

## POST-CABINET PRESS CONFERENCE: TUESDAY, 26 JANUARY 2015

**PM:** OK, so good afternoon. Hope everyone had a great break. The Cabinet held its first meeting of the year today, and in addition to covering off a number of specific papers, we had a good discussion about the year ahead, as you would expect. Building a strong, growing economy will remain our No. 1 priority for 2016. That's important in a world full of risks, particularly in China, as we've seen recently. The first few weeks of the new year have already reminded us how concerns about those international risks can ripple through the world's financial markets. So here in New Zealand we have to focus on the things we can control, such as our own competitiveness and economic performance, so we are well-placed to meet external challenges. But we shouldn't forget that New Zealand is performing very well compared to most other countries. Our tourism and service sectors are growing, as is construction, manufacturing, ICT, and a number of our primary industries.

Over the next year we'll continue to roll out clear and sensible Government policies so businesses have the confidence to invest, create new jobs, and pay higher wages. We'll continue to focus on improving the competitiveness of our economy and the way that it provides security for Kiwi families. We'll continue to keep a tight leash on spending to take pressure off interest rates and inflation. We'll continue to demand better results from the tens of billions of dollars taxpayers spend each year on public services. We'll continue to invest in modern infrastructure like schools, hospitals, roads, and broadband, and we'll continue to seek new opportunities to give our exporters greater access to international markets through trade agreements such as TPP.

Housing affordability remains a big focus. There's a busy pipeline of consents and development under way in Auckland, and we need to ensure that that translates into more houses on the ground sooner. That includes passing the RMA reforms.

Tomorrow I'll give my first speech of the year in Auckland. As New Zealand's largest city, our biggest commercial centre, and the main gateway for international tourists, we all need Auckland to succeed. The Government is backing Auckland by investing billions of dollars in infrastructure needed to support its growth. Tomorrow I'll provide an update on some of those key projects and a highlight on some of the Government's priorities for the year ahead.

As you're aware, next month we're hosting the signing of the TPP agreement in Auckland. The Trans-Pacific Partnership is our largest free-trade deal, and has been 25 years in the making. It'll give us much better access to more than 800 million consumers and 11 countries across Asia and the Pacific. The net overall benefit to New Zealand is estimated to be at least \$2.7 billion by 2030. That's more jobs, higher incomes, and a better standard of living for New Zealanders. This country won't get rich selling things to ourselves; indeed, we need to sell more of our products and services to customers around the world, and TPP's a catalyst for ensuring that that happens.

In terms of my own activity this week, I'm in Auckland tomorrow, Wednesday, Wellington on Thursday, and back in Auckland on Friday. Sorry about time, but I'm a little bit pushed today, so I probably kind of need to be out of here by 4.30, so.

**Media:** The national interest analysis that you've released today—are you on the back foot given you've lost the argument with the TPP critics? Is this a response to that?

**PM:** I think we're winning the argument, actually, with the New Zealand public, who have seen for a long period of time that asking New Zealand businesses to compete with one hand tied behind their back in the biggest economy in the world, the United States, and the third largest, like Japan, puts us in a disadvantaged position. I think there's been a lot of misinformation about TPP. We released a fair bit when we first announced the deal. We've

released the text, and the national interest analysis is just another step in that. So there's nothing new about that; we always do that.

**Media:** But that report clearly says that there—some of the obligations, non-legal obligations, could restrict Governments' ability to control their domestic policies. Have you got a safeguard?

**PM:** Yeah, we've always had—talked about the fact that there would be safeguards. There are safeguards around what's called the investor-State dispute resolution. Again, there's nothing new. That's been in quite a number of free-trade agreements. Actually, those investor-State provisions are there, really, to protect New Zealand companies. It's not our expectation that the New Zealand Government will be sued; we certainly haven't been in the past, and, actually, the way we operate means, in my opinion, it's very unlikely we would be in the future, and the safeguards already carve out things that people might be concerned around, like public health in relation to smoking. So, yep, it's a national interest analysis. It runs for 270 pages, so it's duty-bound to say, you know, "Those provisions are there.", but those provisions are very much about protecting New Zealand investors in offshore markets where they might have less confidence about the actions of the Governments.

**Media:** You wouldn't—say, for example, a New Zealand SOE wanted to invest overseas and the Government of the day—a Government in 10 years' time—decided it wanted to subsidise that SOE, this report says it might not be able to do that.

**PM:** Well, there are always hypothetical examples, but, I mean, the point of a free-trade agreement is to remove those inefficiencies, if you like, and the things that would buy us—you know, what you ultimately do. But investor-State, if you think about it—firstly, we've had those provisions there for a long time. There's never been a case taken against New Zealand, and, in fact, the threshold for investor-State is extremely high. And you saw that when there was an attempt to take a case against Australia in relation to tobacco. So you can always create hypothetical examples, but the biggest risks are not against the New Zealand Government or our capacity to make laws, but by far the biggest risk is New Zealand companies investing overseas and not enjoying the sort of, you know, professionalism, if you like, and consistency which occurs in New Zealand.

