

POST-CABINET PRESS CONFERENCE: MONDAY, 31 OCTOBER 2016

PM: OK, so good afternoon. As you know I've just returned from India, where I had a positive meeting with Prime Minister Modi. India is a key partner for New Zealand. It's a leading source of skilled migrants, international students, and tourists. In the last 5 years two-way trade between our two countries has increased to \$2.4 billion, and Prime Minister Modi and I agreed that there is considerable scope for broadening our bilateral ties. We agreed that our two countries would continue to work towards a comprehensive free-trade agreement and cooperate in a range of other areas including cyber-security, counter-terrorism, customs, education, and food safety. I'm pleased Prime Minister Modi accepted my invitation to visit New Zealand. I look forward to welcoming him in the future.

You will have seen the latest figures out today showing nearly 30,000 new homes were consented in the year to September, up 14 percent on the previous year. In Auckland, nearly 10,000 homes were consented, also up 14 percent. As Nick Smith announced today, Cabinet has signed off on the National Policy Statement on Urban Development Capacity. This will require councils to ensure land supply for houses and businesses keep pace with growth. It's another step in our comprehensive housing plan to address the challenges of housing supply and affordability.

The Government has today released updates on our Better Public Services targets. Since the targets were introduced in 2012 we've made good progress in a number of areas. More children are starting their education earlier, staying longer, and achieving better results. In health, more children are being immunised, and cases of rheumatic fever are down. The number of people on benefits has also dropped more than 5 percent since 2014. While there's been an increase in crime since the last update, it's still down 15 percent since 2011. Overall I'm pleased with the progress we've made in these 10 areas. It shows we're making a real difference to the lives of New Zealanders. As I said before, these targets are very challenging and we might not meet them all. What's important, though, is that overall they are trending in the right direction. With the targets set to expire next year Cabinet will now go through a process of refreshing them.

In Parliament this week we're advancing a number of bills, including the health practitioners bill, the police amendment bill, and the broadcasting amendment bill. In terms of my activities, I'm in Wellington tomorrow and on Wednesday, I'm in Hamilton on Thursday, and in Christchurch on Friday.

Media: Prime Minister, to get into the US election: are you concerned that an unlikely, but not impossible, Trump victory could spell the end for, sort of, the free-trade movement and signal a shift back to protectionism?

PM: Well, I think if you look at both candidates, they've been really talking sort of negatively in terms of free trade, and that's obviously diametrically opposite to where New Zealand thinks the world should be positioned, which is opening up those borders. Having said all that, I don't think that they're philosophically opposed to trade. I think Donald Trump is really saying that America should negotiate better deals. Now, let's see whether they actually can, and actually do. But I think the overwhelming evidence for both not just New Zealand and the United States but globally is that free trade lifts people out of poverty, it lifts incomes, and lifts opportunities.

Media: Is there a worry that it could spark a trade war? I mean one of his policies is to implement large tariffs on Chinese imports. That would obviously be a case for retaliation.

PM: Yeah, I mean, look, ultimately, we'd have to see how all that played out. I mean there's a number of steps that have to be taken if that was to really happen. Firstly, he's got to win the election, secondly he's got to implement the policy—probably it may well need congressional or Senate support for that. So there's quite a lot of distance to travel. But,

you know, overall, any kind of anti-globalisation commentary, is, we think, you know, negative for New Zealand because we're a small country, we're positioned at the bottom of the world, we have a tiny population, and our big opportunities lie when New Zealand companies get those opportunities to access middle-income consumers around the world, including in the US.

Media: And what about if he was to pull US support of, say, Japan and the military funding of those sorts of alliances. That could leave a pretty dangerous vacuum, couldn't it, in our neck of the woods?

PM: Yeah, I mean, if you look at, you know, basically, President Obama's time, in that 8 years he's been very much focused on the Asian pivot, on building up both alliances and general support, and you've seen him paying attention closely, you know, to countries like India, for instance—working hard on those relationships in the South Pacific, in Asia, and quite a vocal proponent, for instance, in issues like the South China Seas. Again, that's been consistent with all of the commentary we've heard out of the Pentagon and others. So, you know, ultimately, what might actually happen if Donald Trump won, I mean none of us really know, but it's hard to believe that the US still wouldn't want to have a big footprint out in Asia. So we'll just have to wait and see, really.

