

POST-CABINET PRESS CONFERENCE: MONDAY, 13 APRIL 2015

PM: Good afternoon. So as you're aware, this Saturday marks the start of a week of Anzac commemorations in Wellington, recognising the centenary of the First World War Gallipoli landings. These events provide us an opportunity to honour those who served and remember those who died. It's a chance for all New Zealanders to deepen our understanding of a formative event in our country's history. There are a number of events occurring this week, which will begin with the official opening of the Pukeahu National War Memorial Park in Wellington this Saturday. The week culminates with the Anzac Day dawn service and the national services of commemoration.

This Saturday I'll be attending the opening of the Pukeahu National War Memorial Park, alongside the Governor-General, and today I can announce that the Australian Prime Minister, Tony Abbott, will be making his second official visit to New Zealand next week to take part in our Anzac Week commemorations. During his visit to New Zealand next Monday, Prime Minister Abbott and I will participate in the dedication ceremony of the Australian Memorial. The memorial is positioned in the heart of the Pukeahu War Memorial Park. It reflects the importance of Australia's close relationship with New Zealand. Australian Veterans' Affairs Minister, Senator Michael Ronaldson, will also be traveling to New Zealand to attend the dedication ceremony, alongside New Zealand Ministers and other invited guests. I look forward to welcoming Prime Minister Abbott back to New Zealand to take part in the Anzac commemorations, and I'm sure he'll also have a thing or two to talk to me about, including recent cricket results.

As you already know, on Anzac Day itself, I'll be attending events in Gallipoli with Veterans' Affairs Minister, Minister Foss, the Chief of Defence, and other members of my official delegation. And, of course, in addition to centenary events in Wellington, there will be a number of Anzac events around the country to commemorate the First World War Gallipoli landings.

In just over 5 weeks, Bill English will deliver the Government's seventh Budget. I'll give a speech here in Wellington tomorrow, where I'll cover a number of areas that will feature in the Budget. I'll also provide an overview of how I see the economy performing and set the scene for the Government's overall programme for the next few years. I don't want to go into too much detail before the speech, but it's fair to say that the Budget next month will build on the strong foundations we've laid through our economic programme over the past 6 years or so. It's clear that New Zealand is currently doing pretty well as a country, which is attracting some attention overseas. We have one of the fastest-growing economies in the OECD. It's supporting more jobs. Inflation and interest rates are low. Wages, on average, are increasing faster than the cost of living. More Kiwis are voting with their feet and either staying home or coming home to take up those opportunities. But there is much more to be done and, as I've said before, a couple of good years are not enough to change our long-term well-being. We'll need many more years where we grow faster than other developed countries so we can continue lifting incomes and creating more jobs. For its part, the Government will press on with its consistent programme of sensible reforms—that's what the Budget next month will focus on—and, as I say, I'll give you a couple of examples of that tomorrow.

Finally, I also want to mention that we're now entering a period where Ministers are making decisions for the Budget, so over the next few weeks that's likely to mean we're restricted in what we can say and we won't have too many new announcements to make.

You'll note, on a different topic, that I released a statement today with further details about the visit to New Zealand from Prince Harry. We're looking forward to welcoming him to New Zealand for the first time. I'm sure a lot of Kiwis will be excited to see him. I said today I can announce that Prince Harry will be in New Zealand from 9 to 16 May. It's hoped that he'll get to meet a wide range of New Zealanders from around the country as he travels around.

Areas the prince intends to visit include Stewart Island, Christchurch, Wellington, Linton, Whanganui, and Wellington.

Finally, in terms of my own activities this week, I'll be in Wellington today and tomorrow, which is when I will be delivering a pre-Budget speech hosted by Business New Zealand. On Wednesday I'll be in Auckland. On Thursday I have a number of visits in Christchurch, and I'll be in Kaikōura on Friday. As I mentioned, I'll be back in Wellington on Saturday for the National War Memorial Park.

Questions?

Media: Have you given up on reaching surplus?

PM: No. Look, it's going to be tight, and we won't actually know on Budget Day either because the final numbers won't really come until September-October of this year. But what I can say is, just generally speaking, the Government's revenue is affected by a few things at the moment—that is, very low inflation does have some impact on how much revenue we actually get. A little bit around—you can see it with the banks, for instance, with interest rates being lower. In fact, their tax that they pay, believe it or not, is lower, so there's some factors there. And the Treasury are, in their infinite wisdom, finding a few things that they want to revalue, which is having a little bit of an impact, but on balance, it's close.

