

POST-CABINET PRESS CONFERENCE: MONDAY, 20 JULY 2015**[FTR start time 16:05:01]**

PM: Okey-dokey, welcome back. So today I received an update from Bill English following his visit to China last week. I was interested in his take on China's economic outlook in light of recent events, including the fall in dairy prices and volatile Chinese share prices. Bill said that the business leaders he met, including some from New Zealanders operating in China, remained reasonably positive. He heard about emerging skills shortages in the cities and rising agricultural wages. He saw evidence of spare capacity in under-used residential and commercial buildings. But, overall, Bill came out of China a bit more positive than when he arrived. So here in New Zealand, we need to keep things in perspective and not needlessly talk ourselves into a gloomy mind-set. Sure, global factors like dairy prices and uncertainties in China and Greece are risks for New Zealand, but there are always risks around the world. What matters is our own resilience. We've shown by the way we've recovered from the global financial crisis and how we're rebuilding Christchurch that, as a country, we are resilient.

Let's remember: we export a range of goods and services to a whole range of countries. Many of those exports are doing extremely well. Tourism, for example, is growing strongly. In the last year, a record 3 million overseas visitors came to New Zealand, up 7 percent on the previous year. Other primary industries are also doing well, as is high-tech manufacturing and construction. Just last month, a Reserve Bank forecast showed that the economy was growing at around about 3 percent and will be for the next few years, in their view. That's despite them factoring in the significant fall in dairy prices. Growth may come in a bit lower than that, in light of more recent events, but the New Zealand economy is still growing at a respectable rate.

And there are factors in place supporting our economy. The Kiwi dollar's fallen by around about 25 percent against the US in the past year. It's fallen further and faster than anticipated in various scenarios in the Budget update a couple of months ago, and that's providing a lot of help and support for exporters. Lower interest rates will also support exporters and the economy as a whole. The Government is mindful of the global risks I've mentioned, but it's important not to overstate them, as our opponents often like to do. The economy is more resilient than it was 6 or 7 years ago. Our households are saving, our banks and financial institutions are in better shape, and our businesses have stronger balance sheets and are growing and creating new jobs. And the Government continues to support the economy with billions of dollars of infrastructure investment, including broadband, roads, rail, schools, hospitals, irrigation, and rebuilding Christchurch, of course. So we should back ourselves to meet these latest challenges.

Just in terms of the House this week, the Government intends to begin the estimates debate and progress a number of first readings on the order paper. As you know, of course, Wednesday is a members' day. As for my movements, I'll be here in Wellington for the remainder of today, tomorrow, and, of course, Wednesday. On Thursday I'm travelling to Hamilton for a number of visits. I'll be in Auckland on Friday. As some of you may have the pleasure of doing, I will be at the National Party conference on the weekend, so we'll look forward to welcoming you there.

Media: The Reserve Bank's quite likely to cut interest rates on Thursday, possibly by 50 basis points if some of the commentators are to be believed. Are you worried that that will pour petrol on to an extremely hot Auckland housing market?

PM: No. I think—look, the Reserve Bank has the unenviable task sometimes of having a single instrument like interest rates and trying to balance that across the varying different factors and parts of the economy. But, overall, they take all of those factors into consideration. And, you know, we've had pretty low interest rates now for a very long period of time, actually, so homeowners have enjoyed those interest rates. You know, the good news is they're likely to have lower interest rates for longer, so for people who have a mortgage or are going to potentially establish one, it's a good-news story.

Media: What about those October 1 regulations, the bright-line test, the 30 percent deposit for investors. Do you think that can rein things in a bit in Auckland?

PM: I think—it's likely, in our view, the combination of what the Reserve Bank will be doing around LVR restrictions for investment properties in Auckland and the bright-line test [*Inaudible 16:09:10*], that will help, as indeed will be a withholding tax, if that's what we ultimately establish for foreign buyers. Certainly, the register, in terms of the registration of a New Zealand bank account and ultimately having to, basically, register those ownerships of non-taxed [*Inaudible 16:09:28*]*—*but all of those things are likely to help.

