

POST-CABINET PRESS CONFERENCE: MONDAY, 27 FEBRUARY 2017

[Start time: 15:47:50]

PM: Good afternoon. As you will have seen, the Government has extended its support package for the businesses affected by the Kaikōura earthquake. Kaikōura and Hurunui are still getting back on their feet, so it makes sense to extend the package for them until 30 April. In addition, we have approved a new \$1 million business grant programme covering Kaikōura, Hurunui, and Marlborough. This will be similar to the fund which supported Christchurch businesses after the Canterbury earthquakes and will ensure support is targeted to the businesses that most need it after 30 April, when the current support package will finish.

We have also announced today we're investing \$870,000 to help promote Kaikōura's tourism industry. The majority of this will go towards enticing more tourists for the 2017-18 peak season. With most of the region's tourism, retail, and hospitality establishments now open for business, it will also support work to attract more domestic visitors. Work to reinstate the State highway coastal route and rail corridor is progressing. To the south, the State highway is partially open, while to the north excavators have begun clearing the very large slips. At this stage, we still expect State Highway 1 to be open by the end of the year. The Kaikōura harbour is back in operation, but we are continuing to remove debris to improve access.

Tomorrow I am hosting the Prime Minister of Timor-Leste, Dr Araújo, in Auckland. New Zealand and Timor-Leste have a special bond. New Zealand has supported Timor-Leste since its decision to seek independence in 1999. More than 4,000 New Zealand Defence Force, police, and other personnel have served there in the past 18 years. The relationship with New Zealand is now evolving, as Timor-Leste's economy and society grows and develops. I'm looking forward to talking to Dr Araújo about how we can best build connections in trade and business, do a better job of supporting him in development, and also working together on international relations.

This week, I'll be doing some school visits, and I just want to take a moment to talk about the background to those visits. While it doesn't attract attention in the day-to-day political realm, we have a very large programme of improvement in our education achievement, and also significant upgrading of education infrastructure. We're getting some pretty good results. More children than ever are participating in early childhood education, and more kids than ever are passing NCEA level 2. Provisional results show that Māori achievement has increased from 51 percent in 2008 to 73 percent passing in the most recent year, with Pasifika achievement improving from 50 percent passing in 2008 to 77 percent today. It's worthwhile looking back over a longer period of time just to see how much hard work has gone in in our schools to lifting achievement rates.

This, of course, also needs the right infrastructure. Since 2008, we have committed just around \$5 billion in school infrastructure—certainly more than any previous Government. We're investing in major redevelopments, including new schools—around about 50 major projects that are either big redevelopments or new schools—and over 450 new classrooms across New Zealand to meet roll growth.

This programme is ongoing. On Wednesday, I'm joining Minister Nikki Kaye in Long Bay, where we are announcing a new classroom block will be built at Long Bay Primary School. It is a classic example of dealing with growth in Auckland. The school is located in an area of rapid population growth. A large housing development is under way, and we're investing in the school to be able to support that growth.

On Thursday, I'll be in Christchurch with Minister Hekia Parata for the opening of Haeata Community Campus. Haeata is a year 1 to 13 school. It replaces Aranui Primary School,

Avondale School, Wainoni School, and Aranui High School. So it brings together a number of schools in Christchurch East, which was the worst affected by the earthquake—950 students, I think, age 5 through to 18. Again, large, long-term project not attracting a lot of daily attention—absolutely critical to the recovery of that part of Christchurch. It will be the 10th new school to open in Christchurch following the 2011 earthquake.

This week, I will be in Auckland tomorrow, on the North Shore on Wednesday, as I've indicated, opening the school, in Christchurch on Thursday, and Wellington on Friday. I have a plane to catch before too long, so happy to take questions now.

Media: Prime Minister, just looking at the housing shortage in Auckland and the need for more emergency grants than the Government expected at first, are you concerned about the pressure that those higher numbers—you know, \$7.7 million worth of accommodation—is putting on the accommodation sector, like motels, now that they've got, essentially, Work and Income people in them?

PM: Well, there is—you know, there's quite a lot of demand there. It's a relatively—I mean, while the amount is more than was originally budgeted, that demand's been evident from actually within the first month of starting the scheme. You've got to keep it in context. It's in the context of a \$300 million spend just on emergency housing, and that's before you get to the significant uplift in social-housing places. So that is all elements of pressure on the housing stock in Auckland. I mean, the Government is out there procuring motels, procuring emergency housing, procuring social housing at the same time as everyone else is trying to get housing and do developments as well.

