

14 April 2010

**Speech**

## **Address to Grey Power AGM**

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COLLEGE HOUSE  
CHRISTCHURCH**

**CHECK AGAINST DELIVERY**

Thank you for the opportunity to talk to you today.

There are a number of changes being made that affect senior New Zealanders, and I want to focus my comments on these today:

The changes in the tax system that increase the GST you pay;

The long term future of superannuation;

And cuts to health care and other services that older New Zealanders need.

When it comes to measuring changes that affect New Zealanders, Labour measures them against our priorities:

Will they create jobs and increase incomes for hardworking New Zealanders?

Will they ease the cost of living for kiwi families?

Will they make New Zealand a better place to live?

We need the government to tell us its plan for easing the pressure on families, and for creating jobs as the global economy comes out of recession.

Over the Tasman, Australia acted strongly and avoided going into recession last year.

They're seeing the results: The Australian economy created twenty thousand net new jobs last month.

Remember the promise we were going to catch Australia? Every month we are falling further behind.

The only thing we have passed them on is our unemployment rate.

For nine years, when Labour created 350,000 new jobs, New Zealand's unemployment was significantly lower than Australia's.

But not anymore.

Last year New Zealand's unemployment soared to 7.3 per cent - 168,000 Kiwis out of work.

We saw the human face of it with 3500 desperate people queuing up for 150 low paid supermarket jobs in South Auckland earlier this year.

Meanwhile Australia has cut its unemployment down to 5.3 per cent - a third lower than New Zealand's rate.

We had a job summit, a talkfest, and John Key promised that cycleways would solve the problem.

Across the Tasman, Kevin Rudd pledged that his Labor Government would leave no stone unturned to keep Australians in work.

They invested in research and development while National cut our investment.

They invested in skill training while National abandoned the skills strategy Labour developed.

Australia boosted spending power across the board to stimulate a slow economy while National gave most of the tax cuts to the wealthiest, who saved their bonus.

The end result was Kiwis out of work increased by tens of thousands.

Those still in work too often saw their incomes cut while prices rose.

Maori and Pasifika unemployment has nearly doubled, with over 37% of Maori young men aged 15-19 not in work and not in skill training or education.

The human cost and the social problems that creates is enormous.

Nearly half way through its term in office there is still no real plan by National to deal with unemployment.

Instead of a plan for jobs, next month's budget is focusing on rejigging the tax system.

There will be an increase in GST that no one voted for.

During the election campaign Mr Key was specifically asked if National would increase GST. He clearly and specifically said National wouldn't.

Now John Key is calling the increase in GST National's "tax switch".

The term implies it's about giving with one hand and taking with the other.

It's just shuffling money around.

A tax shuffle is not a policy to grow the economy and create jobs - and that needs to be our priority right now.

You pay more for just about everything you buy because of the increase in GST – that's the only certainty in the package.

The cost of your bread, milk, groceries, power, and clothing will all go up. So too will your rates, your insurance premiums, your ACC levies.

With GST going up to fifteen per cent there will be twenty per cent more tax on everything you buy.

According to Westpac, prices will be pushed up by the GST increase by nearly five per cent next year. And they say that in the short term it will also cut growth.

So the certainty is that GST increases mean higher prices.

On the other hand, the Government says it will compensate superannuitants for the increase in GST.

I know many retired people are hoping this commitment will protect them.

I want to suggest the assurance is not what it seems.

You need to check the expiry date on the Government's commitment to compensate for GST.

Labour has looked at John Key's promises to Superannuitants and the numbers don't stack up.

His one-off compensation for the GST hike will disappear from your back pockets in a few short years while the higher prices you are paying won't.

Superannuitants will be paying higher prices long after the compensation from Mr Key is gone.

By 1 April 2013 the government's compensation will have almost certainly disappeared.

*In other words, after two years, you will get the same super as you would have anyway - but you will be paying the extra two and a half per cent GST.*

The compensation the government is offering has an expiry date.

Unless the Government increases the floor of GST above the 66 per cent base rate, then sooner or later the compensation you receive runs out, but the tax doesn't.

The figures can move around depending on the rate of increase in the base rate and the amount of 'compensation' the government gives you when the tax takes effect.

But movement in these variables only moves around the expiry date on your compensation pledge.

And so therefore - even if they compensate you for GST in the first year the increase takes effect - over time, there will be a cut in the living standard of older New Zealanders.

Superannuitants will lose out twice under an increase to GST.

Firstly, because they spend all they earn they will pay a greater proportion in GST.

But the increase will also mean that savings accumulated over a lifetime will be taxed at a higher rate when they go to spend them.

What's really going on is a tax switch all right - from superannuitants, to the very highest paid.

