APPENDIX TO THE JOURNALS

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NEW ZEALAND

2014–2017

VOL. 2

I—REPORTS AND PROCEEDINGS OF SELECT COMMITTEES

IN THE REIGN OF HER MAJESTY
QUEEN ELIZABETH THE SECOND

Being the Fifty-first
Parliament of New Zealand

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Activities of the Regulations Review Committee in 2015

Report of the Regulations Review Committee

Fifty-first Parliament
(Hon David Cunliffe, Chairperson)
November 2016

Presented to the House of Representatives
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1 Introduction

Recommendation
The Regulations Review Committee recommends that the House take note of this report.

Purpose of this report
By convention, the Regulations Review Committee produces a report on its activities that it has not reported separately to the House. This report is about the work the Regulations Review Committee of the 51st Parliament completed between 23 October 2014 and 31 December 2015.

This report demonstrates our approach to the scrutiny of delegated legislation. It draws attention to issues that we consider should be kept in mind in the making of subsequent regulations.

Functions of the committee
The Standing Orders of the House of Representatives set out our powers and functions, and allow us to bring specified matters to the special attention of the House.1 We

- scrutinise all regulations
- consider draft regulations referred by Ministers of the Crown and report back to them
- examine regulation-making powers in bills
- investigate complaints about the operation of regulations
- conduct inquiries into matters related to regulations
- initiate briefings on matters related to regulations.

We met 34 times between 23 October 2014 and 31 December 2015, and presented seven reports to the House. These reports are publicly available on Parliament’s website.2

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1 Refer to Appendix B for the relevant Standing Orders.
2 Reports of the Regulations Review Committee.
2 Legislative instruments

Standing Order 318(1) empowers us to examine all regulations. We examine regulations and consider whether they should be drawn to the special attention of the House on any of the grounds set out in Standing Order 319(2).

Standing Order 3(1) defines “regulations” as any delegated legislation, including both legislative instruments (LIs) and disallowable instruments. In this part of our report, we deal only with regulations published in the LI series. We deal with disallowable instruments that are not legislative instruments separately in a later part of this report.

Our scrutiny process

We examine each new regulation at our weekly meetings. From 23 October 2014 to 31 December 2015, we scrutinised 442 regulations: LI 2014/227–404 and LI 2015/1–265.

We raised any issues with the responsible Ministers, departments, or agencies. After receiving their responses, we decided whether to proceed further. In most cases, we were satisfied with the responses that we received. However, in some cases, further investigation was required.

In the reporting period, we drew one set of regulations to the attention of the House. Our report, discussed later, was about the Canterbury Earthquake District Plan Order 2014.

Routine scrutiny

Our routine scrutiny continues to focus on the grounds set out in Standing Order 319(2).

In addition, during 2015, we carefully examined several fees regulations and routinely asked the agencies concerned to demonstrate that the fees were calculated in accordance with the Auditor-General’s good practice guide, “Charging fees for public sector goods and services”, and the Treasury’s “Guidelines for Setting Charges in the Public Sector”. We referred them to the constitutional principles for fee-setting set out in our previous reports.

Issues of concern

Our routine scrutiny during the reporting period raised the following two particular areas of concern:

• compliance with statutory requirements
• potentially unauthorised sub-delegation.

Where these concerns have arisen, we have generally sought further information about the regulations. We explain these issues below by way of examples of the regulations that raised them.

Compliance with statutory requirements

The Veterans’ Support (Rates of War Pensions Act 1954 Allowances) Order 2015 (LI 2015/51) is made under section 75C of the War Pensions Act 1954, among other provisions.
Section 75C(3) provides that an order made under section 75C will expire if it is not expressly validated and confirmed by an Act passed within 12 months of the order being presented to the House. Such confirmation is generally done by way of the annual Subordinate Legislation (Confirmation and Validation) Bill.

In this case, the order included a provision that would revoke it on 6 December 2015. Therefore, the issue arose as to whether the order needed to be expressly validated and confirmed in accordance with section 75C(3) by 23 March 2016 (that is, 12 months from the order being presented to the House).

The issue arose because of the operation of section 75C(4). This provides that, if an order made under section 75C is revoked by a subsequent Order in Council “before the close of 31 December in the calendar year following the calendar year during which it was presented to the House, [it] must be treated as being invalid in respect of the period for which it purported to have effect except so far as it is expressly validated and confirmed in respect of that period by an Act passed before that date”.

Although it is not wholly certain from the operation of the various statutory requirements, there was an argument that, if the order was not validated and confirmed, the order’s application from 1 April to 6 December 2015 would become invalid from 23 March 2016.

