

MINISTER OF FINANCE PRESS CONFERENCE: MONDAY, 17 AUGUST 2020

Hon Grant Robertson: Kia ora. Ngā mihi nui ki a koutou katoa. Nau mai, haere mai ki tēnei hui pāpaho. Greetings, everybody. Welcome to this afternoon's press conference.

Cabinet today agreed to the details around a new national wage subsidy scheme to assist workers and businesses as the country together works to contain the latest COVID-19 outbreak. As I said last week, Auckland represents nearly 40 percent of New Zealand's GDP, so the level 3 situation in Auckland has impacts on the rest of the country. A lot of businesses outside Auckland rely on customers from the city, so making the wage subsidy nationwide is a recognition of that. It is also a recognition of the impact that alert level 2 settings have, particularly on hospitality and retail businesses, in other parts of the country, and we want to make sure that we're helping these businesses as well.

The new wage subsidy is for two weeks of support at the same rate as the extension and has much the same criteria as the existing wage subsidy extension scheme. To qualify for the new subsidy, a firm must have had, or be predicting, a revenue drop of at least 40 percent for any consecutive period of at least 14 days within the period of 12 August to 10 September, compared to a similar period last year. So it can be both a retrospective and prospective assessment. The cost of the new scheme is estimated to be \$510 million. As previously noted, the current wage subsidy extension is still open for applications until 1 September. It has been estimated that this will see a potential increase in the take up of the current extension scheme, so that the combined cost of that and the new scheme being announced today is an additional \$1.6 billion. The Treasury estimates that about 930,000 workers will be supported by the two schemes. The costs will be covered by the underspend in the existing wage subsidy appropriation, so, at this point, we will not be dipping into the \$14 billion that is set aside from the COVID Response and Recovery Fund, but it is there if necessary.

Cabinet today also agreed to change the leave support scheme. This scheme financially supports people who have to self-isolate and cannot work from home. The 30 percent revenue drop test and the negatively impacted test for the leave scheme are being dropped from today. The Government's focus on putting in place this new scheme and changing the leave scheme is to protect jobs and the country's health response. Cabinet has also agreed to two pieces of further work to be undertaken by officials: firstly, to report back on a more sustainable, longer-term support scheme that can adapt to changing alert levels, is easily administered, and can be easily understood and communicated. This work will include looking at other existing schemes to see if they are still fit for purpose. Secondly, we have also directed officials to undertake further work on the leave scheme to ensure its adaptability and flexibility in the event of further alert level restrictions.

While we are responding to the immediate COVID-19 outbreak, the Government is getting on with creating jobs around the country. As you know, the Government has been rolling out shovel-ready infrastructure announcements from the \$3 billion put aside at the time of the Budget. Today, I am pleased to announce the final large project for that fund, which will create hundreds of jobs in central Auckland. The Government will invest up to \$200 million for the University of Auckland's Faculty of Education and Social Work construction project. The project will provide significant employment opportunities over the next five years, with up to 750 construction jobs expected at its peak. It will also allow the university to complete the balance of its building programme in this area, bringing the total construction value to \$336 million.

Finally, as you know from this morning, the Prime Minister has announced that the election will now be held on 17 October. That, of course, means that the pre-election fiscal and economic update will now not be held this Thursday. The new date for PREFU will be Wednesday, 16 September. Happy to take your questions.

Media: Minister, why did you make it a 40 percent drop in revenue rather than the earlier 30 percent that was offered during the lockdown?

Hon Grant Robertson: We're trying to make sure we get the greatest level of consistency possible, so the 40 percent is where we are with the extension. Clearly, this is also for a short period of time. We're talking about a two-week period here, and obviously, for those businesses most affected, they will be able to demonstrate that level of reduction.

Media: Why have you made those dates so steadfast?

