

Rt Hon John Key
Prime Minister



27 January 2016

Speech Notes

Speech to Auckland Chamber of Commerce

Good afternoon. It's great to see so many of you here today.

I want to start by acknowledging Mayor Len Brown, the Auckland Council and the Chamber of Commerce – all strong advocates for this city.

And I want to thank the Chamber for hosting this event.

Finally, can I acknowledge my ministerial colleagues Steven Joyce and Nikki Kaye. Unfortunately, Transport Minister Simon Bridges cannot be here today as he's visiting Antarctica.

It's good to kick off the New Year here in Auckland - New Zealand's gateway city.

It's home to one third of Kiwis, it's our biggest commercial centre and our shopfront to the rest of the world.

Every region of New Zealand is crucial to our growth and progress.

But on New Zealand's behalf, Auckland is competing with Asia-Pacific's great global cities. It's our version of Sydney, Singapore or Shanghai.

Lifting our standard of living requires strong and enduring global relationships, because we won't get rich selling to ourselves.

New Zealand must expand its global supply chains, attract more investment and develop new markets.

As Prime Minister, I work every day to lead an open and confident country that backs itself on the world stage.

Auckland is at the forefront of that.

It's important for all of New Zealand that Auckland succeeds as a great place to live and do business.

With success, however, comes challenges.

Strong growth is putting pressure on infrastructure, housing, public services and transport.

That's typical of fast-growing cities around the world.

It's one reason we decided in our first term to unite the city under one council, so we could better tackle these challenges.

It's also why we're backing Auckland by investing billions of dollars in modern infrastructure.

I'll update you on some of those projects shortly.

But I first want to talk about the Government's busy policy programme for 2016 and beyond.

As the National-led Government enters its eighth year, I can tell you it's fantastic leading a team of ministers and MPs who remain energised and full of new ideas.

Busy agenda for 2016

We're as busy now as we were in 2008. And that's how it should be.

This year, for example, the Government will respond to a review of Child, Youth and Family to ensure our most vulnerable children get the care and protection they deserve.

We'll press on with our social housing reforms to do a better job for tenants.

We'll maintain our strong focus on law and order.

We'll respond to a major review of security and intelligence agencies.

And we'll complete an assessment of the Emissions Trading Scheme.

These are just a few examples of our work programme.

But building a strong economy that attracts new investment and creates more jobs will remain front and centre of the Government's agenda.

That's vitally important.

A strong, growing economy encourages businesses to boost investment in new products and markets, hire more staff and pay good wages.

It means New Zealanders can be rewarded for their enterprise and hard work.

And a strong economy supports better healthcare, education and other public services New Zealanders need.

We frequently hear Opposition parties calling for the Government to magic up more jobs, to increase wages or to spend more on any number of things.

Actually, governments can't do any of those things without a strong, confident economy.

The Government's role is creating an environment that gives businesses the confidence to invest and grow.

And to do that in the knowledge they'll be backed by clear and sensible government policies.

My Government works on those issues every day.

We're resolutely focused on improving our competitiveness.

TPP will help diversify the economy

A good example is the Trans-Pacific Partnership Agreement.

It will be New Zealand's biggest free trade agreement, giving our exporters much better access to more than 800 million customers in 11 countries across Asia and the Pacific.

It's our first FTA with the largest and third-largest economies in the world – the United States and Japan.

It will eliminate tariffs on 93 per cent of exports to our new FTA partners – the United States, Japan, Canada, Mexico and Peru.

Successive New Zealand governments have worked hard to achieve this for 25 years. They knew it would help diversify and grow the economy.

So it really is unthinkable that any responsible government would now walk away from the TPP.

It will be positive for our country and for our future.

The Government also remains focused on controlling spending, and demanding better results from our investment in public services.

We're reducing ACC levies and maintaining competitive tax rates.

And we're pushing on with our Business Growth Agenda, which includes hundreds of initiatives spanning export markets, investment, skills, natural resources, innovation and infrastructure.

