

POST-CABINET PRESS CONFERENCE: MONDAY, 13 MARCH 2017

PM: Good afternoon. I'd just like to start by thanking the emergency services around Auckland and the Coromandel and the Bay of Plenty, who spent a very challenging and wet weekend dealing with the severe floods, and I'm advised that, by and large, they kept up with the many emergency calls that were made by households in their community.

I'm advised that all the water supplied in Auckland currently is safe to drink, and everyone has water, but residents should continue to conserve for the coming weeks, given the large amount of silt that needs to be cleared from the storage lakes. The water treatment plant was not constructed for this unprecedented level of sediment in the lakes, and Auckland Council is working with Watercare to review the resilience of the region's water infrastructure.

This afternoon we've released the final progress report for the 10 Better Public Services results, targets that we set back in 2012. These targets were designed to be ambitious, to challenge our public services and ensure that improving the lives of New Zealanders is at the core of the focus of our public services. As we said 5 years ago, some of them would be quite difficult to achieve. We've focused on achieving them, often, through building better connections through concerted action across Government agencies, rather than relying simply on applying more money to any given problem. We've created a strong expectation now that public services and the people in them should be working with the expectation of improved outcomes, and, in the most challenging situation, with the expectation that we will be changing lives, not just waiting for more resource to fix a problem that they haven't been able to fix.

We've achieved most of the targets, and I want to acknowledge the work of our public servants in our Government agencies, and also of our Ministers, in achieving these results. In the target areas where we haven't quite met, we've made good progress.

Now, the number of people on main benefit has dropped by 57,000 since 2010. I'm particularly proud of the fact that there are now over 50,000 fewer children living in a benefit-dependent household than in 2011. And I want to congratulate all those parents who've made courageous and challenging choices to give their kids a better life.

More children are starting their education earlier, staying longer, and achieving better results. The number of 18-year-olds obtaining NCEA level 2 has increased to just over 85 percent, and there have been improvements in Māori and Pasifika achievement since 2011, which you can only describe as sharp improvements. Almost 75 percent of Māori and 80 percent of 18-year-old Pasifika students achieved NCEA level 2 or equivalent in 2016.

We've increased infant immunisations—coverage of 8-month-old babies now consistently at 93 percent.

Tackling crime remains a tough issue. While we haven't quite met our targets, I'm pleased to see that overall crime is down 14 percent on 2011 and youth crime is down by about a third. Reoffending, however, has proved difficult to reduce. We've got it down by over 4 percent in recent years, and, in the context of these targets, gains of 2, 3, 4 percent are significant. I'm confident we're getting to the hard core of offenders and increasing our sophistication in how to break the cycle of reoffending.

As we signalled at the last update, most of these targets have now expired, so the Cabinet is considering refreshed targets looking out to 2021, which we'll announce in the coming months. And we'll continue on the same basis—that is, that the expenditure of all public money should be focused on achieving results, and that often better results can be achieved by more thought, more focus, more connections, and better relationships, without, necessarily, the expectation of a whole lot more money.

In Parliament this week, the Government intends to introduce the Anti-Money Laundering and Countering Financing of Terrorism Amendment Bill. This is phase two of the AML and extends the Act, quite significantly, to lawyers, conveyancers, accountants, real estate agents, and sports and racing betting—so a significant extension of AML.

Minister Adams will also be introducing the family and whānau violence legislation bill. That overhauls the 20-year-old Domestic Violence Act, and, along with the changes in the services and ways of dealing with family violence that are under way as we speak, will go a long way to reducing our terrible rate of family violence. That piece of legislation is a result of a couple of years of intensive work with the sector who work with family violence, as well as within Government agencies who deal with it.

With respect to my own activities, I'll be in Sydney tomorrow and Wednesday morning to attend a family graduation. On Thursday I'll be in Dunedin, and Friday in Christchurch. Any questions?

Media: What changes are you considering for Working for Families?