Media: You've staked your current credibility on this target, though. You campaigned on this target. You may not now reach it. Surely that's a blot on your copybook?

PM: I don't think so. Look, I mean, it's within cooee one way or the other. It's a very small number and, as I've said, you know, this is a \$220 billion economy. The Government spends in the order of \$70 billion-odd a year. You know, we've done a good job of getting the books back to flat, basically, but within a small amount it's very difficult for everyone to predict, including the Treasury. And they simply won't even know those numbers on Budget day.

Media: But you either cross the line or not—I mean, that's the point, though. If you're going to campaign on it, and make a point of it, you know, to show that you've got your economic credentials, surely you've either got to get across the line or not?

PM: Well, I don't think it's quite as clear as that. I mean, for instance, for a start off, we said we'd get the books back in order and the Christchurch earthquakes came along, and we undertook \$16 billion worth of expenditure alone just on that, for instance. If you think about things like inflation being extremely low—which is great for consumers and businesses, but quite tough on the Government's books—that position was a bit different a year ago. So I think if you ask New Zealanders: "Have we got the economy going in the right direction?", they'd say yes. Could we actually hit an artificial target? Well, we're so close to it, potentially the answer is yes, but I don't think people would really want us to take sort of irresponsible actions just to hit an artificial target—it's in the order of a few hundred million.

Media: So why don't you drop the target, then, because it can also be used, presumably, as an excuse for further belt-tightening or not giving other sectors money—why not get rid of it?

PM: Because I think it's very important to demonstrate to New Zealanders that we believe living within our means is critically important, and we're actually going to demonstrate we're doing that. We are going to demonstrate that there are future surpluses out there, and in my view the public won't be fixated on whether it's a couple of hundred million dollars either way of the line. What they'll say is: "We've come from an \$18 billion deficit and we've got ourselves back into a strong financial position.", and I think they'll contrast that with Australia, who in 2007-08, when the Rudd Government came in, inherited zero debt in Australia. They were giving away money to Australians during the financial crisis. They didn't have an earthquake, they had better terms of trade than us, and, actually, I don't know what their Budget deficit will be this Budget for them, but it's probably in the

order of \$40 billion to \$50 billion. So, you know, you're really right at the line here. This is a very large economy, and it's really like trying to, you know, basically land a 747 on a pinhead. It's just not that possible for the Treasury to get that right. But if we turn around and say, for a few hundred million dollars: "Oh, OK, we're not going to make the surplus.", we may well make the surplus even if the number's negative on Budget day because those numbers, again, will move round quite a bit in the next few months. It's very, very, very fine margins at these levels.

Media: Are you going to tighten your belt, though, in the coming Budget and in Budgets to come because of this tightening?

PM: Ah, no. I think what we are going to demonstrate is that there's a modest new Budget spending allowance and we're not going beyond that. We're taking a series of measures to make sure that, you know, we spend more money on the areas that we think are important, but not excessively more. As I said to you, you know, people expect—I think the public, rightfully so, expect us to do a good job of managing the economy. Part of that's living within your means. I think we'll be able to well and truly demonstrate we've done that. We've also maintained a lot of programmes that they want maintained because they rely on them and they're important. I think that's important. We've also demonstrated in a crisis we're not silly about things. We step up and do things. So, yeah, we could get to an artificial target, but if we had to take \$300 million out of the health budget or something to achieve that, I think most New Zealanders would say that's probably a bit silly.

Media: Does that mean you're going to be cutting that allowance from \$1 billion?

PM: No, I don't think you'll see that on Budget day.

Media: What do you think of Tony Abbott's "no vaccination, no payment" policy, and would New Zealand look at following suit?

PM: Well, it's for Australia to decide what they think is most appropriate, but in New Zealand I don't think it's necessary. Ninety-four percent of children in New Zealand are vaccinated. The vast bulk of parents take the important step to vaccinate their children, and I applaud them for that, but there should be an element of personal choice, I tend to think, because there is always a risk. It's a very minute risk and, in my view as a parent, a much greater risk if you actually don't vaccinate your children. But if the State forced a child to be vaccinated and the child had a significant medical reaction and potentially died as a result of that, that would be a huge burden that the State would've put on those parents. So I think in New Zealand we're just lucky enough that the vast bulk of parents actually take the right steps and that the bulk of them are vaccinated.

Media: Are you lobbied heavily in any way, or have you been lobbied, to take up this policy?

PM: No, we haven't been lobbied on it. No.

Media: So what's your message to parents who don't immunise?

