

2020

National's Economic & Fiscal Plan

Restoring New Zealand's Prosperity



Hon Judith Collins
Leader of the Opposition

New Zealand has a bright and prosperous future ahead. With the right economic policy, we can grow and rebuild our economy from the biggest economic downturn in living memory. There is a better way.

National will deliver competence, a plan to secure the border, and restore our economy.

With tens of thousands of New Zealanders joining the unemployment benefit line this year, we owe them a chance to get a job. National wants them to have real sustainable jobs, based on a thriving private sector.

To achieve that economic vision we will first restore confidence in border management to protect New Zealanders from the pandemic. Effective border management is the best way to make sure we don't yo-yo between alert levels, which devastates businesses and livelihoods and puts real pressure on families.

Alongside a secure and intelligent border, New Zealand also needs a comprehensive set of economic policies that grow the economy, support businesses and protect jobs.

National's Economic and Fiscal plan will put more money in Kiwis' pockets and encourage businesses to invest and to create jobs.

We will help working New Zealanders by providing a 16-month tax stimulus package, that will put more than \$3000, or nearly \$50 a week, in the pocket of the average earner. We will also index tax thresholds to inflation.

We will stimulate business investment and lift confidence by allowing businesses to immediately deduct new investments up to \$150,000 and double depreciation rates for investment over \$150,000 in Plant, Equipment and Machinery.

During an economic crisis, when we are losing thousands of jobs and businesses are struggling, increased government spending and higher levels of debt are required in the short-term.

However, we also need a responsible plan to reduce debt over time so future generations, our children and grandchildren, are not burdened with debt levels that require higher taxes or reduced public services. We don't want to see our children paying the price for wasteful spending now.

Our Economic and Fiscal Plan will boost investment in core public services each and every year, with a focus on health and education. Ultimately, however, we will prioritise lifting the outcomes and accountability of government spending and not just the volume – something the current Labour Government has all but abandoned.

It is critical we take advantage of the low cost of borrowing to significantly lift investment in infrastructure, with a focus on transport projects that reduce congestion in our major cities and better connect our regions.

Every dollar borrowed must be repaid by future generations. We will establish the National Infrastructure Bank to ensure investments are professionally managed and the debt is minimised. National wants those future generations to see a genuine legacy from that borrowing – in repaired schools, new hospitals and better transport networks.

National will promote private sector job growth by reducing red tape, adding flexibility to employment settings such as extending 90 day trials to all businesses, incentivising new job creation with policies such as JobStart and BusinessStart, reducing barriers to foreign direct investment and repealing the Resource Management Act.

Only National has the plan and the competence to make sure New Zealand households and businesses come out of this health and economic crisis stronger than we entered it.

A secure, intelligent border and a comprehensive set of economic policies that reduce costs and uncertainty for businesses is the best way to lift the economic and health outcomes for all New Zealanders.

Responsible economic management has been a hallmark of successive National Governments. The Government I will lead will be true to that tradition. New Zealand can trust National to deliver a sound economic plan to get New Zealanders to that prosperous economic future we deserve.

A handwritten signature in blue ink, reading "Judith Collins". The signature is fluid and cursive, with the first name "Judith" and last name "Collins" clearly distinguishable.

Hon Judith Collins
Leader of the Opposition



Hon Paul Goldsmith
Finance Spokesperson

The lives and livelihoods of many New Zealanders have been upended by the pandemic and many businesses, large and small, have been pushed to the brink by events out of their control. Families are suffering as a result. Our economy has shrunk and our public debt has ballooned.

We have every confidence our great country will get back on track. We will restore our prosperity and once again have an economy that can provide opportunities for the next generation and a good standard of living.

But it will take hard work. It will take competence and a problem-solving attitude at the border, and a relentless focus on economic growth along with improved productivity.

With National's ambitious economic policies, we'll get back on our feet faster.

This October, New Zealanders have a choice for our economic response to Covid-19 between ever more government programmes from Labour and the Greens, or more money in their pockets from National.

We'll back the workers of New Zealand – the men and women who get up early each day to provide for themselves and their families – and during this difficult time we'll provide some tax relief.

It's clear New Zealand is in for a tough year in 2021. We will need more stimulus to avoid prolonging the recession and to reduce the economic and social scarring that the Treasury predicts. The fairest and most efficient way to avoid that scarring is through the tax system, by putting more of New Zealanders' own money back in their pockets.

National will ignite the economy by providing a 16-month tax stimulus package that will put more than \$3000 in the pocket of the average earner, or nearly \$50 a week.

Under Labour and the Greens, Kiwis can only look forward to higher taxes. A Government that can't control its spending – as this one has demonstrated – will soon come after more and more New Zealanders for more tax.

Not only will National back Kiwis, but we'll also back the businesses of New Zealand – large and small – to drive the job creation and productivity improvements we need to provide more opportunities for New Zealanders and higher incomes.

We will stimulate business investment and lift confidence by allowing businesses to immediately deduct new investments up to \$150,000 and double depreciation rates for investments over \$150,000 in Plant, Equipment and Machinery.

We'll push back the tide of regulation starting with the RMA, which has become a barrier to so much progress.

Our economic plan will revive economic growth by reducing the costs, regulation and uncertainty that is preventing the private sector from hiring new staff or investing in new equipment.

We will increase Government spending on core public services like health and education every year, but we will have an absolute focus on getting good results for that extra spending.

Throughout history, severe downturns such as the one we are experiencing now have also been a time when generational investments have been made that help set up the restored economy for growth. National will make these much needed historic investments. We have an ambitious infrastructure plan, with a focus on transport and education.

We have the vision of properly connecting the 2.5 million people living between Whangarei, Auckland, Hamilton and Tauranga to make that region one of the most dynamic in Australasia. That sort of growth will underpin future jobs and opportunities.

Our commitment to delivering infrastructure extends to world-class schools and classrooms. Now is the time to invest in better learning environments for this and future generations.

However, unlike Labour, we recognise the need to act responsibly for future generations by restoring public debt to prudent levels over the next decade or so, so New Zealand is prepared for future shocks and taxes do not need to rise.

The best path back to a prudent debt level requires an absolute focus on economic growth and disciplined Government spending, not higher taxes.

Discipline in day-to-day spending and a focus on economic growth enables us to provide immediate tax relief while still increasing investment in infrastructure and core public services, and all the while setting a longer-term path to prudent levels of debt.

A handwritten signature in blue ink that reads "Paul Goldsmith". The signature is stylized with a large, looping 'P' and a trailing flourish.

