

POST-CABINET PRESS CONFERENCE: MONDAY, 21 MARCH 2016

PM: OK, good afternoon. So supporting the Canterbury rebuild is one of the Government's main priorities. We are committed to ensuring the city gets the infrastructure and service it needs to thrive. Since the 2010 earthquake, the Government has spent \$16.5 billion doing just that. In health, specifically, we've increased the Canterbury DHB's annual budget by \$254 million over the past 7 years and provided an extra \$86 million to meet the additional costs of the quake. Close to \$1 billion is being invested to redevelop the region's health facilities.

As you will have seen, Cabinet today approved a new \$20 million package to boost mental health services and support for Cantabrians. International evidence shows it can take 5 to 10 years for people to recover mentally following a major disaster, and while most people will recover with the support of their family and friends, others will need more help. This extra funding, allocated over 3 years, was approved as a result of last month's earthquake. It will ensure anyone who needs further mental health support will continue to receive it. It will ensure more primary care and community-based mental health workers are available, and will extend current initiatives such as telehealth and workforce well-being support. This is yet another example of the Government spending supporting the people of Canterbury.

Today I also confirmed I'll travel to Washington next week to attend the fourth and final Nuclear Security Summit. The summit is an opportunity to address nuclear terrorism threats at a global level, and will allow us to press for greater international cooperation in this area. Even as a small country, New Zealand is not immune to the risk posed by nuclear terrorism, and it's important we play our part in the international effort to prevent it. While in Washington, I'll also meet with senior members of President Obama's Cabinet on trade and economic issues, and will give a speech at the US Chamber of Commerce.

During my visit, I'll set out the arguments in favour of the TPP. My message will be that the agreement is good for the United States and the other 11 member countries, including, of course, New Zealand. It will set a new standard for trade and investment in one of the world's fastest-growing and most dynamic regions, creating jobs and boosting incomes. It will offer an unprecedented opportunity to grow the New Zealand - US trade and investment relationship, and will enable our businesses to work more closely together. New Zealand's relationship with the United States is in excellent health, and, helped by the TPP, it will continue to grow.

Just in terms of my own activities this week, I'm in Wellington tomorrow, Ōtaki on Wednesday, and Auckland on Thursday.

Media: Prime Minister, have you paid money to Bradley Ambrose to settle the tea pot tapes—

PM: So, you will have seen the statement today. There's pretty limited things I can say, but, yes, there's a small payment that's gone—I'd say a pragmatic payment—towards the costs, or some of the costs.

Media: And is that your money?

PM: Well, what's going to happen is the money will be either paid for by the parliamentary leaders' office, where that fits within the rules, and, if the payments don't fit within the rules, then it'll be met by funds raised by the National Party.

Media: Why should the taxpayer pay? Why should the taxpayer pay through the Parliamentary Service, which is something you've said? Why does the taxpayer owe Bradley Ambrose money?

PM: Well, you'll appreciate there's a limited amount I can say, but in terms of that, it goes for costs. Of course, those costs, if we were going to court, would be considerably

more. So it's a pragmatic settlement in terms of reducing cost. Those activities are within the rules. Where payments are within the rules, we'll make them; if they're not, then they'll be raised by funds by the National Party.

Media: Is it right though—forget about the rules—is it right that the taxpayer pays because you said something wrong about Bradley Ambrose?

PM: Well, I don't want to get into the rights and wrongs—you just have to read the statement for yourself—but the important point here is I'm acting in my capacity as the leader of the National Party, just as other political parties do. And where the rules assist that, in terms of legal support, then that's within the rules.

Media: So when are you going to decide if the taxpayer pays for your statements about Bradley Ambrose, or whether the National Party does it?

PM: Well, there's some costs that have already been met, and it will depend on where the rules go.

Media: So has the taxpayer paid some costs already?

PM: Already, yeah, sure.

Media: Why did you settle?

PM: Oh, because it was a pragmatic solution because it became pretty clear it was highly unlikely to be recovery of any costs, and the cost of going to court is considerably more.

Media: But this is an admission of you, effectively, saying he was right and you were wrong, isn't it?