Media: Donald Trump has, though, previously sort of mentioned the user-pays model in terms of security. I mean, is that a concern for New Zealand? Would we have to, like Australia, consider stepping up our financial contribution to our security?

PM: I don't think so. I mean, in terms of the US sort of footprint here in New Zealand, it's probably mostly summarised in terms of what happens in Antarctica and the base in Christchurch. That's there because it supports the US operations at McMurdo. I don't think that would actually change. We're not—you know, while we're still technically part of ANZUS, that's been suspended a long time ago. So I don't think from a New Zealand perspective that changes a lot.

Media: And what do you make of this announcement from Australia on Nauru in terms of the fact that it closes the pathway from New Zealand to Nauru for those legacy caseloads, meaning it might be more likely that Australia will take up your offer of 150 refugees?

PM: Well, there's no indications that they're likely to do that. It's probably been fairly consistent with what you've heard out of the coalition for quite a long period of time now, both under Tony Abbot and most recently with Malcolm Turnbull. I think they're very determined to ensure that they send a strong message to people-smugglers that you can't come through the back door and if you try and do that they'll stop you with every, sort of, fibre they've got from coming into Australia. So I don't think it does make it more likely that they'll take up 150 places.

Media: Have you put the offer back on the table again, then?

PM: Well, the offer hasn't really moved. It sits there. There's no obvious appetite from Australia to take up the offer. I think it's increasingly unlikely that they will, simply because I haven't seen any evidence to support that there would be a position where someone could come to New Zealand, ultimately gain New Zealand citizenship and not have the rights to travel over to Australia. Certainly we're not going to be in the process of creating different classes of New Zealand citizens. So on the basis that that would, you know, at least in a theoretical sense, provide a pathway to Australia. I'm not convinced they're likely to take it up.

Media: Even with their law change, you don't think that will stop any refugees settling here—you know, boat people—from then going to Australia, cos that's what their law is trying to stop?

PM: Well, there's nothing I've seen at this point that would support that view, no.

Media: So you don't support the idea that refugees coming to New Zealand, as part of these Nauru groups, would then be restricted from travelling to Australia, and if this law is passed would you—

PM: Well, obviously we'd have to see what they ultimately pass and what they try and impose. But, fundamentally, there's a free movement of people from one country to the other, and that's based on that you are a New Zealand resident or citizen at least, and that ultimately you don't have criminal convictions. Now, there's nothing in there about refugee status. There will have been other refugees that have come to New Zealand and ultimately gone to Australia, so we'll obviously need to see what legislation they try and draft, but I don't have any advice on it at this point.

Media: But in principle, though, you're opposed to having separate classes of citizens, say, where one—

PM: Yeah, we've got no intention of having separate classes of New Zealand citizens.

Media: Do you have any concerns about Housing New Zealand's means-testing regime and whether any tenants might have been evicted unfairly?

PM: I don't have any information on the latter point about whether they've been unfairly evicted. I think there's—ultimately it's an operational matter that Housing New Zealand really can only answer because they are the only people that have those stats about what they've done and why they've done it. I think when they do evict people sometimes it's not quite as simple as just being one issue. Sometimes there's a multitude of issues, and they certainly have a drugs policy with their tenants, so if a person's breached that policy, then they're subject to eviction. I think, more broadly on the standards, if you take a step back, the way I would look at it is that essentially Housing New Zealand adopted the most conservative approach to State houses and made the assumption that wherever there was P present in that house that had been used as a clan lab, and so it applied the most conservative approach. What's changed over time is that the Ministry of Health have come out with now their own guidelines. That's encouraged Housing New Zealand to adopt those guidelines, which reflect the difference between usage in a house vis-à-vis P production in a house, and that's good news in a couple of ways because, firstly, it's probably a more sensible approach but also, secondly, it will release a lot more houses on to the market. Standards New Zealand is reviewing that and Housing New Zealand will continue to look at it, but they're taking the best advice they can from the Ministry of Health.

Media: But do you think any of those evictions should be reviewed, given that those guidelines suggest they may have been overzealous?