Media: Yeah, but in terms of actual—just the practicalities of people going to motels and finding lots of Work and Income people are also there; is that something the Government's kind of thought through—the effect it will have on your average Kiwi just wanting to go to a motel?

PM: Well, look, it's—our priority has been to get people who have very serious housing need into some kind of accommodation. That's why we've created this demand-driven grant, so that that can happen. You know, look, it may affect other people. They'll have the opportunity to go to other motels if that's what they want to do, but we have to provide that accommodation in the shorter term. But, you know, it's not a long-term answer. That's why we're moving as fast as possible on this emergency housing capacity and continuing to procure more social housing. I think, as has been pointed out, a proportion of the people who are getting that grant are people whose lives are very complex and the housing problem is just one symptom of what is often complex lives over some time. So solving their problems is going to need more than a motel; it's going to need kind of wraparound services that we're getting better at, family by family, to try and untangle some of the issues.

Media: Yeah, but what's happening is you're getting very complex individuals and families, essentially, sort of in motels. Are you concerned that that's causing other kinds of problems like crime, like vandalising motels, this sort of thing, affecting other guests? Are you worried that these complex people are in the wrong place—a motel is the wrong place for them?

PM: Well, it isn't the right place for them in the long run. We've got to get—find better places, but, I mean, what this whole process is doing is flushing out some of these families where they've spent a lot of time avoiding the authorities, not wanting to go to Government departments because of previous histories of debt or criminal offending or whatever. I think, as the leader of Te Puea Marae has been pointing out, they were quite a challenge for them as well. So these are people who have been there, sort of hiding from the system or part of the system for some time. Now they're a bit more obvious, and it does create an opportunity for Government to get on to some longer term solutions for them, and working with them. And, in the end, if they've got a lot of complicated problems, in the end they have to solve them. But we can be there with perhaps a bit more comprehensive support.

Media: Are you concerned, though, about the data that you got that you based your original budget on for the emergency [*Inaudible*]?

PM: Oh, no, it's just you—in the first place, you'll find that Government—because in the past Governments haven't addressed these most complex social problems in a direct way, there's not much data. And, secondly, it's hard to have data about people you can't find. That's increasingly the case as we do dig into these hard problems.

So, no, I'm not concerned about it. It's always better to know more. We have put—as I said, we're putting in \$300 million to emergency housing, and that is going to help us get a much—which is much more comprehensive than has ever been done before, and that'll give us a much better handle on what the flow of people is. We're just doing a lot of detailed research on what's happening with social housing, because even the Government in the past hasn't had much data, even about the people in the State houses. We've got a much better view just in the last 12 months about that, so we'll make better policy decisions.

Media: On the social housing, yes, the Government doesn't collect data on how long people have to wait to get into a social house, as well, so there seems to be a very incomplete picture about housing in general. Is that your view of it?

PM: There has been, but we have taken steps over the last couple of years to remedy that. So, some time—I think sometime before too long there'll be a published—what we call a valuation of the social housing—long-term social housing picture, and that'll give us much more detail than we've ever had about what happens with people waiting to get in the system, coming in the system, and exiting the system. So, again, I'd make the point: we're addressing these issues front on, in-depth, in ways that have not been done before, and that's why you're seeing a lot more money being spent, and that's why you're seeing a lot more information about what happens in the tough end of our community.

Media: Can we expect more Budget blow-outs, then, if we've been making Budgets [*Inaudible*] on incomplete pictures in the past?

PM: Well, you can expect, probably, more spending as we uncover, you know, significant, complex demand. And it's not—the ones we're talking about here with the motels, it'll be partly driven by, you know, pressure in the housing market, but a lot of it is just driven by actually uncovering what's been a long-running problem.

Media: Prime Minister, the migration figures were out earlier today—another record year in January. Is this something you're going to be looking to tackle during the election campaign with any policies on the demand side? Talk has been about supply, but are there any demand policies in the wing?

PM: Well, there's been a few announced over the last 6 months, which have the effect of probably preventing fast—or slowing down growth of the inflows. Remember, we've got to balance this up pretty carefully. We've got a bigger inflow of Kiwis than we've had for 25 years—in fact, going right back to 1990—so the net inflow, I think, in the last quarter was 2,500; 4 or 5 years ago it was 40,000 out. So that's the biggest single driver of these numbers, is the change in what's happening with Kiwis. They're just not leaving in the same numbers that they were.