We encouraged the New Zealand Defence Force to seek the inclusion of a provision in the 2015 Subordinate Legislation (Confirmation and Validation) Bill to validate and confirm the order.

The order was subsequently included in the Subordinate Legislation (Confirmation and Validation) Act 2015.

**Report about the Canterbury Earthquake District Plan Order 2014**

As noted above, our routine scrutiny of regulations has led to one report to the House. That report was about the Canterbury Earthquake District Plan Order 2014, and whether it was made in accordance with the general objects and intentions of the enactment it was made under (see Standing Order 319(2)(a)). The issue was remedied through primary legislation ratifying the order.

For more details, please refer to our [report to the House](#).
3 Disallowable instruments that are not legislative instruments

In this chapter, we deal with disallowable instruments that are not legislative instruments (DINLIs).

We examine each regulation as soon as possible after publication, but specific difficulty identifying and accessing DINLIs may delay our scrutiny.

From 23 October 2014 to 3 December 2015, we raised concerns about 29 regulations with the responsible departments or agencies.

Routine scrutiny

Our scrutiny of DINLIs often finds the following problems:

- not specifying the date on which they were made
- not specifying the empowering provision under which they were made
- not specifying the date on which they come into force
- confusing naming practices
- no indication whether any statutory prerequisites (such as a consultation requirement) were complied with
- no accompanying explanatory note
- not being presented to the House within 16 sitting days, as required by section 41 of the Legislation Act 2012
- unclear notification in the Gazette, perhaps because of unclear naming practice or inconsistent practices in notifying similar instruments
- not being available on the agency’s website
- a lack of good drafting practice.

We often find that a single instrument raises more than one of the problems listed above. We discuss below some examples of these occurrences that we have found this year.

Amendments to the Betting Rules

We raised several issues with the New Zealand Racing Board about the notice amending the Betting Rules.

One issue was about the notice revoking some of those rules. The notice referred readers to a full copy of the rules available on the New Zealand Racing Board website. However, that version no longer contained the revoked rules. This meant that it was extremely difficult for a reader to establish the substance of the revoked rules.
The other issue we raised was about the title of the notice, “Amendments to the Betting Rules”. We considered that the title was unhelpful to the reader, in that there was nothing to distinguish it from the other 40 or so Gazette notices with this title dating back to 2004. We asked the board to consider naming future notices amending the betting rules in a way that readily identifies individual notices.

The board agreed to amend its process for issuing Gazette notices about Betting Rules by ensuring that the original text of any revoked or amended rule is made available in the Gazette notice for readers to examine. The board also agreed to title future notices in a way that readily identifies individual notices.

Plumbers, Gasfitters, and Drainlayers (Fees and Disciplinary Levy) Amendment Notice 2015

In 2015, we investigated the Plumbers, Gasfitters, and Drainlayers (Fees and Disciplinary Levy) Amendment Notice 2015 after our routine scrutiny of the regulation.

Unfortunately, the board had not complied with the requirement to present the regulation to the House within 16 sitting days after it had been made, in accordance with section 41 of the Legislation Act. A breach of this requirement undermines our ability to perform our scrutiny function.

When the regulation was presented, we took careful note of its content. The regulation dealt with the interesting situation of an untrained person being permitted to do plumbing, gasfitting, or drainlaying if supervised by a licensed or authorised person. The untrained person is exempt under the Act from registration requirements if they are supervised.

Although there is no statutory requirement for an exemption certificate, the board nevertheless requires one. A fee is payable for this certificate, to ensure regulatory oversight of the supervision. The supervising authorised person has to pay the exemption certificate fee.

We were concerned that the board was charging an exemption fee under its authority to set fees to issue or renew a licence. On its face, the empowering provision for fees does not authorise charging fees for people working under statutory exemption.

We heard evidence from the board and the responsible ministry on the need for the exemption certificate as a way of notifying that the authorised or licensed person was taking responsibility for the untrained person. The board also submitted legal advice it had obtained supporting that view.

We finally agreed that the empowering provision authorised the fees notice, but noted our concern at the provision’s lack of clarity.

We make the point that it would be constitutionally proper for the legal authority to charge fees to be apparent from the empowering provision. In New Zealand, basic legal and constitutional principles require statutes to explicitly provide for the payment of a fee. Inferring the authority to charge a fee from the context is not enough, and the law has to be very clear in this respect.

The Government accepted our finding and agreed to amend the Act at the next suitable legislative opportunity.
Government response to inquiry into the oversight of DINLIs

In July 2014, the Regulations Review Committee of the 50th Parliament reported to the House on its “Inquiry into the oversight of disallowable instruments that are not legislative instruments”. The inquiry looked into issues with making, notifying and publishing, and identifying DINLIs, and made several recommendations.

