

**POST-CABINET PRESS CONFERENCE: MONDAY, 26 SEPTEMBER 2016**

**PM:** OK. So, good afternoon. As you know, I've just returned from the United States, where I attended Leaders' Week at the United Nations. As president of the Security Council I chaired a high-level meeting where I urged members to show greater leadership over the Syrian crisis. After more than 5 years of brutal fighting and horrific humanitarian suffering, Syria has become the gravest crisis of our time. While the meeting itself was never going to end the conflict, I believe it was the right decision to use the council presidency to focus the world's attention on Syria. Therefore, it is of deep concern that just days later, Syrian planes, reportedly with Russian support, have launched heavy attacks on Eastern Aleppo. It is despicable that civilians are bearing the brunt of the renewed fighting. The immediate priority must be to stop the fighting and the targeting of civilians. Parties must also commit to restoring the ceasefire, delivering aid to those who need it, and restarting political talks. As our ambassador said at the emergency meeting of the Security Council today, the council needs to remain closely engaged on Syria. We will do everything we can in our remaining 3 months on the council to ensure that it does all it can to end the conflict in Syria. The people of Syria deserve this much.

During my time in New York I also had a number of bilateral meetings, including with the new British Prime Minister, Theresa May, and Iraqi Prime Minister Haider al-Abadi. I also pushed the case for the Trans-Pacific Partnership (TPP) by reiterating that we cannot allow fear or narrow domestic interests to turn us away from open global trading systems, which help create jobs and raise income. Therefore, I welcome the priority the US Administration has placed on the TPP's passage through Congress this year. This is an unprecedented opportunity to bring into force an agreement that is in all of our interests.

My visit to Houston was also a good opportunity to push the trade, business investment, and tourism links between our two countries.

Just in terms of my activities this week, I am in Auckland tomorrow and back in Wellington on Wednesday for the swearing in of the new Governor-General, Dame Patsy Reddy. I am also in Nelson on Thursday and Auckland on Friday. On Saturday I'm hosting Sri Lankan Prime Minister Ranil Wickremesinghe. This will be the first official visit by the Sri Lankan Prime Minister to New Zealand, so it's an important step in growing the relationship between our two countries. We'll discuss a wide range of issues including trade, regional economy, and security.

As you know, I'm just a little bit pressed for time today, so I really need to be out of here by about 4.15, if I can.

**Media:** Are Indian students similar to Chinese fridges?

**PM:** Look, I think Kanwal Bakshi himself has said that was an unfortunate turn of phrase. I think he probably could have chosen a better analogy, and I'm sure in the future he will do so.

**Media:** Have you given him a telling off?

**PM:** No. I mean, look, as I say, it's in the media report and he's obviously tried to use an analogy that, as he himself said, was a poor one.

**Media:** Did you talk about the Supreme Court ruling in Cabinet today?

**PM:** Yeah. Look—the Minister of Corrections was away today. She's got the flu, unfortunately. But the Minister of Justice gave Cabinet a bit of an update on where things are at. I think it's fair to say that, in terms of where we go from here and the wider issue of whether compensation could or should be payable, it is at this point very uncertain. So we've asked Crown Law to provide Cabinet some advice and the Minister some advice. They haven't done that in a sort of fulsome form yet. I think they've had a chance to have a

bit of a brief look at it, but we'll need to work our way through it over time and give some consideration to what happens next.

**Media:** Is there any figure quoted by the justice Minister in talking about possible compensation?

**PM:** Not really. I mean, there's a historic sort of number that typically—you know, you can go and look at the sort of standardised figure that's used if people are imprisoned incorrectly, and while it's not sort of hard and fast, it's a broad sort of tariff. But whether that would apply, whether the Government would pay compensation, whether it legally needs to—they're all matters that are yet to be very much determined.

**Media:** In principle, would you have any objection to a retrospective clearing of the State's obligation to pay compensation?

