

Wellbeing
Budget 2020
**REBUILDING
TOGETHER**

Budget speech

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Minister of Finance

14 May 2020

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Budget Speech

Mr Speaker, I move that the Appropriation (2020/21 Estimates) Bill be now read a second time.

From its very beginning this Coalition Government has committed to putting the wellbeing of current and future generations of New Zealanders at the heart of everything we do. There is no time in New Zealand's recent history where this is more important than today.

Budget 2020 is being delivered in the shadow of a 1 in 100 year threat to the wellbeing of our people, our communities and our economy. The global COVID-19 pandemic has sent shockwaves around the entire world and we are feeling these effects deeply here at home.

The 17th of March now seems an age ago, when I announced in this House a \$12.1 billion Covid-19 recovery package. At the time this was one of the largest responses on the planet – some 4% of GDP. I said then it was only the beginning of our response, and today we take further steps in enabling New Zealanders, together, to respond, recover and rebuild.

These are not the words I thought would use to describe this Budget only a couple of months ago. There are many words and concepts that New Zealanders would have been surprised to hear themselves using in quite the way we are. Bubble, physical distancing, PPE, contact tracing, “you're on mute”, Level 4, Level 3, and yes, as of today, Level 2.

Another word is “unprecedented”. It is one we have heard and said almost daily. The lives of all New Zealanders have been affected to an extent none of us would have thought possible only a matter of months ago. It is also a word we have to keep using. This pandemic has not finished, its health and economic stories are still being told.

We can be very proud as a country of our health response, and it must go on. And now, we also have to put a team of five million to work on our economic response.

The initiatives we've put in place since March 17, just two months ago, have formed the first stage of our plan to face COVID-19. Respond – go hard, go early.

We were faced with a choice between a public health catastrophe as has been seen in other countries, or unprecedented and difficult measures. There were no costless decisions in this situation, nor was there any playbook to go by.

I know that our success in controlling the virus has come at a price, with hundreds of thousands of Kiwi workers and employers having to stay home, and jobs and businesses lost. But I stand by our view that the best economic response is a health response. By going hard and early – getting on top of the virus, while protecting jobs and

businesses – we now have a head start on many countries around the world to get the economy moving again.

Mr Speaker,

I want to thank our coalition partner New Zealand First, and our confidence and supply partner the Green Party of Aotearoa New Zealand. This has been a Budget put together in extraordinary circumstances and your cooperation, commitment and flexibility has been much appreciated.

I also want to place on record my appreciation for the massive effort of hundreds of public servants over the last two months, including in the preparation of this Budget. Many people, including those at the Treasury and in our Ministerial offices have worked seven days a week for this whole period of time. Their dedication is a measure of true public service.

The core of Budget 2020 will boost critical public services, fund infrastructure, and provide the unprecedented investment needed for the second and third stages of our plan to face COVID-19: Recover and Rebuild.

Through this Budget we are establishing the \$50 billion Covid-19 Response and Recovery Fund. This fund builds on top of the initial \$12.1 billion package, and the \$12 billion New Zealand Upgrade Programme we announced in January.

This is the most significant financial commitment by a New Zealand government in modern history. The fund does not represent a target for spending, but gives us the flexibility to be able to respond as necessary.

The Fund will be critical in seeing New Zealand through the economic struggle that is coming, and rebuilding our economy for the better over the long-term.

Our recovery and rebuild will be based on getting New Zealanders back to work. This Budget is about jobs. Keeping people in their jobs wherever we can, supporting businesses and sectors to create new jobs through infrastructure, housing and more, directly creating jobs that help restore our environment and conservation estate, and training and re-training people for new jobs at a scale we have never seen before. It also begins to rebuild our social infrastructure – acknowledging the toll this crisis has taken on our communities, and on the people and places that hold them together.

It is a once in a generation Budget. It is bold because the task we face is monumental. We said at the outset of this crisis that while we would not be able to save every job or every business, we would do everything in our power to protect our people and our economy. Today we go further, and begin to chart a course to a better tomorrow.

Economic and Fiscal Outlook

Mr Speaker,

Coming into this crisis New Zealand was fortunate to have a fundamentally strong economy and fiscal position.

Prior to the COVID-19 pandemic real GDP growth in the year to December 2019 was higher than many of our international peers. Unemployment at 4% was historically low and wage growth of above 3% was at decade long highs.