PM: Well, I'd just encourage you to read the statement.

Media: The Speaker says that you haven't asked for permission to take any money out of that fund for this purpose. Will you do so, and how has money been paid if you haven't sought permission?

PM: Well, the settlement conference was yesterday, so those discussions will be held with Parliamentary Services. If they fit within the rules, then it will; if they won't, they'll be from funds raised by the National Party.

Media: So your office said that you were going to pay the money out of that fund, but clearly, you know, Labour thinks that it's not right and the Speaker says he hasn't had an application to do so, so—

PM: Well, it would depend whether it fits within the rules. I mean this only occurred yesterday, so they've got to work through the process. If it fits within the rules, it will be. If it doesn't, it won't.

Media: So that money you've already paid, where did that come from—

PM: That's—those previous costs have been legal costs and they have been met. They are part of the approved rules and that's happened over the course of the last 3 years.

Media: So the taxpayers already paid for that then?

PM: So far, yep.

Media: Have you genuinely changed your mind?

PM: Well, I just encourage you to read the statement.

Media: I have read the statement, and I'm asking you if you've genuinely changed your mind. Or is this just a legal settlement?

PM: Well, I just encourage you to stand by the statement that was issued yesterday.

Media: So did you apologise to Brad Ambrose?

PM: I stand by the statement that was issued yesterday.

Media: There's no apology in it—there's no apology in it, Prime Minister.

PM: Well, I stand by the statement that was issued yesterday.

Media: Did you meet him yesterday with the—

PM: Yeah.

Media: Where was it?

PM: Well, it was at a settlement conference in Auckland.

Media: And did he initiate that, or—

PM: Ah, I think the—I can't remember the exact order of events, whether the judge thought it was a good idea rather than for it to go to court.

Media: Wouldn't that be the right thing to do, though, if you're wrong—to apologise? He's obviously suffered financial harm because of that.

PM: Well, as I said, you just—I just encourage you to read the statement. That's all I've got to say.

Media: What does a small amount of money mean? Is that small in terms of what it would cost for the legal costs?

PM: Well, for legal reasons I can't go through it because I'm bound by a confidentiality agreement, but it's pragmatic payment in relation to what it would cost to go to court.

Media: What would you say the mood of that meeting was—

PM: Sorry?

Media: What would you say his mood at the meeting was? Was it tense or was it—

PM: Oh, respectful.

Media: How much has the taxpayer already paid in costs then?

PM: I don't have that number, sorry.

Media: Are you going to ask for it?

PM: Well, you can ask my office.

Media: Do you think the taxpayers deserve to know how much money they've spent on it?

PM: Well, payments are made because—you know, I act in my capacity as the Leader of the National Party. It's the National Party leader's office and it fits within the rules. So, yep—and that's not unique to me. There're plenty of other politicians who can use that, and they have.

Media: So you're clear that during that meeting you were acting as the National Party leader and not Prime Minister?

PM: No, if I was acting as Prime Minister, Crown Law would have paid for it. And yes, we could have obviously made an application to Crown Law to do that, but we chose to deal with that with me as the Leader of the National Party.

Media: So do you see this as the end of the matter now then?

PM: This is the end of the matter, yeah.

Media: Why didn't you just pay for that out of your own money?

PM: Well, like I said, you know, I acted in my capacity as the Leader of the National Party.

Media: Do you think it's still an illegal recording?

PM: Sorry?

Media: Do you think it's still an illegal recording, that—the tape—

PM: Look, I've just got no further comments to make.

Media: So would you be happy for it to be broadcast?

PM: It's already been broadcast—on the internet, from memory.

Media: Yeah, but by media organisations. Would you be happy for that to happen and—

PM: Look, I've just—we've moved on. It's 5 years ago.

Media: If Parliamentary Service agreed to pay your legal fees, doesn't that open up—

PM: Well, they already have paid some legal fees.

Media: Yeah. Doesn't that open up the possibility that Parliamentary Services are now liable for any incident involving the leader of a political party during an election campaign?

PM: Well, the rules have been pretty clear for a long period of time, and plenty of politicians have used the leader's fund or, if it's as a Minister or Prime Minister, Crown Law. So there's nothing new here. And, yep, that occurs because of the nature of the work we do.

