

Chapter 3

New Zealand

Country brief¹

Political system

3.1 New Zealand is a parliamentary democracy in the Westminster tradition. The executive arm of government is drawn from its legislature. The New Zealand Parliament is unicameral, having abolished its upper house (the Legislative Council) in 1951. The Prime Minister (currently John Key, first elected in November 2008) is the Head of Government and must have the confidence of the House to govern. HM Queen Elizabeth II is the Head of State, represented by the Governor-General (Lt Gen Rt Hon Sir Jerry Mateparae, since August 2011).

3.2 New Zealand has a Mixed Member Proportional (MMP) electoral system, based on a German model. The first MMP election was held in 1996. Under MMP, voters have two votes—one for a local MP (an electorate vote) and one for a political party (a party list vote). It is compulsory to enrol to vote but voting itself is not compulsory. Maori may choose to be on either the General or the Maori electoral roll. There are 121 seats in the current Parliament—70 electorate seats, including seven representing Maori electorates, and 51 party list seats which are allocated to parties in accordance with their share of the party list vote. MMP has increased opportunities for minor parties to gain parliamentary representation. As a result, coalition and minority governments have become commonplace.

3.3 New Zealand's National Party Government was first elected in 2008 and was re-elected in the last election in November 2011. It won 59 seats and, with confidence and supply guaranteed by the ACT Party and United Future (which won one seat each), achieved a majority of 61 seats in the 121-seat Parliament. The National Party also secured a looser confidence and supply support arrangement with the Maori Party (three seats). The arrangement has allowed the National Party to pursue its election platform (such as on partial privatisation of assets) and gives the Maori Party freedom to vote as it wishes. The Opposition Labour Party secured 34 seats, the Greens 14 seats, and New Zealand First won 8 seats.

3.4 National elections are to be held on 20 September 2014. Polling shortly after the election was called in March 2014 had the National Party on 49.9 per cent with the opposition Labour Party on 31.5 per cent, the Greens on 10.4 per cent and New Zealand First on 3.7 per cent. The National Party will likely still need the support of compatible minor parties to secure re-election

1 Much of the factual information in this chapter has been provided by the Department of Foreign Affairs and Trade and the Department of Defence.

Australia's relationship with New Zealand

3.5 Australia and New Zealand are natural allies with strong trans-Tasman links. Migration, trade and defence ties, keen competition on the sporting field, and strong people-to-people links have helped shape a close and co-operative relationship.

3.6 At a government-to-government level, Australia's relationship with New Zealand is the closest and most comprehensive of all its bilateral relationships. Prime Ministers hold annual formal talks, as do Treasurers, Trade and Defence Ministers. Foreign Ministers meet biannually. Ministers and government officials from both countries participate in meetings and conferences on a wide range of issues: health, education, transport, justice, quarantine and many others. New Zealand Ministers and government officials participate with their Australian federal and state counterparts in relevant council meetings that support the twice yearly Council of Australian Governments (COAG).

3.7 Australia and New Zealand cooperate closely in the international arena and in regional bodies, such as the Pacific Islands Forum, APEC and the ASEAN Regional Forum. The Australia, New Zealand and ASEAN Free Trade Agreement, AANZFTA, which entered into force on 1 January 2010, is Australia's first multi-country FTA and the first time Australia and New Zealand have been involved jointly in negotiating an FTA with third countries. Both Australia and New Zealand cooperate closely in pursuing WTO goals, notably through participation in the Cairns Group—a coalition of 19 agricultural exporting countries seeking the liberalisation of trade in agriculture. New Zealand has made valuable contributions to security in areas of high priority to Australia, notably in East Timor, Bougainville, Solomon Islands and Afghanistan.

3.8 Australia is publicly supporting New Zealand's bid for a 2015-16 term on the UN Security Council. New Zealand has been invited to the G20 Summit in Brisbane in November 2014 as well as G20 Ministerial meetings throughout the year. Australia and New Zealand have agreed to hold an Australasia Business Week, immediately prior to the B20 Summit in Sydney in July, to showcase the Australasian economy to the 400 leading CEOs from G20 economies who will be in Sydney at that time. Australia and New Zealand are also working closely together in the lead up to major events in 2015, including the Centenary of the Gallipoli ANZAC landings (beginning with the commemoration on 1 November 2014 of the first convoy departing Albany WA for Gallipoli), and co-hosting the 2015 Cricket World Cup.