PM: I just simply don't know. You'd have to go and take that up with Housing New Zealand. We just don't have the data about why someone's evicted. It's very much operational.

Media: Would you expect them to have done, though, baseline tests? Because if they say to a tenant there's P contamination, but can't prove, necessarily, it was that tenant, do you think that would be a fair process?

PM: Well, again, you know, I'm very reluctant to sort of pass comment when I just don't know all the facts. I just know that, more often than not, it's not simply one particular situation, which is why, I think, sometimes they have different numbers, too, numbers that maybe the media are reporting, because they count—one level of category they have, just solely the people that were evicted only for drugs; the other is where it might be one of a number of factors. All I can say is that, you know, Housing New Zealand tenants—it's important that they understand that there is a drugs policy, that they're made aware of that policy, and they should follow the guidelines set by that policy.

Media: I'll put it a different way, I suppose. Would you expect the agency then to be using a process that they can be sure that, if a tenant's evicted and then goes on to

Tenancy Tribunal and is fined thousands of dollars, that they can be sure it's that tenant that's caused the contamination?

PM: In that instance, definitely. I mean, you know, if somebody is held to account for the actions of a previous tenant, that would be grossly unfair. But that's for the Tenancy Tribunal to arbitrate on.

Media: The Reserve Bank has formally asked to include the debt-to-income multiple controls in its tool kit.

PM: Yeah.

Media: Do you still think there's a need for it, and are you concerned that, you know, this could come in next year, perhaps an election year?

PM: Well, in terms of the latter, I wouldn't be concerned by that. I mean, ultimately, New Zealanders have been saying that they recognise that there's been pressure on the housing markets. They've been expecting the Government to respond and the agencies of Government to respond, and I think they can see that we're doing that. I think they are realistic enough to accept that, you know, these things take a bit of time. So, I mean, ultimately, I think it's a good thing that the Reserve Bank has more tools in the tool box, and if you just look at the most recent results, it looks like the LVRs are having some impact, and certainly some impact in the investor category. Whether that carries on and, you know, whether this is a short-term blip, I don't know. We'll have to get better data on that. I haven't, in the former, had any really extensive discussions with the Reserve Bank about that, but the Minister of Finance will have.

Media: One more on Nauru, have you spoken to Malcolm Turnbull about resetting the [*Inaudible*] recently?

PM: No.

Media: Your trade Minister and the Minister of Finance have been in Australia for this trans-Tasman meeting to reduce barriers to trans-Tasman growth—just wondering what's, in your opinion, the biggest barrier to—

PM: Look, I think the starting point, I would say, is that we have, you know, the most high-quality FTA with Australia that, you know, two countries have, from what I can see. So the starting position is a good one. There's been increasing alignment across standards bodies. We have, you know, in large part, you know, free movement of people—visa-free access to each other. There are always issues that are raised by businesspeople and others for improvements that we can make, and from time to time we've adopted those. So I, obviously, wasn't at the meeting on the weekend. You'd need to ask the Minister of Finance, you know, what progress he feels he made. I had a bit of a chat with him yesterday afternoon about it. But, overall, we're coming from a higher starting point, but there's always more we can do, and a pretty strong message from businesspeople across both sides of the Tasman is they see this as an Australasian market and they want to work with the least number of impediments possible.

Media: The purchase of the shares in Kiwibank by the New Zealand super fund—

PM: Yeah.

Media: Does that suggest a long-term approach to SOE ownership, which could see the super fund take up ownership of other SOEs?

PM: Well, we didn't direct the super fund or ACC to do it. They were keen to take that step, if you like. So I guess it would come back to the point of whether ACC's board or the super fund thought there was value in a particular SOE, and then, secondly, it would have to be in everybody's interest for that to happen. In the case of New Zealand Post and Kiwibank, it is a very logical and natural fit, partly because of the expertise that those organisations can take to the board of Kiwibank, partly because there's a need for an injection of capital, and partly because it returns some capital to the Government. So it's

good for everybody. So it's not just a matter of the investment; I think it's a matter of whether it can add value and whether they really have an interest. So if you take somebody like KiwiRail—I may be proved wrong, but I find it very difficult to believe that ACC or the super fund would be interested in KiwiRail, given the cash is going in one direction, and that's not from KiwiRail to us.