If most of the tax shuffle goes to top earners, it can't go to everyone else. So if hard-working, middle and low - income Kiwis get small change, the biggest tax cuts will go to the top.

Tax cuts should make it easier for more kiwis to get ahead. But National's tax plan gives most of the tax cuts to those already far ahead.

That's why Labour is saying axe the GST tax rise.

When the government is saying we are borrowing \$200 million a week, I wouldn't have thought it's a good time to cut taxes for someone on a Cabinet ministers' salary by an extra \$140 per week. If you are earning a Prime Minister's salary it will be over \$300 extra a week.

And if you are earning the Chief Executive of Telecom's salary, that is just the base \$1.75 million salary and not the millions in bonuses, you'll be getting an extra \$1300 a week.

Sound fair to you?

People on the minimum wage, got a huge 25 cents an hour more earlier this year – enough to buy a family size pack of Weetbix a week, and will be hurt not assisted by the GST increase.

Those on the average wage of \$48,600 a year and up to \$70,000 a year may get some compensation but won't get the benefit of the big increases in take home pay that the top ten per cent of New Zealanders get.

And remember the tax cuts legislated by National in December 2008 already gave the top 3% of income earners a third of the extra money going into tax cuts.

If there's room for tax cuts then the tax cuts should at least be fair across the board. If there is, as the Government suggests, a couple of billion dollars available for tax

cuts why not give a share of that to middle and low income earners instead of the vast bulk of additional net income going to the top 10%.

Why not cut the tax rates of middle and low income earners more than just to compensate for GST increases or raise the threshold before lower and middle income earners go into higher tax brackets.

Why not look after the many and not the few?

But looking out for the many, not the few, is not what has been happening - in super, in health care, in your super gold card entitlements, and in much more.

It's all just been a shambles.

This announcement and un-announcement from Steven Joyce has been a shambles.

What could be more of a shambles than the "review" of the SuperGold Card that they promised.

Steven Joyce announced he wanted to review the reimbursement operators receive, review 'off-peak' and review services like the Waiheke ferry.

Most people saw that as getting ready to make cuts.

And the next day Mr Joyce was forced to back-down.

What a shambles.

We still haven't had cleared up how much you're going to be squeezed for the 'off-peak' period, or what will happen when subsidies paid to public transport companies are cut.

If quality of service does not suffer as a result of these reviews then they are worthwhile, but Kiwis are increasingly seeing beyond the rhetoric and can sense National's true agenda.

The rhetoric is that they have to make cuts somewhere: But they don't use that rhetoric when they're making fresh claims for a new accommodation entitlement.

They don't talk about the need for cuts when they're booking their families on taxpayer funded holidays and ordering bottles of wine at National party conferences.

And they don't talk about the need to find savings somewhere when they are talking about giving cabinet Ministers tax cuts of \$140 a week.

Instead, they talk about the need to make savings when they cut the contributions to the New Zealand Super Fund.

All that does is put the future of superannuation under more stress, because they are removing the ability of future governments to help pay for it.

But look how short-sighted it was to stop putting money aside for the Super Fund: In the last six months of last year it gained nearly half a billion dollars more than forecast on its investment portfolio.

Since the budget last year the fund has grown by \$2.87 billion.

The Government's short-sightedness in cancelling contributions to the Fund has cost us hundreds of millions of dollars.

In this year's budget the Government has the opportunity to avert the worst of the potential damage to the Super Fund by resuming contributions.

Compare that shambles to the short-sighted cuts they've made to home help for the elderly.

Thousands of frail, elderly New Zealanders who have paid taxes all their lives are being told they have lost their home help.

In most cases, the cost to DHBs is less than \$30 a week for an hour of help in cleaning, washing, shopping or preparing food.

That's more than ten per cent of your income if you're a single person on super.

But it's not a big cost to the country - in fact it's not a net cost at all.

It not only improves quality of life for retired people, it also makes it easier for them to continue to live independently at home.

That's much cheaper than supporting someone in an expensive rest home.

This is another big money shuffle - just like the tax changes. They take the money away from home help, and then end up paying more out when more people have to go into rest homes.

Why does the Prime Minister begrudge this assistance to the elderly lady in Southland with congestive heart failure and hearing and sight impairment?

Why do they begrudge the old gentleman with Parkinson's disease and osteoarthritis who needs walking sticks to get around?

We've heard stories from around New Zealand of elderly people getting rung up by the District health Board and asked how they're going.

They're too proud to say they need help.  
Or they're too frightened someone will put them in a rest home.

So they say 'don't worry about me, I'll be fine.' But no one tells them they are being assessed over the phone, and so their home help gets cut by a DHB which is having its budget cut by ten per cent.

