

**POST-CABINET PRESS CONFERENCE: MONDAY, 29 MAY 2017**

**PM:** Well, good afternoon, ladies and gentlemen. Just a brief review of last week's Budget. It was focused on improving public services, investing in infrastructure needed for a growing economy, reducing debt, and sharing the benefits of growth through lifting family incomes. We're very pleased with the positive feedback from the Budget from a wide range of community, family, and business groups. The Budget outlined solid economic growth, expected to average around 3.1 percent over the next 5 years. That translates into consistent creation of jobs, and consistent but moderate increases in incomes, and provides an opportunity to raise living standards for all New Zealanders. The Budget sets out the next steps in our plan to deal with the opportunity that a growing economy presents for permanently shifting the country on to a more prosperous path.

The core of the Budget was the \$2 billion a year family incomes package, which recognises the hard work of so many New Zealanders by adjusting income tax thresholds and the cost pressures on families and on those with high housing costs with adjustments to Working for Families and significant adjustments to the accommodation supplement. It lifts the incomes of 1.3 million families by an average of \$26 a week, and for lower income families with higher housing costs by considerably more than that. We believe that's why the package has received strong support from across the Parliament, other than from the Labour Party, who, of course, are struggling to get to grips with a New Zealand that is growing, that's successful, and that is able to lift family incomes.

As we outlined, we're investing up to \$4 billion extra in building infrastructure that we need for a growing economy, and the indication is that the construction market is fully stretched as this money flows into an already large pipeline, and it was also additional funding, which didn't receive a lot of attention, for the Business Growth Agenda. We're investing a further \$7 billion in public services. There's always people who will say it's not enough and doesn't meet every need, but consistent with what the Government's been saying for some time, we've got a strong focus on what impact the funding has, not just on showing we care with large quantum of money, and this Budget included, of course, \$320 million in social investment initiatives for our most at-risk New Zealanders. We believe that all New Zealanders deserve the opportunity of effective Government support. Now, how best to support a growing economy and how to deal with the kind of growth mind-set that goes with a growing economy will be at the core of the political debate between now and September's election. We're a Government who believe that New Zealand is up to the challenge of growth. Our political opponents believe that New Zealand is not up to the challenge of growth and we should shut down the growth. So that will be a focus of debate.

As announced this morning I'm heading to Samoa on Wednesday for the country's 55<sup>th</sup> Independence Day celebrations. I'm looking forward to seeing Prime Minister Tuilaepa again and discussing the wide range of political and economic interests that we share, and get an update on his plans for the Pacific Islands Forum, which Samoa will host in September. We greatly value Samoa's leadership in the region. While in Samoa I will visit projects New Zealand has supported with development assistance and meet key representatives from Government, private NGO, and community sectors. I will then join Prime Minister Tuilaepa at the Blues versus Reds Super Rugby match, which will be the first Super Rugby game to be played in Samoa.

When the House resumes tomorrow, the Government looks to continue the Budget debate as well as progress a number of bills on the Order Paper, including the Statutes Repeal Bill and the Point England Development Enabling Bill, where we will debate, yet again, the fact that the Labour Party has a policy of building a whole lot of houses but is actively opposing the building of actual houses both in Tāmaki and Point England and in the Three Kings development in Auckland.

So I'm in Wellington tomorrow, and then off to Samoa on Wednesday, and back again on Saturday. Any questions?

**Media:** Prime Minister, will New Zealand send two more personnel to Afghanistan, as the US has requested?

**PM:** Yes—well, we've received a request on behalf of NATO from the US. As we've said for some time, we'll consider such requests. We want to pull our weight as an international contributor in parts of the world that generate instability that can affect us and our citizens. So we'll consider the request, but we haven't taken it any further than that yet.

**Media:** How long will that consideration take, do you think?

**PM:** Oh, well, I'd imagine a matter of weeks.

**Media:** And when was the request made?

**PM:** Oh, well, I've just had advice of it today, so I presume over the last few days.

**Media:** And what do they want?

**PM:** Well, as I understand it, they're requesting two more people, in addition to the 10 that we have in Afghanistan.

**Media:** Why would they want so few?

**PM:** Well, that's the sort of thing we'll get advice about.

**Media:** So are they specialist officers or special forces, given the number compared to the number that Australia's agreed to send?

