



Prime Minister's Statement

Rt. Hon. John Key
Prime Minister

10 February 2015

Honourable Members.

The Government is continuing to implement its plan to build a faster-growing economy with more jobs and rising incomes, and to support New Zealanders and their families.

Over the next year, we have a comprehensive policy agenda, and a substantial legislative programme that we intend to put before the House.

Our policy agenda and legislative programme will reflect the Government's four priorities:

- to responsibly manage the Government's finances
- to build a more competitive and productive economy
- to deliver better public services to New Zealanders, within the tight budgets the Government is operating under; and
- to support the rebuilding of Christchurch.

This year we look forward to continuing strong and effective relationships with our confidence and supply partners – ACT, United Future and the Maori Party.

The agreements we have with these parties, and the goodwill and respect that exists between us, enable the Government to operate in an effective, stable and inclusive manner.

Honourable Members.

New Zealand remains on track for solid economic growth. The latest Treasury forecasts show growth in the economy averaging 3 per cent over the next three years.

On average, people's incomes are growing faster than inflation. Business confidence remains high and there is strong activity in the manufacturing and services sectors. There are 80,000 more people employed than a year ago, and the unemployment rate is forecast to fall to 4.5 per cent by 2018.

At the same time, inflation is low and interest rates remain well below levels seen during the previous economic cycle. This is good for families and businesses which are facing lower price increases and lower interest costs than would normally be expected in a period of solid growth.

Lower inflation and weaker export prices do make it more challenging for the Government to return to surplus in 2014/15. However, New Zealand continues to be one of the first OECD countries expected to achieve a surplus since the global financial crisis. Projections also show net debt falling to 20 per cent of GDP by 2020, in line with the Government's long-term fiscal objective.

This year's Budget will set out the Government's revenue and spending intentions.

The allowance for new spending has been set at \$1 billion for Budget 2015. To keep to this allowance, we will continue to reprioritise spending into higher-priority areas and require government departments to find efficiencies as part of their four-year budget plans.

New capital spending in Budget 2015 will continue to be funded from reprioritisation of existing capital.

Budget 2015 will also indicate the Government's intentions around ACC levy reductions. Final decisions on levy rates will be made following public consultation and recommendations by ACC.

Honourable Members.

The Government is pressing ahead with a wide range of measures to build a more productive and internationally competitive economy, where growth is based on solid foundations of investment, exports and savings.

Our work programme for this year and beyond is set out in the Business Growth Agenda, which details around 350 initiatives in six areas: export markets, innovation, skilled and safe workplaces, infrastructure, natural resources and capital markets. The Government will continue to progress these initiatives over the course of this year.

We will continue to pursue high-quality trade agreements, including through Trans-Pacific Partnership negotiations, while ensuring New Zealand's best interests are always served. More investment is being made in New Zealand Trade and Enterprise, to expand the number of businesses it works with and increase its international footprint.

The Government will continue to provide the environment and incentives to increase business-led research and development, with a goal of raising this to 1 per cent of GDP by 2018. More funding will be provided for the R&D grant programme.

The Government will this year establish a Food Safety Science and Research Centre at Massey University, as well as four additional Centres of Research Excellence, with one of the Centres focused on Maori research. To protect consumers, enable innovation and minimise costs for business, we will also introduce legislation to strengthen the framework underpinning our food safety system.

The Government will introduce legislation this year to strengthen the enforcement of minimum employment standards. Paid parental leave will be extended from 14 weeks to 16 weeks from 1 April this year, and to 18 weeks from 1 April 2016. Legislation to improve health and safety at work will be progressed.

Further job fairs will be held in Brisbane and Melbourne to recruit expatriate New Zealanders to return home and work in areas where there are skill shortages.

Job fairs complement the Government's skills training programme here in New Zealand, which involves strengthening and improving foundation learning, vocational training and tertiary education. The Government will also work towards the establishment of three ICT Graduate Schools.

The Government will continue its programme of investment in modern infrastructure, including the Roads of National Significance programme, and a package of state highway projects in Auckland and across the regions. New funding is being allocated for urban cycleways.

The Government will progress its extension of ultra-fast broadband, towards the target of reaching 80 per cent of New Zealanders. The Government will also progress the Rural Broadband Initiative to improve mobile coverage and broadband connectivity in rural and remote areas.

Honourable Members.

Balanced and sensible management of our natural resources can meet environmental responsibilities while creating economic opportunities.

Legislation will be introduced to amend the Resource Management Act to provide more certainty, timeliness and cost-effectiveness around resource allocation decisions. Among other things, the Government wants to modernise the principles of the Act to make it more practical and relevant, standardise council plans and simplify the process for gaining consents. The Environmental Reporting Bill will also be progressed.