PM: Oh, well, look, we'd be getting ahead of ourselves on whether there's any changes to Working for Families, let alone how much. I mean, the Government's, as I think I've already stated—we've got surpluses, we've got a number of priorities. So before we get to that stage, we have to make sure we've weighed up the need for investment in infrastructure; the pressures of growth of population on our public services; the Government's stated desire to reduce debt, having run up a lot of it—a lot of debt—with the recession and the earthquakes. You know, now that the books are in better shape; we want to get that debt down. So we're, you know, some way away from that sort of detail.

Media: If you had the technology—if the IRD's computer system was upgraded now—what are the bits that you would fix in Working for Families?

PM: Well, you know, it's a hypothetical question, because—

Media: Well, you must know what it could do.

PM: Well, the thing is, as I discussed over the weekend, there's an administrative aspect of Working for Families that are unsatisfactory—just the long time it takes for people to understand. But, look, the IRD tax changes have only just dealt with GST. They're programmed next to deal with provisional tax, and then after that with social policies. So that's a wee way off.

Media: So would you go into the election, though, saying "Look, next term, once that has been done, we will be looking at what can be done for Working for Families.", once the IRD [*Inaudible*] in place?

PM: Well, you know, look, that's a matter of quite detailed discussion, you know, about where their process is up to and what, if any, changes the Government is proposing.

Media: Just on your response to why you wouldn't go for any changes now—you mentioned infrastructure costs, pressure on population growth, etc. They're all things that need Government money, so are there plans to put more into Working for Families and put more money into it, or cut it back?

PM: Well, no, it depends—it just depends what all those pressures add up to. So, you know, the Treasury's going now through its traditional forecasting round, and, as you can see just from, you know, recent publicity around issues like, you know, pressures of more pupils showing up to schools, the whole issue around housing, housing infrastructure fund—you know, there's quite a complex picture there that we have to bring together. But our fiscal objectives have been pretty clear, and that's getting debt down to 20 percent by 2020, and dealing with these other issues on the way.

Media: Last year in the run-up to the Budget, your predecessor said that there was a billion dollars there that could've been used for tax cuts, but you decided not to because it would only deliver \$6 or \$7 a week, and that \$3 billion would deliver the 20, which he

considered to be significant. Is that still your thinking when it comes to tax cuts—that you need to get up to that kind of level of tax cut before it's worthwhile?

PM: Well, we've just, as I say, got to work through all these variable pressures on the surpluses. I mean, in a way, managing surpluses is harder than managing deficits, because with deficits you just say "No.", but with surpluses you've got choices. And, you know, we've got choices.

Media: But is it still a \$3 billion - odd target that you're looking for in order to make a meaningful cut—

PM: No.

Media: —or would you [*Inaudible*]

PM: We haven't got any particular number. We're not at that stage.

Media: But are you looking at a families package for the Budget, and what would it look like? What do you need to get there?

PM: We haven't got to that stage.

Media: If all those things are going to put pressure on whether you do the Working for Families changes, then—if there is more pressure on them, will you cut back Working for Families? So if infrastructure and population growth leads to more costs for the Government, then are you saying you'd cut back Working for Families?

PM: No.

Media: There's always money that you can spend on families. This billion dollars in surplus—is it your intention to spend that on a tax cut, or spend it on more money for Working for Families, where it maybe could go to people who would more need it than everyday Kiwis—you know, a \$6 tax cut per week?

PM: Well, I mean, as I've already said, we're not at that stage yet. You know, it's only the beginning of March. Forecasts haven't been done yet, and there's, you know, a whole lot of options.

Media: Looking at your Working for Families package, just quickly, just in terms of its administration, do you have concerns about things like the minimum hours worked and those sorts of areas where critics say it's really hurting working poor?

PM: Oh, no, we haven't gone into that. I mean, I just simply commented on the way the administrative system works, where there's a big lag for families between what they decide to do and when it becomes clear what the consequences are. And that can't really be dealt with until the whole computer system is changed.

Media: Critics say, though, that those changes that were made in the 2011 Budget that came into force in 2012 have penalised low-income families more than others. Do you agree, or do you think that has had the effect?