**PM:** Again, we'll get advice on all that. I mean, I've just been advised of the request and that it's for two people, on behalf of NATO. So we'll get detailed advice about it. We always take these kind of requests seriously, but also the decision to deploy people is one that we take seriously, so we want to make sure we get proper advice about it, whether it's two or 22.

**Media:** So you don't know any details about anything further, except that it's two people?

**PM:** Well, I just haven't seen all the detail. I assume that there's some detail around the request. But the point of advice is to make sure that a Cabinet that may be putting people in harm's way fully understand what's being requested, what impact we could have, before it makes a decision to deploy people.

**Media:** What's your assessment about what's happening in Afghanistan at the moment? Is there a need for more NATO forces?

**PM:** Well, I understand a number of other countries have already made decisions to deploy more. It looks like, you know, no one's planning to leave Afghanistan in a hurry, but we'd want to get—you know, as part of the official advice—a briefing on the context in Afghanistan, so we understand, you know, and get an update, really, about what's going on there.

**Media:** What exactly are our 10 soldiers in Afghanistan doing?

**PM:** Well, again, we'll check that as part of the update, but it'll be consistent with the decisions the Cabinet originally made, which is basically in support of logistics or some intelligence.

**Media:** Do you think it might be only two because of the sensitivities around the election, and will you be trying to get an indication of if there will be a larger request after the election?

**PM:** Well, we'll get advice about the request. I haven't seen any indication that it's, you know, taking into account politics of the New Zealand election. You know, we have a—we would expect any request of us to be proportionate to the contribution that we're making. And our contribution—you know, the decisions last time contained the size of New

Zealand's contribution, and I'm sure that's an indication to them of what kind of a request we would consider.

**Media:** Would you be talking to the Australians about it, because we've been working with them so closely in Iraq now, but we never did work that closely with them in Afghanistan?

**PM:** Look, if it's appropriate, that'll be part of the advice. I mean, it's fundamentally about working in a NATO command structure, so, you know, we'd want to make sure we understand that context as the most important one.

**Media:** Will they be based in Kabul or elsewhere?

**PM:** Sorry?

**Media:** Will they be based in Kabul or elsewhere?

**PM:** Oh, I don't know.

**Media:** Will you consult with Labour on the decision, given it is getting close to the election?

**PM:** Oh, no, we wouldn't feel compelled to do that, particularly if it's not a significant deployment.

**Media:** You said intelligence is part of their thing that they're doing at the moment. Can you, sort of, elaborate on that?

**PM:** No, I can't. I'd prefer to go back and make sure we've got the advice clear about the original Cabinet decision, which would have set out the parameters, and just checking that they're consistent with that. And we'll get advice about what the request is for this deployment.

**Media:** Were you expecting a request sooner or later under a Trump administration?

**PM:** Sorry?

**Media:** Were you expecting a request for more troops under a Trump administration?

**PM:** We didn't really have any particular expectation. Bear in mind, this is a, you know, a NATO operation. So the request is, basically, on behalf of NATO. That's the context in which we make a contribution.

**Media:** But is this coming because America's really wanting NATO to do more on its own?

**PM:** Well, look, you'd need to talk to the US about that. I think the—I mean, they've got a discussion that's going on with NATO, particularly about defence in Europe, but that's a matter between those friends and allies. You know, Afghanistan, from our point of view, is somewhere we contribute to. It's not part of the broader considerations of the US having a discussion with the European Union.

**Media:** What was the nature of the request? Are they asking everyone for two people, or are they asking everyone for a 20 percent increase?

**PM:** Look, I couldn't—I just couldn't tell you what's been asked of others. I'm aware that others have made some decisions, but we'll just consider this request on its merits.

