

POST-CABINET PRESS CONFERENCE: MONDAY, 29 JULY 2024
HANSARD TRANSCRIPT

PM: Kia ora koutou. Good afternoon, everybody. Good to see you all. Hope you all had a nice weekend. It's great to be here with the Minister of Finance, Nicola Willis, today as well.

I am proud to say, for the first time in 14 years, hard-working New Zealanders will be getting tax relief, starting from this Wednesday. It was a promise made by National in Opposition and it's been a promise that's been delivered and kept by National in Government. New Zealand should be a place that, if you work hard, you can actually get ahead and where Government is focused on the basics of rebuilding the economy, restoring law and order, and delivering better health and education. For too long, those three basic priorities were ignored, none more so than the economy. And Kiwis paid the price of that negligence through a prolonged cost of living crisis. Only now, with a change of Government, are we starting to see some encouraging signs of progress—falling food prices, a sustained drop in inflation, and early indications that interest rates could soon begin to fall.

A few months after becoming leader of the National Party, I delivered my first state of the nation speech, in which I urged the then Labour Government to adjust tax thresholds in that year's Budget. With Labour cancelling the tax relief spelled out in Budget 2017, tax brackets haven't been adjusted for 14 years. That's dragged Kiwis into higher and higher tax brackets as wages were pulled higher to keep up with inflation. Labour chose not to take up our call to adjust tax thresholds and instead announced the biggest spending increase in any Budget in history, despite inflation running at a red-hot 7 percent. And I probably don't need to remind any of you that this was also the Budget that delivered the failed cost of living payment.

A year later, National campaigned on delivering tax relief to low and middle income working Kiwis and outlined how we would do it responsibly and with the promise that it would happen in our first Budget. We were elected on that promise and we have kept that promise. In our first Budget, we delivered a tax relief package that raises income tax thresholds, that expands eligibility for the independent earner tax credit, introduces the FamilyBoost childcare payment, and increases the in-work tax credit for low to middle income working families—all within the spending limits that National campaigned on.

Our tax relief package will see 94 percent of all households and 83 percent of individuals better off. And, in just two days' time, Kiwis will start to see that showing up in their bank accounts. If I think about the families that I met on the campaign, like the young couple who I met in Christchurch—both were teachers, struggling with their mortgage and with their groceries. And for a young family with two kids earning \$60,000 each and spending \$150 a fortnight on childcare, our tax plan will mean they're better off by \$139 a fortnight.

This is a Government that does what it says we will do and that has restored a focus on basic good governance and the promise that, if you work hard in the best country on planet Earth, you should be able to get ahead. And, with that, I'll hand over to Nicola to remind us all again what New Zealanders can expect on Wednesday, 31 July.

Hon Nicola Wilis: Thank you, Prime Minister. I have a very simple message to share today, a message to New Zealanders who are concerned about the cost of living. And my simple message is this: cost of living relief is on its way. From Wednesday, you will be able to keep more of your hard-earned money to put towards things that are important to you, your children, your weekly shop, paying your power bill.

The amount of tax relief you get will vary depending on your circumstances, but I know every little bit counts right now. The Government has got your back. From Wednesday, personal income tax thresholds will rise from \$14,000 to \$15,600, from \$48,000 to \$53,500, and from \$70,000 to \$78,100. The effect of these increases is to reduce people's income tax by up to \$40 a fortnight. In addition, the in-work tax credit, which helps support low to middle income

working families with children, will increase by up to \$50 a fortnight, and eligibility for the up to \$20 per fortnight independent earner tax credit, which is for people who don't receive a benefit or Working for Families, has been extended to people earning up to \$70,000 of income per year.

Taken together, 727,000 households will benefit by at least \$75 a fortnight, and 187,000 will benefit by at least \$100 a fortnight. On average, households will benefit by \$60 a fortnight, and households with children by \$78 a fortnight. Of course, on top of these changes, the new FamilyBoost payment, which reimburses eligible families for a portion of their early childhood education fees, up to \$150 a fortnight, was launched on 1 July.

I'm pleased this Government has been able to provide some much-needed cost of living relief. Overall, 83 percent of Kiwis, 94 percent of households, will benefit from our tax package. I'd encourage New Zealanders who haven't already done so—and over half a million people already have, up to 540,000—to go to budget.govt.nz and check out the tax calculator to find out how much tax relief they will get based on their personal and family circumstances.

The good news is that Treasury's Budget forecasts show an improving economic outlook for the latter part of this year, with inflation pulling back, interest rates dropping, and growth recovering. We've already seen inflation down to 3.3 percent for the year to July, showing we are turning our economy around. Our approach to strengthening and growing the economy is the right one: careful Government spending, lower taxes for hard-working New Zealanders, and rebuilding New Zealand's economic foundations. We're committed to rebuilding our economy so that workers, businesses, and families can get ahead once more. Back to you, PM.

PM: Well, thank you, Nicola. Look, just this week in the House, we're going to be passing the third reading of the local government amendment bill, and then we'll progress the further stages of the gang legislation. Wednesday will be a members' day. And, with that, we're happy to take any questions you may have.