After we heard these stories, Labour thought we better investigate.

And that's why we have cooperated with Grey Power and our parliamentary colleagues in Opposition to find out more about the care of elderly people.

And I'm pleased that Grey Power is joining that effort to gather data and case studies about what's happening in rest homes and at home.

Your members have important perspectives that the government needs to know about.

This is a legitimate area for inquiry. Consumer magazine wrote an editorial about it last October calling for much more transparency in the retirement care sector.

So it's disappointing that the Minister for Senior Citizens made the comments he did at this conference this week.

He implied that Grey Power's access to ministers could be affected.

It's revealing that his threat was his first comments on any topic in his senior citizens portfolio in the last six months.

I will make you this promise: I will never tell you who you can and can't work with.

What John Carter should have done when he came along here is share with you the Government's vision for New Zealand.

I would want a minister for senior citizens to talk to you about to make New Zealand a better place to live for kiwi families of all ages by creating jobs, and increasing incomes for hardworking New Zealanders.

But there is a serious reason why he didn't do that. And it's about the heart of the way National is governing New Zealand:

They don't have a plan or vision for the future.

That's why they keep making a shambles of government, from the Super Gold Card entitlement to the Super Fund.

It's why they spend more time feathering their own nests and looking after the privileged few instead of the many.

They don't have a vision or a plan.

And so they make short-sighted decisions - cuts to the super fund, and to aged care and home help that cost us more in the long run.

Cuts to services that keep crime rates down and make our streets safer.

Grey power members have long had an interest in this issue.

On 1 April new crime figures came out for last year - the first full year of the National Government.

And they showed violent crime soaring. Total crime was up by 4.6 per cent; Murder was up by a stunning 25 per cent. And violent crime up by over nine per cent.

Compare that to the promise that was made: National was going to significantly reduce violent crime.

John Key made a clear promise when he got elected.

He said: "One of the key reasons Kiwis elected National is because they trusted us to take the tough steps needed to tackle violent crime and make families safer in their homes and communities."

He said: "National will do better at preventing crime and we will do better at cracking down on criminals."

Today, National says it's not to blame for growing crime rates.

Even if the staunchest government supporter believed that, they would still have to concede National is to blame for making the promise in the first place - one that a lot of people believed.

And let's look at some of the short-sighted decisions they have made and ask whether they will help to reduce the crime rate.

When I was Corrections Minister I helped get a facility opened in the Waikato called Te Hurihanga. It was a last chance place for adolescent offenders who are starting out on a life of crime.

It cost \$177-thousand dollars to send a kid through the centre, and teach them some personal responsibility, sort out their lives and get the skills they need before its too late.

That's a lot of money, but it pales besides the cost to the country of a criminal's lifetime of offending, the cost to victims, police time, court time and the rest. It amounts to about the cost of eighteen months in jail.

Each of the boys there had around twenty or thirty known offences already. But what the program did was cut reoffending by a huge 82 per cent.

When you talk to the families, you meet mums who have hope for their sons turning out OK, where before they had only despair.

It took ten years to put the program together. And yet one of the first things the government has done in office is cut the program altogether.

They can't make that decision and then wash their hands of the resulting increase in violent crime.

They can't wash their hands of violent crime when they are cutting alcohol and drug rehabilitation programs.

Sixty per cent of everyone who is arrested is under the influence of alcohol when they commit the offence they get arrested for.

If you want to reduce crime, then alcohol programmes are a good place to start.

And what is going to happen to crime rates when the government is slashing mental health care as well?

And what will happen to crime when unemployment rises because they have no plan to create jobs?

It's short-sighted, and it costs more in the long run.

But they govern this way because they have no vision for making New Zealand a better place to live.

They govern instead to reward privilege; for the few not the many.

They govern for the short-term, even though the results are coming in now, and on jobs, on crime, on New Zealand's performance compared to Australia, and on the quality of life of kiwi families.

They're not doing well enough. New Zealand could do better.

New Zealanders are fair and practical people, and Grey Power members know these are qualities we have always had as kiwis.

I believe New Zealanders will not welcome short-sighted and unfair policies that give tax cuts to the most wealthy at the expense of the many; that leave people without jobs and a plan for growth; and that make cuts for the most vulnerable in our society.

A real vision for New Zealand would promise the best possible start to every New Zealand child.

It would ensure every senior New Zealand could live with dignity and security.

And it would be a vision for investment in the research and innovation, the skills and talent that will grow our country and provide opportunities for hand working kiwis and talented business people.

That is the future I want to see for New Zealand. It's a vision for a New Zealand that works for the many, not the few.

**ENDS**