**Media:** Is it more sort of symbolic, though? Like, how can 12 people do that much more than 10 people?

**PM:** Well, we'll consider that in the request. But, as I said, we've kept our involvement in Afghanistan relatively limited, consistent with the political discussion here in New Zealand, and so we would expect that any request is consistent—well, proportionate—with what our commitment actually is. So we've got a small commitment, but it's playing—you know, we want to play our part. Just as our commitment in Iraq is a lot smaller than Australia's, for instance.

**Media:** Steven Joyce indicated there was a housing package coming, post-Budget. Can you give us any sense of scale, timing—what that might entail?

**PM:** Well, look, that'll be a, you know, reference at least in part to the Housing Infrastructure Fund. You know, getting anything to happen in housing is complex and takes time. So the Housing Infrastructure Fund was announced in the latter part of last year. Initial discussions with the councils indicated they didn't have well-prepared projects, although you might have thought they did. So there's been intensive negotiation with them in the early part of this year, and that'll—around the financing as well as the actual projects. So it's been a very constructive discussion about how to expand the sort of sources of finance for councils, and for central government, actually, as well as everyone getting a much better understanding of what roads and pipes are actually required to bring forward housing supply. And that's turning, you know, high-level plans into construction projects. So I would expect that as those negotiations are completed for a billion-dollar fund—that there'll be announcements about what the projects actually are.

**Media:** Would you expect some sort of public-private partnership, or some sort of hybrid equity vehicles to be announced at the same time as that?

**PM:** Well, look, I wouldn't want to prejudge what'll be announced, but the whole discussion about how to finance these things sooner than was expected—dealing with the council debt limits, dealing with the way central government accounting works—has been a big part of the discussion. And for New Zealand, I have to say, it's pretty challenging, because we don't have a history of doing this outside of the mainstream PPPs. But I think it's great that it's now become publicly acceptable to look at a range of sources of finance. And, as you look into the future, with the size of the infrastructure demands, which will include, you know, once our urban areas get round to focusing on water quality—they're going to find their water systems need significant investment, as well as the ongoing housing demand. This is a great way to work through the nuts and bolts of how council and central government can work together to improve the financing mechanisms. Now, because it's relatively new, I wouldn't raise too many expectations about the next few months. But, certainly, there's been—the indications I've seen—an awful lot learnt by both central and local government about how some different financing types could work.

**Media:** Did you get any undertakings about those ranges of sources of finance when you were in Japan and Hong Kong?

**PM:** Ah, no, wasn't seeking any. What we do know is there's plenty of finance around if you've got a transaction that makes sense to people, and, as I said, in New Zealand we've had particularly in our councils there's really been very little of that sort of activity. There's been some of it in central government, but, you know, this isn't just about State highways; this is about, you know, local roads and overlaps of NZTA and the local council roads, and so on, so it's a lot more complex, and it will take a bit of time to shake down into transactions which are suitable.

**Media:** Will there be a need for any legislation, or review of legislation—in particular, the Auckland Council?

**PM:** There might well in the long run. I think if they're going to take alternative financing seriously, and this is a council that's got fairly high debt levels—well it's got fairly rigid debt levels, they're actually quite low— but it's got a debt ceiling and to finance the infrastructure one way or another between central and local government it needs to be financed. In the long run, you want growth paying for growth, and if as a result of the discussion there's need for legislative change, well then of course we would do it. I think people would like to see solutions coming through the pipeline that are relevant to the kind of issues they see with transport and housing in our growing cities.

