A budget for growth, a budget for prosperity, a budget for all New Zealanders

ACT'S ALTERNATIVE BUDGET 2014

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Today, I am pleased to present ACT's alternative to the budget Bill English will present on Thursday next week. It sets out ACT's aspiration for a prosperous future for New Zealanders, which cannot be achieved with the "tax and spend" policies of all the other parties. It is a budget that drives achievement through freedom, choice and responsibility.

ACT's alternative budget is about growth, prosperity and fairness. We are putting workers, business owners, investors and entrepreneurs first. We are rejecting the tall poppy syndrome and saying it is wrong to simply impose more and more tax on the most successful New Zealanders.

In this alternative budget I am taking ACT back to its original role of providing economically sound alternatives. We are reducing middle class and corporate welfare because it is an expensive money-go-round of no benefit to New Zealand society but only to bureaucrats and lobbyists.

We demonstrate how New Zealand could now move to a top rate of income tax of 24% and a company tax rate of 24%. And we can do this without reducing spending for health, education or welfare for low income earners.

The budget I am presenting today is comprehensive and fully costed, using official Treasury figures. The benefits are understated.

The Government's budget is predicting 3% growth. Labour's uncosted tax, spend and borrow policies will cost growth and jobs. My alternative budget will lift growth to 5%.

> *"No other party has presented a budget that will materially lift growth.*

5% growth for just 15 years will result in a doubling of GDP. There is no social or environmental issue that will be not helped by New Zealand being twice as wealthy. No other party has presented a budget that will materially lift growth.

ACT's alternative budget would:

- Cut the top personal and corporate rates of income tax to 24%, setting a path to reduce them to 17.5% by 2020
- Increase the rate at which Working for Families abates above an income of $48,000, setting a path to its total elimination by 2020
- Eliminate corporate welfare
- Eliminate red tape, including the Resource Management Act and the Employment Contracts Act in their present forms.
- Lift the age of eligibility for National Superannuation to the age of 67 and index its increases to inflation rather than wages
- Reintroduce interest on student loans
- Sell all state owned commercial enterprises, including Kiwibank, KiwiRail, Landcorp and the Super Fund.

These measures would:

- Increase long-run economic growth from less than 3% to around 5%
- Restore full employment (i.e. 4% unemployment) and slash youth unemployment
- Increase wages
- Make housing more affordable
- Make our pensions system sustainable and increase the incomes of retirees
- Create a business environment in which companies must win favour with consumers, not with bureaucrats doling out taxpayers' money
- Promote an ethos of self-reliance and enterprise, where people seek to get ahead by their own effort, innovation and risk taking rather than by the government giving them other people's money.

ECONOMIC CONTEXT

The government will announce its budget in a few days. After years of deficits and government borrowing, it is likely to show a small surplus. The economy is growing at about 3% per annum and, over the last two years, 30,000[1] people have moved off welfare.

These are welcome developments, especially when contrasted with the massive deficits that Australia's profligate Rudd-Gillard Labor government has left behind. Only a few years ago, the Australian government was debt free. Now Australian taxpayers are on the hook for almost a trillion dollars of debt.

ACT is pleased to have provided the crucial confidence and supply vote in parliament that made John Key rather than Phil Goff Prime Minister and has allowed National to pass budgets that have returned the government accounts to surplus.

However, this good news must be put in perspective. GDP can be a misleading economic measure. It looks only at the gross output of an economy. If a destroyed $500,000 house is rebuilt, that is counted as a $500,000 contribution to GDP. But you are clearly worse off, since you end up with the same house but have put in a lot of extra effort and consumed materials that could have been used elsewhere. The Christchurch rebuild increases New Zealand's GDP but leaves us worse off than we would have been if the earthquake had never happened.

Moreover, growth is always higher when economies emerge from recession. Indeed, the 3.5% growth predicted for 2014, which earns us our economic "rock star" status, is relatively low for a rebounding economy. Coming out a recession, you might expect our growth rate to be above 5%.

[1] Paul Bennett, 15,000 fewer people dependent on benefits 17 April 2014

But the problem is not this year's growth rate. The problem is New Zealand's low long run growth compared with countries to which our capital and people can easily shift. Between 1996 and 2013, labour productivity in New Zealand grew by only 1.6% annum, compared with 2.1% in Australia. Australia's average annual output growth was also higher, at 3.5% compared with New Zealand's 2.6%.[2]

To close the income gap with Australia, New Zealand will need to grow about two percent faster than Australia each year for at least the next 15 years. A few years of high dairy prices and low minerals prices won't cut it.