PM: I'm not exactly sure what they're referring to. I mean, where we've had the opportunity in the recent past, we've taken the chance to support families more: free under-13 visits, \$25 a week for the beneficiary households with children. And those have been—you know, the hardship package was just short of \$900 million. That came into place 1 April last year. So, I mean, look, there's always criticisms of the mechanisms that are used—none of them are perfect—but I'm not sure what that particular criticism is about.

Media: Prime Minister, just looking at the average wage for a New Zealander, at about \$57,000 a year, is that the kind of person that should be able to expect some help from the Government, if you can manage it? Is it that kind of individual that would be getting some form of help from the Government under—if you've got those choices?

PM: Well, look, what we've said, going back to, I think, the last Budget is that we want to support low- and middle-income families. And since then, I certainly have been saying,

as the Prime Minister, we want to make sure that all New Zealanders benefit from a growing economy. The average wage has been growing moderately but consistently for the last 6 or 7 years, and, you know, is likely to continue to do so. But, you know, we've got to work out if or how—if you can afford it, and how you would do it.

Media: So what's your message to someone who's on \$57,000 a year, living in Auckland, renting a house, you know, has perhaps got a baby on the way, and is looking at your messaging in recent days? What do you say to them? Are you going to try and help them?

PM: Well, we've got a strong economy. It gives us surpluses, and we've got some choices. We're working through those and we understand the kind of pressures that that household's under.

Media: Do you think they're looking to you to do something for them—those people who feel in the middle, who feel like they're missing out?

PM: Oh, I think if they feel like they're missing out, they're certainly looking for, you know, Government assistance of some sort, particularly the group of people, who, you know—look, the circumstances are all different. Some are affected by higher housing costs. Some are affected by the way Working for Families works. Some are affected just because they've had a pay rise and they find themselves in a different tax bracket.

Media: Surpluses could be cancelled out by the Kaikōura quake cost, which I think Treasury still hasn't put into the system. Have you got any updates on that?

PM: Well, you'd need to talk to them about how they've incorporated Kaikōura estimates, but there were some there, I think, in the December update. But, look, that is another factor that matters. Back in December they made some estimates, which were, necessarily, initial estimates. Now that the work's well under way, they'll have a better idea, but we've yet to see how that will flow through, and there'll be other uncertainties around, you know, earthquake costs, flood costs. We seem to have had a fair bit of, you know, natural disaster costs lately, and these things can all add up.

Media: But could they dampen anything that you've been preparing to announce in the Budget? Is there anything you were thinking of announcing that, with that briefing from Treasury, now you're not going to?

PM: Well, look, they've all got to be paid for, and that's why you have to do a fairly thorough job of going through to make sure that you have, you know, met the costs that have to be met first.

Media: Prime Minister, do you think that the accommodation supplement is fit for purpose?

PM: Oh, in general, yes, because it relates to people's incomes and their housing costs.

Media: But what about the settings of the accommodation supplement? Is that something that you think is fit for purpose? Is there any thought in the Government's mind to change those or change the way that it's given out?

PM: Well, generally it's worked pretty well.

Media: You were up at Vic University last week. I'm not sure whether the students raised it with you, but a couple raised it with me that the repayments for student loans come in at about \$19,000 of income. Do you think that's too low and needs updating? Because it's been around for a few years.

PM: Well, look, we are reasonably happy with it. Certainly, some former students would like, as I understand it, to see quite a lot of different aspects of the student loan scheme changed. But this is what happens when you have surpluses—you get people lining up with their, you know, best suggestion about how to use it in a way that might work

for them. And, you know, we understand that. That's part of people wanting to see the benefits of a growing economy. And with all these options, you have to sort them through.

Media: So you don't have a view either way, of whether it's too low or it needs bringing up to date, given inflation and wages and so on?

PM: Well, look, we think it's working pretty well.

Media: Violent crime's only dropped by 2 percent. The Government's target is 20 percent. That's quite a big gap. Are you disappointed?

