



Proactive Release

The following documents have been proactively released by the Department of the Prime Minister and Cabinet (DPMC) on behalf of the Prime Minister, Rt Hon Chris Hipkins:

Refresh of the Government's Priorities

The following documents have been included in this release:

- Refresh of the Government's Priorities (CAB-23-SUB-0019)
- Refresh of the Government's Priorities (CAB-23-MIN-0019)

These documents were previously published and have been revised to release them in full in the light of subsequent decisions having been made.

Refresh of the Government's priorities

Proposal

1. This paper seeks agreement to a refreshed set of high-level Government priorities for 2023 and an initial set of reprioritisation decisions.

Executive summary

2. We are facing challenging economic circumstances and we need to respond to the sustained pressures that New Zealand families, businesses and communities are experiencing. Our most immediate priority as a Government is to respond to the cost-of-living crisis as part of a broader shift towards bread-and-butter issues.
3. In order to demonstrate our new focus, I propose we start our reprioritisation effort by:
 - Deferring the social unemployment insurance scheme;
 - Halting the merger of Television New Zealand (TVNZ) and Radio New Zealand (RNZ) and instead strengthening the local media sector in other ways;
 - Stopping or delaying the introduction of the biofuels mandate;
 - Withdrawing the Human Rights (Incitement on Ground of Religious Belief) Amendment Bill and referring the issue to the Law Commission; and
 - Considering proposed changes to Three Waters.
4. I propose this high-level direction setting paper is followed by relevant portfolio ministers reporting back with more detail on financial, legislative and implementation implications, where required.

Government Priorities

5. My priorities for the Government reflect the priorities of New Zealanders. Families, businesses, and communities are under sustained pressure. We have heard from New Zealanders we have tried to do too much too fast. We now need a tighter focus on the immediate priority issues facing them.
6. The international environment that we operate within has become significantly more challenging, including a global inflation spike. The IMF's January 2023 update shows global growth a percent point below historical averages. Inflation and cost-of-living pressures are at levels not seen in New Zealand for 30 years, with a CPI inflation rate of 7.2 percent for the December 2022

quarter and household inflation of 8.2 percent in the 12 months to December. Treasury's Half Year Economic and Fiscal Update shows GDP contracting 0.8 percent over the three quarters to the end of 2023 before a slow, gradual recovery in 2024. The fiscal environment will require us to be disciplined about our spending priorities.

7. Households and businesses are experiencing a sustained period of pressure – the challenges of COVID rapidly followed by price increases, higher mortgage rates, labour shortages, and recovery from recent weather events. While we cannot escape the international context, we have choices about how we manage it.
8. Furthermore, now is not the time for regulatory uncertainty, to embark on significant new infrastructure projects, or to impose new costs on businesses and households.
9. Responding to the cost-of-living crisis is our most immediate priority, as part of a broader shift towards bread-and-butter issues: the economy, education, health, housing, keeping communities and businesses safe, and action on climate change. The long-term goal of moving towards a high wage, low emissions economy that provides economic security in good times and bad remains unchanged. However, this focuses action on the most immediate of these challenges.
10. We will continue to use the Cabinet Priorities Committee to regularly monitor our progress in implementing our refreshed priorities.
11. Our new focus will require all ministers to take a hard look at their work programmes and plans. I want to demonstrate that we have a team behind this new approach and that we can give effect to these priorities across all portfolios. Cabinet papers will need to show links to the priorities. I also expect ministers to find opportunities to demonstrate those priorities directly to New Zealanders.
12. Reprioritising some initiatives frees up bandwidth and resources to progress our priority areas. There will be different mechanisms to do so depending on the issue. In some instances work could be stopped completely; other initiatives could be amended or re-phased to reflect that even in the past two years the context that the Government is operating in has significantly changed. My office will be working with ministers' offices as policies and opportunities emerge to determine the most appropriate approach. I will use my priorities letters to ministers to reinforce this. We also need to look at Budget 2023 initiatives and the 2023 legislative programme in light of the refreshed Government priorities.
13. From discussions over the last couple of weeks, I consider we can best make a start by reprioritising some complex initiatives that require considerable ministerial, financial, and agency resources. This is the first set of changes to demonstrate the intent of the Government, but it will not be the last.

