



HON PHIL GOFF

Leader of the Opposition

Growing an economy that works for you

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Acknowledgements

Today I want to talk about how Labour is going to grow an export economy that helps New Zealanders get ahead with higher incomes and better jobs.

The New Zealand I grew up in shaped a Kiwi dream: Kiwis had one of the highest living standards in the world.

Everyone could get a job.

Good health care and education were rights that didn't depend on your ability to pay.

New Zealanders could look forward to owning their own home.

Today, Labour's commitment is to once again make that dream a reality for all New Zealanders.

New Zealand is still a good country to live in. I'm proud of it, and because I'm proud of it I want it to reach its potential.

But for many the Kiwi dream is being lost.

Unemployment is up by 50,000 since the National Government took office. That is 68 jobs every day. That's 68 families every day who lost a breadwinner. We are going backwards.

Prices are rising faster than wages.

Families on Main Street are being squeezed.

Their living standards are going backwards.

They're getting squeezed because our economy is stagnating and the National Government has done nothing to grow incomes and our export economy.

Let's take a typical couple I'll call Matt and Lisa.

Matt is a foreman and earns \$45,000. Lisa works part time and brings home \$25,000.

Their household income is about the national average.

They looked forward to the promised tax cuts.

But they didn't expect they would be paying for them with higher GST and higher Government charges.

When John Key said just before the election "National will not be increasing GST" they believed him.

He broke that promise - and price rises released last week were the highest in 21 years.

Matt got a tax cut of \$26 a week, with another \$12.75 for Lisa.

But all of that has been swallowed up by higher Government charges, the GST increase and rising prices.

They rent an average home in Auckland, and they've had the average rent increase there - \$16 a week. They're paying \$430 a week.

They want to buy their own home, but with costs going up it's hard to save a deposit.

When they put petrol in the car it costs over 40 cents a litre more than a year ago - another \$12 to fill up, as well as the \$32 more they paid this year to register the car.

Matt rides a motorbike to work - and the Government has dumped on him an extra \$174 in ACC costs to register it.

A trip to the supermarket costs a whole lot more.

Two litres of milk is up 70 cents and Matt and Lisa wonder why they pay more for milk when we produce the stuff than if they were living in Sydney or London.

I remember John Key talking about the cost of a block of cheese at the last election. In the last year that block of cheese has gone up nearly twenty per cent, from twelve dollars to around \$14.

And next week Matt and Lisa are going to be hit with another tough bill.

Their four year old daughter goes to childcare, and on 1 February, her weekly fee goes up by \$25 because National cut funding for early education.

Some parents won't be able to afford that and their children will miss out.

Matt and Lisa have been forgotten about by the National government. They won't be by my government.

They weren't the priority for tax cuts, and anything they did get has already been more than eaten up by rising prices.

There are some who did OK though: Up on Easy Street, half the tax cuts last October went to the top 12 per cent.

Cabinet Ministers gave themselves \$213 a week.

The top got a windfall – 700 New Zealanders earn more than one million dollars a year and they got over \$1000 a week extra, some much more.

The less you needed, the more you got.

It's no wonder Matt and Lisa are feeling the squeeze.

Labour has been thinking a lot about how to make sure Matt and Lisa are a priority again.

We will do that by putting middle and low income New Zealand at the centre of what we do.

This starts today by releasing Labour's Action Plan for jobs and growth.

- Tax changes to better support exports, not speculation.
- Increasing innovation to grow productivity and smart, successful businesses.
- Boosting skills and trade training.
- Owning our own future by increasing savings, stopping asset sales and keeping Kiwi land in Kiwi hands.
- And changing monetary policy to support exports and jobs.

In the tax area, I have already announced that we will axe the GST on fresh fruit and vegetables. Not just National's 2.5 per cent increase but the whole 15 per cent.

That will help to make a difference with the weekly shopping bill.

More than that, studies show the best way to get people to eat more healthy food is to cut the cost of it.

With one in four children already overweight at age 5, healthy food will help to cut costs in our health system.

Second, I want to announce policy work underway to overhaul the tax system to make it fairer and more effective for our economy.

I am setting two goals:

- To make it fairer for everyone;
- And to encourage growth and jobs.

We will get rid of loopholes for tax dodgers and cut back tax avoidance.

We will make sure everyone gets their fair share of tax cuts.

And I guarantee everyone will be treated fairly whether you live on main street, struggle street - or easy street.

In New Zealand you pay tax on the first dollar you earn. Under Labour that will change.