They're all essential ingredients in a competitive economy where businesses can thrive and grow.

Faced with a world economy full of risks and challenges, it's important that we continue to focus on things we can influence – such as our own competitiveness.

The New Year has reminded us of those risks.

Concerns about China's economic outlook and lower commodity prices have rippled through financial markets this month.

But global challenges are nothing new. They're a fact of life in the modern world.

A resilient, competitive economy can deal with them.

And this Government has a track record of supporting New Zealanders through some of the biggest challenges you can imagine - including the global financial crisis and Canterbury earthquakes.

New Zealand well placed

As we look forward to 2016, New Zealand is well placed.

Global dairy prices remain low. But over time, they will recover and the New Zealand dairy sector is well-placed to attract growing numbers of middle-class customers in key markets.

In the meantime, tourism, construction, international education, ICT, high-tech manufacturing, services and a number of our primary industries are all growing and underpinning a solid outlook.

We remain one of the best places to do business.

Consumer and business confidence is picking up and I sense a feeling of optimism among New Zealanders.

The Treasury's latest forecasts show economic growth averaging just under 3 per cent over the next five years.

Unemployment at 6 per cent remains higher than we would like and we're working hard to help bring it down.

But the headline unemployment rate tells only part of the story.

An extra 160,000 jobs were created in the past three years – nearly 66,000 of them here in Auckland.

The Treasury expects another 195,000 jobs to be created across New Zealand by 2020.

While we've been the Government, the average wage has increased by more than double the rate of inflation.

And New Zealand has the third highest employment rate in the developed world.

That's right: Our businesses employ a higher proportion of the working age population than almost any other developed country.

In terms of the Government's finances, under Bill English's careful management, we achieved our surplus target last year.

The Government is also investing billions of dollars in upgrading New Zealand's infrastructure, to get the country moving – literally.

Since we took office, we've invested \$4.5 billion in roads of national significance.

Central and local government have together allocated \$8.8 billion for local roads.

In Auckland, we've completed the Victoria Park Tunnel, the Upper Harbour Highway and replaced the Newmarket Viaduct.

Taxpayers have also invested \$3.2 billion in rail, including metro rail in Auckland and Wellington.

We've provided over \$1.7 billion to roll out ultra-fast broadband and another \$400 million for rural broadband.

All up, taxpayers have committed around \$17 billion to the Canterbury rebuild.

And the Government is investing in schools, hospitals, housing and a lot of other public infrastructure.

Looking forward, we'll invest another \$11.5 billion in capital projects over the next two years alone.

This amounts to a significant investment in New Zealand's future.

And these infrastructure projects are a rich source of jobs.

For example, Treasury estimates the Government's Roads of National Significance will involve around 35,000 construction jobs.

Another 2,100 are expected from the regional state highway programme.

The major rail upgrade and electrification projects since 2009 are expected to result in over 3,000 jobs.

And a further 4,000 jobs are expected from rolling out ultra-fast and rural broadband.

So I'm pleased to make further announcements today about important infrastructure projects.

City Rail Link and business plan

The first concerns Auckland's City Rail Link.

This will be one of New Zealand's largest transport projects, with an estimated cost of around \$2.5 billion.

The 3.4 kilometre underground line will run from Britomart station through the CBD to connect with the existing western line at Mt Eden station.

Auckland Transport estimates commuters travelling between Henderson and the planned Aotea Station will save an average 17 minutes per trip.

A couple of years ago, I said the Government was committed to a joint business plan for the Rail Link with Auckland Council in 2017.

We agreed to provide a share of funding for construction to start in 2020.

And we were prepared to consider an earlier start if Auckland's rail patronage and CBD employment hit certain thresholds committed to by the Auckland Council.

CBD employment levels are still some way from the 25 per cent growth threshold.

But strong growth in rail patronage since 2013 means it will reach the 20 million annual trip threshold well before 2020.