Reprioritisation Proposals

14. I propose the initial tranche of prioritisation decisions includes changes to the following areas:
 - a) The introduction of social unemployment insurance;
 - b) The merger of TVNZ and Radio New Zealand;
 - c) The introduction of the biofuels mandate;
 - d) The Human Rights (Incitement on Ground of Religious Belief) Amendment Bill; and
 - e) Three Waters.

Social unemployment insurance

15. Cabinet has agreed in principle, following public consultation, to legislate for the introduction of a scheme of social insurance, entitled New Zealand Income Insurance (NZII). In November 2022, Cabinet agreed to the key parameters of the scheme which were to cover unexpected job loss due to redundancy or the onset of a health condition or disability. The proposal at that time was to have legislation enacted by the end of July 2023, to allow preparation toward an implementation date of 1 April 2025.
16. There is considerable merit in the proposal. After major events such as COVID-19, the Global Financial Crisis and the Christchurch and Kaikōura earthquakes, the Government has been called on to support wages in cases of sudden loss of employment.
17. In addition, there is a gap in New Zealand's social safety net. New Zealanders are entitled to support for an accident, but not always for sickness. For example, New Zealanders are compensated if injured in a car crash, but not if they are unable to work due to a cancer diagnosis.
18. This is an important proposal, but now is not the right time to be pursuing a reform which would impose a levy on employees and employers when households and businesses are stretched. Further, given the level of global economic uncertainty, businesses would benefit from greater certainty in this area.
19. We also need to take the opportunity to look at whether we need a stand-alone scheme to deliver this support or whether there are alternative options that may be better suited – for example, whether ACC could be expanded to cover it. Therefore, I am seeking agreement to delay the progress of the scheme as it is currently proposed. This means the scheme will not be legislated for this year, and would not come into force until economic conditions are better – and not before 2025/26 at the earliest.
20. There will need to be some on-going policy work, but this will be managed within current resources. This means that ACC would close down the

implementation programme in an orderly way over the coming months. Programme costs to date are around \$16.6m as at the end of January 2023, including \$5m in the 2021/22 financial year. It is estimated that an additional amount of approximately \$11.6m will be spent while the programme winds down, which will be funded from the existing budget of \$50.8m for 2022/23. Any ongoing policy work would be resourced through departmental baselines, meaning this delay will allow \$27.5m to be returned to the centre.

Media merger

21. Cabinet agreed in 2021 to strengthen public media through creating a new public media entity by bringing together the operations of RNZ and TVNZ. The Aotearoa New Zealand Public Media Bill creating the legislative framework, objective, and governance of the new entity is currently before Parliament awaiting second reading. The Economic Development, Science and Innovation Committee recently reported back with a range of amendments to the Bill. Budget 2022 appropriated additional funding to strengthen the new public media entity and changes were made to fund the new entity directly rather than through New Zealand on Air.
22. While it would be possible to continue and make amendments to the Bill, given the constrained fiscal environment and the need to divert funding towards priorities, I have reassessed the approach.
23. The drivers for reform are not going away. Changes to the media sector are still causing disruption and altering the underlying economics of the industry. It is hard for providers to continue providing high quality content. The need for high quality media sources is greater than ever, particularly given the spread of mis- and dis-information. There is also a need to reach a wider audience. Therefore there is still a need to support the delivery of high-quality content.
24. While the challenges facing the public media sector will remain over the long-term, the merger is not the only way to strengthen public media. Updated advice indicates that TVNZ's financial position is sound in the near-term, with signs it is adjusting to the digital landscape.
25. Therefore, I propose to put the merger of TVNZ and RNZ to one side, discharge the Bill and refocus our efforts on strengthening the local media sector in other ways. This will include:
 - Providing extra funding to RNZ to both secure its financial stability and to expand and strengthen its public media role. RNZ could require additional funding of as much as \$5m in the current year and \$12m in outyears.
 - Exploring ways to ensure TVNZ plays a public broadcasting role.
 - Ensuring public broadcasting (via any platform), including existing and on-going funding to NZ on Air, allows other broadcasters to access funding to provide content.

