



*First Session, Forty-seventh Parliament, 2002-2003*

# **Parliamentary Debates**

*(HANSARD)*

Tuesday, 10 June 2003

WELLINGTON, NEW ZEALAND

Published under the authority of the House of Representatives—2003

ISSN 0114-992 X

**TUESDAY, 10 JUNE 2003**

**TABLE OF CONTENTS**

VISITORS—	
Speaker of the House of Representatives, Australia.....	6037
OBITUARIES—	
Hon Philip North Holloway CMG.....	6037
MOTIONS—	
Crop and Food Research—Air Accident.....	6037
MINISTERIAL STATEMENTS—	
Iraq—New Zealand Assistance.....	6040
QUESTIONS FOR ORAL ANSWER—	
Questions to Ministers—	
Iraq—Peacekeepers.....	6047
Rail Network—Protection.....	6048
United States—Prime Minister's Views.....	6050
Housing—Supply.....	6051
Immigrants—Qualifications.....	6052
Te Māngai Pāho—Māori Sportscasting International.....	6053
Reports—United Nations Committee on the Rights of the Child.....	6056
Māori Development—Expenditure.....	6057
Legislation—Guardianship and Care of Children.....	6058
Parole—Paedophiles.....	6060
Petroleum Exploration—Canterbury Basin.....	6061
Family Courts—Reviews.....	6062
URGENT DEBATES—	
Tranz Rail.....	6063
INDUSTRY NEW ZEALAND AND TRADE NEW ZEALAND INTEGRATION BILL—	
Second Reading.....	6081
DEBATE ON CROWN ENTITIES, PUBLIC ORGANISATIONS, AND STATE ENTERPRISES.....	6097

**TUESDAY, 10 JUNE 2003**

**Mr Speaker** took the Chair at 2 p.m.

**Prayers.**

**VISITORS****Speaker of the House of Representatives, Australia**

**Mr SPEAKER:** I have much pleasure in informing members that the Hon Neil Andrew MP, Speaker of the House of Representatives, Australia, accompanied by the Deputy Speaker, is within the precincts of this Chamber. I am sure that members would wish that he be welcomed and accorded a seat on the left of the Chair.

The Hon Neil Andrew, accompanied by the Deputy Speaker, entered the Chamber and took a seat on the left of the Chair.

**OBITUARIES****Hon Philip North Holloway CMG**

**Mr SPEAKER:** I regret to inform the House of the death on 28 May 2003 of the Hon Philip North Holloway CMG, who represented the electorate of Heretaunga from 1954 to 1960. He was Minister of Industries and Commerce from 1957 to 1960. I desire, on behalf of this House, to express our sense of the loss we have sustained and our sympathies with the relatives of the late former member. I now ask members to stand with me and observe a minute of silence as a mark of respect for his memory.

Honourable members stood as a mark of respect.

**MOTIONS****Crop and Food Research—Air Accident**

**Hon PETE HODGSON (Minister for Crown Research Institutes):** I move, *That this House express its sense of sadness at the tragic loss of seven members of the senior management team of Crop and Food Research and the pilot in an air accident at Christchurch last Friday evening; that the House convey its sympathy and condolences to the families, colleagues, and friends of those who have died; and, further, that this House extend its best wishes to the two surviving members who have sustained serious injuries.*

Friday night's tragedy has created large gaps in the lives of many. So many people have lost a partner, a parent, a child, a friend, or a colleague. The ripples of this tragedy spread wide across New Zealand and off shore. Because seven of those who died worked in one place, in adjacent offices, those ripples will lap one another for some time to come. Tributes have flowed for the pilot—his passion for flying, his love of painting, of New Zealand's mountains, and his care for people. Those tributes are, I am sure, richly deserved.

I want to pay tribute to the seven members of the senior management team at Crop and Food Research. I knew only some of them, but I am told that each and every one of them loved his or her job and was dedicated and committed to it. They had rich talent and commitment beyond that—in sport, in recreation, in art, and in their community work, and, of course, they were committed to their friends and families, including young families. But it is their work at Crop and Food Research that I especially want to acknowledge. Some had worked there for years, but others were much more recently appointed, having been recruited from the public sector, the private sector, and off shore. As a team they had just hit their straps.

As an organisation, Crop and Food Research was about to reap the excitement and rewards of their talents. That had become apparent to me over recent times, and even more so earlier this year when I spent an extended period of time at the Lincoln campus, learning of their plans and aspirations. The intellectual skill and the vision of the organisation are simply awe inspiring, and the quality of the research is, as always, world-class. The seven who died—though mostly scientists by training—were not involved in research, but in the challenging areas of management, communication, commercialisation, strategic development, market development, and so on. Managing innovation is very hard and very important, and those people I knew who were involved with that were very good at it. They were clever, clever people. Their deaths therefore leave a huge gap in the organisation, and in New Zealand's innovation system in general.

However, Crop and Food has real depth, and other Crown research institutes have moved swiftly to pack tangible support round it. As well, we can express our relief at the almost miraculous survival of two of those who were on board. Replacing those who have died will be very difficult, but it must, and will, be done. Those whom I knew who have died would straightforwardly demand as much, as I am sure would all of them.

**Hon BILL ENGLISH (Leader of the Opposition):** The Opposition supports the Government motion and extends its condolences to the families of those who were lost. Even though Christchurch may be regarded as a large city, there is no doubt that the loss of this number of lives will have a big effect on it. New Zealand is a small country, and on behalf of some of my constituents whose brother was the pilot and who are also good friends of mine, I can say that they will live with the effects of this for some time. Also, the science community in New Zealand has lost some people who were friends and colleagues, and who, as the Minister has said, were starting to make a significant impact as a group of people on the progress of New Zealand science.

We also offer our support to Paul Tocker, who is the chief executive of Crop and Food Research and who is known to many of us. He now has the task of taking the team that he leads through this difficult time, and, as the Minister proposed, rebuilding it quickly. I compliment the Minister on meeting people from Crop and Food Research as soon as he was able to after the tragedy. As has been pointed out, the staff who were lost had unique skills. Among them were those who had both national and international reputations, but, despite the opportunities they may have had elsewhere, they chose to work in New Zealand because of the contribution they could make to this country. Those who knew them have the comfort of knowing that, even with this loss, they left the legacy of their work, from which the whole community will benefit.

Finally, I record our thanks as members of Parliament to all those who contribute every day to the safety of air travel, which we all take for granted. Every time we get on either a commercial or a charter flight we believe that we will arrive at our destination safely. This tragedy has taught all of us who fly so often that we cannot take that for granted.

**PETER BROWN (Deputy Leader—NZ First):** On behalf of New Zealand First, I endorse the Minister's motion. This is a sad time for New Zealand, but it is more of a sad time for the families of those people who died. Our prayers and hearts go out to the families of those folk, and to the two accident victims who are in hospital. We wish them a speedy recovery. We endorse the Government's motion.

**Hon KEN SHIRLEY (Deputy Leader—ACT NZ):** ACT New Zealand also endorses this motion as our expression of sorrow and condolences to the friends, colleagues, loved ones, and families of those who have been lost—the seven executives of the Crown research institute, Crop and Food Research, and also the pilot, Michael Bannerman. We also have feelings for the two survivors, Richard Barton and Tim

Lindley. Those two survivors will need to live with their loss and their sorrow as they mourn their colleagues. In particular, I would like to comment on Michael Bannerman. His mother is well known to my wife and me. She lived in Tauranga up until very recently, and moved to Christchurch just a few months back to be with her family. I know that she will take this loss very hard.

**JEANETTE FITZSIMONS (Co-Leader—Green):** The Green Party supports the motion and extends its condolences to the families and the colleagues of those who died so tragically on Friday. We note that a number of them had young families, and that all of them have families and loved ones. Our thoughts are with all of them as they mourn at present.

It is a particularly heavy blow for any organisation to lose so many of its staff, and at such a senior level, at one time. Crop and Food Research is part of a wider scientific community with an international reputation, and such a loss will reverberate for some time amongst the science and research communities of which they were part. Our very best wishes go to the survivors. They will have a particularly heavy burden to bear as they reflect on being spared when their colleagues were killed, and we hope their recovery will be speedy. Our best wishes go to Paul Tocker and Crop and Food Research as together they rebuild their organisation.

**Hon PETER DUNNE (Leader—United Future):** United Future wishes to extend its condolences to the families and colleagues of those who were killed in the Christchurch air crash, and to be associated with the motion that has been moved by the Minister this afternoon.

This was a tragedy of awesome potential. Seventy seconds from safety, the plane crashed and killed those eight people, a number of whom were on their way to join colleagues celebrating a staff occasion, and who never arrived. It is awesome too because of the contribution the Crop and Food Research people had made in the world of international research, and who, as the Minister acknowledged, were on the point of establishing huge international credibility for it. It is awesome when we consider the families who waited for a phone call that never came. The story of the woman whose husband survived, Mrs Barton, being too scared to watch television, once she knew the plane was down, for fear of what the news might bring, brought home to all of us the intensity of this tragedy at a personal level. As the Leader of the Opposition reflected, I am sure that story made all of us who use aircraft more frequently than most just think again about our safety in such circumstances.

This is a very sad occasion for the scientific community in New Zealand, and for the families involved. Like other members of this House, I extend my deepest personal sympathy to everyone who has suffered a tragic loss in this case.

**Hon JIM ANDERTON (Minister for Economic Development):** We join also with the House and the Minister in expressing our deep regret and sorrow on this occasion. There is no doubt that the crash of this aircraft at 7.15 on Friday 6 June was, quite simply, a genuine tragedy. Despite the increasing sophistication of our communications systems and the growth of our population, New Zealand fundamentally remains a very small country, made up of small communities of interest and relatively small regional populations. So the death of significant numbers of people—on this occasion, from one Crown research institute in particular—sends shock waves through our communities of interest, and particularly through the Canterbury community. It is both a strength and weakness of New Zealand that such a loss is personal to so many in our country, and, in particular, we think of those at Crop and Food Research. Our thoughts are with the families and friends of the victims on this sad occasion.

Motion agreed to.

Honourable members stood as a mark of respect.

## MINISTERIAL STATEMENTS

### Iraq—New Zealand Assistance

**Rt Hon HELEN CLARK (Prime Minister):** Yesterday the Government announced decisions on further New Zealand contributions to support humanitarian and reconstruction assistance in Iraq. The Government also announced that New Zealand will continue to make a significant contribution to the fight against terrorism under Operation Enduring Freedom.

The adoption of UN Security Council Resolution 1483 on 22 May cleared the way for international participation in the reconstruction of Iraq. That resolution makes it clear that the UN will play a vital role in humanitarian relief, in the reconstruction of Iraq, and in the restoration and establishment of national and local institutions for representative governance. The resolution paves the way for an internationally recognised representative Government of Iraq to be formed. The Security Council resolution urges member States to play a role in humanitarian relief, reconstruction, and rehabilitation, and welcomes contributions to stability and security. It also provides for those countries like ours, which did not participate in the war and are not occupying powers, to play a role in Iraq without acquiring the status of occupying powers. The Government has always said that New Zealand was prepared to play a role in post-conflict Iraq, but that there needed to be appropriate multilateral cover and authority. UN Security Council Resolution 1483 provides that cover and authority.

The people of Iraq have suffered greatly from decades of conflict—internal and external—from a Government that abused their human rights, and from more than a decade of economic sanctions. Against that background, the process of restoring a fully functioning society and economy in Iraq cannot be expected to be easy. It is vital that, in accordance with the terms of the UN resolution, all countries contribute what they can as quickly as they can. The New Zealand Government has already given practical support to Iraq. It has contributed \$4.3 million through UN agencies and the International Committee of the Red Cross. We have agreed to provide up to 15 Defence Force personnel to assist in UN mine action service operations there, and two have already been deployed. Now we will provide the New Zealand Defence Force engineering group of up to 60 personnel, including support staff, to work on reconstruction tasks in southern Iraq. The engineering group will operate with a UK unit for a period of up to 12 months, and up to three New Zealand Defence Force personnel will be based in the British headquarters to support the New Zealand presence.

We have also looked at making a civilian contribution to the reconstruction effort in Iraq. One such area is agriculture, and we have decided to contribute \$1 million to rehabilitate the Iraqi agriculture ministry building in Baghdad. We will also be offering scholarships and custom-made agriculture training courses in New Zealand. Those will help to meet the needs of a generation of young Iraqis who have missed out on education in that critical sector. We are also willing to consider contributing to other civilian tasks that may arise during the period of reconstruction and the subsequent establishment of the Iraqi interim Government.

We also announced yesterday further initiatives in support of Afghanistan and Operation Enduring Freedom. A significant part of the effort will be through the deployment of a provincial reconstruction team. Such a team is not a combat unit. It provides a strengthened military-observer capacity, which also acts as the centre for the facilitation of non-governmental organisation and other civilian contributions to reconstruction. We know that a similar approach was successfully tried in the former

Republic of Yugoslavia. In contributing to a provincial reconstruction team we are prepared to lead one if our capacities extend that far, and at present we have a reconnaissance team in the field that will report back shortly to us. In addition, two NCOs will be deployed to work with a British team that is providing training for the Afghan army. We also consider that to be a priority. We are leaving open the possibility of another round of deployments of the frigates in the Gulf of Oman and the Arabian Sea.

New Zealand has long been known for its willingness to provide practical support to societies that are recovering from the trauma of conflict. The assistance to Iraq and Afghanistan is given in line with that longstanding practice. In addition, the continuing support for counter-terrorism activities makes a contribution towards building a more secure world for us all.

**Hon BILL ENGLISH (Leader of the Opposition):** The National Opposition supports this deployment. Our New Zealand troops will do a great job where a great job is needed. They will be practical, they will get on with the local people, they will get the job done, and they deserve the support of this Parliament in setting out into a situation that has to be regarded as potentially dangerous for them. But that will not change the view of Helen Clark and her Government as being an unreliable friend and as being a Government that was willing to get stuck into our friends and allies when it suited the Government's domestic political purposes.

This is a significant contribution, but it is one where Helen Clark has been able to make her motives look opportunist and insincere. This is a further chapter in months of ducking and weaving as the Government tried to cultivate anti-American sentiment in New Zealand, and at the same time to build international support for Helen Clark's own future career in the United Nations. [*Interruption*]

**Mr SPEAKER:** The Prime Minister was heard in silence; so will the Leader of the Opposition be.

**Hon BILL ENGLISH:** The Government has set out to try to repair the damage done to our national interests and our international standing by 3 months of bad judgments, misjudged pride, and comments that have been damaging to—and were taken as damaging by—our friends and allies. It started with the comments on the Al Gore presidency and culminated with Phil Goff holding hands with Arafat, just when everyone else was getting the road map on the road.

This deployment is also a U-turn on the Government's previous policy. Government members have lectured this House on the principles involved in their foreign policy. On 25 March Helen Clark said that New Zealand would make no contribution to Iraq unless the United Nations was in control. The United Nations is not in control. These troops will be under the control of the British army, which was, to use the Government's term, an invading force, and is now an occupying power in Iraq. So where is the principle in that? New Zealand is committing troops to the control of what the UN resolution calls the authority that is the US and the UK. The Prime Minister also said that we would offer only cash and other humanitarian aid as long as the US looked as though it was going to set up its own military bureaucracy to run Iraq, which is exactly what it has done. The language changed to "multilateral cover", which is another "Clarkism"—one-third truth and two-thirds spin. Now we have a total back-down: the commitment of our troops under the control of the occupying armies of Britain and the US.

Finally, was there a deal? Well, when Dr Cullen raises his eyebrows that always means yes. I understand that this decision was conveyed to the US Government 2 weeks ago. The first question is this: why was the New Zealand Parliament not informed 2 weeks ago, when it could have been, instead of now? Secondly, was it the case that— [*Interruption*] Well, I believe it was the case. New Zealand offered troops—a significant

contribution, and more than could have been expected—in return for complimentary statements from the State Department. This is the Government that was not to be pushed around. This is the Government that was not to let the US make its foreign policy, and was not to be told what to do by someone who had illegally invaded another country. Yet the Government has been virtually told what to do, and that is to make a significant contribution to post-war Iraq. The Government did have to do that, and Helen Clark went and did it.

Our position has been clear since the day that the war ended. We said that New Zealand should take part as quickly as possible in the rebuilding of Iraq. This announcement is too late. It should have been done months ago.

**RON MARK (NZ First):** I rise on behalf of New Zealand First to welcome the Government's announcement that it will deploy personnel into Iraq and Afghanistan to assist with the efforts in re-establishing peace and security and towards the development and well-being of the peoples of those two nations. It is said that a week is a long time in politics. I would like to suggest that a week may prove to be a lifetime in trade negotiations. Whilst we welcome these announcements—and we have said on many occasions that we concurred with the position that the Government had taken with regard to the desirability of having the United Nations involved in any action in Iraq, in terms of looking for weapons of mass destruction and of regime-change activities—we say the comments that were passed after the war was under way and difficulties became apparent were totally unnecessary. There will be another time in which we will have those debates further, and judgment will be passed for many years to come on the wisdom of those comments, but they have clearly harmed New Zealand's position with its friends and allies.

This move will go, in part, some way towards at least reminding our friends and allies that we still exist, and that we are still able to offer a valuable contribution. But this contribution, and any gains that we get from it as a nation, will be on the backs of the men and women of our Defence Force, who show a far higher degree of professionalism than I have observed around the hustings here in the last month or so. I want to reflect on some comments that were made after the unfortunate accident that killed Major John McNutt of the Special Air Services in Kuwait. The Prime Minister herself made a comment that she did not believe that New Zealand's foreign affairs or foreign relations were built on the activities, the assistance, the viability, or the support of the SAS. Quite clearly the Prime Minister has had a huge change of heart since those days, and she is now leaning very heavily on the SAS as a foreign affairs tool, because she has found since then that the SAS is a very, very effective foreign affairs tool and, again, one that is effective because of the professionalism and the expertise of the men and women who deploy and support those operations.

On behalf of New Zealand First I want to say—and I want the Government to reflect on this—that when the Government tells the nation that it has no plans to send people into action, it needs to reflect on the impact of those words on the personnel who are already training and preparing to go, and who have already been told they are to go into action. The response to that from within the ranks is that someone is telling porkies or not exactly telling the truth, or to ask, if that were the truth, why they are preparing and discussing the issue, and why moves are being made to ensure that their deployment is effective, swift, and professional.

New Zealand First tells those personnel that we look forward to their return home, and look forward as a nation to enjoying the fruits of their work and their professionalism. We know that they will perform absolutely impeccably in the Middle East, as they have always done in the various peacekeeping missions, be they in Israel, Lebanon, Kosovo, or wherever. We are absolutely dependent on them to do their duty

impartially and with humanity.

I note once again that larger numbers of logistics personnel are going out—engineers and people skilled in planning and executing—and that the success of our forces' ability to deliver humanitarian aid and support to the people will depend upon those personnel and their skills.

I say to the Government: thank you, well done. However, the rewards of the Government and the nation lie from here on in the hands of the men and women we deploy, and accordingly we should support them 100 percent.

**Hon RICHARD PREBBLE (Leader—ACT NZ):** I rise on behalf of the ACT party to say to our defence personnel, who are going on what is a risky mission, that they go with the support of the New Zealand Parliament and, I am sure, the vast majority of New Zealanders. The ACT party supports this deployment. I have to support it, because I wrote to the Prime Minister on 28 March stating: "This letter is to urge you to urgently reconsider your policy of refusing to assist in humanitarian aid to Iraq unless it is under United Nations control." I am delighted to see that the Prime Minister has changed that policy. What I am not delighted to see is that she has not admitted it. I find it interesting that—

**Hon Member:** Ah!

**Hon RICHARD PREBBLE:** The Prime Minister says that was always her policy. That is interesting, because on 24 March *The Dominion Post* must have misunderstood. It stated: "Prime Minister Helen Clark says New Zealand's contribution to post-war Iraq will be in cash rather than peacekeeping forces or other expertise, because the United States plans its own military bureaucracy to run Iraq in the short term"—as it is doing. The *New Zealand Herald* was under the same misapprehension, because it reported that the Prime Minister had ruled out contributing personnel to the United States - organised peacekeeping force operating in Iraq after the war. I see the *Press* made that mistake, as well. It reported the Prime Minister as saying: "New Zealand will be not taking part in rebuilding a post-war Iraq unless the effort is under the auspices of the United Nations. We are looking for the UN to be prominently engaged, and at this point the UN does not have a clear role." It still does not have a clear role. Another newspaper reported the same comments: "New Zealand will not provide peacekeepers unless the United States hands over control to the United Nations." I ask the Prime Minister whether that has happened.

**Hon Member:** Yes.

**Hon RICHARD PREBBLE:** Hello, somebody said yes! Who in the Labour Party was told that in his or her caucus? Government members will not own up. Mr Phil Goff was asked a question that was reported in the *New Zealand Herald* by Fran O'Sullivan, who must also have misunderstood what he said—

**Hon Phil Goff:** She does it constantly.

**Hon RICHARD PREBBLE:** That is interesting, because she had to put quotation marks around it. This is what she said: "Asked whether there were any circumstances in which New Zealand would take a peacekeeping role in a bridging sense if the US was there, Mr Goff replied: "In the first instance, you'll have a direct military rule, and we won't be offering peacekeeping forces'." Mr Goff now says that he was misunderstood, as well. I think we are entitled to have the Government tell us in a ministerial statement what it is really doing. The Leader of the Opposition is absolutely right. The Government is doing it in order to have some diplomatic and trade advantage. I think the Government needs to apologise to the Australians. We all remember Helen Clark and Phil Goff saying: "We would never send over troops for trade", but now they are doing that. This was their statement: "New Zealand's position is strong support for multilateralism, the rule of law, and upholding the authority of the Security Council. It

is a principled position.” But where is the Security Council, in terms of this Prime Minister?

**Rodney Hide:** Where is the principle?

**Hon RICHARD PREBBLE:** That is a very good question. I am delighted to see that the Government is joining the real world, but why does it not have the decency to say to Parliament that it was wrong? This House should realise that this commitment might be a very long-term one. We have had peacekeepers serving overseas, I understand, since the 1950s. If we had actually contributed to the war in Iraq, we would be able to say: “We’ve done our bit. Let someone else do it.”

I also say to the Prime Minister that we have bits of things that we should be doing ourselves. I regret that she did not include anything in her statement about the Solomons. That is an area in our sphere; that country has been asking us for help for over a decade, and I would hate to think that we cannot give it because the Prime Minister has committed all our troops to the Middle East.

**KEITH LOCKE (Green):** Let us be clear: this announcement is not primarily about increasing our aid to Iraq; it is all about scoring more brownie points in London and Washington. We could easily have spent exactly the same amount of money on Iraqi aid and reconstruction—about \$12 million worth—without putting our army people in a unit of the British occupation force. Our army people are already doing good work in the UN-run demining unit, and that could have been expanded. Kiwis are already doing good work in the Red Cross and other civilian non-governmental organisations. We could have put more resources into that area. There is no doubt that we could have become involved in several civilian engineering reconstruction projects. Bush and Blair might not have liked it if we had said, yes, we will do more to help Iraq, but we will not do anything that could be seen as legitimising the war and the current British and American occupation. The Iraqis, who increasingly hate the occupation of their land by British and American troops, would have cheered. People around the world who admired New Zealand’s anti-war stand would also have applauded.

Of course we should help the Iraqi people reconstruct their country, after the devastation caused by years of Saddam’s brutal rule, two US-led wars, and a decade of economic sanctions. However, we should not do that as part of the British occupation force—at a time when America and Britain are increasingly discredited for having launched the war on the lie that they “knew” Iraq had weapons of mass destruction. Now they are doling out reconstruction and oil contracts to their own companies, and they are becoming increasingly discredited for continuing to mistreat the Iraqi people, and promoting their own puppets as the new rulers of the country. Just last Saturday, 2,000 people demonstrated in Basra against the British, demanding their withdrawal from the city. That is the very area where our Kiwi army people are likely to be based. Do we really want to see our army people being demonstrated against by the Iraqi people?

There is one thing in the announcement that we do support—the \$1 million being given to repair the agricultural ministry building, and the agricultural scholarships that are being made available to Iraqis. However, we are totally against sending up to 100 soldiers to participate in the continuing dirty war in Afghanistan. Our contribution is being prettied up to make it appear that all our soldiers will be doing is helping rebuild communities. In fact, they will be part of a continuing war, which, today, is not primarily against the Taliban or al-Qaeda, but is the American troops siding with one set of warlords—those allied with the Karzai Government—against other warlords. Murderous, fundamentalist, anti-women warlords like Ishmael Khan, who runs Herat in the west, are being supported by American troops. Afghans have another term for the American-led provincial reconstruction teams the Kiwis will be joining. They call them

“provincial rambo teams”.

The umbrella group of 70 non-governmental organisations working in Afghanistan has also criticised those teams, because they could put aid workers at risk. As Raphael Robillard, the head of the agency coordinating Afghanistan relief says: “The PRTs blur the lines between who is a gentle aid worker and who was a combatant collecting intelligence.” The American war in Afghanistan has been a very dirty war, with many civilians being killed in the bombing, admitted cases of suspects being tortured to death by American officers at Baghram air base, and hundreds of people shipped off to Guantanamo base and deprived of any legal and human rights. That is not something that we should continue to be involved in.

There is also a huge cost to us as a nation to fall in militarily behind the Americans and British in Iraq or Afghanistan.

**Hon PETER DUNNE (Leader—United Future):** United Future supports the announcements made in respect of additional deployments to Afghanistan and the deployment of personnel to Iraq, for the very simple reason that they are the right decisions to make at this time. They are right because they deal with an appalling humanitarian crisis now enveloping Iraq; they are right because they build on this country’s commitments, made in the wake of Operation Enduring Freedom being launched, to rebuilding the nation of Afghanistan; and they are right because, now that the Iraq war is over, the world has come in behind the view that every nation, regardless of the stand it took in that conflict, has a duty to ensure the peaceful reconstruction of Iraq.

I say to those personnel who will be going to Iraq and to Afghanistan that they do go with the blessing of this Parliament. They go as New Zealand forces and New Zealand personnel, not as the representative of a particular Government. This is not a political decision; this is a decision for New Zealanders, and it deserves to be seen in that light. Every day—just as recently as the weekend, for example—examples are brought to our attention of the risks that they will face. It could just as easily have been New Zealand personnel who were attacked in Kabul at the weekend, and not the German personnel. The risks we see in southern Iraq still will be the risks that our forces will face when they are there. I do not believe that anyone in this House, whatever his or her political differences, would wish to minimise the significance of the risk and the courage that those people will be required to display, and therefore give them their best wishes for the deployment and the mission they are about to undertake in each instance.

I observe with some wry amusement the various reactions to this announcement. The reaction of the speaker who preceded me was utterly predictable, and I will give him the charity of no further comment. But I find that those who now say that in attempting to send personnel to Iraq in particular, New Zealand is somehow currying favour with traditional friends and allies, when those same people a few weeks ago were saying that we should be working alongside those same friends and allies in the conflict, is an irony a little too great to bear. The bottom line—and I support this absolutely—is that we should have been making this assistance available right from the conclusion of the war. I am delighted that it has now happened, but the reality of those who now say that we are just currying favour—those who said at the time the decision was made to stand aside from the conflict, that we should be in there alongside our friends and allies—I think detracts from the sanctity of the decision that has been made.

**Hon Richard Prebble:** It’s politics.

**Hon PETER DUNNE:** Oh! “It’s politics.”, says the member opposite. This is actually about the country’s national interest. It is a much bigger decision than the interests of some political parties. These forces and personnel have a right to go abroad, confident that they represent the goodwill of all New Zealanders. That is what this

Parliament is expressing, and that is why I am pleased to support the announcement that was made yesterday.

**Hon JIM ANDERTON (Minister for Economic Development):** Members of New Zealand's military forces who are going to Iraq and Afghanistan go with the goodwill of all members of this coalition Government, and, I am sure, with the good wishes of the majority of all members of the House.

When Keith Locke accused the Government of being sycophantic to our friends and allies National Party members laughed at him, but those members actually said exactly the same thing. So I was laughing when they said that. I do not know what there is about United Nations Security Council Resolution 1483 that National, ACT, and New Zealand First, or the Greens for that matter, do not understand, and I wish sometimes that the facts would not get in the way of somebody's prejudice.

The Security Council resolution states: "noting that other States that are not occupying powers are working now, or in the future, may work under the authority." That is what the United Nations Security Council notes. Then it welcomes further, "the willingness of member States to contribute to stability and security in Iraq by contributing personnel, equipment, and other resources under the authority." That is exactly what this Government is doing right now. Is there any member in this House who says that we should act against the United Nations Security Council resolution? We are a small nation dependent on the rule of law in the international community that the United Nations upholds, and that as a foundation member of the United Nations we also should uphold.

The United Nations Security Council resolution goes further, I say to Mr Locke, and appeals to member States that are in a position to do so to respond immediately to the humanitarian appeals of the United Nations and other international organisations for Iraq, and to help meet the humanitarian and other needs of the Iraqi people by providing food, medical supplies, and the resources necessary for the reconstruction and rehabilitation of Iraq's economic infrastructure. Is there anything about that that any member does not understand? That is an appeal from the United Nations Security Council. The Prime Minister and other members of this Government said that when the United Nations appeals to anyone to do something, and gives a mandate to do it, which is what Resolution 1483 does, then this country will respond, and it has.

On the one hand, it is the height of hypocrisy for members opposite to accuse this Government of sycophantically crawling up to our allies, yet when the United Nations Security Council calls for us to take action, and we do, we get the same accusations of sycophancy. I say to those people who are urging us to go into battle in Iraq, in order to appease our allies, that they are the ones who are acting sycophantically. This Government was acting in principle, and still is, under the United Nations mandate. We are proud of what we have done, and we are proud of what our people will do in both Iraq and Afghanistan.

**Rt Hon HELEN CLARK (Prime Minister):** One thing that everyone in the House will agree with is wishing those who are going offshore to both Iraq and Afghanistan, and to Operation Enduring Freedom and other theatres, all the best. As the leader of United Future said, they go in the name of New Zealand and, we hope, with the good wishes of this House.

I thank those who rose to the occasion and commented constructively about the deployments. I also acknowledge the bitter disappointment of the Opposition that it has actually happened. However, this Government has always insisted on a proper authority for being in other people's countries, and that is why UN Resolution 1483 is so critical. That resolution, which New Zealand lobbied and advocated for, is a good resolution. It provides a very sound legal basis for those deployments, and we did not move until we

had that sound legal foundation.

Also, we were very keen to see, as were Canada, Norway, the Netherlands, and a lot of other countries that we worked with on this issue, that those who came in to help at this point were not seen as occupying powers but could work with those who were, in a practical way, to make it better. That is what New Zealand excels at. It is going in, in a practical way, at the end of the conflict to bring some support to people who are in difficulty. We will do that, and I know that the New Zealanders going offshore will do it with distinction.

