



NATIONAL-ACT CONFIDENCE AND SUPPLY AGREEMENT

Made this 16th day of November 2008

BETWEEN: The National Party
("National")

AND The ACT Party
("ACT")

PREAMBLE

Recognising that National and ACT have a duty to give effect to the will of the people as expressed at the general election, in particular the strong mandate for a change in New Zealand's economic and social directions:

Recognising that National and ACT have shared goals for a more prosperous and cohesive New Zealand driven by the initiative and hard work of individual New Zealanders:

Recognising that significant changes in institutions and policies will be needed to achieve those goals:

Recognising that New Zealand's productivity performance will need to increase dramatically if New Zealanders are to enjoy greater prosperity:

Recognising that the country also faces immediate and serious economic risks due to the international financial crisis and global recession:

Recognising that in order to promote strong growth in investment, employment and incomes, stable government and high levels of business confidence are required:

National and ACT agree on the following elements of an approach to government --

PHILOSOPHY

ACT notes and endorses the National Party's long-held respect for individual freedom, personal responsibility, and sanctity of property rights and to uphold other National values of:

- National and personal security
- Equal citizenship and equal opportunity
- Competitive enterprise and rewards for achievement
- Limited government
- Strong families and caring communities
- Good environmental quality.

JOINT ASPIRATIONS

National and ACT have joint aspirations for greater prosperity for New Zealanders, and see Australia as a benchmark. They have agreed on the concrete goal of closing the income gap with Australia by 2025. This will require a sustained lift in New Zealand's productivity growth rate to 3% a year or more.

Both parties recognise that achieving this goal will require significant improvements in New Zealand institutions and policies. Their joint commitment to limited government – government limited to its proper role – and greater economic freedom will need to be consistently adhered to. To that end they have agreed on the establishment of a high quality advisory group to investigate the reasons for the recent decline in New Zealand's productivity performance, identify superior institutions and policies in Australia and other more successful countries, and make credible recommendations on the steps needed to fulfil National's and ACT's aspirations.

The advisory group will report annually on the progress made to improve the quality of institutions and policies and whether New Zealand is on track to meet the 2025 goal.

INSTITUTIONS AND CONSULTATION

A Leadership Council comprising the leaders of National and ACT will be established to regularly consult on major strategic elements of the government's programme, review progress towards improvements in the rate of productivity growth, and consider new initiatives. The Council will meet monthly and as required.

To enable ACT to make a substantive contribution to the government's programme, it will have adequate access to funding, in a bulk form or for specific projects, to enable it to commission contract research or other consultancy assistance. The terms of such funding will be a matter for the Leadership Council to decide.

The relationship between ACT and National will be based on good faith and no surprises.

National will consult with ACT on issues including:

- The broad outline of the legislative programme
- Key legislative measures
- Major policy issues
- Broad budget parameters
- Policy issues and legislative measures to which ACT is likely to be particularly sensitive.

Consultation will occur in a timely fashion to ensure ACT views can be incorporated into final decision-making.

Formal consultation will be managed between the Prime Minister's Office and the Office of the Leader of ACT.

Other cooperation will include:

- Access to relevant Ministers and officials by designated ACT MPs
- Regular meetings between the Prime Minister and the ACT Leader and as required on unscheduled matters to which ACT is particularly sensitive.
- Advance notification to the other party of significant announcements by either National or ACT
- Briefings by Ministers on significant issues before any public announcement.

MINISTERIAL POSITIONS

The Leader of ACT Rodney Hide MP and Heather Roy MP will be appointed to ministerial positions outside Cabinet.

Mr Hide will be appointed Minister of Local Government, Minister for Regulatory Reform and Associate Minister of Commerce. Mr Hide will also be appointed to be a member of the Cabinet Expenditure Control Committee dealing with the review of public expenditure. Mrs Roy will be appointed Minister of Consumer Affairs, Associate Minister of Defence and Associate Minister of Education.

ACT will also have a representative on the Cabinet Committee on Honours and Appointments.

POLICY PROGRAMME

National acknowledges that there are seven policy areas in which ACT requires progress to be made in the current term of Parliament:

1. *Law and Order*

Both National and ACT announced policies that involved stricter provisions in relation to sentencing, bail and parole. An incoming National-led government is committed to introducing legislation to give effect to these changes as a matter of priority.

National agrees to introduce the ACT Three Strikes Bill as a part of this package of measures, to receive submissions and consideration in the select committee.

National further agrees to give the ACT bill a fair hearing in the committee based on the evidence and give due weight to the submissions received.

2. *Climate Change*

National is committed to retaining measures to address New Zealand's Kyoto obligations, by making amendments to the legislation that will balance our environmental responsibilities with our economic needs. ACT campaigned on a policy of abolishing the ETS.

