

POST-CABINET PRESS CONFERENCE: MONDAY, 8 MAY 2017

PM: Good afternoon, ladies and gentlemen. It's just over 2 weeks until the Budget, and, as you know, Ministers have been making a series of pre-Budget announcements based on a pretty intensive decision-making process over the last couple of months. Yesterday health Minister Jonathan Coleman announced the Government drug-funding agency Pharmac will receive an extra \$60 million over the next 4 years, including \$20 million in the coming year, which will provide around 33,000 people with access to new medicines. Other announcements that will be funded in the Budget that have already been made is just over \$500 million to fund an extra 1,125 police over the next 4 years; as I announced 2 weeks ago, \$321 million for social investment initiatives to help our most vulnerable citizens; and an extra \$11 billion for infrastructure, taking total infrastructure investment over the next 4 years to \$23 billion. Of course, there will be further announcements in the days leading up to the Budget, on May 25.

These announcements highlight the benefits of a strong economic plan that delivers growth. The economy's growing, so the Government's books are in order, and we've given ourselves choices that few other countries have. While some similar countries are having to make hard decisions about which programmes to cut, we're in the happy position of being able to fund well-thought-through new initiatives that make a difference to people's lives. However, we need to retain our focus on delivering a strong economy, not just on sharing the dividends of it, because if we slip back these opportunities could disappear pretty quickly.

As we know, we have to prepare ourselves for any future shocks. That's why, along with improving public services, investing in infrastructure needed for a growing economy, and sharing the benefits of economic growth, finance Minister Steven Joyce has set a target of reducing net debt to between 10 and 15 percent of gross domestic product by 2025. Low debt gives us the flexibility to adjust to sudden changes in circumstances, as has happened with somewhat excessive regularity over the last 7 or 8 years.

In the House this week the Government will look to complete the appropriations bill and the Education (Update) Amendment Bill. Wednesday will be a members' day. In terms of my activities, I'm in Wellington tomorrow, Wednesday, and Thursday, the Manuwatū on Friday, and Auckland on Saturday afternoon and Sunday.

Any questions?

Media: Prime Minister, did the Cabinet get any reports today on the myrtle rust issue, or is that something that's being dealt with by the Minister?

PM: Oh, no, we were updated on it. Look, it's a significant incursion. It's a concern, and MPI, as I think they said in the media this morning, are throwing the kitchen sink at it. As I think has been reported, it's been located in another place as part of their search pattern from the original discovery. So there's no constraint on, you know, what it's going to cost. They want to take as much action as they possibly can to contain it.

Media: And so potentially no constraint on how much is paid to stop it, is what you're saying?

PM: Well, we're not going to limit the efforts because of funding concerns. I mean, this is an incursion we need to contain. The possibilities of it causing broader damage are pretty high if it spreads, and so MPI is, you know, very clearly focused on taking the steps it needs to take. Even then it's going to be fairly difficult to contain, because this is a wind-borne disease.

Media: And on that, did you get any reports about how it might be affected by Cyclone Donna, or the after-effects of Cyclone Donna, in terms of spreading it more?

PM: Not particularly on that. The reports have been focused on just what actions they're taking as we speak and, I think, the sense of urgency that goes with discovering it in another nearby nursery.

Media: And is there a sort of a feeling that it can be stopped, or is it, sort of, you know—because if you look at the way it's spread around the world and long distances from Raoul Island—now that it has made landfall, you know, is there a belief that it can be stopped, or is it inevitable that it will spread?

PM: Well, look, our advice is that it's very difficult to eradicate. It appears to have come from Australia, and so we're working closely with them on lessons that they learnt, which include, as I understand it, that if you have a large number of untrained people trying to work on the containment effort, they can become a vehicle for spreading it. So there has to be some, you know, pretty considered and well-planned action around containing it. But we have—I think that I've made the point—we have been advised it's extremely difficult to eradicate.

Media: When we had things like varroa mite, there was discussion about creating barriers either at Cook Strait or elsewhere. Has there been any thought about that?

PM: That hasn't come up, but, look, if there was a possibility that it's going to spread that far and that, you know, there's measures available to contain it, then we would certainly consider them.

Media: Is the Government worried about the kind of damage, if it is so difficult to eradicate, that this could do to the mānuka honey industry, to the fruit industry?

PM: Yes, we are concerned—and just also to the, you know, native flora where, you know, it can have an impact.