GOVERNMENT SPENDING

Excessive optimism and unwarranted boasting are perhaps unavoidable vices in a governing party. More concerning is National's election year spend-up of more than $1 billion. Once established, government spending is politically difficult to cut back. We cannot afford to have it pushed up by $1 billion every three years by governments seeking re-election.

Even without this vote-buying splurge, ACT is disappointed by National's spending policies. During Helen Clark's nine years as Prime Minister, government spending increased dramatically. Labour spent $3 billion to $4 billion extra every year for their last five years in office.

National has done almost nothing to reverse this. In fact, things have got worse under National. According to the OECD, government spending in New Zealand had reached 49.5% of GDP by the end of 2011, and is still above 40%.

TABLE 1: General government expenditures as a percentage of GDP[3]

	2001	2009	2011
Australia	35.2	37.7	36.3
New Zealand	37.1	42.9	49.5

Of course, National has had a global recession and major earthquake to contend with. However, that does not change the fact that they have accepted the costly structural changes made by Clark's Labour government.

We still have Working for Families, interest free student loans, corporate welfare through the Ministry of Business, Innovation and Enterprise and unreformed health and educational sectors which lack serious incentives to improve efficiency.

To get the New Zealand economy moving, government spending must be significantly and structurally reduced. Before explaining how that can be done, it is important to remember what is wrong with government spending.

The simple answer is that it must be funded from taxation. Taxation transfers money from private individuals to the government. That transfer in itself costs society nothing. The taxpayer loses a dollar; the government gains a dollar. Nevertheless, taxation imposes massive costs on society, because it makes many productive activities unprofitable (by adding costs to them) and many unproductive activities profitable, such as employing a tax lawyer to rearrange your company's affairs for the purpose of reducing your tax bills.

[2] Statistics NZ, Productivity Statistics: 1978–2013

[3] Source: OECD (2013), Government at a Glance 2013, OECD Publishing. http://dx.doi.org/10.1787/gov_glance-2013-en

This deadweight cost of taxation is difficult to estimate but, for a country with a tax code like New Zealand's, it is probably in the range of 25% to 50%. For every dollar transferred from taxpayers to government, economic output is reduced by between 25 and 50 cents. A less taxed population would be a richer population, before tax as well as after tax.

The second problem with government spending is that it often replaces private spending. When you spend your own money on yourself, you are likely to buy only what you value and only when you think it is worth the price. When a government buys goods and services for you, however, these outcomes are unlikely. In other words, government spending is almost sure to be wasteful – its "beneficiaries" would usually prefer the money to what it is used to buy for them.

How can government spending be reduced?

The large areas of government spending are health, education and welfare. To cut spending in these areas, the suppliers of these services must be given incentives to be efficient. This is impossible without prices, profits and competition.

Prices, profits and competition would also improve standards in health, education and welfare, as they do in all those sectors of the economy where they prevail. ACT has policies that achieve these goals but they lie outside the scope of an alternative budget statement. So I will not elaborate on them here. No savings from this source are assumed in the spending reductions that allow us to cut the top rates of income tax and corporate tax to 24%.

What allows us to cut taxes in this budget is the direct elimination of wasteful government spending. This wasteful spending amounts to roughly $4 billion per annum. It falls into two broad categories: middle class welfare and corporate welfare.

TABLE 2: Wasteful government spending

	$m
Working for Families 30% abatement starting at family income of $48,000	60
KiwiSaver kick-start	165
KiwiSaver tax credit	575
Super contribution tax exemption	120
Paid parental leave payments	176
Parental tax credit	15
Initial write-down of student loans	537
Corporate welfare (see Appendix 1 for details)	1,386
Climate change obligations	217
Other (see Appendix 2 for details)	763
Total	**4,012**

The items listed in Table 2 are poor quality government spending. They pass no credible cost-benefit test. Nor do they provide so-called public goods, which would be under-supplied without tax-funded subsidy. Rather, this spending confers private benefits on politically favoured groups. Often it is the result or more or less explicit election bribery. Interest free student loans are the most obvious recent example.

Middle class welfare, such as Working for Families and the KiwiSaver tax credits, create "tax churn", taking money off people in tax and then giving it back to them if they fall into one of the government's categories of favoured people.