Media: Prime Minister, in the past, the Reserve Bank Governor, Adrian Orr, has talked about how monetary policy needs friends on the fiscal side. Now, you'll argue today that they've found a fiscal friend—

PM: Have they what!

Media: Yeah, sure. But have you—is the Reserve Bank doing enough here, in your opinion, when it comes to the cost of living?

PM: Well, look, I mean, we respect the independence of the Reserve Bank, but the premise of economics for us has been really simple, and we've talked about this for a number of years: Government spending, up 84 percent, drove domestic inflation, drove interest rates up, slowed our economy down, and it has created risk of rising unemployment. So what we've been doing is working on the root cause of the problem, making sure we actually do have good fiscal discipline in place, and that's why you've seen us work incredibly hard on reprioritising savings in the last Budget while also protecting front-line services and delivering tax relief, and it's encouraging for us to see inflation down at 3.3 percent. We want it to go below 3 percent, and then we are expecting interest rates to drop very quickly.

Media: Nicola Willis, you said that the Government has got your back. Do you think the Reserve Bank has our back, too, or is it time for them to start dropping rates now?

Hon Nicola Willis: Well, I know New Zealanders want to see interest rates dropping. Our role as the Government is to set up the conditions that will allow the Reserve Bank to do that, and with inflation coming down and the Government taking its pedal off the big spending we've seen in recent years, we've set up the conditions that should allow the Reserve Bank to cut rates.

Media: Would you like to see them cut before the end of the year?

Hon Nicola Willis: Look, that's an independent decision for the Reserve Bank Governor, but I've been up and down this country and there are a lot of New Zealanders who are looking for those rates to come down.

Media: Does it sort of chafe at you at all, the fact that—obviously, there's tax cuts coming in the next few days, but for a lot of people around the country and here in Wellington, you know, most of that's just going to be gobbled up by council rates, which, of course, add to inflation and which—

PM: Well, look, our message to councils has been consistent: we expect them to do exactly what we're doing here in central government, which is to control their spending; to deliver on the basics brilliantly; to focus on the must-do, not the nice-to-do; and to make sure they're making good choices with the money that they're entrusted with as well. So, you know, we've got work to do in the way we partner with local government. You will have seen that, for example, where Auckland, I think, was facing, like, a 25 percent rate increase and it ended up being about a 7 percent because we worked out how to do three waters in a good construct that enabled, you know, different entities to be created that actually then gave back \$800 million to the council there to spend on infrastructure projects as they see fit. So, you know, we're expecting councils to play their part, which is to get on top of their fiscal situations, in exactly the same responsibility that central government has and what we're doing.

Media: Do you consider this to be a down payment on further tax relief later in the term?

PM: Well, as we've said consistently, we'll periodically look at our tax settings, but right now to be able to announce tax relief to 94 percent of households across New Zealand in the way that we campaigned on, I think, is what we're focused on, and I want every New Zealander to be aware of it.

Media: Did Health New Zealand ask for more money than they got in the Budget?

Hon Nicola Willis: The amount of funding that we gave Health New Zealand in the Budget was consistent with the advice we received about what would be needed to meet their cost pressures. In fact, Treasury advised me that we could give them a lower amount of cost pressure funding given the inflation trajectory and how that's come down. We opted to stick to the commitment we made in our fiscal plan and the amount of funding that was in that plan.

Media: So Health New Zealand didn't present a number for population pressure that was higher than what you budgeted in the election?

Hon Nicola Willis: The advice that I received was that the amount of funding that we gave was the appropriate amount of funding.

Media: Just quite specifically, did Health New Zealand ask for more? Did they put in a Budget bid that was higher than what you gave them?

Hon Nicola Willis: Well, look, the way that it works is that Health New Zealand make a proposal through to Treasury and Treasury assess it. Treasury's assessment was that we could give less funding than we had campaigned on. I made a deliberate decision that we would stick to the number we campaigned on, because it was my view that that was a commitment to New Zealanders.

Media: Why are we in a situation where hospitals are having to close overnight because they don't have enough staff?

Hon Nicola Willis: Well, that will depend on the individual hospital, and that will depend on their challenges in recruitment.

PM: What I'd just—

Media: Their staff are saying that it's because of the fiscal constraints that are being put on them; they can't staff their hospital properly—we're talking about Dargaville Hospital here—they can't staff their hospital properly, so they can't run it overnight.

PM: Well, what I'd just say to you is that we know there's work to do on the workforce. You know, we've made tremendous progress. We've now got 29,000 nurses in our hospital system—our health system. That's a record number. We've had 2,900 new nurses join the system over the last 12 months; we're making good progress in that regard. There's always more for us to do. Particularly in the area of nurses, it's a lot about delivering them to the right regional hospital settings, as well as obviously mental health—critical health needs as well. So there's a few spaces where we need to now make sure we fine tune and actually get nurses delivered. But, you know, we are continuing to hire front-line workers, and we'll continue to do so.

Media: But what do you say to the staff there who say that it's due to fiscal constraints that they can't staff their hospital, and therefore the people of Dargaville are without a hospital overnight?