- Providing additional funding for additional public broadcasting (platform agnostic), including funding to NZ on Air to allow other broadcasters to access funding to provide content.
26. Alongside our work on public broadcasting, our key priority is supporting the wider media landscape by progressing work to strengthen the hands of local media companies in bargaining with online platforms.
 27. Budget 2022 allocated \$370m total operating funding to support the merger the new entity for operating, monitoring and establishment costs (or \$482.5m using the current forecast period), of which \$23.7m was allocated in 2022/23 and is likely to have already been committed. The total package above is forecast to cost around \$53m over the current forecast period for RNZ funding, with additional funding required for ongoing public broadcasting funding. This will free up approximately \$405.8m of operating spending to progress priorities in Budget 2023, less any funding provided for additional public broadcasting. The new public entity was also forecast to make a capital return to the government of approximately \$300m over the first six years, which will no longer occur.
 28. I propose inviting the Minister for Broadcasting to return to Cabinet shortly with more detail on these proposals, including a return of funding from Budget 2022 to progress priorities in Budget 2023.

Biofuels mandate

29. Cabinet had agreed to introduce a requirement for importers of petrol and diesel to reduce the emissions intensity of their fuels through the inclusion of biofuels. The Sustainable Biofuels Obligation Bill that would have the effect of bringing this into force from 1 April 2024 is currently before Select Committee, due to be reported back by 27 April 2023.
30. Biofuels are useful in that they reduce emissions associated with use of internal combustion engine vehicles in the existing fleet, many of which remain in use for a significant period of time. Biofuels however, will increase the price of liquid fuels, and these price rises will flow through the economy. Given the economic pressures on households and businesses, and the implementation challenges for some of the sector, I propose three options for our consideration:
 - a) Discharge the Bill – no further work on the sustainable biofuel obligation (the obligation). I would invite the Minister for Climate Change, along with other ministers, and in particular, the Minister of Energy and Resources, to identify options to fill the shortfall in the Emissions Budget that will exist if biofuels are not pursued.
 - b) Delay the implementation date further to April 2025. This could be done through the Select Committee process.
 - c) Delay the implementation date and lower the level of biofuels when the obligation first comes into effect. This could be done through the Select

Committee process. If this option is preferred, I propose that the Ministers of Energy and Transport report back on options for the implementation date and level of biofuels.

31. Work will continue with industry on sustainable aviation fuel, including a mandate and the feasibility study on the potential for domestic production of sustainable aviation fuel.

Incitement to hate speech

32. Cabinet had agreed to amend the Human Rights Act 1993 to add the ground of religious belief to the civil and criminal provisions that prohibit hate-inciting speech. The Human Rights (Incitement on Ground of Religious Belief) Amendment Bill, which seeks to implement this proposal, is currently before the Justice Select Committee. The provisions make it unlawful and an offence to publish material or excite hostility or bring into contempt on a prohibited ground.
33. The Government also agreed to refer to the Law Commission for a first principles review:
- a) The legal responses to hate crimes and incitement; and
 - b) Protection in the Human Rights Act for transgender people, non-binary people, and people with diverse sex characteristics, including changing the prohibited grounds of discrimination under s 21 of the Act.
34. It's timely to consider our decisions from last year given submissions closed on 2 February. Those submissions could also be considered by the Law Commission as part of its review.
35. This area of incitement in general is controversial and has attracted criticism. This reflects to some degree that the language in the existing provision is out of date. I propose the Minister write to the chair of the Justice Committee to inform them of the Government's intention to discharge the bill and instead ensure that the Law Commission considers religious belief as part of the existing referral on hate speech and hate crime. This will enable a more rounded view from the Commission on how to address legislative reform.