As already noted, this recycling of tax money isn't just pointless, it is costly. It creates a large deadweight drag on economic activity.

Corporate welfare is an especially pernicious form of government spending. Not only does it pervert the allocation of capital in the economy but it encourages so-called rent-seeking. Instead of concerning themselves with finding better ways to satisfy consumers' preferences, firms devote their energies to lobbying politicians and bureaucrats for favours.

Corporate welfare is a kind of systemic corruption which compromises a nation's commercial culture. It is appalling that the Labour Party seeks to turn New Zealand into a mendicant business culture under the euphemistic label of "industrial policy".

The central premise of capitalism is entrepreneurs are supposed to solve their problems by themselves or go out of business if they don't. Labour want them to jump on a plane to Wellington with their hand out-stretched to pick the pocket of the ordinary taxpayer.

Capitalism is a profit AND loss system. Profits tell you that you are doing the right thing by your market. Losses tell you to try harder or try something new or you will go out of business because the market does not want what you offer. Labour wants to sabotage that vital market test with ever more corporate welfare.

TAXATION

By eliminating the $1.4 billion of spending on corporate welfare, which gives companies favoured by government officials an unfair advantage over their competitors, we can now reduce the corporate tax rate from 28% to 24% (see Table 3). That will improve the prospects of all businesses and not just those with friends in the government. It will promote economic growth and job creation across the board.

A 24% company tax rate is still too high. Company tax rates in Europe average 21% and in Asia 22%. In Ireland, the company tax rate is 12.5%. In Singapore, 17.5%. By 2020, with continued economic growth and restrained government spending, New Zealand should also be able to achieve a 17.5% corporate tax rate.

By eliminating the rest of the wasteful spending listed in Table 1 we can cut the top rate of income tax – now 30% above $48,000 and 33% above 70,000 – to 24% (see Table 3). By 2020, this top rate should be reduced to 17.5%.

TABLE 3: Costed tax cuts

	Rate change	$m
Individual tax	33% to 24%	1,568
	30% to 24%	689
	Total	2,257
Trusts tax	33% to 24%	684
Company tax	28% to 24%	1072
	Grand Total	**4,013**

As noted above, taxes reduce economic output and people make efforts to avoid paying them. As tax rates decline these effects diminish. This means that tax cuts are partly (and sometimes fully) self-funding. When the top rate of tax was cut from 66 cents to 33 cents, tax revenues were fully recovered in less than three years.

For the purpose of this budget, we have followed Harvard economists[4] who showed that tax cuts can generate economic growth that will pay for some of their cost to the Treasury. They argue that, in the long run, about 17% of a cut in individual income taxes is recouped through higher economic growth. For a cut in company taxes, their figure is about 50 per cent. We make more conservative assumptions for our tax modelling, especially for the company tax rate cut, assuming that only 15% is recouped in this way for individuals and 20% for companies.

[4] Mankiw, N. Gregory and Matthew Weinzierl. "Dynamic Scoring: A Back-of-the-Envelope Guide," *Journal of Public Economics* (September 2006): 1415-1433.

Low taxes encourage people to work more, save more, and invest in education and training.[5]

Company tax cuts have especially large economy-wide benefits.[6] The company tax is a tax on shareholders and small business owners in the form of reduced after-tax returns, on workers in the form of lower wages, and on customers in the form of higher prices. Capital and investors are highly mobile. So the main losers from a higher than average company tax in New Zealand are workers who must accept lower wages to stay competitive with other investment destinations offering better after-tax returns.

Why do we cut the top rate of income tax rate rather than the rates paid on lower incomes? One reason is that what affects people's economic decisions is the rate of tax they will pay on the next dollar they earn: the marginal tax rate, as economists put it. Incentives are affected by the tax rates that lie above what you now earn, not below.

When National cut the tax rate for incomes up to $14,000 from 12.5% to 10.5% it increased our post-tax incomes but did not change our incentives to work more or take entrepreneurial risks. Cutting the top rate of tax not will not simply increase people's post-tax incomes; it will increase economic output and pre-tax incomes.

The second reason to cut the top rate is that progressive taxation is unfair. The more someone earns, the more can be extracted from them by taxation. But the fact that someone has more money to tax, does not justify extracting it from them.

ACT believes that higher incomes are necessary not just to incentivize people.