## QUESTIONS FOR ORAL ANSWER

### QUESTIONS TO MINISTERS

#### Iraq—Peacekeepers

**1. Hon BILL ENGLISH (Leader of the Opposition) to the Prime Minister:** Does she stand by her reported comments on 25 March that New Zealand will not provide peacekeepers in Iraq unless the United States hands over control to the United Nations; if not, why not?

**Rt Hon HELEN CLARK (Prime Minister):** I stand by comments I actually made, rather than distorted reports. I have consistently said that New Zealand was prepared to help at the end of the conflict, provided there was appropriate multilateral cover; now there is, in the form of Resolution 1483.

**Hon Bill English:** Why did the New Zealand Government support UN Resolution 1483, which recognised that British and American defence forces as occupying powers with authority in Iraq and ensured that the United Nations would not be in charge, when the stated policy of the New Zealand Government was that the UN should be in charge, not the US?

**Rt Hon HELEN CLARK:** The stated policy of the New Zealand Government has always been to see that there was a vital role for the UN. It was clear that that was a widespread international view. We worked with others to get a very good resolution—and it is a good resolution—and we have now been able to deploy in line with it.

**David Benson-Pope:** When did the Prime Minister first mention the possibility of sending engineers to assist with the reconstruction of Iraq?

**Rt Hon HELEN CLARK:** I, and the Government generally, have consistently foreshadowed New Zealand's involvement in the rebuilding of post-conflict Iraq. In respect of engineers, as far back as 6 February this year I was reported as saying that we would be joining an international effort for humanitarian aid, medical support, and the kind of work our army engineers could do.

**Hon Richard Prebble:** Does the Prime Minister recall saying—as is reported in the *Dominion Post* by Tracey Watkins on 25 March—that New Zealand will not provide peacekeepers unless the United States hands over control to the United Nations; if so, does she agree that the United States has handed over control, or, alternatively, that New Zealand has changed its policy—which is it?

**Rt Hon HELEN CLARK:** As the member well knows, those words are not in quotation marks; they are an introduction to a *Dominion Post* article. They are not the words used.

**Keith Locke:** When the Government decided to provide additional aid to Iraq—about \$12 million worth—why did it not decide to channel that aid through civilian agencies rather than to put our army people in a British military unit, when the British-American occupation of Iraq is increasingly hated by the Iraqi people?

**Rt Hon HELEN CLARK:** The Government looked at a range of options whereby it could assist, and it determined that at this point, apart from the agriculture

commitment—which the member commented on favourably earlier—the most appropriate and practical assistance with rebuilding could be offered by army engineers.

**Ron Mark:** In respect of the deployment of New Zealand troops to Iraq, what sort of risk analysis has been done on the likely situation that our troops may well find themselves in, given the existing situation inside Iraq, and has she already considered whether we might send in armed troops, if the situation deteriorates, to ensure that our engineers are well protected?

**Rt Hon HELEN CLARK:** The member may have heard the Chief of Defence Force commenting earlier today on that issue. He made it clear that the engineers would be able to protect themselves. They are not going in as combat troops, but as engineers. They are all army service people, and, as the member knows from his own extensive experience, they do go prepared to protect themselves.

**Hon Peter Dunne:** Was the decision to deploy New Zealand personnel made by the New Zealand Government in the form of an offer to the United States and the United Kingdom through the United Nations, or was it in response to an invitation from those States coming the other way for us to make assistance available?

**Rt Hon HELEN CLARK:** A number of processes have been at work here. Obviously, we have been very engaged with the UN on the shape of the resolution. We are also very mindful of the range of tasks that are to be done. When senior Government Ministers met on the afternoon of Monday, the 27<sup>th</sup> of last month to talk about the range of possibilities, we elected to approach the British Government, because when I had been in Britain a few weeks before it had been very keen to see us play a role, and we made it clear at that point that we would do so when there was appropriate authority, as we were sure there would be. In respect of the US, we knew what the range of things was that it was thinking of in both Afghanistan and Iraq, and we have had a continuing dialogue with it.

**Hon Bill English:** Given the Prime Minister's rather startling claim that all reports of her policy up until today have been wrong, what words did she actually say that led to this reported comment: "New Zealand will not provide peacekeepers unless the United States hands over control to the United Nations."?

**Rt Hon HELEN CLARK:** The member knows that those words were not used. They are intros and hyping up.

**Hon Richard Prebble:** I seek the leave of the House to table three comments from three senior members of the press gallery, Mr Colin Espiner, John Armstrong, and Tracey Watkins, in the *Christchurch Press*, the *New Zealand Herald*, and the *Dominion Post*, all of the 25<sup>th</sup>, and all completely contradicting what the Prime Minister has just told the House.

**Mr SPEAKER:** Leave is sought to table those three documents. Is there any objection? There is.

**Hon Bill English:** Given that the Prime Minister did not answer the last question about what she actually said, and therefore what her policy actually was, is it because she cannot remember or because she is now going to rewrite history about the Government's policy that New Zealand will not provide peacekeepers unless the US hands over control to the United Nations?

**Rt Hon HELEN CLARK:** In case the member has not noticed, we have not provided peacekeepers. We have provided engineers.

### Rail Network—Protection

**2. HELEN DUNCAN (NZ Labour) to the Minister of Transport:** What steps has the Government taken to protect the rail network of New Zealand and why have such steps been taken?

**Hon PAUL SWAIN (Minister of Transport):** Last Friday, the Government announced a joint plan for the restructuring and development of the New Zealand rail system. The proposal has real potential to enable rail to move more freight and people, reduce heavy truck traffic on roads, produce fuel-saving efficiencies, and deliver land transport in a way that involves less wear and tear on our environment. It promotes major benefits to New Zealand.

**Helen Duncan:** What reports has the Minister seen supporting the Government rail deal announced on Friday?

**Hon PAUL SWAIN:** There have been many supportive comments from a range of sources, including the Rail Freight Action Group, Local Government New Zealand, and the Greater Wellington Regional Council. The deal has the overwhelming support of New Zealanders, as was shown in a recent NBR poll.

**Hon Roger Sowry:** How does he reconcile the Government's position with the statement made by the Minister of Finance that "Toll Holdings had their chance for a cooperative approach, and they essentially told us to go away and get lost.", with the comment made by Toll Holdings managing director, Paul Little, that "I'd like to think of it perhaps more of an opportunity now for Toll to work more closely with the Government.", and how will these two positions advance the prospect of this deal working?

**Hon PAUL SWAIN:** Easily, because that is what they said. But in the end, the Government does not see itself as a long-term holder, and will be entering into potential opportunities if this deal is accepted by the shareholders on 11 July.

**Peter Brown:** Why has the Minister chosen to act now, when a few weeks ago he could have bought the whole of Tranz Rail for 30c a share instead of 35 percent at 65c; is it because he has just become aware of the problems with our rail system, or is it simply another Government knee-jerk reaction?

**Hon PAUL SWAIN:** No, the Government has been aware of some of the issues around Tranz Rail for some time, as the member would also be aware if he reads the newspapers. The reality is that Tranz Rail requested us to be engaged in negotiations in May. That is when the decision started to be made, which led to the decision last Friday. The real point is that this was at Tranz Rail's request, and we acted very decisively once the package had been put together.

**Jeanette Fitzsimons:** Can the Minister confirm that Government ownership of the tracks, as advocated by the Greens' rail package 2 years ago, will help achieve integrated land transport, and can he comment on how it will assist in retaining the Napier-Gisborne line and advancing a spur line to the new port at Marsden Point?

**Hon PAUL SWAIN:** Yes, I can confirm that, and of course the rail network is an important part of the New Zealand transport strategy that the Green Party and the Labour-led Government announced just before Christmas. The reality is that we have not been able to have a strategy without the rail network operating effectively. Of course, it now allows us to address the issue of the Napier-Gisborne line, and the Marsden spur line as well, to take into account the increase in freight that is likely to go along that line.

**Larry Baldock:** What can the Minister say to those who suggest that Tranz Rail should have been left to go into statutory management or receivership so that the Government could have got the cheapest possible deal, and what would have been the economic impact of this on New Zealand's economy?

**Hon PAUL SWAIN:** Those who say that do not understand, firstly, the rail business, and, secondly, that the economic impact of such a situation, where freight and people would stop being able to be moved in New Zealand, would be incalculable. This is a good deal for New Zealand, and I say to the National Party that it should hang its head

in shame for the mess it created.

**Hon Richard Prebble:** How much work did the Government do before it committed the taxpayer to taking protection of the rail network; firstly, did it not know that rail is actually cash positive at the moment, so no receiver would have stopped running the railway for one minute, and, secondly, where did he get the figure of \$100 million for the cost of upgrading rail—is he aware, for example, that on the West Coast line there are 300 bridges—and that most commentators think that the cost to the taxpayer will be many times greater; and will he resign if the figure turns out to be higher than he has publicly said?

**Mr SPEAKER:** There were three questions there. The Minister may answer two.

**Hon PAUL SWAIN:** Considerable work was done. I am not aware that there are 300 bridges, but I know that there are quite a large number. As I say, the importance of this to the New Zealand economy is critical, and we are very pleased to have been able to take back involvement in this important part of the transport system's infrastructure—in the best interests of New Zealand and New Zealanders.

### United States—Prime Minister's Views

**3. Hon BILL ENGLISH (Leader of the Opposition) to the Prime Minister:** What was her reaction to reported comments made by a United States Government spokesman that personal attacks by her on President Bush had been “beyond the call” and that her remark about Al Gore had been the “coup de grace”, and did those comments influence her decisions about deploying New Zealand Defence Force personnel to Iraq and Afghanistan?

**Rt Hon HELEN CLARK (Prime Minister):** Very restrained, and no.

**Hon Bill English:** In the light of the comment made by Robert Zoellick that there had been “some things done recently that would make a free-trade agreement harder to carry to Congress”, does the Prime Minister believe that her announcement yesterday improves the prospects of New Zealand getting a free-trade agreement, or not?

**Rt Hon HELEN CLARK:** What I am inclined to agree with are the words of the member himself, who said in the *Listener* a few weeks ago that wanting a free-trade agreement was “not anything like a good or sufficient reason for being involved”.

**Jill Pettis:** What factors did the Government consider before making the deployments?

**Rt Hon HELEN CLARK:** There were two key factors: firstly, the Government took into account that UN Resolution 1483 provided cover for the deployments; and, secondly, there was a need for Iraq to be rebuilt as quickly as possible. There is also the need to ensure that Afghanistan does not again become a failed State, enabling terrorists to operate freely from it.

**Hon Ken Shirley:** If the Prime Minister is relying upon the single UN Resolution 1483 for her Government's about-face on Iraq, how is it that none of the previous 17 UN resolutions, culminating in Resolution 1441—all of which were ignored by Saddam Hussein—were, in her judgment, adequate to justify military intervention?

**Rt Hon HELEN CLARK:** The member will be aware of the legal advice the Government received, which said that the only explicit authority for military intervention would have come from a fresh resolution. It was the New Zealand Government's view that if there were to be military intervention, there should have been such a resolution.

**Peter Brown:** Will the Prime Minister tell us specifically whether she acknowledges that her rather naive comments about Bush and Gore did cause deep offence and that the sending of engineers to Iraq is an opportunity to rebuild that relationship between New Zealand and the United States of America; and is she not taking full advantage of the

opportunity to rebuild a relationship, or does she regard it as of so little importance?

**Rt Hon HELEN CLARK:** It is a very important relationship to us, and it is in good shape.

**Hon Ken Shirley:** I raise a point of order, Mr Speaker. In reply to my question, the Prime Minister quoted a legal opinion. I request that the text of that be tabled.

**Hon Dr Michael Cullen:** The comments referred to a legal opinion; the Prime Minister did not quote from it.

**Mr SPEAKER:** First of all, the member should have raised the issue immediately, but, secondly, and irrespective of that, the point made was that there was mention of a legal opinion. There was no quoting from it.

**Hon Richard Prebble:** I raise a point of order, Mr Speaker. I am not disputing this in any way, but we have just heard from Mr Cullen, and if Helen Clark was relying on a legal opinion and is prepared to table it, I think it would be very helpful.

**Rt Hon HELEN CLARK:** I understand that the advice the Government got from the ministry was released under the Official Information Act. I do not have it with me in the House today.

**Hon Bill English:** Does the Prime Minister recall making the following statement: “At some future point when there is an issue New Zealand does need to raise with the US at the highest level, I think there is a reasonable chance of being able to place the phone call and get the phone picked up.”; and has she made that phone call with regard to obtaining a free-trade agreement for New Zealand?

**Rt Hon HELEN CLARK:** I am sure that at any such time if such a call is required it will be answered.

### Housing—Supply

**4. GEORGINA BEYER (NZ Labour—Wairarapa) to the Minister of Housing:** What initiatives is the Government taking to increase the supply of quality housing?

**Hon STEVE MAHAREY (Minister of Housing):** In the 2003 Budget an additional \$260 million was invested in social housing. That included some \$100 million to provide another 318 State houses over the next 4 years, and to extend 80 homes to better suit large families. That is on top of nearly 3,000 State houses currently under way or planned. In addition, about \$60 million over 4 years has been set aside to accelerate the modernisation of State housing.

**Georgina Beyer:** What is being done to encourage social housing partnerships with non-governmental groups?

**Hon STEVE MAHAREY:** In this year’s Budget \$63 million was provided to encourage greater involvement in social housing by local government, the community sector, iwi, and church groups. Local government and third sector groups, with their strong community links, are in an excellent position to provide local solutions to local problems. I look forward to working cooperatively with these sectors to ensure that funding makes the maximum possible impact on the housing situation.

**Dr Wayne Mapp:** Can the Minister confirm that the waiting list for Housing New Zealand houses increased by 1,500 to 11,627 in the 15 months up to 31 March 2003, and does that not demonstrate the need to review the lifetime tenancies that currently exist, or will he just keep on building new houses without ever investigating the need to sell some of the houses to long-term tenants?

**Hon STEVE MAHAREY:** I can confirm that there are more people seeking to get into State houses because of the income-related rents. I point out to the member, of course, that that relates to people who are in very urgent situations, and to people who are not in situations like that at all. The situation would be a lot easier if 11,500 houses had not been sold by the National Party. I say to the member that, yes, the Government

is ensuring that people who do not need to be in a State house because their circumstances have changed are encouraged to move on to make room for others.

**Pita Paraone:** Will those initiatives be further enhanced by the Government allowing existing State house tenants to buy their homes and the Government using the proceeds from those sales to build further State houses, as some State houses are believed to be valued at in excess of \$600,000?

**Hon STEVE MAHAREY:** No. One of the problems that this Government faces is that the National Government sold 11,500 of them. We have a large waiting list. While this year we will be experimenting with encouraging people into homeownership through the mortgage insurance scheme, we are not selling houses at this time.

**Sue Bradford:** Can the Minister give any indication of what percentage of the Budget allocation for third sector housing will actually go to not-for-profit or community-sector housing, as opposed to local government housing, and will groups like the Cooperative Housing Association of Aotearoa New Zealand be assisted further than they have been in the past in their bid to help with housing in very low socio-economic areas?

**Hon STEVE MAHAREY:** I would hope that about 50-50 of the new money that has been allocated would go between local government and third sector groups. In relation to specific organisations, like the one the member mentioned, I hope that they are able to work with us in a more relevant way for them and that they are able to build their houses, but I could not guarantee an individual provider getting money at this time.

### **Immigrants—Qualifications**

**5. DAIL JONES (NZ First), on behalf of Rt Hon WINSTON PETERS (Leader—NZ First), to the Minister of Immigration:** Is she satisfied that immigrants entering New Zealand have legitimate and sufficiently comparable qualifications for which they are granted entry upon?

**Hon LIANNE DALZIEL (Minister of Immigration):** I am largely satisfied, because applicants are required to produce original or certified copies of their qualifications. Of course, however, there are occasions when fraud is involved and steps are taken to both identify and address those.

**Dail Jones:** Why is it then that we are hearing from employers and employment agencies who are exasperated with the time and money wasted hiring immigrants who claim to have a sufficient level of experience and qualifications to work in a particular occupation, only to find out that they are far from the desired standard for the job, and is this not a serious failure of the Immigration Service, which is allowing thousands of people into New Zealand each year, but with no guarantee they are suitable to settle in, work in, and contribute to New Zealand?

**Hon LIANNE DALZIEL:** I lay the blame squarely at the feet of the Government that introduced a points system that took away the emphasis on qualified job offers being part of the application for residence.

**Lynne Pillay:** How is the Government addressing the risk of fraudulent documents being presented to support applications for residence?

**Hon LIANNE DALZIEL:** The 2003 Budget provides for an additional \$7.7 million spread over 4 years, which will strengthen the present immigration intelligence capability and provide more resources for the investigation and prosecution of immigration fraud.

**Dail Jones:** Despite all of that, why is it that the Minister continues to turn a blind eye to fraudulent and improper activity, when it is plainly clear that something unscrupulous is going on in so far as overseas authorities misleading the New Zealand qualifications authorities is concerned—for example, correspondence with regard to

Indian universities that at the end of the day proves that the so-called qualified Indian immigrant has no qualifications whatsoever?

**Hon LIANNE DALZIEL:** If that member has evidence of fraud, I suggest he brings it to the attention of someone who can do something about it. I signed a deportation order only yesterday for somebody who came into this country with fraudulent qualifications. He came in 1995. Who is to blame?

**Dail Jones:** I seek the leave of the House to table a letter dated 22 May 2003 to Lindsay and Associates with regard to such a problem, with the attached New Zealand Qualifications Authority letter of 6 May, and a qualifications assessment report of 6 May—two of them—for a person whose qualifications turned to dust.

Documents, by leave, laid on the Table of the House.

### Te Māngai Pāho—Māori Sportscasting International

**6. RODNEY HIDE (ACT NZ) to the Minister of Māori Affairs:** Following his reply to question for written answer No. 1451 (2003), during his 20 February meeting this year when he first learnt about a Te Māngai Pāho employee having sports trips paid by a company funded by Te Māngai Pāho, what facts were provided to him that left him “satisfied with the board chair and chief executive of Te Māngai Pāho assurances that the matter had been handled by Te Māngai Pāho” and what, if any, specific facts have changed?

**Hon PAREKURA HOROMIA (Minister of Māori Affairs):** Facts provided by the chair and the chief executive at that time provided assurances that action had been taken to address the matter. An external review of those matters, which included a forensic examination of Mr Te Rangi’s computer, has brought additional information to light.

**Rodney Hide:** Has he compared the answers he provided to Parliament about Te Māngai Pāho’s performance with the facts laid out in the Treasury-led review; if so, why has he not apologised to Parliament and to the public of New Zealand for having so misled them?

**Hon PAREKURA HOROMIA:** The advice given to me at that time was correct. I will apologise if need be.

**Mahara Okeroa:** In the light of the external review reported to Te Māngai Pāho, is the Minister satisfied that the former chair and the chief executive acted decisively enough to address the conflict of interest?

**Hon PAREKURA HOROMIA:** No. In reading the report I was disappointed that the management and the former board did not take decisive action to put an immediate stop to the conflict of interest when it was first brought to their attention.

**Hon Murray McCully:** Now that the Treasury report into Te Māngai Pāho makes it clear that in answers to parliamentary questions the Minister failed to mention six grants, totalling \$174,000, to Māori Sportscasting International, why has he taken no steps to correct those answers, as required by the Standing Order?

**Hon PAREKURA HOROMIA:** Following the release of the Hide-McCully report, *Litany of Lies in Parliament*, I instructed my officials to assess those parliamentary questions—[*Interruption*]

**Mr SPEAKER:** A comment was made—

**Hon Dr Michael Cullen:** I raise a point of order, Mr Speaker. I think you are about to punish the Minister for quoting the title of the report prepared by Mr Hide and Mr McCully. It was their claim that there was a litany of lies.

**Mr SPEAKER:** Well, in that case I will allow the answer to be given. He may start again. I apologise. I heard a word that was out of order, but as it was by the members themselves, it can be used.

**Hon PAREKURA HOROMIA:** I instructed my officials to assess those parliamentary questions, in the light of the external review report. My officials are also reviewing the other 200 parliamentary questions relevant to Te Māngai Pāho since 2003, and if it is found that corrected replies are required, then I will provide them.

**Hon Bill English:** I raise a point of order, Mr Speaker. There is an important matter here about the process of parliamentary questions that Opposition MPs rely on for information. The Minister now seems to be saying that the Standing Order imposes no more of an obligation than that a third party report be provided that checks the accuracy of the answers to written questions. For you to accept that as a standard would be a major shift in precisely the wrong direction. The Minister has an obligation under the Standing Order to correct the information as soon as he is aware it is wrong. That is a longstanding, century-old tradition in this Parliament. We will not sit here and listen to a Minister say that he will correct the answers only if the Treasury and Audit report state they are wrong. He has officials. He has a department. And he has a Standing Order that requires him to correct his answers now, because he knows they are wrong.

**Mr SPEAKER:** There is no change in any policy. If anything is proven, and the Minister finds that an answer is incorrect, then of course it is his responsibility to correct the answer as soon as he hears of that. However, how he does it is his concern, as long as he does it.

**Hon Bill English:** I raise a point of order, Mr Speaker. That standard is unacceptable to the Opposition. The fact is that the Minister knows now that some of the answers he has given are wrong. The information that a third party auditor gets will be the information given by the officials. If they can give it to Treasury and the Audit Office, they can give it to the Minister. We must be able to rely on a Minister to act in good faith under the Standing Order—that if he knows the answers are wrong he will correct them as soon as possible. Otherwise, we will end up waiting for months while third parties are called in to check every written answer. That is unacceptable to this Parliament, and it is outside the spirit and the letter of the Standing Orders.

**Mr SPEAKER:** I agree with the member that if that were the case it would be, and I would not resile from that at all. I refer the member to Speaker's ruling 142/3 made by my predecessor, Mr Kidd: "It is incumbent on persons who mistakenly give wrong information to the House or a committee—whether as members or witnesses—to clear it up as soon as they realise their error. If full information is not in the member's or witness's hands when the error is appreciated the House or the committee should still be alerted to the error with a promise of a full explanation when all of the information is available." I understood that the Minister said that when all the information becomes available, he will correct any answer, and I hope he does so immediately on receiving it. As far as I am concerned, the member rightly suggests that if it is proven that there is a wrong answer, then it has to be corrected. There is no change at all in that, and I am certainly not changing any policy in that respect.

**Hon Richard Prebble:** I raise a point of order, Mr Speaker. I thank you for your ruling, but I think you should go slightly further. We have been given answers by the Minister that, under the Standing Orders, we all have to accept are correct. I am not raising a breach of privilege, because I accept the Minister's assurance that he gave what he thought were correct answers. We now have a Treasury report that came out at least 3 weeks ago, and when we read it we see that it contradicts answers given in the House. I know that is the case, because two MPs—namely, Mr Hide and Mr McCully—have put out a press statement that points out the contradictions between written answers, oral answers, and statements made in the report. It appears to me from your statement that what should have happened today is that the Minister of Māori Affairs should have risen in the House and said that it appeared that answers had been given

that were incorrect. At that point it may well be that he still does not know what the right answers are, but he should give an assurance that when he does know he will let us know. However, he has told us that even though he does know that the answers are wrong, he is not prepared to admit that fact until the officials, probably the same officials who misled him before, have misled him again.

**Mr SPEAKER:** The member has raised a valid point of order, to this extent: once there is a realisation that there are mistakes, the Minister should admit that. However, he has to be given an opportunity to get the correct answer, and that he will do. I agree with the member that once mistakes are discovered they should be admitted as such, and the Minister will undertake an investigation.

**Hon Bill English:** I raise a point of order, Mr Speaker. This is a matter on which I would like your considered ruling. At issue here is the test of what can reasonably be expected of the Minister. In respect of some of the information, the Minister has had over 1 month on full salary, with an office of 13 people and a department of several hundred. We are talking here about a very small pool of potential information—that is, half-a-dozen grants to a named person for a specified task. It is not as though we are looking for a fishing expedition across the whole range of Government activities. I suggest that the test of reasonableness in the mind of this Parliament when it passed that Standing Order—

**David Benson-Pope:** Ah!

**Hon Bill English:** The senior Government whip might think the matter is a joke, but we regard it as a serious issue.

**Mr SPEAKER:** Would the member please come to the point.

**Hon Bill English:** I suggest that the test of reasonableness that this Parliament had in mind when it supported that Standing Order was that when a Minister becomes aware of information different from that given to the House or to an MP through written answers, then he or she should correct it. We believe that the standard the Minister is suggesting—that he have 1 month, 2 months, or 3 months; that he have until a report is issued by a third party—is far, far too low. He knows the information now, and he should correct the answer now. That is the reasonable expectation that can be applied in respect of this Standing Order.

**Mr SPEAKER:** The member has asked me for a considered ruling. That is a fair request, and I will give him one.

**Rodney Hide:** I raise a point of order, Mr Speaker.

**Mr SPEAKER:** I have already said that I will give a considered ruling.

**Rodney Hide:** I want to add to what you might consider. I understand that the Speaker's ruling is "as soon as possible". We have a situation here where a report has been produced. It has been accepted as correct by the Government. The chief executive officer of Te Puni Kōkiri has apologised publicly for misleading the Minister, who then misled the House. So he has accepted that the information he supplied to the Minister was incorrect. He has gone on the public record as saying the information was false, but in this House we are in the difficult situation of having an answer that still stands.

**Mr SPEAKER:** The member has virtually just repeated what other people have said. I will give a considered ruling on this matter.

**Rodney Hide:** Why has the Minister not called in the police to investigate Te Māngai Pāho spending, given that Māori Sportscasting International paid for Mr Tame Te Rangi to fly to Rotorua for games over Labour weekend 2001, while Te Māngai Pāho paid him to drive his own car to Rotorua and back during that same weekend; or is it a case that his Government is simply too politically correct to have the police investigate what would appear to be an obvious fraud?

**Mr SPEAKER:** The first part of the question is certainly in order.

**Hon PAREKURA HOROMIA:** As that member knows, we have a review, and I have moved swiftly to put Mr Gardiner in to ensure that things are tidied up. I also tell the member that out of 229 contracts let over the last 3 years, three have fallen over. In addition, in the case of Tame Te Rangi, there are a whole lot of issues around that.

**Rodney Hide:** What action was taken by Te Puni Kōkiri and Te Māngai Pāho over the email of Mr Hamana Waaka's business partner, Mr Sam Rahui, to a worker, explaining that he could not get paid because: "We are still running on empty because Mr Waaka still has his hands in the till."; or are there two standards of accountability in this country—one for Māori and one for everyone else?

**Hon PAREKURA HOROMIA:** I answered that question earlier on when that member brought up the matter of the email. In the case of the partner, it is an operational matter and I do not know the detail as well as the member does. He seems to be better informed than I am.

**Rodney Hide:** I seek leave of the House to table an email dated 2 October 2002, explaining that Mr Waaka still has his hands in the till.

Document, by leave, laid on the Table of the House.

**Hon Murray McCully:** Given that his chief executive officer has publicly admitted to the media that answers supplied by his organisation to the Minister, and supplied by the Minister to the House, had been incorrect, why will he not correct those statements and apologise as required under the Standing Order?

**Hon PAREKURA HOROMIA:** Along with the review that I have enacted, it is important that we get the response right.

#### **Reports—United Nations Committee on the Rights of the Child**

**7. SUE BRADFORD (Green) to the Minister for Social Development and Employment:** What reports on the quality of life of New Zealand children has he been informed are to be presented to the United Nations Committee on the Rights of the Child this week?

**Hon STEVE MAHAREY (Minister for Social Development and Employment):** My colleague the Minister of Youth Affairs and I have been informed that a report prepared by Action for Children and Youth Aotearoa is to be presented to the United Nations Committee on the Rights of the Child this week. The Government has provided grants of \$17,875 as a contribution towards development and travel costs for those presenting the report in New York.

**Sue Bradford:** Given the Government's support for the mission to Geneva, does the Minister stand by the Government's vision to end child poverty as expressed by the 2002 "agenda for children"; if so, why did he take no steps in the Budget to allocate any further funding to alleviate child poverty?

**Hon STEVE MAHAREY:** Yes, and in the Budget I would list such things as significant investment in health, in decent affordable housing, in early childhood education, in new jobs, in the establishment of the Families Commission, and, finally, a whole range of policies that are working through the benefit system that will be of use to those children.

**Dianne Yates:** What progress has the Government made in responding to recommendations of the United Nations Commission on the Rights of the Child?

**Hon STEVE MAHAREY:** New Zealand is to present its next periodic report on compliance with the UN convention in September this year. The report will address specific items such as the action to implement the *A World Fit for Children* outcome document adopted by the UN General Assembly special session on children, current New Zealand reservations to the United National Committee on the Rights of the Child,

and previous recommendations to the UN committee. The report also provides an opportunity to highlight such areas as education, health, housing, employment, and social services, where New Zealand has acted to improve the circumstances of children and their families.

**Hon Dr Nick Smith:** In the light of the statement made by Alison Blaiklock, chairperson of Action for Children and Youth Aotearoa, that: “The Agenda for Children came out a year ago, but the Budget did not contain the investment to actually implement this agenda.”, can he explain why the Budget did not contain anything to address child poverty, but \$34 million for a yacht race, and in what way is that consistent with his and the Prime Minister’s involvement with the Hikoi of Hope, or is this just another “Mahareyism”—doing one thing in Opposition and the opposite in Government?

**Hon STEVE MAHAREY:** The Agenda for Children is a document that was produced and then sent to departments. They have been making bids through their budget round, for their particular areas of health, education, and so on; and Mrs Blaiklock knows that. That is the way in which this matter will be implemented.

**Barbara Stewart:** Can the Minister explain his reservation about implementing the recommendations contained in the UN report, particularly the repeal of section 59 of the Crimes Act, and amending the Children, Young Persons, and Their Families Act to include all those aged under 18 years, given that these recommendations have been highlighted on previous occasions?

**Hon STEVE MAHAREY:** There are no reservations around those issues. The Government has mapped out a programme of work in relation to, say, section 59, which I fully endorse and have argued for—that is, we need to have an education programme in this country in terms of alternatives to physical discipline. It would be premature to act now to change the legislation, but somewhere down the track, no longer than a couple of years once that programme is in place, I think would be the right time to move.

**Hon Matt Robson:** What has the Government done to address issues raised in the Action for Children and Youth Aotearoa report?

**Hon STEVE MAHAREY:** We have worked closely with our Progressive coalition partner—in particular, Mr Matt Robson—on these issues, and between us we have been able to advance issues in the area of health, including low cost for children and young people; providing decent and affordable housing; education through early childhood to tertiary education; 123,000 new jobs. We have worked with United Future to establish the Families Commission, supported by the Progressives. We have a good record.

**Sue Bradford:** What steps is the Government taking to improve the incomes of families who live in poverty, thereby helping to redeem New Zealand’s international reputation as a great place to bring up children?

**Hon STEVE MAHAREY:** We have done a range of things. I point to the lifting of the minimum wage, both for youth and adults. I look at the rising wage for people who are in jobs; and, of course, 123,000 more of them have been put into jobs over the last little while, because of the Government’s policies. I point to the expansion of the use of the special benefit, which means that something like 32,000 people, compared with 7,000 when we came into power, are now receiving an extra \$40 a week. I point to things like income-related rents—the Speaker wants me to wind up, so I will.