Labour will introduce a tax free zone in our first Budget and look to increase it during our first term.

In Australia your first six thousand dollars of income has no tax on it.

I believe the Aussies have got it right.

My goal is to make the first five thousand dollars of your income tax-free.

You wouldn't pay tax on the first hundred dollars a week you earn.

For a couple, that would be worth a thousand dollars a year in take home pay.

Everybody gets the same, whether you are single, married, low, middle or high income.

It's simple. It's also fair.

It will reduce the squeeze on middle-income earners and really help those on low-incomes.

A tax free zone gives families struggling to make ends meet the ability to decide how to spend their extra income.

It's not nanny state: You know when you sit around the kitchen table which bills you have to pay first.

Matt and Lisa might spend it on necessities for their children - on clothing and food.

It will help leave something for other priorities after those bills are paid.

They're saving for a house. If they can save another thousand dollars a year, that might help to bring the Kiwi dream of home ownership a little closer.

A survey this week showed New Zealand is one of the most costly places in the world to buy a home. It's more affordable to buy a home in New York than it is in Auckland, and that doesn't make sense.

A tax-free zone is a good idea but we have to know how we will pay for it because there can't be something for nothing.

I won't make any promise that I can't keep or that the country can't afford.

So I want to explain some of the options we are exploring to cover the cost.

But first I'll tell what we won't be doing to pay for it.

We are not going to borrow for it.

National's doing that already.

They're borrowing net \$120 million a week - more than the cost of the tax cuts, which they targeted at the most wealthy.

Labour used the good times to pay off debt, leaving net zero government debt.

National has borrowed heavily and future generations of Kiwis will pay for the tax cuts for those high income earners.

Labour will not increase GST like National did despite John Key's promise before the last election.

And Labour will not sell state-owned assets. National would.

If they got a second term, they would sell off the family silver - our public assets like power companies - to pay for their debt.

Labour will not do that.

We don't need more Kiwi assets to be hocked off overseas.

Labour is going to be more fiscally responsible than National.

So before we introduce the tax free income zone in Government we will show how we are going to pay for it.

The first area we'll look at is how to crack down on tax evasion and avoidance.

No one knows exactly how much is lost by people dodging their tax - but it's been estimated in the billions.

The Tax Working Group pointed out that only about half of the wealthiest individuals in New Zealand are paying the top tax rate.

It said that many with wealth can restructure their affairs through trusts and companies to shelter income from taxes and even to receive social support they shouldn't be entitled to.

The Tax Working Group points out that \$200 billion worth of rental property doesn't provide any net tax revenue - it actually generates tax losses.

The incoming Labour Government will immediately set up a high-powered Anti-Avoidance Tax Taskforce to close tax loopholes.

I'll give you an example of one loophole that we will deal with.

Let's say Mark, who lives in Auckland and earns a salary, also speculates in property investment.

If Mark arranges to lose \$40,000 on his rental properties, he can offset that against unrelated income from his salary, and effectively he doesn't pay any tax on his first \$40,000 he earns.

And when he sells he pays no tax on the profit he makes, even though he's written off large amounts of income tax against the properties.

Treasury estimates that this dodge costs the country \$260 million a year.

Mark is deliberately avoiding paying his fair share of tax but he still expects everyone else to pay for his children to go to school and for his family to use our hospitals.

That's not only unfair, it's bad for our economy.

It encourages investment to be channelled into speculative areas that don't grow the economy. That pushes up house prices out of the reach of families like Matt and Lisa's.

It's also at the expense of the productive export economy. That is the area we need investment in to create higher economic growth, more jobs and higher incomes.

We need to reward people who build our economy rather than those who make money by creating nothing. And that's what a Labour Government I lead will do.

A second source of funds to allow us to create a tax free zone will be to claim back some of the windfall tax cuts from the very top income earners.

We haven't yet set a new top tax rate.

Nor have we determined the level of income that it will apply to. But it will only affect incomes comfortably into six figures, the top few per cent of earners.

We will also make sure these very highest earners do not use trusts to avoid paying the top tax rate. We are waiting with interest to see the Law Commission's work in this area.

How big we can make the tax-free zone will depend on how much we get back by making the tax system fairer and closing the loopholes.

I fully expect those who have arranged their affairs to avoid paying their fair share of tax to come after me.

Some people with a lot to lose will attack me on it and campaign loudly against it.

But the fact is, with National's tax cuts, never has so much been given to so few.