PM: Well, what I'd just say to you is that this is a healthcare system that spends almost \$30 billion a year. It's had a \$16.7 billion increase in the healthcare budget since the Budget, more than what the previous Labour Government was planning to put into it based off its fiscal plan, and also a Government that's backed up Pharmac in a big way with new cancer drugs and other things. So we know there's always more for us to do in the healthcare space. But I'd just say to you I think we're taking action pretty quickly. We've got clear healthcare targets to focus the system. We've got big efforts under way to continue recruitment for front-line workers, particularly doctors and nurses. And we've increased the level of funding. Now we're making sure we actually build out a really fantastic, high-performing organisation so that every dollar that goes in actually delivers the outcomes we want to see.

Media: Does it sit comfortably with you, though, that Dargaville Hospital has a telehealth person responding to emergency needs for people who are coming in? That is not a safe or secure environment for someone who has a medical emergency in Dargaville. Should that hospital still be open if that is the service that is being provided?

PM: Well, that is ultimately a decision for Health New Zealand to make. And I appreciate there are real pressures in the healthcare system around workforce, around targets, around funding. We are working on all three elements of that in the first eight months of this Government, as you have seen, and we'll continue to do so.

Media: I appreciate that it's an operational decision, but if there is something that goes really bad at Dargaville Hospital, that is ultimately going to fall back on the Government as well. So, presumably, you need to take steps to make sure that you are comfortable that that hospital remains open under those circumstances—

PM: I expect the Minister to engage with Health New Zealand to make sure that it is a safe operating practice.

Media: Jo's original question was: does that sit comfortably with you?

PM: Again, there's a lot of things across the healthcare system that I would like to be able to provide more investment in and more resources behind. We are doing everything we can in the current financial situation to make sure that we are expanding front-line services and, importantly, focusing an organisation that has a huge amount of money behind it to make sure that it is reprioritising and delivering that cash in the best possible way.

Media: As the Prime Minister of New Zealand, are you comfortable that there are hospitals in this country that do not have doctors?

PM: I get reassured by the Minister of Health, working with Health New Zealand, that it's a safe operating practice. If it's not, I expect him to take action.

Media: Someone had a heart attack at that hospital last week—

PM: Sorry?

Media: Someone had a heart attack at that hospital last week and there wasn't a doctor there—you know, to come try and help them. Is that acceptable?

PM: Well, it's incredibly challenging. And I know there's lots of other pressures in the healthcare system as well. So I'm not admitting—I'm not saying that the system's perfect by any stretch, but what I am saying to you is that we understand that and we are working incredibly hard to make sure that (a) we put more staff into our healthcare system, we have clear targets about what is actually expected from the system—that everyone is understanding of that—and we make sure that we continue to grow our workforce. But I know it's incredibly challenging. But, again, I'm not going to comment on a specific matter around Dargaville Hospital. That's an issue for the Minister and Health New Zealand to comment on.

Media: Do you think that Health NZ has overcorrected in the number of nurses it's hired? It still has a 6 percent vacancy rate.

PM: Well, look, I mean what's encouraging is that two years ago we were talking about being 4,600 nurses short, if I remember correctly. In the last 12 months, we've recruited 2,900 new nurses. So we still have, you know, work to do. Now the conversation is becoming a little bit more about "Where are the nurses shortfalls?", because there are inconsistencies, as you've identified, between resources within regions of New Zealand and within regional hospital environments, in particular. But, equally, there is, you know, real challenges in mental health, for example, and critical health areas.

Media: Is that a net number or gross hires?

PM: The 2,900 is a net number.

Media: Where is this overabundance of nurses?

PM: Sorry?

Media: Where is this overabundance of nurses?

PM: As I said to you, the numbers are—we announced two weeks ago that there's been an increase in nurses. We've got a record number of nurses in New Zealand: 29,000. And, over the last 12 months, we've recruited an extra 2,900.

Media: So what's the shortage now?

PM: Well, as I said to you, a year and a half ago the system was saying we were 4,600 nurses short. It's now about actually making sure we continue to recruit nurses here at home, still continue to hire from abroad, but make sure that we direct our nursing into the places where we still have big shortfalls. And there are some real challenges in mental health nursing, for example, and there are some inconsistencies around making sure we get nurses into parts of regional New Zealand where they need to get to, and that's the focus of the Minister.

Media: Is there a shortage now? Or is it just that there are shortages in those areas?

PM: I still think there are shortages of doctors and nurses, and we'll continue to work that. We have recruited—

Media: Would you have a number?

PM: Sorry?

Media: You said we were 4,600 short a couple of years ago.

PM: That's the numbers that I remember talking to you about while I was in Opposition a year and a half ago. All I can tell you is we've hired 2,900 extra nurses in the last 12 months.

Media: How come last week you said there were 14 layers of management between the patient and the CEO at Health New Zealand?

PM: Oh, well, you can argue it any way, but there's a huge amount of bureaucracy in the system. As you would—go talk to any doctor or nurse outside of this building and say, "What's it like dealing with the system?" There's 2,500 extra management and back-office people that have been hired in the last six years. There's very convoluted and confusing organisational structures, massive amounts of bureaucracy—

Media: But apparently it's not convoluted enough to generate 14 layers of management.