New Zealand's fiscal position was also strong. The Coalition Government had delivered on its plan to reduce net core Crown debt below 20 per cent of GDP and achieved \$12.8 billion of OBEGAL surpluses in our first two years in office.

These were conscious choices that did not go unchallenged. But this strong fiscal position, built on the work of Bill English and Michael Cullen, now means we are much better placed than many other countries to use our balance sheet to cushion the blow of COVID-19 on the economy and to protect the wellbeing of New Zealanders. The rainy day has arrived, but we are well prepared.

Many other countries are not starting from the same position of strength that we are. The UK started with net debt above 75%, the USA 90%, and Ireland 40%. Many countries are already well over 100% as they respond to the virus.

The IMF expects a decline in global economic activity not seen in peacetime since the Great Depression of the 1930s, with annual global growth expected to fall to -3.0 per cent in 2020.

Although we are doing everything in our power to push back on these trends, there is no sugar coating the impact this crisis has had on the government's books. Treasury's forecasts and alternative scenarios indicate there will be a sharp fall in economic activity and a substantial rise in unemployment.

New Zealand's real GDP growth rate is forecast to decline from 2.8 per cent in the year ending June 2019 to -4.6% in the year ending June 2020, driven by a quarterly decline in GDP of over 20 per cent in the June 2020 quarter. Annual average GDP growth is forecast to return to positive from the year ending September 2021 onwards.

Unemployment is forecast to increase significantly, rising to 8.3% in the year ending June 2020, before peaking at 9.8% in September 2020 and then recovering thereafter.

It is worthy of note that economic forecasting is more of an art than a science at the best of times, but more so than ever now. The full impact of COVID-19 around the world is still being seen. The depth and duration of the pandemic means that the economic outlook is highly uncertain and forecasts will change as more information comes to light. But what they do clearly show is the scale of the economic challenge that lies ahead.

Mr Speaker,

I remain committed to managing our books carefully and responsibly. And right now, being responsible means investing to support our people, businesses and communities to get through this and to rebuild. This is the rainy day we have been preparing for – now we must weather the global storm.

The scale of this required investment will impact the operating position and net debt.

OBEGAL deficits will average 9.3% of GDP between 2020 and 2022. Careful economic management will see the deficit reduce to 1.3% of GDP by 2024.

Net core Crown debt is forecast to be 30.2% at the end of this financial year, and to reach 53.6% of GDP by the 2023 fiscal year before stabilising. These are numbers far in excess of the range that we had been working to, and the levels we had achieved.

But this is a one in one hundred year event affecting every country in the world this way. In an international context our debt will still be among the lowest in the world among developed countries. Our disciplined and balanced approach to managing the economy means that ratings agencies around the world have in recent weeks re-affirmed our credit rating and their view that New Zealand is well placed to get through COVID-19.

Running operating deficits and allowing net core Crown debt to increase in the short term is necessary. This level of investment in the short term will support the economy recovering to where we can return to a more sustainable fiscal position.

Child Poverty Report

Mr Speaker,

This Budget includes the second ever Budget Day report on child poverty. Our goal remains, despite the challenges posed by COVID-19, for New Zealand to be the best place in the world to be a child.

Budget 2020 builds on our past investments to reduce child poverty, including through the Families Package, the indexation of benefits to wages, and lifts to the minimum wage. It is also supported by our actions on March 17th to lift main benefits by \$25 per week and other policies that are supporting the lowest income New Zealanders.

In February this year the Government Statistician published the first report of progress against the child poverty targets set under the Act. Reporting timeframes meant that the impact of the Government's Families Package was only partially shown, but of the nine different poverty measures reported, seven showed decreases from the previous year's baseline rates.

The Report also indicates that the Government was broadly on track to meet the three-year targets on the two primary measures of low income.

It is still too early to know what the precise impact of COVID-19 will be on rates of child poverty. The loss of jobs and incomes will have knock-on impacts for households trying to pay their rents and meet every day needs.

Fundamentally, what we do know is that investing in our children and their wellbeing will have significant long-term benefits for our economy and broader society, long after COVID-19 has passed. This focus remains core to the government's agenda.

COVID-19 Respond, Recover and Rebuild

Mr Speaker,

As we move into Alert Level 2 and the Recovery stage, our purpose is to see people back at work, to clear the pathway back for communities and sectors most affected by COVID-19, and to lay the groundwork for our rebuild.

