

VISIT TO NEW ZEALAND 9-15 JULY 2011

BY

AUSTRALIAN POLITICAL EXCHANGE

DELEGATION VISIT REPORT

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Executive Summary

A comprehensive program

The members of the 2011 Australian Political Exchange visit to New Zealand were fortunate to participate in a comprehensive, informative and wide ranging program.

The program commenced on Saturday 9 July in Rotorua. Sunday was also spent in Rotorua, before proceeding to Nelson (in the South Island) on Sunday evening.

Monday's program in Nelson included visits to tourist, industrial and architectural sites, and meetings with economic development officials. Tuesday's program in Nelson included visits to scientific, agricultural and tourist facilities.

The delegation continued to Wellington and met Speaker of the NZ Parliament Dr the Rt Hon Lockwood Smith who hosted the delegation for dinner in his official apartment. MPs and staffers from several political parties joined the dinner.

On Wednesday the delegation held meetings with MPs and staffers from several political parties; observed question time; met with Australia's Deputy High Commissioner; and participated in the taping of the 'Back Benches' TV program.

On Thursday the delegation held further meetings with MPs and staffers from several political parties, and met officials from New Zealand's Ministry of Foreign Affairs. On Thursday evening the delegation travelled to Auckland.

On Friday the delegation received briefings from a range of companies and subject matter experts on topical issues including wave power, political marketing, broadband and preparations for the Rugby World Cup.

Key Themes and Observations

- 1. Uniquely Close Nature of Australia-New Zealand Relationship** It is hard to think of two countries in the world which have closer relations than Australia and New Zealand. This reflects our shared history, our geographical closeness, the deep economic integration (with New Zealand's major banks and retailers, for example, being largely subsidiaries of those in Australia) and deliberate policy settings (such as 'Closer Economic Relations'; the fact that there are shared government agencies, and that NZ Ministers frequently participate in Australian intergovernmental processes.) There is very deep support, in the governments and electorates of both countries, for the maintenance of this close relationship.
- 2. Christchurch Earthquake** The recent Christchurch Earthquake has had a profound impact on New Zealand; the recovery process has a long way to go. The implications are wide ranging. Significant parts of Christchurch are now a 'red zone' and will not be reoccupied. While new areas will be designated for construction, this will take time. There may well be a permanent

drop in the city's population. The impact on the national economy will be substantial given the huge cost of reconstruction. With such a heavy loss of life in a small population, the effect on national morale was severe. New Zealand remains grateful for prompt and extensive assistance from Australia and many other countries.

- 3. MMP System** A major difference between the Australian and New Zealand political systems is New Zealand's 'Mixed Member Proportional' or MMP voting system. In essence, each party receives a number of seats in the 120 seat parliament which is proportional to its share of the national vote. Voters have two votes: one is for a party and the other is for the voter's local constituency. Some MPs are constituency MPs and some are drawn from a party's national list. The system is complex to describe but its effect is clear: small or single issue or sectional interest parties stand a better chance of getting elected than in Australia's electoral system. Any party which achieves above the threshold share of the national vote (indicatively, 5 per cent) is able to have at least one candidate elected. The corollary is that it is harder for any one party to gain an absolute majority. Some in the delegation concluded that this made it more difficult for a government to pursue a clear, strong policy direction, as governments formed by coalitions of parties with different philosophies tend to be forced to lowest common denominator compromises.
- 4. NZ is more 'Pacific Island minded'** New Zealand has a clearer focus on its small Pacific Island neighbours than does Australia. For one thing, people originally from Pacific Islands make up a much higher proportion of New Zealand's population than Australia's. In addition, New Zealand has more flexible immigration and working arrangements for Pacific Islanders: for example, it has schemes under which Pacific Islanders may come to New Zealand to do seasonal agricultural work such as fruit picking.
- 5. Rugby World Cup** A key theme of our visit was the eager anticipation of the Rugby World Cup in New Zealand. Hosting the RWC is of considerable economic importance to New Zealand, as well as a matter of national pride. Rugby dominates the sporting consciousness in New Zealand in a way that no one sport does in Australia. Importantly, it is also anticipated to be a significant national morale booster following the devastation of the Christchurch Earthquake.