Media: Prime Minister, did you get a report from Gerry Brownlee on his trip across the Tasman, in Cabinet today?

PM: Well, I've had a number of discussions with him about the trip, and, you know, we've got further discussions ahead of us. In the last couple of weeks we've had, you know, two reassuring signals out of Australia. One has been, 2 or 3 weeks ago, the Australian Prime Minister confirming the original citizenship deal that was put in place last year—so they've made, you know, changes in their eligibility criteria, but New Zealanders who are on that path to citizenship retain the original conditions. Then, the reassurances from their foreign Minister that in future we will be advised of any changes. But I think there's further discussion to be had. I mean, the Australians have got significant Budget deficits. I see in the Australian media today there's more publicity about the number of non-Australian citizens who are in their welfare system, which I think is a signal that it's going to be some ongoing focus. So we want to make sure we have a good, close relationship—keep close to them on the issue so we know what's happening.

Media: Are you concerned that state Governments in Australia could charge New Zealand children for primary and secondary school education?

PM: Look, I've seen that speculation, but I haven't seen any reason to believe that it could be true. I think it just indicates you've got an environment where for New Zealand citizens in Australia, there is considerable uncertainty and there's a risk that, you know, they're willing to believe any story they hear. But we haven't seen any reason to believe that that would be the case, and if we thought there was any likelihood of that, we would be talking to state Governments. But it would be unusual for a state Government to make that kind of decision. That's my advice.

Media: Are you confident that the Australian Government will listen and take heed to what we say, or they're just going to roll ahead and do it anyway—they don't care what we say?

PM: Well, they've got, you know, certain pressures of their own—financial and political—and they have made some decisions where it seems reasonably likely to us they weren't taking account of the impact on New Zealanders. I mean, the challenge here is that we have a very close and deep operating relationship—day to day, virtually—over all sorts of issues, whether it's control at the border or the interchange of policy ideas and people on all sorts of things that Governments do. And we've got to keep that in perspective. You know, the relationship, in that sense, is deep and sound, and we want to, of course, build on the strength of that to make sure that we can have reasonable discussion about these issues.

Media: Do you think changes like this could structurally change the net migration of New Zealanders to Australia—i.e., in a bigger sense, increase net migration because there's fewer New Zealanders going to Australia, because they're not getting the same rights as other Australians?

PM: I think that's one explanation for what's going on at the moment, bearing in mind that these things accumulate over time. So the biggest single change that's been made was back in 2001, in this arrangement between John Howard and Helen Clark around the social security agreement arrangements. And I think probably part of the reason that you've got significantly fewer Kiwis going there is an accumulated sense that the safety net's not the same. And the parts of Australia where Kiwis go—WA and Queensland—aren't doing that well, particularly WA, and, actually, the Australian labour market looks a bit softer than the headline numbers might indicate. For instance, we have much higher employment and participation rates than Australia does, so, going there, it's just a bit harder to get a job than it is here at the moment. We've had fantastic job creation, particularly in the last 12 or 18 months, and that makes it, you know, more attractive to be here.

Media: Does that mean that all these forecasts about reciprocal downturn in net migration go out the window then, if there's been a structural change towards fewer New Zealanders going to Australia?

PM: Well, I'd put it this way: we've been waiting to see the normal cycle resume, and we've now gone for a couple of years where that hasn't happened. But the forecasters, I think, would say that in the long run you are going to see Kiwis up and moving back to Australia. Now, they've got their Budget shortly, and it'll be interesting to see what their growth forecasts are. They're probably going to be fairly robust, so maybe people will start moving there again. But things are, you know, pretty attractive here.

Media: What measures would you be concerned about? When you referred to speculation in the Australian media about non-Australians not in work, what would you be worried about where they might be moving to for that?

PM: Oh, look, I wouldn't want to speculate on it. I'm just indicating that if you look at their media, it's part of their political environment. At the moment there's a pretty strong focus on non-Australians and on "Australia first" policies—actually, from both major political parties. So if you combine that with the fact that they've got Government deficits, which they're pretty committed to cleaning up, then you can see how the kind of decision we got last week arises. You know, one, it affects all Australian students, and ours in particular. So that's why we want to be up close—follow up on that consultation undertaking made by Julie Bishop last week.

Media: So were you given, or was the Government given, any assurances that further entitlements wouldn't be stripped back, or was there just an assurance that they would keep in touch with New Zealand if and when it does happen?