Hon Paul Goldsmith
Finance Spokesperson

Comments from NZIER

NZIER Independent Review

We were asked to review the costings of the package of expenditure and revenue proposals outlined in this document.

Our approach

In reviewing the costings, we have examined material provided by the Party which outline the policies, the detailed costings themselves and the methodology used to determine those costings.

In undertaking this review, we have been guided by the Treasury's guidance on Costing of Political Party Policies issued in advance of the election. In accordance with this approach, we have checked how the National Party has calculated the initial fiscal impact of its proposals.

The National Party, as is standard, has released the fiscal impacts of its proposals, rather than undertaking an economic assessment of the costs and benefits of the proposals. This is the same approach the Treasury follows in presenting the annual Budget and is thus appropriate.

Assessment

All the National Party's announced fiscal commitments are within its proposed spending allowance levels, and the Party has left itself \$10.189 billion in unallocated operating spending fiscal headroom over the term of the coming Parliament. It also has headroom on the capital side.

In the medium-term, the Party is committing to a significant level of new spending, but at a lower level than the track contained in the Treasury's Pre-Election Fiscal and Economic Update.

We have reviewed the costings prepared by the National Party and we can confirm that they are based on appropriate information and data and provide voters with a sound basis upon which to assess the package.

Peter Wilson – Principal Economist, NZIER

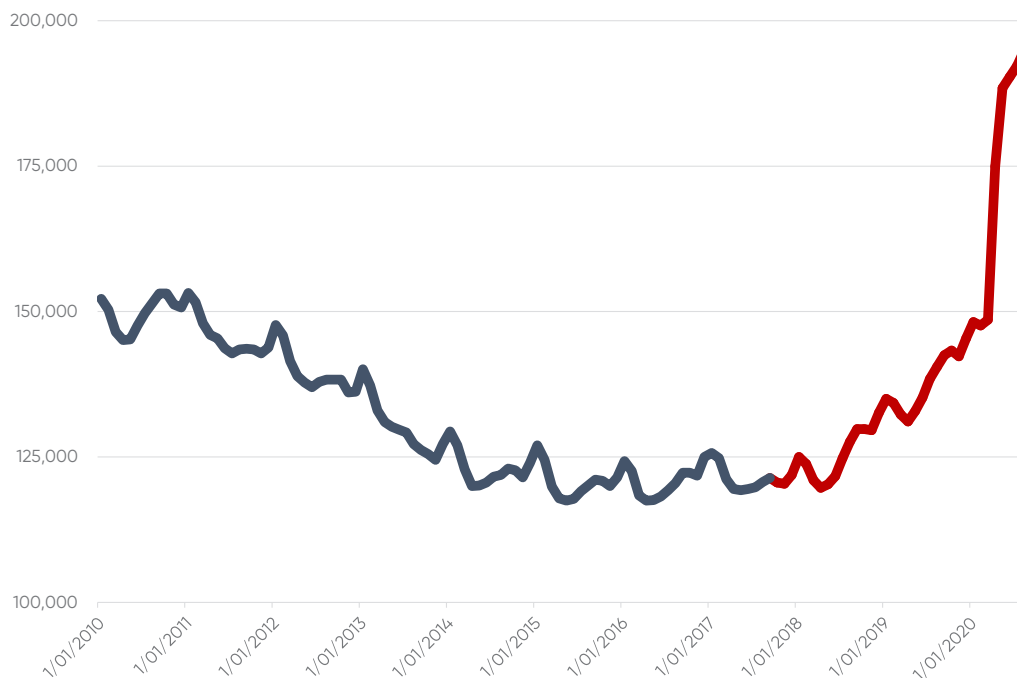
Economic Context

New Zealand is in the middle of the largest global economic downturn in living memory.

More than 70,000 people have gone on to unemployment benefits since March. That is 70,000 families who have experienced the loss of income and dignity that comes with not having a job.

The Government has spent \$13.7 billion on wage subsidies. While this has been necessary, those subsidies cannot last forever. More jobs will be at risk as government subsidies unwind and businesses are exposed to the full scale of the economic damage.

People on Jobseeker Support



As well as the wage subsidy, the Government has announced more than \$30 billion in other government support – some of which has been low quality spending, such as investing in a Green School that none of the governing parties now think is a good idea. The Government has also been paying some landlords more than \$3000 a week for substandard emergency housing, based on motel room rates. This sort of wasteful spending has made a difficult fiscal situation worse.

Some sectors will be hit much harder by the economic crisis than others, such as the tourism and international education industries which make a significant contribution to our export base. Hospitality and retail have seen thousands of jobs lost and widespread business failure.

While job losses and business failures are the immediate consequences of the economic crisis, there are also long-term consequences as well. There will be a greater dependence on state welfare, increased household debt levels, fewer job opportunities for those

entering the workforce for the first time, and higher government debt that will burden future generations.

New Zealand has struggled to lift our productivity in recent times. In the long run, improving productivity remains New Zealand's most important economic challenge and National is determined to meet that challenge, with the goal of raising incomes for all New Zealanders. National understands that significantly lifting productivity is the only way to materially improve the living standards of New Zealanders. Increasing productivity means we can produce and sell more of what the world wants, at better prices and using fewer resources.

We recognise there is not one silver bullet to driving higher levels of productivity. What is needed is a large number of changes that all support businesses to hire extra people or invest in extra equipment and technology. That includes reducing regulatory barriers to growth, increasing the flow of investment, restoring flexibility to our labour market, low and stable taxes, a focus on upskilling our workforce, high-quality infrastructure that creates a more efficient flow of people and goods, and an openness to trade.

Before the economic crisis, New Zealand's level of net government debt was about 20 per cent of GDP thanks to the responsible economic management of the last National Government in responding to the Global Financial Crisis and Canterbury earthquakes. That responsible economic management was vehemently criticised by the Labour Party each and every Budget, despite it being the very reason New Zealand was able to respond to the current economic crisis the way we did.

Under Labour, New Zealand's net debt is forecast to rise from about \$60 billion before the crisis to more than \$200 billion in just four years – pushing net debt to more than 55 per cent of GDP, the highest in almost three decades. Labour's plan of leaving the next generation with high debt will mean our children are left with having to choose between higher taxes – the preferred approach of the Labour and Green Parties – or reduced spending.

National's fiscal plan takes a more disciplined approach to spending. We will not waste taxpayer money on low value spending such as KiwiBuild or Fees Free and we will be more disciplined with new spending. National's approach will mean New Zealand returns net debt levels back to prudent levels sooner protecting the next generation from higher taxes or the need for austerity.