People worked hard for those higher incomes. Few resent the higher incomes of those that earned those incomes. Who begrudges Peter Jackson the rewards he earned for his movie making genius? Who begrudges Sam Morgan for getting rich by inventing TradeMe? Top rugby players are well paid because, through a combination of natural talent and hard work, they have become the best of the best. These New Zealanders deserve to keep the rewards they earned.

Their success is great not because they pay more in taxes, but because they bring to the market the products and services we want to buy. We want to cheer them on to even greater success.

People resent high incomes that come from manipulating the system through regulations that suppress competition or are based on corporate welfare.

In the open, competitive market economy championed by ACT, people get rich by building businesses that produce what their customers want to buy. If they charge too much or fail to innovate, they will be under-cut by competitors and new entrants.

ACT seeks a society where our fellow citizens' success is seen as an inspiration, not as an opportunity to tax them even more.

[5] The vast majority of the cross-country differences in labour supply are due to taxes. Edward Prescott "Why do Americans work so much more than Europeans?" *Quarterly Review*, Federal Reserve Bank of Minneapolis (July 2004): 2-13, and Ohanian, Lee, Raffo, Andrea & Rogerson, Richard, "Long-term changes in labor supply and taxes: Evidence from OECD countries, 1956-2004," *Journal of Monetary Economics* (November 2008): 1353-1362, showed that taxes are about one-third higher in Europe as compared to the U.S. Not surprisingly, hours worked per working age European was about one-third less than that of working age Americans. A number of European countries invest much less than the U.S. in higher education because of higher taxes.

[6] Laurence J. Kotlikoff et al, 'Simulating the Elimination of the U.S. Corporate Income Tax', NBER Working Papers No 19757, National Bureau of Economic Research (December 2013) found that eliminating the corporate income tax would raise the U.S capital stock (machines and buildings) by 23%, output by 8% and the real wages of unskilled and skilled workers both by 12%.

ASSET SALES AND GOVERNMENT DEBT

Governments make bad owners of commercial enterprises. Because the capital invested in them has been confiscated from taxpayers who cannot choose to withdraw it, the managers of state owned businesses have little incentive to run them efficiently.

Yet the New Zealand Government now owns energy companies, farms, an airline, a train company, a bank, a courier firm and a hedge fund. The state owned enterprise portfolio yields a zero rate of return on the capital while exposing taxpayers to considerable risk.

ACT would release this capital by selling these businesses and the New Zealand Superannuation Fund. And we would use the proceeds to repay government debt. We expect that the returns from selling state owned enterprises would be about $20 billion (see Table 4). Combined with the roughly $20 billion in the Super Fund, this would suffice to repay more two thirds of the government's $60 billion of debt.

TABLE 4: The value of government owned enterprises, 30 June 2013[7]

	Equity $m
State-owned enterprises	
Airways Corporation of New Zealand Limited	68
AsureQuality Limited	38
Genesis Energy Limited	1,949
Landcorp Farming Limited	1,318
Meridian Energy Limited	4,688
Mighty River Power Limited	3,182
New Zealand Post Limited	943
KiwiRail Holdings Limited	1,207
Solid Energy New Zealand Limited	92
Transpower New Zealand Limited	1,438
Kordia Group Limited	93
Animal Control Products Limited	5
Learning Media Limited	3
Quotable Value New Zealand	18
AMI Insurance Limited	-
New Zealand Railways Corporation	3,273
Total	**18,315**
Air New Zealand Limited	1,881
Grand Total	**20,198**

Reducing government debt would also make the country more resilient in the event of an economic shock. The government has taken on a lot of extra debt, partly to absorb the shock of the recession and partly in response to the Christchurch earthquake. As a result, the government's ability to absorb another shock is greatly reduced. Reducing government debt should be a priority.

[7] Source: Financial Statements of the Government of New Zealand for the Year Ended 30 June 2013 Additional Financial Information

Labour, the Greens and NZ First protest that government asset sales harm the economy. They should explain why they do not then favour the government buying many more businesses and funding these purchases by borrowing. If new debt-funded nationalisations would be a bad idea, why are the current debt-funded nationalisations a good idea?

RED TAPE

Trying to start or expand a business in New Zealand can be a regulatory nightmare. The problem is not the time or cost of registering a company. The problem lies with the regulations covering "resource consents" and employment.

