

POST-CABINET PRESS CONFERENCE: Monday, 8 August 2016

PM: Okey-dokey. Good afternoon. So it's obviously great to be back. I hope you managed to get a couple days off during the 4-week recess.

As you know, it's been a busy few weeks for the Government. We launched Predator Free New Zealand, a world-first which aims to eliminate rats, possums, and stoats in New Zealand by 2050. We raised the KiwiSaver HomeStart cap to help New Zealanders into their first home as part of our comprehensive housing plan. We also made a number of transport announcements aimed to help keep New Zealanders safer on our roads, and made several announcements around new school infrastructure. We also welcomed Vice President, from the United States, Joe Biden to New Zealand, and we're pleased to announce the US has accepted our invitation to send a ship to our navy's 75th-year celebrations.

Today you will have seen that communications Minister, Amy Adams, has announced 2.4 million New Zealanders can now access ultra-fast broadband. The UFB roll-out is one of New Zealand's biggest and most successful infrastructure projects. It's ahead of schedule, within budget, and it's delivering economic and social benefits to hundreds of thousands of households, schools, and businesses. We've built fibre to almost every school and health centre and 90 percent of our businesses, and now more than 240,000 homes and businesses have connected to UFB. We've completed 19 towns across regional New Zealand, including Tokoroa, Whangarei, Ashburton, and Whanganui. This is creating jobs, stimulating economic growth in our regional communities. When we announced the UFB programme in 2008 we said we wanted it to be an economic step change, and it's absolutely delivering on that.

For our remote and rural communities, the first phase of the Rural Broadband Initiative is reaching 300,000 New Zealanders. This programme is a big investment in regional New Zealand, with new towers being built and upgraded lines. We're seeing big changes in reliability and, of course, speeds. Before the project our rural communities were grappling with poor dial-up; they're now enjoying speeds around 100 times faster than that. These increased speeds and access mean incredible opportunities for small businesses, schools, hospitals, and health centres, and it's great for tourists as well. We've still got some way to go and that's why we're expanding our broadband programme to even more New Zealanders.

Today I'm pleased to announce that His Majesty King Willem-Alexander and Her Majesty Queen Máxima of the Netherlands will visit New Zealand in November. This is their first official visit to New Zealand and demonstrates our strong relationship with the Netherlands. Over 150,000 New Zealanders claim Dutch heritage, and there's a sizable New Zealand community in the Netherlands. A trade delegation also travels to New Zealand at the same time, and we hope to further trade and investment ties between our two countries. The Netherlands is one of our largest EU investors, with goods and services trade totalling more than \$1.6 billion last year alone.

As you know, I'm hosting Vanuatu Prime Minister, Charlot Salwai, in Auckland on Thursday on his first official visit to New Zealand. New Zealand and Vanuatu have a warm relationship, and Prime Minister Salwai's visit provides a good opportunity to discuss bilateral and regional issues of shared interest, including the upcoming Pacific Islands Forum.

In Parliament this week we'll progress the appropriations bill, the Food Safety Law Reform Bill, and the taxation bill, which incorporates the recommendations the Government is adopting from the Shewan report. In terms of my activities, I'm in Wellington tomorrow and Wednesday, I'm in Auckland on Thursday, and Queenstown on Friday.

Media: Have you had an assurance from the Chinese Government that the fungus notification placed on Zespri is not a trade reprisal?

PM: Well, look, the way I would characterise that is that there's been a number of discussions, and most recently a discussion between the trade Minister from New Zealand and the trade Minister from China. That broader issue was discussed in terms of that, from time to time, there are technical issues that are confronted and that those technical issues are dealt with. That's the way that the Government sees this issue. This issue of rot is not new. We had it, for instance, with apples, and a protocol was established. And so my understanding is Zespri have voluntarily taken a product off the supply chain, if you like, to China for a week while they look to establish that protocol.

Media: If it's not new, if we've had this rot for 20 years or something, why, suddenly, 2 weeks after an issue around trade reprisals, has this been imposed?