National agrees to a review by a special select committee of Parliament of the current Emissions Trading Scheme legislation and any amendments or alternatives to it, including carbon taxes, in the light of current economic circumstances and steps now being undertaken by similar nations.

National further agrees to pass forthwith an amendment to the ETS legislation delaying its implementation, repealing the thermal generation ban and making any other necessary interim adjustments until the select committee review is completed.

ACT is not opposed to New Zealand adopting responsible climate change policies. What it opposes is an ETS that was never adequately justified. If a rigorous select

committee inquiry establishes a credible case that New Zealanders would benefit from action by New Zealand, in conjunction with other countries that are important to us, ACT would be prepared to support legislation giving effect to such action. National agrees that the Terms of Reference for such an inquiry will be mutually agreed between ACT and National and that the Terms of Reference proposed by ACT are attached as Appendix 1 will be an initial basis for discussion.

3. *Controlling Government Expenditure*

National campaigned on the basis of placing a cap on the core bureaucracy, and moving resources out of back office processes and into front line services. ACT campaigned on the need for stricter disciplines in relation to public sector expenditure.

National agrees to work with ACT to achieve better value for money in the public sector by:

- Involving the ACT Leader Rodney Hide as a member of the Cabinet Expenditure Control Committee process. A focus of this work should be on elimination programmes that do not deliver value for money. As a member of the Expenditure Control Committee, ACT shall be entitled to the support of one Treasury official in its office to assist with this role.
- Establishing a series of Task Forces that include private sector representatives and private sector chairs to undertake fundamental reviews of all base government spending in identified sectors, and to report findings progressively to the cabinet control expenditure committee and relevant ministers. The reports will examine such matters as why a government programme is necessary in the national interest, the clarity and accountability of the spending objectives, whether progress towards the achievement of those objectives is adequately assessed, and whether it is clear that current programmes are superior to alternative means of achieving those objectives. The reports should clearly identify the quantum of core Crown spending that does not appear to be adequately justified as a result of the reviews. They should also report on the implications of their findings for what might be done in the longer term to reduce waste in government spending and improve its quality. The terms of reference and composition of each Task Force will be agreed between National and ACT, and each taskforce shall be supported by Treasury and external resources.
- Cooperating with ACT representative(s) on the Finance and Expenditure Committee in relation to Estimates, Financial Reviews and the conduct of select committee enquiries targeting areas of low quality expenditure.
- Giving full and constructive consideration of any proposals advanced by ACT promoting policies, procedures or legislation to restrain low quality expenditure.
- Support, within six months, the referral of ACT's Taxpayer Rights Bill to the Finance and Expenditure Committee of Parliament as a government measure with the aim of passing into law a cap on the growth of core Crown expenses.

The successful implementation of these policies will provide scope for significant tax reductions.

4. *Tax*

National and ACT both recognise the importance of a broad-based, low-rate tax system for productivity and income growth. ACT favours a much flatter income tax scale, ideally a single rate of tax. National and ACT note that United Future favours reducing and aligning personal, trust and company taxes at a maximum rate of 30%. They agree that such a tax structure is a desirable medium-term goal.

5. *Regulation*

To reduce the red tape and regulatory interventions that are reducing investment and depriving New Zealanders of jobs, National and ACT agree that the government will establish a task force to carry forward work on the Regulatory Responsibility Bill considered by the Commerce Committee of Parliament in 2008. The membership of the Taskforce to be jointly agreed by National and ACT.

National and ACT agree that the National-led government will explore the concept of a New Zealand Productivity Commission associated with the Productivity Commission in Australia in order to support the goals of higher productivity growth and improvements in the quality of regulation.

6. *Resource Management Act*

National and ACT agree to promote investment, jobs, wages, employment and prosperity, as well as environmental improvement, through amendments to the RMA. The National-led government will establish a high quality advisory group to recommend short-term amendments to the RMA, including but not confined to those which National has put forward, as a basis for select committee consideration early in 2009. The membership of the group and its terms of reference will be agreed between National and ACT.

Beyond the short term, consideration will be given to further improvements, including better mechanisms for water allocation and compensation for regulatory takings of property rights. High quality advisory groups will be established for such tasks.

7. *Education*

ACT notes that National has stated that it will "work, over time, to increase the education choices available to parents and pupils so families have more freedom to select schooling options that best meet the individual needs of their children." ACT also favours greater choice and competition in education.

In pursuit of these goals, National and ACT have agreed to set up an inter-party working group, which shall be resourced as necessary to consider and report on policy options relating to the funding and regulation of schools that will increase parental choice and school autonomy.