The Resource Management Act (RMA) – and council plans that apply it – require those who wish to develop land or modify buildings to get permission from bureaucrats and the representatives of iwi. The process is slow, expensive and uncertain. It drives up the cost of the developments that do occur and, worse, causes many business people to give up on their plans altogether. The result is stifled economic growth and lost jobs.

The Employment Relations Act has a similarly stultifying effect on job creation and wages. By making it difficult and costly to dismiss employees, and otherwise restricting the freedom of contract between employers and employees, the ERA makes employers reluctant to take on new staff and reduces the pay of those who are taken on.

ACT would repeal both pieces of legislation in their present form, replacing them with narrowly targeted pieces of legislation aimed at achieving environmental protection and fair employment practices in the few areas where common law remedies do not suffice.

Cutting red tape would reduce business's compliance costs, unleash pent up enterprise and innovation and create tens of thousands of jobs. Next to cutting taxes, nothing will do more to spur economic activity.

SUPERANNUATION

Like all Western countries, New Zealand has an aging population. The ratio of retired people to those in work is increasing. This is putting tax funded pay-as-you-go pension schemes under extreme pressure. Such schemes cannot be sustained at reasonable income levels unless the age of eligibility is increased. The Australian government has just decided to raise their age of eligibility to 70.

Yet successive New Zealand governments have failed to face up to this looming problem. All reviews have concluded that our National superannuation scheme is unsustainable with 65 as the age of eligibility.

ACT would heed the warning of these reviews. We would raise the age of eligibility to 67 and link growth in payments to inflation rather than earnings. These moves would make the state scheme sustainable over the coming decades and encourage more working age people to make private provision for their retirements.

BENEFITS

The Treasury predicts growth of less than 3 percent over the coming years. This is not fast enough to achieve National's stated objective of closing the gap with Australia. It's not fast enough to make New Zealand an attractive place for ambitious people to live.

Several economic studies, in New Zealand, the US and around the world show that income and company tax cuts have dramatic effects on growth.[8] This tax cutting and de-regulating alternative budget would increase growth by two percentage points.

That will bring New Zealand's growth rate to nearly five percent, creating tens of thousands of jobs and rapidly and significantly improving New Zealanders' standard of living. No other party suggests a programme that will have even half the effect.

This alternative budget will result in fewer well educated New Zealanders emigrating and more New Zealanders, who are the best immigrants, returning.

[8] See Jens Arnold, Bert Brys, Christopher Heady, Åsa Johansson, Cyrille Schwellnus,and Laura Vartia, "Tax Policy For Economic Recovery and Growth." *Economic Journal* (2011) F59-F80; Robert Barro and C.J. Redlick, "Macroeconomic Effects of Government Purchases and Taxes", *Quarterly Journal of Economics* (2011): 51-102; Djankov, Simeon, Tim Ganser, Caralee McLiesh, Rita Ramalho, and Andrei Shleifer "The Effect of Corporate Taxes on Investment and Entrepreneurship." *American Economic Journal: Macroeconomics* (2010): 31-64; Young Lee & Roger Gordon, "Tax Structure and Economic Growth." *Journal of Public Economics* (2005) 1027-1043; Mertens, Karel, and Morten O. Ravn. "The Dynamic Effects of Personal and Corporate Income Tax Changes in the United States." *American Economic Review* (2013): 1212-47; Edward Prescott "Nobel Lecture: The Transformation of Macroeconomic Policy and Research," *Journal of Political Economy* (April 2006): 203-235; Edward C. Prescott, "Prosperity and Depression," *American Economic Review* (May 2002): 1-15; Richard Rogerson, *The Impact of Labor Taxes on Labor Supply* American Enterprise Institute (2010); and Christina D. Romer and David H. Romer "The Macroeconomic Effects of Tax Changes: Estimates Based on a New Measure of Fiscal Shocks," *American Economic Review* (June 2010): 763-801.

It will avoid the looming superannuation crisis.

It will reduce government debt and increase the country's resilience to economic shocks.

It will reduce the cost of expanding your business and employing people.

It will unleash enterprise and innovation.

And its measures are not radical or impractical. Many have been recommended by Commissions, Taskforces and Inquiries.

This alternative budget highlights how far National, Labour, The Greens and New Zealand First have moved from sound economic policy. These politicians peddle the self-aggrandizing fantasy that if only they had a bigger role in the economy, it would grow faster. If only they took more of our money in taxation, spent it for us, decided which businesses we should invest in, who we should sell our products to, how we should use our property, the terms on which we may be employed and almost everything else, then we would all be better off.