Monday 11 July - Nelson

Nelson Economy and Sustainability Overview

⤴ 9.00 am, 11 July

Summary of Discussion

In this meeting the delegation received a briefing from Nelson regional economic development agency executives and other local organisations.

Nelson Sustainability Strategy

The delegation was provided with a briefing of Nelson's sustainability strategy, outlining the way Nelson was working with local businesses and communities to develop a shared vision for the future of Nelson.

- ⤴ The sustainability strategy was initially developed as a result of the Agenda 21 process. However, the Agenda 21 process was limited by the time-frames set in the strategy and the limited remit of Agenda 21, as the process only focused on individuals rather than businesses.
- ⤴ The new sustainability strategy aimed to develop a far clearer sense of sustainability. Sustainability meant different things to different members of the community: for business it was often just economic sustainability, for environmental groups it was seen as a 'green' issue and for a minority of community members it was everything.
- ⤴ The new sustainability strategy was developed through the Natural Steps Framework. This approach starts its analysis by looking at where people would like to be, rather than focusing on where people are already going.
- ⤴ Nelson established that there was a strong consensus within the community about the proper direction for sustainability.
- ⤴ The ideas that were developed in the strategy an Agenda 21 process were road-tested through the Mayoral task force, with 4 to 5 councillors sitting on the task force.
- ⤴ The strategy avoided political backlash by focusing on the community elements of sustainability, rather than the environmental elements.

Nelson Economic Development Agency

The agency presented the delegation with information about the Nelson region and the role the agency plays in the local economy.

- ⤴ The agency facilitates discussion between business and provides business support
- ⤴ key industries in Nelson are primarily horticultural, forests, fishing and farming tourism.

Nelson Environmental Centre

NEC is the peak environmental organisation in Nelson. The CEO of NEC discussed the work of the NEC with the delegation. In particular, they noted that:

- ⤴ the NEC was established as a campaigning organisation, but now focus on behaviour change, recycling, waste minimisation, renewable energy and energy.
- ⤴ the NEC is trying to become more economically self sufficient
- ⤴ the NEC is building its institutional capacity by expanding its professional advice services and continuing to build community trust.

Once the three organisations presented their work there was a more general discussion with the delegation about the broader conclusions about the work undertaken in Nelson. All three organisations emphasised the importance of measuring success and developing a common understanding within the entire community. They also discussed the profound difficulties of encouraging people to integrate sustainability into their lives.

Sustainable Architecture in Nelson

- ⤴ Paul Olorenshaw
- ⤴ Nelson
- ⤴ 11:15am 11 July

Summary of Discussion

Paul is a local architect in Nelson, which is a region renowned for its environmentally sympathetic architecture.

Paul showed us around his home, which is entirely off-the-grid. He discussed the four power sources that he has used (solar, wind, small hydro and bio-diesel generator) as well as his environmental benign building techniques. These materials aim to reduce the need to warm and cool the house by maximising solar heating and insulation.

Paul then took us on a tour of several houses in Nelson. These houses demonstrated a range of sustainable materials. Some houses used very expensive materials while other houses used far cheaper methods. All houses successfully reduced the amount of energy that the homeowners used, and were good examples of sustainable architecture.

Aquaflow

⤴ 3:30pm 11 July

Summary of Discussion

Aquaflow are a company involved in producing biofuels from algae. They are a team who are researching and testing a number of ways to produce biofuels.

Aquaflow discussed the process and benefits:

- ⤴ Algae draws from water sources, and have been employed to deal with algae problems in a range of watery stems. Removing this pollutant creates safe, clean water systems.

- ⤴ The algae which is collected is subjected to fertilisers and treatment processes.

- ⤴ The biodiesel that is generated can be used in place of diesel, providing a wide range of applications.

- ⤴ The high prices of diesel mean that algae may soon become a cost effective fuel source.

