



Hard Labour:

Tackling the cost of living crisis



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Contents

Overview	4
Falling Behind: Inflation by the numbers	5
Labour's Record: A mountain of debt and rising prices	6
ACT's solutions for Labour's cost of living crisis	11
Conclusion	15

Overview

The cost of living is becoming unaffordable. Rents are growing, mortgage rates are on the rise, we're paying more for food, petrol and power, and getting hit with new taxes. Kiwis are losing money under Labour. We're working harder, but our wages can't keep up with prices.

The Government's relentless borrowing, spending, taxing, and regulating has added to the cost of just about everything.

Locking the economy down and borrowing \$50 billion has left us with a mountain of debt and rising prices. The Finance Minister is taxing Kiwis at a record pace to pay for Labour's pet projects. The Government's hostility to business means they're spending more time complying and less time producing, pushing up prices.

Kiwis Battlers are being squeezed from all directions. We want to get ahead, but we're falling further behind each day. The risk is that, when we emerge from COVID-19, young Kiwis decide to leave for greener pastures. We can't afford a brain drain.

Politics isn't working. One party leads by PR spin, the other opposes through negativity. New Zealanders get forgotten in the mess. We need straight talk and common-sense solutions if hardworking Kiwis are to have the future they deserve.

New Zealanders need someone fighting in their corner to make life more affordable – ACT is listening. We're offering ideas and solutions to manage rising prices and reduce the tax burden on hardworking Kiwis.



David Seymour,
ACT Leader



Falling Behind: Inflation by the numbers

Inflation is at a 34-year high¹, outpacing Australia, the US, the UK and Europe. Housing, food and transport costs, which make up about 60 per cent of the budgets of average Kiwis, are racing ahead of wages. In the 12 months to September 2021, wages increased 2.4 per cent, but:

- Prices increased 4.9 per cent overall
- The cost of housing and utilities increased 6 per cent
- Transport costs were up 13 per cent
- Restaurant meals and takeaways were up 4.5 per cent

• Petrol prices are at record levels. A litre of 91 is now more than \$2.50 – that’s partly explained by world oil prices, but helped by Labour’s three excise and RUC hikes and the Auckland regional fuel tax.

Real wages are falling and the situation could get worse. ANZ and the Reserve Bank expect inflation will get close to 6 per cent and prices won’t start tapering off until the middle of next year. Kiwis are having to work harder just to stand still. For Kiwi Battlers who spend the bulk of their income on the basics, it’s hard to make ends meet right now.

¹ Ignoring 2010, when GST was increased.



Labour's Record: A mountain of debt and rising prices

A one-dimensional Covid-19 response...

The Government is failing to provide a COVID-19 exit plan and start reconnecting with the world. We get endless announcements without an underlying plan. The cost of living is going up because the Government can't make logical decisions about managing COVID-19.

Nearly every sector is short of workers because the borders are closed and that's pushing up prices. The Government, for instance, closed the border to seasonal workers from Pacific Islands even if they don't have COVID-19.

The rest of the world is opening up. Flight schedules are getting back to normal. Tourism bosses warn that if the Government doesn't get its act together, airlines may schedule us out altogether. That would add to the cost of living through higher airfares and freight costs.

We know a fully-vaccinated, negative-tested New Zealander arriving from overseas is less likely to give you COVID-19 than someone in an Auckland supermarket. Why do they have to go into a hotel under military guard for a week?

Why is botox allowed but not haircuts? Why are shopping malls okay but not cafes? Why is it okay to eat food from a supermarket outside but not a restaurant?

The cost of living right now is really the cost of the Government's mismanagement of COVID-19.

...propped up by printing and borrowing

Two oceans buttressed Labour's slow, one-dimensional COVID-19 response. One was the Pacific Ocean; the other was an ocean of cheap credit and borrowed money.

The Reserve Bank has pumped about \$60 billion – or 12 per cent of GDP – into the economy. That's more than any other country except the US. Without mass money printing, the economy wouldn't be at capacity and government borrowing of around \$50 billion wouldn't seem so cheap.

Much of this spending was used to fund Labour's political wish list, rather than protecting us from COVID-19. When it mattered, our testing, contact tracing and vaccination programme wasn't ready

and the Government had to take on even more debt. The spending also didn't produce much. Every dollar the government spends without producing anything means more money chasing fewer goods and higher prices.

The Government has tried to prop up its faltering COVID-19 response by borrowing, printing, and spending tens of billions of dollars. New Zealanders are now paying the price with one of the highest rates of inflation in the OECD and interest rates on the rise.

We need to stop printing and borrowing money to pay people to stay home and start producing valuable goods and services again.