PM: Sorry? Say that again.

Media: It's apparently not convoluted enough to generate 14 layers of management, because, when asked, your Government couldn't provide—

PM: Well, the advice I've been given is 14 layers of management. I think there's other components of corporate services and things that may or may not have been included. But I just say to you it's obvious to anybody—go talk to someone in the system and find out how bureaucratic it is, and it's incredibly bureaucratic.

Media: But you made the claim a number of times. You referenced "14" a number of times. Where did the advice come from if it's not correct?

PM: That's the advice I've received from the Minister of Health.

Media: But is it a problem that it's not correct? I mean, his office provided the list, and the 14 includes the patient, the board chair, the chief of staff of the CEO—they're not managers.

PM: Well, all I'm just saying to you is the advice I've received is that there's 14 layers of management. In some cases, I'd just say to you what's been counted, we can debate. All I'm saying to you is leave this building, get outside the bubble of Wellington, and you'll see that that's actually a real problem for people.

Media: Is it debatable that the patient is a manager at Health New Zealand?

PM: No, it's the difference between the patient and the CEO range. There is layers of management, and there is 2,500 extra back-office staff and management, admin, and support that have been hired over a six-year period. I don't think any of us would disagree that it's actually been a botched restructuring and a botched merger that actually hasn't delivered an efficient operating model. And that's obvious when you talk to the front-line staff—the doctors and the nurses at the front line.

Media: But the point is you said that there were 14 layers, and there aren't 14 layers.

PM: And I've told you the advice I've been given by the Minister of Health was that there was 14 layers.

Media: But don't you double-check that? Don't you double-check the advice that you're given before coming up here and parroting what people have told you?

PM: I received the advice, and I can tell you there is huge layers of bureaucracy. And that's why the good news is we took action last week to put a commissioner in who will actually make sure it's a lean operation focused on patients and delivering those improved outcomes.

Media: Do you need to go to Dr Reti now and say, "Hang on a minute, what happened here? The list of 14 doesn't quite stack up."

PM: Well, I'm sure those are questions you'll direct to him in the next few days.

Media: Didn't you say that you also relied on him for Dargaville?

PM: Sorry?

Media: Didn't you also just say you relied on him for Dargaville, saying that those patients—that the people in that region are safe? And yet—

PM: Well, I do. As Prime Minister, I rely on my Minister of Health and Health New Zealand to make sure that we've got good operating practices and safe operating practices across our health network.

Media: And if they're giving you advice which is inaccurate, then shouldn't you be questioning those Ministers?

PM: Well, I'm just saying to you, you asked where the advice came from. I've received that advice. But all I'd just say to you is: 2,500 extra folk hired in admin, management, support functions over six years—

Media: Can we trust what you say up here?

PM: Yes, you can—absolutely. That's why we come here every week. We give you a good time. We talk about what we're doing in the coming quarter, and we make sure we're very transparent about what's going on.

Media: Nicola, can you just speak a little bit to what information you had leading into the Budget in terms of the health situation? Because, if you look at the Health New Zealand quarterly performance report up until 31 March 2024, it talks quite specifically on page 47 about the operating result for the month of March was a \$196 million surplus, which is \$220 million favourable to Budget. Now, if you put that alongside the commentary from the health Minister and the Prime Minister around that \$130 million overspend that was taking place from March, those two things don't align. So what is your understanding of what the situation was in March?

Hon Nicola Willis: Well, it's good that you've asked, because I went and checked my records prior to coming down here, and I have a copy of a letter that I wrote to the Minister of Health on 19 March, where we were starting to get information through that there were real financial problems at Health New Zealand, whereby the forecasts they had given for what their performance would be were not being met and that there was some opacity there. At that point—I'll read exactly what the letter says: "Therefore, were it not for the one-off surplus, my understanding is that Health New Zealand would be forecasting an operating deficit of around \$150 million less than the ministry's expectation for 23-24, and this is of concern." And the understanding we had at that time was that we may be on track for a small deficit, but only over time did it become clear how bad the problems were. We had a situation where the board wasn't getting accurate financial information, the Minister wasn't getting accurate financial information, and only by our officials pushing very, very hard did the full picture emerge. So my short point is this: you can put more dollars into health, but unless it's actually reaching patients, you're not making a difference. And what we're trying to do is make sure we have much more clarity about where the dollars are going and what they're achieving, because this is not an organisation that has been able to do that to date.

Media: So is the interpretation of that that, basically, this performance report up until 31 March is not worth the paper it's written on? Because what it says in there is nothing like what has been said in meetings with Minister Reti. So is that performance report just—I mean, should we just be throwing it in the bin?

Hon Nicola Willis: Well, I'll quote again from my letter: "Treasury officials met with the board of Health New Zealand on 23 February 2024, and report the board did not seem across the detail of this issue."