PM: Well, I can't answer that question. I simply don't know. But, you know, if it was the reverse way round, we would pull up those issues if there's a rot. So I can't tell you exactly, you know, when they first identified it or what drove the particular outcome. Historically, in the past, as you know, over the last few months there have been discussions about trade issues and discussions, generally, about trade between the two countries. And where there have been claims made about reprisals in relation to our trading relationship with China, we've sought assurances that wouldn't be the case, and I think we're comfortable that these individual trade issues are literally that—individual trade issues, not part of a wider programme of retaliation against New Zealand.

Media: Has this shown, has this episode—and there's been previous episodes similar to this, with meat and others—that we have become too reliant on China and that they push us around?

PM: No, I think that it's actually the opposite. What it does show you is that we have a very broad relationship with China, and, by definition—and this is one of the issues, I think, that trade Ministers themselves discussed—as a relationship broadens and deepens, by definition there are so many product lines crossing the borders that there will be these technical issues. You've got to actually expect those. They happen on both sides. New Zealand sometimes stops products for a period of time or demands more information, or there are inquiries, and that happens on the Chinese side. It's not unique solely to China; it happens in every market that we trade. So I think—I understand the backdrop of the issue, but I think people should be careful about joining dots. We certainly see this current issue with Zespri as a technical matter. It could have arisen at any time. Yes, it's arisen at the moment. We don't read anymore into it than that.

Media: The *[Inaudible]* framework that's being developed around this issue with Zespri, is it solely to—looking at the rot, or is it future-proofing for, you know, any other possible *[Inaudible]* that could—

PM: You'd need to really ask Zespri and our trade people, the trade Minister's office directly. I mean, the way I understand it is it's dealing with this—it's a protocol dealing with this specific issue, but you'd just need to check their offices.

Media: Did Mr McClay seek a specific assurance from Minister Gao on Friday in relation to the steel-dumping complaint, if one arises, and retaliation?

PM: I can't, because I wasn't there, go through every individual piece that they discussed. I think the way I would want to characterise this is there was a broad discussion. There have been assurances that we have previously sought, and there was affirmation about those assurances, and I think the Minister came away comfortable that our understanding of the Chinese position is the one that we have expressed, which is—

Media: Was our position on the South China Sea raised at all—

PM: Not as far as I'm aware, but, again, you'd need to check with the Minister's office.

Media: When Mr McClay, on the day of his *[Inaudible]* announcements, said that the discussions or the concerns have gone back some months, in relation to possible

reprisals—can you be more specific? I mean, how far back do they go and what sparked them in the first place, if it wasn't this warning to Zespri or Fonterra?

PM: You're really best to direct those at the trade Minister's office. I can only tell you what I know, and what I know is reasonably limited. I just know that there have been some discussions and some correspondence that went back a few months, and it was just broader in general terms than what had been, or at least what I thought was, the public perception of that. But they have all the information in their office.

Media: So you don't know whether it was from a New Zealand trading company or whether it was from—

PM: I know there'd been—I know there'd been some broader discussions, and I think there's been discussions at a variety of different levels, not just at the trade Minister's office but, you know, our people in China and various commercial organisations, and I'm just not privy to all of those discussions or all of those bits of correspondence. But I think the way I would summarise it is, for obvious reasons, I can't go into the particular driving factor of one part of it, except to say that if someone makes a complaint, we know we have to follow the WTO rules.

But in broad terms there have, on a couple of occasions, I think, been at least the claims made that there could be some greater action sought against New Zealand in its trading relationship with China. Where those claims have been raised with our people, we have raised them with relevant authorities and we're comfortable with the assurances that we've received so far.

Media: Setting aside the difficulty you have in confirming or otherwise whether there's been a complaint against steel, have there been any expressions from the Chinese side in China or here about New Zealand joining any action on steel, because they already face actions from the US and from the EU?

PM: I think it would be better—I haven't seen all of the correspondence, and I certainly haven't been privy to all of the general discussions, and I'm limited in what I can say, so, realistically, you'd be better to go and ask the trade Minister and the foreign Minister because they have a better overall perspective on the things. You know, every country, if it faces a particular issue, will always want to push back on that issue, if you like and you put it in those terms. And I think that, certainly, the Chinese perspective would be that they are not responsible for dumping steel. Whether they are or they aren't isn't something that I'm in a position to comment on or to arbitrate on, because there's an individual section, if someone takes a complaint, of MBIE that looks at that, and it's not the Government.

