**Labour Congress 2011**

**Wellington Town Hall**

**22 May 2011**

Tony and Dawn, Jemma, Jack and Ronnie want the Kiwi Dream – a home of their own, a good job, someone to love, something to hope for.

And they want a country where we own our future.

A country we can be proud of – great environment, Kiwi values and our way of life.

They want to be part of a community where people are not divided by extremes of wealth and poverty.

Where people care for each other.

Where everybody pays their fair share and gets a fair go.

It’s a vision that is at the core of Labour’s values.

I want to talk today about Labour’s vision and plan for a better way.

Labour’s way gives hardworking New Zealanders a helping hand and an opportunity to get ahead.

Our way fixes the broken economy by making the hard decisions that have to be made.

Our way creates well-paid jobs by building a smart and successful economy.

Our way tackles National’s out of control debt and skyrocketing deficit - not by selling off our assets and gutting KiwiSaver but by growing the economy.

Our way puts creating a fair and decent society at the top of our priorities.

This week we saw National’s way.

Their way was to cut KiwiSaver, sell our assets and hope that economic recovery will happen by itself.

Their way is to rely on dodgy numbers and over-optimistic projections to make their numbers add up.

We don’t accept that cut, sell, borrow, gamble and hope is a solution.

But today I don’t want to talk about how National has made a mess of the economy through poor and unfair choices and a lack of vision and a plan.

I want to focus on the huge task we face to pay back the debt and grow the economy so everyone gets ahead.

I want to talk about Labour’s plan and the steps we will be taking.

I don’t pretend that is going to be easy. We can’t simply wish away a deficit of $16.7 billion. That is National’s legacy. It’s real and it has got to come down.

But we won’t do that by selling out our future.

We will be keeping not selling our farmland to foreign buyers.

We will be keeping our power companies, Solid Energy and Air New Zealand community owned and Kiwi owned.

That is my guarantee.

Selling our efficient and financially successful assets is just dumb. It doesn’t improve our financial position. It actually worsens it.

Our power companies alone paid back over $700 million last year to the taxpayer.

No wonder foreign investors can’t wait to get their hands on them.

Selling them to pay off debt is economic stupidity.

Once they’re sold, that source of money is gone forever.

No business or individual would do it, and nor will we.

It’s like selling the house to pay off the mortgage and then renting from a landlord who is going to keep pushing up the rent.

History shows how short-sighted the fire sale of our assets is.

When National sold the BNZ and helped to create a monopoly of Australian banks it got $1.5 billion for it. Since then the bank has returned $12.4 billion to its Australian owner.

Contact Energy was sold by National in 1999. Since then $1 billion in profits from it has gone out of the country to foreign investors.

Labour has learned from history. National hasn’t.

We bought back Air New Zealand and Kiwirail.

We set up Kiwibank to provide some competition to the Australian owned banks and 800,000 New Zealanders signed up.

Kiwis built the dams and other assets with our sweat, skills and brains. And we paid for them.

They belong to us.

National has no right to sell them.

The choice for New Zealand voters is very clear.

Labour will keep Kiwi assets in Kiwi hands.

This is an essential part of owning our future.

Owning our future also means having a decent savings scheme in place for Kiwis.

That’s why we set up KiwiSaver.

That’s why it is so important.

That’s why it should never be gutted.

KiwiSaver has been incredibly successful. Over 1.7 million New Zealanders have joined up, and within 10 years it is projected to have $60 billion in savings.

John Key and Bill English promised in the election campaign they would not cut KiwiSaver.

They lied.

On Friday they passed legislation to do just that.

Muldoon destroyed the 1975 Superannuation Fund. The Key Government seems to want to do the same to KiwiSaver.

Because they broke their word, hundreds of thousands of Kiwis stand to lose over $500 a year in tax credits.

They will now have to pay more themselves and to pay the tax on their employer contributions.

No wonder they feel angry and betrayed.

National has again shifted the goalposts and John Key won’t rule out further cuts.

By undermining trust and confidence in the scheme, they risk damaging the most successful savings scheme in a generation.

Standard and Poor’s warned that this could push New Zealand further into debt.

The National Government rushed the legislation through under urgency, not having the guts to front up in a Select Committee to justify their actions to the public.

