

The Treasury

Budget 2017 Information Release

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[40]	Not in scope	

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.

From: John Marney [TSY]
Sent: Wednesday, 29 March 2017 3:29 p.m.
To: 'David Kidson'
Subject: RE: Terranova questions for before 2pm meeting

I followed up on the 1.7% wage growth assumption. The HYEPU forecasts suggest that LCI growth is unlikely to exceed 1.7% per annum on average over the next four years. So even if we gave the unions' their (one way) adjustment provision, we probably wouldn't need to recast year 5.

Is this too much detail for you? MOF seems to like getting into this stuff.

From: David Kidson [39]
Sent: Wednesday, 29 March 2017 11:51 a.m.
To: John Marney [TSY] [39]
Subject: RE: Terranova questions for before 2pm meeting

Thanks John, appreciate this

David Kidson | Economic Advisor
Office of Hon Steven Joyce | Minister of Finance | Minister for Infrastructure
7.2 Beehive, Parliament Buildings, PO Box 18041, Wellington 6160, New Zealand
[39]

From: John Marney [39]
Sent: Wednesday, 29 March 2017 11:36 a.m.
To: David Kidson
Subject: RE: Terranova questions for before 2pm meeting

[SEEMAIL][SENSITIVE]

Hi David,

I promised to send you a cleaner version of yesterday's spreadsheet addressing Kenny's questions below. Hopefully, this version is easier to follow. Some of the numbers have changed (mainly the wage rates).

As I mentioned, the evolution of the numbers is complicated a bit by the fact the costing methodology has been updated since fiscal parameters were agreed in November last year. (There is not much point going back before November because the early approach to costings wasn't really adequate.) Transitional rules for existing workers have also been introduced to the mix.

In terms of methodology, the November costings included some double counting of age-residential care hours; this has since been corrected (reducing cost). There have been some adjustments to scope, and a move towards more conservative assumptions about the distribution of qualifications amongst workers (increasing cost). [38]

Taken as a whole, these changes largely cancel

out. The impact on the costings and pay matrix are shown in the attached spreadsheet (“...updated using new model”). On the wage growth assumption specifically, I noticed yesterday that the unions’ latest offer actually states that year 5 wage rates are to be adjusted if the average annual movement in the labour cost index exceeds 1.7% in years 1 to 4. If that provision were to be included in the final settlement agreement, we may need to revisit the year 5 costings because 1.7% feels like a lowish assumption for future LCI movements. I will follow this up with MOH.

Transitional rules relate to the treatment of existing, unqualified workers under a qualifications-based regime. The November costings assumed no transitional rules for this group. More recent offers and counter-offers have included provisions for existing workers to transition to the new pay rates based on years of experience. Details are included in the attached spreadsheet.

Hope this helps. Sorry I couldn’t get you the complete story yesterday: it took a while to untangle.

John

From: David Kidson [39]
Sent: Tuesday, 28 March 2017 10:59 a.m.
To: John Marney [TSY] [39]
Subject: FW: Terranova questions for before 2pm meeting

Hey John,

Can you help out with these questions on Terranova? Will need answers by 1pm,

Cheers,

David Kidson | Economic Advisor
Office of Hon Steven Joyce | Minister of Finance | Minister for Infrastructure
7.2 Beehive, Parliament Buildings, PO Box 18041, Wellington 6160, New Zealand
[39]

From: Kenny Clark
Sent: Tuesday, 28 March 2017 10:57 a.m.
To: David Kidson
Subject: Terranova questions for before 2pm meeting

Hi David

The Minister has asked for the following information ahead of the 2pm conference call:

1. Can you please compare the rates of pay for workers at the start of the negotiations and now (Treasury say they have not moved much during the negotiations).
2. Can you please compare the total size of union package at the start of the negotiations and now, and how its changed.

Thanks
Kenny

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