Media: So, other than putting a commissioner in, what sort of repercussion or disciplinary action should there be for that? Because the chief executive is still in place. I appreciate you've put a commissioner in, but you have still got a senior leadership team there who have a quarterly report that is, by all accounts, rubbish and doesn't actually tell the true story. So why isn't anything been done about that senior leadership team?

Hon Nicola Willis: Your frustration is our frustration. We've had a situation where we were unable to get accurate information about whether or not this agency was on track to deliver on budget and was financially performing. That then raised a host of questions: can we actually be sure that it's driving those dollars to where patients need the most; can we actually be sure that it's listening to its doctors, to its nurses, that it's making good changes? And that's why the Prime Minister and the health Minister acted decisively to replace that board.

PM: Sorry, can I just say to Jo—

Media: What ability or power do you have at this point—I appreciate the operational issue stuff—to put pressure on for somebody to take responsibility for what has happened?

PM: What I'd say, Jo, is, like, what's happened is there's been a lack of financial control and there's actually been no great understanding or literacy around cash flow analysis whatsoever. To even get an understanding of cash flow from the system has been incredibly difficult. So we've dealt with really difficult information as a result. What we have done is we've decided, no, we're not reappointing a board and a new chair; we want a commissioner in there. That is our responsibility as Government, to make sure there's governance of the organisation. It's up to him, as the commissioner, to determine what happens with respect to management from here on through.

Media: Do you expect, though, that the commissioner will get rid of some of that senior leadership team? Because the criticism you've just made there, of them not having financial literacy—

PM: Or the board not being aware of financial—

Media: —is pretty scathing—

PM: Yeah, so the board not being aware—not being financially literate as to what was going on and the situation that they were in and not being able to get a financial picture in itself is a real big problem. That's the change that we can make in a governance sense. But what I'd say to you is the Minister wrote a very clear letter of expectations to Dr Levy to say this is what we expect you to deliver: better operational performance; a clear organisational design; and, essentially, a better financial management.

Media: Nicola Willis, is it your view that the information that was received was incorrect or false?

Hon Nicola Willis: It's my view that the board didn't even know what questions to ask to get the information that New Zealanders had a right to have. I don't think the board was asking the right questions or getting the right information, and that's why it took some months for us to get the real story out. And, look, rereading this letter, I stand by the decisions that we took. We put in a Crown observer. We made sure that there was more financial capability on that board. We were clear in our expectations of the board that it be meaningfully monitoring and controlling what was happening, including its financial performance. We raised issues with the productivity in the system, and when we didn't see the turn-around and the clarity that we needed to see, we took decisive action.

PM: And, as I said last week, you know, this is a function of a botched merger, where you took 20 to 21 DHBs, merged them into one big entity, and just whacked a big layer of management over the top of it and actually didn't create the systems and the organisational structure and the design behind it to make sure you had maximum clarity as to what the hell was actually going on. So, when an organisation struggles to give you a head count, when an organisation struggles to give you a cash-flow analysis, these are pretty basic things that you would expect organisations to be able to deliver—particularly when they're spending almost \$30 billion and we're going to put another \$16.7 billion into the system. We need to make sure we've got a really high-performing system so that that money can be worked incredibly hard to get the health outcomes, the five health outcomes, that we're after for New Zealanders.

Media: Who's the onus on, though? Is it on the ELT to be forthcoming with that stuff or is it on the board to be asking the right questions, as you say, Minister?

PM: It's a combination of both if I'm honest with you. You know, I would expect a management team to furnish a board report, each month, that details that. But, if a board is not getting that information, I would also expect them as governance to be talking to the management, because they're two different tasks, to ask those questions.

Media: You've expressed that lack of confidence in the board and installed the commissioner. What would the process be if you had a lack of confidence—I know you say it's operational—in that executive leadership team?

PM: Well, again, legally, our responsibility is to make sure we have massive confidence in the board and the governance of the Government entities. And that's why we have focused on the governance, and then it's up to the governors to be reassured about the management and the calibre of the management team.

Media: So that's what they're doing at the moment?

PM: That's what they will do, and that's what the commissioner is focused on—is making sure he makes that into a high-performing organisation. And you can understand it, right? Because it's not just about the dollars that we're spending. That matters, but it's actually about what you do with the dollars. You know, we're asking taxpayers to pay us taxes. We're saying we're going to give it back to our healthcare system to deliver you better health outcomes, and I need to know that every dollar is going to be worked incredibly hard. And a management team with focus and with clarity will do different things with the same dollar than a previous one. And so we're expecting the commissioner—and that's why we've given him a very clear letter of expectations—to say, "Protect the front-line services, but make this, for goodness' sake, a high-performing organisation, because we cannot be in a situation where we don't know whether you're making a deficit or a surplus every single month." We expect every organisation across the Public Service to know their numbers and to know their organisations and to deliver outcomes. It's very simple.

Media: Has the commissioner given any indication to the Minister that heads will roll?

PM: Our focus—and I have met with the commissioner, and Nicola and I have met, with the health Minister, with the commissioner on a regular basis, and we'll continue to do so going forward, because it's very important to me that we actually get an improved health system. But his focus right now is on making sure we get good clarity as to where things actually are and then, obviously, to move through the issues that we've laid out in the letter of expectations.