Three Waters

36. There are three major elements to the Three Waters reforms:
- The establishment of Taumata Arowai, the new drinking water quality regulator;
 - A new regime for price and investment regulation overseen by the Commerce Commission; and
 - The amalgamation of council water services into four multi-regional entities that are scheduled to assume responsibilities for delivery of drinking water, waste-water, and some stormwater services from 1 July 2024.

37. The flooding in Auckland has emphasised the importance of resilient water infrastructure but it is not the only recent example we have. Indeed, on many measures, Watercare is the best performing supplier of three waters services in the country. Recent flooding events in Nelson, Dunedin, Gisborne, and Hawke's Bay have also exposed the fragility of water infrastructure systems. While it is true that Auckland's recent rainfall was historic in magnitude, the same was said of Nelson's floods last year, and Napier's in 2020, for example. With climate change we cannot take for granted that these are one-off events. And seventy percent of councils report little to no information about the condition of their stormwater assets.
38. As well as the adequacy of stormwater infrastructure, there are widespread troubles with drinking water infrastructure and resulting water quality issues. Recent reporting from Taumata Arowai, the new drinking water regulator, shows that 18 percent of New Zealanders are supplied with water that does not meet the drinking water standards. In its first seven weeks of operations Taumata Arowai received 209 notifications from suppliers who considered that their drinking water was or may have been unsafe to drink, including 27 boil water notices. The notifications were widespread, coming from 31 territorial local authorities (of the 67 total).
39. Nearly three quarters of households experience water restrictions of one form or another in any year. Infrastructure performance is a significant contributor here, with some networks losing 25 percent of water between the treatment plant and the tap.
40. There are also major issues nationwide with wastewater discharges. A third of wastewater treatment plants are operating on expired consents. Another 22 percent are due to expire in the next five years. In 2020/21, there were 2,754 dry weather overflows across the country, which occur when untreated sewage escapes from the wastewater network. In addition overflows from stormwater networks into sewers commonly occur, routinely making Auckland beaches unsafe for swimming after rain, for example.
41. The case for change is of long-standing and clearly remains urgent. A lack of investment in water infrastructure by councils is the central feature that needs to be changed. But it is also clear that we have not brought enough of the public along with us through the policy development process. While significant progress has been made on the reform framework and on entity design, there are areas that need to be improved.
42. Given the complexity of the reforms, instead of taking a decision today, I propose to invite the Minister of Local Government to report back to Cabinet in March with options for reform to consider. In reporting back, the Minister will consider:
- Timing and sequencing – Options that phase the start dates for new entities over time to provide proof of the benefits of reform and to support implementation. This could mean delaying some entities beyond the current legislated start date of 1 July 2024.

- The number of entities and their boundaries – This will include considering proposals put forward by some councils that involve more than four entities, with the design based on a regional rather than a multi-regional approach, or a variation of that proposal. This too would have implications for the reform timing.
- Alternative approaches for Māori representation and involvement – This could include replicating in the Regional Representative Groups the structure proposed for the Regional Planning Committees in the Resource Management reforms, i.e. imposing a minimum level of Māori representation but leaving it to individual entities working with their constituent councils to design the Regional Representative Group in the way that works best for their entity.

43. In doing this work, I propose that we invite the Minister to take account of what has been learned from the recent experience of Auckland and other flood-affected regions.

Financial implications

44. The social unemployment insurance, media merger and Three Waters proposals have financial implications. Savings from deferring the social unemployment insurance scheme will be returned to the centre for reprioritisation. The proposed report backs by the Ministers of Broadcasting and Local Government on the media merger and Three Waters will include detail on the financial implications.

Legislative implications

45. The proposals for the media merger and hate speech would see the related Bills discharged from the House. The Sustainable Biofuels Obligation Bill will be amended or discharged, depending on our preferred approach. The proposed report back by the Minister of Local Government on Three Waters will include detail on the legislative implications.

Impact analysis

Regulatory Impact Statement

46. Regulatory impact statements or a business case for the proposed areas for reprioritisation were prepared at the time of policy decisions.