Reserve Bank: Distracted at the wheel

Until recently, our Reserve Bank was respected around the world for its single-minded focus on inflation. Unfortunately, at a moment when focus is most needed, it has its eye off the ball.

Labour's amendments to the Reserve Bank Act added a second objective for the Bank: Maintain 'maximum sustainable employment'. That sounds good, but its effect is to distract the Reserve Bank from the one thing it can control: Inflation. Changing interest rates can temporarily juice the economy, but the unemployment rate is mostly driven by the structure of the labour market and the economy's fundamentals.

ACT would revert the Reserve Bank Act to its original form and return the Bank's focus to where it's really needed.

Adrian Orr has also accumulated other responsibilities. He believes fiddling with interest rates and bank regulations will solve social inequities and prevent climate change. Neither are proper concerns for the Bank, which is granted substantial independence on the understanding it will stick to its knitting of controlling inflation and stabilising the financial system. These extracurricular activities distract from core objectives. Any remit issued to the Reserve Bank by ACT would make it clear that its focus should remain squarely on controlling inflation and protecting the financial system.



Large Scale Asset Purchases

As much as we'd all love for Labour to have discovered a magic money tree, it hasn't. Instead, it's given the Reserve Bank a blank cheque to buy government bonds and exposed taxpayers to billions in losses.

When the Reserve Bank buys government bonds from banks, it deposits an equivalent sum in those banks' Exchange Settlement Accounts. The Reserve Bank then pays the banks interest on the balances in their ESAs at the Official Cash Rate. However, the government bonds they've purchased only pay interest at the rate at which they were issued. As interest rates increase, the Reserve Bank is exposed to larger and larger losses. The Government, however, gave the Reserve Bank an indemnity, courtesy of the taxpayer, to cover those losses. Taxpayers are on the hook.

In essence, the Reserve Bank's money-printing scheme has moved the Government from having a fixed mortgage to a floating mortgage, just as interest rates rise. Any homeowner would tell you that's a bad idea. Already, the accounting losses on this big bet sum to \$5.7 billion – more than \$1,000 for every New Zealander. If interest rates increase more, losses could mount further.

The Government should withdraw the indemnity for future transactions and order the Reserve Bank to

gradually wind down its position. That will minimise the risk to taxpayers. This doesn't threaten central bank independence. The Government need not express an opinion on the correct stance of monetary policy. It is simply telling the Reserve Bank that this bet is too risky for taxpayers to bear and ordering it to use more conventional means to reach its mandated objectives.

Serious skill shortages

As the world starts to reconnect, nearly every sector is short of workers, and it's pushing up the cost of nearly everything you buy. Labour seems to have no plan to bring people safely back into the country and get skills to fill vital positions. New Zealanders hunkered down to stop the transmission of COVID-19 and put their shoulders to the wheel to get the economy moving again. But the hard work of New Zealanders is now facing a headwind of poorly-designed and badly-deployed policy. The current management of the border has been plagued with issues causing misallocation of rooms and poor matching of skills with skills shortages.

Skyrocketing housing costs

Every Government says it'll fix housing. None have, but this Government is the worst. Faced with one of the biggest crises in a generation, Labour has added

bans, taxes and regulations to the housing market, while its borrowing and printing has supercharged house price growth.

Between October 2020 and October 2021, the median house price rose from \$725,000 to \$895,000. It's already hard for young Kiwis to save for a deposit after tax, rents, utilities and food. But on top of all that, a 20 per cent deposit just went up \$34,000. It's no wonder homeownership is at a 70-year low. Meanwhile, rents have increased by \$70 a week under this Government.

The crisis is having a devastating effect on a generation hoping to follow their parents and grandparents into a property-owning democracy. Every New Zealander deserves the chance to own their own home, but the dream is slipping further away for more people.

Labour's RMA changes risk creating a regulatory nightmare, with the focus on central planning and honouring the Treaty. The removal of interest deductibility means the average landlord will pay \$4,125 more in tax each, forcing rents up and landlords to sell. The foreign buyer ban was populist nonsense and the so-called "Healthy Homes" Standards have pushed up rents even further.

The Government should be asking 'how do we create an environment for investment and development?' By failing to ask the right question, it has failed to deliver on meaningful change so we can build more homes.

More costs on businesses... and consumers

Labour never met a problem it thought it couldn't solve with new rules. It's tied small businesses, farmers – just about every part of the economy – in red tape. But new rules and regulations come at a cost. Bad regulation replaces production with compliance and pushes up the price of the basic goods and services we all need. Hardworking Kiwis need a government that will regulate in a way that improves the lives of New Zealanders.