It's become clear that we need to provide certainty for other planned CBD developments affected by the Rail Link.

This means we see merit in starting the project sooner.

So I can today confirm the Government will work with the Council to bring forward the business plan and formalise our funding commitment from 2020.

The Council has indicated this would allow construction of the Rail Link's main works to start in 2018 – at least two years earlier than currently envisaged.

It would also allow the council to get on with negotiating contracts and providing certainty for investors in other important Auckland CBD projects.

These include the \$350 million NDG Auckland Centre next to the new Aotea

Station and the \$680 million Commercial Bay tower opposite Britomart.

Timely confirmation of these and other projects, alongside the Rail Link, will encourage more people, businesses and jobs into the heart of Auckland.

It should also reduce the period of disruption in the central city by concentrating construction over a shorter timeframe.

We still need to work through a number of important and quite complex issues with the Council.

These include how project costs will be finally shared between the Government and the Council and how the Rail Link will be owned and managed.

Providing these issues are resolved – and I'm confident they can be - we'll aim to finalise the business plan later this year.

The Rail Link is one of several significant government transport projects in Auckland.

East-West Connection a priority

Another is the East-West Connection between the Southern and South-Western motorways, which is estimated to cost over \$1 billion.

This is a large and complex project.

It's a priority for Auckland because it will improve travel and freight times in this busy part of the city. It will also provide much better access between the Eastern Suburbs and the Airport.

We consider it a project of national significance.

So today I'm confirming the East-West Connection will go through a streamlined consenting process later this year to bring forward its construction.

That means a consenting decision will need to be made within nine months of application.

Subject to approval, it's the Government's intention to fund the East-West Connection through the Land Transport Fund so construction can start as early as 2018.

I've asked ministers and officials for advice on how this can be managed and achieved.

In the meantime, the Transport Agency will start early project work later this year on widening State Highway 20 between Neilson Street and Queenstown Road.

This is integral to the wider East-West Connection and will support traffic growth

when the Waterview Tunnels open.

All up, over the next three years, around \$4.2 billion will be invested in transport in and around Auckland.

We're on track to complete the Western Ring Route by 2019.

The \$200 million Te Atatu and Lincoln interchanges will open in March, and the \$1.4 billion Waterview Connection is expected to open early next year.

Construction of the \$1.3 billion Auckland Manukau Eastern Transport Initiative is underway. Stage one has been completed and work has started on designing and consenting for stage two.

The \$268 million Southern Motorway upgrade started in October and is scheduled to be completed in late 2018.

And construction of the Northern Motorway Upgrade is expected to start in 2018. It will connect with the Western Ring Route and see the completion of the Northern Busway Extension through to Albany.

These projects underscore the Government's strong backing of Auckland.

Commitment to regional roading

Ladies and gentlemen: Communities and businesses in our regions also need modern infrastructure that's fit-for-purpose.

The Government is investing heavily in rural broadband and we're developing regional highways.

In 2014, we set out an accelerated regional roading package.

It aimed to bring forward construction of regional highway projects that had previously struggled to attract national funding in the face of wider priorities.

Five of these projects are either finished or underway.

The Transport Agency last year confirmed funding for a further four projects, including bridge replacements and safety improvements in Horowhenua, the West Coast, Northland and Taranaki.

Today I'm pleased to confirm the Government is providing up to \$115 million to complete the next four regional projects in this programme.

The two largest will be in Taranaki, where modern by-passes will allow motorists to avoid Mount Messenger and the Awakino Tunnel.

These new projects were not envisaged when we announced the regional roading programme two years ago.

Over many years, the northern gateway into Taranaki has suffered from a poor safety record, closures and delays.

Calls to improve this stretch of highway go back decades.

In fact, we've found a newspaper article from July 1918.

It reported a local deputation complaining to the Minister of Public Works about the impassable and unsatisfactory road over Mount Messenger.