**Media:** Are you worried that the US Congress will never pass this anyway?

**PM:** Well, I can't speak for the US Congress—I wish I could, but I can't—but in my view the United States will actually sign up to TPP—their lawmakers will. They're obviously coming to New Zealand on the 4<sup>th</sup> of February for the signing ceremony. And the reason they'll do it is because, actually, the US is going to be the net beneficiary from TPP. Notwithstanding it's the largest economy in the world, it will give it much greater access not only just to Japan and the other countries to which it's trying to sell its goods and services, but, also, TPP is a foundation block for a regional trading agreement. There are 21 countries and economies in APEC and in my opinion, over time, more of those countries will join. So this is a starting point from which I think you'll see more participants over time, and that's an even bigger prize for the United States. So I'll be pretty sure they'll sign up over time.

**Media:** If a future Labour Government wanted to stop house sales to foreigners, would TPP stop them?

**PM:** Well, you'd have to go and ask that themselves. I mean, in the end when you sign up to these, it's a document that you agree to, and if you want to break the provisions of that, then there'll be, you know, a bundle of lawyers that will be able to give you a view of what that might all mean. But, ultimately, it's a breach of good faith in the same way that, you know, when another counterpart country like Canada, if it agrees to the terms and then doesn't honour them, then—I don't have a legal answer how you can sort of test that—

**Media:** But what—are you saying that the TPP says that they shouldn't or that they're not about to—there's not provision to—but you don't know what the legal consequences would be?

**PM:** Well, you'd have to go and get specific legal advice of what they can or can't do as a result of it. I mean, if you don't honour it, you're not meeting your obligations, and that's not the way we operate, but I can't tell you exactly what would ultimately happen and what a country could do. It's like—you know, under other free-trade agreements, if you don't honour your provisions you can get taken off to the WTO—and that's what happened, for instance, with apples, when we believed it was in breach of CER. In the end there was a longstanding case, and we tested our rights in the WTO, and we ultimately won. And when we did win, Australia, in the end, has honoured the ruling of the WTO. So there will be a legal process, but I can't answer that for you.

**Media:** Prime Minister, just looking at your speech tomorrow—will the Government look at bringing forward the funding for the inner-city rail loop?

**PM:** Well, I'm not going to rule out what's in and out tomorrow, because you've only got one sleep to wait for the speech, but it's a speech that looks very heavily at infrastructure projects—not just in Auckland, but it does look at those issues and gives the Government's perspective of the next steps, if you like. But in terms of the specifics, you've got to wait until tomorrow.

**Media:** If the Government did bring forward that rail-loop spending, would that be to actually get the inner-city rail loop going, or is it more that you want more infrastructure spending in Auckland to help the economy?

**PM:** We are spending billions and billions of dollars as a Government on infrastructure, so the announcements we make tomorrow will ultimately mean that the Government increases even further this expenditure in infrastructure. We're doing that because that infrastructure underpins the efficiency and competitiveness of our economy; we're not doing it because we think we need to stimulate the economy per se. If you think about what's happening in Auckland, for instance, the construction sector is very busy in Auckland with the residential and commercial rebuild. So I don't think we need to be doing it to stimulate jobs in Auckland, but we certainly need better infrastructure—not just in Auckland; around the rest of New Zealand. And that's been the roll-out of everything from ultra-fast broadband to, you know, road and rail projects that we've done around the country.

**Media:** And will we see other announcements tomorrow around—you spoke earlier about housing affordability and, you know, getting your house built quicker in Auckland. Will there be announcements along those lines tomorrow?

**PM:** The speech touches on housing affordability. It's a bit more—probably I'd describe it as a summary of where we think we're at and what some other steps might be, but it's not a group of specific initiatives. I wouldn't be looking at something hard and fast that's going to say "This is definitely going to work."

Our general perspective on what's happening in housing is that we're now starting to see a consensus view, I think, that supply is the issue. I think you are going to see, in my opinion, even more construction taking place, and you've seen a lot occurring over the last few years. And in fact, actually, despite what a Demographia survey said yesterday, if you look at what the Minister of Housing is saying today, he's making, quite rightly, the point that interest rates are much lower and affordability's actually got a lot better if you look at the overall package for people. But we are saying we need to build more houses faster. It is our expectation that the demand in Auckland's going to continue, that the growth in the Auckland population's going to continue, and we just need to build a lot of houses between now and the next sort of 5 to 10 years. So we need to make that process as smooth as possible.