Tuesday, 12 July - Nelson/Wellington

The Gentle Cycling Company – Beautiful Nelson Bike Rides

The delegation visited the Gentle Cycling Company, which runs the Nelson Tasman Cycle Trails.

Ms Fiona Healy briefed the delegation on the cycle trails which have recently been established owing to a funding grant of \$50 million made available by the Key Government.

The \$50 million has helped fund 18 free bike trails across New Zealand. The trails are intended to serve as a boost for tourism and have become a world class attraction.

There are a mixture of easy riding trails and more challenging trails, designed for serious cyclists.

The trails are mapped to incorporate scenic views including rivers, seaside and mountain landscapes.

Cycling holidays are a world wide trend and the Nelson Tourism Industry anticipates 14,000 'cycling tourists' a year owing to the newly built new cycling trails.

The Nelson community are being asked to help maintain sections of the trail, particularly if the trail runs near or parallel to a residential property.

National Geographic has rated the Tasman Cycle Trails as one of the top ten cycle ride trails in the world.

Nelson is also regarded for art, heritage, wine and fine foods. As such, the local tourism industry is focussing on quality and benefit in its delivery of service, as opposed to providing discounts or shoe-string budget holidays. It is anticipated that the food and wine industry will benefit from the cycle trails.

The trails are expected to be completed by 2016.

The delegation then took part in a cycle ride along a gentle section of the trail; it was an excellent chance to see Nelson's stunning scenery.

Cawthron Institute

The delegation visited the Cawthron Institute at the Glenhaven Aquaculture Centre.

The Cawthron Institute works to study, promote and develop sustainable aquaculture advancements in New Zealand and worldwide.

The aim of the Institute is to raise the economic value of New Zealand's aquaculture sector and further increases in productivity and product value.

Cawthron's work started in 1998 with the selective breeding of Pacific oysters and the Institute has since established the world's first commercial scale oyster hatchery.

The delegation toured the facility and saw first hand the breeding programmes for oysters, mussels, clams and algae.

Cawthron employs scientists and lab technicians to conduct their own research and trials. The Institute now believes they are part of a serious industry within the New Zealand market and believes that their product is increasingly in demand within the market.

The Institute relies on wild-caught seed and they see their next challenge as developing and managing its own seed stock, rather than relying on nature.

The Institute is currently looking to develop a disease resistant strain of oyster and are investigating selective breeding methods to improve oyster fitness.

Nelson Regional Labour Scheme

Lunch with Paul Heywood, Chairman

The regional Labour Scheme was introduced by the Hon. Helen Clarke, former Labour Prime Minister. The scheme aids to provide aid and economic support to Pacific islands by employing seasonal labour to harvest New Zealand crops.

The Scheme operates through the Department for Labour and is known as the “Recognised Seasonal Employees,’ programme.

The scheme developed after the Government acknowledged the need for a short term workforce. Nevertheless, given the high long term unemployment rate in New Zealand, this scheme has been met with criticism. When the scheme was first introduced, there was a high level of public backlash which has now largely dissipated.

The scheme has a cap of 8000 employees under the ‘visa to work,’ system.

Most workers are employed on family-run farms and employers must be vetted, recognised as good employers and accommodation must be kept to a certain standard.

The scheme’s insurance covers air-fare, health care and accommodation costs for the workers.

The scheme has met with certain challenges, namely theft and alcohol consumption. This problem has been minimised when seasonal workers return to the same farms on a yearly basis.

Although the workers are not represented as such, their working and living conditions are monitored regularly and there is a high level of communication between departments responsible for the workers’ well-being.

The programme has been in operation for nearly four years and the benefits that the scheme has delivered for the Pacific Islands are beginning to become apparent. The New Zealand Government is of the view that New Zealand is fulfilling its responsibility and commitments to their Pacific neighbours.

Afternoon – Flight to Wellington

Dinner

The 8th Delegation to New Zealand was hosted by the Right Hon. Lockwood Smith M.P., in the Speakers Dining Room at Parliament House.