**Media:** Would you like to see that happening before the election?

- PM:** Oh no, certainly not before the election. There simply isn't time, and these things are pretty complicated, particularly the first time you're doing them.
- Media:** Following the Manchester attacks did Cabinet get any advice about increasing our security threat, particularly with the Lions tour coming up?
- PM:** Well, I think there's been sufficient assessment after the Manchester attacks, but the officials group who does that have decided that they don't need to raise the threat level. There's been discussions about the impact of that attack on the Lions tour, and my advice is that the group who deal with that, who are reasonably experienced at large events in New Zealand, tell us that adequate precautions and security are in place. I think what goes along with that is endless vigilance, and that is looking for any indication of higher risk. So far we haven't seen that in New Zealand, and we'll continue to focus on our border control security activities with the security agencies, to keep that threat level low.
- Media:** Do you think there's a need for stadiums to increase their security level at all, and be more vigilant than they would have been otherwise?
- PM:** Well, they're already set up to be pretty vigilant about these kind of risks. So there's a bit of a trade-off here with convenience and practicality with the public, but I think you can be assured that the issue's being looked at pretty thoroughly, and if there's any need to change the risk level, or to change the arrangements, then that would certainly occur.
- Media:** Do you think the Government did enough in the Budget to get re-elected in September?
- PM:** Election campaigns are what you need to do to get re-elected. I mean, Budgets are just a step along the way. In fact, look, people have high expectations of the competence and the credibility and stability of this Government. I think the Budget is seen very positively by a wide range of people, including people who don't normally vote for us—certainly sufficient for the Greens and New Zealand First to vote for the Budget. So the Opposition parties have, you know, they can't organise themselves in Opposition; you wonder how they could possibly organise themselves in Government, when in Opposition, all you have to do is oppose what the Government does. It looks pretty easy, but they can't manage that. So, it's a step along the way to an election, but it's no guarantee of winning an election. We've got to put forward a programme that includes a lot of the announcements in the Budget—a program for the future—and win people's votes on it. That's why you have elections: to find out.
- Media:** Prime Minister, following the Manchester attacks Britain put a moratorium on sharing information with the US after there were those leaks in the media. Is that 12 hours in which they didn't share any information with you, or was it about sharing information with the US considering the fact that it leaked out the US media?
- PM:** We haven't seen any indication that our process of sharing information has been compromised or is likely to be compromised.
- Media:** How heavily did you rely, or the Cabinet rely, on the MSD research into accommodation supplement and the pressure on the rental market when you made the decision for this Budget?
- PM:** Well, look, it's an input, but I wouldn't say we relied on it. Look, the issue arises with any cash supplement to a household, and we have households who get hundreds of dollars a week in cash supplements from Government, and that is the same issue. By providing cash to support households, is it going to mean price rises out in the market? And bear in mind that people can be paying their rent out of their Working for Families as well as out of their accommodation supplement. There's nothing magic about the accommodation supplement as a cash input. So we've taken the view that there isn't strong evidence that it

would feed through to landlords, and certainly nothing like the evidence you would require to decide to not provide support to households who are paying a very high proportion of their income in rent.

**Media:** So was that the deciding factor in the end—that, actually, you had to do something, even though it did carry some risk?

**PM:** Well, we think the risk is pretty low. The MSD research, I'm advised, tells us they haven't found any evidence. I think the truth of it is that if—landlords can't just put the rent up to any number they like; there's a market. It's a bit tight in some places at the moment. It won't be forever, particularly as the housing supply continues to grow pretty significantly. So we, against that background, felt that the opportunity which we have, because we have surpluses, to relieve pressure on those households is worth taking whatever theoretical risk there may be.

But bear in mind, if there'd been no increase in the accommodation supplement and a bigger increase in Working for Families then, according to the criticism, it would be just the same risk of landlords putting their rent up or, as I, I think, commented this morning, just because we put up Working for Families doesn't mean the supermarket's going to put up the price of Weetbix, even though it knows its shoppers will have more cash.

**Media:** Do you think that the Greens voting for your family package is a message from them that if there isn't a Labour-Green Government after September that they would be quite keen to work with National on other measures that you come up with into the future—that they could work with you on lots of things?

**PM:** Well, you'd have to ask them about that bit. I think it's certainly a message that the Greens-Labour relationship is a good deal more fragile than people thought it was or than they were portraying, particularly when it became clear that they hadn't really told the Labour Party that they were going to take a radical step like voting for a National-led Government Budget. So that's pretty telling.

**Media:** But you're obviously pleased to have the support of the Greens?

**PM:** Well, we're pleased that they recognise the strength of the Budget—that is that it's sharing the benefits of growth in a way that is broadly acceptable to the New Zealand community, and that it recognises a lot of middle incomes families' hard work and the pressure on them, but, also, the money finds its way into the pockets of some of the most pressurised households in the country, with kids and with very high rents.