### **Māori Development—Expenditure**

**8. Hon MURRAY McCULLY (NZ National—East Coast Bays) to the Minister of Māori Affairs:** What has been the total expenditure on capacity building, capacity assessment, and local level solutions grants by Te Puni Kōkiri since the commencement

of the programme formerly known as closing the gaps, and now referred to as reducing inequalities, and how has this contributed towards building what he has referred to as “the strategy, structure, systems, and skills of whānau, hapū, iwi, Māori organisations, and Māori communities, to control and develop their own developing, and to achieve their own objectives”?

**Hon PAREKURA HOROMIA (Minister of Māori Affairs):** I am advised that between 1 July 2000 and 21 May 2003, \$6 million has been spent on capacity assessment, \$17 million on capacity building, and \$5 million on local-level solutions. This has contributed directly to Māori developing their own initiatives to achieve their own objectives.

**Hon Murray McCully:** Can he explain how a capacity-building grant made to the Kaiti Skate Club, in his own electorate, for the purchase of sausages, speed cream, holographic stickers, and something called monkey nuts, as well as giving the club a koha and paying a facilitation fee, is likely to result in the building of Māori capacity?

**Hon PAREKURA HOROMIA:** I can assure that person that I did not indulge in the monkey nuts or the sausages, and I was not aware that that is what the grant was for. But can I say there are specific cases—and there have been 2,800 initiatives—that have been funded through this process; and there are a whole lot of good examples.

**Dave Hereora:** What are some key achievements for this Government in terms of whānau, hapū, iwi, and Māori development?

**Hon PAREKURA HOROMIA:** There have been many achievements. Since 1999 there has been a reduction in the rate of Māori unemployment from 18 percent to 10.5 percent; an increase in the proportion of participation of Māori in early childhood education; an increase in Māori teachers; a major reduction in the suspension of Māori students from school, and this is accelerating faster than is the case with non-Māori students; and improvements to access by Māori to better housing and health care. The list goes on and on. However, when the member opposite was in Government he did nothing.

**Hon Brian Donnelly:** Can the Minister confirm that the money for Māori capacity-building was first appropriated through the 1999 Budget as a \$15 million sop to Tau Henare and his Mauri Pacific lot, and that when Labour took office not only was the money untouched but no decisions had been made on how that money was to be spent?

**Hon PAREKURA HOROMIA:** No, I cannot.

**Hon Murray McCully:** Could the Minister tell the House how funding a trip to the South Island for kūia and kaumātua, with the objective of providing “a range of mentally and socially stimulating activities with recreational therapeutic benefits for the elderly”, could possibly qualify for a capacity assessment grant, and how this has contributed to building Māori capacity?

**Hon PAREKURA HOROMIA:** I am unaware of that, but I am more than certain that I will come back with the information. *[Interruption]* There have been 2,800 grants made.

**Hon Murray McCully:** I seek leave of the House to table two documents, both having been released by the office of the Minister of Māori Affairs under the Official Information Act, containing the relevant grants.

One document, by leave, laid on the Table of the House.

### Legislation—Guardianship and Care of Children

**9. TIM BARNETT (NZ Labour—Christchurch Central) to the Associate Minister of Justice:** What steps is the Government taking to address concerns about the need to modernise the legislative framework for the guardianship and care of children?

**Hon LIANNE DALZIEL (Associate Minister of Justice):** Today I have tabled the Care of Children Bill, which repeals the Guardianship Act and removes the inappropriate language of “custody” and “access” orders, referring instead to “parenting” orders covering day-to-day care and contact, and which will shift the focus from parental “rights” to parental “responsibilities”.

**Tim Barnett:** Does the legislation provide for shared parenting arrangements?

**Hon LIANNE DALZIEL:** As the words “shared parenting” imply, such arrangements must be by agreement. They cannot be imposed. I am confident that the win-lose mentality around custody and access will diminish once this law is passed, as it provides for both parents having ongoing guardianship responsibilities, regardless of which parent the child is living with.

**Hon Dr Nick Smith:** Noting the injustice of parents having to fight for years for custody of their own children when there is no question of neglect or abuse, the injustice of the Government providing legal aid for persons stopping parents who are responsible from having access to their own children, and the injustice of parents having to pay child support, and taxpayers having to pay for the domestic purposes benefit for a person when parents are both able to and capable of caring for their children, what is in this bill to strengthen the rights of responsible parents to raise their own children?

**Hon LIANNE DALZIEL:** I should point out to the member that not one of the three examples that he has used is covered by my delegation as Associate Minister of Justice. They all relate to different portfolios.

**Dail Jones:** Why does this modern approach include the granting of a parental order, currently called a custody order, to the homosexual or lesbian partner of one parent of a child, making it even more difficult for the other heterosexual parent of the child, and bringing three parents into the court case, as envisaged in clause 43 of the bill; and has the United Future party indicated its support for this bill increasing the rights of homosexuals and lesbians?

**Mr SPEAKER:** The United Future party can speak for itself. The Minister can answer the first two parts of the question.

**Hon LIANNE DALZIEL:** What the bill is attempting to address are some anomalies that have existed in respect of discriminatory provisions in the existing law. These are clarified in the law. Both parents will be permitted to jointly appoint a new partner as an additional guardian, and the sex of the partner that is so appointed will be irrelevant.

**Hon Dr Nick Smith:** I raise a point of order, Mr Speaker. I want you to reflect on the answer that was provided by the Minister in response to my question. She said that it was outside her responsibilities to answer for any part of the questions I raised about parents having custody of their own children, about parents being able to have rights, as responsible parents, for the raising of their own children. The Minister’s response was that she did not have responsibility for any of that, yet she has responsibility for a bill, tabled in her name, that covers all those very issues today. I think that I am deserving of a reasonable answer to the question I raised.

**Mr SPEAKER:** No, that is her answer, and she is entitled to stand by it.

**Gerry Brownlee:** I raise a point of order, Mr Speaker. A member has to give an answer—

**Mr SPEAKER:** The member did.

**Gerry Brownlee:** —and it must be given consistently in the public good. How can it be in the public good for a Minister to table a bill that deals with the very responsibilities that Dr Smith questioned on, then give an answer saying: “I’m not responsible for these things.”? We have to have some standards, surely.

**Mr SPEAKER:** We do, and the Minister is entitled to say that she has no

responsibility for a particular area, and that is the end of the matter.

**Hon Dr Nick Smith:** But she does have responsibility.

**Mr SPEAKER:** The Minister has given an answer, and that answer stands until it is proven that a mistake has been made.

**Hon Dr Nick Smith:** I raise a point of order, Mr Speaker. In the Minister's name we have a Care of Children Bill. What is in that bill goes to the core of the issues that I raised in my original question. For the Minister to say that she has no responsibility for what the bill says in that regard, or for my question—which asked what is in the Care of Children Bill to strengthen the rights of responsible parents to raise their own children—is not acceptable. I do not think it is acceptable for the Minister to say that she has no responsibility for those things even though they are in the bill.

**Hon LIANNE DALZIEL:** The member raised three issues. He raised the issue of delays in the Family Court. He raised issues relating to child support, and he raised the issue of eligibility for the domestic purposes benefit. I correctly pointed out that none of those three aspects of the law is covered in this delegation.

**Hon Dr Nick Smith:** I seek leave to re-ask my question so that I might have an answer, because those issues are important.

**Mr SPEAKER:** I think that is reasonable. I presume that there is no objection. He can do so.

**Hon Dr Nick Smith:** Noting the injustice of parents having to fight for years for the custody of their own children when there is no question of neglect or abuse, what is in the Care of Children Bill to strengthen the rights of responsible parents to be able to raise their own children?

**Hon LIANNE DALZIEL:** This legislation is getting away from the language of parents having rights. Parents have responsibilities towards their children.

#### **Parole—Paedophiles**

**10. MARC ALEXANDER (United Future) to the Minister of Corrections:** Can he give an assurance that parole conditions for convicted paedophiles are sufficient to protect the community and help them to seek treatment?

**Hon PAUL SWAIN (Minister of Corrections):** It is not possible to give an absolute assurance that offenders will not reoffend. However, I can give an assurance that under the Parole Act the New Zealand Parole Board is required to give paramount consideration to protecting public safety. In addition, the Parole Board can set conditions for any release, including appropriate treatment.

**Marc Alexander:** Does the Minister agree that the real issue is that the Parole Board is not ensuring that offenders meet the conditions imposed, such as a recent Auckland case when a paedophile was released to his family home, where a young teenager lived and his victim often visited, to be supported by his mentally unstable mother and two family members who also had child sex convictions, when this is in direct contravention of one of his parole conditions—not to mention any notion of common sense?

**Hon PAUL SWAIN:** The member is asking about the Parole Board's actions. It is, of course, an independent agency and it sets the conditions according to the circumstances of the case.

**Martin Gallagher:** Is the Government considering any changes to the law in relation to the monitoring of child sex offenders?

**Hon PAUL SWAIN:** Yes. The Minister of Justice has announced that the Government will be introducing an extended supervision regime to apply to those child sex offenders who might not be sentenced to preventive detention. The new proposal would see those offenders subject to up to 10 years of supervision after their release from prison.

**Ron Mark:** Does it not concern this Minister that we now have in this country a situation where people who display sexual deviancies as a result of their mental or intellectual disabilities are put in the community as normal people, are then found to be offenders, are prosecuted and convicted, then end up in his jails as his responsibility?

**Hon PAUL SWAIN:** Yes, that is of concern, and that is one of the issues I intend to address.

**Marc Alexander:** How can the Minister give an assurance that paedophiles will undergo treatment, when programmes like Safe have refused to treat a number of offenders because they have been released into situations that put them at risk of reoffending, such as, for example, the man who was paroled to live in a house opposite the park where he molested his victim?

**Hon PAUL SWAIN:** The Parole Board set those conditions, and then they are looked into and overseen by the probation service.

**Marc Alexander:** Can the Minister guarantee that supervision of offenders will not be progressively eased, as occurred in the case of Barry Allan Ryder, when from July last year he was left alone for short periods, allowing him to reoffend in December and ruin a few more young lives?

**Hon PAUL SWAIN:** That person was on parole, as the member knows. There was a severe degree of supervision—24 hours. It was relaxed, as the member rightly says, and, of course, these are the issues that we are trying to address now, looking particularly at extended supervision regimes.

**Marc Alexander:** Will the Government consider the compulsory naming of convicted paedophiles on their release, rather than having to ask their permission, so that the finger of suspicion is not pointed at innocent citizens who move into the district at the same time?

**Hon PAUL SWAIN:** I had not considered that, but if the member wants to put it down as a separate question I am prepared to answer it.

**Marc Alexander:** What faith does the Minister have in the effectiveness of treatment programmes and supervision for paedophiles when last year Kevin Arthur Thompson was convicted of indecently assaulting a 6-year-old child despite supervision, and completion of the Kia Marama treatment programme?

**Hon PAUL SWAIN:** As I indicated at the start, there can be no absolute assurances that offenders will not reoffend. However, I am advised that the Kia Marama programme has a very high success rate with young sex offenders in particular.

### **Petroleum Exploration—Canterbury Basin**

**11. CLAYTON COSGROVE (NZ Labour—Waimakariri) to the Associate Minister of Energy:** What bids has he received for the Canterbury basin petroleum exploration blocks?

**Hon HARRY DUYNHOVEN (Associate Minister of Energy):** The Government has received quality bids from four explorers in the latest permit bidding round. The area covered by those applications equates to approximately 18,000 square kilometres of the 27,000 square kilometres of offshore area up for tender. The bidders are drawn from New Zealand, Australian, and North American - based petroleum companies.

**Clayton Cosgrove:** What other opportunities are there for petroleum exploration this year for both international and local investors?

**Hon HARRY DUYNHOVEN:** I recently announced a bidding round over 17 blocks in offshore Taranaki, north Taranaki, and onshore in Taranaki. The offshore area is situated within the most promising exploration theatre in New Zealand for large oil and gas accumulations. Currently, the deep-water Taranaki basin bidding round is also open for tender.

**Gerry Brownlee:** Can the Minister confirm to the House that five licences were up for grabs in the Canterbury basin, that he has received bids on only two of them, and the reason that the onshore licences have not been bid on is that explorers find the minefield of the Resource Management Act is just too difficult to contemplate taking up those licences?

**Hon HARRY DUYNHOVEN:** Certainly, the member has put an interesting twist on that. However, I will say that the most promising areas have been bid for, and we were not at all disappointed with that result. Secondly, it is not the issue of the resource consents and so on that is the problem at all. It is simply the fact that New Zealand has a regime that is well understood by the oil industry, and I think it is acting accordingly. We have a very promising future ahead, and I am doing my very best to ensure that that happens. I would hope for some encouragement, rather than discouragement, from the member opposite.

**Jeanette Fitzsimons:** Does he think that all this interest is because the Government has just allocated \$21 million to oil and gas exploration by geological and nuclear sciences as a direct subsidy to the petroleum industry, and why has the Government not provided at least the same sum to renewable energy industries so that wind, solar, and biomass can compete without penalty with fossil fuels?

**Hon HARRY DUYNHOVEN:** First, I would note the support from the Green Party and from Ms Fitzsimons herself for continuing gas and oil exploration. As she has rightly said, it would be useful to have such finds as we move away from fossil fuels to renewable resources. But to answer the point made by her, I point out that the Government has, indeed, a significant programme of encouraging renewable resources as well. I think that both of those things are possible to do at the same time. In the short term we certainly need gas.

### Family Courts—Reviews

**12. Dr MURIEL NEWMAN (ACT NZ) to the Associate Minister of Justice:** Does she intend to review the secrecy provisions of the Family Court system; if not, why not?

**Hon LIANNE DALZIEL (Associate Minister of Justice):** Yes. Today I introduced the Care of Children Bill, which will permit wider reporting of guardianship proceedings in the Family Court so long as identifying information about the parties and children involved is not disclosed. The Law Commission is also reviewing that matter, and released the second discussion document late last year called *Seeking Solutions: Options for Change to the New Zealand Court System*, which has raised this very issue.

**Dr Muriel Newman:** Can the Minister confirm whether she intends to open up New Zealand's Family Court properly, considering that when Australia opened up its Family Court it had a massive decrease in litigation; mediation was seen to be a better and more cost-effective option, and there was a dramatic fall-off in false allegations—all extremely positive outcomes to families and children— and where is the drawback in properly opening up the Family Court?

**Hon LIANNE DALZIEL:** The provision within the Guardianship Act relates to all courts. It does not relate just to Family Court proceedings. An important balance has to be sought to be met in respect of the interests of privacy, and taking into account that often children are involved.

**Russell Fairbrother:** Why are the proceedings of the Family Court held in private?

**Hon LIANNE DALZIEL:** Many Family Court proceedings involve highly personal issues. The Law Commission discussion document makes the point that many family matters involve highly personal or embarrassing facts. Therefore, the parties have a high privacy interest that is presumed to outweigh any public interest in openness. Children and young persons are particularly vulnerable, and the effect of publicity can be

especially harmful. Balanced against that are issues and concerns around public confidence in the courts, which is why the Law Commission is reviewing this matter.

**Richard Worth:** Can the Associate Minister of Justice explain why the Solicitor-General wrote to Nelson MP Nick Smith threatening a contempt of court prosecution for breaching the secrecy of the Family Court, when no such letter was sent to National Radio, TV3, or the Principal Family Court Judge, all of whom have also commented specifically on the case raised by Dr Smith, and why is a member of the Opposition being singled out?

**Hon LIANNE DALZIEL:** I have received no advice from the Solicitor-General on the matter. Therefore, I cannot answer the question raised by the member. I would like to make the point though that section 27A of the Guardianship Act is very clear about the nature of comments that can be made, and that they must be made with the leave of the court. It is very clear in the legislation that leave has to be sought. It has also been made very clear in court cases on the subject that neither party to family litigation to which the privacy policy applies has the right to waive privacy, although the consent of all parties to the waiving of privacy may be a factor to be taken into account by the court. All members should be very careful about how they express their so-called concern about constituents whom they are not giving good advice to.

**Mr SPEAKER:** That answer was too long.

**Dr Muriel Newman:** In the light of the Minister's admission that her Government's changes in her new bill are simply Clayton's changes, how can she justify the Family Court's obsession with wielding its power in absolute secrecy, and destroying public confidence in the court in order to hide its preferential treatment of mothers, its bias against fathers, and the incompetence of the Department of Child, Youth and Family Services, and does she realise that that obsessive secrecy serves only to protect judges, court workers, and lawyers, and not the unfortunate children and their families who come into the clutches of the court?

**Hon LIANNE DALZIEL:** The whole thrust of the Care of Children Bill is to ensure that the rights, welfare, and interests of children are placed at the head of all decision-making. It is the children's rights and interests that matter under that bill.

## URGENT DEBATES

### Tranz Rail

**Mr SPEAKER:** I have received from the Leader of the Opposition, the Hon Bill English, from the Rt Hon Winston Peters, from Rodney Hide, and from Jeanette Fitzsimons applications under Standing Order 376 to debate the Government's decision to acquire an interest in Tranz Rail Holdings. I omit the letter from Mr Peters from consideration because he did not include any authenticating material, and I would urge that his whips read the Standing Orders. I have also received a letter from the Hon Richard Prebble, seeking to debate the decision of the Government to commit troops to Iraq and further troops to Afghanistan.

Those are particular cases of recent occurrence involving ministerial responsibility, and both meet the criterion of justifying the immediate attention of the House. Standing Order 378 provides that if more than one application received on the same day justifies a debate the Speaker gives priority to the matter that, in the Speaker's opinion, is the more urgent and important in the case of there being two applications. In considering this issue I have taken into account the fact that a ministerial statement was made early today on the deployment of personnel to Iraq and Afghanistan, and the fact that in regard to Afghanistan, anyway, the House in 2001 debated and endorsed participation in the mission to that country. I have also taken note of the fact that I did receive four letters about one particular issue.

For those reasons I accept the applications relating to Tranz Rail Holdings. As the first application that I received was from the Leader of the Opposition, I call on him to move the motion.

**Hon BILL ENGLISH (Leader of the Opposition):** I move, *That the House take note of a matter of urgent public importance.* We see in the Tranz Rail deal yet another example of how this Government is slowly strangling our infrastructure in New Zealand. There is among this Cabinet a growing belief in its own commercial judgment, and a growing sense of momentum that it has the capacity to interfere in some of the most complex commercial and economic issues this country has to deal with, because it has the strong belief that it can do better than anyone else.

Before I come to the Tranz Rail deal itself, I need to alert the Government to the effect that its actions have. By the time that it has bought Air New Zealand, set up the Electricity Commission, made a mess of the roading bill, and done this deal over Tranz Rail, it will have sent some very clear signals to the commercial community in New Zealand, and also to any potential investor in New Zealand from overseas. Those signals are bad ones. It is now clear that the Government at any stage, for any reason, can interfere with any network or infrastructure industry in New Zealand, because there is no major infrastructure industry where the Government has not stepped in. That is the first point. Anyone who is considering investing in New Zealand has to take into account now the risk that Dr Cullen will decide that he knows best. He may have a fancy little deal that squares off the Greens, the polling, the business community, and the Labour caucus, so he may step in—and he does. So we have now the reintroduction in New Zealand of something that disappeared 15 years ago—that is, political uncertainty.

The other signal the Government sends to investors is related to that. It is the signal that the rules can change at any time. Let us imagine that someone is considering buying Tranz Rail. The Government is in there trying to do a deal, having strong opinions about particular bidders that it decides it does not like, and with a very clear understanding in the wider commercial community that the Government will break or bend the rules to suit itself. I will come back to that. With regard to the rail industry, this decision follows on very closely from what occurred in the electricity industry, where, in order to execute a short-term political tactical move, the Prime Minister decided “something needed to be done”. An Electricity Commission has been invented. That will skew the rules of the electricity market for many years to come, and the investors are starting to vote with their dollars. They are starting to decide that if they cannot trust the Government to operate according to certain and predictable rules, then they are unwilling to take the risks of making an investment.

The way that the Government steps in is pretty random. It seemed to be willing to let the large-scale forestry assets in the central North Island—which anyone would argue are of important economic and public benefit in New Zealand—go through the normal commercial process. It was a bit messy, but that process sorted out the fact that the original buyers had paid too much, and when they could not realise the value of the assets, a receiver picked up those assets and has been dealing with them in ways that the commercial community understands and can react to. On the other hand, the Government has decided, for reasons it has still not explained, that it had to step into the Tranz Rail argument. The Minister has offered only one explanation as to why the Government stepped in: that the trains would stop running. That is the silliest explanation that he could have given, because any shareholder, creditor, or receiver has a strong interest in making sure that the trains are kept running, and they would not have stopped. Given that no one believes that reason, we look forward to hearing what the real reason may be. The Government has introduced into New Zealand’s investment

environment uncertainty, political interference, and a lack of transparency, and that is slowly strangling the lifeblood of this economy.

Let us look at the action the Government has taken. I want to pick up on what I regard as the most distasteful aspect of this deal. This Government campaigned through the late 1990s for a Takeovers Code, which it then put in, and now it puts up a deal that requires a waiver from that code. The Takeovers Code, as the *New Zealand Herald* absolutely correctly pointed out, was put in place to stop exactly the type of deal the Government proposes. Paul Swain put in place the Takeovers Code, and now he is the Minister overseeing a deal that requires a waiver from the panel, because he is trying to get control of Tranz Rail without making an offer for 50 percent of the company. The Takeovers Code effectively rules out any ownership offer of between 20 and 50 percent of a company. Who is asking for exactly that kind of proposition? It is the Government. [Interruption] The Government says it is not doing that. Let us hear from the Government about whether this deal will need to go to the Takeovers Panel because a waiver is required, or whether the Government has found a way around that requirement. That would show—and it does show—that the Government wants to bend the rules for its own benefit when it wants to do its own deal for its own political purposes.

Now I come to the second most distasteful aspect of this deal. This deal is an indirect subsidy to the major users of the railway. It consists of the Government buying the tracks, taking all the investment risk on the tracks, and charging an access fee to any operator who operates on those tracks—or actually to Tranz Rail, because it is a monopoly, and I will come back to that. Why is the Government doing that? One cannot help but conclude that the major users have exercised substantial influence over this Government in making that decision. Members know whom the large user is who will benefit the most: Coalcorp.

**Hon Paul Swain:** Solid Energy.

**Hon BILL ENGLISH:** Righto, Solid Energy. The Minister for Economic Development made that quite plain when he said that this deal would now allow the West Coast coal to be transported across the South Island.

Today I challenge the Government to outline just what its objectives are. Why should the taxpayer front up with a substantial subsidy for rail freight, when the primary beneficiaries of that will be Solid Energy, Fonterra, and the forestry companies? If the Government wants to provide cheaper rail freight rates, it has the easy option of just providing a direct subsidy. Why does it not just provide a direct subsidy to a commercial operator of our rail network? The Government is quite free to do that. If it wants to get freight volume off the roads, it can just provide a direct subsidy. Then it would have a clean-running commercial operation where the taxpayer had not taken a substantial investment and commercial risk, and we would have a transparent transaction between the taxpayer and those who will benefit from this indirect subsidy.

Today I challenge the Government to tell us who will benefit from this decision. Why has the Government not offered a transparent subsidy? I say to the senior Labour whip that the reason for that is that New Zealand's economy is so open. Its rules have been fair, transparent, and predictable, and if the Government wants to change or break the rules, it should be brave enough to do so quite openly. But it has not done that.

To come back to the major users, have they not been sucked in? They have been pulled along by Dr Cullen, who has kept saying to them that the Government will do this deal. [Interruption] The senior Labour whip makes the point that the Government has done this for political reasons. We have a \$200 million bill in order to try to prove a point about what happened in 1991. The Government has now allowed Tranz Rail a monopoly use of the line. The major users thought that they were to have a deal that

would bring—[*Interruption*]. I raise a point of order, Mr Speaker. There has been a constant barrage of interjections. It has not stopped, and you have not moved to make sure that the interjections are rare, witty, and to the point. I suggest that you do so.

**The ASSISTANT SPEAKER (Hon Clem Simich):** I thank the Hon Bill English. Interjections have been coming far too often, and I ask members to please tone it down.

**Hon BILL ENGLISH:** The major users are in the position where they have pushed the Government to the trough, and now that they have found the Government will not let anyone else get in it, they will be upset. However, the major users cannot say they were not warned, because dealing with Dr Cullen is pretty difficult and unpredictable, as Singapore Airlines and Toll Holdings have found out. Dr Cullen thinks he knows more about commercial deals than anyone else in New Zealand. He thinks that he is much more knowledgeable than Singapore Airlines, and that Toll Holdings is just hopeless—it does not understand how the world works. Toll Holdings just runs a huge transport business, so how would it possibly know what it is doing?

The major users need to understand that whatever rules the Government now signs up to cannot be guaranteed. This Government will be the owner of this railway for only a couple of years, and the rules will certainly change. We do not believe in an indirect subsidy from the taxpayer to one particular commercial operator in New Zealand. I hope that the major users will salvage something out of this deal if they can get competition on the tracks, but I suspect they will not, because Dr Cullen has already said there will be a 60-year monopoly for Tranz Rail.

We now run the risk of the worst possible outcome. The Government owns the tracks, and my guess is that it will be as efficient in doing that as it was last time it owned them. A monopoly with a guarantee will be operating on the tracks and, worse than that, there will be a guaranteed taxpayer subsidy to ensure that the operator makes a profit. Which other business or shareholders in New Zealand enjoy that privilege? Why has Dr Cullen said that he will set the access fee in such a way that it guarantees the operator a return on capital? What kind of left-wing idiocy is that? The Government is to set up a monopoly, guarantee it a profit, and then send a bill for \$200 million to the taxpayer—boy, that is smart! That is this deal. But at least the bill is smaller than that for Air New Zealand, which was \$1 billion.

Let us get this clear: the Government is making a deal whereby the taxpayer will subsidise rail freight, and Dr Cullen will take all the responsibility for maintaining the tracks, and who knows what that will cost? At least the Government has owned up to that; it has no idea what that will cost. Only one operator will ever be allowed on the tracks, because the thresholds are so low for volumes that competition will never happen, and the one operator will be guaranteed a profit. This Government cannot say “profit” without spitting. It regards any profit as an ill-gotten rip-off of the customer, and it has decided to guarantee the profit—

**Gerry Brownlee:** Unless you’re Taito Phillip Field.

**Hon BILL ENGLISH:** —Unless, of course, one is Taito Phillip Field. This is another step down the track for a Government that is increasingly showing its left-wing colours. It now has majority ownership of the electricity industry, and total control of it. It now owns the national airline and has total control over that, because it makes the rules as well as owning the airline. It is now making the rules for the railway and intends to own Tranz Rail, as well. The Government has a mess in its roading legislation, which it will never get through in order to solve that problem. Those industries are the lifeblood of the economy, and the sclerosis that is building up in them is entirely the fault of a Labour Government that thinks it knows better than everybody else. Dr Cullen is the expert on mergers, on takeovers, and on running large companies!

**Hon Dr MICHAEL CULLEN (Deputy Prime Minister):** That speech certainly

breathed new life into the “Gerry for leader” campaign. He was sitting there purring away, and I watched him as he sat there, asking himself how he could make himself look more like Kim Beazley than he does at the present time, and put himself in for the leadership spill.

Just occasionally, the National Party can connect with the deep, dark souls of New Zealanders. When National gets on to race and crime, it can suddenly connect with the majority of New Zealanders. But what it can never do is to connect with the hopes and aspirations of the majority of New Zealanders. What did that speech say? It said that this Government is so bad that it has the majority of Parliament, the business community, the trade unions, the major rail users, and local government on its side, and that National will stand against them. That comes from the brave National Party, which is sort of like Horatio—not standing on the bridge, but dropping a bomb on the middle of the bridge while it is standing there. That is Mr English’s approach to nearly all major public issues.

The public wants the rail track to be put back in public ownership. It wants a stronger New Zealand rail system. Mr English says no to that, but then, of course, he did not tell us what his policy was. His policy was to keep as quiet as possible, as it is with regard to most issues. On Iraq, he was for the war and now he is against the peace, unlike most New Zealanders, who were against the war and are for the peace. Mr English decided to be on the other side of that issue, as well. He said we will create uncertainty, and gave one example of uncertainty, saying this Government has invented an electricity commission. Does he know what that commission is? It is the Crown electricity governance board provided for in the Electricity Act, and it was provided for in case we did not receive support for an industry governance board. What did the industry say? It said it did not want an industry governance board, so what did we get? We got a Crown governance board called the Electricity Commission. That is all a surprise to Mr English, who apparently went to sleep some time before Coalcorp changed its name, and has recently woken up to a whole new world that he has never seen before. He does not know that Air New Zealand is making bigger profits now than it has made for some years, thanks to an 83 percent ownership by the Government.

Mr English wants to swap the present ineffective and inefficient rail system for another ineffective and inefficient system, preferably owned by an overseas company, whichever company that may be. That is the National Party’s policy. On the Takeovers Code, Mr English asks what we will do when we require a waiver. The *New Zealand Herald* stated that we require a waiver, so for Mr English that must be true. I ask Mr English to please read the legislation. Takeovers require a waiver when one is buying shares; we are not doing that. There is a rights issue occurring here, and, just as was the case with Air New Zealand, we do not need a waiver from the requirements of the Takeovers Code. I ask Mr English to try to keep up just a bit with what is going on in New Zealand at the present time.

So we come to what has actually been going on here. What we really have is a story that shows that, no matter what the circumstances, privatisation is always carried out as a religious belief and not as an economic policy. When National privatised New Zealand Rail in 1993 it was told to keep the track, and it said no, it would not do that. It wanted to sell the lot and get out as fast as it could. That has always been Richard Prebble’s policy on railways, as well. Richard Prebble wanted to save rail, so that the purchasers could save him in a number of different ways in the future. In the end, the railways are a crucial part of New Zealand’s infrastructure, and they are too important to be allowed to fail. How can we have a business that is not allowed to fail, and is supposedly operating according to present market disciplines?

Mr English said that Tranz Rail will still have a monopoly, and that that is bad. But

National sold the railways as a monopoly. National sold the railways as a monopoly and said that as long as Tranz Rail ran one train down a line a year, that line was still operating, and even if it took that one train off, it had 90 days to find another operator, or the tracks could be pulled up. Mr English wants the present offer by Toll Holdings to succeed. Under the present offer, Toll Holdings would take over Tranz Rail with the present conditions applying—an absolute monopoly operation on the part of Tranz Rail. Mr English is very silent now. He is not chipping away quite so volubly now, is he? The previous National Government should never have done what it did. It should never have sold the track, and there should have been better performance measures. It is clear that what happened in that case is that the beneficiaries of the original sale made their millions of dollars, gutted the company, and cleared off—and they are now living overseas and moaning about New Zealand tax rates, just to kind of rub it in, in terms of what they did to this country by raping and pillaging the company.