National's Economic and Fiscal Plan – Highlights

Lower Taxes

National will inject massive stimulus from 1 December this year by providing a 16-month tax stimulus package that will put more than \$3000, or nearly \$50 a week, in the pocket of the average earner.

We will pay for this stimulus by drawing down on the Covid-19 Fund. We will still retain a lower debt track than Labour because we will be more disciplined with day-to-day spending over the longer term.

National will allow businesses to instantly write off new investments up to \$150,000 and double depreciation rates for investment in Plant, Equipment and Machinery over \$150,000. This will drive business investment and job creation.

National will index tax thresholds to inflation to protect New Zealanders from tax increases by stealth.

More Jobs

National will stimulate the private sector to create new jobs by providing tax deductions for businesses that invest in new assets.

National will massively reduce red tape and compliance costs for businesses, reducing their costs and allowing them to take on new employees by restoring 90-day trials, repealing the RMA and simplifying small business tax compliance.

National will encourage businesses to hire new staff with our JobStart policy, which will provide a \$10,000 tax incentive for every new job created.

Quality Infrastructure

National will massively lift investment in transport infrastructure, with a \$31 billion programme over the next decade.

National will invest in our future generations by investing an additional \$4.8 billion over the next decade in upgrading our schools.

National will establish the National Infrastructure Bank to ensure investments are professionally managed, and the debt is minimised through sound management.

Responsible Economic Management

Under National net debt will drop to 35 per cent by 2034, compared with 48 per cent as forecast by PREFU.

National will return to surplus by 2028. As opposed to never under Labour.

National's Economic and Fiscal Plan

The New Zealand economy is yet to feel the full force of the economic crisis. So far our economy has been propped up through massive amounts of government spending. While necessary, this level of stimulus can't continue forever. It's not sustainable, and every cent will need to be repaid.

National has a comprehensive five-point plan to deal with the economic and jobs crisis:

- Responsible Economic Management
- Delivering Infrastructure
- Reskilling and Retraining Our Workforce
- A Greener, Smarter Future
- Building Stronger Communities

Responsible Economic Management

National's Economic and Fiscal Plan carefully balances the need to invest more in core public services, keep taxes low, invest in infrastructure and rebuild the fiscal buffer for future economic shocks.

National will reduce the tax burden on households and businesses...

The best form of stimulus is to return money back into people's hands.

We will inject massive short-term stimulus with a \$4.7 billion Tax Stimulus Package, which will put more than \$3000, or \$50 a week, in the back pockets of the average earner over the next 16 months.

The money – their money – will help families deal with the rising cost of living, but it will also stimulate demand in a flat economy.

We will also provide tax relief for households through our Tax Indexation policy, which will adjust the tax thresholds every three years to keep up with inflation. We will also abolish the Regional Fuel Tax and not increase fuel excise taxes in our first term. We are committed to no new taxes, such as a wealth tax or higher personal income taxes.

Unlike Labour and the Greens, we won't increase taxes. Higher taxes are the last thing New Zealand needs right now.

National will reduce taxes on business by allowing instant capital write-offs up to \$150,000, doubling depreciation rates in Plant, Equipment and Machinery investment for 12 months and simplifying small business tax rules and rates.

National will invest more every year in core public services...

In education, we will support parents, students and teachers in making sure all New Zealand children get the start in life they deserve. We will reduce class sizes, invest more in students with additional needs, improve adult-to-child ratios in early childhood education, establish new partnership schools and fix the schools that are in need of repair.

In health, we will establish a \$50 million Cancer Fund within Pharmac, invest more in gynaecological cancer, create a Rare Disorders Fund, improve access to dental care in schools, double the number of cochlear implants funded each year, and increase the level of post-natal care.

In law and order, we will increase funding for drug intelligence, expand the use of drug and alcohol courts and increase funding for education and drug treatment in prisons.

And in social development, we will significantly increase investment in a child's first 1000 days. Including, enhanced screening pre and post-birth, extending post-natal stay, adding greater flexibility to paid parental leave and providing new parents with up to \$3000 in funding for their child's development.

Ultimately National will prioritise lifting the outcomes and accountability of government spending and not just the volume. We will do this by restoring targets in health, education and law and order.

National will back the private sector to create new jobs...

Since March, more than 70,000 New Zealanders have gone on to government unemployment benefits and this is set to rise as government wage subsidies continue to unwind.

National supported the wage subsidy, in fact we called for it. However it is not a long-term solution to keeping New Zealanders in jobs.

Labour's primary idea is to artificially create government job schemes, such as possum hunting and planting trees, paid for by private-sector taxes and/or government debt. We can't do that for long. These types of jobs are not sustainable because they do not pay their own way.

National backs the tens of thousands of Kiwis who own businesses, large and small, to find ways to expand their businesses and take on more people. That's where most of the genuine, sustainable jobs come from.

We need to back the private sector to create sustainable new jobs by minimising uncertainty, reducing costs and eliminating unnecessary regulation.

We have to focus on making it as easy as possible for businesses to take on new workers.

Uncertainty stifles new business investment and limits growth recovery. One of the largest areas of uncertainty at present is the risk of further Covid-19 outbreaks because of the Government's failure to keep the border secure. The risk of future outbreaks, and the subsequent restrictions on economic activity to contain the spread of the virus, are damaging business confidence and investment.

National will minimise this risk and the uncertainty it creates by committing the necessary resources to ensure our border is strong.

Furthermore, imposing higher costs and more burdensome regulation on business will hamper our economic recovery. We are committed to reducing regulatory costs. We will reduce red tape, including Anti-Money Laundering and Health and Safety regulations, freeze the minimum wage for 12 months, repeal unwieldy employment law changes, reduce barriers to foreign direct investment and repeal the Resource Management Act.

We will also encourage new job creation through our JobStart scheme, which will incentivise businesses to take on new staff by paying them \$10,000 for every new job created. And we will encourage new business creation through our BusinessStart scheme, which will allow New Zealanders who lose their job to claim a \$10,000 tax credit and access up to \$20,000 from their own KiwiSaver to use as working capital for a new business.

National will rebuild the fiscal buffer to ensure we are prepared for future economic shocks...

National will pay debt down faster than Labour, while continuing to put more money each year into core public services.

We can do this by taking a more disciplined approach to new day-to-day spending, by increasing new spending (i.e. operating allowances) at a lower rate than Labour, by prioritising that new spending on core public services like health, education and law and order.

We won't be afraid to eliminate wasteful, low value for money spending such as Fees Free and KiwiBuild, which have not delivered better outcomes for New Zealanders.

And, we will suspend Super Fund contributions, because it makes no sense to be borrowing against future generations to invest in foreign investment markets. It is much wiser to pay down debt.