**Media:** You're saying the Greens are voting for your Budget, but they're saying they're not voting for the Budget but just for those particular pieces of legislation that brought in the family income policy last week.

**PM:** Ha, ha! Oh, well, OK—they're no doubt trying to salve the wounds in the Labour Party. They can call it what they like, but they're voting for the core of the Budget. Sorry, Barry, was—

**Media:** Would you entertain doing a more formal deal with the Greens after the election in terms of coalition if that became a possibility?

**PM:** Well, as we've said, we're not negotiating coalition agreements before the election. That's entirely in the hands of the voters.

**Media:** What do you make of Labour's assertion that there is a single child tax in the Budget in that some families with one child get less than, say, a couple with no child?

**PM:** I think it's nonsense. I don't know what they mean by a single child tax. I mean, the way the tax system and Working for Families and accommodation supplement interacts is quite complicated. There's, as we've said straight up in the Budget, there's a few thousand families who we think could be worse off by an average of \$3 per week, and maybe 200 families where they're a bit worse off by a bit more than \$3 a week, and that's why we've set up the transitional fund. Otherwise, they're just saying: "Some people with

children got a bit less increase than some people without children because of Working for Families.” Well, last week, it was the opposite story. They were focusing just on tax cuts. Now they’re focusing just on Working for Families. Well, of course, you’ve got to take the whole thing together because that’s what households are like. Households actually have taxable income. They have children, and they have accommodation costs, and, you know, we’ve been striving to meet the reasonable needs of those households.

**Media:** But if they aren’t receiving any accommodation supplement they do have that small chunk that they are losing—that, say, \$5-odd a week in Working for Families, so they do sort of get less than, say, a couple without children.

**PM:** Well, as I said, we’ve got these three tools that all work differently. There will be some complex interactions. By and large, as I’ve said, over 1.3 million households—overwhelmingly the bigger beneficiaries of it are people with children and with higher accommodation costs. So, look, they’ll find some group somewhere where, you know, as they have—you know, there’s nothing hidden about it—where some people without children will get slightly more than some people with. Bear in mind, that’s a household with a 16- to 18-year-old in a very particular income range who gets a bit less than some households with no children in quite a different income range. So, yep, you can run round and find those comparisons. It’s irrelevant to the overall picture, which is (a) the Government’s finances are sufficiently sound that we can sustain a \$2 billion package. If we’d followed the Opposition’s advice for the past 5 years we’d have deficits, because we would’ve spent the lot.

**Media:** Prime Minister, the PPTA is floating the idea of neutral uniforms in terms of gender and unisex toilets at schools. What do you think about that?

**PM:** I think a lot of parents just want uniforms that are practical, that wash easily, and are easy to find at 7 o’clock on Monday morning. And I don’t think they’re too worried about transgender or other—and I’m sure the PPTA don’t mean that every household should go out and buy new uniforms at great expense to themselves to make some point that the PPTA are happy with. I’m sure they don’t mean that.

**Media:** What about the unisex toilets?

**PM:** Well, that’s a matter for schools—they can sort that out.

**Media:** You said transgender, but I think that’s one of the options. I think they just want a gender-neutral uniform.

**PM:** Well, it all depends what you mean by gender-neutral. Some girls schools have girls wearing shorts. I don’t know if that’s gender-neutral or just girls wearing shorts. I have to say I’m not going to get into, you know, the definitions of it. As I said, parents take a practical view generally, which is they just want uniforms that are hard-wearing, easy to wash, and easy to find, and the socks always match—and that’s the hard bit.

**Media:** What’s wrong with girls wearing shorts?

**PM:** Well, nothing. I mean, it’s up to them to sort it out.

**Media:** Can boys wear skirts? Is that fine? Do you think that’s appropriate?

**PM:** They can sort that out. I don’t think it matters—I can tell you, the Government will not be focusing on transgender uniforms. It sounds like there’s plenty of other people who are experts on it to sort that out.