Hon Grant Robertson: Those dates? It's merely to create the period of time around which this event is happening. So this is a very focused extension of the wage subsidy scheme about the restrictions that have been put in place: level 3 in Auckland, level 2 in the rest of the country. It is possible for us, and I said this on Friday, to be able to extend it out further if that were needed, but it is about a very confined period of time in which the impacts will be felt.

Media: Some businesses that we've been talking to, such as suppliers that supply into Auckland, say they're not going to feel the impacts of this immediately, and so if you put those steadfast limits on that two weeks, perhaps they may not be eligible where they otherwise would.

Hon Grant Robertson: I think when they see this, they will see that they can look forward to at least 10 September. I think by that point, they will, and as—I'll just reiterate that point I made that this can be both in the current term but it also can look prospectively forward to that date. So for those suppliers who, as you say, perhaps won't feel the impact immediately, the scheme's designed to be able to manage for them as well.

Media: Just to be very clear, how long can people access the subsidy for? Is it just those 14 days [*Inaudible*]?

Hon Grant Robertson: Yes, that's right, and obviously—so you have to nominate one period of 14 days within that period.

Media: Can I just separately ask: I mean, obviously with the new election date, as the Minister of Finance, will you give the Electoral Commission the funding they need to hold the election if they need more money?

Hon Grant Robertson: Of course, and obviously, as we've gone through this year, as Minister of Finance I've been in regular contact with the Minister of Justice, who's the person who is the conduit in terms of funding for the commission. They've been provided significant amounts of funding, and significant amounts more because of the circumstances of holding the election. Minister Little and I actually spoke about that briefly today and agreed that if that was required, they could put a proposal forward.

Media: How much are we talking? How much do you think it will take?

Hon Grant Robertson: I haven't had a figure put in front of me yet. Sorry, I'll just take Hamish and then come back to you.

Media: Does this set a precedent about what happens if there is another outbreak? I mean, you've done one focused on this outbreak, and you've said Auckland's such a big part of the economy. What if there's an outbreak in Southland?

Hon Grant Robertson: Yeah, and obviously that's—we'll judge at the time. I've said from the beginning that this would be a horses for courses situation. It's also the reason why we've asked officials to do a little bit more work on the nature of the full range of supports that are available, because, as you'll all know, we've got the Small Business Cashflow (Loan) Scheme that's available, COVID Income Relief Payment, further work that we're going to be doing around the Business Finance Guarantee Scheme—all of those schemes were in existence, so we do just want to see what a sustainable scheme looks like. But I think this is the right response for this particular set of circumstances. As you say,

Auckland—40 percent of GDP, huge spillover impacts on the rest of the economy, and for a very confined period of time.

Media: Is there even a chance that you could have a regional extension, or is it just likely that if there's going to be—you know, you had to do it nationwide because it'd be so hard to work out who was getting what?

Hon Grant Robertson: It's certainly administratively challenging, and, again, I'm sorry to repeat the answer, but that's the reason why this extra bit of work is being done by officials: is to be able to dig in a little bit more to the different types of support that we have available to see what provides us with the most sustainable path forward if it was a much smaller and defined region. But administratively it would have been very difficult to have got this up and running. I should have said, and it is in the media release, that applications for the scheme will be available by the end of the week. And so in order to get that rapidity of money going out the door, we had to stick with the scheme we had, but we are going to do some more work.

Media: On the sick leave scheme, was that a design flaw in the initial sick leave scheme?

Hon Grant Robertson: It was a design for the times in that period of time. I mean, it was right at the beginning, and we certainly were keen to make sure that businesses who were doing well were in a position to be able to meet their own needs. As we now move forward to this time here, the crucial role that people feeling confident about their income has in them being willing to take a test, and then obviously self-isolating if they need to after that, is critical. We've seen that now, and particularly when we look at this particular outbreak, where, you know, it may affect people who come from low-income backgrounds, job occupations that are lower income, we just want to make absolutely sure that no one sees a barrier to being tested, because that is so important for all of us.

