



## “WHAT JOHN KEY’S LETTER DID NOT SAY”

Nelson Suburban Club,  
9<sup>th</sup> July 2010  
**Rt. Hon Winston Peters, Leader NZ First**

Thank you for your invitation to speak here in Nelson.

It is a chance to talk about some of the issues you face but the main topic is a letter that you received recently. It was written by a team of spin doctors, signed by the Prime Minister John Key, and paid for by the taxpayers. It outlines in glowing terms the financial heaven you will all be living in after tax cuts and an increase in super on the 1<sup>st</sup> of October. In fact – from that letter we could think that you will never have it so good! The letter speaks glowingly of the Budget. Surprise surprise! Apparently the tax system is being changed, reduced across the board, becoming fairer and people are being encouraged to save.

And it says....”We are boosting New Zealand Superannuation and the Veterans” Pension to FAIRLY compensate for the GST rise.” The boost actually is just over two percent. Like – you are getting 2.02 percent to compensate for the GST rise?

We don’t know how this princely sum was calculated.

Hold on....

The 2010 Budget states quite clearly that prices will go up just under SIX percent as a result of the Budget itself. And remember – inflation will add more – so you could be realistically looking at price increases of eight to ten percent. Power bills are going up, rates are increasing and the situation is looking grim for elderly people on fixed incomes. Because – and this is very important – the prime minister's spin doctors forgot to mention that the way superannuation is calculated has already been changed to actually reduce it. As a result of that change you are already losing more than two percent. And on top of that you are always playing catch up with the pension.

Now the prime minister said in his letter he was going to be fair. This is how fair he is going to be. His take home state paid prime minister's salary will go up roughly \$300 a week as a result of the tax cuts. That is just below the amount that a single pensioner gets to live on. That is fair according to the prime minister.

Now, this may scare you but whatever understanding or expectation you have about your pension, don’t take it for granted.

New Zealand superannuation is an entitlement and right now throughout the developed world governments are lighting bonfires under entitlements. Globally, in the developed world, we are witnessing the passing of what might be called “the age of entitlement” and the emergence of the era of austerity. Like back in the days of the Great Depression. So if you currently receive a state pension or you expect to get one, take nothing for granted. Do not assume that superannuation is somehow sacrosanct.

To understand why New Zealand First puts so much emphasis on the need for great vigilance over superannuation, we need to look at what is happening out there in voodooland.

The collapse of Lehman Brothers in September 2008 triggered the global financial crisis – and – we are not out of the danger zone yet. The response to the crisis has taken a number of distinctive shifts.

The first response was the phase of the “open cheque book” when governments spent unbelievable sums saving institutions deemed too big to fail. The order of the day was – spend – spend –spend. Of course that could not last – a point of fiscal saturation was soon reached. Now, in the face of massive government debt, predictably the pendulum has swung 180 degrees. In contrast to that initial splurge, the mood has switched to restraint, cost cutting and austerity.

The recent G20 meeting of world leaders in Toronto made it very clear the way the wind is blowing. The gods of the financial markets are disenchanted with debt and the market will punish any country seen as failing to bring its fiscal house into order. Debt reduction is the order of the day. Already in some countries, such as the UK, they are talking openly about cuts so profound as to change Britain’s “whole way of life.” The recent British budget was the most draconian peace time budget ever and there is now talk of a worst case scenario of government spending cuts of up to 40 percent in some areas.

Back here in New Zealand let's go to another part of the John Key letter. And I quote ... “the...government is careful to spend money wisely and we are on track to rein in growing debt”. Let us repeat that last bit... “we are on track to rein in growing debt”. Translation ....we are going through a slash and burn exercise over social spending (but I am fortunately getting an extra \$300 a week).

The slash and burn exercise will follow the report of the Welfare Working Group which was set up in April and is supposed to report in December. It was established to undertake an expansive and fundamental review of New Zealand’s welfare system. The group’s primary task is to identify how to reduce long-term welfare dependency.

Superannuation is supposed to be outside the scope of the Welfare Working Group but one of the advisers to the group – a Professor Peter Saunders of Australia who holds very strong views on welfare has let the cat out of the bag. In his notes for a welfare forum only last month he said that any review of the welfare system should include pensions. Remember, this man was appointed by the Social Welfare minister. He also said ...