We have seen Tranz Rail over recent times go into a clear, continuous, downward spiral, and when a company has Air New Zealand charging it cash to buy its airline tickets, then the word is out there that that company is in some degree of deep doo-doo. But of course, Mr Prebble tells us Tranz Rail was maintaining a cash surplus. Oh yes, but it was doing that by not putting any money back into the business, as far as possible, and by not paying the bills. Most of us can make a cash surplus for a while if we do not pay our bills, but sooner or later we cannot keep that particular trick up. Not even Mr Prebble, with the help of whoever may be helping him in those respects, can do that.

We have been seeking a viable solution for some months. We have been talking to a variety of partners about how to take over Tranz Rail, split off the track for Government ownership—which is why I gave the answer to Mr Brown that I did some few weeks ago, which he was a bit shattered about and could not quite understand what I was saying, but I was being very accurate in my answers—and seek to see new operators in there, if at all possible. On 6 May Tranz Rail approached the Government, saying it needed help because it was in serious trouble. The Opposition says we should have just let Tranz Rail fall over, and then picked up the pieces. Why would we have picked up the pieces? Why would someone else not have picked up the pieces in that situation? That is about as daft an idea, I say to Mr Brown, as the Government going on to the open market at 30c a share and bidding 30c a share for a 100 percent buy-up. What did Mr Brown think would have happened to the share price in that situation, if the Government's chequebook was open, and it was telling people to hit it and hit it until it finally gave up and went away from that particular bid? That was never an option for the Government to adopt in respect of Tranz Rail.

We were also intensely worried about New Zealand's reputation overseas. Members can fancy what would happen if the reputation got out that we had waited for a private company to go into receivership, in order to step in and pick up the pieces, and that that was the approach the New Zealand Government took to investment within New Zealand. So on 6 May we began talks with officials. Those talks took some time to proceed to a state of near-definition and conclusion. That occurred during the last week, though the details were still being settled as late as late Friday morning around some key issues in relation to the deal. In the meantime, RailAmerica came and went. My advisers were not surprised that it went. We believed that at 75c a share, RailAmerica would be off as soon as it looked at Tranz Rail's books—and it was.

A funny person from somewhere wrote in to the *New Zealand Herald* and said that Tranz Rail was worth \$3 a share. I wish that person had put his or her money in at that price. I very much doubt that it would have happened, but if it had, that person would very quickly have become very poor indeed. Of course, it could have been a National Party electorate chairman who would have put in \$3 a share. I am sure John Key would

not have done that. On the Opposition side of the Chamber he has some financial nous—unlike National's present finance spokesperson, I might say, on some key issues.

So those negotiations with Tranz Rail commenced. RailAmerica came and went, and Toll Holdings came. Toll Holdings came to my office and we said to its representatives—I was as clear as I could be, because we could not tell them the nature of the deal we were engaged in without being in breach of the legislation—that what they were planning to do and what we were talking about doing were on a collision course. Those were my words: “a collision course”. We went through a number of other issues, and as the Toll Holdings representatives went out the door I said to my officials that they should talk to Toll Holdings about a possible joint approach that had been signalled in our previous discussions. That joint approach was that Toll Holdings would withdraw its offer, we would see some negotiations, and we would talk about a joint approach.

I do not know why Mr Little is amazed that the Government went ahead, when Toll Holdings said to the Government that it was not interested in doing that because it wanted to take over the whole company, and to talk to us afterwards. But that is what happened, and I have a number of witnesses on that point. Mr Little was not in any of the rooms, so he is either telling fibs or he is just not in control of his own company, and his own negotiators who came over here to talk about that particular matter are not reporting back to him.

**Hon Richard Prebble:** What are you saying?

**Hon Dr MICHAEL CULLEN:** Mr Little said he was amazed that the Government had actually put an offer in. We made it pretty clear on Tuesday that an offer was to go ahead. Then he said that Toll Holdings would have been interested in talking about the Government owning the track, and asked why we had not talked about that before. We were talking about that before, but Toll Holdings wanted to take full control under the present operating conditions and present lease that National signed, and then to negotiate with the Government from a position of extreme strength. Why on earth should the Government ever stand by and let that happen?

This deal that we offer is much better for shareholders than the Toll Holdings deal. There is much more possibility of the share price going up, which is one of the main reasons that the Government decided to take an equity stake. If there is an increase in the share as a result of recapitalisation, the taxpayer will gain some benefit from that, and the entire benefit will not go to the current shareholders. They will receive the majority of the benefit, but the Government will share in that benefit. The Government has said that it is not necessarily a long-term shareholder in the operating company. It does not want to be. When and if we receive a decent approach and offer, we will consider it. The Opposition members would sell out to the first little overseas fairy that passed by, fluffing her wings at them. They would sell out straight away, and say that was the appropriate approach.

**Hon Bill English:** So it is for sale.

**Hon Dr MICHAEL CULLEN:** I do not know why the member is going on about that. I said that on Friday. If Mr English had bothered to have someone at the press conference, he could have found out what was being said, instead of going through his usual “Mr Grumpy”, “Mr Angry”, and “Mr Shock-and-Horror” performance that he puts on day after day in this House. Today Mr English has discovered there is no Coalcorp, and he has discovered the nature of the securities and takeovers legislation. The world is his oyster to discover, as he stumbles on through life towards his future retirement as the ex-leader of the National Party.

This is a good deal for New Zealand. This deal offers the real chance to restore rail as a central part of our land transport system. I look forward to this deal proceeding. I

hope Tranz Rail's shareholders approve it. If they do not, I believe they will be making a mistake. When and if they do approve it, we will proceed from there to operate the tracks more effectively and to restore them to a workable situation. I say to Mr Prebble that it is hard to estimate the total cost of that, but we know that the present infrastructure is running down badly. We look forward to working with whoever is involved to ensure a strong, efficient operating company dedicated to improving rail in New Zealand. And the National Party is opposed to all that.

**PETER BROWN (Deputy Leader—NZ First):** I concur with much of what Dr Cullen said there, but he has had a road to Damascus experience. He answered a question in this House only a few weeks ago, indicating that he did not care if Tranz Rail were sold. He did not care if it were split up asset by asset, with a part of the rail track going here and a part going there. Relatively overnight, it appears that he has had a change of heart.

New Zealand First supports the establishment of a rail track company. We have been saying that for years. An efficient railway service is an absolutely essential need for New Zealand. New Zealanders want to see some of the cargo traffic—logs, containers, what have you—moved from roads to rail.

Dr Cullen did not touch on that, and I will be listening with interest to hear the Minister of Transport tell us exactly how that will be done. We do object, though, to setting up Tranz Rail with exclusive rights to operate for 67 years. That is wrong. This Government does not have to give Tranz Rail exclusive monopoly rights. It can set the system up so that the rail track company is a State-owned enterprise, and the lines are open for any operator to run a railway service—be it for passengers or freight. The system does not have to be exclusively the domain of Tranz Rail. That is a major concern for New Zealand First.

We support the taxpayer having to put money into bringing the maintenance of rail tracks up to standard. From the information we have been given, we believe that the way the tracks have been handled since they were privatised is an absolute disgrace. We were opposed in the first instance to the privatisation and selling of the railway company, and that opposition is on record. At that time, we were represented in the House by only the Rt Hon Winston Peters, but he made the views of New Zealand First known when what was New Zealand Rail Ltd was sold to a Fay Richwhite consortium. The Minister has announced that \$100 million will be available over 5 years to bring rail tracks up to speed. We do not believe that will be enough, and we do not believe it will be enough in the short term. Twenty million dollars a year will not go terribly far. That is the information we have, and I would be interested in the Minister of Transport's response to that position.

New Zealand First believes that any money the taxpayer puts into this arrangement must be tracked transparently. By that I mean that some of the money going into the consolidated account from petrol motorists, in particular, should be identified as being the subsidy to bring the rail track network up to scratch. We have major concerns about just ploughing money in and not recognising where it is coming from, or who is paying.

This Government has made strong statements about having an integrated transport policy. This is but a wee start in that direction, and it seems to us to be a somewhat knee-jerk reaction. I give this Minister of Transport some credence. I have listened to him when he has spoken in the House, and I believe that he is quite sincere in what he wants to do. But that does not come across in an organised fashion. It does not register with me as being organised. One minute the Minister is totally dismissing the purchase of Tranz Rail track, or whatever, and the next minute he is buying 35 percent of the company and ownership of the whole track. New Zealand First believes that transport in this country has been treated poorly, politically-wise, for many years, and I was hoping

that when Paul Swain got the Minister's job he would be more upfront with all political parties that have a genuine interest in transport and transport-related issues—not just with the people he is in cahoots with. New Zealand First is certainly a party in that category.

Having listened intently to what Dr Cullen and the Minister said earlier on, I now want to know what the Minister will do about shipping. This is a subsidy for rail, but what will he do for the shipping industry? I am very keen, for a number of reasons, to know just how he will approach the shipping industry, because that industry is in trouble, just as the rail people are in trouble. I want to know whether he will move to cabotage, or look at a favourable fiscal regime—as he is doing for the rail track. I note that the Minister has taken a note of that, so I look forward to him giving us an answer along those lines.

Personally, I am an advocate of a favourable fiscal regime for shipping, rather than cabotage. Under cabotage, exporters all tend to pay more, but with a favourable fiscal regime they pay a modest amount whatever the ship, be it foreign or from New Zealand. If the Minister were interested in that line and wanted to ring-fence it so that it did not spread into other areas, then I am only too willing to give him some background assistance. I believe that this Tranz Rail purchase is setting a precedent for doing other things with other transport modes. Shipping is very important to us, and I hope the National Party recognises that also.

The history of the railways in this country is a sorry story. It was set up as a State-owned enterprise when Richard Prebble was the Minister. He actually did a good job and turned railways into a profit-bearing company for the first time in umpteen years. When it was turned into a State-owned enterprise, it made a profit for probably the first time in living memory. Then it was sold. It was a soft sale of \$328 million, and I think the Government recognised that in its press release. But the ethics behind that sale were also questionable. Fay Richwhite and Co. acted as consultants, then one day they dropped their pens and pencils and became part of the purchasing team. I understand that the shares they got effectively for 16c a share, they sold for something like \$3.60 a share. They made a mint out of New Zealand Rail, took their money, and left.

**Hon Harry Duynhoven:** It's called asset stripping.

**PETER BROWN:** That is the term I was looking for—and Tranz Rail has been effectively going downhill ever since.

New Zealand First believes that we need an efficient railway system. It believes strongly that we have to take some of the cargo that is moved around this country on the roads and put it on to rail. We will support the Government in any positive move it makes to achieve those aims. I will now listen intently to the Minister, and hope that he will give us some guidelines not only on that issue, but also some indication of what he will do for shipping.

**Hon RICHARD PREBBLE (Leader—ACT NZ):** I think it is appropriate that the House takes the unusual step of having a special debate, because this is a very significant decision that the Government has taken—to take over the rail track and invest in Tranz Rail. It means the Government is getting back into the rail business. I have no doubt that when the Government says that most people in business welcome this decision, that statement is probably correct. As members know, I have some transport interests, and I am sure that most transport interests actually welcome it. But speaking as leader of the ACT party, I still think the decision is wrong. I say that because it involves a lot of money. It is at least \$250 million, and I think it will be a lot more. I will set out the reasons. Money cannot be spent twice. My priorities, frankly, are looking after people who want heart operations, or improving children's education, rather than having the Government involved in the rail business.

**Peter Brown:** Sometimes you have to invest to earn a bit more.

**Hon RICHARD PREBBLE:** The member says that, but I want to make this point, too, which maybe the Minister of Finance did not follow: if one reads the statements that have been made by Tranz Rail—unless he is saying that the company is misleading the New Zealand Stock Exchange—they say that its tonnages are holding up, and that it is actually cash-positive.

So it is actually receiving enough money to keep going. Its problem is that it has a problem of capital and it has some leases coming due, and I have no doubt that it might not be able to meet them. But the point I am making is this: if one is a director in that situation and puts the company into receivership, what does the receiver do? If it is cash-positive, he or she continues to operate. I have no doubt at all that any receiver would have continued to operate Tranz Rail and then looked around for another operator. The Minister of Finance actually admitted that he thought that, because he asked the House whether we would be worried about it. The answer to that question is no, I would not.

Who would have lost in that circumstance? It would have been the shareholders. It might well be true that they would not have been the shareholders who took capital contributions out. When we look at it now, that was a mistake, but they bought those shares with their eyes open. It is not the duty of this House to bail out the shareholders of companies. I speak for the ACT party—and there is no one more pro-business than us—and say that that is not the role of the taxpayer. Yes, the shareholders might well have lost their shirts. So what! The next question is: would someone bid? We already know the answer to that question, because Toll Holdings has a bid in the market right at the moment, and we have had Rail America. In the event of a receivership, I have no doubt that other offers would have come forward.

Members might ask why I am objecting to the State owning the track. I will come back and say that I think the Government has done better than it could have, but it is for this reason: the demand for more money to be spent on that track will be very hard for the Government to resist. Why is that? The last thing one wants when one is a Minister is to have a rail crash, be questioned about safety, have some retired judge spend \$1 million investigating it and then blaming the Minister. So the Minister finds it very hard, especially if an official says that there is an issue of safety involved.

The issue of continuous-welded railway tracks has been involved in arguments about buckling. I want to point out to the House that that was not done by Tranz Rail; it was done when the tracks were owned by the taxpayer. When I was the Minister of Railways, did we worry about the fact that the track buckled? No, we did not. To the best of my knowledge, no one has ever been killed in this country by the buckling of rail tracks. Some trains have run off the rails, but no one has been killed.

**Peter Brown:** They slow the trains down.

**Hon RICHARD PREBBLE:** If the member listens, he will learn something. Yes, Tranz Rail has now been required to slow down its trains. Why is that? A Government servant told it to do that. That civil servant did not have to bear any of the costs, but Tranz Rail has had to, and it is one of the reasons that it is in financial difficulties. Someone has probably been killed on the roads today because of the state of a road. Does a civil servant get up and say that every truck in New Zealand must now travel at 40 kilometres an hour because there are roads in New Zealand that in engineering terms are not safe? Of course not! But now that the Government owns the tracks, the civil servants will say to Mr Swain that all of that track must be upgraded immediately. He and I know that the Government has a “bottomless” pocket, and that the pressure on the Government to lift the standard of the track will be high.

The member who spoke previously put forward the view that we should open the

track up to competing operators. I do not support that, because when I was the Minister of Railways, it was explained to me—and I realised it immediately—that there is an association between the operating company and the track. It basically goes like this: every 15 kilometres of speed doubles the cost of the track. If there are different operators, they will demand different sorts of services. For example, there are people who now want to run passenger trains in the South Island. Passengers love to go fast, but a container does not care whether it is going at 10 kilometres an hour or 60 kilometres an hour. One of the reasons that the track company in Britain—

**Peter Brown:** The exporter does!

**Hon RICHARD PREBBLE:** I did not interrupt the member, and I hope he does not interrupt me. One of the reasons that the track company in Britain has been a failure is that Virgin wants to run at 300 kilometres an hour, the track companies want to run at 60 kilometres an hour, and no one can work out how to allocate the costs. At least the Government has realised that it has to have one operator. At that point, one can at least agree on what sort of track costs there will be.

When I am praising this Government, I say to it: gee whiz, it is starting to learn. Last year it thought—against my advice—that the Auckland passenger track was worth \$82 million. The advantage of that was that the regional council was going to pay \$130 million. This year it has discovered that it can buy the whole country for \$1. If the Government had just learnt from that and held on for 6 months, someone would probably have paid it to take the track. It shows that the payment last year cannot have been right, and I think that we will look back and say that the payment this year is not right. We will see a Cabinet that wants to spend money on heart operations and schools, but which has Government safety officers writing reports saying that the track is unsafe, so that any Minister knows that if there is a crash, he or she will be held personally accountable. That is why it is very difficult for the Crown when it owns the track. If we had allowed the private sector to own it, it would have worked out these matters, just as it would have worked out matters with regard to Air New Zealand. I am afraid that the Minister will find that it is a problem, and it is not good enough to say: “We are committed to buy this, and we don’t know how much it will cost.” I have no doubt in my mind that shareholders will accept this offer.

Let me make the point that we probably understand now why New Zealanders do not work well in Aussie, and why they do not work well here. If an Australian operator did not understand that in this country one cannot beat the Government, what did that operator think it was going to do? Does that operator not realise that we do not have a constitution, and that Parliament can do what it likes? No New Zealand company would even think of deciding to bid against the Government, and in that respect Mr Little has probably learnt a little bit about New Zealand, just as New Zealand operators do overseas.

I am pleased to hear the Government saying that it does not want to stay there very long. My worry is that there is nothing more permanent than a temporary arrangement.

**JEANETTE FITZSIMONS (Co-Leader—Green):** It is just 2 years and 10 weeks since the Greens launched detailed proposals to get back the national rail network. In that respect we suggested that New Zealand track should be owned as a partnership between central and local government, that there should be no initial debt, and that the company should be required only to break even and maintain the network, not to make large profits, because rail is, after all, an essential service to all the rest of the economy, which depends on it. At the same time as we launched our package, the rail unions announced their campaign to take back the tracks.

For 2 years we have campaigned and constantly talked to the Government about this, and have been joined by many other groups in society. We have been joined by the

major freight users, by the New Zealand Council of Trade Unions, by the Wellington Regional Council, by the Institution of Professional Engineers, and by the majority of the public. This is an idea whose time has truly come. At last a deal has been done. We welcome a good deal for the taxpayer and we congratulate the Government on taking a really important step towards a sustainable transport future.

It is 10 years since probably the most disastrous privatisation in New Zealand's history. It was driven solely by ideology. It was driven by Ruth Richardson's ideology, despite Treasury's own warnings of the risks that the network would be run-down, and there would be more accidents, more congestion, and more pollution. Treasury urged the Government of 1993 to separate the tracks from the operations, as had been done successfully in some other countries, but the 1993 Government barged ahead regardless. It is about 10 years since I held a press conference at the Auckland Railway Station, along with the local rail unions, transport experts, and rail users, trying to explain to the media why this privatisation was so disastrous and why we must stop it. There was a big campaign in 1993.

I have to reflect on the role of Fay Richwhite and Co. Ltd at that time in negotiating the sale. It was an adviser for the sale until April 1993, which was 4 months into the sale process, and, as soon afterwards as July 1993, it took a 40 percent share in Tranz Rail; sharing ownership with Wisconsin Central Transportation. There was, supposedly, a Chinese wall between the two aspects of its operations—the sort of “Chinese wall” encouraged by the Government of the time. When those investors took over they systematically took capital out of the enterprise, restructured it financially, until there was not much left. In fact, it has been estimated that the three big investors, Fay, Richwhite, and Wisconsin, took out \$370 million in profits—almost as much as they paid for it—and quit before the consequences of the run-down were apparent to the public.

What are the consequences of that run-down? These days it is very hard if one is taking photographs to find a logging train to photograph. The logs are on trucks. Logs are no longer transported through the Rimutaka Tunnel; they go over that appalling hill road on logging trucks. That is because Tranz Rail is not interested in carting logs, unless its customers own the wagons—unless the customer makes the capital investment and loads the wagons. Tranz Rail is closing sidings. It does not want to shunt and make up trains. The only thing that Tranz Rail seems to want to do is pick up already loaded and packed containers and haul them from one end of the country to the other, and let someone else do the rest.

Tranz Rail has been gradually closing down bits of its business, one after the other, for years. It has not invested in the tracks. We have buckling tracks all over the country, and trains going slower for safety reasons. We have disrupted travel—for example, passengers shunted off their holiday rail-trip on to buses. We have threats of closure of the Napier-Gisborne line, breaking a vital link in the whole network. We have had five passenger services closed, and the future of commuter services is in doubt.

The Government did have to step in at this stage, and we support it for doing so. Indeed, it had to step in earlier to secure a commuter service for Auckland, but if it had moved on the whole package 2 years ago, as we urged, it could probably have saved itself \$81 million.

It is really clear from the speeches made in the last few minutes that the National Party has learnt nothing from the events of the last 10 years. Bill English is quite willing to leave the rail system to run down and close. However, I do want to pay some tribute to Richard Prebble. I do not very often agree with him, but I want to give credit where it is due. I shall quote from his statement made in 1993. “My view is that a country needs a rail system, and I don't subscribe to the pure, rational economic theory that the market

will secure it if there's a place for it." He said: "The real fear of privatisation is that new owners could just want to maximise profits and run the system into the ground." Well, Richard Prebble had a lot of foresight at that time, because that is exactly what those owners did. But that was before he moved from being a Labour MP to being an ACT MP, and I commend the wisdom of his youth to him now.

So why does rail matter so much to New Zealand? Why is it different from other industries that simply make products? It matters because transport is a key to economic development. It is a key to social cohesion, and done wrongly it can have huge environmental impact. What happens when the rail service shrinks, let alone actually closes down? We get far more trucks on the road. That means more congestion in the cities and more crashes throughout the country. It means more time lost in driver frustration and danger on the roads. It means four times the energy use per tonne-kilometre of freight. That is a conservative estimate, and it is based on New Zealand statistics not international ones. Therefore, that means more greenhouse gases, worse air quality, and more noise.

What happens when commuter train services are threatened or closed? We get more cars on the roads—so more congestion, more energy use, more greenhouse gases, worse air quality, and more noise. What can we look forward to now? We look forward to \$100 million of public investment, well spent, in fixing up the tracks. We look forward to the ability to run more trains faster over those tracks, when they are fixed. We look forward to the rebuilding of services. We look forward to fewer trucks on the road, less congestion in cities, less air pollution, and less danger on country roads.

We hope rail passenger services will be restarted by a company that actually wants to carry passengers, rather than wants to get rid of them. Of course it was not economic to carry on the passenger services that were closed; the company had never promoted them. The company did absolutely nothing to encourage people to use them. Those services were a wonderful tourist asset, but they were left to run down, and it is no surprise that they were then uneconomic and there was then a reason to close them. It is almost like we have had a company for years now that wanted to do itself out of business.

We hope the Wellington-Napier systems can be revived; we hope the Auckland, Tauranga, and Rotorua systems can be revived; we hope the deep-south trip can be revived—all as well-patronised services that will enable New Zealanders to travel without having to take their cars, and will enable overseas visitors to see the country from the comfort and convenience of a train.

The action of the Government in investing in rail—in taking back the track into New Zealand ownership and setting aside money to invest in the track and improve it—is a big step towards the safe, responsible, integrated, and sustainable land transport strategy that the Greens and the Government developed earlier this year. We face the challenge of turning round a planning system that was focused on more cars and trucks going faster, and instead developing the sustainable integrated solutions that the 21<sup>st</sup> century demands.

We look forward to cleaner air, less congestion, healthier children who are cycling and walking safely, and better local facilities in towns and in the country so that people have less need to travel. We look forward to revitalised rail and re-energised communities, and we look forward to real choice.

**LARRY BALDOCK (United Future):** The Government's announcement last Friday that it would buy a 35 percent stake in Tranz Rail for \$76 million, after 10 years of that company operating as a private enterprise, should not have come as too great a surprise to many New Zealanders. The deal struck by National in 1993 has, for a long time, been the subject of much concern. If one was inclined to be kind, one could

suggest that the Minister who negotiated that sale thought he was doing the right thing at the time and was getting a good return for the taxpayer. However, hindsight over the past 10 years inclines me, along with the vast majority of New Zealanders, to reach a rather different conclusion. The sale of New Zealand Rail, which can only be described as one based on mate's rates, has seen one of New Zealand's important strategic assets privatised, pillaged, and brought to the brink of receivership.

Why the original deal did not include a Kiwi share arrangement similar to the one included in the sale of Telecom and Air New Zealand, in order to protect assets that are vital to New Zealand being able to compete economically in the world, is a little hard to fathom. The leasing of the rail corridor for \$1 a year had to be called the deal of the century, upstaged only by the Government's announcement last week that it will buy the rail network and associated infrastructure for \$1. United Future has long campaigned for the buying back of the rail corridor network in New Zealand. It should never have been given away in the first place, especially at such mate's rates. In 1993, as a speaker said before, Tranz Rail Holdings bought New Zealand Rail for \$328.3 million. The main shareholder stripped out \$220.9 million of equity in 1993, and a further \$100 million in 1995, according to analysts' estimates.

As I said, while United Future has always seen the importance of maintaining the strategic asset of our rail network, it has never made sense for the Government to buy it back at a cleverly contrived market value that involves millions of dollars of taxpayers' money going into Tranz Rail's bank, and therefore potentially into shareholders' pockets, instead of being invested in the infrastructure that has been left to run down over the past 10 years. When the Auckland rail corridor was purchased in December 2001 for \$81 million, I think the New Zealand taxpayer would have seen a better return if that \$81 million had instead been spent on upgrading the rail network in Auckland City.

While it is possible to share some sympathy for the New Zealand shareholders who bought into Tranz Rail at approximately \$3.60 a share in February 2002, the best deal for New Zealand taxpayers and shareholders is one that will make sure that the long-term viability of our rail network is sustained. The Government's plan to buy into Tranz Rail offers the opportunity for the taxpayer to benefit from an increase in the share value of the company in the future, rather than the taxpayer helping a company to improve its balance sheet so that only others can benefit from speculative investment. I am not sure whether I heard the Leader of the Opposition correctly when he spoke earlier, but I thought I heard him say that the National Party would support subsidies for a private company. That has to be a turn round for the books. The party whose mantra was that the Government should stay out of business is now suggesting taxpayer subsidies to businesses.

Rail has to be retained and maximised in this country in order to play its part in the overall transport strategy for both passenger and freight movement. Certain freight is best transported by rail, and its potential needs to be further expanded, but only after careful investigation and critical economic analysis. Some concerns have been reported with regard to the monopoly that Tranz Rail will have over freight services and the desire by some to see more than one operator delivering freight services on the network. While competition can be of value, it is important that it is not allowed at the risk of compromising any safety standards. Most of the New Zealand rail network is a single track, and unfortunately, like our State highway system, there are far too few passing lanes. It may take a number of years of investment in the network before multiple users can be practically envisaged.

It is important at this time in Tranz Rail's rather difficult history that the current freight services are maintained and improved, and that community passenger services

are improved in terms of efficiency and services. With regard to Tranz Rail's exclusive use of the network for freight, we trust that in the "use it or lose it" clauses that there will be sufficient teeth to give a clear signal that Tranz Rail must provide an efficient and a cost-effective service for its freight customers.

United Future gives its support for the proposed deal for the reasons that I have outlined, but we want to make it clear that our support should not in any way be interpreted to indicate that we believe, as I think the Green Party does, that rail can be seen to solve our transport infrastructure problems on its own, and therefore replaces our need for an efficient and safe national highway system. We must be realistic. In today's environment of cheap air travel and with the limitations of our population size, the idea that New Zealanders will patronise passenger rail services between cities in droves, or at least in sufficient numbers to guarantee the commercial viability of those services, is overly optimistic at best, and downright stupid at worst. There may be some opportunities where tourism routes are viable, but those will need close analysis. I believe most New Zealanders would prefer a safe dual highway that they can drive upon, and thus enjoy the individual freedom they have come to expect.

After the Government has stepped in to retain this important strategic asset, United Future now calls on the Government to give priority, both in legislation and in Budget allocations, to upgrading and developing our national highway infrastructure. It is now clear that the Government can find millions of dollars when it needs to address an emergency or a crisis of some sort. We urge that the Government acknowledge that our current road transport infrastructure is already in crisis, and it desperately needs not only attention to be given to legislation providing for alternative funding methods, as offered in the Land Transport Management Bill that is currently before the Transport and Industrial Relations Committee, but also the urgent investment of the revenue raised from petrol excise tax and road-user charges on the State highway system of this country. We need our rail system to play its part. The Government's announcement and action will help to ensure that outcome. New Zealanders now await a similar response towards the congested and unsafe sections of our highways, so that the Government no longer wastes business revenue and taxpayers' money by failing to show the same courage and determination to fix that problem, as well.

**Hon ROGER SOWRY (Deputy Leader—NZ National):** This is not a good deal for taxpayers. It might be a good deal for large users, because large users will receive a subsidy. Whether it is a good deal for large users will depend on the amount of subsidy they receive and the trade-off of that subsidy versus the right of competitive access that they so much wanted. It is ironic that this may be a good deal for shareholders. If the Government is to be believed, had this deal not gone ahead the company might well have gone into liquidation and the shareholders would have been exposed to the risk that they took by being shareholders. But the Government has effectively decided to try to bale them out. This is certainly a good deal for the Government in its sort of sneaky manipulation of the Greens. It can say to the Greens that it has bought rail for them, so therefore they can support it on some roading legislation. This deal will most certainly work to help the Government buy the Greens off.

However, for taxpayers to put \$44 million into Tranz Rail now—that money is already sunk into the company—and for the Government then to say to them that it has sunk the money into the company and may or may not get a deal next month, and, if it does not, it hopes the company will pay it back, is a bad deal. For taxpayers to be exposed, by the Government's reckoning, to \$100 million worth of maintenance for the track is a bad deal. We know that before the deal was even signed, within hours of it being announced in a hotel in Wellington on Friday, the Government was saying that it accepted that \$100 million might not be enough for the track maintenance.

Extraordinarily, in question time in the House today the Minister said that he did not know how many bridges there were on the West Coast, and he did not know how much it would cost to keep that line open. At the end of the day, if the Minister wanted to keep a line open, he could always have done that through a subsidy. He did not need to own it.

I have heard the Green, United Future, and Labour MPs say that this deal is wonderful, and that we now own the rail corridor again. But we have always owned the rail corridor. We have always owned the land that the rail corridor was on, but we did not own the tracks. The Government has bought the tracks back, with all their maintenance problems, and it has no idea how much money will be spent on maintaining them over the next 5 years. But I predict one thing—

**Janet Mackey:** The member is making that up.

**Hon ROGER SOWRY:** Can the member for Gisborne tell me how much the Government will spend on that in the next 5 years? She does not know. How much maintenance will be required to keep the Gisborne line open? Does the member know that? The member does not know that, either. The member knows very little.

I want to say—[*Interruption*] I thank you, Madam Deputy Speaker, for your assistance in keeping interjections down, as usual, but we have given up on expecting that to be done.

I say to the House and to taxpayers that this is a bad deal for taxpayers. They will be exposed to payment of all the maintenance costs. Already we have Jim Anderton out there saying this deal is great, and the Government will keep the Gisborne line open. What a load of nonsense that is! The Gisborne line will be kept open only if the Crown subsidises the users of that line. That is what all the companies that use the Gisborne line are saying. So the Government is to subsidise the users, but the taxpayers will wear the cost of maintaining the track. That is a double-banger of a subsidy. The operator, whoever that may be, will operate in a risk-free environment. It looks as though the operator will be Tranz Rail. It certainly will not be Toll Holdings, because Dr Cullen is out there insulting it as though his life depends on that. So we know the operator will not be Toll Holdings.