Media: Should we be reducing our reliance on China, in general?

PM: No. I think what we should do is what the Government has been doing, which is follow an agenda of wanting to broaden our trade relationships with as many countries as possible. Not because of any threat, or otherwise, from any particular country but because there are always, with concentration risks—that puts you in a more exposed position from your own economic perspective. And so, just as we saw when New Zealand was very reliant on the United Kingdom, when that market went away from us that caused, you know, significant upheaval in our economy and significant adjustment was required. And so I think it makes sense for us to have as diversified a trading relationship as we can.

We've been following that—that's why we've been embarking on FTAs with the EU; we've been looking to expand our trading relationship in the Gulf States; we've been doing that, certainly, obviously, through TPP and ASEAN and the likes. But, by definition, as your trading relationships deepen with any country, there will be issues—there have been in the past with China, we're dealing with these issues with Zespri at the moment, in the future there will be others. It is just the very nature of the fact that you have so many goods and services crossing your border.

Media: So are you saying it's entirely coincidental that Zespri specifically were approached about possible reprisals and then a few weeks later this issue with the fungus comes up?

PM: All I can say is what I know, which is that Zespri are confirming that there is a rot, Zespri is confirming that they are working on a protocol, and it's not the first time that this has happened in the horticultural sector, because we saw it with apples and we did establish a protocol. So I can't tell you about the timing of it—people are always going to want to join their own dots and form their own conclusions—but if it was the other way around and we were importing kiwifruit from China to New Zealand, then we would, if there was a rot there, we would want to have that issue dealt with.

Media: But Zespri says there's no food safety issue here, that this rot's been around for a long time and hasn't been an issue.

PM: Well, I think that's why Zespri are reasonably confident that in a reasonably short period of time they can deal with the issue through a protocol.

Media: The time line suggests that the Chinese first discovered it at the border on about 6 June—it doesn't sound as if it was sufficiently urgent that they rushed to block kiwifruit from coming into the country or put in place some other protocols until after this whole issue blew up.

PM: Yeah, I mean, again, you know—

Media: Would New Zealand wait [*Inaudible*] for two months, is what I'm asking—

PM: Things often take time to work their way through the system.

Media: Would New Zealand wait for that long though?

PM: Well, it depends on the—every country is different in the way that they deal with things. If we think there's a specific issue, we might deal with it quicker, we might not. As you pointed out, there are the arguments on food safety. So, from a protocol perspective, you've got to remember that it's Zespri that has actually voluntarily stopped the supply; they haven't been stopped from sending them.

Media: No, I corrected myself and said “put in place some other measures”.

PM: Yeah. Sure.

Media: When did you find out about the theoretical investigation at the Ministry of Transport?

PM: What particular one are you talking about—the one that was reported on last week, or another one?

Media: Yeah—a couple of weeks ago.

PM: Look, I'd have to go and check with my office. I'm not entirely sure I've had notification of it—but you'd need to check with my office.

Media: There was a 3-month delay from when the person involved was stood down to when that case became public—

PM: Yeah.

Media: Are you surprised by that?

PM: I just don't have the details on it. I'm not sure my office has been advised but I'd need to absolutely be sure of that, so you'd just need to ask them.

Media: Are you surprised, though, that there was a 3-month delay from when that person was stood down and to when the public was notified about—

PM: Well, I just don't have enough details to advise you whether there's a reason for that or there was some process they were going through. So we'll just need to see.

Media: Can I ask about the *Newshub* poll that has you almost even with Labour and the Greens? What do you think is the reason behind that?

PM: Look, polls move around a few points. On the overall scheme of things it's consistent with where we won our elections in '08 and '11 and '14, so it's not dramatic.

Media: Is it a worry, though?

PM: Sorry?

Media: Is it a worry, at all?

PM: Well, we know every election is going to be tight—they have been the whole way through. If we could poll that number on election night 2017, we'd probably be the Government. But every election under MMP is a tight one, and, you know, National's well and truly aware it needs to poll a pretty big number to form the Government—45 percent's a pretty big number.