***“to the extent that cost is driving the concern to reform welfare, it is impossible to exclude two other major sets of payments from our overview. (pensions and family support)***

***Even when age pension payments are means-tested, as in New Zealand and Australia, they remain hugely expensive, and with an ageing population there is a clear need both to re-think the retirement age .... and to encourage or require workers to set aside a portion of earnings on their own personal accounts..... Personal savings accounts are potentially an important instrument for increasing people’s sense of responsibility for their own welfare, not only when it comes to retirement planning, but also in areas like further education and training, unemployment insurance, short-term sickness cover and health.”***

So there you have it. The issues that John Key's letter did not talk about. The end of any sort of pretence of a fair deal for all New Zealanders.

He used the words “means tested”. Superannuation in this country is not means tested. Do we detect a Freudian slip?

Of course, everyone recognises that government spending should eliminate waste but here in New Zealand we can weather any storm if we are sensible and fair.

It is not fair for the elderly to suffer a real drop in income and a cut in services while the prime minister gets an extra \$300 a week.

There are strong forces in this country and overseas that want the government to both cut pensions and lift the age of entitlement. In our opinion the ground is already being prepared for this.

And it is important to look at what political parties actually DO rather than what they SAY. Over the past thirty years National has a track record of reducing superannuation payments. In the early nineties the Bolger government failed to meet its election commitment and left Labour's infamous surtax intact. Worse than that National put the surtax up and at its most onerous imposition it reached 92 cents in the dollar. It lifted the age of eligibility and reduced the level of payments through a variety of mechanisms. **New Zealand First abolished the surtax as part of the coalition agreement in 1996.** But in 1998 the Shipley government with a certain finance minister called Bill English reduced super to 60 percent of the net average wage. **(NZ First got it back up again to 66 percent in 2006)**

And don't forget – in its very first Budget last year National stopped contributions to the Cullen fund. We supported the establishment of this fund to soften the impact of the retirement of the baby boomers. National stopped contributions. That should make every person nearing the age of 60 or more very, very afraid.

So make no mistake National will eventually reduce superannuation payments, lift the age of eligibility or reintroduce some draconian cost cutting measure against the elderly. The only question is the method.

Internationally, all sorts of measures that were until very recently deemed to be 'unthinkable' or 'politically impossible' are emerging as real possibilities. In Greece, the Government is proposing to cut the basic state monthly pension by 10 percent. That cut will be in addition to a freeze on pension cost of living adjustments and raising the retirement age.

Austerity - that is now the context - the climate in which decisions affecting public pensions are being made.

We would like to think that decisions affecting matters like superannuation would be taken with due regard for compassion, decency and fairness. What we fear will happen will be a softening up campaign. Deficit reduction and fiscal consolidation will be the order of the day. There is likely to be a lot of coded messages and signals – lots of talk about 'unsustainability'.

Do not expect John Key or his ministers to say openly that they consider those on the state pensions to be a burden on the taxpayer. Initially, that will only be insinuated and implied. And reductions in the value of your superannuation do not have to take the form of outright cuts. It will be undermined for example, by allowing its real purchasing power to be eroded. There are a whole host of sneaky, underhand, technical ways your superannuation can be 'adjusted' to cut its real value to the retired. Alternatively cutbacks could be pushed through under the cover of a 'crisis' or 'emergency' Remember that in our system all it needs is a simple parliamentary vote to change superannuation.

Inevitably, once governments start talking of reducing the size of public spending then realistically nothing can be off the table. We have not arrived at such a point yet – with an election in sight next year - but it could occur at short notice.

So the fundamental issue New Zealand faces is this: Do we move forward making rational responses to the economic circumstances that confront us or do we abandon the principle that we are all in this together and allow some groups, such as the retired, to be marginalised? Sadly this is already happening.

There is more sneaky stuff going on behind the scenes. Like cutting services to the elderly. District health boards are reducing home help because of financial restrictions imposed by the government. This government always likes other institutions to do its dirty work. That way it can say that the district health boards cut the service – and not the government. But all around the country, vulnerable old people are being exposed to severe impediments to the state of their wellbeing. It is a known fact that our senior citizens do best in their own homes and they should be allowed to stay in them as long as possible. Our seniors also don't want to be a burden on society. But in many cases their families have had to move elsewhere – even overseas – to get jobs. So, a few hours help a week for those who need it is an important and inexpensive social service. It is better than a fall – a broken hip – and months in hospital at huge expense! But as John Key said recently – and did not include in his letter - do not be envious about those achievers getting big tax cuts.

Now what can you do about all this?

**New Zealand First has always been the only party standing with senior citizens against the forces of economic expediency and self interest.**

Just by making this speech today we are warning this government not to hurt the lives of people who have made their contribution and deserve dignity in retirement.

So, be aware, be vigilant, look out for each other and make sure you vote New Zealand First next year.

**When the big battle comes we will be on your side.**

**We always have been.**

**ENDS**