The COVID-19 Response and Recovery Fund, established through this Budget, will be used to support New Zealanders through each stage of the impact of the virus. It is

designed to not only support the immediate response but also provide support, as necessary, over the longer term to rebuild our economy and society.

We have already committed \$13.9 billion of the Fund to previously announced initiatives, including funding for the Wage Subsidy Scheme, the essential workers leave scheme, SME support measures, the Business Finance Guarantee Scheme, and additional packages to support the health response, and resources for those in need.

Today we are announcing a further \$15.9 billion in funding focused on key areas that will kick-start the economic recovery, create decent, sustainable jobs, ensure the security of our most vulnerable, and lay the groundwork for us to rebuild a better nation together.

Business support

Mr Speaker,

The Government has already provided unprecedented support to cushion the blow of COVID-19 for businesses across New Zealand. As well as the Wage Subsidy Scheme, businesses have been supported through significant changes in the taxation system, low and interest free loans, together with supportive changes to laws and regulations. This Budget goes further, with a \$4 billion Business Support package to help keep people in work and position businesses for recovery and growth.

For many businesses the struggle in the face of COVID-19 is not over. We know that a number of them are far from trading at normal levels, particularly in the tourism, hospitality and retail sectors.

Today we are announcing a targeted extension of the successful Wage Subsidy Scheme. The Scheme has already seen more than \$10.7 billion paid out to support workers and businesses.

The extension will focus on businesses who are still doing it tough. It will be available for a further eight week period for those who have suffered a 50% reduction in turnover over the 30 days prior to application compared to last year. It will follow on directly from the end of the first twelve week scheme. It is estimated to cost up to \$3.2 billion.

This extension will provide further stimulus to the economy, keep people in work and give businesses more time as we move through Alert Level 2 to re-establish or re-orientate their operations.

Beyond the Wage Subsidy, our direct Business Support package includes increasing support to research and development. We are launching a \$150 million short-term temporary loan scheme to incentivise businesses to continue R&D programmes that may be at risk due to COVID-19. The loans will provide one-off finance and will be administered by Callaghan Innovation.

Trade will also play a significant role in kickstarting New Zealand's recovery from COVID-19. We are providing a \$216 million boost to New Zealand Trade and Enterprise to expand the scope and intensity of support provided to exporting firms. This includes increasing activity for New Zealand firms in priority markets and expanding the digital services available for firms.

COVID-19 has brought home the increasing importance of e-commerce for our small businesses. We are setting aside \$10 million in funding to support small businesses to improve their e-commerce service offerings, and incentives/grants to encourage e-commerce adoption. We will also provide further support for business advice, the e-invoicing project, Business Connect and the Better For Business programme.

Infrastructure

Mr Speaker,

Investment in new infrastructure projects will help support the longer-term economic recovery from COVID-19. It will not only grow jobs, but it will also seek to address the infrastructure deficit that has held back New Zealand's productivity for too long. We will build the infrastructure we need to unclog our cities, to connect our towns, and to support sustainable development. We will make sure that this is the infrastructure needed for a 21st century New Zealand that, among other things, supports meeting our climate change goals.

We had already made a significant start on this with our \$12 billion New Zealand Upgrade Programme announced in January.

In this Budget we are establishing an initial \$3 billion contingency for additional infrastructure investment. Cabinet will make the final decisions on which projects should be funded from this contingency in the coming weeks and months.

This will include projects that are identified through the Infrastructure Reference Group as well as bids received from individual departments and agencies. We will have a particular focus on regional infrastructure projects identified through the Provincial Growth Fund, and on projects that advance other goals of the government. We look forward to increased partnerships with local government and the private sector to advance this programme of work.

I fully expect that we will fund further infrastructure projects beyond this initial allocation as we move on with our rebuild, including in areas such as our Three Waters Programme.

The policies we have introduced as part of the COVID-19 response, such as reform of the Resource Management Act, will be a significant support in in this regard.

Housing

Every New Zealander deserves a warm, dry home. But a decade of underinvestment has resulted in New Zealanders having to put up with a housing shortage, and too many of those homes that are available are of poor quality. We've seen this manifest in unaffordable house prices, high rents and homelessness that no New Zealander of any political persuasion can be comfortable with.