Labour fought the legislation every step of the way.

I can’t today promise to restore KiwiSaver completely. Given the state of the books I simply can’t do that. I will never make promises I cannot keep.

But I do promise that there will be a strong KiwiSaver.

Our policy will lift savings, restore public confidence in the scheme and help us own our future.

Delegates, New Zealand has a huge debt problem and getting it down will be a major focus of the Labour Government.

It simply has to be reduced. There is no alternative.

That means we have to accept that tough choices will need to be made. Things that we would like to do will have to wait until we rebuild the economy.

Part of the solution will be axing projects and programmes that we don’t think are priorities to free up cash for more important areas. The Puhoi to Wellsford holiday highway and the missile system for our frigates are examples.

Sacrifices have to be made but under Labour they will be made fairly.

The Government has loaded the burden on lower and middle income earners while protecting the massive gains from income tax cuts given to the highest income earners.

The top 10% of earners got 40% of the tax cuts. The bottom 20% just 1.4%.

That’s not right. That’s not fair and we will change that.

New Zealand already has one of the biggest gaps between rich and poor in the OECD. Out of 33, we rank 26 in terms of fairly sharing wealth.

National’s tax cuts are making this worse.

Growing inequality and concentration of wealth undermines our sense of community and common identity.

It diminishes equality of opportunity.

It creates two New Zealand’s and Labour will reverse that.

I’m not knocking people for being successful. Good on them.

But I am telling our top earners today that they need to pay a little more to help reduce our debt and get the economy growing.

And for others, I have a warning.

We will come down hard on those who bludge off others by dodging their responsibility.

Take the Auckland property developer who appeared in court earlier this year.

He’s a multi-millionaire. He got rich from speculating on property.

And how much tax has he paid over the last 16 years?

Around $1000 a year, a third of what a married couple on the pension pay.

And he’s not alone.

The Tax Working Group set up by Government pointed out that half of the top 100 earners in this country didn’t pay the top tax rate.

They said that $200 billion in investment in rental properties returned no net tax to New Zealand.

They stated that wealthy people using trusts or company structures treated taxation as if it were a voluntary exercise, and they weren’t volunteering.

That has to stop. Labour will crack down on tax dodging.

A fairer and smarter tax system will help Labour fund its promise to provide some relief for low and middle income people who are struggling.

The full 15% of GST will come off fresh fruit and vegetables. That will ease the pressure on household budgets. It will help families put healthy food on the table.

And tax rates on the first $5000 a year earnings, the first $100 a week, will be tax free, as it is in Australia.

That will be introduced progressively and our full taxation policy when released will set out precisely how it will be funded.

In our first year, Labour will increase the minimum wage to $15 an hour to ensure that people who work for a living get a fair living wage.

But these measures are only part of the solution.

We need to grow our economy. A growing economy is the best way to pay off our debt and pay for the services we need.

Our goal must be to grow a high skill, high-tech, high-wage economy.

A small and distant country like New Zealand will not compete by trying to provide the world’s cheapest goods and services but we can compete by being the best.

We need to focus on up-skilling our labour force.

The building and construction industry tells me that within 18 months we will have a shortfall in their industry alone of 90,000 skilled and semi-skilled workers.  
  
There is Christchurch to rebuild, leaky homes to repair and growth of population in Auckland where new houses haven’t kept up with growth in population.

The need to up-skill is a no brainer when you have 155,000 Kiwis out of work while there is a huge shortage of skilled workers.

We also have to address the ticking time bomb we have with many of our young people out of work. There are now 77,000 young people under 25 who are unemployed. That’s one in four - one in three in the Māori and Pasifika community.

We risk a lost generation.

It is a social disaster waiting to happen.

We cannot allow young people to leave school to join the scrapheap of unemployment.

Labour will make sure young people leaving school are either earning or learning.

Labour will revitalise trade training and apprenticeships.

We will create a modern equivalent of schemes like Māori Trade Training in the 60s and 70s. This produced a generation of skilled and confident young Māori workers.

It’s a disgrace that nine months after the first earthquake, no new training schemes have been established and no new trainees have yet been taken on in Christchurch.