The operator will operate in a risk-free environment, and if the operator wants to achieve a turn-round and put more goods on to a particular line, then the operator will just wind up the political pressure so as to try to keep that line open.

I say to the member from Gisborne, who is trying to interject, that she will be up there saying that this deal guarantees that people will use the line. I know the people in Gisborne who want their goods transported have said that they will not use the line unless it is more economic to do that than to use trucks. That is what the forestry operators are saying, and they will want a subsidy in order to use the line. That is why this is a bad deal for taxpayers. They will be sinking hundreds and hundreds of millions of dollars into the subsidisation of rail—money that will not be going into schools and hospitals, or into the many other infrastructural projects that we need around this country. The Government has to realise it can spend the money only once.

Not only is that the case, but we must ask what sort of deal this is. The Government will pay about \$75 million for 35 percent of the company, and will have only three of the seven directors on the board. So the Government will not control the board, but will be exposed to 100 percent of the risk. This Government has decided that this is a really clever deal—after polling and deciding that New Zealanders overwhelmingly want the Government to own the rail corridor. And it does. That has always been the case, but New Zealanders thought the rail corridor was sold along with the tracks. The tracks were sold, but the corridor was not. So having done the polling, the Government has decided that the clever thing to do is to put \$75 million in, to end up with a bit over one-

third of the company but not with control of the board, and to end up with 100 percent of the risk—all the track maintenance, and all the subsidy costs. That is a very stupid deal.

On top of that, we have an operator that is ready to come in and operate on the tracks. What did the Government do to that operator? Well, the Government met it and then sort of did not tell it the full story. Then Dr Cullen “lost” it—he blew his “fufu valve”—just as we see in the House on a regular basis, except that this time he was sitting in his Napier house, at the weekend. His eyes became all bulgy, and the odd-coloured polo shirt he was wearing was nearly bursting open at the seams, when he launched into an attack on Toll Holdings and said there was no way that he would trust that company again. Well, actually, representatives of Toll Holdings came over here to New Zealand. They met with Dr Cullen and said they wanted to do a deal. He did not tell them the full story, and then he blew his “fufu valve” when they rightly said they did not know the Government would do this deal and that they would have been prepared to enter into some sort of partnership. But Dr Cullen just “lost” it. With that, he lost one potential operator for the track.

Now the only rail operator left is the current operator. This sounds really smart! The current operator—which has done such a good job, in the Government’s view, that it had to be bailed out—will now wear no risk. All the rail users will be entitled to subsidies, if they can put enough political pressure on the Government.

**Hon PAUL SWAIN (Minister of Transport):** Poor old Roger Sowry! He is always on the wrong horse. His speech demonstrated that fact. First of all, he supports Bill English—wrong horse to be on. Secondly, he supported the war in Iraq, notwithstanding that the majority of New Zealanders were opposed to it. So, wrong horse to be on. Thirdly, he was opposed to the New Zealand Government engaging itself again with Air New Zealand, notwithstanding that the vast majority of New Zealanders supported that. So wrong horse again. Now he is opposed to the Government becoming involved again in New Zealand track—that is, sorting out the mess that the National Government left. But the vast majority of people support that move. So wrong horse again. When we put our finger on the National Party pulse, we see there is none.

Bill English is just reiterating the line taken by Ruth Richardson and the National Party about the sale of rail in 1993. This is what Ruth Richardson said, on 21 July 1993: “I welcome the opportunity to promote the merits of the sale of the rail company. I welcome the substance of the sale. It is good for our railways. It is good for growth. It is good for the export sector. It is good for the workforce, and it is good for New Zealand.” That was Ruth Richardson. She said, and here was the coup de grâce—with the orchestra playing behind her, in the pink tracksuit she used to run around Evans Bay in—“I predict a very successful contribution from Wisconsin Central Transportation to the New Zealand economy.” But what an absolute dog we have been left with. So the National Party has not changed its spots at all.

I have not heard one word about what the National Party would do. I ask Roger Sowry whether a National Government would then flog rail again?

**Hon Roger Sowry:** Yes.

**Hon PAUL SWAIN:** Right, OK. So it would flog the tracks again?

**Hon Roger Sowry:** We’ll see.

**Hon PAUL SWAIN:** Would Mr Sowry sell the tracks?

**Hon Roger Sowry:** Wait and see.

**Hon PAUL SWAIN:** Wait and see! That is National’s policy—stick a finger in the air, and wait and see. Then it wonders why it is about 20 percent in the polls. National cannot make up its mind. It wants to wait and see. That attitude summarises the entire National Party policy programme at the moment.

National members should hang their heads in shame with regard to rail. They turned it into a fiasco and a mess, not only for this Government but for New Zealanders in general. If those members had a modicum of decency they would personally apologise to New Zealand for what they did. But I know they will not do that, because they do not have a modicum of decency in their bones.

Speaking as Minister of Transport, I am very pleased with the deal. We did get the tracks back for a dollar and we have committed ourselves to \$100 million of investment in the tracks over the next 5 years. What it means, finally, is that we can implement a national transport strategy. We have not been able to do that with one hand tied behind our backs, and without the rail infrastructure. We want a multimodal transport strategy where we can look at shifting freight in different modes.

Mr Brown raised the issue of sea transport, and that is an important part of our transport strategy. New Zealand needs a robust New Zealand shipping industry. There was a review, and I think it is fair to say that we have ruled out the taxation issue, even though that member thinks it is a good idea. This is the question we have to answer: if we want to do it for shipping, why not for every other industry? The review was divided on cabotage. The exporters did not want it. The shipping industry wanted it. So all I can say to that member is that I am currently working on all the policy options here, and I will be making announcements about that in due course.

I say again that this is a good deal not only for New Zealand but for New Zealanders. Finally we get the tracks back. We can start to remove more freight and more cars off our roads and on to rail. It is a good deal for New Zealand, but this is a sad, sad day for the National Party.

**Hon MATT ROBSON (Deputy Leader—Progressive):** I am so glad to be following Paul Swain and not Bill English, because I feel like I am at a party. I feel like I want to celebrate what has happened. If I went with Mr English, after hearing him and Roger Sowry I would be singing: "It's my party but I'll cry if I want to." New Zealanders are actually out celebrating. On Friday I was discussing community safety—and the audience, of course, was upholding the Government's record on community safety as I was speaking to them. But when I got the news that we had re-entered the rail business, that we had the tracks back for New Zealanders, and that we had a sensible joint-venture approach to running rail, the audience broke into enormous cheers. National members should listen to that because it is a decade since they did what they did, and that is part of the reason that the nail has been driven into their coffin. They sold part of New Zealand, but not only did they sell it, they gave the cheapest deal and ensured that Michael Fay, David Richwhite, and others benefited, and that New Zealanders lost.

Did those people whom National members helped to a fortune then turn round and say: "Thank you, New Zealand."? No. They gave New Zealand the fingers. They do not even live here. They do not trust our rail system to travel on. They travel on the European rail system because they have the money to do so, and they got that money from the people of New Zealand in a shoddy deal. People are celebrating, because the people of New Zealand can recognise a good deal. The National Party cannot.

That old song, "The Railroad Runs Through the Middle of the House" does not apply here; it runs only through the National Party benches, because the majority of the House support buying the railroad. My friend Paul Swain is also, thankfully, the Minister of Corrections, and he will find that when he goes out to the prisons, even there inmates will be singing in praise of buying the railroad. They love that song, "The Midnight Special Shines on Me", because the "Midnight Special" represents freedom, and this is freedom for New Zealand. It is freedom to determine our future.

I am very proud that the Progressives are here on this day, because we, along with

other parties who have said that they support the partial renationalisation of essential parts of the rail track to make sure that it can be part of the infrastructure of New Zealand, have been part of that process.

New Zealanders are not going to go around saying: “Which party is part of it? Which party is the one that should take the credit?”. They are going to say: “Which parties are still pouring cold water on this proposal?”. We will give the information to them—well, we do not have to give it to them, because it looks like Bill English is going to go out and parade it in the face of New Zealanders.

Little New Zealand children obviously know more about rail than do Bill English and the National Party, even if it is only from watching *Thomas the Tank Engine* and finding that we need happy staff to be able run a good railroad, and that we need happy engines to be part of a railroad, but that we need a rail track that is going to be there and not be ripped up. What National is asking us to do is to put New Zealand in jeopardy and continue a situation where, at any time that it was not profitable, the owner could allow for the tracks to be ripped up. Our reinvesting in rail guarantees that we will have a rail system that will be part of an integrated system. The decision to reinvest in rail will allow us, as a coalition Government, to ensure that there is an integrated transport approach that involves road, rail, and sea.

I can tell members who else is cheering: the people of Auckland. As I have gone down the road in Auckland looking for the rail station so I can get on a train when we finally get a decent rail system in Auckland, I have seen a photograph that scared the living daylights out of me. It was a photograph that, I am told, is of Bill English, and I only know it is Bill English because it has been doctored and the name is there underneath: “National”. He is telling me “Citizenship for all” or, I think, “One citizenship for all”.

**Hon Tony Ryall:** One standard of citizenship for all.

**Hon MATT ROBSON:** He is saying: “One standard of citizenship for all”, but what we also want is one standard of rail for New Zealand that actually works. Aucklanders will want to see that, because at 7 o’clock in the morning until 7 o’clock at night the Auckland streets are jammed. Those people whom National is trying to win back, having been maltreated in Auckland, will be very interested to find that the parties that they are celebrating for taking back rail—Progressive and Labour—are being denigrated by National, as National says there is nothing to celebrate and that we have taken a backward step.

The debate having concluded, the motion lapsed.

## INDUSTRY NEW ZEALAND AND TRADE NEW ZEALAND INTEGRATION BILL

### Second Reading

**Hon JIM ANDERTON (Minister for Economic Development):** I move, *That the Industry New Zealand and Trade New Zealand Integration Bill be now read a second time.* When passed, this bill will create a one-stop shop for economic development and trade promotion. We are creating this new organisation to integrate the services currently provided by Trade New Zealand and Industry New Zealand, with the aim of making those services as seamless and responsive as possible. The coalition Government decided early in the process of this merger that it had to play a smart and active role in the economy, and the work done by Industry New Zealand and the Ministry of Economic Development in our regions, in regional partnerships, in partnership with business, communities, local government, trade unions, with industry sectors, with the Māori and Pacific Island peoples, is starting to make a real difference.

Those of my colleagues who celebrated the innovation day recently, and will celebrate later this year our regional development conference and programme, know full well how energised the regions of New Zealand are in engaging with a Government that is proactive in the economic development and progress of regional New Zealand.

This new agency, New Zealand Trade and Enterprise, establishes a new economic development entity. It brings together Trade New Zealand and Industry New Zealand. The legislation will build on Trade New Zealand's experience both internationally and in New Zealand's export sector, as well as Industry New Zealand's experience in working with investors, businesses, and regions.

The bill is evidence of a Government that listens to the business community. In many regional development visits that I have made up and down New Zealand, I have visited literally hundreds of businesses and met thousands of business people who continually wanted to know why there was not a one-stop shop for business advice. They wanted to see the advice and support they needed for their growth and development, and for increased investment and export opportunities, all integrated into one service.

The Wellington chamber of commerce and many other business organisations have called for a one-stop shop for some time. During the election, the Progressive Party committed to this one-organisation approach during this term of office, and I am pleased to say that the New Zealand Trade and Enterprise entity outlined in this bill delivers on that commitment, and I know that my Labour colleagues made a similar commitment. The purpose of New Zealand Trade and Enterprise will be to support the development of internationally competitive New Zealand businesses. This role has been carefully chosen. Recent consultation with business groups on the aims and objectives of New Zealand Trade and Enterprise has shown wide-ranging support for this step towards integration. It provides a strong platform for the partnerships needed to stimulate business innovation and enterprise. Every New Zealand business needs to strive to be internationally competitive, regardless of whether it has a domestic focus or is already trading internationally. We clearly need to raise business performance across the whole economy. Various submissions to the select committee on this matter raised issues that had been given careful consideration by both the select committee and the Government. I thank the members of the select committee for the way in which they went about hearing those submissions and deliberating on the bill.

I hope we receive New Zealand First's support for this bill. In looking at the origins of Industry New Zealand and the Ministry of Economic Development, I note that New Zealand First supported it, and I hope it will support this development as well, because it is a continuation of what we commenced only 2 to 3 years ago. It is an important new step in the direction of an important entity to serve the business and regional communities of New Zealand.

New Zealand Trade and Enterprise will support the Government's commitment to developing our economy through innovation and working with key industries that can drive economic growth. That organisation will deal with businesses across a wide range of areas of business activity in this country. They will include the direct development needs of individual companies, and clusters of businesses, industry sectors, as well as dealing with barriers to growth, by developing individual sectoral and regional strategies and through initiatives that improve the business and enterprise culture in New Zealand.

**Hon Tony Ryall:** This will make the 6 o'clock news.

**Hon JIM ANDERTON:** The fact that the New Zealand coalition Government of today is taking actions like this gives this Government a permanent place in the political history of New Zealand. Unfortunately, the National Party, which used to have some kind of substance, has been proved to be a hollow shell.

**Hon Tony Ryall:** It won't exit in 2 year's time.

**Hon JIM ANDERTON:** I doubt whether it will ever be across this side of the House—certainly not in the time the member who is interjecting now will be in this House.

The decision to merge Trade New Zealand and Industry New Zealand will send a strong message to the business community. The message is that we want it to succeed, we want it to do better, so that New Zealand can do better. We want to see more innovation, stronger businesses, and stronger regions, all leading to long-term sustainable high-quality employment in this country. I can say to the House that in an extensive visit I made recently to nine countries to have a very close look at industry, regional, and infrastructural development that is assisting the economies of a number of very progressive countries in the world, there were a number of examples of high-quality institutions that received Government support that was integral and critical to the economic development of those countries. When we think that New Zealand turned its back on a positive and proactive partnership between central government, local government, the business community, and local and regional communities in New Zealand for a very long time, we realise we have a lot of catching up to do.

The positive nature of the contribution that institutions like this proposed entity of the Trade New Zealand and Industry New Zealand merger will produce that. The examples of the performance of the economies in Ireland, Finland, Sweden, Denmark, and a wide range of European countries were quite remarkable in terms of the way in which the positive, proactive role of government had made a significant contribution to the well-being of those societies. It is not a matter of "Government knows best". It is a matter of the Government being positively involved in a constructive way with the people of each of the countries involved. New Zealand is now having to catch up on 20 to 25 years of neglect. This entity will make a very important contribution to the job we started 2 to 3 years ago. I know that the business community welcomes it. I know that regional New Zealand welcomes this opportunity. I know that this will do a lot to continue the progress and momentum we have gained, in the activities we have engaged in through the Ministry of Economic Development, and Industry New Zealand, and the cooperation we have had with Investment New Zealand and Trade New Zealand. New Zealanders expect nothing less of this House than that we make rapid and constructive progress in passing this bill through the remaining stages so that we can get on with the job from 1 July that we have committed ourselves to do.

**Hon TONY RYALL (NZ National—Bay of Plenty):** The National Party in Opposition will be supporting in principle this bill's continuation. It is a weak and feeble step towards the National Party's wider policy in respect of industry assistance. In fact, about 32 different funds and organisations provide support for innovation and business development in New Zealand, and the integration of Industry New Zealand and Trade New Zealand is but a first step. We think that the other 31 organisations need to be rolled in together, because too much money is being spent on bureaucracy and all that rigmarole, and photo opportunities for the Minister, and not enough is going in to provide support in the areas that we need.

The Minister who has just spoken—I think he used to be the Deputy Prime Minister of New Zealand, but his party suffered such a wipe-out in the last general election—wanted to draw members' attention to the great success of Industry New Zealand. I remind members of what that member has said about his plans for proposals for Industry New Zealand. Members should cast their minds back to 5 February 2001 to a new superyacht development in west Auckland. According to the Government, that development was going to deliver hundreds of jobs and up to \$600 million in export earnings over the coming years in the \$18 million construction facility to be built on

surplus defence land at Hobsonville by Sovereign Yachts. It was all about outstanding investment in New Zealand! Mr Anderton said that the downstream benefits of the venture would flow on to the rest of New Zealand.

But Mr Anderton was not the only person effusive in his support for that taxpayer investment in Sovereign Yachts. The Prime Minister of New Zealand consciously went on to say that that latest investment was just a flagship of the Industry New Zealand programme and an indication of the true commitment of the Government to industry development in New Zealand. That was our Prime Minister. Sovereign Yachts was the flagship of industry development from the Labour-led Government. We now know that it has sacked most of the workforce. The Prime Minister truly has the gift of the gaffe. Time and time again we see the Prime Minister making those ridiculous statements. Here we are: a “flagship of Industry New Zealand”!

**John Carter:** When did she say that?

**Hon TONY RYALL:** In February 2001. The National Party is concerned that the Government would bring the bill to the House with no regulatory impact statement at all. The Parliament has absolutely no idea what effect this proposal will have on business compliance costs or regulation, nor is there a cost-benefit analysis of the benefits of doing what is proposed in the bill.

We heard in the previous debate from the junior member for the Hutt Valley about how important it was to consider cost benefit in all this stuff. As a former Minister of Commerce, given the push because he could get nothing passed through the parliamentary agenda, he was the guy who used to go on about regulatory impact statements, and there is not one mention of that here.

The National Party is concerned also about the over-prescriptive nature of the proposal. I want members to know that rather than saying we are amalgamating those organisations, we are empowering them with a go-ahead statement of corporate intent with clear indications about what granting and assistance will be provided, we have legislation that sets out that they can have one or more bank accounts. Other legislation states what they can do with their funds. It talks about what is required to execute a document. Sensible, professional people are running this organisation, yet this Government is giving them a law that tells them about their bank accounts, how they will execute documents, and it provides about 15 items that need to be included in the statement of corporate intent. No other Crown agency has a page and a half of instructions as to what must be included in its statement of corporate intent.

Then, the bill has half a page on how one actually gets a draft statement of intent from New Zealand Trade and Enterprise through to the Minister’s office, and then there is another half page on what the Minister does to put a signature on it, and then there is another half page on what to do if there are amendments to the draft statement. I say that if we are to have an industry support organisation, it needs to be swift of foot, flexible, and professional. We simply do not need the overly prescriptive and detailed features that appear in this bill.

It gets even worse. I would have thought—and Mr Edwin Perry is agreeing with this—that, if we were appointing someone to run this new organisation, there would be a very clear expectation as to how that person would perform. But what does the Government do? It is so worried about its appointees that clause 6 of the first schedule tells the board and staff that they have a duty to act with honesty and integrity. The Government actually has to put that in the law. Surely there would be an expectation—

**John Carter:** Parekura would have liked that in Te Māngai Pāho, would he not?

**Hon TONY RYALL:** Maybe. Then we have all this stuff about a duty to act with reasonable care, diligence, and skill. That is required in the law already, under expectations of trusteeship or company directorship. This bill is overly prescriptive. It

requires directors and management to do a myriad of things, which will bog them down in too much paperwork. We on this side of the House want to be supportive of any measure that will reduce unnecessary costs to business, because there are problems with the way Industry New Zealand and Trade New Zealand operate. There is simply too much money going into the administration of the grants schemes, and the criteria are not appropriate for many people in business.

For example, if a small business wants to get ahead, it gets a \$15,000 grant from Industry New Zealand, and Jim Anderton gets his picture in the local paper saying how he has given the business that \$15,000 grant, but what people are not told is that the business cannot get that \$15,000 until it has generated \$15,000 of its own money to match what Industry New Zealand is offering. If one is running a small business and trying to get an idea off the ground, \$15,000—

**Hon Harry Duynhoven:** That is nothing new. It occurred in your Government.

**Hon TONY RYALL:** I know that that Minister with his salary may not think \$15,000 is a lot of money, but for ordinary people who are trying to get their ideas off the ground and need a bit of support, \$15,000 is a lot of money. The point I am making is that the Government likes to go around saying that it is giving out those grants to everybody but they are not picked up because no one has the matching funds. That is what is wrong with that scheme, and the National Party in Government will be changing that. We also want to make sure—

**David Benson-Pope:** Is that policy at last?

**Hon TONY RYALL:** We hear “Is that policy at last?” from that member from somewhere down south. Actually, this bill was our idea. We were the first to say that we should bring those organisations together, but the Government does not have the intestinal fortitude to bring the other 32 grant organisations under the one umbrella, as well. If that small business that I was talking about wants to get that \$15,000 grant, there is not only Industry New Zealand and Trade New Zealand, but also Technology New Zealand, the Foundation for Research, Science and Technology, the Public Good Science Fund, Fast Forward—there is a myriad of funds and organisations that businesspeople have to go to in order to get funds to try to support their ideas.

The National Party says that that money would be much more effective if we brought it all together under one roof, cut out the 30 percent that goes into administration, banked those savings or used them for other industry assistance, and made sure it worked. What we know works is mentoring support and advice networks.

This party says that it is important we back the productive sector. The reason we want to back the productive sector is not that we want to own it—unlike this Government, which renationalised the Accident Compensation Corporation and bought the airways, and is now buying the railways and setting up its own bank. We do not think that is the role for the Government. We think the Government’s role is in providing support.

**Hon PETER DUNNE (Leader—United Future):** One of the constant refrains of successive Governments in the two decades that I have been in the House has been the issue of how Governments facilitate industry development, both at the domestic and at the international level. We have been through a variety of constructions. We started out with two Government departments, the Ministry of Foreign Affairs and Overseas Trade, and the Ministry of Trade and Industry. Then we went to the Trade Development Board, regional development councils, business development boards, Trade New Zealand, Industry New Zealand, and a whole raft of networks. I am not surprised by the figure of 31 or 32 that we may now have of such bodies, some working in the domestic economy, others seeking to deal with New Zealand’s interests aboard.

I welcome the Industry New Zealand and Trade New Zealand Integration Bill

because it starts a process that people have been grappling with for some time of integrating both our domestic industry assistance programmes with our international obligations and responsibilities towards our exporting sector. I know, as someone who has been a Minister in that area in the early 1990s, of the constant refrain at that time from the small to medium-sized sector—and, I am sure, repeated today—that it is all very well for us to be encouraged to develop our domestic production and to be told by Governments and other noble pontificators that we ought to be developing an export industry, but that frankly, we as small manufacturers do not have the capacity or the contacts to do that; we are too busy doing well the job we know best.

The focus of a body like Trade New Zealand, apart from the big strategic picture, has to be very much on providing the opportunities for those manufacturers to get their products on to a world stage. In some cases it will be about arranging appointments and opportunities for the display of products through trade fairs. In other cases it may be something as simple as providing either assistance with an air fare to a trade fair, or the ability to put a stand together that displays a product and to give someone a few contacts.

The point I am making is that the integration that this bill starts to bring about is about ensuring that the small to medium-sized manufacturer or industry that we promote in New Zealand and laud as being desirable and holding the future economic potential of the country, has the opportunity, with a bit of guided assistance, to achieve that potential off shore. I have spoken overseas on a number of occasions to people who want to import New Zealand product but express the concern that they do not know how to access it. In Asia, in particular, people have asked me why we do not do what the Australians do in terms of marketing our nation, and our ability to export and trade with them, because they would love to trade with us. In some cases, they would prefer to trade with us rather than with the Australians.

My point is that this integrated approach—New Zealand Trade and Enterprise—has the potential to set us up in such a way that those linkages that people have argued for for some time can at last be made. The detachment and the frustration that the previous speaker alluded to of people who might feel that it is all very well that they are beavering away in their industry creating a product and trying to market it, but who ask how do they get it on to a world stage and take advantage of the opportunities, may be alleviated. That potential can at last be unlocked and we can at last start to give some confidence to people that these measures can be achieved.

I see this bill purely in that light. I am not particularly interested in the nuts and bolts of how the board members are appointed or what their accountabilities might be internally—that is standard for legislation of this type—but I am interested in the fact that we are starting to set a potential strategic direction and make some links that will make it possible for those who wish to be part of that to be able to follow it. In that sense, having a tighter, leaner machine—one body, a one-stop shop from the first approach, right through to the export end—is a positive move and ought to be supported.

How many times have we heard the refrain that as a small, isolated country we survive by our ability to trade and to export? We all chant that from time to time. The reality of this bill is that it gives that sector some chance and some opportunity to make the links we need, and it is a good bill.

*Sitting suspended from 6 p.m. to 7.30 p.m.*

**DAIL JONES (NZ First):** I am speaking to the Industry New Zealand and Trade New Zealand Integration bill, which was the title of the bill before it went to the Commerce Committee, which has now recommended that the bill be called the New

Zealand Trade and Enterprise Bill. In a way, a simple thing like that sums up the Government's failure in this area. One would have thought that a Government that has had plenty of time to deal with trade in New Zealand would at least get the name of the enterprise correct before sending a bill to the select committee.

In 2000 New Zealand First supported the preceding legislation in good faith, as Peter Brown said on 27 July 2000. Minister Jim Anderton raised the issue when he was speaking earlier, and I am pleased to tell him that we will still be supporting this legislation, with little confidence in the ability of the Government to give full effect to New Zealand Trade and Enterprise. It failed to give effect to the previous legislation, and the clear evidence of that comes in the fact that it needed to introduce this legislation. None the less, New Zealand First will still continue to have faith in the whole concept.

We believe that New Zealand must trade its way in this world. In view of the immense immigration to New Zealand that is taking place, along with the money that is being brought into New Zealand by immigrants, we are of the view that New Zealand is only just hanging on. This country is failing badly under the poorly acting minority Labour Government in that it is not producing enough goods for sale overseas. We hope that this bill will remedy that situation.

The bill does not say terribly much as to what this body is going to do. Clause 3 states: "The purpose of this Act is to support the development of internationally competitive New Zealand business by establishing New Zealand Trade and Enterprise." In subclause (2) it refers to the fact that it is a Crown entity. It is supposed to develop and implement strategies, programmes, and activities for trade, industry, and regional development as directed by the Government. It is just a whole bunch of clichés. At one stage, the speech of the Minister the Hon Jim Anderton was just a non-stop, recurring cliché. This Government really has nothing to offer New Zealand in the way of new ideas for trade. When this bill's predecessor was introduced in July 2000, the Hon Jim Anderton commented that: "Industry New Zealand will be a special purpose agency with a clear mandate. It will be facilitative, it will listen, and it will deliver." Well, all it appears to have done in that time is get involved with Sovereign Yachts in Hobsonville, and that commercial enterprise has not been a very great success—it has barely been any type of success at all, and it certainly has not delivered the amount of jobs that was promised by the Labour Party.

New Zealand First wants to ensure that we trade our way in the world. Our policy is very clear on the support we would give businesses to ensure that they are able to take advantage of their successes, the products they produce, and the returns they will bring to New Zealand. On the face of it, this bill says nothing at all, and when the Minister delivered his speech he really said nothing at all, except for a considerable amount of clichés.

I am pleased that United Future is now supporting this legislation, because, as we all remember, United Future opposed the earlier bill in the year 2000-01, but it has changed its mind. Listening to the speech from Peter Dunne, one would not have believed that he actually voted against this legislation in 2000-01. He was full of rapturous applause and support for it today, but, at that time, he opposed the bill. It goes to show that United Future has a strange idea of what common sense is. It was common sense in 2000-01 to vote against this bill, but somehow it is now common sense to support a similar type of legislation. It just goes to show how amenable it can be to survival in this House.

One point that New Zealand First raised in the select committee is recorded in New Zealand First's minority report: "New Zealand First's view is that it is not sufficient, in developing the Statement of Intent for the new organisation, to restrict the input to just the integrating organisations. Tourism, and the associated industries, represent a

significant export sector and as such should be recognised as an integral industry for the purpose of this bill. Tourism, and tourism industries, have expanded as a result of enterprise and conversely industries have also developed as a result of tourism. Tourism industry should be party to the development of the strategies of the new agency.”

It is very aptly stated in the minority report that tourism and tourism industries have expanded as a result of enterprise, and, conversely, that industries have also developed as a result of tourism. There should be some acknowledgement in the area of New Zealand trade and enterprise of the support given to trade and enterprise by New Zealand’s successful tourism industry, which is based on our natural resources. I was looking at the bill, and wondering at its real inadequacies in all respects, and I looked at the interpretation clause, and at the definition of “borrow”. It seems to me that if the definition of “borrow” includes the financing of lease arrangements—and there needs to be some sort of definition for a lease-type arrangement or a hire purchase agreement—then this rather inadequate legislation should also, at some point, indicate that this particular board has the right to lease premises. I presume that it will be in some premises; I doubt that it will own those premises, and I really wonder at the small degree of thought given to the legislation itself.

I must congratulate the select committee on the amendment to clause 9(1)(b), which is to “provide a conduit for input and advice from industry”, and which includes trade unions, local government—which was in the legislation already—regions, education and research organisations, potential investors, and individual enterprises on programmes to implement the Government’s policies for economic, industry, and regional development. It is important for the trade union movement to be involved in all sectors of the community.

There is nothing worse than for people to reject any sector of the community on some sort of political basis, and New Zealand First will be only too pleased to work with the trade unions, the regions, education and research organisations, and the other areas I have mentioned, when we come into Government after the next election. We will be putting forward policies that will ensure that New Zealand’s small businesses, big businesses, and the like, get ample support and recognition for trade and exports overseas. They have always been the cornerstone of New Zealand development, and New Zealand First will ensure that they continue to be so in the future.

**GEORGINA BEYER (NZ Labour—Wairarapa):** It is a pleasure to take a brief call on this bill. It never hurts to reflect on some of what this bill is about. The objective of the integration of these two particular agencies reflects the need for New Zealand business to be internationally competitive, whether markets are domestic or off shore, or both. It also recognises that a strong focus on internationalism and on growing New Zealand export earnings is critical to improving New Zealand’s overall economic growth. I commend the bill to the House.

**Hon KEN SHIRLEY (Deputy Leader—ACT NZ):** ACT New Zealand will not be supporting this bill, which proposes the melding together of Industry New Zealand and Trade New Zealand. I would like to just run through with the House our reasoning behind that position. To start with, if we read the commentary from the Commerce Committee, right up the front under the heading “Introduction” it makes the point that: “The purpose of the bill and the new agency is to support the development of internationally competitive New Zealand business.”

At first glance that sounds wonderful, a sort of motherhood and apple pie, but it is one of the three great lies. We know what that one is. The big one is: “I’m from the Government; I’m here to help you.” When has that ever been true? That has never been true, but it just oozes out of this bill. It is nanny State saying “Here I am.”

**Hon Dover Samuels:** I forgot you used to be a member of the Labour Party.

**Hon KEN SHIRLEY:** Oh indeed, and for the benefit of the member who is interjecting on me, I was deeply involved with the formation of the Trade Development Board. In fact, I will share something with the member. We had a caucus retreat up in the Waitakeres. Mike Moore was there, and so were Jim Sutton, myself, Ralph Maxwell, and Clive Matthewson, and that is where the concept of the Trade Development Board came from. That came right through into legislation. Peter Shirtcliffe, of course, was the first leading light of that body. I would have to say that Peter Shirtcliffe is a remarkable New Zealander, a passionate, committed New Zealander, and he did a sterling job in the early days of the Trade Development Board. I have nothing but praise for the performance of Peter Shirtcliffe.