PM: Well, we've seen a—well, it's always disappointing when you don't meet a target, but we've seen, you know, crime generally come down and go up again. And you're seeing the signs of those increases, particularly with the serious crime, around the prison numbers, which are rising. I think it's one of—it is one of our more challenging public sector targets, because it's a bit hard to understand—well, we're working quite hard to understand what's actually going on there.

Media: So at the moment the Government doesn't know why that is not meeting its 20 percent?

PM: Well, you'd need to talk to the relevant Ministers. I think they're developing a, you know, more granular—a more detailed understanding of who's turning up in our prisons. So, for instance, one thing that's happened is, as a result of more conservatism around parole, people are less likely to get it. More conservatism around remand, and bail—there's a lot more people on remand than used to be the case. And then the question is, of course, how the targets relate to the sort of original drivers of crime. And there's—look, there's positive signs there. As we said, the number of people going through the Youth Court's dropped quite significantly, because they're being dealt with other ways that keep them out of the system.

Media: But, obviously, violent crime is a specific crime that the Government has targeted to beat, and it's failed by 18 percent. What is it going to do?

PM: Well, I'd have to check the numbers before, you know, there. But, well, in the first place, it's to protect the victims of violence and deal with perpetrators. I mean, that's No. 1, and we're doing that. And you've seen in recent times a number of initiatives, some of which will mean the prosecution of more violent crime. So the expansion of police over the next 4 years—over 1,200 new staff—that gets under way pretty shortly, and we've budgeted for them catching for people for violent crime. And the other significant change has been the strong focus on family violence. So the legislation that will be introduced this week will almost certainly lead to the prosecution of more family violence, with tougher sentences for it. So that's going to tend to push your violent crime figures up, at least for a while.

Media: Is the Government failing in this area, though? Because reoffending is also not really dropping—those numbers.

PM: Is the Government what, sorry?

Media: Failing in this area of crime, considering the reoffending stat isn't really reaching your target either?

PM: Oh, no, we're not failing. I mean, this is the first Government that's ever addressed it so transparently, and, actually, with as much resource as we have. I mean, if you look at what goes on with the focus on reducing reoffending—a very strong focus on alcohol and drug work in prison, on other forms of rehabilitation, whether it's literacy and numeracy or working prisons. Every prison's now a working prison. These are very difficult issues, and you'll always have the choice of just setting them aside, not really paying much attention to them, and having no idea whether you're making progress or not. We've gone down the road of transparency. I don't think there's anyone involved with reoffending or rehabilitation who has any doubt about the Government's direction. And we have sceptics,

right? We have sceptics who say you can't rehabilitate prisoners—you just have to wait until they grow older and grow out of it. We don't accept that.

Media: The anti - money-laundering legislation that you've announced—that puts some quite hefty additional costs on certain sectors, doesn't it, including the real estate one? Are you—I guess, how comfortable are you with putting that sort of extra burden on this sort of fairly booming area?

PM: Well, look, it's just inherent in having a strong regime around anti - money-laundering, whether there's real estate agents get covered, conveyancing lawyers. So if there if are people using the property industry as a way of laundering money, then this legislation will have, I would say, quite a significant impact on that. So when it comes in, people will be able to see whether the cost is reasonable. That's part of the work that's been done. And the scrutiny ahead is to make sure it's not too expensive.

Media: Has there been any analysis on how much is actually going through at the moment?

PM: Oh, there's been some—I think there's been some estimates made of that, but it's pretty hard to know, because, by definition, you don't know it's there.

Media: Are you aware of—in terms of the costs—the latest press release from Minister Adams has said it's halved? It halved the compliance costs. Isn't that worrying, though, if this bill is actually to make people to comply, but you're responding to them by halving the compliance costs to them? Couldn't that let people off, let people through the gaps?

PM: Well, you'd best to talk to Minister Adams directly about the detail of that. But you're trying to get the balance here of a robust regime. It's like a lot of regulation—trying to get a robust regime that doesn't make it too much more expensive to buy and sell a house or a business.