PM: Well, look, we're always keen to hear assurances that entitlements aren't going to be changed, and I think New Zealanders in Australia would be particularly keen to hear that so that they can be assured that health, education, other services are going to be available to them. We haven't had those assurances last week, but I think we have got the grounds for, you know, ongoing discussion where we would be seeking to get some assurances.

Media: Were any other changes flagged by Julie Bishop?

PM: No.

Media: Just on your comments on the sort of depth and breadth of our relationship—and, you know, they often like to come over and say that we have a very special relationship—have these roll-backs negatively impacted our relationship with Australia, in your view, over the last 5 years?

PM: Look, I think that shifts the perception a bit, that what have been a set of assumptions and practices that we would treat each other's citizens as if they were our citizens—that we can't assume that. It doesn't mean that all the other things that we do together are at risk. It's important that we keep—you know, as this is a small country, we need to have a sound operating and a sound political relationship with Australia. That's the way that we can, you know, solve some of these issues. So it's in our interest, I think, not to get too pessimistic about it but to do what we can do assert our interest and to get the gains that may lead to less uncertainty for Kiwis there.

Media: Is there a point at which we'll eventually have to say, you know, OK, we're not quite as close as we thought we were?

PM: Well, look, I think that that process started 15 years ago, in 2001, where the first move was made—and at the time, I must say, it was described in New Zealand as a success. And so you've now got another round of change, as I said, under these political and fiscal pressures that we've talked about. So clearly, it's not the same as it was.

Media: Winston Peters and David [Carter—*sound not clear*] have both raised this idea that New Zealand is seen as a back-door entry into Australia, and that the Australians maybe should be offered some reassurances that we'll do something about that. Is that something you've thought about? Is there anything we could do? Because that may be driving some of these changes, they're suggesting.

PM: Yeah, we do want to look into the issue, because the Australian authorities have raised that in the past. We're confident that our immigration and border control is sound, and it certainly meets our expectations. The fact is, New Zealanders have always been able to move to Australia. There's no suggestion that that's going to change. We would like to, I suppose, understand precisely what their concern is, because there's no evidence that the New Zealanders moving to Australia constitute some unique or special burden on Australia. In fact, the economic evidence is that they're good net contributors. So whatever they think about the detail of any particular migrant group, the overall impact is positive for Australia to have New Zealanders there.

Media: Has this been raised again recently? I mean, was it raised, for instance, during Gerry Brownlee's visit there?

PM: Not as far as I'm aware, but I know it, you know, commonly circulates in among Australian officials.

Media: When you say you'd like to look at it, how would you look at it and what sort of things would you be looking at?

PM: Oh, no, just simply to—it would be good to establish exactly what Australia's concerns were. I mean, just at different times there's been discussion about, you know, what it would take, for instance, to have a common border and what would it take to remove any obstacles to travel between Australia and New Zealand. And those—there's been a number of steps taken over the years, all of which are headed in the right direction; that is, a freer flow of people between the two countries. This issue around, you know, whether New Zealand's a sort of a soft entry to Australia is one that, in that context, has come up. I've heard those discussions myself. But it's been quite hard to pin down just exactly what they think the problem is.

Media: Would you consider matching the roll-backs for Australians coming here?

PM: Well, we haven't considered that up to now, just because, I think as I said last week, we don't want to get into a sort of tit-for-tat arrangement. Because, actually, I don't think—if for no other reason that I don't think it would have any actual influence on Australian Government decisions. I mean, I don't think they'd take much notice of that.

Media: They are acting largely out of sort of domestic political motivations, though, with a lot of these as well, and that could benefit the Government here.

PM: Well, look, our first priority is not to, you know, deal to Australians here because of things we don't like about their Government back home. I mean, the Australians here—they've come committed to New Zealand on terms which are welcoming, and we're pleased to have them here and there's more of them coming. So we'd rather, I think, conduct the discussion with Australia off the back of a positive position about welcoming Australians here and the way we'd want them to welcome Kiwis over there. Now, we, you know, have to see how far that goes.

Media: Why is important to advocate for Kiwis in Australia who don't want to live here anymore?

PM: Well, I mean, there is a balance there. These are New Zealanders who decided their opportunities are better in Australia, but they have made that decision on the basis of a shared view between the Australian and New Zealand Government. So we do believe it's the job of the Government to get certainty, so that for those who do flow over to Australia, and Australians coming here—that they know what the deal is. I think that's a pretty reasonable thing to assume.