**PM:** That's all yet to be considered. I think it's worth making the point that from 2003 there were a number of cases taken to the Court of Appeal, as I understand it. In each case the court ruled on the basis that the corrections department were administering the law. So it isn't an error, if you like, by corrections. It's the legal interpretation—the way the courts believed it should be interpreted and the way, we believe, the then Labour Government, you know, introduced and passed the legislation.

What's subsequently happened, of course, is that there has been, now, a ruling the other way from the Supreme Court. And so, in principle, I think you could certainly put up the case to say that the Government of the day thought this was the way the law should apply. It was tested on numerous occasions, and the courts interpreted it the same way, and now, out of left field, we've got a different decision. But, nevertheless, we need to deal with that.

**Media:** So, in principle, you wouldn't object to that clarity being retrospectively created?

**PM:** That's a possibility, but I wouldn't say necessarily a probability at this point. We haven't received any advisements. There are many sort of possible ways this could go, including, you know, potentially, test cases or the like. So we'll just need to wait and see on how we think we should progress, but we just don't have that advice yet from Crown Law in any fulsome way.

**Media:** So compensation could be on the table?

**PM:** Ah, well, there's just a big range of options. I guess that's potentially one, but not necessarily the only one.

**Media:** And one option would be putting legislation through the House that would retrospectively change the nature of these people's prison sentence?

**PM:** Technically, yes, that's possible. So if we were to do that, then, simply, Parliament would be saying this was the understanding of what we passed back in 2002, and that was the way that the courts have interpreted it up until this point.

**Media:** Did you discuss that specifically today—that, you know, the possibility—

**PM:** Well, I think it's fair to say there was just a sort of broad discussion in terms of getting an understanding of a little bit of the history, the sorts of cases, the broad sort of numbers, and what it might mean, but no clarity, really, on what happens next, I think.

**Media:** What were the broad numbers?

**PM:** Oh, I think it'd be better for me to leave it at this point, because it is quite wide-ranging.

**Media:** Given last week the opposition to the Electricity Authority's transmission pricing proposals came to Wellington, what's your view on the EA's proposals? Do you think they should go ahead, or can you see the point that people like John Carter's trying to make?

**PM:** Oh, look, those who do well out of the rulings will obviously be fairly quiet at this stage, and those that don't do so well will obviously voice their case. I think there's a lot of

water to flow under the bridge before these changes actually happen. For a start-off, I think they're going through a process where they're considering feedback. The Electricity Authority may well come back and have another look at this matter, and, as we know, it's a sort of fairly litigious area where it's highly likely, whatever decision they make, it will be challenged in court. So my view of it would be nothing's going to happen quickly.

**Media:** Just on the Heron report, do you still have confidence in the ministry—in MPI?

**PM:** I do. I mean, my reading of the report is that MPI erred, as Mike Heron said, but they did so because they believed that the camera footage that they had wasn't admissible. Now, that was because the footage, as I understand it, was taken for one reason, and they were theoretically applying it for another.

I think there are some lessons that have come out of that. There's certainly a multitude of changes which are happening going forward, and not solely as a result of the Heron report, but you can see the advancements that are happening in terms of cameras on boats, observers on boats, and all of those sorts of issues. But, I mean, in two of the three cases he found that MPI had acted appropriately. In the third case, what he found was that they probably, on balance, should have taken a prosecution, but their legal interpretation, as I understand it, was the counter-view.

**Media:** Have you seen the legal advice that—

**PM:** I haven't seen it, no. I've only seen the report.

**Media:** Do you know what that legal advice was—whether it was “you've got enough evidence here to prosecute” or not?

**PM:** Ah, no, but—I haven't seen the advice, but, I mean, MPI considered the matter, as I understand it, and considered they weren't in a position to be able to prosecute. That was their interpretation.

**Media:** Yeah, because there's been a whole lot of different conflicting stories that've come out of MPI, from officials who have now left, about what that legal advice said. The report refuses to release it.