Not only is Housing one of our greatest areas of need it is also a job rich area. We have already seen through our Construction Accord the possibilities that exist to train and build a workforce to drive forward our goals on Housing.

Today's Housing package creates 8,000 additional public or transitional housing places over the next 4 to 5 years. This will be financed by \$5 billion of building through the Kāinga Ora borrowing programme and investment in Community and Transitional Housing

providers. We are also providing \$670 million of support and services to tenants. This will improve affordability by increasing the supply of houses, while also providing a shot in the arm to the residential construction sector as we emerge from the crisis. It will also take us further down the path of ending homelessness.

Further support for housing development and construction, including in the private residential market will be a critical element of our recovery from COVID-19, and it is my intention that this will be the subject of further investment in the next phases of the fund.

Environment Jobs Package

Mr Speaker,

Our rebuild from COVID-19 provides an opportunity to address some of the long-standing sustainability and environmental challenges facing New Zealand. Our \$1 billion Environmental Jobs package announced today will create thousands of jobs that will at the same time support habitat protection, pest control and biodiversity on our public lands.

This includes a \$433 million investment in regional environmental projects. These will support our economic and environmental recovery in partnership with local government and farmers. It will include restoring wetlands, stabilising river banks and removing sediment. There will be projects and jobs created across New Zealand, including in the Kaipara catchment.

A \$315 million package of pest eradication and pest control work, including advancing Predator Free New Zealand is established in this Budget. This also includes work to get under control populations of wallabies and to help control wilding pines.

We are also establishing a \$200 million Jobs for Nature Fund to support job creation within the DOC estate, including through upgrading tracks, huts and other facilities.

These are practical initiatives. Creating jobs, while protecting and enhancing our environment – a perfect ingredient for recovery from COVID-19.

Education, Training and Jobs

Mr Speaker,

As New Zealanders find themselves out of work, or entering the labour market for the first time it is vital that there is strong support for them to get the skills and knowledge they need for work. For businesses they also need support to keep and take on apprentices.

In the past investment has not been made up front, seeing people drop out of the labour market, so that when the time has come and businesses have recovered there is not the workforce available with the required skills.

We will not let that happen again. The Budget is funding \$1.6 billion in a Trades and Apprentices Package to provide opportunities for New Zealanders of all ages to receive trades training. This will include financial support for businesses to retain their apprentices, free apprenticeships and training in targeted critical industries, and funding increased enrolments in tertiary education and training. There is a specific \$50 million fund for Maori Apprentices and Trades Training.

We recognise the importance of the partnership with businesses and workers in making our training system work. The package also includes the establishment funding for Workforce Development Councils and Regional Skills Leadership groups to assist with coordination. The Ministry of Social Development is being supported to expand its employment services and core provision as well.

We are also injecting a further \$121 million into He Poutama Rangatahi. This scheme provides funding to community driven programmes to resolve barriers to employment and training. They have a proven track record in engaging young people who are at risk of falling out of work and developing them as people as well.

This boost will accelerate its establishment into urban areas that have the greatest numbers of young people not in employment, education or training such as West and South Auckland, Hamilton, Porirua and Christchurch East.

Mr Speaker

If there was one decision in the wake of the Global Financial Crisis that symbolised the failure to understand the role of education and training in the recovery from a downturn, it was the decision to cancel funding for adult and community education, including night classes. This government will not allow that mistake to be made again. The Budget includes a \$16 million boost to Adult and Community Education to restore that funding and help providers to meet the increased needs for training and upskilling in the wake of COVID-19.

This government is absolutely committed to the place and role of education in supporting our recovery and rebuild. We also understand that the COVID-19 crisis has put pressure on students, many of whom have lost income as a result of losing part time work. We are establishing a \$20 million hardship fund in this Budget, and in further responses we will continue to work on other ways we can support students through this difficult time.

Sector recovery

Mr Speaker,

Over and above the wider support we are providing to businesses to keep people employed and support the growth of new jobs, we have a range of targeted support packages aimed at sectors particularly impacted by COVID-19.

One of the Industries most directly impacted by COVID-19 has been tourism. The shutting down of our borders has been a critical element in our success in controlling COVID-19. But quite clearly that has turned off the tap of the millions of visitors who have supported our tourism industry. Border restrictions are going to be with us for some time, so we need to work with the businesses and tourism centres to re-imagine and transition the industry. The extension to the wage subsidy scheme announced today will provide further support for tourism businesses and jobs as domestic tourism begins again.

