

POST-CABINET PRESS CONFERENCE: TUESDAY, 4 JUNE 2019

PM: Good afternoon, everyone. I'll start with a run-through of the week ahead. This week, I am in west Auckland on Wednesday to speak at a well-being Budget debrief with Minister Twyford, Minister Sepuloni, Minister Henare, and MP Deborah Russell. On Thursday, I'm in Blenheim for further post-Budget engagements. On Friday, I'll be making a post-Budget announcement in Auckland before heading to the Devonport naval base to undertake official duties as the sponsor of the HMNZS *Manawanui* before attending the opening of the refurbished Balmoral police station.

Last week, on Friday, I was invited to see the workings of the Higher Ground drug rehabilitation facility—Tupu Ake—a community-based, peer-led acute alternative centre for mental health, and the Māngere Community Health Centre, which operates under a model the likes of which, due to our well-being Budget, will be rolled out across our health service to provide a free, nationwide, front-line service for mental health over time.

While I saw a range of commentary around the Budget, I was particularly struck by what I heard in South Auckland on Friday. From those who work in mental health, they have asked for their sector to be taken seriously for many years, and I also really sense that the recognition from those in drug and alcohol rehabilitation that the link with mental health really mattered to them. But, more broadly, I've been reminded that mental health knows no boundaries. Mental health affects everyone, and that's why the support for our more than \$1 billion investment has been from across the spectrum. Mental health care will now be a mainstream part of our health system, a health system which we as a Government are proud to be rebuilding with unprecedented investment.

A couple of areas that I just wanted to take the opportunity, in particular, to highlight: in the past 14 months, 1,300 extra nurses have been recruited by DHBs, actually because last year we made the largest investment in DHBs in a decade, and this Budget goes even further, with \$2.9 billion into DHBs. In this Budget, we've also increased nursing places by 500 a year. Now, this come on the back of a pay settlement with nurses and an agreed accord that means we're working together with the nursing profession to deliver the services New Zealanders need. To physically rebuild rundown hospitals, we're investing \$1.7 billion, with another \$1 billion set aside specifically for the Dunedin Hospital rebuild. And just for a little context and a reminder, we invested \$750 million last year, and that was by far the largest investment in health capital infrastructure in a decade. We're funding more GPs to allow them to spend more time with patients, and primary healthcare will receive \$227 million additional funding over four years, and, of course, you're already aware of the funding we've put into St John and Wellington Free Ambulance. And, of course, for planned care interventions, including elective surgery, we've made a \$114 million investment.

On child well-being, I also wanted to acknowledge a further \$35 million for child development services to support 1,150 children and their families, along with \$10 million to stabilise Well Child / Tamariki services. That includes the likes of Plunket.

My visits on Friday reinforced to me why this Budget will leave a legacy, but it will particularly leave a legacy for those working in our mental health and addiction services. But I'm happy to take any of your questions, no matter what the subject.

Media: Prime Minister, when will your reshuffle be?

PM: Ah, yes—good question. I'm looking to make those announcements at the end of the next sitting session.

Media: Sorry—is that the announcement when you're going to make the reshuffle?

PM: No, no, the reshuffle itself. So that makes it end of June/beginning July—so at the end of the next session, essentially.

Media: [*Inaudible* 15:09:51] under active consideration currently?

PM: Sorry, Henry?

Media: Would you say, is it under active consideration right now?

PM: Yes, I'm doing work on it. I won't be, of course, making any speculation or announcing it until it is done.

Media: Can any of the ministerial roles that were agreed in the coalition agreement—can any of those kind of be reshaped in any way? Could you move out a New Zealand First Minister, for example, or move a New Zealand First Minister in?

PM: Oh, look, I think the way I would frame this is it's not going to be what I would frame as a substantial reshuffle.

Media: Would you break up housing into different categories?

PM: Again, as I've just said to Henry, I'm not going to make any statements on the reshuffle until I've finished the reshuffle.

Media: Has the Government got anything new to offer teachers, and what's the point behind the forum?