But, look, in the end, the biggest thing we back ourselves on is supply. We've got the most construction activity happening now in a decade. And if you look at Christchurch, it's quite an interesting example. I mean, they were—that city had fast-rising house prices and rising rents. You've now got a scenario where supply has started to meet demand, prices in housing are not going up strongly, and, in fact, rents are starting to fall. So we still back ourselves as supply being the main way through.

Media: At the moment there's, as you know, a 32,000 house shortfall [*Inaudible 16:10:08*] in terms of the available houses. Nick Smith said at the weekend that you believe that the Government can lower that shortfall by the election—so make it less than 32,000. Do you agree that that will happen—that you will lower the housing shortfall; that you'll increase supply enough to lower that housing shortfall?

PM: Well, I think his main argument—and I didn't actually, you will appreciate, see the interview, but the main way that that has been calculated on was on what was the previous run rate versus what the anticipated demand was. And as part of the response through special housing areas and the consent process that we're going through with Auckland Council, that is ramping up quite rapidly. So yes, I would agree with the view that we'll be able to close that gap. We've got to continue to work on that and we've got to continue to make sure that Auckland Council stay locked at the hip with us to issue those consents and get that building activity undertaken.

Media: Because the Productivity Commission says the gap won't close; it will actually get wider. So are they wrong?

PM: I haven't seen all of their analysis, and it depends on, you know, so many different factors, as we know. So, you know, that's part of it, but, overall, the Government's aim has been to say: "OK, how do we lift the run rate of construction and consenting in Auckland?" Since we made the announcements to try and increase that—which has been special housing areas—that will soon be the release of Government land, and all of those things. What is true, we have actually increased the activity considerably. Now, I think there are more gains that we could make.

Media: On the gathering of data about foreign buyers, there seems to have been some confusion about exactly when that will be released to the public?

PM: I don't think there's any confusion. There's a bill in the House and, essentially, what's going to happen is from October 1 we will gather information about non-resident taxpayers, and that will give us, you know, much better information than we have ever seen in the past. We won't have perfect information about the individuals per se, because some of them may be New Zealanders who are living overseas and purchase a property. They'll still be a non-resident tax **[Inaudible 16:12:10]**. So for those purposes, they'll show up, but they're New Zealanders. Look, it would be no different if you went overseas and you spent a few years overseas and bought a house. But we will have perfect information, if you like, about the number of non-resident taxpayers. What we're going through at the moment, and what we've been consulting on is what that information will look like. So we're going through a process of trying to work out: OK, how granulated can we get it? How much can we break that information down? Can we share that information for instance? All of those logical things. I'm actually confident we're going to get to a point where we will be able to share that information **[Inaudible 16:12:44]** down by the categories that you would expect. My estimate is that in places like the United Kingdom and Australia, the information will be a bit polluted, if you like, by New Zealanders who live over there who may well be returning at some point and decide to buy a property in New Zealand, because there's a lot more New Zealanders living in Australia and the UK.

In a place like China, for instance, which **[Inaudible 16:13:07]** topical last week, there's a hell of a lot less New Zealanders that actually lived in China. So, you know, **[Inaudible 16:13:13]** the non-resident tax data out of China and be able to make an assessment that the vast bulk of those probably would not be New Zealanders who are living overseas. There'll be some—you're working in China and buy a property here, but less, say, than in a market like the United Kingdom.

Media: Why not have some kind of provision that allows you to determine whether or not it is a New Zealander offshore buying property here?

PM: Yeah so, it gets—and this is where it's really important to sort of work your way through the data, and you guys will have to go and do that—but there are lots of complications with all of these things. So, for instance, you know, you could ask a million questions: is it a person who's buying? Is a non-resident for tax purposes buying a property **[Inaudible 16:13:51]** they don't have a connection but they're intending to come to New Zealand, are likely to get residency and will one day maybe get citizenship? Are they buying because their children are studying in New Zealand? If they buy and then on-sell that property to another New Zealander, does that—you know, that doesn't necessarily show up. So there are a range of things. Are they—

Media: You could just ask a small one that is: are you a New Zealand permanent resident/citizen? And that's the thing that people seem to really want to know.

PM: Yeah, you could do, potentially, but all I've—from what I can see, there are lots of different complicating factors that—I think what is important to get is: who are the non-resident, basically, taxpayers that are doing this, and that will give us better information.