The delegation met with the previous New Zealand delegation to Australia. The Official Dinner provided for an excellent opportunity for the two delegations to discuss various political, social, economic and environmental issues pertaining to Australia, New Zealand and the Pacific region.

Wednesday, 13 July

Question Time Briefing

- Parliament House
- Debra Angus, Deputy Clerk, House of Representatives
- 12.15 pm, 13 July

Summary of Discussion

Debra Angus provided us with a detailed briefing on the rules and procedures of parliamentary question time, with a focus on the practical application on how supplementary questions are used with parliamentary questions on notice.

- Parliamentary questions are on notice. 12 oral questions to ministers in a question time.
- Questions lodged with the Clerk by staff by 10.30 on the morning of the parliamentary sitting day. Questions must be checked to ensure that they are consistent with parliamentary rules.
- Questions granted on a rotational / proportional basis, i.e. parties will be granted questions in proportion to their relative size in the House.
- Supplementary questions are allowed without notice; they will usually be more tactically focussed to apply pressure on the Minister.
- Answers to questions are not subject to time limit but must be succinct.

NZ House of Representatives – Question Time

- Parliament House
- 2pm, 13 July

Meeting in the NZ Prime Minister's Office

- Parliament House, Executive Wing
- Wayne Eagleson, PM's COS; Phil de Joux, PM's Deputy COS; Phil Heatley MP, Minister for Fisheries; and Housing David Bennett MP
- 3.30pm, 13 July

Summary of Discussion

The delegation discussed a range of issues with senior members of the Government, including:

- The Christchurch earthquake and its impact on NZ and its economy. The government provided \$5.5 billion in its recent budget for the Christchurch recovery. \$25 billion expected to be spent on the recovery; which should provide a significant economic stimulus. The government has provided certainty for Christchurch by announcing its assistance package for properties in the red zone.
- The Government's commitment to the national broadband network and the arrangements that have been put in place for private sector investment. 75% of NZs will get fibre.
- ETS. The National government has maintained a price on carbon since coming to office.

Australian High Commission

- Australian High Commission
- Amanda Gawley, Deputy High Commissioner
- 4.30pm, 13 July

Summary of Discussion

Amanda Gawley briefed the delegation on the work of the High Commission, aspects of Australia-NZ bi-lateral relations, and contemporary NZ political issues.

- Points of political difference between the major political parties:
 - Taxation - capital gains tax and personal income tax rate rises proposed by Labour
 - Asset sales proposed by National
 - Labour wants to bring forward the application of the ETS to the agriculture sector.
- Priorities for the High Commission for the rest of this year: pacific island forum and the Rugby World Cup.
- Australia is an increasingly attractive destination because of comparatively higher salaries. Australian companies are proactively seeking to attract Kiwi workers.
- No compulsory superannuation in NZ; the government provides pensions.
- There is presently a Productivity Inquiry into housing affordability.

Thursday , 14 July - Wellington

Meeting with ACT Party – Sir Roger Douglas and others

Issues discussed:

- Economic reform
 - Reforms enacted by Sir Roger during his time as minister – he considered speed, ‘quality’ of reforms, “quality’ of leaders enacting the reforms, and clear public communication about short- and long-term benefits as keys to delivery
 - Considered next tranche of major reforms needed for social policy issues such as health, welfare, education – especially to address outcomes for Maori people
 - Observed that politicians underestimate public’s capacity to understand need for reform

- New Zealand’s MMP voting system
 - MMP allowed minor parties such as ACT to increase diversity of representatives
 - Conceded MMP did allow major parties to play minor parties against each other – e.g. Maori vs. ACT parties

- ACT Party’s voter base
 - Educated, affluent, urban liberals ‘economic intellectuals’ – according to Sir Roger, this has broadened from traditional perception of ACT voters as ‘angry, old white men’

- Carbon pricing debate
 - Sir Roger argued that New Zealand should to be a follower rather than leader, given its size

- Capital gains tax
 - Local debate in New Zealand between Labour and Nationals
 - Sir Roger considered change in 1980s – relatively negative about it but considered detail to be the key
 - Supported a first-principles approach to business taxation, as opposed to picking one type of tax over another