Media: But there are other SOEs that are profitable. Would you be averse, for example, to selling the generators?

PM: Well, we've kept 51 percent of those. Now, there's been absolutely zero discussion on moving beyond that. That's been a pretty strong statement. So I don't see that as being terribly likely. If they wanted to buy a stake in them—they probably already own them; I haven't looked at their holdings—but they can do that in the market. That wasn't something they could do with Kiwibank. So I don't think it's terribly likely.

Media: Would you expect a special dividend for Post as a result of the Kiwibank sale?

PM: I think that's what's likely—in the order of a few hundred million, I think.

Media: Could you be more specific? They're leading with about \$80 million capital in, aren't they—so they've got about \$350 million - odd?

PM: Yes, I mean my sense was there's a few different transactions happening, and some recapitalisation, but it looks like it's in the order of a few hundred million.

Media: Given that New Zealand's a signatory to declaration of the rights of indigenous peoples, do you have any comments at all about the situation with the Standing Rock, which New Zealand Māori have given support to?

PM: I just don't have enough detail about that. I mean, the only thing I'd sort of say is, from a New Zealand perspective, you know, when we're dealing with what will affect our wāhi tapu sites, you know, we do everything we can, obviously, to preserve the cultural significance of those sites. And so, yeah, this is a big pipeline. I just don't know the details of whether there's some way around this issue. It's really a matter for the US, isn't it, to look at, in this case.

Media: What is your reaction to the Solid Energy sell-off, Prime Minister?

PM: Positive, overall. I mean, firstly, as I understand it, while the Crown isn't getting any money back, the creditors are getting more than they initially anticipated. So I think they were believing they would get not a lot more than 15c in the dollar, and I think they're getting quite a bit more. It doesn't help the Crown, because we've written our equity off. More importantly, though, the reason why I think it's positive is it looks like these assets are being sold as a going concern. So if you take a place like Stockton, or whatever, for the West Coast, that will be some relief.

Media: PM, any update on whether John Kerry is coming for the 75th anniversary?

PM: I don't have any formal notification that he is. I mean, as I said in India last week, there's been some discussion that he might come. If he does, that'll be great and we'll welcome him, but I just don't have any formal notification yet.

Media: You said this morning, Prime Minister, that you did support the rules around the New Zealander of the Year—

PM: Yes.

Media: —and not awarding it posthumously. Would you consider relaxing that to a situation where if the person was still alive when they were nominated that they would qualify?

PM: I think it's that that's a private-sector entity that's running that award. So it's, as best as I understand it, nothing to do with the Government. So it's their rules, if you like. As I said this morning, it's a really, really difficult situation because there's obviously a huge outpouring of both grief and desire to recognise the work that Helen Kelly did and to

acknowledge that, you know, her life was cut terribly short and that people mourn her loss. And I understand that completely, but I just don't set those rules. All I was really saying this morning is that you can see how difficult it is for these organisations because, you know, in this case, you had someone that was, obviously, on the list before they passed away. But the pressure always is to recognise people, you know, sometime earlier. And we get that pressure through the royal honour's system, where we'll get people putting in applications for people that've passed away, you know, many years earlier and, unfortunately, we just have to say "The system applies only to living New Zealanders."

Media: What about you personally, though? I mean, do you think that's a leniency that would probably be a good thing to move towards, in that sort of situation?

PM: Look, I can understand it, but I just think it's a really difficult one, because if you went there, would you go to somebody that maybe had passed away 4, 5, 6 years, 10 years earlier but had been missed out and was incredibly worthy? I think the nature of the system makes it quite tricky, and that's probably why they've set the rules the way they have. I think that's pretty much why the rules have been set that way in terms of royal honours.

Media: Just on TPP, are you sensing there's any chance that it's going to be passed in the US in the lame duck session, and is that its last chance of ever seeing the light of day?