The Budget today makes the first contribution from the government to the Tourism Sector Recovery Plan. This \$400 million funding injection will support the first stages of an action plan agreed with the industry. This will include a transitions programme to support businesses to plan for the next steps, a fund to ensure key tourism assets survive, a domestic tourism marketing campaign and a public/private taskforce to shape the future of the industry.

This Budget also recognises the significant impact of COVID-19 on our Māori community, particularly in terms of employment where Maori are already over-represented.

Our Māori COVID-19 Recovery Package totals \$485 million and includes a range of measures to support Whānau through the recovery period. This is in addition to other significant investment in Budget 2020 for Maori initiatives.

This package includes a \$137 million boost to Whānau Ora to ensure providers can continue to provide timely and flexible support to whānau facing the health and socio-economic impacts of COVID-19. I want to make a special acknowledgement to those providers and iwi groups who have provided hundreds of thousands of care packages to the whanau during this period. Nga mihi ki te aroha.

The package also establishes funding for a Maori and Iwi Housing and Innovation Fund (Te Maihi O Te Whare Maori) to create opportunities for building housing for whanau and the jobs that go with it. More than \$20 million has been allocated to a cadetship programme to support re-skilling and career development opportunities.

Further initiatives to support Maori education are supported in order to ensure the effects of COVID-19 do not take away from the earlier investments made by the government. This includes programmes to sustain Kohanga Reo and revitalising Te Reo Maori.

Likewise, our \$195 million Pacific recovery package is comprised of a range of initiatives to support Pacific communities who have been affected by COVID-19, including a major focus on programmes to lift skills and support employment. One example is the extension of the Tupu Aotearoa programme across New Zealand. This helps Pacific young people to find employment, complete further training or undertake study. The package also includes a Pasifika Culture and Heritage Fund, support for housing, business and community development, education and training.

There are also sector recovery packages for the Arts and Sports. These are both areas that have been devastated by COVID-19. Funding sources have dried up and events have been cancelled. They are also both sectors that have increasingly offered employment opportunities and contributed to our economy. We know that they are very much part our social infrastructure. They make our communities strong. The details of these packages will be announced in the coming days.

One very particular part of the community and sporting sector gets a long sought after boost in this Budget. Our Water Safety sector has long relied on donations for much of its work. In an increasingly tough environment to raise that money the likes of Surf Livesaving New Zealand and the Coastguard will now have funding security with \$62 million allocated over four years for their critical work in our community.

Further sector packages, including for the media sector are being developed over the coming months.

Community Wellbeing

Mr Speaker,

It is critical that we support our communities, and especially vulnerable people, to respond to and recover from COVID-19. On March 17th we provided a \$2.8 billion package that increased main benefits across the board by \$25 per week and doubled the Winter

Energy Payment for 2020. We have continued to provide emergency support via Civil Defence throughout the period, and provided \$100 million of support to house the homeless.

In this Budget we are investing in financial assistance for caregivers. This will increase the current rates of the Foster Care Allowance, Orphan's Benefit and Unsupported Child's Benefit by \$25 per week per child to meet the needs of children and their caregivers. It also provides further support that the Minister for Children will outline in the coming days.

Food security will be critical throughout the recovery period, with too many individuals and families impacted by COVID-19 struggling to afford food. No New Zealander should go hungry because they can't afford it.

That's why we are expanding the Free and Healthy School Lunch programme to 200,000 students from Term 4. The \$217 million expansion will target students in schools with the highest disadvantage and is expected to create 2,400 jobs in the community.

We are also providing \$32 million to increase support for foodbanks, food rescue and other community food services to leverage surplus donated food from producers, manufacturers and suppliers that would otherwise go to landfill.

We are also establishing a \$36 million fund to support community groups to respond directly to COVID-19 and its impacts, with a particular focus on those who are from Maori, Pacific, refugee and migrant communities.

Mr Speaker, as I have said today's announcements are part of a rolling maul of Government support throughout the COVID-19 response and recovery. Our economic response to COVID-19 will happen every day, not just Budget Day. We will continue to work with New Zealanders to shape that response.