**Media:** Is there an initiative tomorrow that will help that or is it more just pulling on and pushing the things you're already doing?

**PM:** Well, there are always things that might be able to help, but the basic theme of the speech is not housing affordability.

**Media:** Prime Minister, how concerned are you about the spread of the Zika virus given it's already spread to Samoa?

**PM:** We're obviously suggesting that people are cautious, not that they avoid travel. I mean, they should look at the travel advisories—as you quite rightly point out, it's been reported in Samoa and, potentially, in other parts of the Pacific as well. So we're certainly, A, saying to people, you know, "Don't necessarily stop travelling, but if you're a pregnant female, then you should just be cautious about exposure to mosquitoes." We don't think the risks are, you know, really, really large risks, and we wouldn't say to people that they shouldn't travel, but they should just be cautious.

**Media:** The Ministry of Health—why has it not provided more updated information? The last update they provided was 4 days ago, and it's sort of gained a lot of momentum since then.

**PM:** I think it's gained a bit more exposure. I mean, I've had a couple of notes sent up to me over the Christmas break about it. Look, it sits in the category, as I said earlier—I think people have been aware of it but it sits within that category of people being cautious. It's very much like dengue fever and the like in so much that we recognise that there are health implications of it, but we don't tell people that they shouldn't travel to a place simply because it's there. They just need to be cautious around their exposure to mosquitoes.

**Media:** What action is being taken by them to monitor it?

**PM:** Well, I think they just simply, A, there is testing going on about whether symptoms or signs have been shown and what we know is that in Samoa and other places that has been the case, and, obviously, we're just monitoring, you know, in terms of making sure our travel advisory, I think, reflects where we see Zika virus prevalent.

**PM:** The Greens are proposing an independent policy for spending in Treasury to look at political party promises. What do think of that idea?

**PM:** Look, I can see why the Greens are worried about the costing of their own projects and Labour's because, obviously, they're usually pretty large, but I don't publicly—personally—think it's a terribly good idea. The first thing, I don't think it would cost 1 to 2 million. Secondly, I don't think it would actually achieve what they're saying, which is, I think they'd either just ignore if they didn't like the numbers, and it would be quite static. Because in the end, for instance, a lot of the times the Greens and Labour just want to raise taxes, and all they'll simply do is say "This is what the analysis of that shows", which is it brings in a certain amount of revenue. They'll totally discount the Treasury perspective, which will be that raising taxes reduces activity and therefore, overall, has significant implications for your economy. So, you know, having someone with access to a model isn't going to do a hell of a lot and 1 to 2 million, realistically, is fundamentally two or three analysts. I mean, political parties have their leaders' budgets, they can use them—I accept that they're smaller for the Greens than they are for Labour, but, you know, I don't see it as a massively important initiative.

**Media:** So if they ask for cross-party support on this you'll say no?

**PM:** Well, I don't see it as the most important initiative that's required.

**Media:** The Government is in a privileged position, though, by virtue of the fact that the Government—that National—can have its policies costed by Treasury and then have that argument behind it.

**PM:** Yeah but it's also true that political parties have their own funding mechanisms like leaders' budgets, and that didn't stop the Greens and others running off to NZIER or BERL—I think BERL, actually—to cost some of their initiatives. I mean, look, there are other countries in the world that do have these units; it doesn't take the politics out of those debates. So if that's the argument then it won't produce the politics; they'll just simply ignore the bits they don't like.

**PM:** I mean, when Labour was in Government, as you quite rightly pointed out, they had the Treasury go out and cost the student loan policies and then said—well, A, wouldn't police them, B, basically ignored them, C, they were totally wrong; indeed, they cost a hell of a lot more than what they said. It doesn't actually solve political issues.

**Media:** Prime Minister, just looking ahead to Waitangi. A Ngāpuhi-wide sort of hui has been called for February the 2nd—you know, Kīngi Taurua and Titewhai Harawira—to decide whether or not you'll be allowed on to the lower marae. Are you expecting to be blocked from that marae? Will you try and—your people will talk to their people about whether you're going to be allowed on or not, or are you just intending to go?

**PM:** Well, I'm intending to go unless they don't want me to go. So, you know, in the end, I'm not going to gatecrash the lower marae, but every year there's always been a call for me not to be able to go, or some sort of protest, and whether it was the mixed-ownership model, whether it was mining, there's been a series of different issues about which Kīngi and others have had a view. But I turn up to Waitangi because I made that commitment when I was Leader of the Opposition that I would go there and engage in debate.

Now, if they want to have a debate about TPP, I'm more than happy to do that and, actually, I really, practically, encourage them to listen, because, actually, we can probably allay them a great many fears that they've got, but I'm not going to gatecrash the place. In the end, if the governing body of the marae say they don't want me there, then I won't be there. But that's, I think, a much broader issue than just one person expressing a personal view.