Media: Based on everything you've said, though, there's a very high likelihood that the chief executive and other members of the executive leadership team could go?

PM: Those are decisions for the commissioner. And why—

Media: It's on the table though, isn't it?

PM: Well, everything's on the table because I want a high-performing organisation. I'm not prepared to spend \$30 billion of taxpayers' money, plus the extra money that we flooded in through the Budget, \$16.7 billion, and tip it into an organisation that's not going to deliver improved outcomes for New Zealanders. That's as simple as it gets. And so, when an organisation is not working, it's better to make the tough call and make the intervention that we made last week to get it sorted.

Media: You've just laid part of the blame at the feet of that executive leadership team—

PM: I'm saying it's an under-performing organisation. I've changed the bit that I can change. I've stepped it up from just replacing a chair and a board to actually putting a commissioner in, with some deputy commissioners. And they have the power and the ability to be incredibly nimble, incredibly agile, to fix things fast.

Media: Under the DHB system, they did monthly financial—public financial—reporting. Should Health New Zealand be doing the same?

PM: Well, yes. So part of the problem, again—I'm sorry, I'm getting into the details with you. But, if you look at it, there were 21 DHBs that previously existed that did their own thing, right? Own workforce planning, own accounts payable, own revenue, cash-flow projections, I presume. None of that has been integrated. So, you know, despite a massive restructure for the last few years, on the back of COVID, of Health New Zealand—the quality of what you

do and how you manage things really matters. And the bottom line is that didn't—that's why I say it was a bad merger, in the sense of they didn't bring it together as a single organisation. And that's what we're having to do now. And we want to do it fast, because we're trying to change the wheels while we're driving. That's important, because we're not here to spend months and months doing restructuring. We want it really clear. And immediately, within the first week, you've seen us say, "We need to see things in four mega regional groups." That's been something that the commissioner's been very supportive of, and wanted to do, so that we've actually got better visibility versus—because what happens in a big organisation like that is, if you're out in Dargaville, as you've just raised, trying to get management attention back here in Wellington, in a centralised bureaucratic mess and a botched restructure, is damned difficult. So the point is: we want to be able to have single points of accountability. We want to know, when I talk to those four deputy CEs of those regional areas, they know what's going on, they know their numbers, they know their recruitment, they know their workforce planning—the stuff that I would be expecting any manager to understand.

Media: So how long before we could get back to a system where they do have the capability to produce monthly financial reporting?

PM: So we're working incredibly hard on that right now. That is a major priority for the team that's been sent in there in the last couple of weeks. I can't give you a specific timing. All I can tell you is Nicola and I have met with Lester Levy and the health Minister. We will continue to do so regularly. We are very clear about what we're asking them each and every meeting. I have to say the commissioner is excellent. He has a very good sense of the issue. He is clear about what's important and what's not important for now. He's very determined that we've got a great workforce, but actually the system's let them down badly—our doctors and our nurses—and he's very keen to make sure the decision making between the front line and the management team is shortened up, and that's entirely appropriate. So, I guess, the message I'm trying to say to you is that the quality of how you run things and how you manage things—you can get very different outcomes and results with good management and good organisational structures and clear points of accountability. And that has been what's been missing—not just here. It's what we encountered at KO, it's what we've seen at Te Pūkenga, it's what we've seen in disability services, and so we're making sure we're putting in place the management structures to get the results, because otherwise we will keep having the same conversations with each other every single day, and we have to move it on.

Media: I guess the reason I'm asking how long it's going to take is because, if you're a patient in the health system right now, or you've got a sick kid at home, you're going, "Is it worth me going to a hospital and waiting around for eight hours to not be seen?"

PM: Absolutely it is.

Media: So how quickly can we get to a point where people know that they're going to get the healthcare that they need from our health system?

PM: Well, we are—that's why we have appointed a commissioner; so they can move with tremendous speed and scale, and speed and agility. We do not want them mucking around with board meetings and monthly board meetings. They can decide today to do something tomorrow. And what we have done at a macro level, as the new Government, is we've said, "Right, these are, in fact, the five things that New Zealanders care deeply about in their health outcomes. These are the things they tell us: shorter ED wait times, faster cancer treatment, faster access to first specialist appointments and elective surgery, as well as higher immunisation rates." There's lots of other things, for sure, that we've got to focus on, but they're the big five we've set the targets around. I expect all the thousands of people, 85,000 people, in our healthcare system to be energised around that task, not managing internal bureaucracy and complexity. I want them focused on those things. We've tipped the money in—\$16.7 billion. We looked at the Labour fiscal plan. We've matched that and put more money in over the top of it.

Media: Will you be able to say, by the end of this year, that our health system is in better shape than where we stand right now?

PM: That's very much our intention, yes.

Media: Bringing it back to the tax cuts, Health NZ isn't the only organisation with a deficit problem; I mean, the Government has pushed back its return to surplus by a year—to 2028—this year. If you're pointing the finger at Health NZ saying they're going into deficit, taking on too many staff—

PM: No, I'm not saying that. I'm just saying they've built a very poorly performing organisation that we want to improve. And it's not the staff that's the problem; it's the actual system that's the problem.