Then we had the long tenure with Rick Christie and more recently Fran Wilde. I think philosophically it is debatable whether we actually need a Tradenz. There is something very patronising in saying that our commercial enterprises are not big enough, strong enough, or powerful enough to foot it out there, and the State has to go and hold their hand, intercede in the marketplace, and oil the path for them. There certainly is a role for Government in combating Government-to-Government issues like tariff barriers and the like. That is a core responsibility of Government, but to say that Government has to develop trade is, I think, a very questionable function for a Government. But I could accept Trade New Zealand. I had questions about it but I could accept it.

But then what happened under this Government? It developed this new monster, Industry New Zealand, and the very fact that it now, apparently, is embarrassed by it and wants to tuck it under something else says it all. Industry New Zealand, as we know, was Jim Anderton's little pet baby, and he was going to go out there and cultivate industry nationwide, combine it with regional development, and do marvellous, wonderful things around the country. Do members remember all those speeches we used to hear about how he was single-handedly turning round the Southland economy? Industry New Zealand and Jim Anderton were turning round the Southland economy—and we know that was absolute rubbish. It had nothing whatsoever to do with the Government. It was all those big dairy conversions and all that investment into Southland, and those great commodity prices coupled with good climatic conditions that generated that wealth into provincial New Zealand.

Of course that is all changing now, and provincial New Zealand is starting to hurt. We are not hearing so much now about these wondrous things that Industry New Zealand is capable of.

**Hon Maurice Williamson:** Like Sovereign Yachts.

**Hon KEN SHIRLEY:** Indeed, and I will come on to Sovereign Yachts. I was going to call it his flagship. His flagship was Sovereign Yachts, and Mr Jones, of New Zealand First, marvelled at that too. There were all those wonderful speeches about what Sovereign Yachts was going to do, and about the 400 jobs. It is a very sad story. But it is even sadder when we realise that it was spending taxpayers' money to do that, and virtually just throwing it away. My fear, and ACT's fear, is that Trade New Zealand may arguably have a function—I think it is questionable—but Industry New Zealand clearly does not have a function, and to say that we will now pollute the function of Trade New Zealand with this opposed culture of Industry New Zealand is very worrying indeed.

When we go through the bill, there are some extraordinary things. We are now going to call the entity New Zealand Trade and Enterprise.

**Hon Maurice Williamson:** That will fix it.

**Hon KEN SHIRLEY:** Oh, yes, that will fix it, with the stroke of a pen. Again, in the commentary, there are some other revealing things that clearly reflect the mentality, the

thinking, the psyche, and the rhetoric of this Labour Government. Right up front there now is the inclusion of trade unions, representatives, and relevant stakeholders. It does not mention the commercial trade and enterprise of New Zealand who are wealth creators. Right up front is the inclusion of trade unions, representatives, and other relevant stakeholders. Does that not speak volumes on what this bill is all about? The observation in the commentary that: “The current wording of the bill, clause 9(1), does not mention trade unions in the listed organisations that New Zealand Trade and Enterprise will foster ...”, so therefore we have decided to insert into clause 9(1)(a)(i) and (b) the words “trade unions”. What on earth does that contribute to the trading nation of New Zealand? This is absolute Labour Party à la 1950 rhetoric, nothing more and nothing less.

ACT is deeply concerned about these conflicting cultures that will be melded together, and my fear is that the good work that the New Zealand Trade Development Board has done will be polluted and destroyed by this conflicting culture that we have with Industry New Zealand. In its very short time—and it has been in existence a very short time—it has been nothing but a handout organisation. It has rushed around the country with chequebooks, offering countless hundreds of thousands of dollars to anybody who could spend it. There are a lot of disgraceful stories still to come out from that, and the flagship, as we all know, was Sovereign Yachts.

There are some other rather interesting things in the bill. I would like someone on the Government benches to explain this: if we turn to clause 31, we see the personnel policy for this body, and what do we have there? We have the “good employer”. People must be good employers. There are some laudable things here: “good and safe working conditions”, which is fair enough, and “an equal employment opportunities programme”, which, yes, is fair enough. But then we come on to “recognition of the aims and aspirations, and the cultural differences, of ethnic and minority groups”. That is possibly fair enough in a general sense, but let me come on to this dual law stuff again: the recognition of the aims and aspirations of Māori, the employment requirements of Māori, and the need for involvement of Māori as employees. What patronising pap. I reckon that Māoridom in New Zealand must cringe when it sees that sort of stuff legislated here today. It is virtually implying that Māori are not ordinary members of society and cannot find jobs on their own achievement—and I know they can.

To be putting that sort of pap into legislation is patronising and offensive, and here we see this Labour Party again running those sorts of lies.

**MARK PECK (NZ Labour—Invercargill):** I was not going to take a call but I heard a couple of contributions that somewhat worried me. One was from Mr Dail Jones, who went on about the New Zealand First minority report. I challenge Mr Jones to read the report. One of the things he will see—

**Dail Jones:** I read it in the House.

**MARK PECK:** He says he read the report. Let me tell members that the only person on the Commerce Committee who asked any questions was Rod Donald. He was the only one. Everybody else just nodded away in agreement as we went through. It took us 22 minutes to hear the submissions, and the hour and a bit that we took to do the consideration was basically Rod Donald asking questions about tourism. Dail Jones’ party missed the bus. Furthermore—

**Dail Jones:** We did tourism.

**MARK PECK:** He interjects again. What does one say? Here we have a man who does not even know what is in the bill, trying to make some sense of it. At least Mr Shirley took the opportunity to read it, but can I tell him that his member was a little silent at the select committee as well.

It is a good bill. I do want to acknowledge Mr Jones' congratulations to the committee on the work it has done. I think we probably did a very good job. Can I also congratulate Rod Donald on turning up and asking the questions.

**ROD DONALD (Co-Leader—Green):** I hope Mr Peck will still congratulate me after my speech, because in our view this bill has turned Parliament into a farce and is an insult to the democratic process. That is because the Government has not only decided it wants to merge Industry New Zealand with Trade New Zealand, but it has already put the structure in place, and merely expects this Parliament to rubber-stamp what it has done.

The Government announced the merger in November last year, yet this bill received its first reading only on 25 March, 7 days after a letter was sent out from the chair of the establishment board of the new organisation, announcing its name, New Zealand Trade and Enterprise, announcing the departure of the chief executive of Industry New Zealand on 27 March, and announcing that the appointment of the chief executive of the new body would take effect on 7 April. In other words, the new chief executive of the new organisation started his job before the Commerce Committee had even heard submissions on the bill to set up the new organisation, let alone report back to Parliament. That has got to be a very, very poor process.

Before agreeing to the merger, Parliament should have been allowed to assess thoroughly the benefits of merging those two organisations. Instead, the Government set a 1-month report-back date, thus denying the select committee the chance to scrutinise whether the new engine room of the Government's growth strategy is capable of delivering what the Government wants, let alone what the Greens think it should be delivering.

But appalling process in itself is not sufficient reason to oppose this bill. The Green Party does not support this merger. In fact, it looks more like a takeover of Industry New Zealand by Trade New Zealand—not the other way round as Mr Shirley indicates. We oppose this merger on substantive grounds. That does not mean we oppose in principle the creation of a combined organisation to provide assistance and support to industry, enterprise, and business initiative. If we were confident of the outcome of this merger we would support such a move, but we cannot vote for this bill in the form in which it has been reported back. That is because the Green Party believes that the purpose of this bill should be to support the development of New Zealand businesses that are not only internationally competitive but also ecologically and socially sustainable.

The bill provided the opportunity for the Government to give effect to its sustainable development programme of action, and, in particular, to the principles of policy and decision making that include the statement: "Sustainable development must be at the core of all Government policy." During the committee's consideration of the bill this member did seek to replace the words "sustainable economic growth", and, as Mr Peck said, that became the main topic of conversation. We sought to replace the words "sustainable economic growth" in the functions clause with the words "sustainable development", in order to give the Government the chance to live up to its own rhetoric. It refused to make that change because, clearly, this Government is not willing to walk the talk. Yes, the committee did change "sustainable economic growth" to "sustainable economic development", but these words do not mean the same as sustainable development. They clearly imply that economic interests take precedence over social and environmental ones, rather than acknowledge that both the economy and our society depend on protecting and restoring the natural environment. The Government's economic strategy is a house of cards built on sand if it does anything less.

The adoption of sustainable development would have sent a consistent message that

the Government is encouraging industry to reach higher environmental standards and take account of social needs and goals. The need for sustainability to be at the core of Government's partnership with the business community could also have been addressed by either incorporating a set of sustainability principles in the bill, as found in the Energy Efficiency and Conservation Act, or by requiring the new entity to take a sustainable development approach in its statement of purpose as found in, and required by, the Local Government Act. In both cases, those implementing the Acts would have been required to take into account the health and safety of people in communities, their social, economic, and cultural well-being, the need to maintain and enhance the quality of the environment, and the reasonable foreseeable needs of future generations.

I ask Mr Peck why the Government does not want to do that. What is it scared of? Clearly, it thinks it is a good idea for the local government sector to take a sustainable development approach to all its activities. Clearly, it thinks it is a good idea for the Energy Efficiency and Conservation Act to practise sustainability, but for reasons that escape me, the Government is not prepared to commit to assisting and supporting only those businesses that operate in an environmentally and socially sustainable way.

The Government is very happy to say the right things. Industry New Zealand even produced a special issue of its magazine on sustainable development. The rhetoric was great: "Sustainable growth has become a catchcry, but the wider goal of sustainable development is the more important target." The content was compelling. "New Zealand's population rose by 19 percent in the last 20 years, but in the same period we used 61 percent more energy, registered 67 percent more cars, and, in Auckland, threw out 162 percent more rubbish." It went on to state: "Many New Zealand companies are still in denial over the need for sustainability."

The solutions are obvious. They are in this article: "Triple bottom line reporting is based on the idea that companies do not work in a vacuum but are part of the society they operate in. To concentrate on economic performance alone is to ignore the impact of the company's activities on the environment and on the community—the sort of thinking that may lead to environmental destruction and social breakdown."

It is all there, yet the Government refuses to make sustainability a bottom line for New Zealand Trade and Enterprise. Well, we intend to try to change that during the Committee stage, and that, I am afraid, is because we have no confidence that New Zealand Trade and Enterprise will implement the Government's own sustainable development plan of action unless it is forced to.

Why are we so uncharitable? Because when Industry New Zealand was formed we tried to engage with the Government on sustainability issues, and we got fobbed off. We accept that our goals for the economy are radically different from those of the establishment parties, but we were prepared to meet Labour in the middle. That is because it makes good sense for the Government to ensure that industries reduce their overall environmental impacts by living within our natural income rather than depleting our natural capital, and by improving output while reducing resource throughput.

It makes good sense to give explicit directions to industry, including agriculture, to shift to cleaner production methods, to shift from more toxic to less-toxic production methods and products, and to address waste management in a meaningful way. It makes sense to understand and seek to enhance the ecological systems on which much production—indeed, all life—depends, but apparently it did not make good sense to the last Labour-led Government, so why should we trust this one, notwithstanding its sustainable development action plan.

If this body is the Government's economic engine room, it must embrace sustainable development, otherwise we cannot support this bill and we will be doing our best in the Committee stage to make amendments to it so that, indeed, we can support it. They

include a move to import substitution rather than the fixation with export-led growth that this bill entrenches, because it is unbalanced. It is trying to fly on one wing by talking only about the export sector and by not addressing the need for import substitution. Yet the evidence is clear that Industry New Zealand and Trade New Zealand are not delivering the right outcomes, and we need a Buy New Zealand Made policy to correct that.

**JILL PETTIS (NZ Labour—Whanganui):** I am pleased to support this bill. The integration of Industry New Zealand and Trade New Zealand will be very good for provincial New Zealand. Excellent services have been provided by Industry New Zealand since this Government has been in power, and I look forward to even more involvement in promoting industry in provincial New Zealand as a consequence of this bill. I am pleased to support it.

**JOHN CARTER (NZ National—Northland):** The National Party supports the concept of amalgamating Industry New Zealand and Trade New Zealand. We made that clear at the very beginning when we had the bill's first reading, and during the select committee process. However, having said that, there are a number of issues that disappoint the National Party, and I am going to spend the next 9½ minutes talking not just in relation to this bill but in telling the House why the National Party is unhappy with what the Government is doing with this legislation.

The first thing is that while it is fine that the Government is looking to combine the two agencies—indeed, it has taken National Party policy and is now implementing it; we are pleased to see that—it is the practical aspects that worry the National caucus, as I know they worry the ACT party, and the New Zealand First Party. The practicalities of what the Government is doing with supporting industry in New Zealand worry the National Party.

The National Party agrees with the concept of the one-stop shop. We have no problem about that. A little later I will talk about some of the things it should be doing, but we agree there should be a one-stop shop instead of not just those agencies, but the country will be surprised to know that there are 32 different Government departments that deliver support to try to encourage development. We have 32 different Government authorities delivering support for industry. What a nonsense! Why do we need that much bureaucracy in this country? People are absolutely astounded when they hear that there is not just one, not just two, not just half a dozen, but 32 such departments. Yet this Government is now going around saying that this amalgamation is great, that it is fantastic, because out of those 32 it has brought two together. What about the other 30?

**Brian Connell:** Can we fix it?

**JOHN CARTER:** Can we fix it? Of course we can. The first disappointing thing about this legislation is that it does not go far enough. I know there are members opposite, including the Minister of Finance, who would much rather see us get away from all this bureaucracy and put the 32 organisations into one and deliver good services to industry in the country. That is the first thing.

**Hon Dover Samuels:** Kia ora, that's the one.

**JOHN CARTER:** I know that the member for Te Tai Tokerau agrees. We have discussed this on a number of occasions. He would like to see a whole lot more brought together in one bundle.

The second point is that combining Industry New Zealand and Trade New Zealand does not necessarily mean that it will be a success. Indeed, one of the things we need to ask as we are discussing this—and we will certainly explore this more while going through the Committee stage—is where are the successes? Where are the successes from what Mr Jim Anderton has done with regard to his portfolio in this area?

**Hon Ken Shirley:** Name one.

**JOHN CARTER:** There may be one or two. Let us be fair: there may be some successes and maybe Mr Anderton will come and tell us—

**Brian Connell:** Name five!

**JOHN CARTER:** I am sorry but I cannot, because in my whole exploration in this area as a spokesman—and along with my associate, my friend Brian Connell, we have explored it widely—I have not come up with anybody who says: “This has been helpful to our business and has taken us right through. The business is making a million dollars, or a hundred thousand dollars, for the country and we’re doing well.” There may be some. So let us be generous to the Government and to Jim Anderton. He may well tell us about that during the Committee stage.

I do know of people who have not succeeded, and that is the point I want to explore. While we are putting these two organisations together—sadly we are not loading the other 30 in—we should be looking at what we are trying to do. We are trying to promote business. We are trying to encourage people who have good ideas to get on their feet and get going. This is where the Government fails with what it is doing. It relies too much on bureaucracy and not enough on the practical aspects of supporting small businesses—people with good ideas—to get on their feet. I say that we either make a decision that we are going to do it or we get out. We should not start somebody off, then leave that person stranded halfway. Sadly, that is what happens now.

I have come across people, as I know my friend and colleague Brian Connell has on many occasions, who have gone to Industry New Zealand or Trade New Zealand and said: “I want to put this idea forward. Can you give us some support?”. They go through the whole procedure of applications; it takes them a number of months to go through it as they have to fill out a whole lot of forms, a whole lot of bureaucrats come and look at them, they fiddle around with it, and finally it gets signed off: “Yep, away you go. We’ll give \$15,000, \$50,000, or \$100,000 to get on with the job and start your idea off.” Those people think: “Great, we’re on our way. Here we go.”

So they get a grant for 12 months. It gets them started, they get going, they are enthusiastic, things are starting to go right, but a business does not always get on its feet in 12 months. It actually takes a bit longer. Indeed it can sometimes take 4 or 5 years to get a business successfully launched and on its way. So after 12 months they are told to come back and apply again. So away they go. They go through the whole procedure again. But this time they are a bit broke, they are struggling for money, they have mortgaged their homes, they have borrowed some money off their family, and what happens is they are in there with a whole suite of other people and the Minister for Industry and Regional Development says: “No, no. You’ve already had a shot. We’re not doing it again. We’ve given you a start. That’s enough; too bad.” So they fail, and I think that is most unfortunate.

I bring to the attention of the House one organisation that I think is a success and that is the Methodist Employment Generation Fund. I have been to see them and I recommend to others that they go and have a look at that concept.

**Hon Ken Shirley:** Is it a Government department?

**JOHN CARTER:** No, it is not a Government body at all. It is a private organisation that helps small businesses get on their feet. What it does is start those businesses off and it stays with them. It helps them through and gets them going until they are successful and making money, then the funds are returned and it reinvests. That is what this Government should be doing with taxpayers’ money. It should be making sure it stays with a business all the way through until it is on its feet. Occasionally, there will be a failure. If it is going to do it—

**Hon Ken Shirley:** No, no.

**JOHN CARTER:** OK, we have a philosophical thing going on here. The member

Ken Shirley and I would have a debate about whether one should get involved or not at all. But if one does get involved with people, then for goodness' sake they should not be left stranded. We should stay with them, make sure they are successful, get them on their feet, get them going, let them earn some money for the country and for themselves, let them employ people, and let them create industry, which is what we are talking about. Then when they have got going they will repay the taxpayers' money—not just the initial grant but also significant taxes—and certainly supply opportunities for people in this country.

In other words, if we are going to do it from time to time, we should pick winners. I know that is not something that this Government likes to do, and that it is not something that the far right likes to do either, but if we are going to do it we should do it properly and stay with it. We should make sure that we do what the Methodist Employment Generation Fund does and stay with people until they are successful. That is what this bill should be all about. I am afraid that it will not achieve what it should be doing.

**Hon Dr MICHAEL CULLEN (Deputy Prime Minister):** I am delighted to support this bill. It is all very well for the senior Opposition whip to whinge away like he did about how terrible life is. That is what he does in public, but if one rings him up on his cellphone what does one hear? “Things just keep getting better” is the message on John Carter's cellphone if one rings it up. He knows how well things are going under this Government.

He wanted to know of a company that was helped by Industry New Zealand. A couple of weeks ago he was sitting there in his electorate, next to Dover Samuels, handing out the awards to Living Nature. Living Nature was built from nothing to 80 employees in Kerikeri, with the help of the Government. John Carter is right; things just keep getting better.

**BRIAN CONNELL (NZ National—Rakaia):** I thank the House for the opportunity to make a contribution on the second reading of the Industry New Zealand and Trade New Zealand Integration Bill.

**Mark Peck:** Do you think things just keep getting better?

**BRIAN CONNELL:** They will get better now. Mr Peck should listen and learn. This is a logical merger of two organisations, and, accordingly, National supports it. The theory of it is pretty good. What we should get is economies of scale, less bureaucracy, fewer compliance costs, and more focus.

**Hon Ken Shirley:** It never works. It's just a bigger department.

**BRIAN CONNELL:** The trouble is that it will not happen, as Mr Shirley has already pointed out. All that is happening here is that we are taking in a sum of parts and putting them together as one super-bloated bureaucratic Government mouthpiece.

**Hon Dr Michael Cullen:** Do you support it?

**BRIAN CONNELL:** I have already said that, if the Minister had listened. Dr Cullen should listen and learn. Typical of anything that Mr Anderton tries to champion—and, yes, members can read Jim Anderton and Sovereign Yachts in brackets—this merger lacks focus and any type of cost-benefit analysis on which to underpin his decision. The Government does not even know why it is doing it. Jim Anderton has made some very vague claims along the lines of it being “a response to calls from business and other stakeholders for a single economic and trade development agency.”

I did a little bit of research, and came across a very interesting commentary in the *Independent* of 22 January 2003. I will quote some of this commentary for the benefit of the people opposite: “Meat Industry Association chief executive, Brian Lynch, complained: ‘We have not been made aware of any cost-benefit analysis underpinning and supporting the decision. Moreover, several major business organisations say they were not consulted about the Government's plans.’ ” Maybe that is wrong; maybe Jim

Anderton is suffering from the same problem that the Prime Minister has—a form of unconsciousness. I thought Mr Anderton said, about an hour ago, that he had consulted widely with business organisations across the country. But I found out that he had not consulted.

The Business Roundtable said he had not spoken to them. They had not been consulted, since the announcement about the structure and the services that the new agency would provide. The president of the Wellington chamber of commerce, Barrie Saunders, said, just a week before stepping down from the job: “Not me—at least not formally”. He said his organisation had not been formally consulted since the merger had been announced. Export New Zealand vice-president, David Binning, said he was not consulted formally, although he was aware of the direction being taken. Alasdair Thompson, Chief Executive of the Northern Employers and Manufacturers Association, which represents something like 7,000 business units, said: “I knew about the planned merger, only through the grapevine, as an open secret.” He said the association did not know of anyone who had been consulted. Yet the Minister said he had consulted widely. The Chief Executive of the Canterbury Manufacturers Association, John Walley, said his organisation was not consulted before the Government’s announcement, either.

The powers that be are not interested in listening to what might be required by those on the ground. People who have never been in business—and that means Dr Cullen—want to tell those who have, what is best. If the Government had consulted those business organisations it would have found widespread doubts about the merger.

I do not see any evidence that the new entity will act as a defender of the business sector—none at all. I fear that it will continue to serve as the mouthpiece for the Minister in question. If I can put it bluntly, the new entity will be the puppet and the Minister will supply the fist. Given the Minister’s outstanding track record in Sovereign Yachts and the like, I am sure some colleagues on this side of the House have absolutely no confidence in him. Business must be free of arbitrary Government interference, driven by political considerations. This Government’s view of business as a giant pocket from which it can continually trawl for money, must stop.

Let us look at Industry New Zealand and examine exactly what it has done for regional development. Have compliance costs for businesses gone up or down?

**Lindsay Tisch:** Up.

**BRIAN CONNELL:** By how much? Can the member hazard a guess?

**Lindsay Tisch:** Hugely.

**BRIAN CONNELL:** It has gone up by about \$43,000 in the last 12 months. What did Industry New Zealand say about that? It said absolutely nothing. Has it done anything to ensure that regional businesses have a guaranteed and affordable supply of electricity, other than standing by and watching this Government sneak in another tax? No, it has done absolutely nothing. What has it done to influence the Government to decongest Auckland’s roading problems?

**Lindsay Tisch:** Nothing.

**BRIAN CONNELL:** How much of the petrol tax has gone towards roading projects, and how much has gone into the consolidated account? It is not hard for a Government to announce a surplus when it does not spend any money; when all it does is tax people. What has the Government said about the sneaky little accident compensation petrol tax that will be slapped on to hard-working Kiwis in the next few weeks? We have heard not a whisper. What has the Government said about the Resource Management Act, which is the real handbrake on growth across regional New Zealand? Not a whisper, nothing.

What has Mr Anderton done to try to harness excess water for irrigation across

Canterbury, Marlborough, and Otago? He has done absolutely nothing. He does not understand that water is the lifeblood of most of the regional economies around New Zealand, and that it makes a significant contribution nationally. Translated very slowly for Dr Cullen and Co. it means lots of jobs and lots of export dollars. I will say this slowly so that Dr Cullen, Minister of Finance, will understand it. Regional development is not about little piddling handouts; it is not about picking losers like Sovereign Yachts. Regional development is about creating wealth so that we can all share it.

According to Mr Anderton, it was the aim of Industry New Zealand to lift New Zealand's growth rate fast enough for us to catch up with Australia—to stop the relative economic decline of New Zealand compared with Australia. Where happened to that aim? The Government has abandoned its attempt to get this country into the top half of the OECD.

Members should listen to this little gem from Industry New Zealand spokeswoman, Debbie Gee: “We are a business dating agency. We hook up people and find business the smoothest route through paperwork and red tape.” Someone should tell her that business wants less red tape, not a pathway through it?

A party vote was called for on the question, *That the Industry New Zealand and Trade New Zealand Integration Bill be now read a second time.*

**Ayes 100**

Labour 52; New Zealand National 27; New Zealand First 13; United Future 8.

**Noes 16**

ACT New Zealand 7; Green Party 9.

Bill read a second time.

Name changed to New Zealand Trade and Enterprise Bill.

**DEBATE ON CROWN ENTITIES, PUBLIC ORGANISATIONS,  
AND STATE ENTERPRISES**

**Hon Dr MICHAEL CULLEN (Minister of Finance):** I move, *That the House take note of the performance in the 2001/02 financial year and the current operations of Crown entities, public organisations, and State enterprises.* Last year, in speaking to this debate, I said that this is one of the less enticing and enthralling debates that Parliament holds on an annual basis. It is part of the annual cycle of financial debates. In the early 1990s and late 1980s when we were looking at the review of the financial debate and structure, we agreed to have a 4-hour debate on State-owned enterprises, subsequently reduced to, I think 3 hours. This debate has turned into yet another long extended round-arm debate covering everything under the sun except the things it is supposed to be by and large, which is actually the performance of the State-owned enterprises, Crown entities, and similar organisations, and it is therefore a classic occasion on which various members get up and improve their adeptness at reading the research unit notes provided to them earlier in the day. Linda Scott, I am sure, will fulfil my expectations in that respect to the nth degree.

It will be useful for the Standing Orders Committee to have another look at this particular debate to see whether we can tie it more closely to specific issues. One of the sad features of Parliament over the last 5 to 10 years has been the increasing tendency for all debates to degenerate into general debates as opposed to being specific debates on nuts-and-bolts issues. Indeed, I have noticed that many members are now completely incapable of debating nuts- and-bolts issues, and are capable of debating only at a sort of high level of low rhetoric, if I can put it that way—not, of course, that I myself am

necessarily bad at debating at a high level of low rhetoric, but occasionally it is nice to get down a demonstration of an ability to master facts in some detail.

One of the issues that I want to address myself to this evening—through the supportive barracking from the National Party opposite—

**Brian Connell:** Ring the bell!

**Hon Dr MICHAEL CULLEN:** It is good to see the entire intellectual grunt of the National Party lined up opposite. I want to discuss the issue of capital budgeting as it relates to the State-owned enterprises in particular. Since the late 1980s, and particularly the 1989 Public Finance Act, New Zealand has, under successive Governments, developed, I think, what is fair to say is the most complete and effective control of its operating expenditure of any Government in the world. In that respect, our systems and our accounting procedures are certainly much more well developed than almost any other country, although it does lead to some confusion amongst members opposite in terms of what a surplus actually is in that regard. However, it is true to say that partly because of the necessity of bringing Government spending under control and moving into surpluses, capital spending has been much less well addressed in terms of the controls upon it, and, indeed, capital expenditure and capital budgeting is still a very, very ill-defined and indeterminate art compared with that of operating expenditure. Generally speaking, the Government nearly always underspends its forecast capital spending for a variety of reasons.

**Brian Connell:** Who wrote this speech?

**Hon Dr MICHAEL CULLEN:** Nobody wrote this speech; I am actually giving it as I go along. I thought the member might have picked that up. I do not need notes to do this stuff. This is the job of being the Minister of Finance. [*Interruption*] This is about State-owned enterprises. So what I am trying to explain to the member with the well-known curriculum vitae, which is circulating now for a price in the Russian underworld, I am told, as an example of how to do a curriculum vitae for the future, is that we are facing the issue of trying to work out how to control better and get a better picture of what our capital spending is. The reason the State-owned enterprises come into this—and it is the reason that I am developing this theme—is that the State-owned enterprises have a very large amount of the Government's capital tied up in them.

**Brian Connell:** Get a real job!

**Hon Dr MICHAEL CULLEN:** This is a real job. The State-owned enterprises are responsible for a great deal of the Government's capital expenditure either directly or indirectly, but very little of that actually comes back to the Government for direct oversight. One thing that we are working through with the State-owned enterprises is trying to incorporate into the next Budget round any forecast they may have for requirements from the Government for capital injections, because those capital injections from State-owned enterprises need to be dealt with on the same basis as the Government's other capital expenditure in terms of what the priorities may be.

The second element, of course, is to try to ensure, by a series of benchmarking and other measures, that State-owned enterprises' capital structures are the most appropriate from a commercial perspective. In particular, the Government is concerned that some State-owned enterprises may develop what are called lazy balance sheets, which then enables them to behave in such a way that they may engage in less than optimal usage of that capital for investment purposes. No commercial organisation should have those kinds of lazy balance sheets, because it does not lead to the best commercial behaviour in their respect.

**Brian Connell:** Who told the Minister that?

**Hon Dr MICHAEL CULLEN:** Treasury. This Government and a few other people around the place, like the Institute of Directors, Business New Zealand, and those sorts

of people, have some interest in that—I am sure that if the member ever visited them they are on his CV as people that he has close relationships with. What we are therefore concerned to try to ensure is that this Government is committed to long-term ownership of the State-owned enterprises. That has led to some very significant differences in the way in which they have behaved and performed. Let me pick out an example. Landcorp, which struggled for a long period of time, under its present leadership of Alison Patterson and a very good board has managed to produce outstanding financial results. Landcorp Farming has a record net profit after tax in 2002 of \$38.4 million. That is because it has been encouraged to take a fully commercial approach, allowed to reorganise its assets, selling some that are less useful, consolidating some of its other assets, and the result of that is a massively improved performance and return to the Government.

The problem with the previous Government was that it was so concerned to sell that it was not worried about the thing operating effectively in the meantime. The purpose of State-owned enterprises was to simply get them flogged off as soon as a pack of mates appeared over the horizon, get rid of them, and pretend that this somehow improved the Crown's balance sheet, and on the National Party proceeded from there. Of course, the previous Government improved the Crown's balance sheet only if it sold them for more than they were worth on the books. So what the National Party used to do was keep them undervalued on the books and run them down. Then when National sold them it made a paper profit in terms of accruals accounting procedures, and that therefore pumped up the operating balance for that year. But one cannot keep doing that trick year after year after year. One runs out of that kind of trick as an approach to the Government's fiscal policies.

We need to get a clearer picture from the National Party about where it stands on the sale of State-owned enterprises. This afternoon Mr Sowry said that if and when the Government gets control of the railway tracks, we will have to wait and see whether it will sell the railway tracks again. I tell Mr Sowry that 70 percent of New Zealanders support buying back the railway tracks.

**Dr Lynda Scott:** That is just poll-driven!

**Hon Dr MICHAEL CULLEN:** Lynda Scott will oppose that because she opposes anything that 70 percent of the people support. She is happy to be a 21 percent party getting 70 percent of the 30 percent that oppose what the Government is doing. That is her approach to life. We say that the people want control of that track. We believe that it is a sensible strategic asset. We are doing our best to purchase it back, but the National Party cannot even tell us whether it will sell it again should it ever, ever get lucky enough to get back into power. Will it sell off more of the State-owned enterprises in terms of the electricity generators? Will it flog off Transpower? Will it follow Dr Brash's prescription? Dr Brash believes that we should sell most of the schools.

