

2025 Taskforce  
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[www.2025taskforce.govt.nz](http://www.2025taskforce.govt.nz)



## **MEDIA STATEMENT**

*Monday 30 November 2009*

*Embargoed Until 1.30 pm*

### **TASKFORCE MAKES TOTAL OF 35 RECOMMENDATIONS TO BRIDGE INCOME GAP**

The 2025 Taskforce has made a total of 35 recommendations to the Government which it says would bridge the income gap with Australia by 2025 – an income gap currently sitting at around \$64,000 a year for a family of four.

As well as the recommendations to sharpen regulations and reduce government spending and tax, the Taskforce has made recommendations on everything from early childhood education to mining.

Among them are new rules for government spending to require the Minister of Finance to specify publicly a medium-term target for core Crown operating expenses, and report publicly on steps being taken to achieve that goal. Expert taskforces would review every major area of government spending.

The Taskforce recommends ambitious welfare reform to reduce the very large number of people of working age currently receiving benefits. The age of eligibility for superannuation needs to be progressively increased. For a number of years, its value would be linked to prices rather than wages so that its cost would fall as a percentage of national income.

The New Zealand Superannuation Fund would be abolished and used to repay debt. KiwiSaver subsidies would be scrapped on the grounds that reducing tax and reforming superannuation is likely to do far more to improve savings.

Funder-provider models would be introduced in both health and education, to allow greater choice between private and public providers. Low-quality public spending would be cut, such as interest-free student loans. Some universal entitlements, such as free doctors' visits for the healthy middle class, would also be abolished.

The Taskforce further recommends that all businesses owned by the state in industries in which competition is actual or feasible should progressively be sold, and local government encouraged to sell their trading enterprises. All SOEs should immediately enjoy more transparent governance.

Costly road congestion should be reduced through the introduction of congestion charges where justified, starting in central Auckland.

The Taskforce also recommends that, like Australia, New Zealand should seek to benefit more fully from its minerals under land and sea, with the Crown securing its financial interest through royalty-type arrangements.

The full 35 recommendations are:

### **Government as Spender**

1. Government operating spending (as measured by core Crown operating expenses) as a share of GDP should be reduced by 2012/13 to 29 percent, the same share as in 2004 and 2005.
2. Beyond 2012/13, government spending as a share of GDP should be reduced materially further. To achieve this, the level of core Crown operating expenses per person should be capped in real terms.
3. The Public Finance Act should be amended to require the Minister of Finance to specify publicly a medium-term target for core Crown operating expenses, either in real per capita terms or as a share of GDP. In each Fiscal Strategy Report, the Minister of Finance should be required to report publicly on steps being taken to ensure that that goal is met.
4. The Government should undertake an in-depth examination of the scope for further institutional changes to strengthen long-term spending discipline. Examples of such institutions could include a Taxpayer Bill of Rights and/or an independent Fiscal Advisory Council.
5. Expert taskforces should be established to scrutinise each major area of government spending, with a view to proposing more effective models for delivering those services that the public sector will continue to fund.

6. Processes for evaluating government spending should be materially strengthened, including greater use of rigorous and transparent cost-benefit analysis for both new spending proposals and periodic reviews of the value that is being obtained from existing spending programmes. Enhancing the quality and rigour of such analysis should be a key priority for the Treasury.
7. Ambitious welfare reform measures should be undertaken as a matter of priority to reduce the very large number of people of working age currently receiving welfare benefits.
8. Early steps should be taken to lower the actual and prospective costs (as a share of GDP) of New Zealand Superannuation. The eligibility age should be increased progressively, with increases linked to ongoing improvements in life expectancy, and for some years payments should be indexed to the CPI rather than to after-tax wages.
9. Remaining KiwiSaver subsidies should be abolished.
10. Health:
  - a. A funder-provider model should be reintroduced in the hospital sector, allowing much greater private sector involvement in the provision of taxpayer-funded services.
  - b. Universal (unrelated to income or health status) subsidies for doctors' visits should be abolished.
  - c. Subsidies for prescription pharmaceuticals should be substantially reduced, with those in generally good health and not on low incomes paying the full price up to a cap.
11. Education:
  - a. The substantial increases in subsidies since 2005 for early childhood education and day-care should be reversed.
  - b. A funder-provider model should be adopted for the school sector, allowing new providers to enter, with all-up per student funding equivalent to that for existing state schools.
  - c. In the meantime, governance and accountability structures in the school sector need to be reformed to provide better incentives for stronger performance and greater accountability for teachers, principals and schools.
  - d. Government-imposed fee caps on university fees should be abolished.
  - e. Market-based interest rates should be reintroduced for student loans.
  - f. Governance of the public tertiary sector should be reformed, including exploring the rationalisation of the non-university sector and the establishment of universities as independent foundations.
  - g. A full review should be undertaken to identify, and recommend reform of, those areas in which various government education agencies (Tertiary Education Commission, Education Review Office, Ministry of Education) have become overly prescriptive, and to explore other, less intrusive, monitoring and accountability options to achieve policy ends that pass a cost-benefit test.