The other balance is with skills, so even with some of the—even with measures we've put in recently, we're getting, you know, a bit more complaint from businesses talking about the increased difficulty of recruiting people to carry out the jobs that they've got available. So it's a pretty—you know, it's a tight balance here. These are good problems to have. We've got a growing economy, we're investing in the infrastructure such as the schools that I mentioned as an example, and we've got Kiwis coming home. This is what it feels like to be in a growing economy with some confidence and some direction, and the Government is focused on supporting that growth, not trying to shut it off.

Media: Surely, if you've got indications that Kiwis are coming home, is there not an argument to—I mean, are we saying that the Kiwis coming home don't have the skills that

we need for continued growth, because is there not an argument to say that we shut off everyone else, or turn the taps down, as others would say, on other people if we do see the evidence of Kiwis coming home, so we don't have such large numbers of net inflows?

PM: Well, we have fairly increasingly sensitive labour market tests. But I can tell you just in the last few days I've had robust complaining from the hospitality industry about their inability to recruit people at the level of sort of bar and cafe managers. Now that's a category there's been a lot of criticism about, and they were telling me: "Well, you just can't get people." A number of agriculture and horticultural industries, just with changes we made last year—you know, concerns that they really are going to struggle to get the people they need, particularly in the regions. So this is the tight balance we're trying to—you know, in theory, it's pretty easy. In practice, we want to get jobs—we want to get people for the jobs that have to be done in this country.

Media: The figures also showed the amount of people coming in on student visas dropped by a few thousand in the year to January. This is one of the Government's sort of six pillars of the export part of the Business Growth Agenda. Is this a concern at all to you?

PM: Oh, well, look, you'd want to talk to the Minister in detail, but the—certainly, my impression has been that the rate of growth there was probably unsustainable, and you've seen a bit of pressure from enforcement and compliance to make sure people—all the students coming in are actually complying with the law. So it was always going to drop off at some point, and that will probably lead those PLT numbers down eventually, because the students, in the long run—after 4 or 5 years, 80 percent of them go away again, and so we've got a large—we've had a big increase. They will move through the system and start leaving.

Media: Mr English, there's 140,000 people out of work. Why can't you get more of them to do the jobs that are in the skill shortage areas? What's going wrong there?

PM: Well, it's just getting—you know, matching the skills to the jobs. I mean, you're seeing some very good initiatives now. I was in Hawke's Bay last week. They've got the Hawke's Bay 1,000 project there, where they know that with the horticultural growth, there's going to be a thousand full-time jobs over the next 4 or 5 years, and the industry's got organised because they want the locals in those jobs. Now, they're finding that pretty challenging.

Media: Why?

PM: Well, you need to talk to them in detail. You know, one of the hurdles these days is just passing the drug test. Under workplace safety, you can't have people on your premises that are under the influence of drugs, and a lot of our younger people can't pass that test.

Media: Is that a real problem, that you can—

PM: Well, I think we've got to have a pretty—we've got to keep an eye on it because either they change their habits or they're not going to be able to get a job.

Media: Have you got any statistics or any information being collected on that?

PM: Oh, I'm just—anecdotal evidence. You know, people telling me that they've opened for applications, they get people turning up, and it's hard to get someone to be able to pass the test. That's just one example. So, look, you can—if you get around the country, you'll hear all sorts of stories—some good, some not so good—about Kiwis' willingness and ability to do the jobs that are available, but we share the concern. There's a lot of people on the dole—more than we'd like—there's a lot of jobs, and matching them up is, you know, quite a challenge.

Media: How many business owners have told you that they can't find people because they can't get them to pass the drug test—half a dozen, a dozen?

PM: Well, yeah—quite a number. Yeah, I mean, it's a very common discussion. It's not exceptional at all these days for that discussion to be had.

Media: Any particular industry?

PM: Oh, I've heard it in most industries.

Media: So, I mean, how many times a day do you hear that—how many times a week do you hear that from businesses?

PM: Oh, I don't know—two or three times a week.

Media: From individual business owners?

PM: Yep.

Media: Is it that they can't pass a drug test, or they won't accept a drug test—do they fail it, or they just won't accept a drug test?