Media: Do you think there should be a clause in the bill that would make the Government release that information publicly at set periods of time?

PM: Well, that's likely to be where we're going. That doesn't mean we need a clause or whether there will be one; they're working their way through that, but it would be my expectation that having gathered that information, on a regular basis it would be released.

Media: But is that going to give any indication about how much property each person is actually buying?

PM: Ah, again, I don't have those details at the moment but it is possible that a person—a mythical person living in this country and its this criteria—they could be buying—I think we will get demarcation between whether they're buying, for instance, land that involves a big commercial property or land that might be farmland **[Inaudible 16:15:20]** for residential purposes. It won't necessarily say that, you know, Mr "X" has bought 15 different properties. But it will show, I think, that there has been **[Inaudible 16:15:35]**

Media: Isn't that relevant, though, in terms of the information that you are hoping to collect—in terms of the **[Inaudible 16:15:41]** the actual impact on how much property, not just how many people?

PM: Ah, well it's—you'll appreciate that they're going through that consultation process at the moment and they're working their way through what should be recorded, so all I can give you is some **[Inaudible 16:15:56]** of what I think it will broadly look like, but you can't hold me to account to it because, you know, I don't know at this point. I haven't seen that official yet. They haven't reported back to me. But it sort of strikes me, if you look at the debate that's sort of there, I think people are interested in saying, broadly speaking, how much of the property that is sold at any one time in any one given month, from a residential perspective, is being sold to non-resident taxpayers, and once they get a sense of that, they'll have a sense of the scale of the issue.

As I said in my morning media this morning, we've been a pretty pragmatic Government. If we think we need to take steps to address an issue which we see becoming a great concern, we're prepared to look at that. I will say, though, that the only country that I can really look at that's actually had a ban, for instance, on foreigners buying property, other than new property, is Australia, and it's been spectacularly unsuccessful. It certainly hasn't stopped property prices going up. So **[Inaudible 16:16:56]** help the debate, having had that better information, but, you know, it is just a snapshot in time and it's not a register—it's not a perfect scenario. When someone moves address or sells to someone else, it's not constantly updated.

Media: So how quickly will the data be out, because it will, basically, debunk or prove Labour's thesis, won't it? So how quickly—

PM: I honestly don't know, but, you know, as soon as we can gather—start gathering data—I think, from October 1—as soon as we start gathering that data at monthly kind of intervals or something—

Media: Because you said at the weekend that in sort of 3 months it could be out there.

PM: Yep.

Media: Do you not accept the argument, though—and in Australia they argue—that by preventing foreign investors from buying existing homes, but by allowing them to build new homes, that actually that can take pressure off house prices, because you're actually building supply while not actually increasing demand?

PM: OK, so it can be a factor that helps. There's no question—when we did HomeStart, for instance, we tried to factor that, so you got a bigger grant if you bought a newer property. To do exactly that: encourage people to **[Inaudible 16:18:00]** You know, those who want to develop those properties with a buying base, if you like—that can help. This is where it gets a little bit more challenging. I mean, for a start off, there are probably lots of ways to get around it, and that's unfortunately what the Australians have found. You know, you can **[Inaudible 16:18:16]** establish a domestic company. There's a **[Inaudible 16:18:19]** The second problem that you can have is: would you want that everywhere? So, for instance, do we care about a non-resident taxpayer buying existing property in

Queenstown or the Bay of Islands or Masterton? I mean, is it an issue in Wellington, where Wellington house prices are not going up dramatically?

So if you want to make the argument that, say, for instance, a non-resident taxpayer is buying a house in Auckland, for instance, and it's an existing property, if that's being sold to a New Zealander who remains in New Zealand, then that person's got limited options, don't they? But they do have to find alternative accommodation. They may well go through the chain. Ultimately, somebody is going to buy another property that's new, or, by definition, you run out of properties.

Media: Is Serco on notice—in that their contract could be cancelled?

PM: Well, as you will have seen, the Minister's announced that there is going to be a review, and that review will identify the prison or prisons involved—whether it's a Serco prison for sure, how widespread the issue is, and whether they've breached any of their contract. So before they—you know, I wouldn't want to comment until they actually undertake the review. I would simply say that one big advantage we have with Serco and privately-run prisons is we do have clauses within the contract that well and truly allow us to take action if that is justified and required.