Media: Prime Minister, do you have comments on China's participation in TPP meeting later this week? China's participation in TPP meeting later this week—do you have any comments on that?

PM: Well, look, we—I couldn't comment specifically on that, because I'm not aware of the circumstances, but we want to find a way ahead for trade in the Asia-Pacific. TPP, without the US, is one vehicle. The President of China, Premier Xi, has said quite clearly that they are advocates for an open global trading system, so I wouldn't be surprised if they're taking an interest in what's happening in the Asia-Pacific region.

Media: Would you be happy for China to step into the breach and come into TPP?

PM: Well, it's been designed in a way that they could—in its original form—that they could enter it. But they hadn't indicated an intention to do so. But I don't think there's much doubt China's going to be part of the discussion about where trade goes, particularly in the Asia-Pacific.

Media: Prime Minister, just coming back now to the tax-cuts issue, the Labour Party has said it will not raise taxes and that all of those surpluses should go on infrastructure, health, education, etc. Do you think sort of—do you think there is room to help middle-income earners as well as doing all those things? Or do you think there might not be room?

PM: Well, we've said it's, you know, one of the choices we have, and our position hasn't changed on that. Labour have got a bit of work, I think, to do with the Greens there, because the Greens have always advocated higher taxes in the same way that Labour have. And, apparently, they're going to produce some joint tax policy. It sounds like it might be a wee bit difficult to reconcile not increasing taxes and increasing taxes. But it's a different mix. I mean, Labour doesn't really get to say exactly what it wants to do. It's got to negotiate that with the Greens, particularly on a core issue like that.

Media: Labour also wants an overhaul of the whole tax system. Do you see room for that to happen?

PM: Oh, look, I think that's just a way of saying they've got no ideas about it, actually. Our tax system's had a number of major inquiries. It's a very efficient tax system, and I don't think there's scope or need for some major overhaul.

Media: Do you think there's room to move where negative gearing restrictions are concerned?

PM: Well, look, in New Zealand we have a way of taxing businesses which allows them to deduct losses, and we haven't—you know, we're not proposing to change that.

Media: What do you make of the Māori King endorsing Rāhui Papa for the Hauraki-Waikato seat last week?

PM: Oh, look, I think it reflects what I've seen, and that is a growing discontent with the way that Labour treat the Māori vote as somehow owed to the Labour Party in return for the patronage of the Labour Party. A lot of Māori have moved on past that. They are much more forward-looking, progressive, business-orientated, and want to, you know, break out of those traditional patterns. So, look, what the Māori King does is entirely up to him, but it does show that in part of its vote that Labour's always taken for granted, actually, they're going to have quite a scrap this year. Because it's not just the Māori Party there. The Greens are angling for the Māori vote; so is New Zealand First. It'll be pretty busy.

Media: If it's a shift though, because Kīngi Tuheitia has never publicly endorsed a candidate before—Nanaia Mahuta never received one. So, I mean, a lot of people—including, I guess, Labour, Winston Peters, etc.—are saying that, you know, this is political meddling and the predecessor, the Queen, would never have gone into this territory. Do you think that it's a good move for the King?

PM: Well, all I'd say is that it reflects the depth of disillusionment about being trapped with representation by the Labour Party and the depth of the sort of assumed patronage that the Labour Party think they have—the hold they think they have over the Māori vote. So the fact that the Māori King has gone to that extent, which is a break with tradition, just tells you about the depth of feeling, I think.

Media: Is this not just a sort of working-for-your-own-party situation, though? Because, obviously, if Rāhui did win that seat and beat Nanaia, that would be an advantage to the Māori Party and therefore probably an advantage to the National Party, as well.

PM: Well, that would depend on what the Māori Party were doing. The fact is that, I think, anyone—you know, in Māori politics, when people are thinking about it, that works to the disadvantage of the Labour Party, because the Labour Party prefer, you know, kind of mindless loyalty of Māori because they think Māori owe it to them. And I think they're getting the message that's not the case anymore.