**Government Member:** What!

**Hon Dr MICHAEL CULLEN:** He has said that we should sell most of the schools. It does not matter who owns the schools, he says, as long as we have phonic teaching of reading and as long as we have performance pay. As long as Auckland Grammar can have 15,000 students, then it does not matter who owns the schools. That is Dr Brash's approach to education. Dr Brash has said that it does not matter who owns the hospitals. *[Interruption]* Yes, I am to be given a senior honours tie in the next few weeks, and I am terribly grateful for that recognition—somewhat delayed, I must say—by about 41 years—by my old school, but I am extremely pleased that it will do that at last.

What is the National Party's policy on the ownership of hospitals? Dr Brash said that it does not matter who owns them. He said it would be a good idea to realise that asset, and to hand them into private ownership, and for the Government to purchase services

from those hospitals. Is that Lynda Scott's policy on health? She has gone very quiet. She has had a sort of sudden attack of modesty on those particular matters. Is it the National Party's education policy to flog off the schools? We want to hear some answers from National tonight, not just a series of questions.

**Dr LYNDA SCOTT (NZ National—Kaikoura):** I hope that members on the other side of the House might just be able to hold their tongues long enough to let me get started. Tonight I will talk about the performance of the district health boards. This Government has had 4 years in which to deliver on its promises and for New Zealand to see how the district health boards are going to shape up. We went into the last election saying that a lot of people out there were at the point of saying—

**Mark Peck:** What happened at the last election?

**Dr LYNDA SCOTT:** I know that those members on the other side of the House cannot help but be rude. They just do not know how to sit there and keep quiet and listen. I will tell the House a story about the person I have just spoken to on the telephone.

If those members want to talk about how well the district health boards are shaping up, I will tell them. There is \$9.6 billion going into 21 district health boards that are absolutely failing. This is a story about a 42-year-old man who had a heart attack. Did he get his angioplasty then? No. He was put on the waiting list, but he did not have high enough points. So what happened? He had another heart attack in December last year. *[Interruption]*

**The ASSISTANT SPEAKER (H V Ross Robertson):** I remind members sitting to my right, of Speaker's ruling 51/5(3).

**Dr LYNDA SCOTT:** The gentleman had another heart attack in December. What happened then? Did he get his surgery? No. His surgery was booked for May of this year. What happened then? He went to Capital and Coast Health, but Capital and Coast Health has set up a system whereby it books its intensive care units fully with electives—and acutes are always going to bump electives. What happened? An acute came in, and that man's surgery was cancelled. OK—he got booked again. He came into hospital, and the patient in the next bed had to tell him that his surgery was cancelled. Did members know that? No doctor, no nurse—no one—could be found. When his fiancée came to pick him up, he was told that that was common policy—that that was what was going to happen. He did not get put back on his warfarin. That man went home and died.

The reason I bring up that case is that it shows a total systems failure. If a hospital books out its intensive care beds with electives, it knows that patients will get their surgery cancelled. That district health board should have been using a private contract for the times when those patients have their surgery cancelled, because in private hospitals no acute case bumps electives. Electives can be completed on time. Wakefield Hospital used to have a contract, but that ideologically driven district health board and the chairman of that board cancelled that contract. And the number of points needed has gone up. I have the Clinical Priority Assessment Criteria here. The number of points required has gone up from 35 to 50, and that means that more patients will die. That is what district health boards are delivering, despite the fact that \$9.6 billion is being poured in. We have 21 district health boards. We are the size of Melbourne—we have 4 million people—and we have 21 boards with increased bureaucracy.

The Health Funding Authority was doing a very, very good job on contracting, and it had reduced the inefficiencies in the system. Untargeted funding is now being poured into primary health organisations. On Friday I was up in Auckland, and I went down to Drury Surgery. Drury Surgery happens to be 2 kilometres over the border for an access formula primary health organisation. This is how ridiculous it is: if those doctors move

their surgery 2 kilometres down the road they will get the access formula and cheaper care for their patients. But if they stay where they are, in the practice they have built up for 18 years, they will have their practice totally destroyed by this Government's philosophy and its funding formula. Even though—*[Interruption]* Mr Assistant Speaker, I cannot even hear myself.

**Lindsay Tisch:** I raise a point of order, Mr Speaker. I bring your attention to Speaker's ruling 51/3(3). When a member has been asked to be quiet, and disorderly conduct continues, you need to rule. I ask you to implement that ruling.

**The ASSISTANT SPEAKER (H V Ross Robertson):** I thank the honourable member. I know exactly what the member is saying about disorderly behaviour and Speaker's ruling 52/3(3). I did not actually warn anyone in particular, but I am going to now. The member has her first yellow card, and I refer the member to Standing Order 85(1). Would the member now continue, and I suggest members look at Standing Order 85(1).

**Dr LYNDA SCOTT:** Thank you, Mr Assistant Speaker. The reason that I am really concerned about primary health organisations is that the pouring of untargeted funding into primary health organisations at the same time that elective services are being severely curtailed and rationed—rationed all over this country—just does not make sense. Dr Shand and Christine Williams at Drury Surgery want the Minister of Health to come on down there and talk to them about the system that has been set up and is destroying their practice. The system is not based on the patient need; it is based on an ideology, a philosophy, meaning that patients with the same amount of need and the same income are treated differently in different parts of New Zealand. That system is destroying their practice, their business, that they spent years building up.

The 21 district health boards had one ability and that was to go across primary and secondary care. If they had been able to do that they may have been able to get some advantage, but that is not happening. We have 21 district health boards, primary health organisations, and all those structures are not working. This Government decided it was going to have elected boards so that the people of the community could speak out. Those board members are gagged, and they are resigning. They are resigning because this Government makes futile promises. One of the Government's other promises was about the waiting list. It said it would reduce the waiting list. One would think that with \$9.6 billion worth of funding, more people would be getting surgery, but the 10,500 patients in Canterbury who got dumped from the list 2 weeks ago—

**Brian Connell:** How many?

**Dr LYNDA SCOTT:** In just one day, 10,500 people got a letter saying: "You're off the list. The public health system of New Zealand is not going to treat you." We do not treat hernias and haemorrhoids and lump and bumps any more, but no one had a discussion about that. Those patients should, at some time, get their surgery. If they are booked and they get bumped from surgery because of acutes, they should be able to get their surgery in private hospitals. There should be a set list and times that should be able to be delivered upon.

I want to tell members another story. It is about aged care. Ruth Dyson has said time and time again that people should stay in the community; that she believes in people being in the community for as long as possible. Well, that is fine, as long as people are safe. I will tell the story of an elderly gentleman in Waitemata who ended up with both legs amputated. This man was in severe pain, and he was sent home to a disabled family who tried to care for him. He should never ever have been sent home, but that is what happened because aged care is under stress. This Government is keeping \$150 million for asset testing, and at the same time it is absolutely screwing down aged-care services.

Home care, rest homes, and assessment, treatment, and rehabilitation services are all

under pressure. In my home town of Blenheim one cannot get an aged-care bed. One cannot get a hospital bed. Patients are banking up in the hospital. Because of the inefficiency of the system that this Government has created, elderly people are ending up being banked up in hospital beds. They are banked up in hospital and they are banked up in the community, with the whole degradation of that system, which was working so well. Those are the facts, and I have written to the Minister of Health about that. District health boards are bureaucratic. They are 21 times bureaucratic. They are expensive—they are \$237 million in deficit—and they are making poor decisions. They are too closely wedded to their provider arm. They are not delivering better care; they are failing.

**Hon BRIAN DONNELLY (NZ First):** The Leader of the House, Dr Michael Cullen, led off his speech by saying that this debate is one of the less enticing ones on the parliamentary calendar, and I would have to agree with him. I must confess that I did not know it existed, and I have been rushing around trying to find out what it is all about. I had to ask Dr Cullen what I was allowed to talk about, and he said: “Education—you can talk about anything in that area.”, and I am going to.

It is instructive to go back and look at the sixth schedule to see which entities in education were referred to when this was actually lined up, to see what has actually happened to them, and to reflect, quite sensibly, on the way we administer education in New Zealand. Some people go back to the so-called glory days of the education boards, and whenever they do I tell them a nice little story—

**Hon Ken Shirley:** This would be at the time of the provincial governments.

**Hon BRIAN DONNELLY:** No, it was after that, but they used the old provincial governments, because they had nothing to administer. [*Interruption*] No, when Vogel abolished the provinces he had no one to administer education. That is where our 1877 Act came from. But I would like to tell this little story, because it is instructive. I was principal of a rural area school, and one day the bus driver came to me and said: “Look, I need a brush to clean the back of my bus, to get rid of the dust that’s on it by the time I get here.” So I went down to Ruakaka, where there was a departmental bus garage, and the guy said to me: “No, that’s a board problem. You’ll have to go to the Education Board.” So I went to the board’s outpost in Whangarei, and was told: “No, you’ll have to see the board in Auckland.” So I went to see the board in Auckland. There I was told: “No, that’s a departmental responsibility. That’s transport.” So I finally contacted the northern regional office of the Department of Education in Auckland, and it said it would get right on to it. Three months later I got a little chit to say I could go out and spend \$12 to buy the brush. Those were the good old days!

Obviously, the reforms at the end of the 1980s and the beginning of the 1990s were to streamline the whole process and to allow money to go into the schools themselves. Of course, the department was broken down and the new Ministry of Education was supposed to become very lean and mean, just a policy division. Other entities were to be set up to do a variety of things. In 1990, for example, the inspectorate had been taken out of the Department of Education. It became the Education Review Office and was completely autonomous. The Lough report came along in 1990. The number of people—what was supposed to be 360—was cut down to 200, and I might add that it was wonderful to see the bureaucrats down in Wellington scurrying around protecting their positions while cutting the number of people out in the field; but that is another story.

However, my reflection is on what has happened to these people and to that lean and mean Ministry of Education since that time. I want to give members some numbers. In July 1999, 408 people were employed by the Ministry of Education; in July 2000, 633; in July 2001, 702; and in July 2002, 2902. Admittedly, that was because the Special

Education Service was rolled over—we have to be fair about that. Then, by June of 2003, 3,377 people were working for the Ministry of Education. In other words, it has just completely grown, like a hydra. Once again, the bureaucracy has flourished. In some cases it has flourished because the entities we are supposed to be debating here have been rolled into them. For example, the Special Education Service, which was a stand-alone organisation, is in the schedules; but it no longer exists. It should be taken out of the schedules because it is now part of the Ministry of Education. New Zealand First agreed with that occurring, because we believed it would align policy much more closely with practice. We now think the challenge is to get the resource teachers of learning and behaviour into the learning support centres, as well, because they are out there on their own, which is one of the problems I think we should look at.

This reunification under the Ministry of Education has come about because of the problems we have seen associated with the fragmentation of education administration. We got it wrong by not having a middle tier. We had the top tier, the ministry, and we had the bottom tier, the schools themselves. We actually devolved too far, and now we have to put something else back in its place. That is turning out to be a regional presence of the Ministry of Education. That is what is creating the middle tier, and, possibly, if the present Government can really think this one through, some economies of scale in the resources that are presently being used. I am talking about things like reading recovery, etc. In 1998 the Early Childhood Development Unit became Early Childhood Development, and in 2003 that is to become null and void. It also will be wrapped up into the Ministry of Education—in fact, that is the only thing that can happen. Early Childhood Development cannot get staff members, because the Ministry of Education is paying people more to do exactly the same job. So there is duplication, and because of that it will be ta-ta to Early Childhood Education.

There is also the Education and Training Support Agency, which, in 1998, changed its name to Skill New Zealand. That has gone ta-ta now. It is now part of the Tertiary Education Commission. Just while I am talking about the Tertiary Education Commission—a new agency referred to in the schedules—I note that whilst there has been a conscious decision by Opposition parties to give that entity some breathing space, some alarm bells are ringing in the way it is restructuring. The reason is to give a regional presence. The only one of the bodies being absorbed into that is Skill New Zealand, which has a regional presence. There is a concern that that is just being duplicated and that, at the regional level, it will be the culture of Skill New Zealand that will become the culture of the Tertiary Education Commission; whereas, the commission has the huge challenge of ensuring that cultures from about four different sectors are merged together into a whole new and unique culture. If, for example, we are just taking personnel from one particular part of that—and Work and Income New Zealand had the same issue—then we could very well end up with having some problems with the Tertiary Education Commission further down the line. So we in New Zealand First make that comment at this particular stage.

We would also like to comment on the Teacher Registration Board, because, once again, it is another of the entities in the schedule. It has gone ta-ta too. There is no more Teacher Registration Board.

**Hon Lianne Dalziel:** This is 2001-02, you do realise.

**Hon BRIAN DONNELLY:** That is right, but it has gone ta-ta as of today. The plans were obviously under way when we were talking about it during that period. It is gone, though, and we have to ask why. Was there a reason for it to go? Why was it set up? What are the pressures within our system that this has come about? We have some concerns, because of the importance of the role of the New Zealand Teachers Council, that the speed at which it is going is not in fact establishing a huge credibility for that

organisation amongst the profession that it is supposed to be supporting. Particularly, if it cannot even get the registrations done, then how is it supposed to set up the educational standards for teachers colleges?

**Hon Lianne Dalziel:** Initial teething problems.

**Hon BRIAN DONNELLY:** Unfortunately, some of those initial teething problems, as the member will know with Work and Income New Zealand, can actually create long-term problems further down the track. That is what our concern is. If that particular body cannot establish its credibility amongst the profession and the education sector, then it will not be able to carry out the vital work that it needs to do.

I want to mention just one other element in the way education is organised these days. It is partially reflective of all the different agencies out there, but it goes beyond that. In fact, hundreds of millions of dollars are going out on contracts to all sorts of bodies—to all and sundry. We would not have a clue what duplications of resources are happening, but I do know, for example, when it comes to the training of school trustees, that the School Trustees Association has contracts, and so do the teachers colleges. What other duplications are there? It is very, very difficult at this particular stage to know what is working and what is not. We get anecdotal evidence of some of these quangos that are not working, but we really need to do some more investigation. In other words, we in New Zealand First think it is time to do a stocktake on the totality of administration and on the way that is being administered in New Zealand after the 13 years or so of reforms that have been put in place. However, the one thing we can say is that nowadays the schools are looking far, far better than in 1989, so some benefits have come from those reforms.

**SUE BRADFORD (Deputy Musterer—Green):** Despite the best intentions of the Minister of Health and many others within and outside Government, it continues to be apparent that many of the public institutions that care for people with mental illness are in crisis, if not total meltdown. Newspaper articles over the last 24 hours make chilling reading. First, the *Dominion Post* reports that Wellington Hospital is to increase security after one of its patients walked out of its acute unit and into the tiger cage at the zoo, leaving the patient fighting for his life and zoo staff and visitors, including young children, shocked to the core. An independent report released yesterday indicates a number of problems at the unit, including overcrowding, poor layout, and too few staff. I congratulate Capital Coast Health on its forthright apology for what happened and on its plans to improve the situation.

However, it worries me that at the heart of its response is a statement that talks about investigating whether six new beds for committed patients can be acquired somewhere in the district. That health board should not be having to investigate the possibility of gaining new beds. It should simply be able to decide that it needs them and work with as much alacrity as possible towards acquiring them. In this case, as in many others, when it comes to increased numbers of beds, the need is obvious and desperate, and has been for a long time. I hope the day will come soon in mental health management when boards will be able to make decisions within a known and adequate framework of funding and staffing without endless prevarication and bureaucracy surrounding the application of resources.

Another newspaper article this morning—this one in the *New Zealand Herald*—warns that police in west Auckland are reaching the point where they may refuse to hold mentally ill patients in their cells any longer. At the time of the review of Auckland's mental health services ordered by the Minister late last year, we were told constantly that one result of the review would be that police cells would no longer be used as an adjunct to overflowing acute units. Now, 6 months after the review team reported back, we have the police themselves in desperation, advising that they have had enough of

looking after up to six patients a month in the Henderson cells for periods of up to 4 days at a time. Thankfully, police lawyers are finally looking into the legality of the practice, and I will be interested to see what their advisers tell them. At the same time a New Zealand Public Service Association delegate is expressing deep concern over what will happen if the Henderson police do finally refuse to allow their station to function as a psychiatric outpatients unit. The delegate, mental health nurse Richard Schulman, advises that mental health services in the Waitemata District Health Board area are becoming worse and that putting an end to holding patients in cells will “create more and more pressure on acute beds, because we do not have enough as it is.”

In another of the strange vagaries of mental health funding, the same article reveals that while space has been built for three new intensive care beds at the Taharoto unit, the beds have not been funded. Once again, as with the Wellington situation, everyone knows the problem and everyone appears to know the solution, but somehow there is a massive disjunction between knowing where resources need to be applied and actually getting them there. In another of the oddities of mental health resources in Auckland and west Auckland, when last I heard, the Manawanui Māori health unit at Carrington had plenty of that “built space”, plenty of beds, and plenty of staff, but only one or two or no patients. I do not know whether anything has changed, but even if there are difficult underlying treaty issues involved at the unit, surely while those are being resolved, that resource of staff and amenities could be put to better use in a district that is constantly in crisis through a lack of staff and amenities.

As for the wider situation with the Waitemata District Health Board, it appears to be in absolute chaos and the Auckland review does not seem to have helped. That is not surprising when one considers that part of the district health board response to the review was to provide “an extra 20 intensive packages of care”, which sounds really good until one discovers that those extra packages are not beds in acute units, as one might have suspected, but instead, funding to allow patients to move into the community. This is extremely odd, given that the pressure on acute inpatient beds, including the practice of holding people in cells, was identified in the review as a key problem. I do not know whether the fact that Dave Davies who is the head of mental health at Waitemata came over from the Health Funding Authority where he was one of the leading lights in denying Auckland inpatient beds, but I would not be surprised if the background of that gentleman might contribute to aspects of the current confusion over priorities in that district.

However, it is not just a lack of inpatient beds that is contributing to the crisis. There is also the fact that funding for community services is often insufficient and, in fact, penalises providers for succeeding. For example, if a non-governmental organisation offers level 4 accommodation to seriously ill patients, when those people start to recover, the funding is cut. So there is no motivation to the provider to do its best to help people get better. There is a very perverse incentive at work here. At the same time community providers are at times reluctant to cater for people who they think will cause too much trouble. All in all, it is no wonder there is a shortage of step-down beds in the community, even, and especially, where they are needed the most.

The structures for funding in the sector are simply not set up to succeed. This comes on top of the fact that Northland, Waitemata, Auckland, and Manukau are still funded at only 60 percent of mental health blueprint targets. Some questions continue to need to be asked. For example, what has changed as a result of the Auckland review? There was a lot of talk about integrated care and the need for people to talk to each other across silos, but if that is supposed to be happening, why are frontline mental health nurses still not allowed any significant input into what is going on? Why is the only information staff are getting about police plans to end the use of cells for patients coming to staff

through the media? Why are staff not involved in discussions on how best to manage the string of crises that will almost inevitably result from the police decision? Waitemata's mental health services are in serious trouble at the Te Atarau, the Taharoto unit, and elsewhere. There is a huge dissonance between workers and management.

Today I spoke with a nurse in one of the acute units who said that when she hears management talking on the radio or other media, she does not recognise anything that they are saying as relevant or pertinent to the life of either her patients or to the staff like her who are doing their best to care for them. This is not strength-based recovery; nor is it integrated care or any of the other nice buzzwords that abound in the mental health world. We continue to have an ongoing crisis at least in the north that I believe demands action way beyond that which the Minister has already seen fit to take. We do not need more inquiries or more money wasted on yet more layers of bureaucracy. What we do need is clear leadership focused on bringing common sense to the application of what resources there are, both inside the hospital system and outside in the community sector.

Members of the mental health workforce must be involved in a genuine way in planning and decision making. The needs of tangata whaiora and their families and friends must be respected to the maximum extent possible. Those needs are not just about countering stigma, or about consumer representation, great as those initiatives have been; they are also about very sick people having the right to be cared for properly in a hospital bed and not in a police cell. Children and young people with mental illness should have all the funding allocated to them spent on them. The Ringfence project has revealed once again that children and youth miss out with services not even delivered to the contracted levels that are way below blueprint targets anyway.

I am sick of hearing lack of workforce as being the reason for all those failures. After 3½ years of a Labour-led Government committed to workforce development, that excuse is becoming somewhat tired. We would have more staff, and more quality staff, if we paid them better. We could do that if there was less wastage in how money was spent. We could provide more inpatient and community beds if the will was there to manage systems more effectively. I hope that the coming year will see some real leadership taken from the highest levels of Government, before more lives are lost, and more staff blamed for tragedies that, in the end, are not caused by worker inadequacy, but rather by massive ongoing systemic failure.

**RODNEY HIDE (ACT NZ):** Do members of the Government remember the great promise of Helen Clark before and after she won power in 1999? What was the promise? [*Interruption*] Mr Benson-Pope says he has forgotten. The promise was more accountable Government, integrity in Government, and an end to extravagance. That is what the promise was. It was a classic left-wing promise, because we have seen more extravagance and more waste under this Government than I have ever seen in my lifetime.

I ask members to think about the great New Zealand Post - Transend experience of millions of dollars being wasted on round-the-world junkets and parties.

**Hon Damien O'Connor:** Did you advise them at the Fiji conference?

**RODNEY HIDE:** Mr O'Connor asks me about Fiji. The stock standard answer of the Labour Party is to talk about Fiji, because no one ever invites Damien O'Connor to speak. My goodness, that member is not even asked to speak in his own electorate, because they say: "What's the point? He's never achieved anything for us." This Government has ridden roughshod over the West Coast, but it cannot front up to any of the issues, such as the big spending at Transend.

Let me remind members of this. When did the Hon Parekura Horomia find out about the spending and the financial merry-go-round at Te Māngai Pāho? When did he find out that someone in Te Māngai Pāho was advocating that taxpayers' money go into

Māori Sportscasting International and was, in return, getting trips and payments out of Māori Sportscasting as a civil servant? I look to Damien O'Connor and ask when the big weapon of mass consumption, Parekura Horomia, found out about that. He does not know, because he has been sent down here by Heather Simpson to shout one thing: "What about Fiji?". "What about Parekura Horomia? What about Te Māngai Pāho? What about Mr Tame Te Rangi?", I ask Mr O'Connor. He has nothing to say. What we find is—

**Hon Damien O'Connor:** What about Fiji, Mr Hide?

**RODNEY HIDE:** Damien O'Connor can sit there and chip, chip, chip. I have never heard him make a contribution to the House on behalf of his electorate, and I suggest that he actually make a speech.

On 20 February this year Parekura Horomia had a meeting, as a response to my questions in this House, with the chair and the chief executive of Te Māngai Pāho, after which he said that he was satisfied with the assurances of the board, chair, and chief executive of Te Māngai Pāho that the matter had been handled by Te Māngai Pāho. That is what that Minister said. He said that everything was OK, and everything was sweet.

We then had a Treasury-led review, thanks to the sterling work of members of the National and ACT parties, namely the Hon Murray McCully and Mr Rodney Hide, trying to help this Minister—Parekura Horomia of the Labour Party; a weapon of mass consumption—and this Government. They had a Treasury-led review where they designed the terms of reference—so it can look only at Mr Tame Te Rangi—and it is a shocker. Here is a report from the *Dominion Post*, which I suppose the Labour Party will say is wrong now, too. The report is titled: "Te Puni Kōkiri boss apologises" and begins: "Te Puni Kōkiri boss Leith Comer has apologised to Māori Affairs Minister Parekura Horomia for embarrassing him with incorrect answers to parliamentary questions."

The chief executive officer of Te Puni Kōkiri knows that the answers that Parekura Horomia provided to this Parliament were lies, they were false, they were incomplete, they were wrong, and that Parekura Horomia was serving to protect the wrongdoing at Te Māngai Pāho to protect Mr Tame Te Rangi, Mr Trevor Moeke, and Hemaana Waka. He was prepared to come into this House and give false answers. The chief executive officer of Te Puni Kōkiri has stated that in the report. Those answers, according to the *Dominion Post*, have been shown to be "incorrect or incomplete" but Mr Comer said that Mr Horomia could not be blamed for the errors.

Let us put the best light on that. The answers are false, they are incorrect, and the chief executive officer of Te Puni Kōkiri has said that they are wrong. Has Parekura Horomia apologised for getting them wrong? Has he come into the House and said that they were wrong? Has he moved to correct those answers? In fact, Parekura Horomia is so asleep at the wheel that he does not yet know they are wrong, but that is what he told the House. I have not taken a breach of privilege against Parekura Horomia, if members are wondering, because if he is going to tell porkies to the House it has to be deliberate for it to be a breach of privilege.

**The ASSISTANT SPEAKER (H V Ross Robertson):** The member may not use the word "porkies". It has been ruled out of order.

**RODNEY HIDE:** If he is going to give answers to the House that are not true, it can be a breach of privilege only if it is done deliberately or wilfully. Nothing about that Minister is deliberate or wilful.

**Gerry Brownlee:** He's unconscious!

**RODNEY HIDE:** He is unconscious the whole time. I want to read to members the answer he gave in the House today: "The advice given to me at that time was correct."

What did the chief executive of Te Puni Kōkiri say? He said that the advice was incorrect. The chief executive officer is big enough to apologise. If the chief executive can say that the answers were wrong and apologise to the people of New Zealand and to Parekura Horomia, then no one can tell me that the Minister is not big enough to come to the House, make his apology as Minister, eat humble pie, and move to correct the false answers that have been given. Those answers are not just a little bit false. The Minister referred to a report, described in Parliament as “a litany of lies”. I will move to table that report at the end of my speech.

We have discovered that there are six contracts, totalling \$174,000, that Parekura Horomia hid from the House. Who was it that paid out a contract of \$174,000 and who had not told the chief executive officer of Te Māngai Pāho or of Te Puni Kōkiri, and who had not told the Minister of Māori Affairs, so that when he came down to the House the answer was false?

We are now at the point where the only person left in New Zealand who still wonders and is still not clear about whether the answers that were given in this House are true or false is the Minister of Māori Affairs, the Hon Parekura Horomia.

I have my differences with Mr John Tamihere—

**Hon Matt Robson:** We all have.

**RODNEY HIDE:** I know Matt Robson has, too, but Mr Tamihere would not come down to the House, give false answers to parliamentary questions, have it pointed out in a Treasury report, have his own chief executive officer say that they were incorrect and apologise, and still, after 2 weeks, not have moved to correct those answers. I ask Helen Clark and every member opposite where the accountability is. Where is the integrity in that? Is that truly how little the promise of Prime Minister Helen Clark to have integrity and accountability is met?

I remember, on maybe two occasions, when Ministers in the previous National Government got answers wrong in a very small way, and they moved to correct them. That does not happen with Helen Clark or her Ministers; nor with Parekura Horomia. It is a disgrace.

**MURRAY SMITH (United Future):** I raise a point of order, Mr Speaker. I provide notice that, pursuant to note 2 of Appendix A to the Standing Orders, I intend to share this speaking slot with my colleague Gordon Copeland. Each of us will take 5 minutes.

**GERRY BROWNLEE (NZ National—Ilam):** It would be very unfair to Parliament if you were to recognise, for speaking purposes, the speaker who has just taken a point of order. You have recognised him for a point of order. There is nothing in the Standing Orders that states that you must follow a script. What you must do is recognise the first person on his or her feet who is seeking the call. Given that Mr Smith was seeking the call for a point of order, which you recognised, that leaves me as the person now seeking the call. It makes no difference to how many calls a party gets—that is all organised—but in this case I got to my feet sooner than he did and that puts some duty on the Speaker to recognise the member seeking the call.

**The ASSISTANT SPEAKER (H V Ross Robertson):** I thank the honourable member and tell him that I have a list in front of me that has been agreed on by the Business Committee. I did expect the honourable member Murray Smith to take the call because I have his party listed here.

**GERRY BROWNLEE (NZ National—Ilam):** I raise a point of order, Mr Speaker. Notwithstanding your list, let me tell you with certainty, and as an absolute fact, that the Business Committee has agreed that various parties will have a certain number of speaking spots.

**The ASSISTANT SPEAKER (H V Ross Robertson):** This comes off the member’s time; this is a 3-hour set debate.

**GERRY BROWNLEE:** That is OK—one could say it comes off the Government's time. It is not appropriate for the Government to think that it can organise through the Chair who speaks when. The Standing Orders are very clear. They state that if a person wants to speak, he or she should seek a call, but a point of order is quite a different thing.

**DAVID BENSON-POPE (Senior Whip—NZ Labour):** I do have some involvement in the roster, given that I produced it in draft form for feedback from the other whips. I have had no communication from the National Party whip in relation to any dissatisfaction with the speaking roster. People have been following it in their slots, which are allocated on the basis of the proportionality of the Parliament. Frankly, I am rather bemused and unclear about the point that Mr Brownlee—who was not at the Business Committee today, where this matter was not discussed—has raised.

**GERRY BROWNLEE (NZ National—Ilam):** Although Mr Benson-Pope is the senior Government whip, he is a relatively new member, and I tell him that it is very inappropriate to talk about a member's absence from a meeting at Parliament. We all have multiple obligations around this place, and we try to fill them according to the need we perceive. There was a National Party representative at the Business Committee meeting. Are you prepared to rule right now, Mr Speaker, that if there is an agreed order we will somehow suspend the Standing Orders, which are very specific? The Standing Orders state that the Speaker recognises the first person on his or her feet to take a call.

**The ASSISTANT SPEAKER (H V Ross Robertson):** It is the Speaker's discretion as to who is called. I had chosen to call Murray Smith. United Future is often treated as a Government party, and it is on the basis of proportionality that the debates are set out, anyway.

**RODNEY HIDE (ACT NZ):** I seek leave to table the report *Litany of Lies in Parliament*.

Document, by leave, laid on the Table of the House.

**MURRAY SMITH (United Future):** As Crown entities, State-owned enterprises and Crown research institutes play a valuable role in the governmental system that is often underestimated. In particular, they provide parliamentary scrutiny of executive expenditure outside of ministerial departments. Through the select committee procedure—particularly in an MMP environment, where the Government very often does not have a majority—they can be a powerful tool to investigate the executive's expenditure. Select committees have been quite ready to heavily criticise underperforming, insufficiently accountable, or evasive Crown entities, as well as board members, chief executives, and other senior staff who simply do not want to be accountable.

In that respect, select committees are valuably aided by the Audit Office. However, that is not always the case. There are several areas of executive expenditure where there is substantial expenditure that is not scrutinised by any select committee. In such cases, Parliament is left with the device of oral or written questions, which is an unsatisfactory measure because they can often simply result in evasive or short answers that do not really satisfy Parliament, or it is left with the inquiry procedure. Inquiries are difficult because they are irregular. They are certainly not annual events, and therefore they do not provide sufficient accountability of State-owned enterprises and Crown research institutes.