PM: Well, I'm not the medical expert, but the vast bulk of health evidence that I've seen strongly supports the view you should vaccinate your children. And, yes, while there is a minute risk that your child could have a reaction—potentially a serious reaction—there is a far greater risk if you don't immunise your child.

Media: A lot of people say it's negligent not to. Would you agree with that?

PM: Look, there may be some very personal reasons why people don't do that. You'll remember that when we made some changes around benefit allowances and the likes, we had all sorts of things where we encouraged people and, essentially, made them enrol their children in ECE and things. And vaccination was part of that, but they had the right to opt out of that, I think.

Media: Will you be including some measures to address child poverty in this Budget? You talked a lot about it after the election.

PM: Well, you'll have to wait and see on Budget day, but my comments around material hardship have been consistent, I think, since election night last year—that I see it as an important issue and something that I'd like to see us continuing to work on.

Media: We've got an OIA showing the number of serious near-misses in the petroleum sector is increasing. Are you confident this sector is safe?

PM: Yeah, I'm very confident the sector is safe. My understanding is that there was a change in the reporting in the middle of, I think, last year—2013, I should say; so June 2013—and that's seen more companies now reporting. In fact, some over-reporting is taking place. So I don't think the level of risk or health and safety issues in the petroleum industry have significantly changed at all in the last few years, and I think for the most part it's actually an area where you've had international companies with very high-quality safety records operating.

Media: Just on the US presidential race, how do you rate Hilary Clinton's chances?

PM: Well, I don't get a vote obviously, and I'll leave it to the American public. But all I can say is—like, I know Hilary Clinton. I, obviously, stood here when she was here as Secretary of State. She had a strong relationship with New Zealand. She understood us well. She was committed to New Zealand and, you know—look, I'm sure she would be a great President, but, equally, I'm sure there'll be many candidates on both the Democrat and Republican side that could also, you know, fill the shoes that Barack Obama will leave behind.

Media: *[Inaudible]*

PM: I don't know. Look, in the end the American public will decide who should lead their country.

Media: You called her President Clinton when she was here in 2010.

PM: That's right.

Media: Is that a sign of where your loyalties lie?

PM: No, I think it was a sign of either a failing on my part or the fact that I'm so used to seeing "President Clinton" that I just made a mistake.

Media: Do you agree with Judith Collins that iwi leaders and the paper that they sought on water rights are involved in some kind of cash grab?

PM: I didn't see her article in the weekend, I must admit. But, look, I don't think people should be at all fearful of the discussions that are happening at the moment, and have been occurring with iwi as long as we've been in Government and, I suspect, with the previous Government as well. I say that because (a) our position as a Government is well-established, which is we don't believe anyone owns water. We don't think there should be a national settlement for water. But there is a constructive discussion to be had about any rights and interests that might exist—and, in fact, the Government acknowledged that there were, at this point, unidentified or unestablished rights and interests when we put our affidavit in around the mixed-ownership High Court case.

But what is true is, you know, there is some—you know, when you have resource consents around the use of water, they're not permanent. I mean, they're 30 to 35 years, typically. There is some land that Māori have control over through Te Ture Whenua Maori Act, for instance, where having access to water would be useful, and now they'll have to put that case up, I suspect, with local authorities, alongside everybody else. But there's a way through this, and the Land and Water Forum's been talking about these for quite some time, and Federated Farmers and Māori have been part of those conversations for a long period of time.

Media: Do you have any truck with the idea of tradable rights in water?

PM: I used to think it was quite a good idea around tradable rights—I mean, in a sort of conceptual sense, economically it would work. The question is, you know, who ultimately would pay for that and how would it work? It would be quite a complicated system. What would you do with existing rights? What happens if the Crown effectively creates more water through investment in an irrigation scheme? So, economically, I think it makes a lot of sense. Whether in practice it could work, I don't know.

Media: And what about the idea of some preference for Māori in some of those catchment areas which Nick Smith talks about—there may be some circumstances under which they could be given preference in the process that leads to the allocation of water?

PM: Well, I think everyone should be treated equally, but at the moment there's usage rights, and the question is, are they just automatically rolled over? Look, I don't have the answer to all of that sort of stuff. But the Government's putting in \$300 million, partly for creation of more irrigation schemes and, therefore, building the stock of water, how that is used, you know. In principle, I think there's room for everybody here. I just don't think it's something that people should get particularly fearful of, you know. If we can reform the Te Ture Whenua Maori Act, there's 1.4 million hectares of land. That means that some of that might be able to be irrigated. It probably wasn't as easy in the past to do that because of the ownership structure holding it back. Do they have any more legitimate rights than anyone else? Well, they might have the same rights and it might have been more difficult in the past for them to access it. So, look, I think there's always a risk that people misrepresent the information, but I think, actually, if you look at it on balance and sanely, what we do want to do is make sure that water is available and used across the economy. Māori are but one—important, but nevertheless but one—of a number of stakeholders that have an interest.