Media: Just on the mortgage holiday extension, do you trust banks to make the right decisions when deciding who can and can't get another mortgage holiday extension?

Hon Grant Robertson: Yeah, look, the mortgage deferral scheme has been run by the banks up to now, and I think it's generally been very well received. The Reserve Bank works closely with them around the criteria that they apply, to make sure that they're balancing their obligations as responsible lenders along with the need that people have. Actually, by and large, I've received very, very few complaints from people about the mortgage deferral scheme.

Media: Is the Government considering the impact that this second plague, so to speak, could have on council balance sheets? Do you think that the—you know, do you believe the Local Government Funding Agency or local council should be raising their debt caps so they've got greater ability for borrowing?

Hon Grant Robertson: I had a conversation with the LGFA last week, and they are ready and willing and able to work with councils, and, obviously, there, the changes that are being made—they've got access to liquidity. They have the ability to do that. Individual councils, as you're pointing out, do have issues around where they are in terms of their debt and what that means for ratings agencies and how they view them, but I would encourage them to talk to LGFA. In the case of Auckland, Mayor Goff's been public about the fact that he's got concerns about where they find themselves. They've already made significant cuts within their budgets, and so he's made that clear. We're happy to have those conversations with him, but the LGFA should be the first port of call for local government.

Media: What sort of changes are you exploring to the Small Business Cashflow (Loan) Scheme?

Hon Grant Robertson: It's not the scheme particularly; it's more the balance of the packages that we've currently got out there, because we do have a number of support schemes there. And it's to make sure—to pick up the questions that Hamish was asking earlier—that if we had to move into a situation where we had another localised set of

restrictions or a different shape to the restrictions that were put in place, how would we make sure that the scheme that we're putting forward is fit for purpose? So it's not particularly about the scheme but rather just to look at how we make sure it works for whatever circumstances we find ourselves in.

Media: And also what sort of feedback have you got in from businesses in Auckland—what's the level of struggle that they're facing from this second lockdown?

Hon Grant Robertson: I think for a lot of people it's a confidence question. An awful lot of businesses had got themselves back up and running again. They'd actually had a pretty good July, and that's been borne out in the statistics that we've all seen. So for many of them, it was more a blow to their confidence than anything else. We wanted to be able to say, look, we're going to support you through this short period of time here so that you can build on the good things that were happening for you in July. I've certainly had feedback, and we've been discussing this with business groups in Auckland, and I'm sure many of them would potentially want the support to go for longer. We are, as a Government, obviously, borrowing this money to support these businesses, so we have to balance being careful about that with making sure we provide the support that's needed.

Media: Just on the level of debt—excuse me if it's a bit pointy-headed, but how much Government debt does the Reserve Bank actually hold in its balance sheets?

Hon Grant Robertson: Look, let me give you the exact figure later on, Jason. But obviously the Reserve Bank and the Government have been working together around its role in the secondary bond market, making sure that the money is there. But I'm still confident about New Zealand's debt position. There's no reason not to be. We remain, at a public debt level, one of the least indebted countries in the OECD.

Media: And, again, it might be a little pointy-headed and, essentially, a bit obvious, but why can't the Reserve Bank, if they do have any New Zealand Government debt, just, essentially, write it off? I mean, inflation is low—it wouldn't really be that problematic, would it?

Hon Grant Robertson: I'll leave you and Bernard to have this discussion afterwards if you'd like, but from our perspective, that isn't the way we manage monetary and fiscal policy in New Zealand. There is a separation. There is an independence there. Certainly, that idea has gained a bit of currency around the world, but I'm still confident that we have a system in New Zealand where we've got a functioning bond market where our debt is managed well. But those discussions, no doubt, will carry on around the world for some time to come. We're just going to come down and then go—

Media: Have you considered extending the income relief scheme?