**PM:** Well, I think, like all of these things, they're always a judgment. For a start-off, it's not new news that a department or the Government is not releasing legal advice—for a whole lot of reasons, there's a precedent that says that we don't do that, so I can't recall too many occasions where we've ever released legal opinion.

Secondly, I mean, like everything in life, legal advice is literally that—it's advice, but it's generally never definitive. The best QC in the world will tell you that, you know, if you've got the strongest case in the world, there's a high probability you'll win, but they'll never give you 100 percent probability, and that's true with legal advice. They sum up the facts for you, tell you what they think will happen, but there are no guarantees.

So, I mean, I think if MPI had believed that they could've taken a successful prosecution, I suspect they probably would've, although I haven't had extensive discussions with them about it.

**Media:** Is it just unfortunate, then, that commercial—those who were dumping fish weren't prosecuted?

**PM:** Well, I think there was just a difference of opinion, and, as I understand it, the difference of opinion was about whether the case would stack up and whether the evidence and the footage that they had recorded would be admissible—was the way I understood it.

**Media:** Do you know if any heads have rolled at the ministry?

**PM:** Not aware of that. You'd have to ask Martyn Dunne.

**Media:** Do you think Nathan Guy should stay in the role?

**PM:** Oh, I think Nathan's done a very good job. I don't think there's any question about the Minister. I mean, in fact, he's been making a lot of changes in terms of toughening up and ensuring that there's proper procedures on these boats, and that's everything from, as I said, cameras to observers. The fact that someone might have a legal view that says "Look, you're not on as strong a ground as you think" is—that's the nature of decision making that happens in departments every single day. I mean, there are numerous prosecutorial bodies that every day have to make a line call on whether they think they can take action or not. We've also seen it going the other way, where from time to time the police will take a case on the evidence they believe is admissible, and the judges will throw it out. So it's not a one-way street.

**Media:** We've got some sort of leaks out of MPI—according to emails, the reason that they didn't prosecute is because they didn't want to upset the skippers who they'd agreed to install cameras on the boats, so it wasn't the legal advice. What's your response to that?

**PM:** Well, (a) I haven't seen the emails. Secondly, I don't know the people in question. Thirdly, I wasn't around the event. But people often have their own interpretation of things, and that's true within Government departments. One person will have one view, someone will have another, and often they'll express that that's the reason that they believe it's the case. In my opinion, I can only work on the advice I've received, and the advice I've received is that they didn't believe they could go ahead with a successful prosecution.

**Media:** Those officials who have said that they couldn't prosecute because of the legal advice—do you think they've misled the public because it's turned out to be—

**PM:** Well, just because somebody else has a counter view, doesn't mean they're correct. That's just—that's their interpretation. You can go around this building and ask people on any particular event, and you'll get a series of different opinions offered. It doesn't mean that they're right.

**Media:** But they're—you know, these are the officials who went public, saying—

**PM:** Well, they often are people that have their own particular perspective, or their own axe to grind. I'm not saying they're right or they're wrong—I simply don't know. But what I'm saying is that I don't think the Ministry for Primary Industries has a particular reason not to take a prosecution if it thinks it can successfully take one. Regulatory bodies, where they have that authority, do that all the time. But, as I said to you earlier, they also can get these cases thrown out from time to time.

**Media:** Just on education, the series in the *Herald* today—is it concerning that so many kids at low-decile schools are doing non-academic preferences?

**PM:** Well, I think the curriculum is wide in our system, and one of the things that's seen as highly successful about the New Zealand education system is that the curriculum is broad and wide. If that encourages a student to stay engaged in the schooling, then that's something that can be positive, and sometimes kids do need a bit of encouragement to stick with the programme, if you like. But, you know, obviously in the end, the purpose of education is to prepare people for life outside of school, and that's to give them the skills and the capability to go on and get employment and do the things they want to do in their life. So, you know, I think schools do a pretty good job of generally balancing that up.