Media: In that context how do you relish the opportunity to negotiate with Tuku Morgan and the Māori Party, should you have to do that after the next election, given what Morgan's been saying lately?

PM: Well, one of the nice things is that we're in a position where we've got potentially a number of partners to negotiate with, but, like anything in MMP, you just don't know until the votes have been cast. So while people can say Winston Peters will be the kingmaker, well, he's said that in every election, and he hasn't been so far in the time that I've been Prime Minister. You know, maybe we'll need to rely on some parties more than others. We're still quite a way from an election and there's a fair bit of water to flow under the bridge. So, you know, come and ask me on election night 2017 and I'll probably give you a bit more of an accurate answer. But, you know, all parties are always going to try and maximise their position and the most electoral leverage that they have.

Media: On the issue of migration, in the last 3 weeks we've seen the Reserve Bank, David Hisco, and Stephen Jennings say there's a need for a review. Is the Government considering it, or is there a need for a review of the migration settings?

PM: I think the point that some people might be missing is there's a constant review of the migration settings, in so much that we can control various aspects of it. So where it's returning New Zealanders or Australians, I think most people accept that's outside of the purview of what you're talking about. When it comes to the skills category we've taken, I think, at the last count I looked at, 56 occupations off the skilled category list. So we do constantly review that list on the number of students coming. I mean, broadly there's a sort of logical limit to how many we can take, given the capacity constraints we have. If anything, those numbers have actually been easing back a little bit, I think.

So, I mean, what I'd sort of say is that these things do go in cycles. As Steven Joyce pointed out, I think, over the weekend, one of the challenges that you've got here is on the one hand while migration's strong—and I think that's generally seen as a positive thing for New Zealand, albeit it puts some pressure on the system—on the other side, we need these people in an environment where unemployment's 5.2 percent and where growth is still very, very strong. So you've just got to be careful as you play around with these things that you don't hamstring certain industries that actually need these workers.

Media: On controls on foreign buyers of property, Vancouver has just announced a 15 percent tax on foreign buyers, and Victoria has introduced a stamp duty. You said last year that potentially a stamp duty or a land tax on foreign buyers was a possibility. Are you looking at that again?

PM: I don't think there's any new work that we've looked at. What we have done in that time, of course, is identify how many buyers on a net basis, both gross and net basis, we think are foreigners with no connection to New Zealand. At the moment those numbers look very modest—you know, 3 percent, 1 percent respectively. As I've always said, those

options are always available to us if we want to use them, but at the moment, you know, really, the other things that we're doing in terms of building supply for the housing market are probably more appropriate responses.

Media: Can I ask about Helen Clark. Obviously she's had a disappointing result over the weekend. What would she be thinking at this moment? Would it be best for her to pull out of the race or—

PM: I think she's just going to take stock of the result over the weekend, and with her team in New York she's just assessing about what she thinks is the next best steps for her. I wouldn't want to speak for Helen. I mean, she can see that the numbers are going in the wrong direction for her, but these straw polls are still relatively early. It's not impossible that she could get over the line. But, of course, the results that we've seen recently are making it a little bit more difficult for her. But she'll go away and assess it and make a call.

Media: The interest rates decision on Thursday—it's looking more and more likely that the Reserve Bank will cut rates. Do you want banks to pass that directly on in full to consumers, and, if they do, are you worried that it might have a negative impact for the housing market?

PM: Well, I mean, if the Reserve Bank cuts, then we like to see the banks pass that on in full if they can. The only thing that we caution there is to say that it's not quite as simple as the base rate and any alteration that might take place when it comes to what a consumer pays for a floating mortgage. I mean, for a start-off, sometimes the banks get ahead of these things or get—you know, and take pre-emptive action on what they think the Reserve Bank's going to do. It depends on the international borrowing costs. So there's a number of different factors. But, by definition, if the banks are getting a reduction in their borrowing costs, we'd like to see that passed on to consumers.

