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MEDIA STATEMENT

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2025 TASKFORCE – SECOND REPORT 2010

THE GAP CAN BE CLOSED – BUT WE HAVE TO START

The large income gap with Australia can be closed by 2025 if major growth-promoting policy changes are made soon, the second report of the 2025 Taskforce concludes.

Taskforce Chairman Don Brash said, in the Taskforce's first report last year, that the per capita income gap with Australia was 35 percent. Australia had so far weathered the international recession better than New Zealand.

“OECD projections suggest the gap will reach 42 percent by 2025. To close this gap, New Zealand will need to grow about two percent faster than Australia each year for the next 15 years.

“Closing the gap matters, because otherwise New Zealanders will head offshore in even greater numbers. On current projections, more than 400,000 New Zealanders - net of arrivals and departures - could emigrate in the next 15 years. That is one in ten of our population, equivalent to the greater Wellington region.

“We can ill-afford to lose so many people so quickly,” Dr Brash said.

“It is not inevitable that there will continue to be an income gap between New Zealand and Australia – we share most of the same natural advantages and disadvantages.

“But we need to change course, and do it quickly. The starting point has to be an unwavering focus on growth-promoting policies, aiming to match or exceed best practice world-wide. Unless this happens, those of us who remain in New Zealand will spend increasingly more of our time and money visiting children and grandchildren overseas.

““The Taskforce believes that these changes can be made without the major transitional impacts experienced during the economic reforms of the late 1980s and early 1990s.

“We were criticised last year for saying that smaller government was essential to closing the gap, but we stand by that statement. International evidence provides no reason to believe we can close the gap without significantly reducing the share of government spending in the economy, allowing tax rates to be lowered further. The state should withdraw from commercial activity to allow the private sector wider scope to generate the high levels of growth that are needed.

“The Government has taken several steps over the past year that are likely to increase our growth rate, but has also taken a number of backward steps. There is certainly no evidence yet that current policies will deliver the kind of accelerated growth we need.

“Our reform proposals are about putting New Zealand on a better footing to allow the natural drive, innovation and enterprise of our businesses to flourish and create jobs. This would give us a much better chance of matching Australia and other advanced economies, in a way that can be sustained for the long haul,” Dr Brash said.

The Taskforce was established under the National-ACT Coalition Agreement to report annually on progress towards closing the gap with Australia. Its members are Dr Don Brash, the Hon David Caygill, economist Dr Bryce Wilkinson, and Professor Judith Sloan of the University of Melbourne – she is a former member of the Australian Productivity Commission.

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The report will be posted on the 2025 Taskforce’s website at 1:30pm:
<http://www.2025taskforce.govt.nz/fromthetaskforce.htm>

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