PM: Of course, I've been asked this morning, in particular, around what will be happening on Thursday, and it is an opportunity to bring both unions together, to sit down with the Minister of Education and the Ministry of Education. Whilst, of course, we continue to maintain that \$1.2 billion is a significant offer, a number of the issues that have been raised by the education system are long-term issues, and this gives us an opportunity to reflect on some of those.

Media: So is this sort of looking to promises of things that will come in the future?

PM: Again, beyond that, I'm certainly not going to predetermine some of those conversations, but when we take the under-investment in education as a whole and some of the demands on teachers, this is not just about pay. They've said that consistently, but I think so have we. Yes, we've done things like drop national standards, put in the support for the learning support coordinators to help with that extra pressure that special needs learners put in the classroom. We've also gotten rid of charter schools, which was one of the issues that the unions had raised. There are a number of investments that have been made, but there are also a number of longer-term issues, some of which are exacerbated by our teacher supply. So, yes, we've put in the funding there as well, but this is a chance for us to talk about some of those longer-term issues.

Media: On the Treasury search bar incident last week, were you privy to the same evidence that the Deputy Prime Minister was when he said that the information came from National in circumstances that are totally illegal?

PM: This issue is going to be looked at in more detail by the State Services Commission. I think that is the right way for it to be dealt with. My intention is to wait and see what conclusions are drawn both around the issue itself—how this lack of security came about—but also on the quality of advice that was then provided to Ministers as well. But I want to await the outcome of that and allow the State Services Commission to do their job.

Media: Would you like to see the State Services Commission look into whether or not the finance Minister was misled?

PM: I do think the issue around the quality of advice that was provided—I would have an expectation that that would be covered.

Media: By Treasury or the National Cyber Security Centre?

PM: Again, just generally the nature of advice provided by Ministers, by those within the State services. Again, that is, however, a matter to be determined by Peter Hughes, as the State Services Commissioner, as to how he conducts that and who he undertakes that work with.

Media: Given that the NCSC advised Treasury to go to police, how worrying is it that our National Cyber Security Centre can't tell the difference between a hack and a simple search?

PM: My expectation with all of those issues would be likely to be picked up by the State Services Commission, and that's as it should be.

Media: The inquiry as announced currently doesn't go into the detail that you're talking about, so are you pre-empting the SSC widening that investigation?

PM: No, no. I'm just setting an expectation that I would have thought that given that that is, of course, the expectation set out by State Services—of course, chief executives do give advice to Ministers. We're reliant on that advice. I did have an expectation that that's likely to be covered by the work that State Services would do. I stated that this morning; that would be my expectation.

Media: So, given you've been saying that since this morning and nothing has come out of SSC, then are they not reacting to your request for them to expand the investigation?

PM: Again, those are matters for the commissioner, but it seems natural to me that they would likely be included.

Media: Have you spoken personally to the commissioner?

PM: Not personally, no. My understanding, though, is that the commissioner does have more to say in this space. That's a matter for him, though. I've simply laid out what I would expect would be covered and what I think a reasonable person would expect to be covered.

Media: Has Peter Hughes given you a sense of how long that investigation might take or when he might have something more to say?

PM: No, that would be a matter for him.

Media: Would you be willing to hand over communications from your office and Grant Robertson's to the SSC inquiry?

PM: I imagine the SSC will look at the information provided to our offices via Treasury.

Media: What about between offices as well?

PM: Again, much of that's been covered off, I think, in the House in particular. I've already shared the information that was provided to me.

Media: Has Gabriel Makhlouf offered his resignation?

PM: That's certainly not to me personally. Again, though, we were in the throes of making sure that we were delivering the Budget last week, and that was the most important thing for us as a Government.

Media: Has he offered his resignation to the State Services Commissioner?

PM: Oh, look, I couldn't answer those questions. Again, though, our focus, rightly, last week was on delivering the Budget. I think that's what people were focused on, and I think, ultimately, they probably see this as a bit of politicking. So, yes, the State Services Commission will look into it more thoroughly, and that is a matter for them. For us, it's about getting on with the Budget.