Hon Grant Robertson: The COVID Income Relief Payment? Not at this stage, no. It's open for application until the end of October, and so we're feeling comfortable about where we are with that at the moment.

Media: In terms of the wage subsidy—and just excuse my ignorance on this—if a business is on the extended subsidy one announced in June, and that covers the period that Auckland is in lockdown, can it then apply for this subsidy and tack it on to the end so that—

Hon Grant Robertson: No, it can't. You can't receive it at the same time, and you have to apply for it within this period. Jenna. Justin. Whichever—Justin or Jenna.

Media: So two weeks ago, we got that kind of stunning figure that 90 percent of jobs that have been lost so far have been lost by women. Is there anything in this package that targets that imbalance?

Hon Grant Robertson: This particular package is just about the extension of a very broad scheme, in the wage subsidy scheme, but we are very conscious of that. We're monitoring those numbers closely. I mean, in part, you could argue that this extension supports some of those sectors which are the reason for that high job loss—so, for

instance, hospitality, retail, and tourism—because those businesses now have a further two-week ability to get the wage subsidy, so that's a good thing for those businesses. But we are doing work around effectively what are the programmes in the recovery and rebuild phase that can further support women into employment. We've got that both in the industries where there is significant growth, such as construction, where we are seeing more women enter the workforce there, but also the fact that, for example, through our free apprenticeship programme, that's offered in areas which have got a higher traditional female employment component, such as community care and mental health care.

Media: As you are handing out more wage subsidies, when will you remedy inconsistencies for butchers and greengrocers, who can't open like other food stores such as dairies and supermarkets?

Hon Grant Robertson: Not sure I'd put those two points together. Butchers and greengrocers are prevented from having customers in their store, but they are able to open under level 3, and we've seen many click-and-collect- and delivery-type operations under way. Obviously, the decision was taken many months ago that part of level 3 is reducing the amount of contact that people have with one another. Supermarkets provide us an ability that people can get the food that they need and that they are able to be managed in such a way as to continue the social distancing. But those stores can open; it's just they can't open for customers inside their shops.

Media: And can you just walk me through your thinking around the extension to the mortgage deferral scheme? Was that something that the Government wanted from the banks, and why?

Hon Grant Robertson: Well, it's ultimately a decision that the Reserve Bank continues to offer the conditions that allow the trading banks to be able to do the mortgage deferral scheme, but we have been talking with the Reserve Bank about that. There is still a need for it, but, talking to the trading banks themselves, that is definitely a significantly reduced need from where we were in April and May. But it is about ensuring that that is still on offer.

To pick up your earlier question: clearly there is a set of decisions to be made between the banks and their customers, and we do want banks and customers to actually have a conversation—not just roll it over but actually say, “Is this still the right thing for you as a person for your long-term fiscal health?”

Media: Because could it get quite dangerous if people keep putting off and putting off and putting [*Inaudible*]

Hon Grant Robertson: That's right. And, in fact, it's in the name. I prefer to use the name “mortgage deferral”, because it doesn't disappear; people still have to make sure they pay it. And so those conversations between banks and customers are actually very important to ensure it's the right thing to do for that person.

Media: Minister, did you consider using the 30 percent threshold rather than the 40 percent threshold, and if things worsen and we go into level 4, how might you extend or change the scheme?

Hon Grant Robertson: Yeah, look, we did have a discussion about it, but as I said earlier, for a number of reasons: firstly, to get some continuity, because we're at 40 percent now; secondly, because administratively changing back to 30 percent would have slowed us down in terms of being able to give money out. So we did consider it, but we, for those reasons, stuck with it. In terms of what might happen if we were to, in the unlikely event, head back to level 4 at any point, we would take another look at the support, and that's what that piece of work that I mentioned is about: is enabling the Government to have a series of integrated support schemes that are adaptable for different levels. That's an ongoing piece of work. But for now, for the period of time we're in, this is the right approach, in my view.