PM: Well, I'm just telling you what they say—can't pass the drug test. So I presume some of them don't take the test, and some of them do and fail.

Media: How much has wages got to do with this? I mean, there's a lot—we're talking about low-skilled positions here. Surely, if wages were higher in those positions, then Kiwis would be more keen to do those jobs.

PM: Yeah, and that's part of the pressure that's coming on businesses. And that's not a bad thing that they have to improve their pay and conditions. You're seeing that happen in the construction industry, particularly in Auckland, and pay rates are going up—you know, an experienced young builder can attract a pretty good hourly rate these days. So I don't think anyone should be too worried about that, but if you want to get the labour and you can't get it, then putting the wages up is one way to fix that problem.

Media: Yeah, but people are going offshore to get it. That's where they're supplementing it.

PM: They're going?

Media: Well, they're going offshore to get the migrant labour, so they don't need to put wages up here.

PM: Well, you know, this is the balance, isn't it, between, you know, shutting down your borders and keeping every one out and hoping that solves the problem—which we don't believe it would. But, you know, balancing what's a reasonable ability to use the migration system to meet skills requirements on the one hand, but on the other hand a bit of pressure in your local labour market for employers to meet the market. And some areas you don't want to take too much risk. I mean, the IT industry—it's one of our fastest growing export industries. If they can't get the people here, it'll just go, because it will go to where the people are. It's a wee bit different for something like horticulture.

Media: Given the skills shortages, do you think the Government should loosen the rules around work tests to allow more migrants [*Inaudible*] getting people with the right social skills [*Inaudible*—do you think there needs to be a loosening of those migration rules?

PM: Well, no, we don't think so. You know, again, this is all a matter of balance. We think the balance, you know, is about right, bearing in mind that the biggest single change is Kiwis not leaving—that's really important that we understand that.

Media: What are you hearing from Kaikōura businesses? Is it going to be enough, this final extension?

PM: Well, I'm relying on the advice of Ministers. I was last in Kaikōura about the middle of January, I think—late January. But, certainly, the advice from Ministers is that this is what meets their reasonable expectations of support while they adjust. So these packages, as in Christchurch and Wellington, aren't intended to become a replacement for running a business, and that's why we set deadlines on them. And for some businesses, it'll

still be a bit of a challenge, but they have had, by the time they get it, 4 or 5 months to adjust to their new circumstances. But a lot of the businesses are doing—seem to be picking up and doing OK in the circumstances.

Media: What about those in Wellington and the Hutt? Why are they not getting any more?

PM: Oh, just because our—we're advised that most of them are up and running again. It's a bit different in the Hutt and Wellington because it's not dependent on seasonal tourism. There would be, maybe, a handful of businesses still affected by the very small remaining cordon, but, again, they've had a significant period to adjust.

Media: Prime Minister, a few weeks ago you said you wanted to send Todd McClay to Washington to meet with the Trump Administration. The Aussies have been there now, to the White House; when are your Ministers going to get a chance to go over and meet with the Trump Administration?

PM: Well, the Minister's on the job about that all the time. He's spoken to, I think, pretty well all the TPP countries, and there's a reasonably positive mood about trying to take forward some kind of trade arrangement even if, for now, it doesn't include the US.

Media: And do you have any plans to get one of your Ministers, whether it's the foreign Minister or the trade Minister, into Washington?

PM: Oh, yes, we'd certainly expect to do that.

Media: And what's the time frame on that?

PM: Well, I'd have to go and check his diary; he's hardly ever here, so he'll, you know, be taking every opportunity. Bear in mind, a ministerial visit's just one way of making contact. You know, we have diplomats on the ground there in Washington who are doing a good job of lifting our level of communication. With respect to the TPP, though, the Washington position's pretty clear—it's not as if you're going to find out a whole lot more by turning up to try and talk them out of it. The effort that we've been putting in is in all the other countries in the TPP who remain committed to trade, as we are.

Media: The Australian Senate President has suggested New Zealand restore its upper house; the Speaker said definitely not. Is that your view too? And is it appropriate for Australia to be telling New Zealand how to reform its Parliament?

PM: Well, it's pretty hard to stop an Australian having opinions about New Zealand, so we're always, you know—always grateful for their advice and humbly listen, but this lot we're not taking.

Media: Do you think it's easier to pass legislation in a unicameral system? Malcolm Turnbull thinks so.