Climate Implications of Policy Assessment

47. The climate implications of the biofuels policy were considered at the time of initial decisions. Withdrawing the Sustainable Biofuels Obligation Bill would have an impact on the Emissions Budget. Delaying the Bill for a year would impact the first Emissions Period – it was estimated that the delay to 1 April 2024 would result in a 0.23MtCo2e shortfall for the first emissions budget period (2022-2025).

Population Implications

48. Our focus on responding to the cost-of-living will benefit all New Zealanders.

Human Rights

49. There are no implications for the New Zealand Bill of Rights Act and the Human Rights Act beyond the legislative implications discussed above.

Consultation

50. The Prime Minister confirms that the relevant ministers have been consulted on the proposals in this paper.

Communications

51. I will announce today's decisions over the coming days.

Proactive Release

52. I intend to proactively release this paper and the Cabinet minute, subject to any necessary redactions, within 30 business days of Cabinet's decisions.

Recommendations

The Prime Minister recommends that Cabinet:

1. Note we are facing a challenging international environment and that the increased cost-of-living is a real concern to households and businesses;
2. Note that our immediate priority is responding to the cost-of-living crisis, as part of a broader shift towards focusing on issues such as the economy, education, health, housing, keeping communities and businesses safe, and action on climate change;
3. Note the Prime Minister expects ministers to review their work programmes to demonstrate how to give effect to the priorities in recommendation 2 and to stop, amend, or rephase initiatives to free up resources to progress the priorities;
4. Note an initial tranche of complex initiatives that require considerable ministerial, financial and agency resources has been identified for reprioritisation;

Social unemployment insurance

5. Note that while social unemployment insurance would fill a gap in our social security net, it is not the right time to pursue a reform imposing a levy on employees and employers when households and businesses are stretched;
6. Agree to delay the current programme and legislative consideration of NZIIS and undertake further work on whether a stand-alone scheme is the best option to deliver support;
7. Note that the expected costs of winding down this work programme will be met from the existing funding set aside for implementation planning;

Media merger

8. Note there are ongoing challenges in the media sector but there is an opportunity to reassess our approach given the constrained fiscal environment and TVNZ's improved financial situation in the near term;
9. Agree to withdraw the Aotearoa New Zealand Public Media Bill from the House;
10. Agree to strengthen the local media sector by providing additional funding for additional public broadcasting and to Radio New Zealand and to explore ways to ensure TVNZ plays a public broadcasting role;
11. Invite the Minister for Broadcasting to report back to Cabinet on more detailed proposals to give effect to recommendation 10;

Biofuels mandate

12. Note that biofuels are useful in reducing emissions from the current vehicle fleet but that they will add to the costs of diesel and petrol;
13. Agree to:

Either

13.1 Withdraw the Sustainable Biofuels Obligation Bill and invite the Minister for Climate Change, along with other ministers, and in particular, the Minister of Energy and Resources, to identify options to fill the shortfall in the Emissions Budget;

Or

13.2 Delay the commencement for a further year to April 2025;

Or

13.3 Delay the commencement and lower the amount of biofuels when the obligation first comes into effect, and invite the Ministers of Energy and Transport to report back on options for the implementation date and level of biofuels;

Incitement to hate speech

14. Note that the Law Commission is considering the legal responses to hate crimes and incitement, and protection in the Human Rights Act for transgender people, non-binary people, and people with diverse sex characteristics, including changing the prohibited grounds of discrimination under s 21 of the Act;
15. Note that referring religious belief to the Law Commission would enable a more rounded view from the Commission on how to address legislative reform;

16. Agree to withdraw the Human Rights (Incitement on Ground of Religious Belief) Amendment Bill from the House;
17. Agree to add the incitement on grounds of religious belief proposal to the existing referral to the Law Commission on hate speech and hate crime;

Three Waters

18. Note that while the case for change for Three Waters remains urgent, there are areas we must improve to ensure public support;
19. Invite the Minister for Local Government to report back in March with options for reform, including timing and sequencing, the number of entities and boundaries, and alternative approaches for Māori representation and involvement;
20. Invite the Minister for Local Government in the report back in recommendation 19 to take account of what has been learned from the recent experience of Auckland and other flood-affected regions;

Next steps

21. Agree that any unspent funding arising from the reprioritisation decisions in this paper will be considered and managed through the Budget 2023 process; and
22. Agree that the Prime Minister will announce today's decisions.