Media: Does that include a look at social insurance and some sort of universal income?

Hon Grant Robertson: No. No, it doesn't particularly. It's the existing schemes that we're looking at. But you'll be well aware that the Government is working on the idea of social insurance. I stood on this podium and said that a couple of months ago. The Council of Trade Unions and Business New Zealand are both advocates of it. Our tripartite forum has had some very interesting and useful discussions. That work goes on by officials, and I look forward to seeing what comes out of it.

Media: And then universal income?

Hon Grant Robertson: No, this was specifically about social insurance.

Media: Was the 30 percent level too generous from the Government?

Hon Grant Robertson: No, I think it was the right thing for the time. I mean, the biggest thing I've noticed about the way the wage subsidy scheme has worked is it does supply that level of confidence and certainty for people. And so at the time when we first went into this, in March, it was a real shock for people, and we know that for a lot of businesses, they might have taken decisions then that wouldn't have turned out to be necessary. The wage subsidy scheme gave them the ability to get through that period of time. We've now moved to a time where 40 percent is now what we've been providing for people, and I'm confident that's the right level for now.

Media: Minister Robertson, will you look to get support from your coalition party members to implement your Labour policy at your campaign launch and spend that \$311 million on the 40,000 Kiwis, employing them, now that you've got another month of governing?

Hon Grant Robertson: That's not something that we have considered. That was an announcement made by the Labour Party. While we are now in this period of time where we will be here for a couple of weeks, I don't think there's an intention to take significant decisions as a Government. But that remains a scheme, obviously, from the Labour Party's point of view, we do want to roll out.

Media: Sorry, just a very quick question.

Hon Grant Robertson: So good to each other today!

Media: Just a very, very quick question on the election. Parliament's resuming tomorrow. How do you feel about that? Are you looking forward to sitting through a few more question times and general debates?

Hon Grant Robertson: I think most people know that I enjoy question time, and it is important that there is an opportunity for accountability at this time. So I think all politicians who will be able to be involved in that will be performing a really important service.

Media: Just back on—

Hon Grant Robertson: No, we'll just go here and then you.

Media: Sorry.

Media: Thank you. A lot of business owners have [*Inaudible*] a real issue for them is commercial rent. Are you looking at more—you know, going forward now, more of a targeted approach on that in particular?

Hon Grant Robertson: As you'll know, the position of the coalition Government on that has been articulated, so no. But the work that I've said that officials are undertaking is about looking at, broadly speaking, in the future, what package of support is appropriate. So I'm sure for some people, they might think that that was appropriate, but as a Government we're not in a position to deal with that. I would also say, and I know that a number of employers have done this, that in taking the wage subsidy scheme, as long as they meet the criteria of it, they can be making use of that funding to smooth things across their business, so long as they fulfil the minimum criteria.

Media: Back on Justin's query before, does the Government need to take another look at what projects it is funding and whether they are, sort of, leaning more into those male-dominated industries—whether you could do better with what you're funding?

Hon Grant Robertson: Look, we always think about that, and there is a range of areas that we are investing in that will be significant. So I mean, we've put massive investment into mental health care, for example, which is an area with a female-dominated occupation. So, you know, I think we are doing that. In terms of the infrastructure projects, they were a specific set of projects, but they also, in a number of cases, enable occupations that have a greater level of females in the workforce. So, you know, the balance is there to be had. I'll just take a couple more.

Media: In terms of the Small Business Cashflow (Loan) Scheme, would you look at extending that to slightly larger businesses as well?

Hon Grant Robertson: At this stage, no. It's doing its job really well, actually, but that is one of the issues that we do want to look at, is just that scheme in the context of other schemes—how does it work. But there isn't a specific proposal to do that, no.