Labour has increased the minimum wage by 27 per cent since taking office – and it's planning another hike next year – but productivity fails to keep up. That's put significant upward pressure on the costs faced by businesses and on consumer prices. The new Matariki public holiday and five extra days of sick leave will collectively add almost \$1.5 billion in costs to businesses and will be passed on to customers. A return to centralised wage bargaining (so-called "Fair Pay" Agreements) and the watering down of 90-day trial changes will mean more compliance and less production.





Pain at the pump...

Filling up the car has never been more expensive. A litre of 91 is now more than \$2.50, up from \$1.86 a year ago. Jacinda Ardern said motorists were being fleeced and launched a “market study”, demanding confidential information from fuel companies. The Government said it would bring down petrol prices by up to 32 cents a litre by cutting petrol companies’ importer margins, but margins have gone up. New red tape and taxes on fuel companies won’t help. New regulation will make it harder to do business but won’t make a significant difference to petrol prices. For every litre of petrol you buy, more than 77 cents is taken in tax by the government – and that’s just fuel taxes. Add in GST and ETS charges and there’s over \$1 of tax a litre. But fuel taxes are regressive, hitting low-income New Zealanders much harder. They’re more likely to live further away from work and have older and less efficient cars.

... and the checkout

At the 2017 election, Jacinda Ardern promised an inquiry into the supermarkets. Labour did nothing for three years, and then, at the 2020 election, made the same promise. Forget lower food prices, the Government found it difficult to deliver an inquiry. Kiwis are paying more for groceries and part of the problem is far too much red tape. Red tape makes it too hard to open a new supermarket. Replacing the RMA and reforming the Overseas Investment Act will

make it easier for people to develop land and send capital here to boost competition and lower prices.

Rural New Zealand has become a punching bag

The Zero Carbon Act will place significant costs on Kiwi households and businesses, but it’s not the most effective means of reducing emissions. What happens to global emissions will largely depend on the actions of our bigger trading partners. As a small trading nation, we should do our bit on climate change and keep in sync with our trading partners without needlessly killing industry. If larger countries reduce their emissions, we should do the same in line with them. If they don’t, strict targets will send jobs overseas to places with lower environmental standards. Sending jobs and emissions overseas is a lose-lose.

New Zealand’s diverse landscape means farming practices vary across regions. The Government’s one-size-fits-all freshwater rules set in Wellington are impractical. Regional councils and local communities are best positioned adapt best practices to local conditions. Instead, farmers are being forced to submit to a government plan which sidelines the knowledge of the local communities and businesses which produce our food and wealth. The Government’s freshwater rules will reduce a farm’s earning potential and mean higher prices for customers at the checkout.

Almost 110,000 Kiwis will be hit with the Government's 'feebate' tax. Tradies and farmers purchasing a Toyota Hilux will be slapped with a new tax of \$2,900. Large families looking to buy a Kia Sportage will be taxed \$1230. The combination of the 'feebate' tax and emissions trading scheme charges means a double tax for Kiwis who need larger, less fuel-efficient vehicles. Worst of all, it won't actually reduce emissions. Because people shifting to EVs will no longer use ETS credits, they free up those credits for someone else to use. The Government's ad hoc bans, regulation, taxes and subsidies are pushing up the cost of living for Kiwis but aren't actually the most effective way to reduce emissions.

Wasteful spending

Labour had a spending problem before COVID-19 and now it's in overdrive. The Government paid people to stay home during lockdowns. It went on crazy boondoggles. It paid off the protestors at Ihumātao. It's borrowed \$2 billion so the state housing department can bid against private developers. It spent \$50 million investigating the Boomer Bike Bridge

to Birkenhead that never got built (for the best). It spent hundreds of thousands polling Jacinda's popularity on Facebook. The list goes on and on. Government waste is inflationary and it raises the cost of living in New Zealand.

We had the second biggest taxpayer-funded COVID-19 stimulus in the developed world. That was before Delta and the Government had to pour money into Auckland to keep it from sinking under its own restrictions. Labour is spending irresponsibly and taxpayers are left with the same money while the cost of living inflates.

Record taxation

Labour is taxing New Zealanders harder than any government in our history – a record \$97 billion in the 2020/21 financial year. The average Kiwi is now paying thousands more in tax each year than they were four years ago. With rapidly rising prices, and families finding it increasingly difficult to make ends meet, Kiwis deserve a break.



ACT's solutions for Labour's cost of living crisis

Unfortunately, well-meaning government policies are now having unintended consequences. Poor policymaking is pushing up the price of just about everything. New Zealanders deserve much better. Kiwis have told us that they need someone fighting in their corner to make life more affordable – ACT is listening. We are offering straight talk and common-sense solutions to manage rising prices and reduce the tax burden on hardworking Kiwis.