Delivering Infrastructure

National will significantly increase infrastructure investment to boost our productivity and improve our public services.

National has committed to \$31 billion in additional transport infrastructure over the next decade, including \$17 billion in the Upper North Island. Our Transport Infrastructure plan has been fully funded and costed over the next decade.

National's Economic and Fiscal Plan will allow significant increases in infrastructure investment by allowing NZTA to borrow from their own future revenue streams, reprioritising existing low-value transport funding, tapping into future capital allowances and using unallocated funding from the Covid-19 Response and Recovery Fund.

National will continue our aim of giving every New Zealand child the opportunity to succeed through education by committing \$4.8 billion in new spending to school infrastructure. In line with National's commitment to shift New Zealand's approach to infrastructure from a just-in-time strategy to one of early delivery, we will develop a thirty-year education growth

plan and commit \$2.8 billion to its first decade, on top of funding that has already been allocated. This will see about 60 new schools and sufficient new classrooms built at existing schools to meet demand for an extra 100,000 students within a decade.

National's commitment to delivering world-class education infrastructure also includes \$2 billion to fast-track repairs and upgrades through a Fix New Zealand Schools Alliance.

We have set aside an additional \$4.8 billion over the next decade for additional investment in education infrastructure, including building new schools and upgrading existing schools so they are fit for purpose. Our plan will allow school infrastructure to keep up with roll growth and to account for reduced class sizes.

We will also invest more in health infrastructure so our hospitals are able to deliver world-class healthcare that New Zealanders deserve. National will commit significant increases to health capital expenditure over the next decade. This will include urgently upgrading Hawke's Bay Hospital.

National will take a new approach to delivering the infrastructure New Zealand desperately needs by creating a new National Infrastructure Bank, which will combine several existing entities into a single, professional agency that provides finance and advice to central and local Government infrastructure projects. The National Infrastructure Bank will provide clear lines of accountability to not only ensure value-for-money, but also deliver tangible assets that underpin future development in the form of better resourced schools, health services, roads, water provisions and housing.

Reskilling and Retraining Our Workforce

Since March, more than 70,000 New Zealanders have gone on to government unemployment benefits and this is set to rise as government wage subsidies continue to unwind. As tens of thousands of people become unemployed over the next few months, they need urgent assistance with upskilling so their skills better match the jobs New Zealand needs. National wants everyone to have the skills they need to do the job they want.

The Government's expensive and disruptive Vocational Education restructuring plan is a massive overreaction to the issue of Institutes of Technology and Polytechnics' (ITP) financial sustainability. With demand for vocational training set to increase over the coming months and years due to rising unemployment, we should be directing all of our efforts and resourcing towards frontline education and training, not into establishing a centralised bureaucracy that will take years to get up to speed (and even then, will be less nimble and effective than our current, decentralised system). National will return autonomy and independence to the ITPs and ensure that industry training is led by industry, not government.

National will provide businesses and apprentices with certainty by continuing the funding that has already been committed to subsidise apprentices and vocational training costs. We will, however, abolish Fees Free as it has failed to lift enrolments in tertiary education.

We will announce our full Tertiary Education package before the election.

A Greener, Smarter Future

New Zealanders want a greener and smarter future. National will support our entrepreneurs and innovators to succeed. The ultra-fast broadband network delivered by National has become the backbone of our economy, allowing high productivity from home and office. It has protected jobs that could have been lost during the pandemic lockdown.

New Zealand is a nation of innovators, with success stories like Rocket Lab and Xero, which have shown we can take part in the economy of tomorrow.

Our traditional industries have also embraced technology to lift their productivity. The goods they produce are increasingly green and sustainably produced. Our food and fibre is the subject of growing international demand.

National is committed to the Zero Carbon target, and to cleaner lakes and rivers in provincial New Zealand. There does not need to be a trade-off between the interests of our world-leading agricultural industry and a greener future. We support the constant industry-led improvements by our farmers, by building on our status as the most productive and sustainable food-and-fibre producers in the world.

New Zealand has the world's best farmers and agricultural scientists. National launched the Global Research Alliance on Agricultural Greenhouse Gases, which now involves nearly 60 countries, working together to find ways to grow more food, without growing greenhouse gas emissions. It is well within New Zealand's capability to keep improving productivity, while protecting and enhancing the natural environment.

A Greener, Smarter Future is about much more than tourism and agri-business. It is about technology and intellectual property across the board.

National believes the future of transport in New Zealand will be zero emissions. New Zealanders use private motor vehicles for 95 per cent of their land transport needs. Reducing emissions doesn't mean stopping cars. Our zero emissions future will be one where cars continue to move us around to our jobs, visit our family and take kids to sports games. But these cars will be zero emissions. We can reduce our transport emissions right now through the electrification of our fleet. National's ambitious electric vehicle plan will encourage the purchase of electric vehicles, support growth in the secondhand EV market, support sustainable transport infrastructure, and lower carbon emission in New Zealand's transport sector.

National will support emissions reductions by updating New Zealand's restrictions on the use of biotechnologies in consultation with New Zealanders to bring them into line with the latest science.

And we will establish two new National Parks – one on the Coromandel Peninsula and one in the Catlins – as well as recommitting to Predator Free New Zealand 2050.

National's vision is of a post-Covid economy that is greener, smarter and better than the one we had before. Creating high-quality jobs and building an economic advantage as we compete in world markets.

Building Stronger Communities

Thriving communities are vital to our economic and social recovery.

Responsible economic management, delivering infrastructure, reskilling and retraining our workforce and a greener, smarter future will help strengthen our communities.

Every community needs strong local institutions to maintain and enhance their living standards. This includes the local marae, the local sports club and the local voluntary organisation. They build inclusion, create better social outcomes and lift our wellbeing.

National wants our communities to thrive and we have a comprehensive range of policies to support our communities.

National will make our communities a safe place to live, work and raise a family through effective policies that fight crime. Our policy is simple: victims should get justice and criminals should be held accountable for the harm they cause, while also being rehabilitated into contributing members of our society. We will implement our Social Investment approach across the justice system; tackle the harm caused by methamphetamine use; significantly expand mental health facilities in policing; expand the use of specialist courts, such as drug and alcohol courts; and introduce the Clean Start policy to help newly-released prisoners move to a new community.

National has outlined an integrated and comprehensive plan to tackle the issues caused by methamphetamine use, restoring hope to people trapped in cycles of drug dependence and challenging those who peddle misery in our communities. The use of this drug tears families apart, fuels violence, enriches criminals and destroys lives. We cannot tolerate the continued misery this drug causes, which leads to rising levels of violence and poverty, and widespread social harm.