Authorised for lodgement

Rt Hon Chris Hipkins
Prime Minister



Cabinet

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Refresh of the Government's Priorities

Portfolio **Prime Minister**

On 8 February 2023, Cabinet:

- 1 **noted** that New Zealand is facing a challenging international environment and that the increased cost-of-living is a real concern to households and businesses;
- 2 **noted** that the Government's immediate priority is responding to the cost-of-living crisis, as part of a broader shift towards focusing on issues such as the economy, education, health, housing, keeping communities and businesses safe, and action on climate;
- 3 **noted** the Prime Minister expects ministers to review their work programmes to demonstrate how to give effect to the priorities in paragraph 2 and to stop, amend, or rephrase initiatives to free up resources to progress the priorities;
- 4 **noted** an initial tranche of complex initiatives that require considerable ministerial, financial and agency resources has been identified for reprioritisation;

Social unemployment insurance

- 5 **noted** that while social unemployment insurance would fill a gap in New Zealand's social security net, it is not the right time to pursue a reform imposing a levy on employees and employers when households and businesses are stretched;
- 6 **agreed** to delay the current programme and legislative consideration of the New Zealand Income Insurance Scheme (NZIIS), and undertake further work on whether a stand-alone scheme is the best option to deliver support;
- 7 **noted** that the expected costs of winding down the NZIIS work programme will be met from the existing funding set aside for implementation planning;

Media merger

- 8 **noted** there are ongoing challenges in the media sector but there is an opportunity to reassess our approach given the constrained fiscal environment and TVNZ's improved financial situation in the near term;
- 9 **agreed** to withdraw the Aotearoa New Zealand Public Media Bill from the House;
- 10 **agreed** to strengthen the local media sector by providing additional funding for additional public broadcasting, and to Radio New Zealand, and to explore ways to ensure TVNZ plays a public broadcasting role;

- 11 **invited** the Minister for Broadcasting to report back to Cabinet on more detailed proposals to give effect to the decision in paragraph 10;

Biofuels mandate

- 12 **noted** that biofuels are useful in reducing emissions from the current vehicle fleet but that they will add to the costs of diesel and petrol;
- 13 **agreed** to withdraw the Sustainable Biofuels Obligation Bill and invite the Minister for Climate Change, along with other ministers, and in particular, the Minister of Energy and Resources and the Minister of Transport, to identify options to fill the shortfall in the Emissions Budget;

Incitement to hate speech

- 14 **noted** that the Law Commission is considering the legal responses to hate crimes and incitement, and protection in the Human Rights Act 1993 for transgender people, non-binary people, and people with diverse sex characteristics, including changing the prohibited grounds of discrimination under section 21 of the Act;
- 15 **noted** that also referring consideration of religious belief to the Law Commission would enable a more rounded view from the Commission on how to address legislative reform;
- 16 **agreed** to withdraw the Human Rights (Incitement on Ground of Religious Belief) Amendment Bill from the House;
- 17 **agreed** to add the incitement on grounds of religious belief proposal to the existing referral to the Law Commission on hate speech and hate crime;

Three Waters

- 18 **noted** that, while the case for change for Three Waters remains urgent, there are areas we must improve to ensure public support;
- 19 **invited** the Minister for Local Government to report back to Cabinet in March 2023 with options for reform, including timing and sequencing, the number of entities and boundaries, and alternative approaches for Māori representation and involvement;
- 20 **invited** the Minister for Local Government to take account of what has been learned from the recent experience of Auckland and other flood-affected regions and include this as part of the March 2023 report-back;
- 21 **agreed** that any unspent funding arising from the reprioritisation decisions in the paper under CAB-23-SUB-0019 will be considered and managed through the Budget 2023 process;
- 22 **agreed** that the Prime Minister will announce today's decisions, as outlined in the paper under CAB-23-SUB-0019.

Rachel Hayward
Secretary of the Cabinet