**Media:** Just back to the criticisms of the Budget. People are calling for business tax, corporate tax, to be looked at, and also for savings taxes to be looked at. Steven Joyce indicated in the lock-up that they’re not going to look at that this year. What’s your feeling on corporate taxes and savings taxes—when a Government might be able to look at changing them?

**PM:** Well, you never want to close off the policy options of looking at improving the tax system. We have, by world standards, probably the best tax system in the developed world, in the sense that it's comprehensive, it's fair, and we have the lowest taxes on labour, pretty much, in the developed world. You do another hour of work in New Zealand, and you pay less tax on it than almost any other developed country.

**Media:** If you make your income off property you don't get taxed on it, so it's not exactly fair. So what people are asking is could the Government look at (a) dropping the corporate tax rate to similar levels to our OECD peers, because the rate is high amongst the OECD now, and there is a difference between property rates and savings rates.

**PM:** Look, you can have detailed discussions about this. I mean, if you take the company tax rate, company tax is by definition an intermediate tax. In a lot of countries dividends are double taxed. We have imputation, so that's a different effective tax rate. And our top tax rate is lower than most countries. So they might pay a lower intermediate tax rate in their company, but once the money comes out of the company they pay a much higher personal tax rate.

So, overall, their corporate rate's lower but their total tax on that income is higher. So the point there being that you need a pretty high threshold to show that there's going to be equity benefits from it. The other challenge with company tax is that because it's an intermediate tax, it's actually most beneficial to foreign owners of New Zealand businesses because they just get a straight cut, whereas in New Zealand it just reduces your intermediate tax. So the point—you just need a high hurdle to show it's going to be beneficial. It's not a panacea in the way that business groups sometimes market it, but it can have benefits particularly in an economy like this, which is basically cooperatives and small businesses, where retained earnings matter as a source of investment more than publicly raised capital. Then there may be benefit in it. But the point I'm making is that those are fairly involved, complex discussions. The hurdles are pretty high for showing that we're going to be better off than the fairly neutral system we have, but we're open to that discussion.

**Media:** And you said you don't want to close off options. Does that mean you could consider it for the manifesto—for the election?

**PM:** Well, you'll just have to wait and see for a manifesto.

**Media:** Mr English, the Budget suggests there'll be 212,000 extra migrants in New Zealand over the next 4 or so years? Are you confident we have the infrastructure to cope with that?

**PM:** Yeah, look, I'm confident we can invest for that scale of growth, and I think it's going to be a key issue in the campaign. We believe that New Zealand can adjust to being a growing economy with a growing population. Our political opponents think New Zealand isn't up to it, it's too hard, and the solution is to shut down the growth by closing off international investment, getting out of international trade, closing down migration, and settling for a kind of grey, low-growth mediocrity where, you know, the best thinking out of the crisis of the early-80s, I suppose, sets our political direction. But we unashamedly believe in New Zealand's capacity to be a growing economy and our political opponents unashamedly think that New Zealand's not up to it.

**Media:** You said on Friday, though, that you did have some concerns about firms moaning about skills shortages and not paying people enough. I mean, is there not a link there? If you're going to have 200,000 extra migrants, that's going to keep wages lower.

**PM:** Well, we're going to need a lot of skilled migrants just to do the infrastructure and the construction for housing, let alone the other growing industries like IT where, you know, if you don't let the people come here, then the industry goes where the people are, and we lose the benefit of it—you know, particularly obvious in a place like Wellington, I would've thought. So that's why we've, you know, focused a bit on getting the skills rules right, but we're, you know, open to having a growing economy and businesses being able to access



the skills that they need. And in some cases, such as the construction industry, they are paying more to get the people that they need.

**Media:** But you've told other industries that are crying out and have skills shortages—hospitality, for example—that they should pay more.

**PM:** Well, they may have to make themselves more attractive. You know, you're getting—yeah, so that's up to them. They got to run their businesses, but the great news for hospitality is you've got growing tourism, you're starting to see some significant investment in accommodation and hotels and restaurants, and that's a good thing.