Issues discussed in detail

Tourism

3.9 The committee had the opportunity to speak with New Zealand's peak tourism bodies, including Tourism New Zealand and the Ministry of Business Innovation, and with the Employment and the Parliamentary Private Secretary for Tourism, Ms Jacqui Dean MP. The overriding message conveyed to the committee is that tourism is one of New Zealand's largest export industries, second only to the dairy industry in terms of foreign exchange earnings. It directly employs 5.7 per cent of the New Zealand workforce and indirectly employs a further 3.1 per cent. In total, around one in 11 working New Zealanders is employed in the tourism industry and it has the potential

to improve the economies of communities around the country. The annual international tourism expenditure in New Zealand in NZ\$9.8 billion, and when combined with domestic expenditure the tourism industry is worth NZ\$24 billion to the local economy.

3.10 The committee notes the central role that tourism plays in the Australia-New Zealand relationship. New Zealand is Australia's largest inbound market by arrivals and fourth largest by expenditure. In 2012-13 there were 1.2 million New Zealand visitors to Australia, the same number as for the previous year. Over the last five years, the average annual growth rate in arrivals from New Zealand was 1.9 per cent. New Zealand visitors to Australia spent \$2.3 billion in 2012-13, up 3.7 per cent on the previous year. Tourism Research Australia forecasts that by 2022-23, arrivals from New Zealand will reach 1.5 million (at an average annual growth rate of 2.4 per cent per year). Expenditure over the same period is forecast to grow by 1.7 per cent per year, to \$2.7 billion.

3.11 The committee notes that Australia continues to be New Zealand's largest and most important inbound tourism market accounting for almost half of all visitors. Fuelled by a strong economy, its proximity and an appetite for international travel, Australia will continue to be essential to New Zealand's tourism industry. In the 12 months to March 2014, there were 1.2 million short-term resident departures from Australia to New Zealand, an increase of 3.6 per cent on the previous year. In the last five years, the average annual growth in departures from Australia to New Zealand was 4.5 per cent. Holiday arrivals from Australia to March 2014 were in excess of 27,000 (up 6.2 per cent on the previous year) and Australia's market value in terms of dollars spent continues to outstrip other countries by a significant margin.

3.12 Tourism New Zealand's (TNZ) role is to promote New Zealand internationally as a visitor destination. This is done through consumer marketing, international public relations and trade development. One Hundred per cent Pure New Zealand is the international promotional campaign used in the majority of TNZ's international marketing work, including advertising, international PR activity and online marketing, event and sponsorship activity. Gaining compelling, high-profile media coverage to motivate its target market to travel to New Zealand is the main aim of TNZ's international public relations team.

3.13 To achieve maximum yield for the tourism industry from limited resources, TNZ's marketing activity is carefully focused on a number of key markets around the world and a select group of consumers within those key markets. TNZ works offshore to encourage its target market, the 'Active Considerer', to come now, visit more regions and do more during their time in New Zealand. TNZ's advertising, media and events activity is continually evolving, to stay one step ahead of its competitors.

Queenstown tourism

3.14 The committee's New Zealand program commenced in the South Island resort town of Queenstown, which is also known as the 'adventure capital' of the world due to opportunities to experience bungee jumping, jet boating, rafting, canyoning, river-surfing, 4 wheel driving and mountain biking. The region has long been a magnet for adventurers and entrepreneurs, and it became a thriving winter ski resort in the mid

1940s with the development of better roads and tourist facilities. The committee had the opportunity to speak with Southern Ngai Tahu Tourism, the Queenstown Lakes District Council, Destination Queenstown and the Queenstown Resort College about the history of the Queenstown region and the importance of tourism.

3.15 The meeting with Mr David Kennedy, Regional General Manager, Southern Ngai Tahu Tourism, provided the committee with an insight into the organisational structure and revenue stream for corporate entities of this kind. The main role of Ngai Tahu Holdings is to grow and develop the economic base and to generate sufficient profits which can be distributed back to the shareholder (the iwi) for investment opportunities and to support cultural, educational and social initiatives. Ngai Tahu entered the tourism industry in the 1990s when it purchased a controlling stake in Shotover group, which owned a number of tourist operations in Queenstown. By 2004 the iwi had taken full ownership and continued to expand its tourist operations, acquiring other nature-based attractions in the region.