Media: Are you concerned about the fight videos that—

PM: Yeah. I mean, I'm concerned about it, because, you know, in the end, we have a duty of care, I would have thought, as the Government, to make sure that people are safe in prisons **[Inaudible 16:20:00]** possibly can. But I don't know the circumstances behind it, or how widespread it is, or where it's actually happening. But we want to get to the bottom of it, and it's quite a thorough process **[Inaudible 16:20:10]** the review. The Ombudsman's office will play a role, as they generally play a role in these areas.

Media: But in the suite of options, one of them is axing them?

PM: Well, I think the first thing we've got to do is—let's just understand whether they've breached their contract. **[Inaudible 16:20:25]** how widespread it is, and if they have, what penalties we can actually impose under the contract. I know there's certainly financial penalties.

Media: Are you concerned, though, the report on the so-called “fight club” was done a year ago yet Ray Smith seemed to be unaware of it?

PM: Yeah, so—I was advised last night by the Minister's office that there may have been an earlier report, and that—and so I—you know, that's the only information I have. I haven't seen the report. I don't know how high up the food chain it went, and, you know, I think there are being questions asked now about how high it went and, ultimately, whether action should have been taken to bring it to the attention of senior management if it wasn't, but, in the end, we'll need to get some answers **[Inaudible 16:21:08]** today.

Media: That seems like a pretty major failing, though. Will heads roll?

PM: Well, let's understand—you know, ultimately, we'd need to see the report, what it said, and who it was raised with. We don't know that yet.

Media: But if someone's ignored a report about fight clubs in prisons, someone's failed to do their job, surely?

PM: Yeah, I would have thought that's a pretty serious issue—if it's spelt out black and white like that. But, again, I just haven't seen the report and I don't know where it went.

Media: You said before “if it was Mt Eden”—is there some doubt about which prison it is?

- PM:** Well, I just don't know—I can't—you know, I know there's speculation and I know people are saying, you know—I've only really seen the video footage. I don't know how much of it's going round, but I saw it on the Radio New Zealand site this morning. I haven't seen any other footage of that, so I just can't be sure that, you know, it's exactly that prison or there aren't other prisons involved; I just simply don't know.
- Media:** Are you worried that the looming regulations are spiking a demand in traffic in the Auckland housing market?
- PM:** Oh, you mean the bright-line test and things?
- Media:** And the Reserve Bank stuff, as well.
- PM:** No, I don't worry about that, because one of the issues is that it's really important for taxpayers to understand that the bright-line test takes away ambiguity when it comes to purchasing investment properties in that 2-year period. It does not take people—it doesn't fundamentally change the law per se; it's an intent-based test. So, for instance, if you bought a property today and it was an investment-based property, that will be on the radar screen of IRD. So if people think they're going to beat the rules by buying today before the bright-line test comes in, they might be in for an awfully nasty shock when they get a knock on the door from an IRD tax inspector.
- Media:** But doesn't sort of reports that, you know, there is a spike in demand suggest that there is bubble-like behaviour in the market?
- PM:** Some people might take the view that that would exclude them from the tax net, but that's because they have an ignorance about the current laws, and I can't stop that. Secondly, yep, housing—in particular, Auckland housing—has been a topic of considerable debate. Some people, in my view, will be quite misguided in believing that it's a one-way debt. There are also people, when the dairy pay out was \$8.40, who said it would go up forever and never go down. Markets go up, and markets come down.
- Media:** Would you be comfortable with the Reserve Bank implementing another round of restrictions in Auckland? I think Westpac has suggested that it might be necessary early next year if we don't get things to cool off.
- PM:** Well, it's been a constructive working relationship between the Minister of Finance's office and the Reserve Bank. There's **[Inaudible 16:23:41]** that the Government's raised any further issues with them, but let's wait and see. We always have an open dialogue with the Government—
- Media:** Are you worried about the international trend? I mean, we've seen it in Vancouver and Singapore and Australia, and now there's this debate in New Zealand—are you worried about the trend of Chinese capital leaving China—the fact that it could accelerate when they change their regulations?
- PM:** What's happening, I think, in China is that you have got a very large economy, which has performing, for the most part, extremely well and is generating a lot of capital. And it's natural to have capital diversifiers, but it's true in New Zealand, you know? New Zealanders create capital, and sometimes that capital is diversified into other international markets. So if China's economy continues to grow, continues to get larger, will there be more diversification? I would say: yes, that's likely to happen. And because those numbers are large, that could have some influence around the world. Will it all migrate to New Zealand? I think the answer to that is no.
- Media:** Well, I wasn't asking if it will all migrate here, just—are you concerned about the impact of the money that does migrate here—the impact it will have on New Zealand?