Media: When you met Bradley Ambrose yesterday, did you apologise to him?

PM: I'm not going to go through the details of what we said yesterday. We're bound by confidentiality agreements, so I can't, even if I wanted to.

Media: On a different matter, can I ask you were you surprised that the Māori fisheries trust had launched a legal battle for the Kermadecs interests?

PM: Look, you know, everyone in this country is free to test their legal rights, and they're certainly free to do that. We would stand by the view that we've taken. There hasn't been fish caught there for a decade. They are migrating species. We believe they can be caught in other places. We have our own legal reasons why we think we've acted appropriately. And Parliament is ultimately sovereign and, as you know, it was a unanimous vote in support of the first reading. So let's see how it goes.

Media: Are you concerned you might lose some of that parliamentary support as it goes on, as a result of the suit?

PM: Oh, anything's always possible. I mean, you don't take things for granted, but I suspect there's overwhelming support for what is a really important step, I think, from an environmental perspective.

Media: Did you actually consult with Māori before, and if you have are you happy with how that consultation process went?

PM: I'm pretty sure there wasn't consultation on it. I'd be surprised if there was, but there may have been. Certainly, I didn't.

Media: On the issue of the official cash rate and interest rates—we've got super low interest rates. Are you at all concerned that we're going to start seeing an erosion of savings in New Zealand as elderly New Zealanders, in particular, battle very low returns on term deposits, that they're being deterred from savings, and that those going into retirement particularly are going to have to simply save more?

PM: Well, last time I looked, national savings in New Zealand was positive and rising. So New Zealanders have been saving more over the last 4 or 5 years. I haven't seen the most recent data, so I could be outdated, but I'm pretty sure that's right.

Secondly, if you think about erosion of savings, the biggest thing to erode people's savings is inflation. So while you're right, interest rates are very low—and that makes it harder for

people living off income generated by those savings returns—the reality is that inflation is very, very low. And, normally, if you want to see a big erosion of savings, it's in countries that've experienced hyperinflation, where you haven't got a chance of actually getting ahead of that. So, arguably, the low inflation environment is good for those savers, but I certainly acknowledge they are getting lower cash-flow.

Media: What's your message to Grey Power, who say it's now really starting to hurt and that—you know, that people who are trying to live off those fixed savings are really not having the income they used to have?

PM: Well, just to counter the argument, I would just simply say yes, we obviously recognise they'll be getting less through their interest. And I understand the pressures that puts on, but, equally, given inflation is so low—and in some cases, items are actually falling in price, but others are much lower—there's a benefit there. Certainly a high-inflation environment, which would be one that would be reflective of higher interest rates, wouldn't necessarily take them forward any stronger, because they'll actually spend more through rising prices.

Media: If you see savings rates start to drop away, though, as we get closer towards zero in terms of interest rates, does the Government have to step in to encourage savings? What happens?

PM: No, I don't think there'd be an argument that the Government would go and encourage savings, any more than we do by making sure, you know, hopefully, the banks are safe and people take responsibility for themselves. That's one of the reasons why people save, of course: to have income to spend another day.

Media: You could offer tax breaks?

PM: Sorry?

Media: You could offer tax breaks?

PM: Look, I don't think we'd do that, no.

Media: Is there an argument that under the low-inflation environment, as long as the interest rates are positive then you could actually be better off than you would be if you had a high-inflation, high-interest rate environment, because it's the difference between the two that makes the difference?

PM: Well, that's right. I mean, if you go and have a look at countries like Argentina or Germany, where they have hyperinflation—or even countries that've had very high levels of inflation—typically, that's hardest, actually, on fixed-income people. It's not immediate on day one because their interest looks like it's high. But if the price of everything is rising faster, they've got no capacity to catch that up because, typically, those interest rates will either lag—or, for instance, if you take New Zealand super, that goes up by amounts, but only amounts post-tense, if you like. So there's certainly been an argument that a low-inflation environment is, broadly speaking, good for the economy overall, and that includes those on fixed incomes. But you have to acknowledge that in a very low-interest rate environment they're certainly getting lower interest.