ACT is the only party that utterly rejects this foolish and ugly idea.

And we are the only party offering a comprehensive, costed, alternative budget that will close the widening income gap with Australia.

We commend it to the nation.

APPENDIX 1: CORPORATE WELFARE SAVINGS

Vote	Item		$m
Commerce	Administration of Trade Remedies		1.17
	Retirement Commissioner		5.78
		Total	6.96
Communications	Fibre Drop Costs		10.29
	Broadband Investment (Rural Supply)		31.26
	International Connectivity		15.00
		Total	56.55
Economic Development	Enhancing Small Business Capability and Performance		0.22
	Sectoral Leadership and Development, Firm Capability, and Regional Development		10.80
	Policy Advice - Small Business		1.29
	Sectoral Leadership, Firm Capability, and Regional Development Operational Policy, Ministerial Servicing and Crown Entity Monitoring (50% cut)		9.11
	International Business Growth Services		99.89
	Investment Fund Management		2.33
	Services to Develop Business Capability		13.91
	Services to Support Sector Development and Special Events		30.20
	Establishment and operation of the Food Innovation Network New Zealand		0.78
	Film New Zealand		1.30
	International Growth Fund		30.03
	Large Budget Screen Production Fund		50.56
	Major Events Development Fund		10.00
	Management Development Fund		0.76
	Regional and Industry Development Fund		0.80
	Regional Partnerships and Facilitation		4.56
	Sector Strategies and Facilitation		1.20
	New Zealand Trade and Enterprise		0.17
	Seed Co-investment Fund		0.77
	Venture Investment Fund		12.82
		Total	281.47
Primary Industries	Primary Growth Partnership		237.12
		Total	237.12

APPENDIX 1: CORPORATE WELFARE SAVINGS (CONT'D)

Vote	Item		$m
Science and Innovation	Biological Industries Research - 25% cut		25.18
	Building Innovation Potential		6.18
	Callaghan Innovation Strategic Investment		18.52
	Energy and Minerals Research		11.73
	Engaging New Zealanders with Science and Technology		8.97
	Environmental Research -25% cut		8.29
	Fellowships for Excellence - 25% cut		2.14
	High Value Manufacturing and Services Research		61.06
	Marsden Fund - 25% cut		12.94
	National Science Challenges		42.10
	Realising the Benefits of Innovation		17.50
	Repayable Grants for Start-Ups		3.10
	International Relationships - 25% cut		2.24
	Research and Development Growth Grants		302.10
	Targeted Business Research and Development Funding		122.40
		Total	644.44
Tertiary Education	Performance-Based Research Fund - 20% cut		53.75
		Total	53.75
Tourism	Abolished		105.65
	Grand Total – Corporate Welfare		***1385.9***
Corporate welfare one-off savings not included in savings			
Communications	Broadband Investment (Crown Fibre Holdings Capital Costs)		817.5
Finance	Solid Energy New Zealand Limited Funding		50.0

APPENDIX 2: GOVERNMENT WASTE

Vote	Item		$m
Accident Compensation Corporation	No efficiency dividend		
Arts, Culture Heritage	2% Efficiency dividend - Total Departmental Output Expenses		0.43
	2% Efficiency dividend - non-Departmental Output Expenses		4.49
		Total	4.92
Attorney-General	2% Efficiency dividend - Total Departmental Output Expenses		1.28
Audit	2% Efficiency dividend - Total Departmental Output Expenses		1.55
Canterbury Earthquake Recovery	No efficiency dividend		
Communications Security and Intelligence	No efficiency dividend		
Commerce	Administration of Trade Remedies		1.17
	Retirement Commissioner		5.78
	2% Efficiency dividend - Total Departmental Output Expenses		1.24
	2% Efficiency dividend - non-Departmental Output Expenses		1.19
		Total	9.39
Communications	Policy advice - 50% cut		2.07
	Fibre Drop Costs		10.29
	Broadband Investment (Rural Supply)		31.26
	International Connectivity		15.00
	2% Efficiency dividend - Total Departmental Output Expenses		0.21
		Total	58.82
Conservation	Conservation with the Community		21.40
	2% Efficiency dividend - Total Departmental Output Expenses		6.46
	2% Efficiency dividend - non-Departmental Output Expenses		0.69
		Total	28.54
Consumer Affairs	2% Efficiency dividend - Total Departmental Output Expenses		0.12
	2% Efficiency dividend - non-Departmental Output Expenses		0.03
		Total	0.15
Corrections	No efficiency dividend		