Media: OK, but couldn't they point the finger back, saying, "When you're pushing back the return to surplus by a year—you know, another year in deficit—and you're announcing tax cuts—I mean—

PM: No disrespect but good Governments can actually deliver tax relief to New Zealanders after 14 years. And I just put it to you, this is a tax programme that's been designed to support low and middle income working New Zealanders—those folk that are working incredibly hard that cannot get ahead in a cost of living crisis created by the previous administration. So we are proud to deliver tax relief, and we can do it, and it's actually done sensibly and responsibly after 14 years of not adjusting any tax thresholds in this country. So I would greatly appreciate and expect that I will see the Labour Party, the Green Party, and the union movement support this package, because we are supporting working New Zealanders with it. The second thing I'd say to you is we have prioritised savings—as you know, in excess of \$20 billion—and we've made sure that we put that money straight where we said we'd put it: into health, into education, and into law and order. And then we've created the conditions for future growth with respect to infrastructure and capital allowances going forward. So, you know, we inherited a mess. I think we did an exceptionally good job, and Nicola deserves tremendous credit for actually putting a Budget together that actually could do all of those things at the same time.

Media: If this is affordable, and as the finance—

PM: It is affordable. It is affordable because it's fully funded.

Media: OK, if it is affordable and, as the finance Minister says, the economy is about to improve, why is it a one-off?

PM: Sorry, what's a one-off?

Hon Nicola Willis: Let me tell you—

PM: It's not a one-off.

Hon Nicola Willis: —that tax relief—that's coming next fortnight, the fortnight after that, and for the years ahead of you. So it's not a one-off. The tax relief New Zealanders get on Wednesday—it's going to keep coming.

Media: But these adjustments of the tax rates with inflation—it just seems to be—

PM: And we've said that we would periodically review them in the term of a given Government, yep. And that's a hell of a better commitment than what we saw from the previous crowd in six years giving no tax relief.

Media: Didn't the finance Minister previously say that that's all of the tax relief for this term?

Hon Nicola Willis: My point is that the tax relief that New Zealanders are going to feel in their income—that boost to their income—that's not just for a fortnight or a month. It's permanent. Tax relief is permanent.

Media: No, no, no, sorry, bringing you back—I think it was Budget day, you said that you would not be doing any more tax cuts this term. Is that correct?

Hon Nicola Willis: That remains the case.

PM: That's correct, yes.

Media: So why are you now saying that you might periodically—

PM: Well, we have periodically reviewed it in this term by introducing this tax threshold adjustment that you're seeing on Wednesday. When we get to the next term, and the term after that, we'll look at that each period.

Media: But the question is if inflation—if everything picks up again, why would you not just fix it on an annual basis? If people are going to continue losing the money to bracket creep, why would you not fix that on an annual basis?

PM: Because our commitment through our coalition agreements is that we will look at it in any given term. We've looked at it now by doing the tax adjustments in the first Budget. We'll look at it again in our next term, and we'll look at it in the term after that.

Media: Then the argument that it's affordable falls over.

PM: Sorry?

Media: Then the argument that it's affordable falls over.

PM: Why does it fall over?

Media: Because you're saying it's affordable now, but it's never affordable in future.

PM: No, we're not saying that. We're just saying that we will periodically review our tax thresholds in light of any given level of inflation in the future, in a period, over the course of a term of Government. You know, that's a pretty good commitment in terms of what we've seen over the last 14 years, where there has not been a single adjustment in a tax threshold. And you've seen us talk very strongly about it from Opposition; we've now delivered exactly what we said we would do and what we campaigned on, and New Zealanders—when you think that 94 percent of Kiwi households are going to be better off at a time when they're doing it really tough, I'm really proud of it.

Media: Prime Minister, at what point would you anticipate any changes, if any at all, would come or would be made by the commissioner to Health NZ's senior leadership team?

PM: That'll be up for him to determine. He is fully empowered. We have given him the powers of commissioner so that he can move with great speed and agility to be able to drive any changes necessary to get what we've asked for in our letter of expectations: better financial management, better operational and clinical outcomes, and an organisational model that will deliver and not be bureaucratic.

Media: Yes, but you're saying everything's on the table, though. So has there been any conversations around when, or whether you have any expectations on when, that would happen?

PM: No. I can tell you they're working incredibly hard every day. The first few weeks have just been literally—remember it was just last week we announced it—just getting an understanding of exactly what's going on, and they are getting very clear about that. Cash flow reporting is starting to be prepared for the first time.

Media: The Reserve Bank recognises that the Government's reduced spending will lower demand, but it also says that the positive impact of tax cuts on private spending is yet to occur and is more uncertain. So do you accept that there's a risk that interest rate cuts might be delayed because of the tax cuts, or the interest rate cuts might not be as aggressive as would otherwise be the case?