Budget 2020 Core Services Package

Mr Speaker,

As we faced up to COVID-19, and deployed such significant support in such a short space of time, we had to take another look at our plans as a Government.

As in businesses all around New Zealand, important work has had to be slowed or postponed, and resources have had to be reprioritised in light of the fight against COVID-19.

The Budget is no exception. The new spending packages planned on our five priorities that were announced in the Budget Policy Statement have been re-assessed.

We may revisit them in future, but the focus for Budget 2020 has now very quickly become providing the strong public services we need and taking our next steps to recover and rebuild.

New Zealand's ability to respond rapidly and effectively to this crisis has highlighted the importance of investing in and maintaining effective core government services. I will briefly run through the main elements of the core package to maintain and enhance these services.

Health

Investment in the health sector has never been more critical. Budget 2020 invests extensively in areas that we know will make a difference to the wellbeing of New Zealanders.

The total investment made through our core health package is \$5.6 billion in services and \$755 million in capital investment.

This spend includes \$3.9 billion for DHBs. This represents the largest ever annual investment. This will provide much needed funding for our hospitals and other services so that they can continue to provide for New Zealand's growing and changing population.

This Budget also provides funding for more medicines through a \$160 million increase to the Combined Pharmaceutical Budget managed by PHARMAC. This critical investment takes PHARMAC's medicines budget to a record \$1.045 billion for 2020/21. That's an increase of 20% since 2017/18.

We are also helping disabled New Zealanders to live good lives, with a further \$832.5 million for Disability Support Services. This initiative provides security of funding for services to people with long-term physical, intellectual and/or sensory impairment.

In addition to this package, and the \$500 million allocated as our initial boost to deal with COVID-19, we are announcing today further support to parts of the sector particularly affected, including \$37 million to sustain laboratory testing capacity and additional support for ambulance, aged care, disability, and hospice services. I expect that we will provide further support to our health sector in the coming months.

Social sector

Budget 2020 provides a funding boost to both governmental and non-governmental social services, to support New Zealanders' employment, housing, and wellbeing.

Our \$203 million Family Violence Services package represents the largest funding boost for family violence service providers in over a decade, so that they can recruit and develop highly capable staff and respond to the demand they are facing. It builds on the \$320 million in funding provided through Budget 19, to be the two largest increases in family violence prevention funding on record.

Education

Mr Speaker,

This Budget invests nearly \$1 billion to support the core provision of education services. This will provide substantial support to students across all levels of education, while also targeting investment in areas that we know will benefit students who need it the most.

The Education package makes a significant investment in our early childhood sector. The sector has been placed under particular strain in recent years, and this has been exacerbated by COVID-19. The Budget includes cost adjustments for ECE subsidies and a pay boost for early childhood teachers. The government will make further announcements on support this sector in the near future.

The School Property Investment package will invest \$115.1 million to help expand, maintain, and enhance our schools.

Primary Industries

New Zealand's primary industries play a critical role in growing our economy. As we move further into the post-Covid-19 economic recovery, our primary sector is more important than ever. The core package invests nearly \$500 million in initiatives that will ensure our primary industries are supported and sustainable now, and into the future.

Funding in the package will support our primary industries with their existing operations and preventing or mitigating the impacts of biosecurity threats and enabling implementation of climate change and ETS reforms.

Justice sector

Budget 2020 provides a boost in investment to support a safe and equitable justice sector. We are increasing community safety through investment in new technology, court buildings and corrections.

A key initiative in this package is the Next Generation Critical Communications programme which will invest in bringing state of the art communications capabilities to Police, Fire, and Ambulance, supporting healthier, safer, and more connected communities. This will see our emergency services finally able to communicate with the public and with one another all over New Zealand in a safe and reliable manner.

The package also provides funding to enable continued access to justice services, such as funding for legal aid, community law centres, and the Canterbury Earthquakes Insurance Tribunal. Additionally, it provides funding for the newly established Criminal Cases Review Commission.

Arts and Culture

Budget 2020 re-affirms this Government's commitment to supporting arts and culture in New Zealand, ensuring that funding is available to preserve our nation's taonga, promote creativity, and celebrate our diversity and history.

The package provides support for the local film industry and culturally significant historical collections, as well as ensuring the accessibility of public media platforms to diverse audiences, such as New Zealanders with hearing impairments and those from our Pacific communities. It includes the significant Preserving the Nations Memory Project that will build new facilities for our public records.