National will also focus on making our communities healthier. We will significantly increase health funding, including a \$50 million per year Cancer Fund within PHARMAC, increasing funding for gynaecological cancer, a National Cancer Agency and funding for rare disorders. We will ensure PHARMAC can continue to provide the current medicines it does, as well as focus on providing access to more treatment for cancer.

We will also invest significantly more in the first 1000 days of a child's life, as we recognise it is the most critical period in their development. Our seven-part plan, which centres on National's pioneering Social Investment approach, calls for greater and more targeted spending to create better human and economic returns in the long run and costs \$226 million per year.

Stronger communities will be a vital part of ensuring our economy succeeds. Strong community institutions help small businesses succeed and people become involved in the workforce. They will help those who have been displaced by the pandemic find their feet.

National's Economic and Fiscal Plan – Operating Revenue/Expenditure

National's new operating initiatives carefully balance the need for additional investment in core public services – such as health, education, law and order and social development – with the need to reduce tax pressure on businesses and households.

Our package leaves \$10.2 billion in unallocated operating allowances over the next four years, which will be used to fund additional annual cost pressures and/or further new operating initiatives. It is critical to leave headroom for the annual cost pressures that must be funded each Budget.

We will invest an additional \$1.1 billion in Education, \$800 million in Health, \$900m in Social Development and \$170m in Law and Order over four years. This is funding for new initiatives, and does not include funding for cost pressures, which will be funded from unallocated operating allowances each Budget.

Our short-term Covid-19 policies – including short-term tax relief and Covid-19 contingency – will be funded from the unallocated portion of the Covid-19 Fund. We have also identified \$500m in reprioritisations from within the Covid-19 Fund to be reallocated, which is the unallocated component of the Shovel Ready Projects Fund. This means we will not spend \$5 billion of the \$14 billion unallocated from the Covid-19 Fund, instead choosing to pay down debt.

The last thing an economy needs in the middle of a recession is higher taxes. That is why National will reduce the tax burden on New Zealand households and businesses by \$9.8 billion over four years. This includes \$4.7 billion in short-term personal tax relief, \$3.5 billion in accelerated depreciation for businesses that invest, and \$1.2 billion for tax indexation. These changes will stimulate investment, spending and economic growth.

These costings do not account for any reprioritisations within existing baselines, aside from abolishing Fees Free, means-testing Best Start and cancelling vocational reforms. However, we would expect to find savings and efficiencies within existing baselines and the Covid-19 Fund, as should occur every year, which will reduce further pressure on future operating allowances and/or the Government fiscal position.

National Party Policy	2020/21	2021/22	2022/23	2023/24	2024/25	Total
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Revenue						
Tax Relief	2,039	2,621	-	-	-	4,660
Double Depreciation for Plant, Equipment and Machinery	-	430	430	430	430	1,720
Tax Indexation	-	-	-	600	600	1,200
Reduce bright-line test to 2 years	-	-	-	50	50	100
Repeal ring-fencing of losses on residential property	-	-	-	190	190	380
\$150,000 Instant Asset Write-Off		204	1,750	-590	386	1,749
Small Business Tax Changes		10	10	10	10	40
Total Revenue Initiatives	2,039	3,265	2,190	690	1,666	9,849

Operating Expenditure						
Education						
Smaller primary school class sizes	-		57	113	170	340
Resourcing for second language learning	-	-	40	40	40	121
Support for children with additional needs	-	53	107	160	160	480
Abolishing teacher registration fees	-	-	16	16	16	48
Voluntary bonding for teachers in hard to staff areas or subjects	-	0.5	0.5	0.5	0.5	2
Additional teacher aide hours	-	38	38	38	38	150
Health						
Surgical Mesh Register	-	2	2	2	2	8
Reinstate Birthing Unit at Lumsden Maternity	-	0.3	0.3	0.3	0.3	1
Establish Birthing Unit at Wanaka	-	0.3	0.3	0.3	0.3	1
Cancer Fund within Pharmac	-	50	50	50	50	200
Gynaecological Cancer Package	-	5	5	5	5	20
Interim Cancer Agency Board	-	1	3	-	-	4
Pharmac Budget Boost	-	35	35	35	35	140
Rare Disorders	-	5	5	5	5	20
Child Dental Package	-	30	30	30	30	120

National Party Policy	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Social Worker Navigator	-	21	43	64	64	192
Scope Increase Pharmacy	-	2.5	2.5	2.5	2.5	10
Medicines Reuse	-	1	1	1	1	4
Pilot Low Dose CT Lung Scanning	-	1.5	1.5	1.5	1.5	6
Double Cochlear Implants	-	8.4	8.4	8.4	8.4	34
National Eye Health Survey	-	0.5	0.5	0.5	0.5	2
VLCA Targeting	-	5	5	5	5	20
Increased Aids NZ Funding	-	1	1	1	1	4
Rotorua Helicopter	-	1.5	1.5	1.5	1.5	6
Economic Development						
JobStart	250	250	-	-		500
Tourism Accelerator	100					100
BusinessStart	51	46	-	-		97
TRENT Funding		2.5	2.5			5
Environment						
Clean up NZ's beaches		1.7	1.7	1.7	-	5
Electric Vehicle Package		14	23	26	30	93
Law and Order						
Expand Integrated Service Response	-	10.5	10.5	10.5	10.5	42
Independent Police Conduct Authority increased funding	-	0.5	0.5	0.5	0.5	2
Increase funding for Drug Intelligence	-	5	5	5	5	20
Expand use of Drug and Alcohol Courts	-	2.6	2.6	2.6	2.6	10
CleanStart	-	5	5	5	5	20
Increase Funding for Education and Drug Treatment in Prison	-	4	4	4	4	16
Meth Plan	-	17.4	17.4	13.9	13.9	63
Social Development						
First 1000 Days Package	-	226	226	226	226	904
Other						
NZ Border Protection Agency		30	30	30	30	120

National Party Policy	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Covid-19 Contingency	2,000	2,000				4,000
Contingency for Unannounced Initiatives	-	125	75	-	-	200
Savings						
Means Test Best Start (Year 1)	-	-60	-60	-60	-60	-240
Abolish Fees Free	-	-359	-359	-359	-359	-1,436
Vocational Reform Savings	-	-42	-29	-29	-29	-130
Total Spending Initiatives	2,401	2,542	407	457	516	6,323