There is an important public interest criterion in ensuring that all executive expenditure is properly scrutinised by Parliament because we are dealing with large sums of public money, and the public is entitled to expect that members of Parliament, as elected representatives, can investigate those. It is therefore disturbing that the

executive is not effectively accountable to Parliament on a regular basis in a number of areas. One of those areas is Government shareholding in private companies. In particular, we have seen the example of Air New Zealand, and it looks as if we are about to see the example of Tranz Rail.

We know that for disclosure purposes Air New Zealand is included as a Crown reporting entity, as if it were a State-owned enterprise, which means that it could be scrutinised as part of the Finance and Expenditure Committee's examination of the Budget economic and fiscal update, and then debated in the House. But given the incredibly broad nature of the committee's task, an examination of the Government's role as shareholder would need to rely upon the interests of an individual member, and it does not give the specific annual assessment that ought to be given to such a major investment.

Very often, as with Air New Zealand—and as we now see with Tranz Rail—the Government is involved in rescue packages, where it puts money into an industry that is close to going down the drain, in order to prop it up, and that is an even greater reason for there to be parliamentary accountability.

The second area is trusts. The Government often funds trusts, but there is not adequate accountability to Parliament for that money. In the media recently we have seen an example of that with the Crown Forestry Rental Trust. Significant sums are tied up in the trust, and the trustees have made expenditure decisions that do not stack up, such as sending their chairman to the Privy Council, at the expense of \$25,000, to sit at the back of the Privy Council to hear a matter dealing not with forestry, but with fisheries. We know that the Māori Affairs Committee is currently undertaking an inquiry, and we can look at the leaky homes situation as a way of questioning that expenditure. But what about next year? What will happen to the Crown Forestry Rental Trust next year? Will we embark on another inquiry? This one has been several years. There should be more accountability in that regard.

In terms of shareholding, I believe that effectively the shares should be held and managed by a Crown entity so that they are accountable to Parliament through the select committee process, and so that there is Audit Office oversight. In terms of the trusts and also the Māori Television Service—which appears to be accountable only to the Māori television electoral college, and not to parliamentary scrutiny—those should be made Crown entities so that in all those things we can see the benefit of independent select committee scrutiny. It provides accountability in a timely fashion; not after the event and, very often, after problems have arisen.

**GORDON COPELAND (United Future):** I assumed the role of spokesman on energy on behalf of the United Future party in January of this year primarily because of my 14-year-long background in the New Zealand and international oil industry. However, the thing that has occupied a great deal of my time since then, of course, has been the crisis that has emerged in relation to the generation and distribution of electricity within New Zealand.

The first thing that strikes a newcomer to the portfolio is that the industry continues to be dominated by State-owned enterprises. On the generation side there is Genesis Power, Meridian Energy, and Mighty River Power. On the transmission side, Transpower New Zealand constructs, owns, operates, and regulates the national grid, whilst the residual, regulatory planning functions lie with the Electricity Corporation of New Zealand. Accordingly, it follows that the ultimate responsibility in relation to the electricity crisis that we have been facing in New Zealand this year—which, in terms of cold homes and cold showers, has perhaps been narrowly averted because of the unusually mild weather conditions we have experienced—must automatically bring into question the performance of the State-owned electricity enterprises. I think that

conclusion is almost inescapable. Had the electricity industry's State-owned enterprises been working constructively and cooperatively, through strategic planning and well-constructed forward-forecasting models, then New Zealand might be in a very much better situation than it is at the moment.

Furthermore, as I have mentioned previously in the House, because it takes time to bring new generating capacity on stream, I believe it is likely that we will have insufficient supply of electricity as well in 2004 and 2005 to meet the steadily growing demand. Both Treasury and the Reserve Bank forecast the halving of our gross domestic product growth during the next financial year, and large question marks also remain about how our economy will perform in the year to 30 June 2005.

Given those realities, it would be wrong for this House, I believe, to sit idly by without demanding a full and complete explanation from the State-owned enterprises about how things were allowed to go so badly wrong. One cannot help but notice that many, many questions have been raised in the media, but that comparatively few answers have been forthcoming. For example, did Genesis Power know towards the end of last year that the Maui gas reserves were rapidly declining, and react immediately by stockpiling coal? If so, did it receive full cooperation from Solid Energy New Zealand, another State-owned enterprise, in that regard? Rumour has it, for example, that in the interests of hard-nosed business—and I hasten to add that I am in no position to apportion blame—the two State-owned enterprises failed to cooperate, with the net result that Genesis is now having to import coal from overseas.

This raises in my mind some wider questions about the accountability of State-owned enterprises to the public. Treasury, of course, has the Crown Company Monitoring Advisory Unit, which is charged very specifically with the role of the supervision and oversight of our State-owned enterprises. Probably at some point the select committees of this House will want, with its assistance, to probe a little further into some of the issues I am raising in the House today—probably as part of the financial reviews that are to be undertaken in a few months' time.

In the meantime, I recommend that the Government look again at the reporting lines in relation to State-owned enterprises. We are endeavouring to operate them as if they were commercial businesses, but if that were in fact the case, then, like companies owned in the private sector, the board and management of our State-owned enterprises would be subject to an annual general meeting, with open scrutiny from their stakeholders and from the media. I think that if that annual general meeting process of accountability is good enough for publicly listed private companies, then it is something we should also consider in respect of our own State-owned enterprises.

It would be good to have some representatives of the shareholders in these State-owned enterprises—perhaps a mix of consumer and other interests—who, together with the media, in open session would be able to probe our State-owned enterprises exactly as if they were publicly listed companies. The procedures, whereby shareholders of publicly listed companies hold them accountable, would then have a parallel within the State sector, because after all it is the citizens and the families of New Zealand who are the ultimate shareholders of these important State-owned commercial enterprises.

**Hon MATT ROBSON (Deputy Leader—Progressive):** What a delight it is to speak on State-owned enterprises, because we are ending a period that began in 1984 with Roger Douglas and David Lange, when a period of madness entered upon New Zealand and like some demented Hare Krishna sect—with all due respect to people in the Hare Krishna movement—we started chanting mantras such as “private good, public bad; private good, public bad”. It was so hypnotic that it even took over the then almost sane Labour Party caucus until only a few people were left there who were sane, such as Jim Anderton and those who have come through and now form the core of this

wonderful Labour Party that is here today. It is so sensible that it has formed a coalition with the Progressive party. Jim Anderton and I welcome those 52 Labour MPs to work with us on this. We realise that 26 of them need to equal one of us, and that we could save the country a lot of money with just the two of us running it, but in the interests of democracy we will work with them because we have now returned to this period of sanity.

But still, a few demented followers of “private good, public bad” still exist, and even in this House a number of them are around. So let us run through exactly why we have entered such a sane period. The announcement to the country on rail produced great jubilation. Just as we cheered Sir Edmund Hillary 50 years after the ascent of the Himalayas, we are now cheering the fact that on the economic front we have returned to a system where we look for balance in our State-owned enterprises.

In 1993 we had a National Party Cabinet determined to assist the asset stripping of New Zealand and to give it to any overseas bidder, regardless of the consequences. We had an administration that by its sheer incompetence, arrogance, and ideological narrowness, ran down the public infrastructure of the country, regardless of the known economic and social consequences. A decade ago we had at the Cabinet table what can only be loosely termed the intellectual elite of the current National Party, including one of its candidates for leader, the Hon Dr Lockwood Smith. We also had the public relations king and chief strategist of the current National-ACT alliance—a term that I once used proudly—the Hon Murray McCully. Those gentlemen, together with the associate transport minister of the day, Maurice Williamson, were hell-bent on selling the public railway system. They were not driven by empirical evidence or impartial advice. On the contrary, the National Government, which sold rail 10 years ago, was urged by Treasury at the time to at least retain the line network as part of a Kiwi share arrangement, in order to ensure New Zealand’s interests were protected during the asset sales process. It rejected that advice, and the resulting plundering of the rail system and the running down of the assets were the logical outcome of that mismanaged privatisation, which was the loss of control of the network.

Now the taxpayers of the country have to pick up the tab for National’s policy errors. The mismanagement of the sale of New Zealand Rail was enormous, and heads should roll over on that side of the House. But what a difference a decade makes. Now, we have a centre-left coalition Government that is ready to meet its responsibilities to the regions of New Zealand. The need to reinvest in rail, including the repurchasing of the rail network, is necessary for New Zealand’s future. This Government is not paralysed by being constrained within an ideological straitjacket. Because of that we are able to rationally look at the actual and real economic, social, and environmental needs of the regions of the country and step up to take our responsibilities, should the market fail to deliver in New Zealand’s interests. New Zealand’s future success in the critical economic industry and regional development areas explains why the coalition Government has announced it is prepared to buy the rail network for \$1, and take a 35 percent stake in Tranz Rail.

Of course, if the invoice I gave to Sir Michael Fay for \$100 million when he last arrived on our shores to celebrate the America’s Cup, which he was hoping a Swiss syndicate would take, was paid, we would have \$100 million more to put into this fund. Sir Michael and his friend David Richwhite, true patriots of New Zealand, collected their share of New Zealand Rail, and, being the patriots that they are, they now live in Switzerland and Ireland.

The ministerial ad hoc committee studying this issue of rail, on which the Progressives are represented by Jim Anderton, understands that regions need strong transport networks, and the continued presence of rail is vital to assist regional growth

and development. The coalition's preparedness to stand up and fulfil its obligations will allow this and future Governments to have a role in ensuring that transport solutions involving rail can be applied to Northland and the East Coast to cope with the upcoming "wall of wood". It will protect the ability for coal mined on the West Coast to be exported and to be shipped to the North Island for electricity generation.

Then there is that other State-owned enterprise that we can be proud of—New Zealand Post Ltd. A decade ago, the National Government wanted to sell off New Zealand Post to any overseas owner. Back then it was all talk of gloom and doom. New Zealand Post was in trouble, National said, and it had better be sold off. The New Zealand public decided they had better sell National off, so we did not have to sell it at all. The public may not have minded if a foreign-owned New Zealand Post succeeded, but they were determined not to see their post offices sold off for nothing. A successful New Zealand Post is what we now have, owned by the people of New Zealand. That is why it had to wait for the centre-left coalition before the roadblocks in front of New Zealand Post could be lifted. We lifted the roadblocks in front of New Zealand Post's longstanding business proposal to establish a retail banking arm to service the regions of New Zealand and now, with a Kiwi card, one can get a service owned by the people of New Zealand, for the benefit of New Zealand, in any centre in New Zealand. The news from New Zealand Post these days is dramatic and optimistic, in contrast to the bad old days when National was in the Beehive.

In the news today it was reported that Kiwibank will become an important source of revenue for New Zealand Post over the next decade. New Zealand Post is also confident it can keep a tight lid on costs and hold the price of a standard letter at 40c for the next year. Kiwibank was reported this week to have said that, looking forward a decade, we should expect its Kiwi banking business to be about the same size as the traditional core business of New Zealand Post. The chief executive officer said this: "Kiwibank is important because its financial success will help underpin the financial success of the New Zealand Post group." He reports that the bank is still growing fast, with new customers joining at a rate of between 300 and 350 a day—yes, each and every day. The problems of Kiwibank are not as predicted by National and ACT; the problems are the precise reverse of what those discredited anti-business parties forecast. Kiwibank's problems are those of growing pains. It has been far more successful than anyone predicted. Its faster than planned growth has strained New Zealand Post's profit targets because taking on new customers has substantial costs, but the targets will still be met.

And now there is a sad part to this speech—it is to talk of the death of the grand coalition of the centre right. But I will not ask for a minute's silence; it is not worth that. Developments in New Zealand rail and Kiwibank this week highlight the collapse of Richard Prebble's grand coalition of the centre right. New Zealand First deputy leader, Peter Brown, told Parliament earlier today that his party supports the coalition Government's investment in the rail network—dramatically breaking ranks with National and ACT. It is interesting that New Zealand First would go much further than the centre-left Government. It would negate or nullify the property rights purchased by private investors in 1993 when New Zealand Rail was sold by the then National Government. That party would expropriate the property rights of private investors. The coalition Government does not favour that sort of Bolshevism, but we do accept New Zealand First's general support of this important issue.

If I have one prediction, it is this: that even the ACT party—that sensible party in terms of matters of finance—will soon find that its members need to go to a State-owned enterprise to get the best interest rate for their credit card because Kiwibank has announced that its credit card interest rate, instead of being at outrageous prices pushed by banks that ACT first favoured and that perhaps funded its campaigns, is now 12.5

percent. I know that ACT, being a truthful party, will tell the rest of the country that that is a credit card that should be supported through that particular State-owned enterprise.

**MARK PECK (NZ Labour—Invercargill):** Mr Speaker—

**Gerry Brownlee:** How does that work?

**MARK PECK:** I say to the member that it happened because it is my turn. I am actually going to say some nice things about Crown-owned enterprises, because—

**Gerry Brownlee:** Tell us about the lockout of the staff in Invercargill.

**MARK PECK:** The member goes on about a lockout in Invercargill. That member would not know a lockout if he fell over one. He used to be a teacher at St Bede's and they tell me he was not much good at that, either. So they pensioned him off north to bloody Wellington and now he is in the House as an honourable carpenter, can I say. But I must say that my father says very nice things about Mr Brownlee. He said that Mr Brownlee was the only person who would turn up to a campaign meeting and publicly say to the people present: "Look, I am a privileged person and the rest of you aren't. Too bad, because you are going to vote for me anyway. I am going to be returned to this place."

**Gerry Brownlee:** Stop talking rubbish.

**MARK PECK:** I say to the member that he really enjoyed the campaign meetings.

**Gerry Brownlee:** I raise a point of order, Mr Speaker. The Speaker knows full well that the member must stick to the topic in front of him. In this event, for the member to bring his father into the conversation—a reverend father of the Anglican church, I might say; a man who has never told a lie in his life—and to perpetrate the sort of myth and rubbish that he is at the moment is an absolute disgrace not only to this House but also to his own family.

**The ASSISTANT SPEAKER (H V Ross Robertson):** That is a debatable matter and there is always leeway given with a speech—Speaker's ruling 38/1.

**MARK PECK:** I say to the member opposite that if I have misquoted my father I sincerely apologise to him—that is, to my father. Otherwise, my allowance will not be paid on time.

I do want to say some nice things about State-owned enterprises. I want to start with my airport, Invercargill Airport Ltd. What a successful company that airport has been. I do not know whether members of the House know it, but it was the first of the regional airports that was going to declare itself an international airport. Now, as Mr Shadbolt would say, "Yes, we went and did it. We declared ourselves an international airport and, yes, there has not been a plane in yet but there are great hopes that one day it might happen." But great things have happened. Members who come down to Invercargill now will be delighted to know that they no longer have to wait out in the rain to pick up their baggage. We now have a covered baggage area, and I congratulate the airport staff on the work they have done. I certainly want to congratulate the very good appointments to that board on the work they have been doing.

It was fascinating tonight that the very first speaker for the National Party was Lynda Scott. Here we are with a financial debate—an opportunity for the finance spokesperson from the National Party to make a hard-hitting speech to the House about the general direction a National Government would take—and they missed the bus.

**Darren Hughes:** He's a part-time member.

**MARK PECK:** He could be a part-time member, but it was his opportunity to be in the House to make those comments. Now, what did we get from Lynda Scott? Well, surprise, surprise—[*Interruption*] That is probably right. I think there might have been a few more members opposite as well at that particular time. We got a very interesting speech about health, well, ostensibly about health. But what was the ambit of her speech? The ambit of her speech was that a particular gentleman with a health problem

had that problem because the Government had not contracted the private health system to do the surgery. We asked Lynda Scott which hospital she was going to sell. We had a very interesting revelation this afternoon when the Hon Roger Sowry was speaking about Tranz Rail and New Zealand railways. When he was asked the very direct question of whether he would sell railways, he went on to say: "Wait and see." I say to Lynda Scott that she should not worry about waiting and seeing. The best way to find out what the National Party is going to do to health and education is to pick up the speech made by Don Brash—

**Clayton Cosgrove:** Tea leaves.

**MARK PECK:** No, not tea leaves—we can never accuse Don Brash of reading tea leaves. He drinks coffee, so we cannot accuse him of that. But I say to members that they should pick up the speech that Don Brash made to the Knowledge Wave conference—back in 2001 I tell Dr Cullen I think it was. That speech is the National Party policy. That is its policy, because no other member opposite—

**Clayton Cosgrove:** But Bill English doesn't agree with it.

**MARK PECK:** He might not agree with it, but I have seen Mr English quoted in newspapers as saying that as part of a caucus one has to abide by the decisions of the caucus. And he does not win all the debates; he probably does not win many of them, frankly. I have seen him on several occasions having to defend things that he obviously disagrees with. There is an extremely good article in the Christchurch *Press* today about Bill English that I am quite certain Gerry Brownlee has read, in which he was actually called a "decent man". It said—

**Darren Hughes:** It can't have been written by Mr Brownlee.

**MARK PECK:** No, no. The article called Bill English a decent man, and asked him whether it would not really have been a good idea, on some issues like Iraq, just to bide a while—that is an old Scottish saying as I understand it—see what happened, and so on, and so forth. That is the point if ever he is going to aspire to be a Prime Minister. I suppose he is young enough. Ronald Reagan became President at 70, and I suppose Bill English at 40 has a few years to go before he reaches that hallowed age. But I have to say that he has missed his opportunity to have his finance spokesperson up tonight to speak about State-owned enterprises and to speak about what the National Party would do with them.

What was even more fascinating about Lynda Scott's speech was that we were berated about the fact that there are 22 district health services.

**Steve Chadwick:** 21.

**MARK PECK:** Well, there used to be 22 Crown health enterprises, and the number is now down to 21. But what Lynda Scott has conveniently forgotten in her speech is that prior to the Crown health enterprises that preceded the district health services being established, we had 14 area health boards. The National Party in those days promised not to get rid of the area health boards. It was National's policy to continue with them because they were starting to get the sort of efficiency gains that we needed in health if we were serious about delivering health care within the dollars available. Everybody knows that with a service like that there does come a limit. It is the sort of service whereby it would not matter how much was spent, the demand would not be satisfied. So there is a limit, but what did National members do? Overnight in the "mother of all Budgets" they sacked them all, put in commissioners, and they set up a competitive Crown health enterprise system. Yet here Lynda Scott was in the House tonight bemoaning the fact that we have 21 district health services when the whole competitive model of health was set up by the National Party. If we read that in conjunction with Don Brash's speech we can see that the prescription for selling off health is right there. It is right there because health, as far as Mr Brash is concerned, is just another market.

**Steve Chadwick:** She said it tonight.

**MARK PECK:** She did say it tonight—it does not matter that people rely on hospitals for a service, what matters is that if one runs a hospital service that is inflationary, inflation is bad, and we have to get inflation out of the system. That is why National would also flog off the schools and the Accident Compensation Corporation. That is why National would sell New Zealand Post and why it would sell New Zealand rail again.

This Government says to its State-owned enterprises that it is about adding value to the Government and to the services that we deliver to the people of New Zealand. It is about contributing to our society. We have encouraged those State-owned enterprises to get on and do that. They are contributing quite well in terms of returning profits to this country. One company in particular, I think it is Genesis, or it might be Meridian, has invested in wind power in Australia. That is about maximising returns to New Zealand and it is about getting New Zealand access to wind power generation at a reasonable rate. It is the old Woolworths concept—the more one buys, the cheaper it is—and I say good on them. They have been given the commercial focus to get stuck in and they are doing good work.

I congratulate Dr Cullen and the Government on the work they have done. State-owned enterprises are an important part of our economy now and will remain so. The one thing the people of New Zealand will not stand ever again is the sort of social experiment we went through when Ruth Richardson was the Minister. They will not stand for that again. They know what is decent, they know what is right, and core public services are part of the social contract that Governments have with the people.

**GERRY BROWNLEE (NZ National—Ilam):** It has always been a mystery to me why the previous speaker was not made a Minister in the current Government. I have watched his performance in select committees and watched him as a local member, and I have always thought he was a man earmarked for the ministry—until I heard that speech tonight. Now I know that he is a member living totally in the past. I will come back to him and some of his silly comments in a few moments.

But, first, I congratulate Mr Rodney Hide on the comments he made to the House this evening. How many people in New Zealand remember the very pious Speech from the Throne just a few years ago when the Rt Hon Helen Clark said: “We will set new standards of accountability in Government.”? Who could possibly have known that she was talking about Parekura Horomia and the way he has conducted the Māori affairs portfolio? What an absolute disgrace we have seen in the last couple of weeks, as revelations have been made in Parliament by the Hon Murray McCully from National and Mr Rodney Hide from the ACT party. They are two people who have assiduously looked at a huge body of Government spending and found the worst kind of graft and the worst kind of corruption that this country has ever seen operating inside that portfolio. The Minister, the Hon Parekura Horomia, knowing that he has misled Parliament and that he has dishonestly answered questions from parliamentarians, legitimately offered—

**The ASSISTANT SPEAKER (H V Ross Robertson):** No, that is out of order.

**GERRY BROWNLEE:** I apologise for using the words “dishonestly answered”, and simply say that he knows he has been most reckless with the truth in answering questions lodged by parliamentarians. He is still refusing to correct the position he has tried to portray to Parliament. It is an absolute disgrace, and an indictment on Helen Clark and her Government that ultimately will see their fall.

I want to talk about State-owned enterprises tonight, but I will return for a moment to some of the incredible comments made in Parliament tonight by members of the Government. Mr Peck talked with some passion about health. He said that we cannot

have this idea that there can be any business side to health, because at the end of the day delivery of health is about services for the people. Well I want Clayton Cosgrove to stand up and tell the people of Christchurch—the 10,000 people who got written off the waiting list just a couple of weeks ago—how much service this Government's health system is delivering to them. It is nil for those people. People who have serious complaints and life-threatening complaints have been the recipients of letters orchestrated by Mr Peck, Annette King, and Helen Clark, in the name of a public sort of "holding on to the asset", and have been written off the waiting list. They have been told that they do not have a condition, and to go back to their general practitioner, have a few more Disprin, and call medical staff in the morning. That is what the Labour Party thinks health is all about.

I tell members that we on this side of the House are a bit smarter than that. We know that health is about delivering service. I have to ask every member in this House that if they were run over on the road tonight, or if they have an issue concerning the health service that they need to deal with, do they truly care who pays for it? As long as someone does not have his or her hand in their pockets, and as long as they get their treatment, are they not better off? Or will they simply be patched up with a few Elastoplasts, given a packet of Disprin, and sent home to die? That is what this Government thinks is the best system for New Zealanders.

All bodies that have an interest in health—the drug suppliers, the doctors, and the people who sell the high-priced equipment we need in our health system—are treated as businesses. But somehow, when it comes to the \$8 billion that the Government puts up, that is not the case. Health is left up to a bunch of hobbyists who get themselves elected on to district health boards. Well that is not good enough for New Zealanders, and it is not something I will ever subscribe to. The public system can survive in this country, but it must have a greater capacity to respond to patient needs than the current Government is prepared to let it have.

I want to move on to the ridiculous comments made by that fellow from the Progressive party—the former Minister, the Hon Matt Robson, who sits at the back of the House. He said that we are about to end a period of mantra on State-owned enterprises; we are about to end a period when we say that private good is better than public good. What is his justification for that? Well, apparently, the justification is the Government's decision to put \$190 million into a private company, turn it into a monopoly, and tell New Zealanders that the Government has saved rail. That is what this Government has done. It has put up \$190 million. That member stood here and said that the Government bought the tracks for \$1, with a \$500 million liability on them. He then said the Government will guarantee that only one company can use them for 60 years, and will guarantee that the company will be profitable. Does that not send the message out there to anybody who enters into business in this country that, as long as they are hopeless at it, the Government will be there to pick them up? That is a recipe for a basket case, South American - style economy that we are rapidly heading towards.

Then that member came into the House, brought out his Kiwibank credit card, and said: "Isn't it wonderful that I can get myself into huge levels of debt? But don't worry, the Government bank is going to charge you only 12.5 percent." Well here is a question for Mr Robson: where does Kiwibank offset its lending obligations? Where does it take its deposit money and invest it? Do members know? Kiwibank uses the same mix as every other bank. New Zealand dollars are invested off shore to protect funds in this country. Mr Robson talked about a 12.5 percent interest rate. Well let us talk about the unprofitability of that bank and ask ourselves when hard-working taxpayers will get some dividend from the \$100 million that they have put into this bank. It is middle New Zealand who are paying for it—people who have jobs. It is the father of the house, the

main breadwinner maybe, or the mother of the house might be the main breadwinner. Couples in this country, the vast majority of whom have two, three, or four kids, pay their way on everything. They get nothing from the Government.

They are the same people whose pockets this Government has stuck its hands into and said: "Let's invest our money in the profit guarantee of Tranz Rail. Let's put our hands in the taxpayers' pockets and guarantee the profitability of an organisation like Air New Zealand. Let's put our hands in their pockets and charge them a bit more in tax, then give them a health system that does not deliver service. And then, let's put our hands further in their pockets and take out some money to invest in a bank that they will never get any benefit from, in order that other New Zealanders can go into debt and only have to pay an interest rate of 12.5 percent."

Our speaking times in this debate are too short. I wanted to speak about the other great disgrace in this country—the proposal to set up an electricity commission; a commission that supposedly will make electricity generation in this country suddenly go a lot further. Suddenly we are to have a chunk of it that we will never use, and it will cost us all \$200 million a year. This Government's answer is simply to put its hand in the pockets of hard-working New Zealanders, take more of the money that they work hard to earn, and then put a line across them that is utter spin that says: "We care, and we are looking after you."

This country will be well and truly ready for a National Government within the next short while. I tell people like Darren Hughes, David Benson-Pope, and the member for Taupo that they will be gone. I tell John Tamihere that if he wants to continue in his political career then he should not sit too close to Parekura "Mr Corruption" Horomia.

**The ASSISTANT SPEAKER (H V Ross Robertson):** That is out of order. The member will withdraw and apologise.

**GERRY BROWNLEE:** I withdraw and apologise. I will finish my speech by saying to members opposite that they should not sit too close to a Minister who has no idea where truth begins and lies end.

**CLAYTON COSGROVE (NZ Labour—Waimakariri):** Is it any wonder that Gerry Brownlee will never become leader of the National Party after that speech. We have heard from the heavyweights from the Opposition tonight, have we not? We have heard from Mr Brownlee and Mr Hide, and, talking about Tranz Rail, the human locomotives—the big guns—from the National Party have been put up. Instead of hearing from the Opposition spokesperson on finance, or perhaps from a commerce spokesperson, we heard from some insignificant person—the Peggy Bundy from Kaikoura—who is the Opposition spokesperson on health. But we heard from "spongy pud", of course—Rodney Hide. At no time have either of those parties put up a State-owned enterprises policy. I have made a couple of speeches in this House in which I have relished the opportunity—

**Rodney Hide:** How's the hair transplant?

**CLAYTON COSGROVE:** They cannot hack it. Those two old bulldogs, those two old has-beens, could not get 7 percent if they tried. They both know that Deborah Coddington is on the way. She is writing her victory speech in the UK, on full pay, on taxpayers' funds—which I am sure Mr Hide might want to investigate—while on a Qantas media scholarship. The two old bulldogs have had their day.

I have talked in my speeches about the stark contrasts between us and them. I have done it a number of times. This is another opportunity, and I relish it. That group of ACT and National members are the economic vandals of the 1990s. They are the wreckers and the destroyers. One of those members sitting over there, Mr Prebble, is the man who maintains today—and I wish he would keep saying it—that he saved rail. Today this Government, with 70 percent support in this country, has actually done that.

When we ask the National Party what its policy is on State-owned enterprises—because one would think that a party floundering on 21 percent, and ACT, which is floundering on 7 percent, or 5 percent, or 4 percent, would want to explain and articulate to the people of New Zealand their policy on State-owned enterprises—what do we get from National and from ACT? We get zip; nothing.

**Rodney Hide:** Sell them.

**CLAYTON COSGROVE:** He says, “Sell them.” I hope the *Hansard* people are writing that down. That will be on my campaign pamphlet for the next election. I hope they tell the people of New Zealand every day that they want to sell assets. At least Mr Hide and Mr Prebble are upfront. I will give them that.

When National Party members were asked today whether they would sell the Tranz Rail track, Rail Co—or the State-owned enterprise that it will be—hospitals, the Accident Compensation Corporation, or schools, they said they did not know. What they are really saying is that they will try to hoodwink the public. They know.

**R Doug Woolerton:** Of course they do.

**CLAYTON COSGROVE:** Mr Woolerton is right. Those members know that as soon as they get on the Treasury benches—although that will not happen for many, many years—they will flog off the lot. The people of New Zealand actually rejected that policy twice, but the National Party continues to pursue it.

I want to touch on a couple of issues that Mr Hide raised. One has to give him credit for trying. Mr Hide talked about the need for MPs to come down to this House and apologise when they have got it wrong; the need for MPs to have integrity; and the need for MPs to put the record straight. I say to that member that he has never done it in respect of his own personal conduct. He attacked my colleague the member for West Coast - Tasman when he raised the infamous Fiji deal that Mr Hide was involved in, when hundreds of New Zealanders lost millions of dollars. But what did Mr Hide do? He did nothing. Did he come down here—[*Interruption*] No, no, this is relevant; Mr Hide raised the issue. Did he come down here, correct the record, and show some integrity? No, he did not—not once. He will never live that down.

He also talks about the wastage of taxpayers' money; he talks about rorts. I ask that member to remember a \$110,000 rort in respect of Donna Awatere Huata's vote. Do members remember the half a million-dollar rort—and we are still counting; the Pipitea Street rort? Do they remember Fiji? I ask Mr Hide what he did after the Speaker's trip. Who paid for his trip to Albania, and what did he do? Mr Hide criticises people for overseas travel, but at least our people go overseas to advance our country and maybe learn something—not line their pockets or suck up to their rich mates to get their next instructions for the next election. I am aghast that Mr Hide can get up and talk about rorts. I invite him to correct the record and talk about some of his personal actions, which he never does.

I turn to a State-owned enterprise that Dr Cullen touched on—Landcorp. Landcorp is a very interesting State-owned enterprise. It made a record profit of \$38.4 million. When I was a fledgling member of the Primary Production Committee we were hosted by Landcorp for a briefing. A number of the board members said to us that they were pleased we had come into Government because now they could put strategies in place to grow, they could increase their profit, and they could put in place long-term business strategies. They knew—

**R Doug Woolerton:** That's right.

**CLAYTON COSGROVE:** Mr Woolerton was there and he backs me on this matter. They knew Landcorp was not going to be sold off. Landcorp had been told by our Minister and our Government that it was now a strategic asset. But it could not grow its business under the National Party because it was always ready for the sale axe to drop.

It knew that at any time it could be sold off. This company is one of our biggest contributors to agriculture and one of our most profitable State-owned enterprises. I think it is a jewel in the Crown of the State-owned enterprise asset range, and we are custodians of those State-owned enterprises. I think people are proud that these assets are making money for taxpayers. As I said at the start of my speech, this is an example of a party in Government that is a builder and a doer, not a wrecker and a vandal, as we have heard from the other side.

Debate interrupted.

**The House adjourned at 10 p.m.**