3.16 Different perspectives on the challenges and opportunities that Queenstown provides for the tourism sector were provided in separate briefings by Queenstown Lakes District Council and Destination Queenstown. The Council briefing focused on managing the environmental effects of tourism. It identified three key issues: conflicts over access to resources; conflicts between different recreational users (fishing, boating, kayaking); and health and safety issues following several fatalities in recent years. New safety regulations came into effect in October 2011 to address concerns about safety.

3.17 Other issues of interest to the committee were identified during the briefing including:

- the sustainable management of population growth;
- tourism activities require a resource consent agreement and approximately 900 consents are processed each year;
- only a small number of appeals are lodged by developers and environmental groups; and
- there is no central Government policy direction or oversight of the Council's district plan.

3.18 Destination Queensland is the Regional Tourism Organisation (RTO) responsible for the marketing of Queenstown as the Southern Hemisphere's premier four season lake and alpine resort. Mr Graham Budd, CEO, described its mandate as 'destination marketing' rather than 'destination management'. It is a not-for-profit incorporated entity governed by a board of directors and funded by a commercial ratepayers' tourism levy. The organisation works with local tourism operators, the hospitality industry, accommodation providers, retailers and service sectors to promote Queenstown as a destination offering visitors a unique experience.

3.19 The committee was provided with a snap-shot of the tourism sector in Queenstown and issues affecting the trend in visitor numbers over at least the previous decade. International visitors account for 57 per cent (or 1.1 million) of the tourist market while domestic visitors account for the remaining 43 per cent (or 869,000).

Over the last decade there has been a steady growth in the number of commercial bed nights and guest nights. The Queenstown tourism market is definitely seasonal with July-August (Winter) and December-January (Summer) being the peak seasons.

Queenstown Resort College

3.20 The committee was provided with a detailed briefing on the Queenstown Resort College (QRC) by Chief Executive Office, Mr Charlie Phillips, and Chairman Sir Eion Edgar KNZM. The QRC is self-described as the premier tourism and hospitality management college in New Zealand offering students a choice of two vocational diplomas—hospitality management and adventure tourism management—both of which are approved by the New Zealand Qualifications Authority. The diplomas provide students with internationally recognised qualifications founded on the Swiss standards of service excellence.

3.21 The committee was impressed by the professional approach of the college towards students to enable them to become ambassadors for the industry and be 'work ready' at the completion of their course. The briefing described how students are provided with a competitive advantage in obtaining management roles in tourism. The success of the college speaks for itself: some 95 per cent of students are retained in study; 14 per cent progress to a full degree; and 83 per cent of graduates end up working in their field of study.

3.22 All of the meetings in Queenstown laid the ground work for the committee's follow-up meetings in Wellington with Tourism New Zealand and the Ministry of Business Innovation and Employment.

Christchurch rebuild

3.23 The committee visited Christchurch for a brief tour and inspection of damage to the central business district caused by the 2010 and 2011 earthquakes which devastated the city centre and some residential areas. The committee also took the opportunity to speak with representatives of the Canterbury Employers Chamber of Commerce, the Canterbury Earthquake Recovery Authority and other stakeholders about the recovery process and the economic and social prospects for Christchurch in the future.

3.24 The total cost of the earthquake recovery is expected to be \$40 billion across the residential housing and commercial building sectors. The committee was surprised by the extent to which local business has been resilient in the face of unprecedented economic challenges. The main message from the briefing was that the Canterbury economy was performing well and experiencing sound levels of economic growth and low unemployment. Bankruptcy numbers have not increased significantly since the earthquakes, and over 7000 new businesses have been created. Existing businesses have been eligible for a government subsidy under the Recover Canterbury support program.