**Media:** Do you think the Government's targets are influencing schools to steer students into easier credit—

**PM:** I don't. I mean, I think, for the most part, teachers take their responsibilities very seriously, which is that they're preparing youngsters for their futures in front of them, making sure that they're equipped with the skills to allow them to be part of the modern economy that we now face. I think there'll always be a range of interests and a range of different programmes. You know, it's not new that you could get NCEA credits for lower-skilled disciplines. We've seen those sort of stories around before. But, I mean, I'm not the absolute expert—you'd need to go and check with Hekia Parata's office. But up into certain

levels you're required to do certain courses, and for the most part anyway, ultimately—if you're trying to go on to either further education or impress an employer, you know, ultimately, you've got to demonstrate you've got a certain range of skills.

**Media:** Did you discuss the Ngāpuhi mandate today at Cabinet?

**PM:** There was sort of a brief discussion about how we move it forward, potentially. I mean, you will recall—I think it was back in 2013, on Waitangi Day—I gave a speech, you know, where we were very much encouraging Ngāpuhi to move forward. As I've always said, you know, when it comes to Treaty settlements, they'll only ever be successful if you have willing participants on both sides, and they have to be full and final. So I don't think it's new—again, you know, revolutionary—or new news to say that there's some contention about who holds the mandate.

I guess it's disappointing that they haven't made faster progress. It's a huge issue for the Far North. It's an extremely large iwi, and the sorts of nominal numbers that've been talked about in the Treaty settlement would make a huge difference, I think, in what is a pretty poor community in Northland. So we would hope that they can sort out those mandating issues, but at the moment it's something that's a little beyond our control. But we certainly haven't given up hope of finding a way forward.

**Media:** Prime Minister, you may have seen Australia is adopting the social investment approach to welfare, as New Zealand has. Can I take you back to a question on that. You implemented it after an extensive consultation process. What was the biggest hurdle for New Zealand implementing this approach?

**PM:** Oh, by far the biggest issue is that we allocate money on an individual vote per ministry, but we're asking, under the social investment approach, for, effectively, those individual fiefdoms to be broken down and for Ministers to work collaboratively, and their ministries to work collaboratively, and, also, there's a certain degree of a leap of faith—that you're spending more money now than you might otherwise argue to save money in the longer term. Now, you can back that up, as we do, by analysing as best you can how successful you've been. So, as I understand, every 3 months they go away and have a look at the valuation of the welfare liability. They try and assess, if it's reducing, how much of that is as a result of the sort of business-as-normal growing economy and how much is as a result of the programmes that they're running. All of this is subjective, but, I mean, the Government's view is that we are making a difference in some quite thorny issues by applying the social investment approach and investing more upfront.

**Media:** Realistically, how quickly can one break down those fiefdoms and get that change that's required to implement this policy?

**PM:** It's a little harder than you think, but, of course, we need to do that, because, ultimately, you know, what we do see with, probably, at-risk families is that there's a concentration of risks across a range of different Government areas. You know, it's always possible for a person or a family to come and see one of the Government services to have just a specific need around housing or truancy or whatever it might be, but very often they're quite related. There could be many different factors, which is really at the core of, sort of, Whānau Ora, really—trying to sit down with the family and say: "Let's talk about all the issues, and let's try and stop the situation where we've got sort of 10 cars up the driveway from 10 different agencies."

**Media:** Last one: which is more important—the carrot or the stick?

**PM:** I think both. If you think about what we did in terms of welfare reform, one of the really important things we did was work testing. I think that, again, put some pressure on the system for people to be looking for work, but, equally, we had to put investment upfront, making sure that people had the skills, could put together a CV—the capability of actually getting work. So you need a bit of both.

**Media:** Just going back to Ngāpuhi, is there a deadline that you've given the iwi?

**PM:** As I understand it, there'll be further discussion between the responsible Minister, Chris Finlayson, and the two potential mandating groups up there. It's not really a deadline per se. I mean, the Government has said by 2017 it wants to complete its negotiations with every willing iwi, but we've always believed that there will be some that just aren't ready to come to the table. And because they have to be full and final, the Government doesn't want to go back and revisit these issues, then we can't be in the position where we just force an outcome, because if we do (a) it won't be successful, and, (b), actually, it won't be long lasting. And we can't have these things—you know, there's not two bites of the cherry. So, ultimately, to be blunt, Ngāpuhi have to work out amongst themselves, to a degree, who speaks for them, who's negotiating on their behalf, and, with a bit of luck, come back to the table and we're ready and willing to start going again.