**Media:** But you said on Friday that they should have to pay more.

**PM:** Well, I think I was saying they might have to to get the people that they want.

**Media:** Do you believe immigration is stifling wage growth, though?

**PM:** What's that?

**Media:** Do you believe immigration is stifling wage growth?

**PM:** Well, the work that's been done doesn't show that it is. What stifles wage growth in the long run is an economy that's not growing. And you've got an economy that's growing. And I think as I pointed out last week—

**Media:** So why aren't we seeing major wage growth, then?

**PM:** Well, I think, as I pointed out last week, you've got a lot of people coming into the workforce. I mean, New Zealand has created hundreds of thousands of jobs and is expected to do that over the next few years, and that means you are getting people coming into the workforce, or people staying in who are older, a lot of young people coming in. And, of course they're not super-productive the day they start, but we welcome them being there because that's how they get started on becoming productive workers.

**Media:** But what has been stifling that wage growth, though?

**PM:** Sorry?

**Media:** What has been stifling that wage growth if it's not immigration? What do you put it down to?

**PM:** Well, wage growth has been significantly in excess of inflation. I mean, you've had real wage growth and, certainly, real after-tax growth in incomes. And if you want a measure of the wage growth, look at what's happened to national super, because it runs off the after-tax wage and it's growing twice as fast as inflation over the last 7 years—and on 1 April they'll get another, you know, \$6 per person in a married couple and \$8 single, on top of the normal wage indexation. So it's a good way of tracking how much real wage growth there's been. So wage—I don't agree with his view it's been really feeble. I mean, some people say that, but inflation has been very low, and, in a very low-inflation environment, you don't need much of a wage increase to get a real wage increase.

**Media:** Kerry McDonald and Winston Peters made similar arguments on the weekend in relation to immigration—that we're bringing in more and more people to build the infrastructure and the houses, to house and move the people who've already come here. Do you accept that kind of circular argument that they're running, or do you disagree?

**PM:** No, because the main difference is Kiwis not leaving. The biggest single factor in the population growth is Kiwis have stopped upping sticks and going off to Australia. That's a vote of confidence in New Zealand. Now, that confidence is not shared by Winston Peters. He thinks New Zealand's not up to it, that we can't handle growth. You know, when you listen to other things he says, we should be growing faster, but as soon as we grow, he says "Well, it's the wrong sort of growth." or "We can't deal with it." And the Labour Party's pretty much the same, so—we believe in growth.

**Media:** But Kerry McDonald was making the same sort of argument, and from memory he's a former chair of the Business Roundtable.

**PM:** Well, if he's making the same argument with Winston Peters, it's the same flaw, and that is they are not taking account of the fact of the biggest single change, which is Kiwis not leaving. They're staying home, and that is a good thing, and I believe New Zealand has the capacity to invest to accommodate New Zealanders staying in their own country. Unfortunately, our Opposition parties think even that's too much for us—we can't even accommodate the Kiwis staying home. It's a pretty ridiculous argument.

**Media:** Is MPI doing enough to contain the spread of myrtle rust?

**PM:** Look, the advice I've seen, they're doing as much as possible. It is throwing the kitchen sink at it, in so far as you'd think the kitchen sink will work. They've spent time studying this disease before it turned up here, and it's quite difficult to contain, and they're tracking it vigorously with all the resource that they can throw at it.

**Media:** Just back on that tax reform—open to tax reform. What about the idea that you could level the playing field between property and other forms of savings by giving the same sorts of tax breaks to savings that they do in other OECD countries? This is a fairly common idea.

**PM:** Well, look, that's a matter of considerable debate, as we've already debated before over property. You know, it's treated like a business, same as any other business. So you can have the argument about it, but, you know, the fact is that people make reasonably sensible investments. If you look at the recent Reserve Bank figures about New Zealand savings, the more we understand about it, the more diversified their savings look. So, you know, again, we're always open to improvements. You need a pretty strong case, rather than just fiddling with it to make it look like you're "doing something". It isn't really the threshold, from our point of view. You need to see some significant economic benefit.

