, in Solid Energy is something that's being actively considered, but that's probably because there isn't, potentially, a buyer of a range of different assets that would look like that.

**Media:** Would the Government be prepared to take over one of the assets like Stockton just to preserve jobs in the region?

**PM:** That's not our preferred option.

**Media:** But it's an option, is it?

**PM:** It's not our preferred option.

**Media:** So, basically, what we're talking here, potentially, is like a sort a sale of a distressed asset, in some sense—is that—

**PM:** Well, you'll just have to wait and see, because, as I said, there are, legitimately as I stand here, a number of options, and, you know, there are preferred options and there are less preferred options. As I said, the least preferred is liquidation, but I can't rule out that at some point in the future that happens. It could happen if all the other things fall over.

**Media:** But if Cabinet agreed to a controlled sell-down—just thinking about. If Cabinet agreed to a controlled sell-down to help avoid liquidation, so selling some of the parts of it that are of worth—

**PM:** I don't want to mislead you, but I think it's important to understand what I said. I said Cabinet had a discussion about Solid Energy today, not necessarily your words.

**Media:** Can the Government give any assurances to the mining communities in those areas that might be—

**PM:** Well, I can give them is assurances we're doing the very best that we can for a company that's in a really precarious position.

**Media:** Ultimately, the banks here are the ones who'll be making the decisions if it's put into receivership. Is that right?

**PM:** That would be correct, yes.

**Media:** Just looking at Mr Peters in the weekend, he devoted a significant amount of his speech to attacking the Reserve Bank and the current Act. Is there any circumstances in which the Government would be prepared to put the Act on the table in any potential Government-formation talks with Mr Peters in the future?

**PM:** Well, firstly, it's not new for him to attack either the Reserve Bank Governor of the day or the Act. He could have pulled out any speech from any conference over the last, you know, whatever—20 or 30 years—and given the same one. So, no, I don't think that's new. Look, we're so far away from an election and from what might happen. Look, I don't know. The independence of the Reserve Bank and what they do is, I think, well established and actually for the most part worked very well for New Zealand. And if you look at what happened when Mr Peters became the Treasurer, I think, in 2005 wasn't it—is that right? You test my memory. Sorry, not 2005—1996 when he became Treasurer, ultimately, yeah, he had very similar discussions and, I think, concerns about the Reserve Bank of the day at the time, and, ultimately, made, you know, pretty minor changes. He might argue that they were more significant than that, but my understanding is that at the margins he broadened out the general debate about, you know, what the bank looks at, but it was pretty consistent with what was there.

**Media:** Could you clarify your reported comment about having a Māori language month?

**PM:** There wasn't a report or anything. It was just, as I said, in the weekend I was asked a question about it, about whether I thought a week was better or a month was better, and the perspective I gave was that the language is really important, and I thought you got more intensity around a week.

**Media:** The operators of Tiwai Point Aluminium Smelter have raised some concerns about what they are paying in transmission charges. Can you envisage any reforms or changes that would lead to them paying less?

**PM:** Well, I think, as you are aware, the Electricity Authority, actually, is looking at that broader issue. I mean, that's sort of a can of worms in its own right. But, anyway, they are, as I understand it, looking at those particular issues. And there could be consequences as a result of that. But, effectively, New Zealand aluminium smelters have argued for a long

period of time—it's not new—that they believe they are paying too much for transmission charges. Whether they are or not, I don't have a view on that, but that's been their longstanding position. It's not new. OK.

**conclusion of press conference**