And it's time that some of the windfall goes back to middle and low income earners who work hard and deserve a break.

Unless we do this, the gap between rich and poor will grow.

We are seeing two New Zealands developing, with major social and economic consequences for all of us.

Tax changes alone will not be enough if we are going to give everyone a shot at the Kiwi dream.

We need to grow new jobs and higher incomes for New Zealand.

So I want to talk now about how to accelerate our growth rate and grow our export-led economy.

Labour will work actively with the private sector to create a clever, high value, high skill, high tech and high wage economy.

INNOVATION

Research and development - the first area National cut - will be a priority because it's fundamental to growing incomes.

We have to unleash more of our potential - especially in the clean tech sector - so we can sell our great ideas to the world.

That's companies like Lanzatech.

A couple of scientists made a groundbreaking discovery: They found a way to take the exhaust from steel factory smokestacks and remove the pollution and make ethanol out of it.

They reckon that if half of China's steel mills adopted their technology, it could produce one-fifth of China's liquid fuel needs.

It could be worth billions.

This is called Clean Technology.

And if we are going to unleash our potential clean tech winners we need to get much more research and development done in this country.

Our businesses spend only about half a per cent of our GDP on R&D.

The average of other developed countries is three times as much.

The evidence is overwhelming that their R&D spending is helping them to grow faster - and it's a key reason we have been falling behind.

But we need a lot more companies like Lanzatech - and companies in the fast-growing high-tech health market like Fisher & Paykel Healthcare, and Orion healthcare.

They're successful and fast-growing and they show we can do it.

PriceWaterhouseCoopers calculated our share of the global clean-tech market could be worth between \$7.5 billion and \$22 billion a year.

That is the vision we have to realise.

The sector builds logically on our 100% Pure branding. But the Government has ignored it. Labour won't.

SKILLS AND TRADE TRAINING

We'll invest in skills.

Half of all Maori and Pasifika teen age girls leaving school are unemployed and not in further education and training - and more than a third of the boys.

We can't afford to create a lost generation. We can't let them migrate from underachievement to unemployment to crime. When that happens, everyone loses.

Meanwhile last year National cut \$50 million out of skills training.

That's not acceptable.

Putting young people on the scrapheap of unemployment without hope or motivation is a social and economic disaster - for all of us.

There should be only two options for school leavers: earning or learning.

That's why Labour will rejuvenate and strengthen trade training for all our young people

OWNING OUR FUTURE. (SAVINGS, OVERSEAS OWNERSHIP AND ASSET SALES).

We'll help our economy grow by building savings, not by selling out more of New Zealand.

Labour supports savings; National doesn't.

- We ran budget surpluses; National is borrowing for tax cuts.

- Labour brought in KiwiSaver; National gutted it.

- Labour set up the NZ Super Fund to meet some of the future costs of superannuation; National stopped paying into it.

Our economy needs more savings to grow and to ensure we own our own future.

MONETARY POLICY.

I've also previously announced that Labour will change the way the Reserve Bank works.

We'll make sure monetary policy helps growth in employment and our export sector rather than undermining it as it has in the past.

ACTIVE GOVERNMENT

Labour will make government an active partner in growing the economy.

National hasn't. It has resorted to gimmicks instead of any real vision or a plan for the future.

National's entire strategy consisted of its tax cuts, mostly targeted at the wealthy.

But it's not working.

Two years after they held a Jobs Summit because in the global financial crisis unemployment reached 100,000, there are now 150,000 New Zealanders out of work.

John Key said his cycleway was going to create 4000 jobs. Where are they?

Labour will work closely with industry so that we grow quickly, sell more to the world and bring jobs home.

So:

A tax policy that supports exports, not speculation;
Innovation and Clean Tech;
Skills;
Savings;
Supportive monetary policy; and
Active government.

These are the foundations of Labour's active alternative.

Our ideas will be bold, prudent, credible and capable of creating growth in high value added, high skill, high tech and high wage jobs.

We will tackle the long term problems New Zealand faces.

We will get stuck in with industry to create jobs.

And we'll take the pressure off families by removing GST on fresh fruit and veges, and bringing in a fairer tax system.

The New Zealand I believe in, and Labour will deliver, is one where everyone pulls their weight and pays their share and in return everyone gets a fair go.

Our priorities will reflect the real needs of New Zealanders, for higher incomes and better jobs.

I want one New Zealand, not a country increasingly divided by the growing gap between rich and poor.

And I want to ensure that your children and my children can once again realise the Kiwi dream.

Ends