PM: If you looked at—there's different categories, of course, but—and I don't have the most recent data, but I'm sure we could get it for you—but the last time I looked at the amount of foreign capital investment out of China into the New Zealand economy, it was much, much lower than, say, for instance, Australia or the United Kingdom or the United States. China hasn't been a massive investor here. So rather than be worried, in some instances, we would welcome that. So when Yili and Yashili decide to set up dairy factories in New Zealand and pump hundreds of millions of dollars into building those, I think they're all welcome. So it depends where that capital's going and what it's doing. I mean, you've got some very large investment going into Auckland real estate but not necessarily into the housing market but into the big tower in downtown Auckland or the hotel that's being built. I would have thought that's welcome.

Media: Just looking at a report that's come out on Radio New Zealand about three Ministers, two in your Government—Amy Adams and Nathan Guy—who were with Tariana Turia on a marae in Ohakune 2 years ago, and they actually—it's been confirmed they actually ate some kererū. Were you aware of that? And they were also served the kererū—the marae got the kererū through DOC.

PM: Yeah, OK, so about half an hour ago I got made aware that there was likely to be a story run that they may well have been served kererū. The Ministers in question, if they were, they were completely unaware of that. Whether they actually consumed it, given they didn't know that it was kererū—I'm sure they can't remember what they ate 2 years ago. I don't think you can say they actually ate it. If the marae is saying that they served it, they would certainly know, but **[Inaudible 16:26:42]** all of you will know, when you go to a marae, usually, it's communal sort of dining with lots of different dishes put in the middle, some of which people eat and some of which they don't—ranging from crayfish to kererū to chops to a whole bunch of other things. So you can't say that they actually ate it, but they may well have been served it. If they were, then the marae will be in breach of the current rules of the law, but I don't have any back story of whether they got them from DOC or whatever. My understanding is DOC has had a relationship with various iwi around the use of feathers and things for where there's roadkill, but outside of that, I don't think they've given authority for kererū to be served. You would need to ask DOC—

Media: Would there be a problem, in your mind, if DOC has been—?

PM: Well, that would be a breach of the law, but in the same way that Sonny Tau is. I would have thought that if they've authorised **[Inaudible 16:27:33]** but we would have to check legally whether they have been in breach of the law. Certainly, the marae would be, but we would have to work out under what conditions they did that, but in terms of the Ministers, all I can say is, you know, when you turn up to maraes, people serve food. They certainly weren't aware of it, and whether they consumed it is a very different issue.

Media: And you've checked with those Ministers' offices?

PM: Well, that's the advice I've been given.

Media: Julie Bishop and Australia have been quite vocal about wanting an MH17 tribunal. Malaysia say they want it this month, during New Zealand's presidency. There's been no confirmation it has been on the agenda. Do you expect it and do you want it to be?

PM: I don't know if it's on the agenda. You would need to ask the Foreign Minister's office, but certainly New Zealand's been supportive of the new **[Inaudible 16:28:17]** further work.

Media: Have you ever been served kererū or eaten kererū, as far as you're aware?