Media: And just a follow-up from that: in terms of that broader package that you might look at, are you at all talking to the Reserve Bank about working with them on the, sort of, term lending [*Inaudible*] further to the [*Inaudible*]

Hon Grant Robertson: Yeah, I mean, I'm aware that the Reserve Bank is undertaking that work, and obviously that's a conversation we have. We continue to talk regularly, respecting each other's independence, and so it's good to be able to know that that's a pathway that they're looking at going down. Ultimately, obviously, all that really does is facilitate lending by banks. Who they then specifically lend to isn't something that I have a particular level of control over.

Media: But would you want to be involved in the sense that the Reserve Bank might say, "OK, we'll lend to the bank.", and then you could step in and say, "Right, that bank needs to lend to these sorts of businesses.", for example?

Hon Grant Robertson: Probably not in that way, no, but obviously the creation of the scheme fits in within the alternative monetary policy work, which we have a memorandum of understanding between us and the bank about the fact that we will communicate about any proposals they've got. So at that level, we would do that, but there is no intention to go down to a granular level. Yeah, Hamish, and then we'll come back up.

Media: Just on the job creation policy that the Labour Party has, are you concerned that the delay of the election will, in fact, delay broader economic policy to help the New Zealand economy recover rather than just respond?

Hon Grant Robertson: No. I mean, four weeks is four weeks, but we've got a number of programmes up and running out of the Budget in May that need to roll out. That money became available from 1 July. Those programmes are really just getting going. So there's plenty of work for everyone to be getting on with over the next few months. We'll just take two more—Ben and then Bernard.

Media: In his press conference today, Dr Bloomfield raised the idea of a changed level 1 when we return—should we return. He said, quote, "Somewhere between level 1 and level 2." He also said, quote, "It would include a little more physical distancing, more frequent availability and use of hand gel, and possibly even use of masks." Is the Government considering this, and what would your thoughts on that be?

Hon Grant Robertson: Look, I mean, you'll need to put those questions specifically to the Minister of Health, but from my perspective, we have an alert level framework. We constantly look at it to make sure that it's fit for purpose and appropriate, and so if we got advice that there were some shifts and some changes that could be made—having said that, of those things that you've outlined there, the idea of people washing their hands should be happening all the time. The idea of people wearing masks—you can see that

people are taking on that idea more often—and people being, you know, careful about not going out when they're sick, for example—they're all things we'd want to happen anyway.

Media: Physical distancing, though, could really radically change the business landscape for—

Hon Grant Robertson: Yeah, yeah, and, as I say, there isn't a specific proposal that I know of about that, but we continue to listen to advice and continue to look at the legal framework as we need to. I'll just take Bernard and then we'll go.

Media: Minister, have you got any advice from Treasury about a change in the economic outlook or forecast because of what's happening overseas or because of what's happened in the last couple of weeks here?

Hon Grant Robertson: Yeah, ironically, of course, we were going to be having the pre-election fiscal update this week, and that's now delayed. I guess what I can reflect is similar to what most economists have been saying. For New Zealand, we came out of our lockdown earlier than predicted, and then, in doing so, saw a higher level of economic activity than predicted. So that's a positive for the economic forecast. On the other side of the coin is that the rest of the world has been going in the opposite direction—slowing down more quickly, higher rates of negative growth predicted by the OECD and the IMF. And so like a good economist, on the one hand this, on the other hand that—it'll probably balance out somewhere in the middle. Thanks, everyone.

Media: Just the one thing: we've heard from Glenbrook today that they're looking at job cuts. You could have job cuts at Tiwai Point, Marsden Point, and Glenbrook all at the same time—high-wage jobs. Are you concerned and are you involved in trying to change that?

Hon Grant Robertson: Yeah, we're looking very closely, as you know. We've been down to Southland and we continue to look closely at the situation with Rio—same with New Zealand Steel. Officials have been in contact with them, and we continue to see them and the refinery as very significant and important businesses. We have an economically significant business unit that we established in Treasury in April, and obviously we'll take an interest in how those companies get on.

conclusion of press conference