Middle income tax cut

- ACT will permanently cut the 30 per cent tax rate to 17.5 per cent.

The average New Zealander is paying thousands more in tax each year than they were prior to Labour taking office. Life is becoming unaffordable as housing, transport and food prices race ahead of wages. Kiwis need a break. ACT will cut the 30 per cent marginal tax rate to 17.5 per cent. Our plan will allow the average full-time worker to keep \$2,000 more a year to help deal with the rising cost of living. That's almost \$40 more a week in the pockets of hardworking taxpayers to help them with the cost of living.

Covid-19

The cost of living right now is the cost of the Government's ad hoc, illogical COVID-19 response. The Government is failing to provide a COVID-19 exit plan so we can start reconnecting with the world. In order to get on with our lives and businesses, we need certainty and clear rules of the game. ACT would:

- Move regions to the correct traffic light colour, so regions with no cases, or regions that are among the most vaccinated places in the world, are in Orange or Green
- Dump MIQ for fully-vaccinated travellers immediately so that businesspeople can travel and renew connections, and staff can come to fill skill gaps
- Legalise rapid antigen testing for all New Zealanders immediately
- Ensure the vaccine passport will be ready to go for future vaccines and boosters
- Design the Major Events Insurance Scheme so events with fewer than 5,000 people can benefit.

Solving skills shortages

ACT will:

- Open the border to full-vaccinated international students at the same time as Australia so our education sector can compete
- Allow fully-vaccinated tourists from low-risk countries to enter the country to save our tourism and hospitality sectors
- Allow existing student visa holders and their partners to apply for the 2021 Resident Visa
- Allow offshore work visa holders to apply for the 2021 Resident Visa.

Skills shortages continue to strangle businesses and push up the price of everything. Employers across New Zealand are desperate to find and retain skilled staff. Businesses need to bring skills into the country to grow and in some cases just to survive.

That means Immigration New Zealand (INZ) needs to prepare for a return to normalcy. Instead, it's attempting a Hail Mary with the one-off 2021 Resident Visa, and has approved just 0.2 per cent of applications in the first week. Meanwhile, thousands of skilled people have missed out on this option entirely.

With the border closed, we would have expected INZ to improve its systems, clear backlogs, and prepare for a gradual reopening for when it was safe to do so. But the immigration system has stalled yet again, while everyone waits for the Government's mystery "once in a generation" immigration reset. New Zealanders need certainty.

As New Zealand finally achieves high levels of vaccination, along with the world, we should take advantage of the opportunity for greater flexibility at the border.

ACT is committed to giving business certainty over skills shortages by reconnecting with the world, and reversing the Government's 'immigration reset'.

Real housing reform

- ACT would create a dedicated public-private partnership (PPP) agency to get things built

Tapping into private sector investment, and using PPPs, will help fund new projects faster and at less



cost and risk to taxpayers. ACT would combine the Infrastructure Commission and Crown Infrastructure Partners and give the new agency the mandate to secure private capital for new infrastructure projects.

- **ACT would introduce a GST-sharing scheme to fund infrastructure**

Local councils face poor incentives to build. Every new development involves infrastructure costs to ratepayers. These costs act as a disincentive for councils to approve new houses. ACT would introduce a GST-sharing scheme that would give 50 percent of the GST revenue of building a new house to the local council that issued the consent to help them cover infrastructure costs and incentivise them to consent more housing.

- **ACT would remove artificial restrictions on land use so the next generation can build on their land**

New Zealand has created a shortage of sections to build on and pushed up the price of homes. If we want more safe, affordable housing, we must end irrational restrictions on development. The Auckland rural-urban boundary shows the extreme effects of land-use restrictions on the housing market. Removing

the rural-urban boundary would free up land and prevent runaway house prices which lock families out of owning a home.

- **ACT would remove barriers to finance for build-to-rent schemes**

It takes time, energy and capital to get new apartments off the ground. Internationally, build-to-rent is a popular investment opportunity for developers to build long-term rental accommodation. But we're one of the hardest countries to send capital to and the restrictive Overseas Investment Act (OIA) is a barrier to investment. Investors who do develop long-term rental accommodation struggle to sell their property on to other overseas investors. It limits investment and choice in housing. ACT will remove barriers to financing build-to-rent accommodation by providing the same exemptions investors in retirement villages and students hostels receive under the OIA.