- PM:** Not as far as I'm aware, no.
- Media:** Local Government New Zealand wants to look at charging rates on Crown land. Is that something you see merit in?
- PM:** Look, it's a longstanding issue. So, you know, I can't say it will never happen, but, historically, for very good reasons, it hasn't, but it is an issue that local government raises with us.
- Media:** Do you see any reason why it shouldn't?
- PM:** There's a variety of different reasons historically why, you know, rates haven't been paid on Crown land—probably somewhat to do with the two-way nature of the relationship between central and local government and the services that that provides. So whether that's—certainly, there's been no suggestion on our side that that is likely to change to date, but we're certainly aware of the requests from local government, and we've been certainly aware of the work that they're doing around their own funding and how that might work. I mean, it's also true—an issue for a lot of Māori land, for instance, that rates aren't paid on. And that's one of the reasons we've been keen to, obviously, progress the Te Ture Whenua Māori reform that we've been doing, because we think that will make that land productive—far more likely that rates would be paid there to the councils.
- Media:** On another regional council issue, Mark Solomon, in terms of fresh water, at the weekend—in terms of the arrangement that you're trying to come to with iwi—said that they weren't looking for ownership rights or any kind of financial payment but were happy if it was along the lines of what you call input, or seats, or appointments that seem to be next to the regional councils in specific waterways working with where iwi were appointed. Would that be palatable for you?
- PM:** Well, I don't think we would be suggesting there's some wholesale change to governance structures around waterways, but on a case-by-case basis, sometimes it makes sense for there to be that sort of role played by Māori, and the Waikato River is a great example of where that's already taking place. So they are a logical and genuine stakeholder, and, you know, we have those discussions with them catchment by catchment and sort of regional council by regional council. But it's not something we're looking to implement as a wholesale standard—you know, Māori seats - type of bargaining, if you like—for those catchments around the country.
- Media:** But you would be prepared to have appointed iwi representatives sitting alongside democratically elected councillors, making decisions about—
- PM:** Well, historically, where that has happened, but where it's been extremely logical to do so. So in Christchurch Ngāi Tahu's a pretty big partner. We've worked with them closely on lots of different issues, and sometimes they have had formal input into various **[Inaudible 16:31:02]**. We can't rule that out, but it just depends on the circumstances.
- Media:** It appears Amanda Bailey has reached—
- PM:** Sorry, one more time?
- Media:** It appears Amanda Bailey has reached a settlement with the owners of the cafe of some sort and that she won't take any legal action against you. Are you pleased about that?
- PM:** Look, that's just wholly a matter for her.
- Media:** But you must be happy she's not taking legal action against you?
- PM:** Well, look, **[Inaudible 16:31:26]**

- Media:** Are you still trying—are you trying to get the Human Rights Commission case dismissed?
- PM:** Well, my—I haven't spent any time focusing on it. Certainly we have a view of Mr McCready and whether **[Inaudible 16:31:39]** what he's trying to do, but my lawyers **[Inaudible 16:31:40]**
- Media:** What were your thoughts on appearing in your son's holiday video?
- PM:** I was a reluctant participant.
- Media:** Did you or your office vet the video?
- PM:** No.
- Media:** So you didn't see it before it went on the World Wide Web?
- PM:** Oh, I saw it, but I didn't vet it, no. But I have a standard policy. In the end, young people—young people engage in social media. They have Instagrams and they have Facebook and yep, you know, some people make the case that I should be the censor, but on the other side of the coin, while I'm also Prime Minister, I'm also a father, and most fathers let their kids have social media pages. So I've wanted my kids to grow up, you know, naturally, as much as they possibly can, to run their own lives. They've got to take the good and the bad that comes with that. There'll be plenty of bad that comes along, and there'll be some good as well. That's just the way it is. But if I try and stop that, then—well, I just don't think I'm doing them justice in the responsibility I have as their father.
- Media:** Do fathers who are Prime Ministers have power of veto?
- PM:** Well, the question is whether they'd listen to me, and I think it's highly debatable about whether they would. They might. I'm their loving father.
- Media:** Just going back to the Reserve Bank on Thursday: if they do cut by 50 points, that will probably be interpreted as a sign that demand in the economy is wavering or falling. You mentioned the supply side before. Do you have any concerns in a broad sense about how the demand side of the economy has been performing this year?
- PM:** It still looks pretty strong. I mean, I think you saw the services number out today was strong. The PMI for manufacturing was strong last week. Interesting enough, Bill said in China the view that they had was consumer demand is still very strong. So in certain areas, like, for instance, infrastructure investment and financial investment, he saw quite a marked downturn there. But, for instance, I think he went to one of the—Chongqing, I think it was—one of the provinces, but he was saying, basically, there, for instance, the demand for kiwifruit was rising exponentially. So China, fundamentally, is becoming a wealthier country—more middle-income consumers and they've got a lot more product to buy. And that's part of the reason why you're actually seeing sort of interesting different responses around commodities. So, for instance, in some areas where they've either got ahead of themselves with letting too much build up—dairy being an example—you see a big reduction in prices. But in others, for instance, you've seen quite a big increase. For instance, tourism demand out of China is growing really rapidly and **[Inaudible 16:34:22]** very strong in that they're here for longer, spending a hell of a lot more. Just generally, we still see quite strong demand in their economy.
- Media:** What did Mr English pick up about the future of dairy exports in China?
- PM:** Generally speaking, he's positive. I mean, I think he thinks that they may be lower for a little bit longer. There's no question that—all the factors that we know have driven the downturn in dairy are, you know, I think they are accurate. You know, there has been less product going into Russia, if any. That's **[Inaudible**