3.25 The committee was impressed by the long term vision for the city centre as set out in Christchurch Central Recovery Plan which was released in July 2012. The plan focuses on the development of a number of precincts and anchor projects to develop a 'vibrant, green, connected, innovative centre that serves as the heart of a 21st century

city'. The cost of each anchor project will be shared by the Crown and Christchurch City Council, with the total outlay expected to be \$4.8 billion.

3.26 The briefing provided an overview of the effects of the earthquakes on the tourism sector and visitor numbers to Christchurch. These include:

- Australian visitor numbers dropped by a third and have since plateaued, including a 20 per cent reduction in trans-Tasman flights. There is currently an increase in business travel, but a dramatic decline in the conference market (hence the importance of the new Convention Centre re-development as a vehicle to drive hotel development);
- initially, a 56 per cent decline in hotel rooms; while 19 hotels in Christchurch closed 20 new hotels have opened.
- the main drivers of accommodation in the future include a return of tour groups and the conference market; the Convention Centre re-development; a steady rise in the Chinese/Asian markets; diversifying air-service delivery activities; and strengthening the domestic tourism market.



Senate committee with the Honourable David Carter, Speaker of the House of Representatives, Parliament of New Zealand

New Zealanders living in Australia

3.27 The committee was briefed on a number of occasions about an issue which is the source of domestic criticism in New Zealand and among New Zealand lobby groups in Australia. The point of contention is the imbalance in how arrivals from New Zealand are treated with respect to their social security and other entitlements. It is widely acknowledged that Australians living in new Zealand have the same social security entitlements as New Zealand citizens

3.28 The committee acknowledges that Australians in New Zealand have greater access to benefits and an easier path to citizenship than New Zealanders in Australia. This issue was raised and discussed at length in the committee's briefing with the Foreign Affairs, Defence and Trade Select Committee and in discussions with the Australian High Commission in Wellington.

3.29 Under unique trans-Tasman travel arrangements Australians and New Zealanders can live and work in either country indefinitely and without restriction. Since the 1960s, more New Zealanders than Australians have chosen to cross the Tasman to live. In 2011-12 the number of New Zealand permanent settlers who came to Australia was 44,304, a 28 per cent increase from the previous year. As at June 2013 there were an estimated 640,770 New Zealand citizens living in Australia.²

3.30 Before 2001 New Zealand citizens in Australia on a Special Category Visa (SCV) could access social security and obtain Australian citizenship without first becoming permanent residents. However, under changes introduced in 2001, applying for and being granted permanent residence through the migration program became a pre-requisite for accessing certain social security payments and obtaining citizenship. These new arrangements did not apply to New Zealanders already living in Australia at the time of the amendments (protected SCV holders). In effect, this meant that New Zealand citizens who arrived in Australia after 2001 ('non-protected SCV holders') had restricted eligibility to social security benefits.

3.31 The committee was told on several occasions that restrictions on access to social security placed on post-2001 arrivals by the Australian Government are unfair because New Zealanders living and working in Australia pay income tax, but are unable to access many of the benefits paid for through the tax system. The committee also learnt that New Zealanders in this category will be required to contribute to the levy for the new National Disability Insurance Scheme but will not be able to access services under the scheme. The depth of feeling is indicated by New Zealand Prime Minister, John Key, raising the broader issue in discussions with Prime Minister Tony Abbott as recently as October 2013.

3.32 The latest issue of concern in this context is the Australian Government's plan to exclude New Zealanders who arrived in Australia prior to 2001 from a proposed Job Commitment Bonus for young unemployed Australians who keep a job for 12

2 *New Zealanders in Australia: a quick guide*, Parliamentary Library Quick Guide, Department of Parliamentary Services, 30 May 2014

months or more.³ The New Zealand Government is concerned that excluding protected SCV holders is not in the spirit of the 2001 bilateral social security agreement between Australia and New Zealand and that it could be seen as further eroding access to income support benefits for the affected group. As other nationalities who are Australian permanent residents would be eligible for the Bonus, New Zealand also considers it is discriminatory to exclude protected SCV holders.

3.33 The committee acknowledges the sensitivity of this issue in New Zealand and the view held by many that New Zealanders living in Australia are treated like 'second-class citizens' when it comes to eligibility for social security and other benefits. The committee is further concerned that legislation currently before the Australian parliament may further limit the rights of New Zealanders regardless of the date they settled in Australia.