- **ACT would reform building materials regulation**

ACT would change building regulations to automatically approve building products that have been approved by high-quality regulators in similar jurisdictions. This would reduce our price

disadvantage as a small, distant market and encourage more competition. It will deliver more opportunities for builders to source high-quality materials with less red tape in the way.

- **ACT would introduce building insurance to replace regulations in the Building Act**

It takes too long to build anything in New Zealand. The construction process is too slow and too costly. Councils, acting as building inspectors and liable for poorly-built homes, are risk averse and place compliance costs of an estimated \$40,000 on each new house. ACT would replace inflexible council building consents with a flexible system of building insurance. This would mean that all new homes remain insured against negligence and are safe. It would speed up the building process, and get more houses built more cheaply. Insurance would be attached to the house, not the builder, and backed by reputable Reserve Bank-regulated insurance companies.

- **ACT would create enduring RMA reform that respects property rights and recognises the need for continuous improvement in environmental management**

The RMA doesn't work. Every party in Parliament has agreed that reform is needed. But reform must mean building homes while protecting our environment. ACT

would repeal the RMA and replace it with separate Environmental Protection and Urban Development Acts. The Urban Development Act would expand the rights of property owners to build on their own land. The Environmental Protection Act would provide property owners certainty and focus only on those environmental issues not addressed through other schemes.

Workplace relations

ACT will:

- **Repeal the Matariki public holiday, new sick leave entitlements and the soon-to-be-introduced centralised wage bargaining (so-called "Fair Pay" Agreements)**
- **Reinstate 90-day trials for all businesses**
- **Pause minimum wage increases**
- **Reform the Employment Relations Act to ensure workers and employers have clearer dispute resolution rules without needing to resort to the Employment Relations Authority**

Covid-19 has hurt small businesses. For the first time in a decade, businesses are closing at a faster rate than new ones are opening.

Seven of ACT's 10 MPs are business owners. We understand the pressures business owners are under and how to create sensible, practical policies which



support them. Starting a business is incredibly brave and involves taking huge risks.

Over the past few years, employment rules and regulations have been increasing at pace. These changes, while well-intentioned, reduce employment opportunities and push up costs and prices. ACT will empower small business owners to take chances, get more people into work, and take pressure off rising prices.

Supporting rural New Zealand

ACT would:

- Push for regional freshwater rules over bureaucratic, one-size-fits-all regulation
- Repeal the 'ute tax'
- Repeal the Zero Carbon Act
- Remove the requirement for councils to identify Significant Natural Areas.

Our farmers are the most efficient in the world. We need to recognise the value New Zealand, and the world, gains from them and harness the innovating spirit on our farms. We should be celebrating farmers, not finding more ways to tax and regulate them. Labour's misguided policies will reduce the productivity of our rural sector, pushing up costs and prices for consumers.

Farming practices vary across regions as farmers adapt best practices to local conditions. One-size-fits-all freshwater rules are impractical and raise costs

for farmers. ACT will remove the ability for certain freshwater rules to be set in Wellington and devolve them to regional councils who are best positioned to understand the local conditions and communities.

ACT would repeal the feebate scheme. It's a punitive measure that disproportionality harms the rural sector. It won't result in one less gram of carbon being emitted because we already have an Emissions Trading Scheme (ETS) with a fixed cap.

We support the goal of reducing emissions and the ETS is the most efficient way to achieve that goal. It provides a market-based mechanism to incentivise efficient emission reductions, has wide political buy-in, and renders the Climate Change Commission's recommendations redundant. ACT will therefore repeal the Zero Carbon Act and reject the Commission's recommendations. We need to play our part on climate change, but if we make significantly deeper emissions cuts than our trading partners, we'll simply push economic activity and emissions overseas.

Significant Natural Areas are a massive government land grab, punishing farmers who do conservation work on their own land. SNAs will prevent landowners from being able to develop their land, but they won't be compensated. It's a massive government land grab and an assault on private property rights.



Conclusion

The Government borrowed \$50 billion through Covid-19. That money is now moving around the economy and pushing up prices. But wages aren't keeping up. Kiwis are being squeezed from every direction. Doing the groceries, filling up the car and paying the rent is more expensive. On top of that, the Government is raking in record tax from you.

Labour's chickens have come home to roost with a mountain of debt and rising prices, and Kiwi Battlers are finding it difficult to make ends meet. We can't afford to continue like this.

ACT is offering straight talk and common-sense solutions. We will get borrowing, spending and debt under control. We will offer tax relief for hardworking families. We will stop paying people to stay home and get our country back to producing valuable goods and services. Our policies will take the pressure off prices and reduce the tax burden on hardworking Kiwis.

New Zealanders need someone fighting in their corner to make life more affordable – ACT is listening.





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