PM: Well, I think in terms of the first part of the question, it's definitely possible. So there's fundamentally two schools of thought. You know, one says that it will get there because if—you know, this is on the basis that Hillary Clinton won; I think if Donald Trump wins, then it's got no chance. But if Hillary Clinton won, then I think there is a possibility, and a window. It's not that reliant, as I understand it, on the Democrats voting for it. It's largely whether the Republicans decide to stand up and vote for it. And that depends a lot on what direction Paul Ryan gives them. But there's definitely a view out of Washington from some people that it will go ahead. I think it's a bit 50:50 myself. It's certainly a much more difficult position than it was at the start of the year when we had the signing ceremony. In terms of the latter, I mean, it comes back to what you think, you know, Donald Trump and Hillary Clinton are saying. I mean, my sense of it is that, certainly in Hillary Clinton's case she's got a far more nuanced position than what Donald Trump's saying. But I don't think she is saying free trade is bad. I think she's saying that she thought TPP was the gold standard; now she thinks it's not quite as good a deal, and so that would argue that she would want to come back to the table. I still think that the drivers of why they thought TPP was a good idea—which is really this pivot to Asia, so the geopolitics of that and the opportunity to have that as a base position from which other countries might join—are as valid today as they were when President Obama started this process.

Media: Hillary Clinton seems to have kind of changed her position on it—it seems to be after Donald Trump got some traction from being anti-trade. Do you think she's really still in favour of it and willing to get it passed?

PM: Well, her running mate has been a big proponent. I mean Tim Kaine's been a big proponent of TPP, and just generally, she has been quite pro - free trade. So, look, there's obviously a lot of pressure in the system at the moment. I'm not saying she doesn't believe what she's saying; I'm just saying that election campaigns bring issues to the fore and maybe that's caused her to pause and rethink. But I don't see her in a camp of anti - free trade. I might be proved to be wrong, but I think if they can't pass it in the lame-duck period and she becomes the President then they'll come back and have another look at it. The question is whether they'll want to renegotiate and, as I've said before, the challenge with that is that any party can try and do that, but if they want to renegotiate, then other countries will want to, including New Zealand, because if the numbers move around then the value moves around, and if we have to give more, then we would expect to get more from the United States and others, and that's where it becomes much trickier.

Media: What value do you think TPP without the US would be?

PM: It's hard to believe it would go ahead without them. I mean, for New Zealand, the big attraction to TPP has been a free-trade agreement with the United States and Japan—the first- and third-largest economies in the world. I mean, of course it could happen, but our preference would be that it included the United States.

Media: You've partially addressed what I was going to ask, but Mike Hall was saying at the weekend that if it was renegotiated New Zealand should look for greater concessions—he pointed to the dairy industry obviously as one area where things weren't as good as New Zealand would perhaps hope. What are the chances, do you think, of New Zealand getting any further concessions in our favour if there was a renegotiation?

PM: Any renegotiation's going to be tough. You've got different players in different phases of what's going on. Because I think if you look at Japan, Prime Minister Abe's been quite forward-leaning. The bureaucracy's been a little less keen, and he's probably pushed them as far as he can. In Canada you've had a change of Prime Minister and, you know, I think Prime Minister Trudeau's been slightly less keen on free trade than, say, for instance, Stephen Harper might have been. So the whole thing—the dynamics just change and it gets more tricky. The trouble in the US with dairy—I mean, you know, the facts are out there for everyone to see: dairy's still the biggest winner on TPP, and the trouble in the United States isn't that they're not a winner out of it, because they actually are a winner on many fronts, but it's that there's such a divided lobby in the US. The big corporate farmers in the US desperately want TPP, and they think they're going to do well and do well out of Canada, and the smaller farmers are much more nervous about it.

Media: Do you think TPP is going to be on the agenda—and significantly on the agenda—at APEC?

PM: Ah well, it depends really what happens in the election. I mean, I'm sort of a bit increasingly of the camp, as I said earlier, if Donald Trump gets there it's very hard to see how it would get over the line. Because it needs the Republicans and even though not all of them support Donald Trump, I still think that's going to be a bit more difficult. If Hillary Clinton wins, that window's there. As I've said all along, it's something that's really important to President Obama.

Media: Have there been any discussions amongst the TPP nations that are part of APEC about having a meeting to discuss an update or what to do for the next step?

PM: Look, I think—you'd have to ask the trade Minister exactly what discussions he's had with Mike Froman, but certainly, Mike's been talking to our ambassador, you know, Tim Groser. There's a lot of work going on behind the scenes to try and see if it can get over the line, but it's, you know, hugely contingent on what happens on the 8th.