3.34 While the committee accepts it is unlikely there will be changes to the current arrangements in the near future, it acknowledges the extent to which this issue is potentially a divisive one in the Australia-New Zealand relationship. The committee is concerned that an increasing number of New Zealanders are affected by the current arrangements and the groundswell of criticism from New Zealanders living in Australia. The committee is of the view that consideration should be given to finding a practical solution to address New Zealand's legitimate concerns. One option is for New Zealanders arriving in Australia to be eligible for residency after a minimum period (for example, four years), then granted automatic citizenship and access to the same suite of social security benefits available to Australian citizens. This would remove the 'non-protected SCV holder' status for new arrivals from New Zealand.

3.35 The committee also endorses two recommendations of a November 2012 report published jointly by the Australian and New Zealand Productivity Commissions on the trans-Tasman economic relationship:

R4.23. The Australian and New Zealand Governments should give clear and coordinated, whole-of-government advice to Special Category visa holders in Australia, and New Zealand citizens contemplating residence in Australia, both before and after arrival on their obligations and entitlements.

R4.24. The Australian Government should address the issue faced by a small but growing number of non-Protected Special Category visa holders living long term in Australia, including their access to certain welfare support and voting rights. This requires policy changes by the Australian Government, including the development of a pathway to achieve permanent residency and /or citizenship⁴

3 Legislation required to implement the Bonus, the *Social Security Legislation Amendment (Increased Employment Participation) Bill 2014*, has passed the House of Representatives and is currently before the Senate.

4 *Strengthening trans-Tasman economic relations: A joint study: final report*, Commonwealth of Australia and New Zealand Crown, November 2012, pp. 153-54

Defence and security issues

Australia-New Zealand strategic dialogue and defence cooperation

3.36 New Zealand is the country Australia is most likely to conduct operations with in our region. Australia is committed to deepening its strategic dialogue, practical cooperation and enhancing interoperability. Australia has demonstrated its close operational cooperation with New Zealand through regional and global operations in Afghanistan, Timor-Leste, Solomon Islands and PNG.

3.37 Australia has a comprehensive program of dialogues with New Zealand, including working level discussions, the Group of Four Meeting (VCDF and Deputy Secretary Strategy counterparts), ANZ Chief Executives Meeting (SEC/CDF level), and an annual Ministerial Dialogue. Annual talks on cooperation between the single services are also conducted at the Deputy Service Chief level.

3.38 Recent defence cooperation with New Zealand has been demonstrated by cross-crewing of navy vessels, including eleven RAN personnel serving on HMNZS *Endeavour* for three months during HMAS *Success*' maintenance period; the secondment of three Royal New Zealand Navy (RNZN) personnel to HMAS *Melbourne* during its recent Middle East deployment; the deployment of seven RAN sailors to HMNZS *Wellington* to fill New Zealand personnel shortages; and the deployment of a RNZN frigate to the Middle East in late 2013.

3.39 The New Zealand Defence Force (NZDF) also participated as embedded observers in Australia's large scale, high end warfare exercise with the US (Exercise TALISMAN SABRE) in 2013. Given the success of this activity, a formal agreement has been reached for New Zealand to fully participate in Exercise TALISMAN SABRE 2015.

3.40 The committee's briefing with New Zealand's Minister of Defence, the Hon Dr Jonathan Coleman, provided an opportunity to discuss many of these issues. Dr Coleman described how New Zealand is currently looking to the European concept of 'smart defence' with a focus on complementarity and better integrating capabilities to deepen relationships and achieve practical defence outcomes. New Zealand is currently planning a number of major defence purchases including Seasprites, a new pilot training capability, a new fleet of manned trucks and upgrading the frigate's combat systems. The discussion identified budgetary constraints and funding gaps as major strategic challenges in the years ahead. A number of other issues were canvassed during the briefing:

- New Zealand would be interested in talking with Australia about the options and scope for using unmanned aerial vehicles (UAVs) to supplement the work of the frigates in conducting ongoing surveillance operations. The extent of New Zealand's maritime environment and the changing geopolitical landscape could result in significant cost-savings and an enhanced joint surveillance capability;
- New Zealand's relatively small defence industry and how defence is not a large issue occupying public attention;

- the importance of the centenary of ANZAC to both Australia's and New Zealand's heritage, history and national identity; and
- retention and not recruitment is a major challenge for New Zealand's defence forces.