Media: Just on the advice you received in January from the Reserve Bank about how interest rate increases could affect first-home buyers in Auckland—in theory, high interest rates could push up their interest costs to more than 70% of their after-tax pay. How concerned are you that that could happen and those first-home buyers could get burnt badly?

PM: Well, we've been concerned about that for some time. It wasn't new just because the Reserve Bank gave us some advice about it. It's always been the case that in a fast-rising market, people borrowing a lot of money—stretching themselves—are vulnerable to interest rate increases, and in a market that rises that fast, it can fall. That's what happens in pretty much any other property market with same dynamics. So we've always been concerned about it—said so publicly. As I understand it, the banks, making their lending calculations, provide for a buffer above, you know, that if interest rates increase, the borrowers have the income to be able to service the debt. In the end, it's a matter for the borrower. They take a risk by really stretching themselves, and they will, you know, have to deal with the consequences of rising interest rates if that's what happens.

Media: Well, it's a risk for the Government and for the Reserve Bank in terms of financial stability. Did the Reserve Bank make any sort of policy recommendations, such as debt-to-income ratios, that could be helpful?

PM: Well, they've talked about them. Given the criteria the banks apply, we haven't seen evidence that this kind of situation represents a threat to financial stability. If interest rates rose sharply, it would certainly be a pressure on that household, but households go into this level of borrowing with their eyes open, knowing that they're taking a risk on interest rates in the hope of getting into the market or getting into the house, and maybe getting the value uplift that goes with a rising market.

Media: Do New Zealanders really do that with eyes open, seeing as property investment is so ingrained in our culture?

PM: Yes, they do. I mean, why would anyone else take responsibility for their risk? I mean, the system does what it needs to, to ensure that the system isn't at risk. We're quite happy that the Reserve Bank and the banks have taken reasonable steps there, but in the end it's up to households to take responsibility for their own level of borrowing.

Media: Could the Government help them take responsibility by ensuring that housing investment is on the same playing field as other kinds of savings, when we clearly know it's not?

PM: Well, you know, it's taxed in the same way as other form of business, if you're in the business of housing.

Media: But it's not taxed in the same way as savings. If you're looking at investing in a household as a form of saving that you own, there's a difference in how that's taxed and how savings are taxed in New Zealand, and that's been proved. There are economists out there now saying that's one of the reasons for rising house prices, land prices, and why people are having to take on so much more money for a first home.

PM: Well, you know, I think that we could—look, I understand those arguments are being made. I mean, you know, we've made some changes to the tax regime, which we think are satisfactory. But I don't think you'd want to get it out of proportion. I think the fundamental issue remains supply. Whatever the house price level, you are going to find households who stretch themselves to get enough debt, and they're always going to be vulnerable to rises in interest rates. That's a risk they take.

Media: Do you think it's realistic, though, to say interest rates could rise to 7.5 percent, which is what the Reserve Bank included in its model?

PM: Well, I think they're just modelling risk. I don't think it's likely that interest rates are going to go to 7.5 percent in a hurry.

Media: Prime Minister, just on blasphemy and libel laws, in light of the Steven Fry incident investigated by police, why do we have those laws in New Zealand?

PM: I think it's just an accident of history.

Media: David Seymour's made a comment about it today, that he thinks that part of the reason we won't get rid of them is because you're a social conservative. What do you think of that?

PM: I have no idea what basis you'd have for that comment, actually.

Media: Are the laws basically—is there any point to it, though? Is it something that would be used?

PM: Someone told me it's been used once, but I can't imagine a use for it. I think laws that, you know, overreach on addressing robust speech are not a good idea. And if—I mean, I think a lot of people would be quite taken aback if they saw here what's happening in Ireland; that is, police taking up an investigation under blasphemy laws. Frankly, I didn't think we had it. I thought it had gone.

Media: Should we get rid of it? Would you look at getting rid of it?

PM: Well, we can get rid of it, yeah.

Media: Can you clarify exactly what the Government's position is on the United Nations resolution on Israel?
PM: The Government's position is what it's always been, and that is that we felt the resolution was expressing longstanding Government policy—in fact, a longstanding, commonly held international view. We understand that Israel was upset about the resolution and our role in it, but we are keen, looking ahead, to have a positive relationship with Israel. Now, the Minister of Foreign Affairs made some comments last week. I think he was just trying to find the right language, and it hasn't changed the Government position, which is to do what he's doing, and that is rebuild the relationship with Israel because we think it's important to have representation in each other's countries and a positive relationship.