The paper says, and I quote: *"The Minister made a lengthy reply, stating that he had instructed his district engineer to prepare plans of work and that he would give as much money as could be obtained from the Minister of Finance."*

Believe me – I know how difficult that can be.

But Bill English has done better than his predecessors, and he's coming up with the money needed for this important work.

Construction of the by-passes is expected to start in the next two years. This will bring huge benefits to Taranaki.

The Government will also provide funding to replace the single lane Motu Bridge on State Highway 2 near Gisborne with a new two-lane bridge.

And we'll replace the Opawa Bridge on State Highway 1 near Blenheim with a safer bridge to accommodate increasing traffic volumes in Marlborough.

Improving housing supply

I'd also like to make some comments today about housing.

Housing supply, especially here in Auckland, is a longstanding issue.

There is no quick fix. That's been the experience in fast-growing overseas cities.

Today, I want to make the Government's expectations absolutely clear.

We must continue lifting the supply of new houses in Auckland to meet the demands of this growing city.

Everyone has a part to play – the Government, the Council, developers and community organisations.

And it's encouraging to see a broader consensus emerging that this is a supply issue.

Progress is being made.

Around 9,000 building consents were issued in Auckland in the year to November.

That's the highest figure for just over 11 years, although it's still short of the 13,000 new houses forecast to be needed each year.

Officials estimate government-initiated projects will deliver at least 10,000 extra houses in Auckland by 2020 – including developments at Hobsonville Point and Tamaki.

The Government's National Construction Pipeline Report predicts an extra 80,000 new homes will be built in Auckland in the six years to 2020 – more than double the rate of the preceding six years.

The Government is determined to ensure this busy pipeline delivers the houses Auckland needs as quickly as possible.

One priority is reforming the Resource Management Act to support more housing alongside better environmental management.

We introduced legislation just before Christmas and it's currently before select committee.

It's important we improve the RMA so we can tackle planning issues standing in the way of getting houses built faster.

So if other groups say they're concerned about Auckland housing, you should tell them they need to support the RMA reforms.

Another priority is working intensively with the Auckland Council and others to free up land so more houses can be built sooner.

That includes the Auckland Housing Accord, which has seen almost 24,000 dwellings and sections consented in its first two years. The target is 39,000 consents before the end of this year.

We've set up 106 Special Housing Areas in Auckland.

And we're working to resolve issues such as infrastructure development and building sector capacity.

For its part, the Government is identifying surplus Crown land that can be freed up for new housing and we'll soon be in a position to make further announcements about the first projects.

In the Budget last year, we moved to ensure residential property investors – particularly those from overseas – pay their fair share of tax when buying and selling residential property for profit.

And we provided Inland Revenue with extra funding for compliance and

enforcement.

Combined with the Reserve Bank's tighter loan-to-value rules, these changes appear to have taken some heat out of the Auckland housing market in recent months.

Last month the Real Estate Institute reported the number of Auckland homes sold in November fell to the lowest level since 2011. And QV noted the rate of price growth was easing.

It's still early days and we'll need to see more data to be sure.

Conclusion

Ladies and gentlemen: I sought election as Prime Minister because I believed New Zealand could do better as a country – much better.

I wanted us to become a more prosperous, more ambitious and more confident nation; a successful country comfortable in its own skin.

I also believed that if we set a course of considered and sensible reform year after year, we could again be one of the world's best places to live and work.

We're making good progress in a world full of challenges.

Our households and businesses are more resilient and more outward looking.

We're grasping the many opportunities opening up on our doorstep in Asia and the Pacific.

And we're providing more of our young people with opportunities to raise their families here instead of heading overseas.

But the job is far from finished.

Our challenge over the next few years is to stay on course and build on the good momentum we're now seeing.

My Government is motivated to continue working hard for all New Zealanders.

Providing we stick with a plan that's working, I know we can deliver the opportunities New Zealanders and their families deserve.

Thank you.