Media: Prime Minister, this trip to Sydney, are you going to be able to fit in any work whilst you're over there? What are you—I mean, obviously it's a family graduation. Can I invite you to just expand on that, and are you going to get any work done?

PM: Well, you know, I'll have my little bag full of papers, but, no, look, it's a private trip so we're not going to confuse people by—and a fairly quick one. I'll be there for, I think, less than 24 hours.

Media: How many of your kids live overseas?

PM: Oh, they come and go a bit, but there's—well, one was here last week; three or four of them at different times.

Media: Will it be a sign of success if you can actually get them to come back and live in New Zealand?

PM: Oh, I think they like the anonymity.

Media: Just going back to that student debt threshold that Bernard raised before, in New Zealand it is set at NZ\$19,000; in Australia it's something more like A\$50,000. In general

terms, why is there such a striking difference between the New Zealand Government's attitude towards student debt repayment and the Australian Government's?

PM: Well, look, I'm not an expert on their system, but I think you'd find that there's other aspects of the student loan system that'll be significantly less generous over there than they are here. So we would, you know, just make our own policy about it. You know, it's our own mix that matters. In New Zealand, you know, there's been a big premium placed on paying no interest.

Media: So you're saying that it doesn't really support an argument that New Zealand is harder on its student repayments?

PM: Well, look, you'd have to look at it in detail, just to get it all sorted about who pays more for what. We don't use the Australian scheme as a benchmark, put it that way.

Media: Just on the Australian trip again, did you tell Malcolm Turnbull you're going? Do you think you might be able to catch up with him at some point, possibly maybe for kai?

PM: No, no, it's a private trip, but we'll certainly let him know.

Media: On the RMA changes, just quickly, the Māori Party's backing you through this week, but they've said they're raising some concerns about it before it goes through third reading. Are you going to pander to what they want to see in the changes before you go to third reading?

PM: Well, they're a coalition partner and it's not a matter of pandering; it's a matter of everyone agreeing on what we're trying to achieve—and that's, I think, all pretty clear—and then making sure that the legislation aligns with what we're trying to achieve.

Media: Are you going to give them what they want, to have the legislation go through?

PM: Well, it depends on what they're negotiating about. But, I mean, generally we try to get agreement with our coalition partners, even if we don't strictly need their vote.

Media: But you need them in this situation, so will you be giving them what they want in order to see it go through? It has been a long time coming.

PM: Well, it has been a long—I mean, it's to the credit of the Māori Party, much as, you know, they have their critics who say they don't have any influence, actually, they've had a long, intensive engagement over the Resource Management Act, which has, you know, shaped it in ways that they prefer, in some respects. And we'll have to continue to work for their support.

Media: Mr English, there continues to be reports about the Aussie banks restricting lending for commercial property development, some suggesting that might have a flow-on impact to New Zealand. We know some of the banks are being a bit tighter with their lending. Are you worried that the access to credit will become a problem for your construction boom?

PM: Oh, no, I wouldn't say we're worried about it. I mean, the Reserve Bank will keep an eye on it, and the indications are that, you know, credit growth continues. The scale of construction boom is pretty impressive. I mean, as, you know, the figures come out, we've got about the highest level of building there's been for a long time. You've seen growth, I think, in Auckland is something like 20 or 25 percent compound growth over the last 3 or 4 years. That's about as fast as it can grow. And with respect to the debt, people just need to be a bit careful. I mean, there's a possibility of rising interest rates. They don't want to get overstretched, and if banks are sending them some signals about that, it wouldn't be a bad thing. But, you know, we'd imagine that, you know, the circumstances are still pretty supportive for more construction and more supply, and the banks probably see it that way.

Media: Have you talked to the banks about it?

PM: Have I talked to the?

Media: Have you talked to the banks about, you know, if there's any concerns about them not lending—specifically, to commercial property developers?

PM: Oh, no, I haven't, personally—

Media: But has the Government?

PM: —but I'm sure there'll be parts of the Government that—well, the Reserve Bank talks to them all the time. I presume the Treasury's talking to them. Certainly, Ministers do. Thank you very much.

conclusion of press conference