Media: Did he find the right language when he described it as premature?

PM: Well, he was, you know, getting familiar with the language the Government's been using around it, and in this world of diplomacy each word matters.

Media: What was wrong with the old language? Why did he need to change it?

PM: Oh, I think he was just getting, you know, familiar with it. I mean, to be fair, he was interviewed about this issue on about day one or day two of his tenure.

Media: So it wasn't premature in real life? Or was it premature?

PM: Well, no, we're not describing our role in it as premature. I mean, our role in the resolution was that it expressed Government policy. We run independent foreign policy, and we want a positive relationship with Israel.

Media: And you're confident that the foreign Minister's found the right language now?

PM: Yes.

Media: Have you had a chat with Gerry Brownlee about his comments—failing to find the right word?

PM: Oh, we've discussed the process we're in, around building a relationship with Israel.

Media: Prime Minister, can New Zealand be encouraged with the election of the new French President, in terms of the fact that he's a bit more outward looking when it comes to trade, and not in?

PM: Look, I think a couple of months ago I said that we approached a lot of this uncertainty around the world with naive Kiwi optimism—that it all wasn't necessarily all going to turn, you know, inwards and protectionist and xenophobic or whatever, as was being discussed at the time. And I think the French election is an expression of, if anything, a bit of a reaction against that kind of talk—that, you know, France has had an election; it's had some pretty stark choices about policy. We stand for, you know, open trade, open investment, and it looks as if a new French leadership will head in that direction.

Media: On international education, over the weekend it emerged that Unitec had passed some international students who had appeared to cheat on their engineering exams, and it said that was OK because 10 percent of engineering students cheated on their exams. Are you concerned that the push for international education is bringing down education standards, or that Unitec is taking the right approach here?

PM: Well, if you're going to have a credible product on the international market, then the institutions who teach need to make sure that they're observing the expected standards of behaviour. So, you know, if that was widespread—and I don't believe it is—then you'd have a bit of a problem. So I think, you know, Unitec, like any other provider of it, needs to keep in mind this is a large, important industry for New Zealand and it depends on them applying the standards.

Media: Are you concerned, though, that they're failing here, or that they're appeasing the students to make sure they keep getting international dollars?

PM: Well, if that was the case, you wouldn't want that to continue happening. I'm not familiar with the details of exactly what was done or exactly what was said, but we want an international education system underpinned with integrity and quality.

Media: On Pike River—I just want to clarify some comments that you made this morning. Obviously, Winston Peters wants to go in there. Can the Government change the law to make someone like Winston Peters himself responsible for the safety of that workplace? And if the Parliament can, would that be something that you could consider in the future?

PM: Well, as I said before, we're not negotiating coalition agreements well ahead of an election that hasn't even happened, let alone in some kind of detail like that. I don't really know what Mr Peters means. Whatever proposal it is doesn't change the facts on the ground. The facts on the ground is that's a workplace where our largest industrial disaster in decades occurred. It remains a dangerous place, and Parliament can't legislate it to make it safe.

Media: You've said on housing that we should expect some announcements in the next week or two about extra new houses to be built in Auckland. Would you expect Mount Albert, for example—that Housing New Zealand plot—to be redeveloped using the Hobsonville-style process?

PM: Well, I couldn't comment in detail on that, but the Hobsonville Land Co. is working closely with Housing New Zealand on its plans.

Media: Just on Israel, have you or Gerry Brownlee heard back from Mr Netanyahu after the letter?

PM: Not as far as I'm aware. As far as I'm aware, the letter's just been sent. And I'm sure there'll be ongoing discussions.

Media: And just to be clear, you wouldn't expect Mr Brownlee to again use the term "premature" to describe the resolution?

PM: I wouldn't expect so, and I think he would say the same thing.

Media: Was that reflective of his personal views, as far as you're aware?

PM: No, look, you'd have to ask Gerry about that. I think it's just reflective of someone brand new on the job, trying to just, you know, getting—as I've had to—being fairly new into the foreign affairs area. You get to learn the Government's positions and the language that goes with that.

Media: But is it the case that some members of the Cabinet were angry at New Zealand's sponsorship of the resolution?

PM: Well, it's the case that the resolution expressed longstanding New Zealand Government policy, including under this Government, which had been discussed in Cabinet. OK, thanks very much.

conclusion of press conference