**Media:** The Government's already put about \$4 million into helping them resolve the mandate. How much more are you willing to give before leaving it—abandoning ship, basically?

**PM:** Well, we can't just endlessly spend money if there's no hope of resolving who's actually speaking for them, because, in the end, that's part of the AIP process, and it has an impact on the iwi themselves. But we'll stay engaged for as long as, you know, realistically there's hope that we can get a settlement.

**Media:** Are there any talks scheduled this week on the Kermadecs, and if so, who with?

**PM:** Not as far as I'm aware.

**Media:** You're not involved in anything, and Bill English is not, as far you know?

**PM:** Not as far as I—I'm certainly not, and I'm not aware that Bill is. You'd have to ask his office.

**Media:** So what's the timetable? Isn't there some urgency to try and solve this?

**PM:** No, I don't think there's urgency. I mean, we want to resolve it, but, as I said before I went away overseas—I mean, in the end, you know, we need to find a way through, and that means, I think, you know, going back to the table and starting one more time and seeing whether we can find an outcome that's, you know, acceptable to everybody. I don't think putting, sort of, artificial pressure on the process will help.

**Media:** Why did the Government put the mandatory appointment of iwi representatives to the Taranaki district council in the Taranaki Iwi Claims Settlement Bill, and do you accept that that actually is quite a radical constitutional move—to make it mandatory?

**PM:** My goodness, that's technical. You'd have to ask Chris Finlayson's office; I just simply don't know.

**Media:** Just going back to events in New York—we've chaired the Security Council meeting on Syria. What's our sense of what a political solution would look like once the fighting's been stopped?**Error! Bookmark not defined.**

**PM:** Well, our view is that there wouldn't be a long-term place for Assad in the governing relations. How long he could stay in place while they transition to a new leadership is yet to be determined. We're a wee way away from that at the moment. But I suppose we've taken the view, as others have, that to get a successful outcome, you need to basically have the institutions and a form of leadership and democracy, if you like, that support that. You've seen Obama coming out criticising David Cameron and, I think, the French for the lack of that sort of second step, if you like, in Libya. Certainly, that was one of the arguments in Iraq—that, you know, taking down Saddam Hussein himself was the easy bit, but, of course, it leaves exposed, you know, these groups which have historically had tensions amongst them.

**Media:** Would we accept any kind of federal solution, where the country was, effectively, divided?**Error! Bookmark not defined.**

**PM:** From time to time you hear those discussions, and you've heard the same thing in Iraq, but—

**Media:** Were they part of the meeting in—**Error! Bookmark not defined.**

**PM:** They weren't part of the meetings that we had. I mean, those views have been expressed to me by my officials in the past that that is an argument that some people make. It's a pretty radical argument to make, and these things are never ever that simple, but I couldn't tell you that I think that there's a clear plan, not at least in our mind, at this point.

**Media:** Just back on fishing: how are Kiwis meant to have faith in MPI and the fisheries officers and things like that if the organisation, since 2009, hasn't prosecuted these major operators for fish dumping?**Error! Bookmark not defined.**

**PM:** Well, as I understand it, one particular operation was the focus of Mike Heron's report. There were three. Two of them, he believed they acted appropriately; the third one, he believed that they erred. I think, if you look at the quota management system, which has been in operation, I think, now for about 30 years—it's seen as highly successful. Fish stocks have been maintained, and in some areas enhanced. It's a complicated process where there are always both conflicting views and lots of different interests from iwi to recreational fishers to commercial fishers. So, look, in the end, what you need to look at is what the Government is doing. The Government is toughening up, through the use of technology and, to a degree, people, to make sure that all of the players play by the rules. But I don't think you can take one person's view of events as gospel. You have to say that there are always going to be a range of views. It's a very—both litigious and highly contested area, and it always has been.