### **Government as Tax Collector**

12. Average tax rates should be substantially reduced, as ambitious expenditure restraint permits. Cutting core Crown expenses to 29 percent of GDP would, for example, allow the maximum personal tax rate, and the company and trust tax rates, all to be reduced to 20 percent.
13. Serious reforms should be undertaken to reduce the high effective marginal tax rates facing many middle income taxpayers with dependent children as a result of the abatement provisions of the Working for Families tax credit scheme.
14. Reductions in average tax rates should be achieved by reducing income taxes, and doing so having regard both to the importance of administrative simplicity and minimisation of tax avoidance on the one hand, and to the evidence that taxes on capital income can be particularly detrimental to economic performance on the other.

### **Government as Owner**

15. All businesses owned by central government which are operating in markets where competition is actual or feasible should be sold.
16. Local governments should be strongly encouraged to sell their trading enterprises.
17. To strengthen governance while businesses remain in public ownership, an independent Crown Commercial Appointments Commission should be established, to be responsible for making recommendations to Ministers for Board positions on all Crown commercial enterprises and for vetting and publishing suitability assessments of all appointees to such boards.
18. The New Zealand Superannuation Fund should be wound up and its assets used to reduce gross government debt.
19. Congestion charging should be introduced in central Auckland and in any other cities where a cost-benefit analysis supports doing so. Full road-user charging, differentiated by place and time of road use, should be introduced as it becomes economically efficient to do so.
20. Rigorous and transparent cost-benefit analyses should be restored to the prime place in guiding decisions on all public capital spending, including infrastructure spending. All such cost-benefit analyses for projects involving the outlay of more than \$50 million should be formally reviewed by Treasury.
21. Mining:
  - a. A governance framework should be put in place to facilitate the best economic use of those mineral resources in which the Crown has a direct ownership interest (under both land and sea).
  - b. Mining developments on or under sensitive Crown land should generally be permitted provided that they pass a full cost-benefit analysis.
  - c. Development of mineral resources should be undertaken by private operators, with the Crown securing its financial interest through appropriate royalty-type arrangements.

## **Government as Regulator**

22. A Regulatory Responsibility Bill should be enacted, based on the draft proposed in the recent report of the Regulatory Responsibility Taskforce.
23. Property rights should be added to the list of rights specified in the Bill of Rights Act.
24. Substantially improving the quality of regulatory impact analysis being undertaken before legislation is introduced and/or government regulatory powers are extended should be treated as a matter of high priority by Ministers and central government agencies. Such analysis should be an integral part of all policy development and review processes, to ensure that the full costs and benefits, to all sectors, are appropriately and rigorously factored into government decision-making.
25. An independent Productivity Commission should be established as a centre of microeconomic and regulatory analytical expertise. The Commission should be authorised (and resourced) to undertake reviews of matters referred to it by Ministers, and of issues it identifies as requiring further in-depth analysis and research.
26. A high quality independent taskforce should be constituted as a matter of urgency to review resource management law from first principles, including identifying the policy goals that should be served by such legislation and assessing the best ways of achieving those goals.
27. When determining the zoning of land for residential purposes, local authorities should be required by statute to take explicit account of any differences between the price of residential-zoned undeveloped land and the price of other undeveloped land in similar areas. These differences should be reported on by local authorities each year, with a strong presumption that scarcity of zoned land, as reflected primarily in price differences, should prompt action to increase the supply of residential land.
28. A system of tradable water rights should be established urgently.
29. Labour market:
  - a. Labour law should be amended to strengthen the freedom of negotiation between workers and their employers, including, for example, streamlining provisions governing dismissal of workers, and putting less emphasis on procedural matters.
  - b. Statutory provisions allowing enforceable mutually-agreed probationary periods for new employees should be extended, from the current maximum of 90 days for those working for small firms to a maximum of 12 months for employees of firms of any size.
  - c. For employees earning in excess of \$100,000 per annum, employment relations should be governed by the standard provisions of contract law rather than by the Employment Relations Act.
  - d. The youth minimum wage should be reinstated as a matter of urgency, and minimum wage rates should be reduced to the same ratio to average wages that prevailed in 1999.

30. Immediate notice should be given that from 1 January 2011 all remaining tariffs will be removed.
31. Foreign investment restrictions should be further reviewed, starting with a strong predisposition that a much more liberal regime should be introduced.
32. Emissions trading legislation and any future emissions reduction targets the Government adopts should be independently monitored and periodically reviewed. Such reviews should focus on monitoring the economic impact of any carbon abatement goals, and the impact of chosen abatement regimes (here and abroad) on prospects for achieving the 2025 goal.
33. A review of the Commerce Act should be undertaken, with a focus on restoring the primacy of economic efficiency considerations and long-term consumer interests in the design and conduct of competition policy.
34. The Government should strongly encourage the transformation of Fonterra into a conventional company structure with fully-traded outside capital, using any appropriate instruments at its disposal.
35. Zespri's monopoly on the export of kiwifruit to markets outside Australia should be removed.

**END**

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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