**Media:** PM, on something Malcolm Turnbull said today, there's been a bit of interest on this side of the Tasman. The Australian PM described one of his Ministers as having mana, he said. That was quite untranslatable, from Te Reo into English, but I just wanted to know if you could give him a simple translation, given you're quite good with Te Reo. And have you been giving him some lessons in Te Reo Māori?

**PM:** Ha, ha! No, I haven't. But it's actually a word that I thought was used pretty widely internationally, the word "mana", partly because of its biblical derivations. But every Australian Minister I've met has mana.

**Media:** Could those two soldiers that we're thinking about sending to Afghanistan—could they be SAS soldiers?

**PM:** Oh, look, we haven't seen what—I haven't seen the detail of the request, and we haven't had any advice on it, so I couldn't comment on that, ahead of any decision.

**Media:** Could they be, though, at all? I mean, could you rule it out, sending our elite soldiers there?

**PM:** Well, we—again, we haven't considered it, so I'm not going to rule in or rule out. You'll just have to—Cabinet will consider it.

**Media:** Have you got your Bible and your Te Reo mixed up? One's got one "n" and one's got two, hasn't it?

**PM:** That's right. And one's from heaven and one's from New Zealand. Yep.

**Media:** Are you saying New Zealand's hell?

**PM:** Ha, ha! OK, any more questions before we get into Vernon's favourite topic of etymology? Ha, ha!

**Media:** Your family package for the Budget—you talked about families being worse off. How many will be worse off, and by how much?

**PM:** Well, as I said, there's a few hundred families where it could be \$3 per week, and that's why we set up—quite transparently—the transitional fund. One point three million households will be, on average, \$26 a week better off because of the interaction of these three different systems, each of which are complicated—well, particularly, the accommodation supplement and then Working for Families. The tax bit's probably the simplest. Because of the interaction of that, there may be people who find themselves believing they're worse off when they're not, or being actually worse off, and that's why we've got a transitional fund available through MSD where they can go to the calculator—if they're going to be worse off they can go along and we make up the difference.

**Media:** OK, because we've done some calculations that 6,000 families will be worse off because of the family tax credit abatement changes. Will they have access to that fund?

**PM:** Well, bearing in mind that they will also have access to the changes in tax thresholds, which reduces the tax they have to pay, and, if they've got—depending on where they are, where they live in New Zealand, they may have significant benefit from the accommodation supplement. So if, after all of that, they're worse off, then they'd get access to it.

**Media:** Looking at our foreign deployment, according to news reports the last Islamic State urban stronghold in Iraq is about to fall. When that happens, will that be a trigger for at least some of our troops to be brought back home?

**PM:** We simply haven't considered that issue, and we made the commitment for them to be training the Iraqi forces. I would imagine that even if hostilities—that, you know, that area falls to the Government troops that you're still going to need ongoing training of Iraqi troops to maintain order. I think everyone has learnt lessons in both Afghanistan and Iraq from declaring victory too early. So we will, you know, get advice on that and consider it. Our assumption has been there would be an ongoing need. Now, there may be advice that says that's not the right assumption, but these are places where the need for—there's a paramount need for local capacity to provide the security to build up the credibility of that from it being local—not NATO or international—and we would want to contribute to that effort.

**Media:** That could be open-ended though, couldn't it? I mean, logically, if the threat is reduced, then the imperative to put our troops in harm's way also reduces.

**PM:** Yeah. That's the underlying logic. As I said, we'd have to look at the circumstances, and all I'm saying is the fact that there's been some military success there doesn't guarantee the security of the population. We're interested in building the capacity of the Iraqi army, ideally in a way that means New Zealand troops can come out of there and never have to go back.

**Media:** Just very quickly, in layman's terms, what are we doing in Afghanistan at the moment?

**PM:** Well, I'd be better not to, off the top of my head, give you a detailed description of what the 10 people are doing. I'd be better to make sure we get the description from the Cabinet decision and also from the defence forces. Thank you very much.

### **conclusion of press conference**