Will it affect the housing market? I think, at the margins, not really now. I mean, interest rates are at a 60-year low. You know, this reflects very low levels of inflation in New Zealand, and so, I don't think it'll have a dramatic impact.

Media: But the banks are saying that their international funding costs are higher—

PM: Yep.

Media: —and they're also saying that they don't want to pump more money in. They could actually help the Reserve Bank, couldn't they, by not passing it on?

PM: Well, there are many ways of looking at that. I mean, the banks themselves can do all sorts of things, but, by definition, as good corporate citizens, if their cost base is reducing, then we would expect them to pass that on to consumers. It's for, you know, the Governor and the Reserve Bank to consider how it deals with the wider issues, but, you know, if—what we wouldn't want to see is a reduction in the cost of the banks and an increase in the profits for the banks without any flow-on effect for consumers.

Media: Some economists are saying that cutting the official cash rate doesn't make much sense. Do you think the Reserve Bank should be cut some slack on its inflation target, and is there any sort of future for inflation targeting in an environment like this?

PM: Well, I think the Reserve Bank does have a reasonable degree of flexibility. I mean, it has a number of things it has to consider. Ultimately, it's for the Governor to decide whether he's going to hit his target or not. But what we know is that if, you know, over the medium term they can't achieve their inflation target, then they have the policy response through interest rates to deal with. And, you know, it's not like there's a precise science—I mean, they can take, you know, quite a degree of time and they can look at lots of different factors; this is just one of them. One of the reasons why we've given the Reserve Bank more tools in their tool box in terms of LVRs and the other kind of policy tools we've given them is to allow them to, potentially, do both things: lower interest rates and cool the housing market, in so much that they can, through some demand management.

Media: Some Australian media have blamed you for nobbling Kevin Rudd's chances by getting in Turnbull's ear. Are you guilty as charged?

PM: No. I wish I was so influential, but no. In the end, I mean, decisions made in Australia are ones made by the Australian Government.

Media: Did Turnbull ask you what you thought?

PM: No.

Media: Did you tell him what you thought?

PM: No.

Media: So Malcolm Turnbull—you didn't talk to Malcolm Turnbull about Kevin Rudd, even when you talked to Malcolm Turnbull on the phone about Helen Clark?

PM: Well, I'm not going to go through every part of my discussion, but the discussions I've had with him have been in relation to Helen Clark.

Media: Have you spoken with him since last Thursday's Cabinet decision regarding—

PM: Yep.

Media: So you managed to talk up Helen Clark without talking down Kevin Rudd?

PM: I wasn't really talking up Helen Clark; I was just giving him a broad summary of where things were at.

Media: And he didn't bring up Kevin Rudd at all in either of those conversations you've had recently about it?

PM: Well, not in the way that you guys would say. It wasn't—I didn't offer advice on it; he didn't ask for advice on it. He deals with his own issues.

Media: Was he right?

PM: Well, right about what?

Media: Were the Australian Cabinet right?

PM: Oh, look, the call they make is a call for them to make, not for me to comment on.

Media: Are you pleased with the decision?

PM: Am I pleased with the decision? Well, look, in the end, you know, my view is a pretty clear one. I think that Helen Clark's the best candidate for the job. Whether she'll get the job or not is a completely different matter, but I don't think it matters too much whether Kevin Rudd would come in or not. I don't think that's the factor about whether Helen Clark gets there or not. I think what you're seeing in terms of the voting down of Helen Clark, arguably, would be the same thing that if Kevin Rudd was in the race he would face. I mean, this is very much an issue about whether they believe a European or eastern European should get the job.

Media: Just to double check on *[Inaudible]* question around the Ministry of Transport before: he asked you if you knew about it. You said "Which one?". There's just one.

PM: Well, yeah, I'm not aware of—I don't have great details on the case. I just saw a limited amount of stuff when I was overseas. So I don't—I can't recall being briefed on it. I can't recall my office getting anything on it, but it's possible. You know, these things happened months ago. But we'd need to check. You just need to go and ask my office; they can go and find out whether I was advised of it. It's not normal that I am, but who knows?

Media: What do you think of Phil Goff using blue paint on his signs?

PM: Everyone looks better in blue. See you.

conclusion of press conference