Media: But is the balance tipped too far in favour of borrowers, though? Because, you know, you've got 650,000 people who are superannuitants who are, effectively, subsidising—

PM: Well, I think it's worth remembering that the Government's stated target is to manage, via the Reserve Bank, the policy targets agreement target of a 2 percent midpoint band for inflation. One of the reasons—you've obviously seen the Reserve Bank lower interest rates is because they're at the bottom end, you know, or well and truly past the bottom end, if you like, of that band. So we do set a modest but what we think is reasonable inflation environment, and it's not like the Government's not spending money. It's now the situation where it's, effectively, stimulating the economy. It's been spending a lot on

infrastructure. So I don't think you'd want to see us do something radical or silly. We just are in an environment at the moment that's been a very low inflationary environment.

Media: Just on immigration—another strong number this month. Any concerns that it's getting too high?

PM: No, I don't think so. I mean, as I said in the weekend, for a start-off I think you've got to see it for what it is, which is positive. I mean, you know, basically, people will work out themselves where they think the best opportunities are. What you're seeing with the migration numbers is more people coming back from Australia—a lot of returning New Zealanders. You're seeing people coming for a variety of reasons—working holidays, as they see opportunities.

But on top of all of this, you're still seeing the unemployment rate fall and people coming into the skills category area, as well. So, for instance, if you think about ICT, I think it's growing at about 3,000 jobs a year. Some of that job growth is created by the fact that others come as migrants and bring you the skills or capital to support that sector, and that's true across a lot of sectors. So, you know, we do control migration insofar as we can. I mean, so where it's an area that fits on the skills category, if we no longer require those skills, there's a cap. There's a cap around working holiday programmes, for instance, determined by our FTAs. But there's just certain areas where there isn't a cap, isn't controls, because they are logical—like returning New Zealanders, or Australians coming to New Zealand, or, sometimes, people coming from the Pacific Islands.

Media: Can I ask, in the Ambrose case—sorry to go back to it, but did you use Government lawyers or did you use your own lawyer?

PM: Our own lawyers—our own lawyers.

Media: Your own personal lawyer?

PM: Well, not my personal lawyer, but lawyers that acted for us.

Media: This is a completely separate issue. Can I just ask—there's a persistent rumour that Lockwood Smith has had his security clearance downgraded. Can you clear that up?

PM: Not true. It's not true.

Media: You haven't been told that?

PM: Well, it's just not true.

Media: Do you have a view on whether former politicians should be the Governor-General?

PM: I do. Yeah, I do have a view on that.

Media: What is it?

PM: Well, I don't think that they should be, as a general rule. I mean, I know it's happened with Sir Keith Holyoake, for instance, but as a general rule that's not my preference.

Media: And when is the—have you got a short list for the next one?

PM: Well, we're getting pretty close to reaching a conclusion on that issue.

Media: What sort of person would you be looking for?

PM: Well, you might find out sooner than you think.

Media: What, now?

PM: Not today, no, but sooner than you think.

Media: Tomorrow?

PM: Well, possibly this week, yeah.

Media: Just on multinational tax—what are we looking at doing outside of OECD-led action? Are we considering—

PM: I think IRD continue to look to make sure that people are observing the rules and are looking at how those rules apply—so thin capitalisation and all those sorts of things. So I can't tell you an exact work programme, but the Minister of Revenue will be able to tell you what they are looking at. But there are two strands of work: one in terms of the OECD, and the other is looking at specific tax rules.

Media: Could we see things change before the OECD work?

PM: I think our preference is to try and go down the OECD line if we can. I mean, as Robin Oliver pointed out on the news over the weekend, it's—yeah, he's right, actually. It's not without its challenges, and potentially even risks, if you aren't careful about the way you change the rules. So I think you have to try and get that balance right. But equally, as I said on the weekend, you know, most New Zealanders would expect multinationals to pay their fair share and that's, I don't think, just solely a legal test. I mean I think there are always ways that people can reduce their tax liability, but if people think that's a bit extreme then we need to look at that.