Media: One of the things we saw last week with the Canada, European meeting, free-trade talk, was that at the eleventh hour there was a total change in the investor State dispute mechanisms, which were replaced with a more modern, more democratic form of arbitration. We're still in a legal smoothing phase of the TPP, and that's the period in which the Canadians found themselves able to move. Theoretically, could we replace the investor State dispute mechanisms in the TPP in a similar fashion?

PM: I just haven't had any update on whether we could or whether we'd even want to. We've never been concerned about investor State, because despite concerns that others have expressed, we haven't believed it's reflected either what we've seen in practice or what we believe is any risk to New Zealand. Now, it doesn't mean that there isn't something better out there; I just haven't had the advice on it and haven't looked at it.

Media: The reason I ask is we're talking about negotiating with the European Union, who have negotiated this new form with both Canada and with Vietnam, so presumably we will be looking for this different form of arbitration if we are serious about a deal with the European Union.

PM: Well, again, what's happening at the moment is that in the case of the European Union, they are going through their, effectively now, 27 member States, through the outreach programme of consultation on a New Zealand - EU FTA. We haven't got to the point yet where we're getting through a sort of a line by line or category by category analysis, and so I just can't tell you what, you know, either they will want or what we will think makes sense. We'll certainly go away and have a look at that. In the fullness of time I'll provide some advice as to whether this is either something that's acceptable to us or something we want to do. If it's better, you know, we don't have a closed mind to it. Our whole perspective around investor State is to provide comfort and assurance to New Zealand investors abroad, but I just need to see what this actually really does in practice.

Media: We have actually talked about this being a 21st century pact as well, and if in the 21st century a different form of arbitration seems to be coming to the fore, we presumably would want to—

PM: Yeah, look, it might be. I'm not ruling it out. I'm just saying I don't have any credible advice to comment on whether it's good, better, or worse, you know?

Media: Do you have any concerns about the potential for dairy being included in a trade deal with the EU, given what happened with the Belgian dairy farming—

PM: Well, that's always going to be the challenging bit, but it's very hard to believe New Zealand would want to complete an EU FTA without dairy. So in reality we'd have to see some movement. I just can't see why we'd be signing up to one if we didn't get it.

Media: RMA reform—are you still confident that you'll see the bill back in the House before the end of the year; if not, would you want to see it come back next year?

PM: The Leader of the House will be able to tell you exactly where the next stage is. My sense is it's likely, I think, to be by the end of the year. But it's certainly very close.

Media: Looking at the crime figures, Labour has indicated that they'd be quite keen on fighting an election next year based on safer streets, and so on. You intimated that the 11 percent decline since 2011 more than compensates for the 5 percent dip we've seen in today's figures. What do you think's going on here? Do you think Labour and New Zealand First are engaged in some kind of bidding war on the law and order issue?

PM: No, I think it's quite a nuanced debate, I think, around the numbers within law and order. So I believe the stats to be absolutely correct—that the overall crime rate's gone down—but what's true is, within that, individual categories, some of them have risen and some of them have plateaued and then started rising again. So certainly we know reported violent crime, domestic crime, and burglaries have been increasing. I don't think it's new that election campaigns have a healthy dose of law and order debate when it comes to the election campaign trail and policies that political parties want to campaign on. If the election's going to be held on law and order, as well as probably a couple of other issues, including the economy, then that'll suit National, because I think our record in Government is a good one. I think that, you know, as the population rises and we see a bit more complexity—you know, drugs is a bigger issue, for instance, in the modern world—then, yes, we will need to respond to that. And, as I've indicated earlier, we will be, in the fullness of time, responding to that, but I think it's one of the core equities we've had as a Government. And if you look at the international trends, the international trends had been, overall, a bit of a reduction in crime, and the international trends, actually, have been a bit of a kick up in crime in recent times, and there's all sorts of theories about why that's the case, but we haven't really been bucking those international trends dramatically. I think some of the work we've been doing has put us in a better place than other countries, and so I think our policies have been working there, but we'll be ready to fight an election if the core issue becomes one of law and order. OK.

conclusion of press conference