Roundtable with the Office of the Clerk regarding Select Committee system

Issues discussed:

- Select Committees function like the Australian Senate – closer scrutiny of legislation – most bills are considered by a committee

- 13 subject-based select committees – some with a wider mandate than others

- Committees can undertake inquiries without requiring references from the House

- Committees can also be established on an ad hoc basis – e.g. Auckland governance legislation committee, ETS review committee

- Parliament also establishes specialist committee (generally at the start of each term) – e.g. Regulations Review, Privileges, Standing Orders committees
- Membership is proportional – minority governments cannot control committee votes, some are chaired by non-government MPs
- Governments are generally favourable to committee recommendations
- Financial scrutiny a key role of each committee – Budget estimates processes, financial review process – e.g. annual reports
- Committees engage in professional exchanges and knowledge-sharing with Australian and other parliaments

Maori Party members and staff

Issues discussed:

- About 60 per cent of Maori are on the Maori electoral roll – leads to seven Maori seats allocated
- Maori Party's history dates back to the foreshore and seabed controversy in the late 1990s – opposition to government actions created a protest movement which led to party being formed
- Maori Party's policy agenda stems from the Treaty of Waitangi – focussing on social, cultural and economic development
- Maori Party signed a supply and confidence agreement with Prime Minister Key in exchange for his agreement to repeal foreshore and seabed law – concerns about progress
- Maori party criticised internally and externally for alliance with Nationals – traditionally been considered closer to Labour
- Maori Party role in passing Prime Minister Key's ETS changes with concessions for forestry
- Expressed strong support for MMP system as it allows minority representation

Green Party – Ken Spagnolo (Chief of Staff to Leader), Kate Strack (Member of Parliament)

Issues discussed:

- Strong relationship with Australians and German Green parties
- Support for MMP system – Green Party contested their first election in 1990 where despite a 7% vote, they held zero seats. At the last election, they also received 7% of the vote, which led to nine seats
- Focus on ‘sustainable, clean economic growth’ and jobs, ‘decentralising economy’, child poverty reduction, renewable energy in the 2011 election
- Consider the NZ ETS and carbon price to be ‘unsatisfactory’- Green Party had concerns regarding previous ETS and regard changes under Prime Minister Key to be weaker.
- Consider that the politics around emissions trading is very different in NZ compared with Australia – dominated by agriculture and forestry in NZ as they account for over half of the country’s emissions
- Green Party wants to see NZ playing a greater role internationally in emissions reduction

Briefing by MFAT officials

Issues discussed:

- MFAT advised that the Australia Division is the only single country division in the ministry
- Consider engagement between countries to be broad and deep – high-level dialogue between Prime Ministers, as well as deeper relations between ministers and ministries – regular visits, COAG membership, parliamentary links, political party links
- Regard the relationship to be as much about domestic issues as foreign policy given similar governance systems, proximity of markets, cultural similarities
- The 1983 agreement to pursue closer economic relationship has led to a wide-ranging work program to harmonise policy issues, e.g. recent cooperation on single economic market sought to harmonise business laws and regulations – further work needed and is being pursued
- Strong export relationships – more Australian companies export to NZ than any other nations; approximately 23% of NZ exports are to Australia

- Strong cooperation also regarding the Pacific – RAMSI, PNG, other aid and development issues
 - RAMSI has been a 10-year relationship with New Zealand investing \$2.2billion
- Recognition that China is playing greater role in Pacific through aid, loans, infrastructure development – has also led to Taiwan engagement with the Pacific

Meeting with Minister Stephen Joyce's staff and Communications officials

Issues discussed:

- Telecommunications and broadband the focus of the meeting
- Nationals election commitment of delivering broadband led to a \$1.5 billion package
- Range of concerns regarding rollout and delivery led to modification of the policy
- Policies sought to address monopolistic behaviour, access for regional communities and industry engagement in rollout
- Policy also required solving structural industry issues in terms of retail vs. wholesale provision – structural separation of NZ Telecom eventually agreed
- Ongoing discussions about addressing industry challenges and regulatory reform

Friday, 15 July

Jennifer Lees-Marchment

- Sky City Grand Hotel
- Jennifer Lees-Marchment, Associate Professor of Politics, University of Auckland
- 9 am, 15 July

Summary of Discussion

Jennifer Lees-Marchment is a political science academic at the University of Auckland and has conducted extensive research into approaches to political marketing in a range of western democracies including Australia, NZ, the UK and Canada. She gave the delegation a summary of her recent research and this led to a lively discussion about political marketing techniques.