NATIONAL'S KEY COMMITMENT AND POST-ELECTION ACTION PLAN

National has identified the initiatives on National's "*My key commitments to you*" and "*National's Post-Election Action Plan*" publications as priorities for them. ACT agrees to support the legislation required to give effect to these policies. These publications are attached as Appendix 2.

Support for other legislation which is not part of a confidence or supply motion will be negotiated on a case by case basis.

National agrees to ongoing discussions on ACT's '20 point plan' election publication attached as Appendix 3 and other ACT policies.

BRIEFINGS

It is agreed that nominated spokespeople within ACT will be briefed on significant issues by Ministers and officials which are likely to be politically sensitive before any public announcements are made.

CONFIDENTIALITY

It is agreed that where briefings are provided to ACT, or where ACT is involved in a consultative arrangement with regard to legislation, policy or budgetary matters, all such discussions shall be confidential unless otherwise agreed.

In the event that government papers are provided to ACT in the course of consultation or briefings they shall be treated as confidential and shall not be released or the information used for any public purpose without the express agreement of the relevant Minister.

In the event that Cabinet or Cabinet committee papers are provided to ACT for the purposes of consultation they shall be provided to a designated person within the Office of the Leader who will take responsibility for ensuring they are accorded the appropriate degree of confidentiality.

COLLECTIVE RESPONSIBILITY

ACT agrees that its leader and any Minister or Associate Minister shall fully represent the government's position and be bound by Cabinet Manual provisions in respect of any areas within their portfolio responsibilities and to support all areas that are matters of confidence and supply.

Where there has been full participation in the development of a policy initiative outside of any portfolio responsibility held by the Leader of ACT, and that participation has led to an agreed position, it is expected that all parties to this agreement will publicly support the process and the outcome.

PROCEDURAL MOTIONS

ACT agrees that it will support the government on procedural motions in the House and in select committees unless ACT has previously advised that such support is not forthcoming. National agrees that it will operate a no surprises policy with ACT on procedural motions it intends to put before the House or a select committee. If National fails to give ACT 48-hours notice of intended procedural motions, ACT shall not be bound by its obligations under this heading.

SELECT COMMITTEES

ACT and National will consult on the makeup and operation of select committees with a view to reaching an agreed position.

LEGISLATIVE PROGRAMME

Support for particular legislative measures which do not relate to confidence or supply will be negotiated on a case by case basis.

RELATIONSHIP TO OTHER CONFIDENCE AND SUPPLY AGREEMENTS

Both parties to this agreement recognise that National will be working with a range of parties both in terms of coalitions and confidence and supply arrangements.

National agrees that it will not enter into any other relationship agreement which is inconsistent with this agreement, and ACT and National agree that they will each act in good faith to allow all such agreements to be complied with.

CONFIDENCE AND SUPPLY

ACT agrees to provide confidence and supply, for the term of this Parliament, to a National-led government.

Dated the 16th November 2008

John Key
National Leader

Rodney Hide
ACT Leader

Appendix 1:

Climate Change Select Committee

Terms of Reference

The Committee shall:

- hear competing views on the scientific aspects of climate change from internationally respected sources and assess the quality and impartiality of official advice
- hear views from trade and diplomatic experts on the international relations aspects of this issue
- consider the prospects for an international agreement on climate change post Kyoto I, and the form such an agreement might take
- require a high quality, quantified regulatory impact analysis to be produced to identify the net benefits or costs to New Zealand of any policy action, including international relations and commercial benefits and costs
- consider the impact on the New Zealand economy and New Zealand households of any climate change policies, having regard to the weak state of the economy, the need to safeguard New Zealand's international competitiveness, the position of trade-exposed industries, and the actions of competing countries
- examine the relative merits of a mitigation or adaptation approach to climate change for New Zealand
- consider the case for increasing resources devoted to New Zealand-specific climate change research
- examine the relative merits of an emissions trading scheme or a tax on carbon or energy as a New Zealand response to climate change
- consider the need for any additional regulatory interventions to combat climate change if a price mechanism (an ETS or a tax) is introduced
- consider the timing of introduction of any New Zealand measures, with particular reference to the outcome of the December 2009 Copenhagen meeting, the position of the United States, and the timetable for decisions and their implementation of the Australian government.

Future work on climate change, including the work of the select committee, shall be resourced by a high quality advisory group comprising government officials and private sector experts.