Hon Nicola Willis: No, because the consistent advice that I have had from our economic advisers—the Treasury—is that tax relief funded the way we have funded it, which is through savings and reprioritisation, is disinflationary rather than inflationary. And I can explain that: which is that these were dollars that would otherwise have gone into Government agencies, and they would have definitely been spent. Under our plans, those dollars will go to New Zealanders. Many of them will spend it—and, I hope, in our small businesses—but some of

those dollars will be saved or used to pay down debt, which means that overall this tax package is disinflationary.

Media: Sorry, the Reserve Bank says it's uncertain, and they are the people who are setting the interest rates. So if they say it's uncertain, surely there is a risk that this could, you know, slow the easing of monetary policy?

Hon Nicola Willis: Well, I'm very certain about the way that we are funding our tax package and its effects. And, for the Reserve Bank, they should comment on their own statement—not me.

Media: You received a piece of advice from Treasury titled, "The inflationary impact of the tax package." That hasn't been released, despite people asking for it. Would you be willing to release that?

Hon Nicola Willis: I'm looking forward to releasing it as part of the proactive release of Budget documents, and it, basically, sets out the case I've just put to you.

Media: Just on that explanation you've made here, Minister, you're putting the counterfactual as: you win the election and you don't do tax cuts but you continue the same Government spending as Labour. Is that a realistic counterfactual? Would you not have still got rid of Lake Onslow and cut waste in the public sector and done all these other—

Hon Nicola Willis: Absolutely. If you're telling me that the Labour Government were looking to take billions of dollars of wasteful spending out of the Public Service, that the Labour Government were looking to do full cost recovery for immigration levies, that the Labour Government were going to stop the wasteful spending that we've stopped, then sell me another one, because that's not the case. We stopped things on a—we did a deal with New Zealanders. We said, "We're going to stop some of this wasteful stuff so that you can get more dollars in your back pocket." It would have been against the deal to say, "Look, we're going to stop all of that stuff, but we've decided not to give you any dollars in your pocket." That wasn't the deal we did.

Media: Couldn't you just use it to pay down the deficit and return to a surplus more quickly? There are other options here besides cutting the spending and having to send it to tax cuts, right?

Hon Nicola Willis: We had the choice to break our promise; I'm glad we didn't.

Media: On another commissioner, how long until we get a new Public Service Commissioner?

Hon Nicola Willis: That process is progressing well, and we will have an announcements to make to you in due course.

Media: Is it progressing well, though? I mean, it's taken more than 140 days since the job application closed.

PM: No, we want to get the right person in the role. It's a really important job. We've got a big reform of the public sector that we're focused on. We want delivery out of the system, and we need to find the right individual to do that. But we're in the process, and it's working well.

Media: Has it been difficult to find the right person because there are different views among the governing parties about who it should be?

Hon Nicola Willis: No; it's simply about making sure that we get the best person for the job.

Media: Has any party vetoed any of the people put forward by other parties?

Hon Nicola Willis: We're going to come to a decision by consensus, and I'm confident that we will have an excellent Public Service Commissioner.

Media: So consensus hasn't been reached yet on who a potential candidate could be?

Hon Nicola Willis: We're working through a process.

Media: Will you campaign on scrapping the top tax rate at the next election?

PM: We haven't had that conversation, and we actually are focusing on what we've got to do in the next 13 weeks.

Media: Is it something you still believe in doing, though?

PM: Well, it's a thing that you'll notice that we have not—you know, when we talked about this in the state of the nation, we talked about cancelling the 39 percent rate. We've left that in place, and that's what we went to the election with as well. It's not something at the moment. We are focused on making sure we get delivery out the public spending that's taking place and we get these outcomes in place. It hasn't been a conversation within the Government.

Media: Can you just clarify your position on fiscal drag? Do you see that as being a feature or a flaw in our tax system? If you see it as a flaw, why not commit to indexing every three years?

Hon Nicola Willis: Oh, look, I see it as a flaw in the tax system when you have a big-spending Government in charge, like we saw with the last Government, who had enormous amounts of fiscal drag through very high levels of inflation, and they spent the lot. So our commitment is to be responsible economic managers. We've said that we want to get the books back into surplus so we can be paying down debt. That commitment means that we're not in a position to commit to dealing with fiscal drag again this term.

Media: Given you're both stood together at the same time, would you like to comment on what the message is for the AGM this weekend? I assume you're probably both giving speeches. What's the message to National Party members this weekend?

PM: Well, look, it's a Government focused on action and delivery. That's what New Zealanders put us in Government to do, and that's what we're continuing to do. And we've done a lot in a short period of time, we've got a lot more to do, but, again, the mantra and the message will remain unchanged: we are here to turn the country around, we're here to get it back on track, we're here to do that by rebuilding the economy so we kill inflation and lower the cost of living, and, importantly, put in place the conditions for future growth, because we've got a great country with huge potential and we've got to make sure we do that. We are restoring law and order. You're seeing us take a number of actions, and a number of actions are coming into law this quarter. And we are, importantly, delivering better health and education—if you think about our focus on health and education. So we've been incredibly disciplined to say that those things are the things that matter most to New Zealanders right here right now, and that pathway will continue. OK, team, thank you very much; appreciate your time.

conclusion of press conference