And the money put aside for training is less than the amount which the Government cut from industry training schemes last year.

Over 10,500 15 to 24 year olds are currently unemployed in Canterbury. The numbers are still going up, but John Key talks about bringing in skilled workers from Malaysia and the Philippines.

That’s not good enough.

It fails our young people.

Our priority will be giving young people in Canterbury and those made redundant by the earthquake the skills to enable them to rebuild their own city.

Labour will be investing more in research and development. We have to build a smart economy, capable of innovation so that we can lead the world.

Yesterday on this stage, New Zealander of the Year Paul Callaghan outlined 10 New Zealand companies which are leading the world but we need 100 more like them.

Labour brought in an R&D tax credit to promote this. We recognised that having R&D a third of the level of comparable countries wasn’t good enough.

Our third largest sector in the economy is hi-tech industries which produce $6.5 billion worth of earnings each year – 78% from exports.

But National, against the advice of Treasury, killed Labour’s scheme. No wonder our economy isn’t delivering.

I want to formally announce today that Labour will introduce a research and development tax credit.  
  
This is one of the best ways we can lift productivity and growth.

We have huge opportunities in areas like health technology and clean technology. Companies like Orion Healthcare and Fisher and Paykel Healthcare are expanding rapidly.

Businesses like these can be huge employees of skilled, well-paid New Zealand workers.

We need these opportunities so that young New Zealanders can find their future in their own country.

In Clean Tech, there is enormous potential from companies like Lanzatech, Aquaflow, Flotech and Windflow. PriceWaterhouseCoopers predict that this area could add $7-22 billion more a year in value for New Zealand economy.

This is the vision that Labour will have in its Budget.

But R&D is not cheap.

We will introduce a R&D tax credit initially at 12.5%. That will cost an average of $160 million a year - $800 million over five years.

This confirms Labour’s commitment to a smart economy.

But it is a lot of money. It has to be paid for and the deficit means no new money is available.

So we have to find savings.

Today I am announcing how we will pay for it.

In another example of poor economic choices, National left every New Zealander having to pay for their transport and electricity emissions, but exempted farming from paying for their agricultural emissions. That is not fair.

Having the taxpayer meet the cost simply means that the pollution goes on for longer.

The exemption removes the incentive to agriculture to move more quickly to reduce global warming gasses which account for 48% of New Zealand’s greenhouse gas emissions.

Labour is proposing to restore the entry date of 2013 for agriculture to come into the Emissions Trading Scheme. This means farmers will pay for just 10 per cent of their 2005 agricultural emissions, plus any growth since then.

We don’t believe this is asking too much. Agriculture is important but all sectors need to pay their fair share.

National’s delay costs around $800 million over 5 years. We, as taxpayers, are paying for this. By reversing the delay, we can transfer this money to pay for the R+D tax credit.

Boosting R+D can help our farming sector to be at the leading edge of work to reduce agricultural emissions.

More R+D will mean more jobs, higher incomes and more revenue.

Both the R&D investment and bringing agriculture into the ETS in 2013 will enhance New Zealand’s clean green brand.

This is an example of Labour making the hard decisions critical to get our economy moving again. Everyone has to do their bit and pay their fair share.

We won’t ask anyone to do more than that.

As we develop and bring in our other major policies this year, we will be just as clear on how it will be paid for and how it will help New Zealand get ahead.

Earlier this year, I outlined Labour’s action plan for jobs and growth. This is:

- 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.

Today’s announcements build on this and show New Zealanders we have a plan to make the economy stronger and their lives better.

Our plan shows that we will not spend money we don’t have and that we will make the hard decisions in the best interests of New Zealanders.

Our plan shows that we have the ideas, the vision and the courage to improve the lives of all New Zealanders – no matter who they are or what they earn.

Delegates, we will be taking our policies to the country later this year:

* to turnaround the failing economy and reduce the debt
* to unleash the potential of our young by giving them the skills they need to contribute
* to drive the innovative potential of our economy to make us a world-beating nation
* to own our future – not to sell it off to the highest foreign bidder
* to keep building a fair and decent society where we all look after each other and do our bit.

Delegates, let us leave here today with the single-minded commitment and determination to the elect the Sixth Labour Government on November 26.