Media: But he's the secretary of the Treasury. Surely you should know if he has or hasn't offered his resignation.

PM: Well, I know he hasn't offered it to me, and I've already answered that question.

Media: Are you trying to divert answering that question that—

PM: No. No, no. And any moment—

Media: [*Inaudible 15:15:59*]

PM: No, no—absolutely not. I can only know what’s being offered to me and what I’ve been told, and I have not received an offer of a resignation.

Media: From Grant Robertson or Peter Hughes?

PM: At any given time—I’m telling you, as of now, I do not believe any resignation has been offered.

Media: Do you think that these matters would be resolved more quickly and more cleanly if the GCSB and the National Cyber Security Centre actually made public what their advice was? After all, anyone could tell that there had been a breach of security at Treasury. It seemed remarkable that the GCSB should just brush it off and say, “Go to the police.”

PM: Well, again, I can’t say that that’s necessarily what did happen. That is actually something that I think the State Services Commission can objectively provide, and that’s why I’m going to leave those matters for them.

Media: Can I ask more generally, ministries that go to the police—referring matters to the police that involve the Opposition—would it be your expectation that, under the no surprises rule, they contact the Minister in charge before they go to the police?

PM: It’s a good question. I would actually rather that in order to ensure that that isn’t a decision that’s politicised, that actually the sequence would be for them to take those decisions and advice, preferably after the fact. I think otherwise it does run the risk of potentially questions being raised as to whether any influence or pressure was placed. And, of course, it’s incredibly important that there is that separation there. Look, that happens to be the sequence in this case—that the decision was taken by the Treasury, that complaint was then lodged, we were then advised after the fact—first to the Minister of Finance and then, after, I was advised.

Media: Can you say hand on heart that Treasury did not consult the Government in that decision in any way?

PM: Yes. Yes. I was advised, roughly, it would have been, roughly, around the 7.30 mark. I was advised straight after the Minister of Finance was advised. I’m told that roughly—roughly, give or take an hour—before, the decision had already been taken and made.

Media: Isn’t the lesson that’s been learnt here, though, that actually leaving it to Treasury to work out whether something’s a hack or not was not the smartest idea and that perhaps, if the finance Minister’s office had been consulted, you wouldn’t have ended up in this mess?

PM: Again, I think actually the appropriate point to have a “lessons learned” would be once we have the State Services Commission build a fuller picture for us of what happened over that period of time and the quality of advice and decision making.

Media: What is a fair rate for multinationals to pay in tax?

PM: Yeah, well, actually this is a debate that the OECD is currently having, and I think it would, ultimately, be beneficial if we did have an international response to what is a global problem: how do we make sure that multinationals, particularly those deriving an income online, are paying their fair share of tax? Whilst that’s our preference, if we see, you know, a delay and that there isn’t decisions made there, we’re now consulting on New Zealand bringing in its own form of digital services tax, which would be 3 percent.

Media: Why just 3 percent? That seems very low.

PM: Yeah, again because that would be in line with what we’ve seen internationally. For instance, other countries—the likes of which: Austria, France, Italy, Spain—they’ve all gone for, roughly, I believe the 2 to 3 percent mark, and keeping in mind that it would be a percentage on gross revenue. So it is in keeping with our counterparts who are moving in the same area.

Media: Where is the Government's inquiries into its own spending on Facebook and Google in the wake of the Christchurch attacks?

PM: Into its own spending? We made decisions at the time that, actually, the much more effective way to respond would be what we did at an international level through the Christchurch Call. Of course, I think also—mindful of the fact that our sovereign wealth fund, in particular, also rallied together other sovereign wealth funds to say that if they didn't see an adequate response to that international call, that they would also make decisions relevant to their investment in the future. I think that is more likely to have a far bigger impact than the way Government uses those platforms to communicate with citizens.