Bilateral engagement in the Pacific

3.41 Australia and New Zealand continue to work closely in the Pacific. New Zealand has supported the South Pacific Defence Ministers' Meeting initiative (held in Tonga in May 2013, and to be held in PNG in 2014) and is an active member of the Quadrilateral Defence Coordination Group, which coordinates maritime security assets for Australia, New Zealand, France and the US. Both forums provide opportunities to discuss our shared strategic interests and explore opportunities for further practical cooperation in the region.

3.42 Australia also seeks to enhance practical cooperation on regional security issues with New Zealand through the Pacific Patrol Boat Program and follow-on Pacific Maritime Security Program. At present, New Zealand provides two Navy officers to serve as the Maritime Security Adviser and Technical Adviser to the Cook Islands Pacific Patrol Boat, *Te Kukupa*.

FRANZ Agreement on Disaster Response in the Pacific

3.43 The 1992 France, Australia and New Zealand (FRANZ) Agreement is a commitment from the three governments to better coordinate our respective responses to natural disasters in the Pacific. This is achieved by exchanging information to ensure the best use of assets and other resources for humanitarian assistance and disaster relief operations. After Cyclone Lusi in Vanuatu in March 2014 Australia worked closely with the French National Forces of New Caledonia, New Zealand and the Vanuatu Government to support response efforts. This included the provision of an aircraft to undertake an aerial assessment to determine the extent of damage caused by Cyclone Lusi.

Australia-New Zealand defence capability and acquisition cooperation

3.44 Australia and New Zealand share information on defence capability and acquisition projects. Our two Defence Capability Development organisations continue to have discussions on possibilities for aligning acquisition timelines and differences in our respective capability requirements. Discussions have also touched on opportunities for future collaboration in through life support on a range of acquisition plans, including the ANZAC Class Frigate and Tanker. It is not critical we have the same platforms, but it is important we maintain a high degree of interoperability between our forces, particularly for joint operations in the South Pacific.

Centre for Strategic Studies, Victoria University of Wellington

3.45 In addition to discussions with the ministries of defence and foreign policy, the committee sought the views of New Zealand's main centre for research, teaching and public dialogue on strategic and security issues at Victoria University of Wellington. The Centre for Strategic Studies hosts seminars and fosters discussion on national and international security issues. Centre staff are also actively involved with

Track II discussions within the Asia Pacific region, especially through the leading Track II regional organisation, the Council for Security Cooperation in the Asia-Pacific (CSCAP).

3.46 During a wide-ranging discussion with Mr Paul Sinclair, Regional security Fellow, and Professor Robert Ayson, the committee was able to gain a better understanding of how New Zealand's academic and research community interacts with Government policy advisers on defence and security issues. A number of key themes and issues emerged from the discussion:

- New Zealand and Australia have welcomed a warming in defence relations between New Zealand and the US since the signing of the Wellington (2010) and Washington (2012) declarations. This was recently demonstrated in the Pacific by New Zealand's participation in the 2013 iteration of the US sponsored Pacific Partnership Program. However, there has been no formal approach from the US to the New Zealand government to station US troops or US bases on New Zealand soil;
- contemporary strategic developments and dynamics at play in the South China Sea, focusing on the Japan-China relationship and emerging divisions within ASEAN, especially with the Philippines breaking ranks with its ASEAN neighbours and taking its territorial dispute with China to the United Nations Convention on the Law of the Sea;
- the extent to which the New Zealand defence and foreign policy community and academic think tanks pay attention to the role of non-state actors and alliances in regional instability (including religious and ethnic fault lines across nation states and the effect of transnational movements). These issues do not gain much media coverage due to New Zealand's relative geographic isolation; and
- New Zealand's defence and foreign policy community has a strong interest in South Pacific security issues, especially those challenging the traditional Westphalian system of sovereign nation states and balance-of-power/power-politics perspectives on national security. Key issues include state fragility, people smuggling, policing, transnational crime and environmental security.