Media: Some farmers seem to be concerned that the water is all allocated already and having another party come in would just dilute what is already there, if I may use that word, and others that they would have their existing rights taken off them under some deal that local government may do with Māori. Is that possible under the policy that you're putting forward?

PM : Well, I haven't seen anything that would indicate that any rights would be taken off people—that's certainly for sure. The second point about it is, is it all used and it could never be reallocated? Well, that is less clear, actually. I mean, in some waterways it is fully utilised; in some it's actually not. But all of those consents, as I understand it, have a time limit of them. So look, it's a very difficult issue and it's a longstanding issue. It's one that needs to be worked through, and that's why water is not a fast-run thing in terms of the conversations we've had and the way that we've been working on it. The Land and Water Forum, I think, was established back in 2009. It's been a long conversation and it's ongoing.

Media: So one last question. What did you take from the efforts of the iwi leaders group to get that Sapere report, which clearly argues for a permanent settlement of the rights—a national settlement—and trading of water rights?

PM : Well, I think it does show you what I'm saying is a clear reflection of what the Government believes, and it is at odds with what some Māori believe. In other words, there are iwi leaders who believe that actually they own the water, there are iwi leaders that believe there should be a national settlement and that they should have dedicated allocation rights, and what I'm saying is that's actually not the Government's position and it doesn't support that. It does believe there should be a mature conversation with all the stakeholders to try and find a way through these issues on an ongoing basis, but there won't be a national settlement under us and there won't be a change in ownership under us.

Media: Do you think there's any merit to Martin Snedden's suggesting pitching to co-host the FIFA World Cup?

PM : Well, it's a big dream, but it's not one that should be dismissed without, you know, some of the preliminary work being done. I mean it is a co-hosting proposal with Australia. It can't occur before 2026 or maybe 2030. It would be a hard bid to secure. Australia had one go recently, actually, under Kevin Rudd, of trying to get the World Cup hosted in Australia and it failed, so there may be a better chance with Australia and New Zealand. There's no question that if we could be co-hosts of the FIFA World Cup it would be bigger than Texas, because it's the biggest sporting event in the world—either that or the Olympics. It's got a huge international audience and, you know, people would come from around the world to watch those games. But, as we know with the case of Qatar—slightly different infrastructure issues—I think they're spending US\$60 billion on putting together the event, so it's not cheap.

Media: Would you raise it with Abbott?

PM : Oh, I don't think it's sitting there as an agenda item, but I might. But the point would be it's probably reasonably cheap to go and do a scoping study of what would be required, and I think that would be a useful step because it's good to have those big dreams. I think, actually, with the Cricket World Cup we demonstrated we could host on a joint basis, very successfully, an international event, but I would say you've got a lot of countries competing to host the FIFA World Cup. These things are not easy to win. Maybe the one thing that is true is that it hasn't been hosted in Oceania. FIFA do want it to be hosted in Oceania, so maybe Australia and New Zealand have got a chance on that basis.

Media: Will you be asking for that scoping study to be done?

PM : I think we're going to look at doing some work on that. I think that's the next step about whether we take that proposal forward.

Media: On the fight that's broken out between the Vatican and Turkey, do we have a view, or does New Zealand have an official stance, or do you have a view on whether it was genocide in Armenia after World War I?

PM : Look, we don't have a view on the issue. We just think that's a matter that the Armenians should work out with the Turks.

Media: On Auckland housing, how high would house price inflation have to go before the Government chose to look again at migration and try to tighten that up—20 percent, 25 percent?

PM: Ah, don't think we have a specific number there, because I think if you look at net migration, firstly it's—you can control it in parts, as you know, but there are also some parts which are masters of their own destiny, if you like. So, depending on the number of Australians that want to come in, that's—I don't think we want to change labour market rules with Australia, for instance. Some of the people coming in are absolutely necessary as part of the solution for the construction sector, and generally building more houses. Some of them are very important in other parts of the economy. Many of them who come to New Zealand actually don't require to buy a house because they actually come here and they're students, for instance, and there's other places that they live in and operate. So they're not actually, necessarily, buying a house—except they're living in a premises somewhere, but they're not buying a home.