- The techniques of modern marketing – such as building a brand and being careful to define and accentuate brand attributes – apply just as much to political campaigns as any other kind of marketing.
- She argued that UK Labour’s 1997 campaign emphasised delivery, with tools like public service targets, and this is a strong trend in modern politics (as opposed to simply stating values or principles.)
- She is a critic of negative advertising because while it might damage your opponent it also damages your own believability and credibility.
- An extensive discussion ensued on this point, with several delegation members highlighting their own experience of negative advertising being an effective technique.

Crest Energy Limited

- Sky City Grand Hotel
- Luke Gowing, Director, Argo Environmental
- 10 am, 15 July

Summary of Discussion

Crest Energy is developing the Kaipara Harbour Marine Turbine Project in Northland. The delegation received a presentation on the progress of the project and the environmental, technical and regulatory issues it has raised.

- There will be up to 200 turbines, all located underwater.
- The Harbour is one of the biggest in the world and covers 900 square kilometres.

- The approvals processes were very complex and a lot of local stakeholder management was required, including particularly dealing with the local Maori tribes (“iwi”).
- The Harbour is ideal for this application: a high volume of water passes in and out each day to generate the power required, but it is hardly used for shipping (as it has tricky tides, sandbars, and other hazards.)
- There was considerable discussion of the impact of adding this power into the existing transmission grid, given that there are daily peaks and troughs (unlike baseload power.)

Tour of ‘The Cloud’, Queens Wharf

- Queens Wharf, Auckland
- Michael Barnett, Chief Executive, Auckland Regional Chamber of Commerce
- 11 am, 15 July

Summary of Discussion

“The Cloud” is a very large events space built on top of a long existing wharf in Auckland Harbour, to be used to host a range of events, initially during the 2011 Rugby World Cup, but subsequently for a range of other purposes. It uses a very innovative form of construction, with high strength lightweight fabric stretched across a metal framework. It is some 180 metres long and can hold 6,000 people.

- With many international business visitors expected for the RWC, The Cloud contains spaces suitable for functions and exhibitions.
- It can also function as a ‘fan space’ where people who cannot get tickets to a live game can come to watch the game on the big screen.
- Subsequent to the World Cup it will continue to be an important public facility.
- It is being built by Fletcher Construction, one of New Zealand’s largest public companies.
- While still under construction at the time of the delegation’s visit, we were given a private tour. It was expected to be finished within a few weeks.

Crown Fibre Holdings

- PWC Building, 188 Quay St, Auckland
- Graham Mitchell, CEO; Rohan MacMahon, Strategy Director
- 2 pm, 15 July

Summary of Discussion

CFH is the government owned entity established to invest NZD 1.5 bn of public money in a national fibre optic network. The CEO and Strategy Director gave us an overview of CFH and its achievements.

- CFH has a small team of people with a private sector background – with telecoms, law and banking skills.
- They have structured deals with Telecom NZ (covering about 70 per cent of the country) and several other companies (typically electricity companies.)
- Telecom were difficult to negotiate with but when CFH announced a deal with some smaller companies in some parts of the country, Telecom got nervous and came back to the negotiating table and a deal was finally done.
- Under CFH's deal with Telecom, moneys are invested as, in effect, convertible preference shares. They function as low interest debt, and if the optical fibre network is a financial failure the public money will be lost. Conversely, if it exceeds expectations the government will receive a share of upside.
- CFH considers that the private sector background and skills of its people has been critical to its success.