16:34:49] the Europeans are selling their products somewhere else. There's been quite a big build-up in inventory. I think when prices dropped, the Chinese came in and bought quite a bit and got a little ahead of themselves there. You've had very good growing conditions in China—so, for instance, they normally get foot and mouth; they haven't actually had that in any great form in the last 12 months. So, just generally, there's been quite a lot of supply there, but it's a temporary issue. You know, over time, there's no question that the demand for dairy in the long term is **[Inaudible 16:35:18]** likely to be very strong in Asia.

Media: How long is a bit longer?

PM: I don't know, but a little bit longer.

Media: Just two last questions on the register. If that register did prove that foreign-buying was as high as Labour claims it is—

PM: Well, they said 40 percent.

Media: Yeah, and like 30 percent of offshore—would you do something? You think, if it came back that it was 30 percent of offshore, would you—

PM: Well, you're asking me a sort of hypothetical question and—I mean, is the question—you know, it depends on how you pose the question. If you're asking me if 30 percent of all sales of residential property in New Zealand were to foreigners, well I think that's much bigger than I expect **[Inaudible 16:36:00]** a problem, I'd say yes. Around New Zealand, I'd be amazed if that's the case. Even in Auckland, I'd be absolutely staggered if that was the case, but let's wait and see when we get the data.

Media: What levels, though—at what level would it start to worry you?

PM: Well, again, you're asking a rather hypothetical question, I think. What I'd rather do is gather some data, have a look at that data, and then consider whether we need to take any next steps and what those next steps would look like if we decided to move. But all I can say is that—the only—you know, there are a number of—a number countries around have taken some steps. They all have different—you know, different ways of administering their housing markets, from withholding taxes to stamp duties, in some cases to bans. But in major international cities and in growing economies, none of them appear to me to be terribly successful. So, you know, if we were to act, we'd have to at least be comfortable, I think, that what we were trying to achieve—were we trying to slow down the market or just raise a bit of revenue; I don't know, we'd have to look at that. So, look, let's wait and see.

Media: Have senior Ministers discussed at all a figure where they would think it would be concerning? You must have talk about—

PM: No. We haven't discussed a figure. I mean, I think our general view is that you've had strong migration into New Zealand; you've got, you know, a market which is obviously encouraging some people to try and invest; you've got a pretty big Asian community; and, generally, a multicultural community in Auckland. And so it's natural, you know, that those numbers might be bigger for a variety of different reasons. In my view, I think you'll find that if you're asking specifically about the issue that Labour raised last week, I don't think for one moment that they even believe the number is anything like what they said. I think that they are showing how desperate they are, really, to try and peddle those numbers. And, yep, some of the buyers on that register will be non-resident New Zealanders who live in mainland China, but quite frankly, I think most of them will be residents or basically be citizens.

Media: But if it is as high as they say, that would be enough for you to trigger further restrictions on foreign investors?