PM: Well, you wouldn't want to underestimate the complexity of our arrangements. Just because we make them operate doesn't mean that they're simple. You know, we're actually a four party coalition—even if two of those parties are rather small—and that takes constant focus on what those parties can and can't support, and New Zealand just does a pretty good job of it.

Media: What did you think of ACT's policy that was announced on the weekend—that would give prisoners an early release if they learn to read or write?

PM: Look, I think it's great that ACT are coming up with challenging ideas, and that's something that we could look at. I've attended the graduation ceremonies for one of these literacy programmes, and it's quite moving to see people who have had long, difficult lives, you know, feel like they're achieving something. In some cases, it's the first time they have been recognised for being able to read and write, and maybe actually the first time they've been able to read and write. So that part of it we're supporting, and, as people, I think, understand, we've invested very substantially in rehabilitation to try and break the

reoffending cycle. I think the bit that needs quite a bit of discussion is reducing the sentences. I mean, the New Zealand public has a pretty fixed and firm view that criminals should be locked up for as long as possible, and you'd need, I think, a fairly broad consensus that it was a good thing to be able to actually see sentences reduced.

Media: If you entered into another agreement with ACT at the next election and this was a bottom line—you know, much like partnership schools—is it something you could consider?

PM: Well, in the first place, we're not conducting, you know, negotiations about bottom lines all year. This is an idea that seems to me to have some merit, but you'd need to spend a bit of time understanding the sentencing bit of it.

Media: Labour think it's a reasonable idea at first look, so it seems like there might not be that opposition there. Do you think that would help you have a look at it, if you could get cross-party support, or not?

PM: Yeah, quite possibly. Look, there's a—certainly, we'll be focusing on these issues because we've made a—had to make a substantial spend on new prison capacity. The numbers are still rising. There'll probably be more required, and anything that's going to reduce, particularly, the recycling of criminal offending is worth considering.

Media: Can you clarify whether homeless people who stay in motels under emergency housing are counted in tourism stats?

PM: My advice is they aren't—they are not counted in tourism stats—but they are counted as having accommodation, in the same way as non-tourists are counted—you know, people who are staying in a hotel because they're on a business trip; journalists who are going off somewhere to investigate a story. So they are accounted as occupying accommodation, not as tourists.

Media: Can I just ask you, back on the workplace drug testing, in the anecdotal comments that you've had, do people talk about what kind of drugs? I mean, is it cannabis, or is it a meth problem, or—what kind of drugs are these young people taking?

PM: Well, look, I wouldn't want to, you know, generalise from the anecdotes, particularly in a way that, you know, may or may not be accurate. So all I can say is that I'm regularly told by employers that one of the significant barriers is getting younger people through drug tests. That's all. So—

Media: What are you going to do about that?

PM: What's that?

Media: What are you going to do about that?

PM: Well, there's not a lot you can do directly about that, particularly if these are, you know, younger people who are in every other respect capable of finding a job. We'd be—you know, Government tends to focus on keeping the more at-risk young people on track—you know, getting them qualifications so that they can get to the start line for employment. You know, drug issues are a bit broader than that. And, you know, the Government's got its methamphetamine strategy in place, trying to work on that, but it's, you know, it is quite a challenge when it comes to employment, more so than it used to be, because it used to be quite acceptable to employ someone who was on—who was, you know, a regular drug user, but now, under workplace safety, you just can't do it.

Media: It seems like the court case around the "Planet Key" song may have opened the door for sort of attack ads on TV or broadcasting on radio. Is that, you know, something you think could be a feature of this year's election?

PM: Well, there's usually attack ads in every election. It'd be a pretty unusual one if there weren't attack ads, and usually everyone says it's the dirtiest election campaign that

there's ever been, which is, you know, almost certainly not the case. So there's bound to be attack ads; I don't know anything about the relevance of the court case to it.

Media: Just on drug testing, as well, in terms of employing young Kiwis who might have a drug problem, whether it's cannabis or any number of drugs, you said that you can't employ people with these drug habits anymore because of workplace safety. Would there be an argument to say that employers should be able to hire Kiwis if they are regular cannabis users if it doesn't impact on them on the job?

PM: Look, I'd—well, you can't make exceptions around workplace safety. You know, it's not dangerous for them; it's dangerous for other people. I think I'm going to have to go to catch a plane. Any other questions? OK. Thank you very much.

[End time: 16:17:56]

conclusion of press conference