APPENDIX 2: GOVERNMENT WASTE (CONT'D)

Vote	**Item**	**$m**
Courts	No efficiency dividend	
Customs	2% Efficiency dividend - Total Departmental Output Expenses	3.17
	2% Efficiency dividend - non-Departmental Output Expenses	0.00
	Total	3.17
Defence	2% Efficiency dividend - Total Departmental Output Expenses	0.27
Defence Force	No efficiency dividend	
Economic Development	Enhancing Small Business Capability and Performance	0.22
	Sectoral Leadership and Development, Firm Capability, and Regional Development	10.80
	Policy Advice - Small Business	1.29
	Sectoral Leadership, Firm Capability, and Regional Development	9.11
	Operational Policy, Ministerial Servicing and Crown Entity Monitoring (50% cut)	
	International Business Growth Services	99.89
	Investment Fund Management	2.33
	Services to Develop Business Capability	13.91
	Services to Support Sector Development and Special Events	30.20
	Establishment and operation of the Food Innovation Network New Zealand	0.78
	Film New Zealand	1.30
	International Growth Fund	30.03
	Large Budget Screen Production Fund	50.56
	Major Events Development Fund	10.00
	Management Development Fund	0.76
	Regional and Industry Development Fund	0.80
	Regional Partnerships and Facilitation	4.56
	Sector Strategies and Facilitation	1.20
	New Zealand Trade and Enterprise	0.17
	Seed Co-investment Fund	0.77
	Venture Investment Fund	12.82
	Total	281.47
Education	1% Efficiency dividend - Total Departmental Output Expenses	19.18
	1% Efficiency dividend - non-Departmental Output Expenses	4.73
	Total	23.91
Education Review Office	No efficiency dividend	

APPENDIX 2: GOVERNMENT WASTE (CONT'D)

Vote	Item		$m
Employment	Labour Market Information and Facilitation Services -20% cut		1.02
	Policy Advice and Related Outputs MCOA – 20% cut		1.44
		Total	2.46
Energy	Energy Efficiency and Conservation MCOA		30.90
	Crown Energy Efficiency		2.00
	Home Insulation		60.00
	2% Efficiency dividend - Total Departmental Output Expenses		0.67
	2% Efficiency dividend - non-Departmental Output Expenses		1.47
		Total	95.04
Environment	Domestic Climate Change Programme Policy Advice		4.89
	International Climate Change Programme Policy Advice		3.10
	Synthetic Greenhouse Gas Levy		0.49
	Domestic Obligations and Programmes - 50% cut		1.38
	International Obligations and Institutions Policy Advice - 50% cut		0.81
	Community Environment Fund		6.49
	Emissions Trading Scheme		6.39
	Allocation of New Zealand Units		170.68
	Climate Change Development Fund		0.30
	2% Efficiency dividend - Total Departmental Output Expenses		0.67
	2% Efficiency dividend - non-Departmental Output Expenses		1.24
		Total	196.43
Finance	Policy Advice - 20% cut		6.99
Food Safety	2% Efficiency dividend - Total Departmental Output Expenses		1.70
Foreign Affairs and Trade	Policy Advice and Representation - Other Countries - 33% cut		83.89
	Policy Advice and Representation - International Institutions - 33% cut		26.81
	2% Efficiency dividend - Total Departmental Output Expenses		0.71
	2% Efficiency dividend - non-Departmental Output Expenses		0.41
		Total	111.82
Health	1% Efficiency dividend - Total Departmental Output Expenses		1.91
Housing	2% Efficiency dividend - Total Departmental Output Expenses		2.01
Immigration	2% Efficiency dividend - Total Departmental Output Expenses		4.50
Internal Affairs	2% Efficiency dividend - Total Departmental Output Expenses		7.88

APPENDIX 2: GOVERNMENT WASTE (CONT'D)