Media: Are you comfortable, though, that companies like Google and Facebook—Google, for example, paid less than \$400,000 in tax last year, and yet the Government and the wider New Zealand community are spending \$700 million, \$800 million a year in total on Google and Facebook. Are you comfortable that that's a good idea: for you to continue to spend money on that and allow them to continue to exist in New Zealand?

PM: We have two options there: either we can cease to use a form of advertising that actually a large number of New Zealanders would see when it comes to communicating information that's relevant to them, or we can actually make sure that these multinationals pay their fair share of tax, and I think that is the far better way to approach this problem.

Media: So what would happen if those multinationals don't comply with that 3 percent tax?

PM: Well, of course, this is the exact same issue that a number of other countries are undertaking. From the conversations I had with some of them at Davos, they tell us that they don't seek to avoid paying what they're legally obliged to pay; so I don't expect that to be the issue. At the moment, though, we're consulting and asking for views on the workability of what we're proposing, but we're not the only ones doing this. There's a number of other countries in the same boat.

Media: Would the law have any teeth if they do not comply?

PM: In the same way that our laws via IRD already have teeth, there are, of course, penalties for not complying.

Media: [*Inaudible* 15:21:50] a tax, for example, on eBay, on Uber, and on Airbnb would end up costing the New Zealand taxpayer more?

PM: Would it end up—would the collection end up costing the New Zealand taxpayer—

Media: The fact that the companies have to pay it. It will be, no doubt, on passed to the New Zealand consumer?

PM: Well, look, if the idea is that a company shouldn't pay tax because then that may end up increasing the price of a good—I mean, we don't apply that logic to any other part of our taxation system, firstly. Secondly, there's a basic question of fairness here. You know, take a motel operator. Do they think it's fair that they're being treated differently than someone who is offering a service, for instance, via Airbnb? And, equally, when it comes to those companies that are deriving profit out of advertising domestically, it's only fair that those multinational companies pay their fair share, and New Zealand is not the only country asking for companies to do that. Given the amount of profit that is derived—the value, for instance, of cross-border digital services in New Zealand is estimated to be around \$2.7 billion—I don't think it's unreasonable to ask that they pay tax like everyone else.

Media: Do you accept, then, that it would cost the New Zealand consumer?

PM: No. No, I don't actually think that that is fair. If we're talking around \$2.7—

Media: [*Inaudible* 15:23:15] I'm asking you—

PM: I don't think it's fair to necessarily make that assumption. If we're talking about \$2.7 billion in terms of the value of those services, the estimated revenue for New Zealand—we're talking between \$30 million and \$80 million.

Media: How long do you wait for the OECD to come up with a one-size-fits-all before you decide to pull the trigger on your own tax?

PM: Yeah, well, that's why we're consulting on it now. The OECD has been having these conversations for some time. The UK has already said they're going to bring something in in April 2020. My last recollection is that the OECD was looking to do work on this and discuss this, I believe, in June. I would need to go back and check that, though, Bernard, but that was the last time line that I heard. But, really, we're preparing the groundwork that if we don't see that progress, that we will have our own domestic solution, because I do not believe New Zealanders want to see this unfairness in their system any longer.

Media: You stopped using Facebook lives for your personal catch-ups on your personal page after Christchurch for a period, and you've restarted using it—

PM: Yes, I have. Thank you for noticing.

Media: —after the Christchurch Call. Is that kind of a signal that you have confidence in the product again and you think that Facebook has responded enough to the call?

PM: No. No, I think there's still more work to be done, absolutely, and the Christchurch Call contains that. Yes, they've already made some changes to livestreaming. I do think, generally, there is more work to be done in the social media space, but really, actually, in that period after 15 March, I actually, you'll find, stayed off social media generally for a time. It just didn't feel right for me immediately after to be in that space for a time.

Media: Are you still looking at September for a kind of an update and catch-up on the Christchurch Call?

PM: Sorry, what was the first—

Media: Are you still looking at September?

PM: Yes. Yeah, there will be work in between times. So companies will be reconvening in Jordan in the intervening period, and so that's a chance for them to continue progress on the Global Internet Forum to Counter Terrorism, for instance, and so I do expect there to be more work. September is a chance for leaders to catch up with tech companies.