**Media:** But you must realise that Kiwis who are fishing in the Hauraki Gulf who have caught one-too-many fish and been, you know, fined \$200 or whatever it is—they will look at these big fishing operators and they're just dumping tonnes and tonnes of fish—**Error! Bookmark not defined.**

**PM:** Well, I don't think you can say there's been proof of—through the video footage that was taken—of one operation where, on the advice of the reviewing QC, a prosecution could have taken place. But it wasn't as if MPI didn't have that information. As I said, the advice I got was that they didn't do that because they believed they wouldn't be successful in that prosecution. It's quite a different matter.

**Media:** Did they make an error, then?**Error! Bookmark not defined.**

**PM:** Well, they interpreted their advice. That happens all the time. I mean, if you take—I may get this completely wrong, but I'm pretty sure the Ureweras, for instance, there was a belief that they could successfully take a prosecution on the evidence they had. Some of the evidence, I think, in the end wasn't admissible, and actually the action wasn't successful. So these things are always subject to opinion.

**Media:** Was it a bit of a shambles, do you think, just with all those opinions going on over, you know, multiple years with a whole lot of different people?

**PM:** But that's the nature of these things. It's the nature of these kinds of investigations. Go and ask the police. You know, the police every day go and have a look at a range of different cases that are brought before them. There are often a range of different views about whether they should prosecute or not. Crown Law, when it reviews whether a successful prosecution should take—you know, would be likely—often gives a different opinion. These things are just not black and white. It's very simple to sit there and say it is, but unfortunately in the real world they're subjected to a whole range of different views.

**Media:** In the real world it's wrong for, you know, 6 years?

**PM:** Well, that's your view today.

**Media:** That's not just my view, though; that's what the report found.

**PM:** But the report found that they erred. They had a belief that they were right, and it's proved to be wrong. We had a belief that it was right in terms of the way we interpreted the amount of time people spend in prison, and it was tested three times in court and successfully found for the Government of the day to be right, and now the Supreme Court's found it's wrong. These things are just not black and white.

**Media:** In the wake of your recent visit, do you think the White House's got the numbers to pass the TPP?

**PM:** I think there's a possible pathway forward, and that's the advice we continue to get from the administration.

**Media:** So 50:50?

**PM:** Well, the number of—put it this way: the number of Democrats that are likely to vote for TPP was small before this process started, and it's quite small now. So it's totally contingent on the Republicans who voted in quite large numbers for the Trade Promotion Authority. I think it will depend on quite a number of different factors—you know, what the likely outcome of the election is, how close the result is, what Speaker Paul Ryan wants to do. There are a number of different factors in there.

**Media:** Are you optimistic? Confident?

**PM:** Um, I'm uncertain but hopeful. I don't think it's completely clear-cut. I wouldn't say it's dead in the water, by any stretch of the imagination. It's important to President Obama. He wants to do it. We want him to get there, and there are quite a few countries pushing him, so there's no question there's momentum, but I think it's highly contingent on what happens on election day.

**Media:** Just on trade, while you were at the UN: which nations did you push hardest on the growing tide of protectionism?

**PM:** On protectionism? Oh, well, we had wide-ranging discussion with lots of them. I went and spoke at the Council on Foreign Relations and made that case, which—I guess you could argue there were quite a lot of people represented there. But, you know, to all of them we really made the case that we thought what the presidential nominees, both on the Democrat and Republican side, were saying represented a step backwards in terms of free trade, because neither of them were advocating for TPP, and, in varying degrees, they were arguing to put up barriers of protection. Our concern is if that happens, we'll see more of that in other countries around the world.

**Media:** Did you raise that with any other leaders in bilateral meetings while you were over there?

**PM:** Yeah. I mean it's just fairly generally a topic of conversation, particularly with our TPP partners. So, you know, we had discussions with a wide range of them.