Total Operating Initiatives (revenue + spending)	4,440	5,807	2,596	1,147	2,182	16,171
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Budget Allowances						
Covid-19 Fund (unallocated)	4,440	4,621				9,061
Covid-19 Fund (reprioritisations)		500				500
Budget 2021 operating allowance		1,500	1,500	1,500	1,500	6,000
Budget 2022 operating allowance			1,800	1,800	1,800	5,400
Budget 2023 operating allowance				1,800	1,800	3,600
Budget 2024 operating allowance					1,800	1,800
Total operating allowances	4,440	6,621	3,300	5,100	6,900	26,361

Total net operating allowances available	-	814	704	3,953	4,718	10,189
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National's Economic and Fiscal Plan - Operating Allowances

PREFU Operating Allowances

	2020 /21	2021 /22	2022 /23	2023 /24	2024 /25	2025 /26	2026 /27	2027 /28	2028 /29	2029 /30	2030 /31	2031 /32	2032 /33	2033 /34	Total
PREFU Forecasts															
Budget 2021		2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	31,200
Budget 2022			2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	28,800
Budget 2023				2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	28,600
Budget 2024					2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	21,000
Budget 2025						2,142	2,142	2,142	2,142	2,142	2,142	2,142	2,142	2,142	19,278
Budget 2026							2,185	2,185	2,185	2,185	2,185	2,185	2,185	2,185	17,480
Budget 2027								2,229	2,229	2,229	2,229	2,229	2,229	2,229	15,603
Budget 2028									2,273	2,273	2,273	2,273	2,273	2,273	13,638
Budget 2029										2,319	2,319	2,319	2,319	2,319	11,595
Budget 2030											2,365	2,365	2,365	2,365	9,460
Budget 2031												2,412	2,412	2,412	7,236
Budget 2032													2,460	2,460	4,920
Budget 2033														2,510	2,510
Total operating allowances	-	2,400	4,800	7,400	9,500	11,642	13,827	16,056	18,329	20,648	23,013	25,425	27,885	30,395	211,320

National's Fiscal Plan Operating Allowances

	2020 /21	2021 /22	2022 /23	2023 /24	2024 /25	2025 /26	2026 /27	2027 /28	2028 /29	2029 /30	2030 /31	2031 /32	2032 /33	2033 /34	Total
PREFU Forecasts															
Budget 2021		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	19,500
Budget 2022			1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	21,600
Budget 2023				1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	19,800
Budget 2024					1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	18,000
Budget 2025						1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	16,200
Budget 2026							1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	14,400
Budget 2027								1,800	1,800	1,800	1,800	1,800	1,800	1,800	12,600
Budget 2028									1,800	1,800	1,800	1,800	1,800	1,800	10,800
Budget 2029										1,800	1,800	1,800	1,800	1,800	9,000
Budget 2030											1,800	1,800	1,800	1,800	7,200
Budget 2031												1,800	1,800	1,800	5,400
Budget 2032													1,800	1,800	3,600
Budget 2033														1,800	1,800
Total operating allowances	-	1,500	3,300	5,100	6,900	8,700	10,500	12,300	14,100	15,900	17,700	19,500	21,300	23,100	159,900
Savings under National		900	1,500	2,300	2,600	2,942	3,327	3,756	4,229	4,748	5,313	5,925	6,585	7,295	51,420

National's Economic and Fiscal Plan – Capital Expenditure

National has a comprehensive infrastructure plan over the next decade that will significantly lift our investment in transport, health and education infrastructure.

National will lift funding in infrastructure by drawing from future capital allowances, allowing NZTA to borrow off their own balance sheet, reprioritising existing funding within the National Land Transport Programme and using unallocated funding within the New Zealand Upgrade Programme. We have also injected a further \$3.7 billion into future capital allowances.

Under National's Fiscal Plan, there will be an additional \$13.7 billion in Infrastructure Investment over the next ten years over and above PREFU.

There is an additional \$15.7 billion in unallocated capital allowances over the next decade to fund further capital investment. This is funding that can be allocated to other portfolio areas or used to fund additional capital expenditure in core portfolio areas (i.e. health and education).

National would pause contributions to the NZ Super Fund until government debt is restored to prudent levels. It makes no sense to be borrowing against future generations to invest in foreign investment markets. It is much wiser to pay down debt. Our plan to reduce debt will save New Zealand taxpayers \$10.2 billion in lower debt servicing costs over the projection period.

National will take a new approach to delivering the infrastructure New Zealand desperately needs by creating a new National Infrastructure Bank, which will combine several existing entities into a single, professional agency that provides finance and advice to central and local Government infrastructure projects. The National Infrastructure Bank will provide clear lines of accountability to not only ensure value-for-money, but also deliver tangible assets that underpin future development in the form of better resourced schools, health services, roads, water provisions and housing.

Note that some years show a negative balance of capital allowances. This reflects the method taken to allocate funding towards transport infrastructure projects. To be conservative, and to ensure there is sufficient funding available, we have 'front loaded' the cost of all transport infrastructure projects (in the first year we anticipate they will begin construction). In practice, the cost of these projects will be spread over the expected timeframe of each project. This approach overstates the annual costs of our programme. However, the move to multi-year capital allowances are designed to allow for flexibility of funding across years. Therefore it is more important to consider the available capital allowances over the entire period, as opposed to any particular year in isolation.

Spending Area	2021 /22	2022 /23	2023 /24	2024 /25	2025 /26	2026 /27	2027 /28	2028 /29	2029 /30	2030 /31	Total over 4 years	Total over 10 years
Transport	2.7	2.8	3.2	5.0	5.2	2.4	0.7	6.4	1.7	1.0	13.7	31.1
Health	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	1.6	4.0
Education	0.8	0.8	0.8	0.7	0.7	0.2	0.2	0.2	0.2	0.2	3.1	4.8
Total	3.9	4.0	4.4	6.1	6.3	3.0	1.3	7.0	2.3	1.6	18.4	39.9
Funding Area	2021 /22	2022 /23	2023 /24	2024 /25	2025 /26	2026 /27	2027 /28	2028 /29	2029 /30	2030 /31	Total over 4 years	Total over 10 years
NLTF Reprioritisation	0.4	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	2.3	6.3
NZTA Borrowing	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	4.0	10.0
NZ Upgrade Programme	-	-	-	-	1.3	1.3	1.3	-	-	-	-	3.9
Capital Allowance	2.5	2.4	2.7	4.5	3.4	0.1	-1.7	5.3	0.6	-0.1	12.1	19.8
Total	3.9	4.0	4.4	6.1	6.3	3.0	1.3	7.0	2.3	1.6	18.4	39.9
Capital Allowances												
Existing Capital Allowance	2.15	2.65	3.29	3.45	3.51	3.58	3.18	3.25	3.31	3.38	11.5	31.8
National's Capital Injection	0.37	0.37	0.37	0.37	0.37	0.37	0.37	0.37	0.37	0.37	1.5	3.7
Remaining Capital Allowance	0.1	0.6	0.9	-0.7	0.5	3.9	5.2	-1.7	3.0	3.8	0.9	15.7
Capital Savings												
Less Super Fund Contributions	2.4	2.0	2.3	2.3	2.2	2.0	1.8	1.6	1.4	1.2	9.1	19.1
Less KiwiBuild Savings	1	-	-	-	-	-	-	-	-	-	1.0	1.0

National Economic and Fiscal Plan – Core Fiscal Indicators

National's Fiscal Plan will ensure New Zealand is better prepared for future economic shocks. Under National, we forecast to return to surplus and balance the books by 2028 – compared to neverending deficits under Labour.