Media: [*Inaudible 15:25:32*] recalibration come before Cabinet today?

PM: No. When we have announcements to make, then we will.

Media: Have the likes of Facebook and Google been ripping off New Zealand?

PM: Look, they operate within the system that exists, and we just do not have the framework at present, I think, to appropriately deal with some of these companies, and we're looking to fix that.

Media: Do you share your Foreign Minister's concern, 30 years on from Tiananmen Square, that—he was scathing of the Chinese that they haven't moved very far on the freedom of its people?

PM: Actually, I read that article. That's not how I would have interpreted his statements. I think it was a reflection—

Media: I can quote the words that he said. He, basically, said there hasn't been the progress one would have hoped in respect of freedom itself in China.

PM: Yeah, and I read the whole article, and, you know, I thought it was a reflection of the period that's passed and what happened at the time. Of course, what I would say in our

relationship with China—on an ongoing basis, we've used our bilateral relationship to raise both areas where we've had positive cooperation but also areas where we happen to have differed on human rights issues. That has not changed for New Zealand in our relationship with China, and at the last meeting I had with them, that continued to be the case. Where we have points of difference, we will raise that. That's the basis of New Zealand's independent foreign policy.

Media: Are our troops coming out of Iraq this month?

PM: When we have announcements on deployments—because, as you'll recall, we did set a review period last year for us to reflect again on deployments for within Iraq and Afghanistan—when we have announcements to make there, we'll make them.

Media: Weren't they supposed to come out in June?

PM: When we've announcements to make and final decisions, we will make them.

Media: Are you extending that deployment?

PM: When we have announcements to make, we'll make them.

Media: They are due to come out this month.

PM: We are making decisions—we made a mid-point from the last set of deployment decisions, but I'm not making announcements here today.

Media: Are there any disagreements within the Cabinet about whether or not to extend that deployment?

PM: I will make announcements on behalf of Cabinet, of course, where we will have formed a collective view, when we're ready to make them.

Media: Do you consider that mission creep to extend the deployment further?

PM: We haven't made any announcements.

Media: Since the Budget was delivered, a lot of economists have expressed joy that the capital allowances were—

PM: A lot of? Economists?

Media: A lot of economists have expressed happiness that the capital allowances were increased, but they are—

PM: It might have been joy, from their perspective.

Media: Joy, whatever—you know, they are economists—but they're sceptical that the money can actually get out the door fast enough, given what's happened in the last 12 months—it's just very difficult to actually spend all the capital that you propose to spend. What's your reaction to that reaction to your Budget?

PM: Yeah, of course that doesn't then preclude, of course, the importance of giving a longer-term signal around infrastructure spending. One of the other messages that is being shared with us is, actually, the importance of planning for the longer term when it comes to large-scale infrastructure investment. It's one of the reasons we prioritised establishing the infrastructure commission. But it is, I don't think, a new issue for any Government, that once you make those commitments, then actually making sure that the money is then invested in a timely way—that's a challenge that all Governments experience. I don't think it undermines the importance of sending strong signals. Last question—Bernard.

Media: Just one question on trade. America threatened to increase tariffs on Australia over the weekend. Have you been advised that New Zealand faces any increased tariffs or could be stuck in between?

PM: No. I think, of course, what's interesting there is of course Australia, unlike New Zealand, does not currently have tariffs on steel and aluminium. It was given an exemption. Perhaps as a consequence of that—and I would be speculating here—perhaps as a

consequence of that, they may well have seen an increase in trade, that's then caused, obviously, a second look at that exemption that exists. Of course, for New Zealand, we have not had that exemption, so we have had tariffs apply, and perhaps that means we haven't been considered in the same boat as Australia. I think, again, it just demonstrates why that consistent application of the rules around trade is so incredibly important, otherwise you may see these peaks and troughs as we're seeing in this case. Right, thanks everyone.

conclusion of press conference