**Media:** Are there any regions where you're seeing a growing tide of protectionism—a move towards those?

**PM:** You always see bits and pieces of it, but probably our biggest concern at the moment is what might happen with TPP, only 'cause of the signal it sends. I mean, on the other side of the coin, we're having some quite—look like some quite positive outcomes. I mean, our meeting with Tusk from the EU looked really successful. We're quite hopeful of where we're going with Saudi Arabia. You know, we're making some quite good progress, we think, in terms of moving things forward. But our big issue, really, is TPP at the moment.

**Media:** Did you hear any early soundings of straw polls tomorrow morning?

**PM:** Don't know.

**Media:** You don't know—our officials aren't saying some countries are moving for or against us?



**PM:** Well, somebody said to me if everyone who's pledged to vote for Helen does, she'll be the next Secretary-General, but that's politics, isn't it?

**Media:** That's every step until now or just this time?

**PM:** Sorry?

**Media:** That's every step until now or just this time?

**PM:** Oh, I don't know. Yeah, I think it's one of those things where, you know what politics is like. Counting heads is one thing, but actually getting the ticks on the paper is often quite different.

**Media:** Are her chances reliant entirely on the exercise of the veto by permanent members?

**PM:** To a certain degree. I mean, as I said when I was in New York, I think it's highly likely she, herself, will get vetoes ultimately, not—obviously not tomorrow, because that's not the case. But I think, in October, when they start being able to hold up red cards, I think she will pick up some vetoes; the question is how many and how serious they are. So it's not unusual for a veto to be applied, but that doesn't mean it's the end of the world. But, at some point, you can get a veto where the country vetoing you just says "No way, no how." Now, we don't think that's where that's at, but I certainly wouldn't be too alarmed if I saw her pick up one or two—I think it's possible. If she gets a lot more, I think she'll be concerned about that.

**Media:** Just quickly on housing: the latest Stats NZ figures show that 78 percent of those renting are worth less than \$120,000 and they can't scrape together that 20 percent deposit. Does that concern you that, effectively—

**PM:** Sorry, one more time: 78 percent—

**Media:** 78 percent are worth less than \$120,000.

**PM:** Do you mean in terms of household income or their assets that they have?

**Media:** Their assets. So they can't scrape together that 20 percent. So they're, effectively, locked out of the—

**PM:** Well, I mean, I think it's worth remembering that, you know, if that's based off the median house price in Auckland, people don't always go and buy the average house price. People go and buy a range of different houses. So if you need to put up 20 percent and you're buying, you know, a \$400,000 house, you need less, obviously—you need \$80,000. So it just depends on what's happening. It's also not true that every person has to get, you know, 70 or 80 percent by mortgage and the rest by deposit. What it says is the banks have a certain amount of their balance sheet that can be high-LVR loans. So it just varies. I mean, some people will buy a property that's leasehold. Some people will be able to use KiwiSaver HomeStart. If you're anywhere outside of Auckland, you know, the deposits you require are a lot lower, as a general rule.

**Media:** Would you support a move to exempt first-home buyers from those LVRs?

**PM:** I think it's a matter for the Governor to consider. I mean, we certainly encouraged him to look at those kinds of things. I mean, our priority is to try and assist first-home buyers, which is why we've got KiwiSaver HomeStart. But the only point we keep making is that whenever people take a mortgage down against their property, they just need to think through not only what they're borrowing today and their capacity to service that mortgage, but what might happen in the future. In the same way we would expect a bank to stress-test their balance sheet and ask the obvious questions of what happens if unemployment rises or interest rates rise, it's equally true that a household needs to think at least about those factors of how risky their employment is, or, ultimately, how much capacity they've got to withstand rising interest rates, because at some point interest rates will rise—not

necessarily today or tomorrow, and if they're on a fixed-rate mortgage, then they know for how long they're locked in. But at some point these factors change. OK.

**conclusion of press conference**