**Media:** Are you worried about a large protest when the trade Ministers come to Auckland? Are you worried about the size and how it might turn out?

**PM:** Well, I think there will be a protest. But there's been a group of people that were just opposed the TPP long before they saw the text, long before they saw the national interest analysis. They're just fundamentally opposed. But these people are opposed to free-trade deals. I don't see any protests in New Zealand to rip up any free-trade deal that we've signed. Why? Because they're in New Zealand's interest to do. This is a free trade deal that gives us access to 800 million middle-income consumers. Its economic benefits are about two and a half times the size of the China FTA. Successive Governments have been trying to conclude this deal, and, actually, it's great for New Zealand.

And as I said at Rātana earlier in the week, I mean, if we don't sell our products to those consumers then Australia will fill the gap for us, because they sell many of the products that are at the heart of TPP, including our agricultural ones. So it's inconceivable that New Zealand would not be part of TPP, and that's why Andrew Little can't answer the most basic question that gets asked, like "Will you support it or won't you?". I mean, he was floundering around on Radio New Zealand this morning like it was the first time someone's ever asked it. It's not a very hard question. He went to Rātana and bagged TPP; if he really believes what he said, he should've had the courage of his convictions to say he's not going to support it.

**Media:** Are you putting any extra security provisions in place for Waitangi because of concerns about TPP protests?

**PM:** I never talk about my security, but my people always look at it and deal with the appropriate issues. But the fact that there could be a protest at the lower marae in Waitangi is not breaking news. Every single year I've been there, there have been protests from

people shouting me down, yelling and screaming, jostling, throwing things at me—you know, you've been alongside me most of the way witnessing it. It's just going to be another day at Waitangi in the lower marae; it won't be any different this year to the previous years. The topic will change; the animosity from a certain group of protesters will not.

**Media:** Do you not think it's legitimate for Labour and New Zealand First to oppose the sovereignty issues of the TPP but support the lowering the tariffs?

**PM:** Well, if that's the case, why did they have an investor-State dispute in the China FTA? Why is it OK in the China FTA but not OK in TPP? I mean, they know that there's nothing to fear here, and it's there for the protection of New Zealand companies investing abroad. There's never been a case taken against New Zealand and, in my personal opinion, there never will be one. But we have a very clean system of Government, we have an independent judiciary, and we act in a transparent way. Without those provisions, there are potentially some risks for our people, but that's the simply point isn't it? If it's good enough for the China FTA, then it surely must be good enough for one with the United States of America.

**Media:** Quickly on the flag, you've got the Kyle Lockwood on your lapel there. Is there any chance we could see it behind you there or out the front of Parliament, anywhere around here, before the referendum?

**PM:** I don't know, actually, I haven't considered those points. I mean, I'd like to see it flying, just simply because I think—you know, we're going to go through the referendum process now between the 4<sup>th</sup> and 24<sup>th</sup> of March. I think it's one of those things where people will get to see it a bit more, the familiarity helps them, I think, solidify their view about whether they want a change or not, so it's a good thing people see it. But in the end, we'll see how it goes.

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**Media:** Are there any rules in place to say that you can or can't?

**PM:** Well, I don't know. I think I'd have to get advice from the Cabinet Office on that.

**Media:** Australia seem to be pushing for Fred Hollows, a New Zealander, to be on their \$5 bank note.

**PM:** Yeah, I saw that, yeah.

**Media:** Do you have any issue with that?

**PM:** Well, I could give them a long list of New Zealanders that should be on Australian notes because they're great Australasians, but he's not an Aussie; he's a Kiwi

**Media:** Prime Minister, what did you make of the mass executions carried out by Saudi Arabia at the start of the month?

**PM:** We were deeply concerned by that, firstly, because we don't support the death penalty under any circumstances, secondly, because we think it heightened the tensions in the region, particularly with Iran.

**Media:** Will the Government still go ahead its plan to gift the multimillion-dollar abattoir to the Saudi Government this year, given its executions?

**PM:** We don't have any plans to change what we're doing in that area. It's not to the Saudi Government, per se, or so; it's actually an investor and it's the establishment of a agricultural hub in Saudia Arabia, cause we do believe that has benefits for the wider agricultural sector, but it's not specifically the Saudi Government, per se.

**Media:** Yeah, well, the MFAT papers say that Saudi Arabia owns all the—the Government basically controls all the abattoirs, so it will be gifted to the Saudi Government.

**PM:** Well, I'd have to go and check all the details. It's my understanding it's being established, actually, on the farm that Al-Khalaf owns, but I'll have to go and check that. I might be wrong. OK, thanks so much.

**Conclusion of press conference**