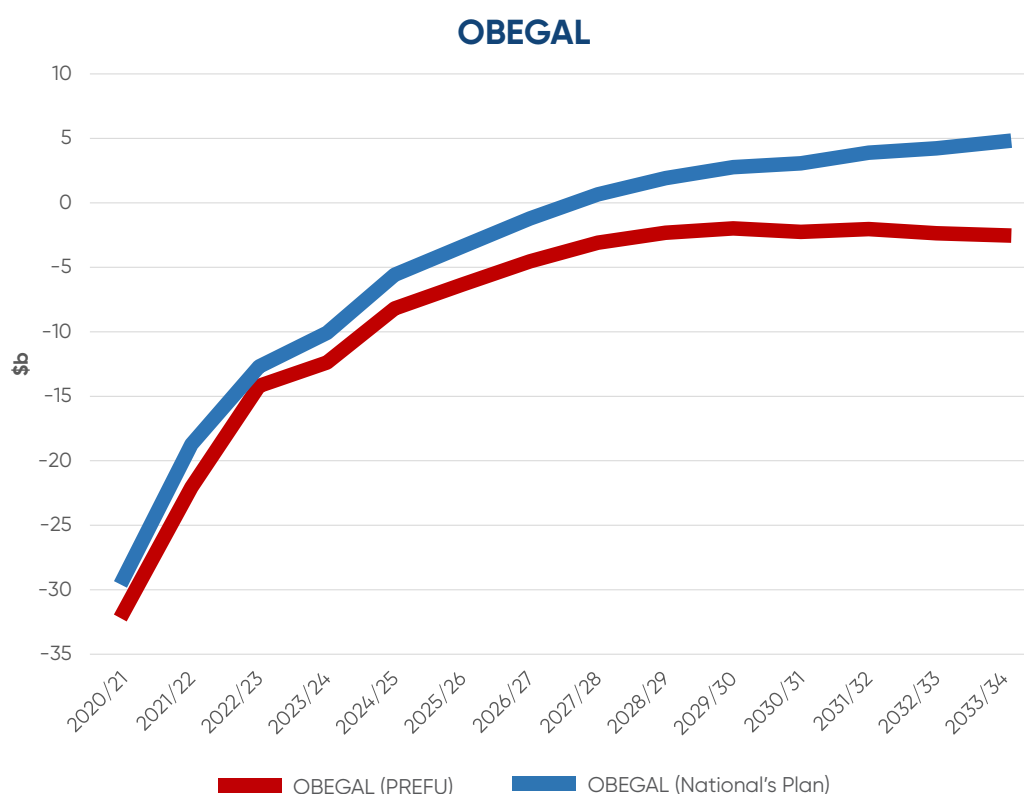
Net debt under National (including additional NZTA borrowing) is forecast to fall to 34.9 per cent by 2034, compared to 48.0 per cent under Labour.

Lower debt will protect future generations from higher taxes and save New Zealanders \$10.2 billion in debt servicing costs.

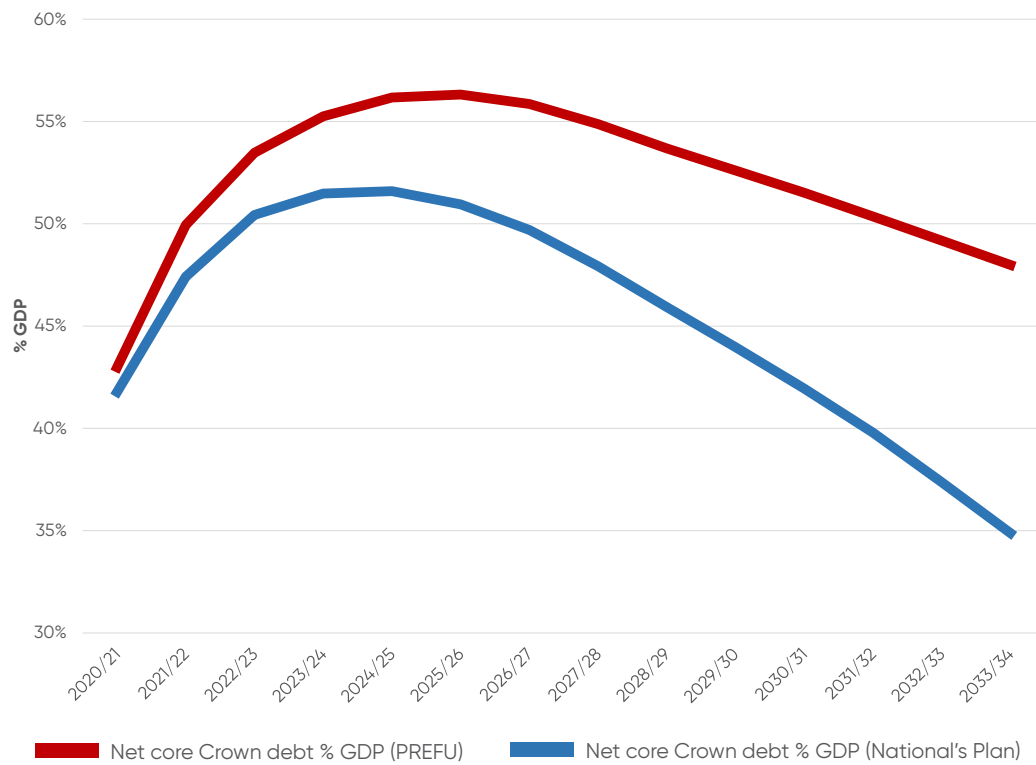
We can do this, while continuing to invest more in core public services every year, by taking a more disciplined approach to new spending, suspending Super Fund contributions, paying down \$5 billion of unallocated spending from the Covid-19 Fund. These savings, combined with the consequent reduction in finance costs of \$10.2 billion over the period will see net core Crown debt return to prudent levels much faster than under Labour.