But these things tend to go in ebbs and flows a bit. The Government does look very closely at which occupations are actually on the approved list, and if we no longer believe it's necessary we take those occupations off, and we've done that. And there's been a number of occasions where we've tightened migration rules. We did that in 2009-10, when we were very worried about the labour markets. So I think—look, there's no question that positive net migration has some impact on the housing market, but it's only one of a number of factors. I mean, if you look at 2009, net migration wasn't strong into New Zealand at all, but, in fact, you know, one of the factors there was that people just didn't want to buy a house because the economy wasn't doing well. So it's not just simply a matter of net migration. There are other factors.

Media: Is the Government looking at doing more on the supply line itself with either developing its own land or encouraging the owners to develop on Government land?

PM: No, I think the solution as we see it at the moment is around development of those special housing areas, of which there's 84 in Auckland, as I understand it.

Media: Are you aware of any Government departments using zero-hour contracts or getting casual contracts to that effect, and if not, would you be concerned if they were?

PM: Well, I'm not aware of any—that's just operational, so it wouldn't come up to me. But, in terms of zero-hour contracts, I mean, what I'd sort of say is that on the one hand, you know, the Government's undertaking a review of zero-hour contracts because it's concerned that some employers are using zero-hour contracts, or a form of those, potentially in a way that was never intended and discriminating against those employees. If that's the case then that has to stop, and that's what the review's all about. But general flexibility in the labour force is also really important because there are lots of people who want to have that flexibility. There's plenty of students, for instance, who work who say: "Look, for 2 or 3 weeks before my exams I don't want to be working." So I think we do want to have a flexible labour force, but, if you see some of the practices that we at least think are taking place—if they are occurring, then they're negative and we think they should be stopped. And that's the purpose of the review—to identify those and put an end to them.

Media: Do you have a view on whether TV3 should continue the *Campbell Live* programme?

PM: I don't have a view on it. Look, it's a matter for them. I don't get involved in that stuff.

Media: You mentioned this morning that Disney had come to see you.

PM: Yep.

Media: When was that and why?

PM: I don't know exactly when—it was this year, but my office will be able to tell you. They came to give me a bit of an update on the filming they're doing with *Pete's Dragon* in New Zealand and a couple of other initiatives that they're looking at, but their general sort of view was that they're returning to New Zealand. So they had been filming down here on a number of TV series before, and as a change of the rules around the incentives, they were encouraged to come back and film *Pete's Dragon*, and they're looking at a few other things here. So it's good news.

Media: They didn't raise any further measures that they wouldn't mind being taken?

PM: No. They didn't come with any requests; they just came with an update of what was going on.

Media: The Lochinver Station decision, I understand, is with Ministers. Is this a difficult sort of a decision that you've got here to make? I mean, are you worried that this will be a big chunk of New Zealand farmland that's about to go into foreign hands?

PM: I just don't have any details on it. I mean, it's—I'm obviously aware of the situation, and I think I saw either a story from you or someone that said it was with Ministers. I didn't actually know that. They don't consult me on it; they just make a call and make whatever decision they feel is the right one to make. I mean, look, Lochinver—there's no question it's an iconic station and it's an important station, but in the end, you know, those Ministers will have to consider, you know, whether it meets the test, as the Overseas Investment Office will have had to consider whether it meets the conditions within the Act.

Media: Still it's a big signal, though, isn't it, in terms of New Zealand's willingness to accept overseas investment or not?

PM: I don't know. If you look at the Overseas Investment Act, it sets out quite strong criteria—and they were tightened, as you're aware, over recent years—about what is the

threshold. Actually, the important thing is that if it is to be sold to Shanghai Pengxin as an offshore buyer, then they have to, in my view, absolutely demonstrate that they meet the conditions as set out in the Act. That's the important point, because that's the level of comfort that New Zealanders get if—you know, I accept that some people don't like foreign investment, but we've had it for a long period of time in New Zealand, and it supports a lot of jobs. But, in the end, if we're going to have an Act and the Act sets those conditions, then the question is, you know, do they meet them and are they the right buyer? If they are, they should be allowed to buy it. If they're not, they shouldn't. As a general rule, if you go and have a look at the farms, as I understand it, that Shanghai Pengxin bought off Crafar, actually, they are in far better shape now than they ever were. There's better rights around those farms than there were. The animal welfare conditions that were very prevalent under Mr Crafar are now not the case under Shanghai Pengxin. So, you know, foreign investment can be a very good thing for the country.

Media: I understand the passport issue was on the agenda today. Did you make a decision?

PM: No. In the end there's a bit more work happening on that paper, so it didn't actually go to Cabinet in the end.

Thank you very much.

conclusion of press conference