Media: Just on the teapot tapes, is the decision not to pay it out of your own personal pocket—because you obviously could—is that like a principle thing? If you know what I mean—is that some sort of precedent you don't want to breach or something?

PM: Well, I'm acting in my capacity as Leader of the National Party—just as, if I was acting in my capacity as Prime Minister, Crown Law would meet that cost. So in the end I don't go in—yeah, I wear many hats, and I take advice on which particular one, or make a determination, if you like, on which particular one.

Media: It's the final week of flag voting. Have you made any more enquiries since it came up on how much it might cost to switch to the new flag if that were to become—

PM: Well, the best number we have is \$2.7 million.

Media: And are you still confident that New Zealand might change it?

PM: Well, I hope so. But, I mean, that's been my strong preference. I don't know. I don't get an update other than the absolute numbers, you know, on how things are going. And at the moment we can see the polling is pretty strong, I think. But I don't know which way it's going.

Media: If the Kyle Lockwood flag was to lose, could you see a situation where it became a second flag for New Zealand—either officially or unofficially?

PM: I wouldn't have thought so. I mean, I think if the country votes for the existing flag we'll all go back to the situation we were with before. And if we—if they change, I think, you know, people will endorse it. But we need a single flag to represent New Zealand. We've gone through what I think so far has been a pretty healthy process. There's been good discussion. Certainly I hope that there's change, and, as I've said on a number of occasions over the weekend, if there isn't change, then I hope New Zealanders will embrace the current flag if that's their chosen one and use it proudly to demonstrate their patriotism for New Zealand.

Media: If the alternative flag got the thumbs up from the electorate, what would you envisage happening with things like passports and any of those other sort of official documents that have got a current New Zealand flag's on it. Would you see them all withdrawn and replaced immediately, or—

PM: No.

Media: Just in the normal course of rolling them over?

PM: Normal course. I mean, we're not going to go and incur what could be an enormous bill to recall passports simply to change the flag on them.

Media: So you would have some people with 5 or 10-year passports that have still got the old flag on it? It wouldn't be a concern?

PM: Correct.

Media: And if it does lose, what would happen to all those Kyle Lockwood flags flying around the country?

Media: Well, some people will keep them as a memento of the debate—I don't know. Most of them are personally owned and will be free for people to do what they like with them.

PM: Would you keep the one above Auckland Harbour Bridge?

Media: It won't stay above the Harbour Bridge. I mean, we're going through a process. I think it's been good to get them flying so that people can get a sense of what they look like. I think there's no question that's actually influenced some voters—that they've had a chance to visualise and see it, feel more comfortable with it, familiarise themselves. But in the end, you know, this is a process to determine whether we're changing our flag. If we're not, then we should embrace the flag that's chosen. And if that's the existing flag then we should embrace that.

Media: Do you think people put short-term politics ahead of the longer-term interests of the country in this debate?

PM: Well, I hope they choose the flag that they like. This is, as I've said, I think, a once-in-a-generation opportunity to do that. And I really hope that they choose that.

Media: Just on the Governor-General—do you think there is merit in going back to the “former judge” formula, which is what we've had since MMP?

PM: You're wanting me to narrow down my selection process. Look, as you can probably tell from my comments, you know, there'll be further discussion about that in the foreseeable future, and you'll be able to get a sense of my thinking.

Media: Do you think it's important—to put it a slightly different way—that the Governor-General has a grasp and is versed in those constitutional issues that the Governor-General has? Or is it just enough to have good advice?

PM: I think, in the end, you need someone that can carry out the duties and responsibilities of the Governor-General with the mana and respect that that office deserves. Clearly, the person would have to be either bright enough to either understand themselves, but also be able to take advice in the highly, you know, rare event that there was a significant constitutional issue, or to make sure they discharge their constitutional responsibilities when it comes to the election process. I think any person that made the short list, in my mind, of being able to be, you know, the Governor-General would be able to have the intellectual wherewithal to do that. In the case of Sir Jerry Mateparae, as you saw, he didn't come from a legal background, but I think he's done an outstanding job as Governor-General. Prior to that, Sir Anand Satyanand obviously came from a legal background, being on the bench. So I think it's possible for people with all sorts of different backgrounds to carry out the role.