My key commitments to you

If National is elected to lead the next Government, I personally guarantee that we will:

1. Strengthen the economy, increase after-tax incomes and ensure Kiwis can get ahead under their own steam by **reducing personal taxes on 1 April 2009, 1 April 2010 and 1 April 2011.**
2. Maintain and build New Zealand's asset base by **increasing investment in infrastructure such as roads, broadband and public transport, and by not selling Kiwibank or any other state-owned company.**
3. Ensure government spending is focused on frontline services such as health and education by **capping the number of bureaucrats and putting real discipline around government spending.**
4. Make our communities safer by **ensuring the worst repeat violent offenders are not eligible for parole.**
5. Confront failure in our school system by **setting National Standards in literacy and numeracy, and requiring all pupils' progress to be assessed and the results reported to parents in plain English.**
6. Tackle our health workforce crisis by **introducing voluntary bonding for new doctors, nurses and midwives, and by boosting the number of funded medical student places by 200 over five years.**
7. Give families financial certainty by **continuing all Working for Families payments at current levels, keeping 20 hours ECE, and keeping caps on doctors' fees.**
8. Give seniors financial certainty by **keeping the age of eligibility of NZ Superannuation at 65 and steadily increasing the amount of Super paid each week as a result of our personal tax cuts.**
9. Encourage people to save for their retirement, while making it fairer and more affordable for everyone in these tighter economic times, by **retaining KiwiSaver, with contributions at the 2% plus 2% level.**
10. Provide a safety net for those who are unable to work by **passing a law to maintain and inflation-index all benefit payments, while encouraging those who can work to go back to work.**
11. Encourage students to get rid of debt sooner by **keeping interest-free student loans and offering a 10% bonus on early repayments.**

NATIONAL'S POST-ELECTION ACTION PLAN

National has a comprehensive plan to tackle the issues that matter to New Zealanders. Our policies have been fully costed and funded. If National is elected to lead the next Government, I will see to it that these first actions are carried out in our first 100 days after being sworn in to office.

John Key
National Party Leader

FIRST ACTIONS ON THE ECONOMY

- Introduce and pass National's tax package into law before Christmas, with tax cuts beginning on 1 April 2009.
- Update and publish the economic and fiscal forecasts to gauge the true state of the Government's books and determine the on-going effects of the international economic crisis.
- Appoint a Minister of Infrastructure and begin implementing our infrastructure plan.
- Introduce an RMA reform bill to reduce the costs, delays, and uncertainties in the Act.
- Introduce and pass National's transitional relief package into law to offer extra assistance to Kiwis who are worst hit by redundancy.
- Call in the public service chief executives and instruct them to undertake a line-by-line review of their department's spending.
- Establish a Cabinet Expenditure Control Committee to oversee the review of departmental spending and ensure savings are focused on the front line.
- Begin a regulatory review programme to identify and remove inefficient and superfluous regulation.

FIRST ACTIONS ON LAW AND ORDER

- Introduce legislation to remove the right of the worst repeat violent offenders to be released on parole.
- Introduce legislation to clamp down on criminal gangs and their drug trade.
- Introduce legislation to toughen the bail laws to make it harder for criminals awaiting trial to get bail.
- Introduce legislation to tackle increasing violent youth crime by bolstering the Youth Court with a range of new interventions and sentences.
- Introduce legislation to require DNA testing for every person arrested for an imprisonable offence.
- Introduce legislation to give police the power to issue on-the-spot protection orders to help them protect victims of domestic violence.
- Introduce legislation to compensate victims by levying criminals and putting the money into a Victims Compensation Scheme.

FIRST ACTIONS ON EDUCATION

- Amend the Education Act 1989 so the Minister of Education can set agreed National Standards in literacy and numeracy.
- Publish requirements for primary and intermediate schools to report to parents in plain English about how their child is doing compared to the set National Standards, and compared to other children their age.
- Begin work on allocating an additional \$500 million capital investment in schools in preparation for our first Budget to start future-proofing our schools.
- Introduce a "voluntary bonding" scheme which offers student loan debt write-offs to graduate teachers who agree to work in hard-to-staff communities or subjects.

- Amend the Education Act 1989 to increase the current fines for parents of truant children from \$150 and \$400 for first-time and repeat offenders respectively, and allow the Ministry of Education to take prosecutions.

FIRST ACTIONS ON HEALTH

- Instruct the Ministry of Health and DHBs to halt the growth in health bureaucracy.
- Open the books on the true state of hospital waiting lists and the crisis in services.
- Fast-track funding for 24-hour Plunketline.
- Instruct that a full 12-month course of Herceptin be publicly available.
- Begin implementing National's Tackling Waiting Lists plan.
- Establish a "voluntary bonding scheme" offering student loan debt write-off to graduate doctors, nurses, and midwives who agree to work in hard-to-staff communities or specialties.

FIRST ACTION ON ELECTORAL LAW

- Repeal the Electoral Finance Act 2007 and reinstate the Electoral Act 1993, with the sections in the Electoral Finance Act relating to donations retained.