Our plan forecasts an additional \$23 billion in new spending per year by the end of the projection period compared to \$30 billion under PREFU assumptions. This is new operating spending available for health, education and social development.

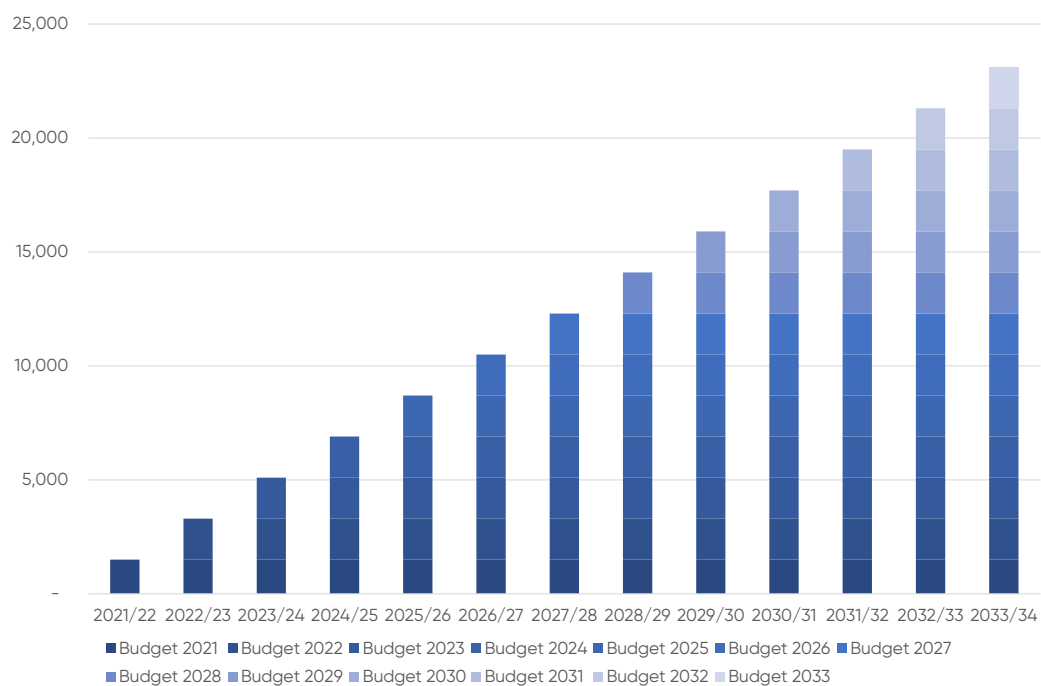
The forecasts use the identical GDP growth forecast in PREFU. It should be noted that a higher growth trajectory, through pro-growth economic reform and as was achieved by the last National Government, would have the effect of increasing Government tax revenues, lowering welfare payments and reducing the relative size of debt to GDP.



Net Core Crown Debt (% GDP)



Cumulative increase in operating allowances



National Party Policy	2020 /21	2021 /22	2022 /23	2023 /24	2024 /25	2025 /26	2026 /27	2027 /28	2028 /29	2029 /30	2030 /31	2031 /32	2032 /33	2033 /34
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Core Crown Fiscal Forecasts

OBE GAL (PREFU)	-31.7	-22.1	-14.2	-12.4	-8.2	-6.3	-4.5	-3.1	-2.3	-2.0	-2.2	-2.0	-2.4	-2.5
OBE GAL (National's Plan)	-29.1	-18.7	-12.7	-10.1	-5.6	-3.4	-1.2	0.7	1.9	2.8	3.1	3.9	4.2	4.8

Net Core Crown debt (PREFU)	130.2	160.1	182.2	201.1	214.4	225.7	234.8	241.8	247.6	252.7	257.5	261.7	265.7	269.3
Net Core Crown debt (National's Plan)	126.5	152.0	171.9	187.4	196.9	204.2	209.0	211.2	211.9	211.2	209.7	206.8	201.9	195.8

Net Core Crown debt % GDP (PREFU)	43.0%	49.9%	53.5%	55.3%	56.2%	56.3%	55.9%	54.9%	53.7%	52.6%	51.5%	50.4%	49.2%	48.0%
Net Core Crown debt % GDP (National's Plan)	41.8%	47.4%	50.4%	51.5%	51.6%	51.0%	49.7%	47.9%	45.9%	44.0%	41.9%	39.8%	37.4%	34.9%

The Risk

A Labour-Green Government would put New Zealand's prosperity at risk.

Tax

The last thing the economy needs in the middle of a recession is higher taxes. Our economy is shrinking, New Zealanders are losing their jobs every day and families are struggling to make ends meet. To recover from the recession, we need to be encouraging investment and growth in our economy – not increasing taxes.

Yet Labour's inability to control its spending means they are increasing taxes and asking New Zealand households and businesses to pay the bill. Higher taxes stifle economic growth, discourage new investment and punish those who work hard to attempt to get ahead. This is just the beginning. Labour will eventually widen the net and come after middle income earners. The contrast at this election is clear: National will reduce taxes on households and businesses while Labour will increase taxes.

Debt

New Zealand needs responsible economic management and a Government with a plan to restore debt to prudent levels. Labour and the Greens want to burden future generations with ever higher debt levels with no plan to prepare New Zealand for future shocks.

New Zealand will inevitably be hit with another economic shock, and we simply cannot afford to go into a recession with debt levels near 50 per cent of GDP.

Only National has a plan to protect New Zealanders from future economic shocks with a pathway back to prudent debt, while also providing tax relief and sustained investment in education, health and infrastructure.

National will restore debt to prudent levels and protect future generations while Labour will burden them with out-of-control debt.

Jobs

The only sustainable way to create jobs that generate higher incomes is for the private sector to create them. Government-created jobs are funded by taxes on the private sector, and often are less productive and efficient.

Yet Labour thinks the Government should be the ones to create jobs, not the private sector. We know they can't be trusted to spend taxpayer money wisely, with their track record of spending \$12 million on a Green School or \$2 billion on the failed KiwiBuild scheme that delivered very few houses. And Labour has announced billions in funding for make-work schemes such as possum-hunting or flax planting.

National backs the private sector to create new jobs. We know that the private sector needs the Government to get out of the way by reducing their costs, taxes and uncertainty.

National will back the private sector to create jobs while Labour thinks the Government should create all jobs.