Media: Just going back to the Ambrose situation for a moment—while it's clear that, you know, you wear many hats and you're always speaking publically with one of these hats, I think what some of the questions are really trying to get at is whether you think there's a residue of personal responsibility for the things you say, even when you aren't in the public sphere.

PM: Well, look, it just depends on the circumstances. There've been situations where there's been legal costs which I've met myself, because I've deemed those to be of a personal nature. There have been some where they've been in the case of the leader of the National Party. I don't think, from memory, there've been any as Prime Minister, although the Arthur Taylor case you could certainly argue was that, because it was around the

election. But I think it was also a leader's office thing, but I've got to check it. But there's been a variety of cases.

Media: But clearly, in this situation—this situation didn't meet that test.

PM: I was acting in my capacity as leader of the National Party; there's no question about that.

Media: Without a residue of personal responsibility?

PM: Well, as leader of the National Party.

Media: Has Cabinet made any considerations on the refugee quota?

PM: No, it's going through that process. I mean, we haven't—I haven't seen any paperwork on it yet. But I think by the middle of the year they'll work their way through and, ultimately, there will be a paper that will come back.

Media: When you're in Washington next week, if those senators try to raise, you know, some of the issues they're unhappy with, would you contemplate a review by way of side letter or through the implementation plans?

PM: Wouldn't be our intention. I mean, we made it pretty clear we were happy with the agreement, in the end, that we nipped out. It's not just as simple as us sort of changing one thing, really. I mean, there's some 12 members of the—or countries that have signed the TPP. I mean, the main purpose of the remarks we'll be making there is to support the agreement—why it's good for all parties, obviously including the United States.

Media: The national interest assessment may have a \$50 million error in it, thanks to a miscalculation by MBIE—the select committee was told last week.

PM: I don't have any details about that.

Media: Is that a case for reviewing MBIE's work on the national interest analysis?

PM: I just don't have any details. I haven't been briefed on it, so before I could comment, I would have to know exactly why, where, how, and what it all means. But Steven Joyce would have a view, I'm sure.

Media: He does.

PM: Yeah.

Media: Some people still point to the big skills shortages when it comes to ICT and the health sector, and they're questioning whether we are getting the right sort of migrants with the right qualifications coming into the economy.

PM: We get a big mix—I mean, if you think about people coming in. So some are coming and studying in New Zealand and converting those skills into, you know—or those qualifications—to assist their residency in New Zealand. Some people come because they bring capital but not necessarily skills in the sector that you might want. Others come because they are literally recruited off that approved list, and they can get through because their employer is seeking someone on the approved list, and does so.

But there's no question the ICT sector is growing. I mean, one of main arguments, I think, around the economy—or, at least, myths around the economy—is that it's solely driven off either dairy, or solely driven off agriculture. I mean, as we saw, the export numbers on the calendar year—while dairy was down \$3 billion, from \$14.5 billion to \$11.5 billion, the overall exports were net up \$1.9 billion, and other sectors were up \$5 billion, broadly. So you can see how diversified our economy is. I mean, manufacturing's grown 41 consecutive months in a row. It's a very diversified economy, and that diversification is assisted, I think, by getting people who come in skilled areas. There may always be more—sometimes they're quite difficult to get.

Media: The tourism industry says that the infrastructure demands on that sector are sufficient that there should be some kind of tourism infrastructure fund. Are you sympathetic to that?

PM: As I said on the weekend, I think there might be an argument for assisting councils, in relation to, you know, freedom camping issues. There are certain communities where they have a small number of ratepayers and a significant influx of tourists, and it's difficult for them to cope with that. It's not easy because there's lots of demands in that area, but we can see a bit of pressure there. I think, overall, there's no question that there will be a need for greater infrastructure, particularly in hotels. But we're also seeing it potentially in places like convention centres, and the Government's sort of working its way through that. I mean, one would hope that the natural market conditions and signals would drive the investment. We saw that with Fu Wah, a couple of weeks ago, investing in the Park Hyatt—you know, the new building in Auckland. OK. See you soon.

conclusion of press conference