Overseas aid

3.47 Australia and New Zealand have a close relationship on development cooperation, guided by the *Partnership for Development Cooperation in the Pacific* (agreed August 2009 at Prime Ministerial level) including strong in-country working-level relationships and cooperation across a number of sectors.

3.48 Australia and New Zealand strongly support the *Forum Compact on Strengthening Development Coordination in the Pacific* (Forum Compact), signed by Pacific Islands Forum Leaders in 2009, which aims for more effective coordination of development resources in the Pacific region. Multilateral donor organisations including the World Bank, ADB and EU, as well as other major bilateral donors to the

Pacific including the United States, Japan, Taiwan and France have also endorsed the Forum Compact.

3.49 Both countries are committed to increasing the effectiveness of their aid programs, including through mechanisms to enable greater transparency, fraud control, evaluation of results and value for money, and information sharing. New Zealand's strengths include expertise in sustainable agriculture, fisheries, private sector development, tourism and community policing, and its unique relationship with some microstates and Polynesian countries. Limitations include its limited focus outside the Pacific, including in Australia's priority countries (e.g. PNG, Indonesia), the disparity in the size of the aid programs and different levels of engagement with multilateral and regional organisations.

New Zealand aid spending and focus

3.50 The committee appreciates that New Zealand's total estimated Official Development Assistance (ODA) in 2013-14 is AUD\$525, which is smaller than Australia's aid budget in PNG. Of the total, nearly half is allocated to bilateral and regional projects in the Pacific region. The focus of New Zealand's aid program is sustainable economic development in the Pacific, and a more targeted approach in Asia, Africa, Latin America and the Caribbean. The New Zealand program has five priority themes based on improving economic well-being; human development outcomes; resilience and recovery from emergencies; governance, security and conditions for peace; and development outcomes through strategic partnerships with others.

3.51 New Zealand focuses specifically on three drivers of growth—agriculture, fisheries and tourism. These are underpinned by investments in seven enablers of growth—renewable energy, transport and communication infrastructure, private sector development, education and training, health, waste supply and sanitation, and safe and secure communities. Aid spending is subject to parliamentary oversight through the Select Committee on Foreign Affairs, Defence and Trade, which has development assistance subject matter oversight.

3.52 The committee was advised by the Ministry of Foreign Affairs and Trade (MFAT) that New Zealand is now placing more emphasis on private sector partnerships in the official ODA program, although involving the private sector in the aid and development space is not without its challenges.

3.53 The committee was also informed of the trilateral development partnership between the Cook Islands, New Zealand and China to upgrade the water supply for the main island of Rarotonga, where the large majority of the Cook Island's population and tourism facilities are located. This is the first time China has partnered with a developed country to deliver an aid project.

Integration of aid into Ministry of Foreign Affairs and Trade

3.54 The committee was keen to learn about Zealand's experience reintegrating aid into MFAT following the Government's decision in 2009 to rescind its aid program's Semi-Autonomous Body status, and any lessons for Australia. New Zealand's aid program is currently managed by the International Development Group within MFAT,

which includes divisions responsible for bilateral and multilateral aid program activities, as well as a Sustainable Economic Division and a Development Strategy and Effectiveness Division.

3.55 The committee was advised that five main lessons had been learnt from the reintegration process, including the need:

- for policies to be put into place quickly;
- to manage the process of change as efficiently as possible;
- to articulate what integration means for both foreign policy and aid groups and the policy connections between the two;
- for decisive leadership to communicate and explain the new model and expectations; and
- for cross-fertilisation of ideas, expertise and specialisation with the foreign policy and aid communities.

3.56 During the committee's visit to New Zealand's national parliament in Wellington, discussions were held with members from the main political parties on overseas aid issues. There is a widely held view that the political consensus that once existed on the core policy objective of overseas aid has begun to fray with tension existing over whether the aid budget's core objective should be sustainable economic development or poverty reduction. Representatives of New Zealand's Labour Party told that committee that Labour was supportive of re-establishing a more independent and arms-length aid agency with health, education and poverty reduction priorities, especially in a post-2015 Millennium Development Goals context.