- PM:** Well, if you're asking me whether if 30 percent of all of New Zealand house sales were going to foreigners, yeah, I think that would interest me.
- Media:** What if it was 15 to 20 percent? Would that be high enough?
- PM:** Well, let's just wait and see and have a look at what the data looks like. But, you know, some of you guys have gone out there and followed some of the names on that list—
- PM:** You know, I mean, look, as I said this morning on the radio, my next door neighbour's Mark Chin. I look more Chinese than he does, but according to Labour, he's a **[Inaudible 16:38:45]**. You know, my son is Max Tim Key and he's born in Singapore. If you just saw that name on a piece of paper, and I wasn't Prime Minister, you'd assume he's Asian. But **[Inaudible 16:38:56]** demonstrates he's not.
- Media:** Have you received any kind of interim signals about what the likely decision will be about Tiwai Point next month?
- PM:** No. I know that there have been discussions within the Minister of Finance's office and the company, indicating that the Government wasn't prepared to put any more resources in, as we did in the past. I know Meridian are dealing with the issue, but we'll have to see how it plays out. Hopefully, they'll stay. It's a good product in New Zealand. They're a significant employer. I actually stand by the decision we made some time ago to put some money in there. So **[Inaudible 16:39:31]** a very vulnerable time, and they have a big impact on the Southland economy, but the Government's not interested in putting another cash injection in.
- Media:** And is that because you see them as being less vulnerable now than they were before?
- PM:** Yeah, the circumstances and time is a bit different, I think. I mean, we accepted the view that there were lot of different factors happening at that time, and the economy was weaker, and the implications were weaker. I think—you know, when we put that in, it was always as a temporary point of view, and we said at the time, you know, you need to make a call about whether you're staying or going. In the long term, it has to stand on its own two feet.
- Media:** You say that you won't put any more cash. Have they discussed any other kind of concessions or—?
- PM:** No, I don't think so. Not direct with the Government. There may have been discussions within Meridian but not with us.
- Media:** Last year I think you said that 65 was around about the fair value for the kiwi. Where do you think it's going?
- PM:** If I answer that question, I might break my record, which has been quite good. Look, I don't know, but I think in the end, there's been a longstanding view from the Government and the Reserve Bank that the exchange rate was overvalued, and I think the recent adjustments have reflected that.
- Media:** Still overvalued?
- PM:** Don't know. Depends on what happens next.
- Media:** Earlier you said that Australia's foreign home ownership has been spectacularly unsuccessful. They did introduce enforcement measures though earlier. Do you include that when you assess—
- PM:** Well, they made—if you're talking about the very most recent changes, they've made—they've announced those changes, and those changes were to reflect the fact that—very positive that **[Inaudible 16:41:15]** did not work, and you know,

Joe Hockey had to force a guy to sell a property, as I understand it, in Sydney because, actually, it hadn't worked, and Sydney house prices have been going up faster than Auckland property prices, as I think Melbourne were comparable. So it hasn't stopped people buying.

Media: But do you think that if you included that with tough enforcement measures that it would work perhaps here in New Zealand as well?

PM: Well, someone would have to demonstrate to me that it would. And you'd also have to demonstrate that you wanted that, because what happens if—it's a very complicated area, but what happens if somebody goes along and buys a high-country station's that got an existing house on it but wants to build a new house? Are they then unable to do that? I don't know.

Media: Have you contacted the Speaker about Labour's complaint about your KiwiSaver comment?

PM: No. You know, we've responded and, in our view, Labour's claims are unfounded.

Media: When you got the advice from IRD that it wouldn't make a difference, did that not seem a bit illogical—that if you take away a payment, that, presumably, it would have some impact?

PM: Well, that was the advice. I mean, look, my own view of the thing is that there's 2.5 million people in the system. If it has any impact, it will be on the under-18s, because there will be some people that have a baby and under the previous scheme would have signed the baby up. The baby isn't going to be making savings, because they're, by definition, a baby, but they'll get \$1000 under the old scheme, and would've done that until they actually get to the workforce. But, actually, in terms of the point at which they go into the workforce—which is what KiwiSaver's all about—people establishing savings through their working life—I don't think it will make a blind bit of difference, because a) it's a very sophisticated system now. Companies are very organised in terms of joining, and you just can't rule out the Government's not going to move to auto-enrolment. And on that basis, everyone will be in, except people that are excluded for some reasonable reason. So the advice that I had from Treasury and IRD was **[Inaudible 16:43:21]** Cabinet paper was that it would have—you know, if it had any impact, it would be absolutely minimal, if any at all, so I stand **by [Inaudible 16:43:30]**. OK.

[FTR end time 16:43:35]

Conclusion of press conference.