Vote	Item	$m
Justice	1% Efficiency dividend - Total Departmental Output Expenses	0.82
	1% Efficiency dividend - non-Departmental Output Expenses	1.94
	Total	2.76
Lands	2% Efficiency dividend - Total Departmental Output Expenses	2.65
Labour	2% Efficiency dividend - Total Departmental Output Expenses	1.78
Office of the Clerk	2% Efficiency dividend - Total Departmental Output Expenses	0.38
Official Development Assistance	Management of New Zealand Official Development Assistance - 50% cut	29.06
	International Agency Funding - 50% cut	47.00
	International Development Assistance - 50% cut	213.11
	Total	289.17
Ombudsmen	No efficiency dividend	
Pacific Island Affairs	Abolished	8.52
Parliamentary Commissioner for the Environment	No efficiency dividend	
Parliamentary Service	2% Efficiency dividend - Total Departmental Output Expenses	1.39
	2% Efficiency dividend - non-Departmental Output Expenses	1.27
	Total	2.66
Parliamentary Counsel	2% Efficiency dividend - Total Departmental Output Expenses	0.41
Police	No efficiency dividend	
Primary Industries	Agriculture and Forestry Policy Advice - 33% cut	6.65
	Implementation of the Emissions Trading Scheme and Indigenous Forestry	11.44
	Climate Change Research	7.63
	Global Research Alliance on Agricultural Greenhouse Gases	22.04
	Primary Growth Partnership	237.12
	2% Efficiency dividend - Total Departmental Output Expenses	5.42
	2% Efficiency dividend - non-Departmental Output Expenses	1.48
	Total	291.78

APPENDIX 2: GOVERNMENT WASTE (CONT'D)

Vote	Item		$m
Prime Minister and Cabinet	2% Efficiency dividend - Total Departmental Output Expenses		0.44
Revenue	2% Efficiency dividend - Total Departmental Output Expenses		14.34
Science and Innovation	Advice and Support on Shaping the Science and Innovation System MCOA - 50% cut		14.68
	Biological Industries Research - 25% cut		25.18
	Building Innovation Potential		6.18
	Callaghan Innovation Strategic Investment		18.52
	Energy and Minerals Research		11.73
	Engaging New Zealanders with Science and Technology		8.97
	Environmental Research -25% cut		8.29
	Fellowships for Excellence - 25% cut		2.14
	High Value Manufacturing and Services Research		61.06
	Marsden Fund - 25% cut		12.94
	National Science Challenges		42.10
	Realising the Benefits of Innovation		17.50
	Repayable Grants for Start-Ups		3.10
	International Relationships - 25% cut		2.24
	Research and Development Growth Grants		302.10
	Targeted Business Research and Development Funding		122.40
		Total	659.12
Security Intelligence	No efficiency dividend		
Senior Citizens	2% Efficiency dividend - Total Departmental Output Expenses		0.02
Serious Fraud	No efficiency dividend		
Social Development	Families Commission		7.12
	Social Policy Advice MCOA - 50% cut		16.41
	1% Efficiency dividend - Total Departmental Output Expenses		11.68
	1% Efficiency dividend - non-Departmental Output Expenses		3.73
		Total	38.93
Sport and Recreation	2% Efficiency dividend - Total Departmental Output Expenses		0.01
	2% Efficiency dividend - non-Departmental Output Expenses		1.59
		Total	1.60

APPENDIX 2: GOVERNMENT WASTE (CONT'D)

Vote	Item		$m
State Services	Total Departmental Output Expenses - 50% cut		13.81
Statistics	2% Efficiency dividend - Total Departmental Output Expenses		2.14
Tertiary Education	Performance-Based Research Fund - 20% cut		53.75
	Policy Advice -20% cut		1.07
	Strategic Leadership in the Tertiary System - 20% cut		1.66
		Total	56.48
Treaty Negotiations	No efficiency dividend		
Tourism	Abolished		105.65
TPK	2% Efficiency dividend - Total Departmental Output Expenses		1.20
	2% Efficiency dividend - non-Departmental Output Expenses		3.03
		Total	4.23
Transport	2% Efficiency dividend - Total Departmental Output Expenses		0.66
	1% Efficiency dividend - non-Departmental Output Expenses		19.38
		Total	20.04
Women's Affairs	Abolished		4.63
	Grand Total - Wasteful Spending		***2364.0***
Corporate welfare one-off savings not included in savings			
Communications	Broadband Investment (Crown Fibre Holdings Capital Costs)		817.5
Finance	Solid Energy New Zealand Limited Funding		50.0