Non-government sector

3.57 The committee benefited from a briefing by representatives of New Zealand's non-governmental organisation (NGO) sector, specifically the Council for International Development (CID), which is the national umbrella agency of aid organisations, and Save the Children. This briefing traversed a number of issues including the funding models available to NGOs; the trend towards developing benchmarks for measuring effectiveness and how best to target the increasingly scarce aid dollar; accountability and due diligence in spending public money; and the role of NGO-private sector partnerships in building capacity and sustainability through funded ODA projects.

3.58 Save the Children described one example of a private sector partnership successfully delivering a project on the ground. This involved partnering with the company P&O cruises which operates in Vanuatu. The partnership is designed to improve the literacy and numeracy of children who, in turn, develop the skills required to find employment with the cruise company.

3.59 A main area of concern for CID is the increasing emphasis on 'competitive funding' and the negative effects it is having on the NGO sector, especially for smaller and less-resourced NGOs many of which have been 'squeezed out' of the system. Under the current model, there are essentially two main funding and contracting opportunities to enable NGOs to provide aid in developing countries—the

Partnerships for International Development Fund and the Disaster Response Partnership. The partnerships fund was described as a contestable fund constructed around forming partnerships with New Zealand's charitable, other not-for-profit, private sector and state sector organisations. The disaster response partnership is designed to provide a funding mechanism for the mobilisation of humanitarian assistance following natural disaster or armed conflict.

3.60 The rule of minimum bids of \$250,000 over a five-year period has resulted in many small NGOs not finding the necessary funds and being excluded from the process. There are no separate funding options for smaller NGOs which have previously worked well in the Pacific region. There is also widespread concern among NGO's about the considerable time and resources that are required to develop the concept notes which underpin each funding proposal.

Aviation sector and regulatory issues

Civil Aviation Act Review

3.61 The committee held productive meetings with New Zealand's Ministry of Transport and Aviation New Zealand in Wellington. The main purpose of the meetings was to explore New Zealand's regulatory environment for its aviation sector and whether there may be lessons for aviation safety regulation in Australia. These meetings were timely because both the Australian and New Zealand Governments have undertaken major reviews of their respective aviation sectors.

3.62 The New Zealand Ministry of Transport is currently leading a review of the New Zealand *Civil Aviation Act* (the Act), which governs the civil aviation system in New Zealand. The aim of the review is to ensure the Act promotes a responsive regulatory system to support a dynamic aviation sector. The review will reconsider the relationship between the Act and the *Airport Authorities Act 1966*. The *Airport Authorities Act 1966* confers powers on a range of local authorities and persons with respect to airports and may be able to be simplified and included in the Act. The review will not alter the fundamental principles of the Act: to establish a regulatory framework to promote civil aviation safety and security, and implement New Zealand's international obligations. The transport agencies themselves will not be reviewed and Civil Aviation Rules will be retained.

3.63 The Act includes the concept of shared accountability for safety, between participants in the civil aviation system and the Civil Aviation Authority (CAA) of New Zealand. The government's approach to regulatory reform necessitates a renewed perspective on the Act to ensure it is achieving this purpose. Changes to the aviation industry (e.g. popularity of 'adventure aviation', new aircraft types, ageing aircraft and new technologies) which have influenced the need for a review include the CAA's move to a more proactive, risk-based approach to aviation regulation. The CAA is currently implementing a change program to improve regulatory quality, service delivery, and efficiency and effectiveness. The review provides an opportunity to ensure the Act can support the CAA to achieve its change programme. Of note, the review will consider ways to improve data collection and reporting needs for the CAA, particularly following recent recommendations by the Transport Accident

Investigation Commission. A Bill is expected to be introduced to Parliament to effect changes sometime in 2014.

3.64 Similarly, the Australian Government announced in November 2013 an independent strategic review of aviation safety regulation to ensure that Australia is able to meet future challenges and respond to the growing demand in aviation. On 3 June 2014 the Deputy Prime Minister and Minister for Infrastructure and Regional Development, the Hon Warren Truss MP, presented to parliament the report of the review, and invited public and industry views on the report's recommendations by 30 June 2014. The report's recommendations cover a range of issues including the relationship between the regulator, CASA, and other operators, a more collaborative approach to regulatory oversight, and the role of the CASA board.

Senator the Hon Ursula Stephens
Delegation Leader