Reforming the RMA is an important factor in addressing issues of housing supply and affordability over the longer term. In the meantime, this year will see more special housing areas created – and in turn more new housing developed – as a result of Housing Accords signed between the Government and local councils.

The new KiwiSaver HomeStart Grant will commence on 1 April. It will double the support a first home buyer can get if they are buying or building a new home, which will encourage the supply of affordable new housing. The house price limits under this scheme will also be increased.

The Government will this year continue to encourage petroleum and mineral exploration while adhering to strong environmental and safety provisions. This approach includes investment in new data acquisition projects such as aeromagnetic surveys and petroleum basin analysis.

The Government is committed to improving water quality and the way fresh water is managed. Water reform will continue through advancing the recommendations of the Land and Water Forum. Investment in regional water infrastructure will help water storage projects get underway.

The Government will progress measures to exclude dairy cattle from waterways and to voluntarily buy and retire areas of selected farmland next to important waterways to create an environmental buffer.

The Government will develop policy to improve the responsible use, management and conservation of New Zealand's ocean environment, and allow for a wider range of marine protected areas, including recreational fishing parks.

The Government will work with international partners towards putting in place a comprehensive new global agreement on climate change. New Zealand will table an Intended Nationally Determined Contribution under this agreement. The Government will also continue to participate in international research programmes, with particular emphasis on the Global Research Alliance on agricultural greenhouse gases.

Honourable Members.

The Government will continue to deliver high-quality public services. It will remain focused on getting results, seeking new and better ways to deliver public services, and continuing to contain and reduce costs.

Our approach to public sector reform has focused on improving the drivers of long-term performance. Over the longer term, what is good for communities through better services is also good for the Government's books through more effective spending.

We have taken opportunities to bolster frontline public services, get more efficiency in back office functions and focus government agencies squarely on getting better results for New Zealanders.

The Government has 10 priority goals and targets in the areas of long-term welfare dependency, supporting vulnerable children, boosting skills and employment, reducing crime and improving interaction with government. Good progress is being made on these Better Public Services Results, and two of them – in the areas of crime reduction and educational achievement – will be made more challenging.

The priority for new spending in Budget 2015 will be health and education. Most other areas will be expected to remain within current baselines, so there will be a strong focus on driving the best value from existing spending.

The Government is looking at ways to help families and children in material hardship, and the Budget will contain some measures to address this issue. As a first step, the Government will look hard at the billions of dollars already spent on vulnerable families and children to determine how this could be better used. Our focus will continue to be on getting parents into full-time work, because this is widely acknowledged to be the best way to raise children out of poverty.

The Government is committed to helping more people get off a benefit and into work. It will work to reduce the number of people receiving a benefit and reduce the lifetime costs of the welfare system. Legislation will be introduced this year to extend the Youth Service approach to 19-year-old sole parents, and to many other 18- and 19-year-old beneficiaries who need more support, or who are at risk of long-term welfare dependence.

From 1 April this year, the Parental Tax Credit will increase from \$150 a week to \$220 a week, and the period of entitlement will increase from eight weeks to 10 weeks. This will provide more support for new, working parents who are not eligible for paid parental leave.

As agreed with the Māori Party, ongoing investment will be made in Whānau Ora.

The Government will this year continue to implement its initiative to raise teaching quality and school leadership to deliver a better education to every student. This will help to keep the best teachers in the classroom, and establish new teaching and leadership roles to spread best practice across communities of schools.

Significant investment will be made this year in new schools and classrooms, including major projects in Auckland and Christchurch.

The Government will begin this year to increase support for special needs students by providing more teacher aide hours. Funding for schools to establish or enhance Asian language programmes will be distributed.

The Government will continue its work to lift participation rates in early childhood education, with a target of 98 per cent of new entrants in school having previously participated in early childhood education.

As agreed with the ACT Party, the Government will further develop the model of Partnership Schools to improve educational outcomes for disadvantaged students.

The Government will this year further improve access to hospital services and continue to focus on prevention and early intervention.

From 1 July, the Government will extend free doctors' visits and prescriptions to children under 13. Over 400,000 children will benefit from this initiative.

More patients will continue to get the treatment they need, and will get this treatment sooner. The Government will continue to increase volumes of elective surgery and reduce waiting times. A new cancer treatment target will be introduced – this will ensure that 90 per cent of patients receive their first cancer treatment within 62 days of being referred by their GP, by June 2017.

The Government will continue its initiatives to reduce the incidence of rheumatic fever and increase immunisation rates. This year the rheumatic fever prevention programme – which treats a child's sore throat before it progresses into rheumatic fever – is expected to reach over 50,000 children in the most high-risk areas.

Healthy Families NZ, a community-level health promotion and prevention strategy, will help families make healthier choices, and reduce risk factors for chronic disease such as unhealthy weight.