Defence and Foreign Affairs

The Budget 2020 package includes funding for critical pressures in the defence sector. This funding investment in areas such as ICT and Defence estate infrastructure and the replacement of the Defence Force's C-130H Hercules fleet.

The package also includes an additional \$55.6 million for New Zealand to provide further Official Development Assistance particularly to our Pacific neighbours during a time of great need. It will bring New Zealand's overall ODA spending to almost 0.3% of forecasted Gross National Income for the first time in forty years.

Transport

Budget 2020 builds on investment made through the New Zealand Upgrade Programme and includes more than \$1 billion to improve transport across the country. This investment will enhance the resilience and reliability of national rail and ferry networks and, over time, contribute to efforts to reduce our carbon footprint through decreasing emissions.

I particularly want to highlight in this package the \$400 million capital investment to help replace the Interislander ferries. New ferries will provide a more secure and resilient link between the North and South Islands.

The significant investments we are making in public services will be of the utmost importance with the country now moving out of the initial response stage and into the recovery stage. These investments complement and support our targeted COVID-19 response, recovery and rebuilding measures.

Mr Speaker,

Today's Budget represents the next steps in our recovery and rebuild. The world is still learning what the impacts of COVID-19 will be. We owe it to New Zealanders to work carefully through our next steps, recognising that the decisions we are making will define the lives and livelihoods of many people for years to come.

The weight of those decisions comes with a spirit of optimism in what New Zealand can be. The glimmer of silver lining on this darkest of clouds comes from the knowledge that we have the opportunity to build back better. There are few times in your life when you get to hit the reset button. It is a privilege that many countries do not have right now as they still struggle to get the virus under control. It is an opportunity we will not squander.

Our rebuild must be one that takes the very best of who we are, and uses it to take on the issues and challenges in front of us. Some of them are old – inequality, low productivity, polluted rivers, some are newer, the transition to a low carbon economy, adjusting to the rapidly changing world of work, maintaining social cohesion.

All of them are in front of us in stark relief. We can draw on the lessons of the past as to how to deal with them. The answers lie in the great traditions of the First Labour Government who rebuilt New Zealand after the Great Depression. It was a time when they understood a genuine partnership between government and the people. That each and every person in this country deserved the right to take up the chances afforded by being lucky enough to live in, as my predecessor Peter Fraser called it, this green and pleasant land. They built houses, rail and roads, they created the welfare state and a strong public health system, and they backed shopkeepers and manufacturers. We are taking those principles into the modern era.

We can also draw the lessons of the past as to what not to do in response to a major economic shock. In this case Mr Speaker I can draw on the experiences of my own life. As the economic carnage of the 1980s and 1990s wreaked havoc in our communities, I saw that up close. It was based on a tired set of ideas that the market would save us, that if government sat on the sidelines all would be well. Well, it didn't work out that way and lives and livelihoods were lost.

That will not happen again, not on the watch of this government. We know that we must work in partnership with iwi, business, unions, community groups, every one of the team

of five million to make sure we all not only get through this, but that we thrive on the other side.

That means continuing to be bold as we have been in the last two months. We are not always all going to agree on the path, but it must be one that gives each and every New Zealander a stake in our future. Decent, well paid work that provides respect and dignity. Looking after our most vulnerable. Where we make good on our promise to future generations that we will take on climate change and leave them a legacy to build from.

This Budget takes the responsible path of investing to respond, recover and rebuild. It takes us down a path where we will face choices as to how we begin to repay some of our debt.

There will be difficult choices then, as they are difficult choices today. But I promise you this Mr Speaker, this government will never put the burden of those choices on those who can least afford it. We will not cut the services that are their lifelines. We will not preach austerity, but line our pockets with tax cuts.

No Mr Speaker, we will rebuild this country with hard work, innovation, creativity, compassion and courage. We will grow our economy sustainably to pay back our debt, we will fairly share that burden, and above all we will do it together.

There are still tough times ahead. But we have made it this far in fighting COVID-19 by drawing on every bit of who we are as New Zealanders.

Kind, but tough, fair but forthright, single minded, but united in action.

It is just the end of the beginning, the next chapters are ours to write.

Kia maia, kia atawhai, kia kaha.

Be bold, be kind, be strong.

He waka eke noa, we are all in this together.