As agreed with the United Future Party, the implementation of the National Medicines Strategy will continue, including the enhanced role of pharmacists in medicines management and primary care.

This year the Government will look to further develop the community housing sector, help more individuals and families get social housing, accelerate Housing New Zealand's asset management programme and release more Crown land for new houses.

This year we will initiate a process to sell 1,000 to 2,000 Housing New Zealand properties for use as social housing run by registered community housing providers. This will help develop a more diverse social housing sector. It will not reduce the number of social housing places, but means more tenancies will be managed by a non-government housing provider rather than by Housing New Zealand.

The Government will continue to focus on crime prevention. The crime rate is at a 35-year low and violent crime, youth crime and re-offending are all declining.

Across law and order agencies, a stronger response will be developed to prevent family violence, including a focus on gangs and gang lifestyles. The Government will progress legislation to reduce unnecessary parole hearings and to address cyber-bullying, organised crime and online child abuse. We will improve the way the justice system supports victims of sexual violence and will progress the reform of privacy law.

The Government will work towards its objective of making every publicly managed prison a working prison by 2017, so prisoners can take part in a 40-hour week of rehabilitation and reintegration activities. Specialist after-care will be delivered for those released or paroled prisoners who have undertaken a three- or six-month drug treatment programme while in prison.

Honourable Members.

The Government recognises that Maori face unique opportunities and challenges in maximising their economic potential. This is reflected in the creation of a new ministerial portfolio of Maori Development.

The Government will introduce legislation this year to reform Te Ture Whenua Maori Act, so Maori land can be governed effectively and profitably for all its owners. The Government will also continue to resolve outstanding Treaty of Waitangi settlements, and intends for all willing iwi to have deeds of settlement by 2017.

New Zealanders will this year be invited to submit designs for a new flag and take part in a national discussion on the issue. A referendum will be held later in the year to choose a preferred alternative design. A second referendum, to be held in 2016, will be a run-off between this alternative preferred design and the current flag. Throughout this process there will be no presumption of change and the consideration of options will be done carefully and respectfully.

A programme of events and initiatives will be held this year to mark the centenary of the First World War. In particular, New Zealand will be commemorating the 100th anniversary of the Anzac landings at Gallipoli, alongside our Australian, Turkish and British friends.

This year, and in 2016, New Zealand will serve on the United Nations Security Council. The Security Council is currently considering some of the most pressing issues the international community faces and our two year term places New Zealand at the heart of international decision making. We are determined to effect real change on the Council. We have already demonstrated our willingness to be a strong, independent voice and find ways through the paralysis that can prevent the Council from living up to its international obligations.

The Government is committed to a strong security and intelligence community which operates within a clear legal framework and with the security of New Zealanders at its heart. Under legislation passed last year, a review of the intelligence and security agencies, their legislation, and their oversight, will commence by 30 June 2015.

The Government is also considering New Zealand's response to the threat posed by the Islamic State of Iraq and the Levant. This brutal group is a threat, not only to stability in the Middle East, but regionally and locally too. The Government's response to ISIL will cover areas such as humanitarian assistance, diplomatic efforts, intelligence and capacity building. A decision will be made in the coming weeks about a potential military training contribution.

Honourable Members.

The Government is continuing to stand beside the people of Canterbury as good progress is made on the earthquake rebuild.

The Government's total contribution to the rebuild, including from the Earthquake Commission, is expected to be around \$16 billion.

Big strides will be made this term on anchor projects and horizontal infrastructure.

The redevelopment of the Canterbury District Health Board's hospitals is well underway. New facilities at Burwood Hospital are expected to be completed in 2016 and the new Acute Services building at Christchurch Hospital is scheduled to open in 2018.

There are currently 20 major education capital projects underway in Canterbury, and many more minor works projects. One school has already opened, another will open in early 2015, and a further five schools are on track to open next January.

Construction is underway on the Justice Precinct, the Avon River Precinct and the University of Canterbury's science and engineering facilities.

The Bus Interchange, together with supporting roading changes, is expected to be completed by the middle of this year.

Over 90 per cent of EQC's total dwelling claims have been resolved. The managed repair programme is approaching completion, with around 63,500 repairs finished to date. The majority of the remaining managed repairs will be completed in the first half of this year.

The Canterbury Earthquake Recovery Authority will be brought into the Department of Prime Minister and Cabinet this year and a transition plan developed to hand over CERA's responsibilities and powers in an orderly way.

Honourable Members.

Over the course of this year other legislation will be put before you and other policy initiatives will be pursued.

Our approach will remain as it always has been, taking the public with us by clearly outlining our actions and priorities, and always keeping in mind why we are in government – to make this country a better place for New Zealanders and their families.

For six years, the National-led Government has delivered stable leadership and put New Zealand on the right track.

That will continue in 2015.

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