One of the significant issues was the difficulty of easily identifying instruments as DINLIs. The report to the House recommended, among other things, that the Government introduce legislation to establish a register of delegated legislation and designate an agency to be responsible for DINLIs as an area of law.

In its response, the Government noted the work that the Parliamentary Counsel Office already does that is relevant to DINLIs. It also recognised that there was significant concern about access to DINLIs, it said that it had directed the Parliamentary Counsel Office to explore amendments to legislation to allow for an amendment to the Legislation Act to provide for a register of tertiary instruments, which would include DINLIs.

Project to enable online access to subordinate instruments

The Parliamentary Counsel Office established the Access to Subordinate Instruments Project in response to the Cabinet directive mentioned above. The project’s objective is to improve access to legislation by publishing all subordinate instruments on the New Zealand legislation website.

Subordinate instruments are legislation made under the delegated law-making authority of Parliament or the Royal prerogative. They include regulations, rules, and bylaws, among other forms of instruments. The project would result in a single, comprehensive, official, public source for all New Zealand legislation, although exceptions may be required for bylaws made by local authorities and for other instruments that cannot, for some reason, be publicly disclosed.

A Cabinet paper is being prepared for a decision in late 2016 on whether the project is to proceed. If it does proceed, the project will likely involve

- modernising and simplifying the statute book and legislative processes through legal and procedural changes
- developing a drafting, document management, lodgement, and publication system
- modifying the current system of publishing legislation and the New Zealand legislation website.

3 This work includes:
- publishing links on the New Zealand Legislation website to DINLIs (known as “Other Instruments”) that are published on agency or departmental websites. However, the Parliamentary Counsel Office relies on information from responsible agencies and cannot guarantee that this information is always complete or up to date
- providing addresses for obtaining print copies of DINLIs
- including a link on the legislation website to the Gazette
- writing a guide to drafting tertiary instruments with supporting information, including a Microsoft Word template for use by departments
- providing templates and assistance to individual agencies.
4 Regulation-making powers in bills

Scrutinising regulation-making powers in bills is central to our work. In 2015, we made 16 reports to other committees on regulation-making powers in bills. We encourage committees to advise us of the outcome of their consideration of our advice.

We examine all bills that come before select committees for delegated legislation-making powers. Our examination aims to determine whether the delegation of Parliament’s law-making power is appropriate and clearly defined. We are concerned about whether the regulation-making powers represent good legislative process, not about matters of policy, which are for the respective committees to assess.

In examining regulation-making powers in bills, we are not confined to the grounds for scrutiny set out in the Standing Orders. We also examine whether the regulation-making powers are consistent with good legislative design, including the established principles set out in the Legislation Advisory Committee’s “Guidelines on the Process and Content of Legislation”. These are that

- matters of policy and substance should not be delegated to regulations
- regulations should not override, suspend, or amend Acts (Henry VIII powers)
- law-making powers should not be delegated without provision for adequate controls and independent scrutiny.

Routine scrutiny

We conduct routine scrutiny and write to the appropriate committee when we identify an issue. Alternatively, committees may proactively write to us seeking advice.

Appendix C lists the bills on which we reported to the relevant committee in the reporting period.

Issues of current concern

The main recurring areas of concern that arose in our scrutiny during the reporting period are as follows:

- commencement by Order in Council
- Henry VIII powers
- modifying definitions by way of regulations
- broad, open-ended powers.

We explain these matters in greater detail below and provide examples of advice we have provided to other committees about aspects of bills that have raised concern.
Commencement by Order in Council

Five of the bills that we reported on in the reporting period included provision for the resulting Act to come into force on a date to be set by the Governor-General by Order in Council.

We have previously reported generally on commencement by Order in Council. The Legislation Advisory Committee’s guidelines note that:

In limited cases, the setting of the commencement date may be delegated to the executive. Such provisions are likely to face additional RRC scrutiny and, as such, cogent reasons for the delegation must exist. The legislation should also incorporate a provision that the legislation is brought into effect automatically after a set period of no more than one year after its enactment, if not brought into force earlier by Order in Council.

During the reporting period, we wrote to the Social Services Committee about the Social Security (Extension of Young Persons Services and Remedial Matters) Amendment Bill. We noted that the commencement clause of the bill appeared contrary to the Legislation Advisory Committee’s guidelines because it did not specify a default period after which all of the remaining provisions in the Act would automatically be brought into force.

The explanatory note to the bill did not state the reasons for bringing the rest of the Act into force by Order in Council, rather than by a specified date. However, it stated that it was anticipated that the commencement date would be in 2016.

We recommended that the Social Services Committee amend the commencement clause to include a fixed date (which should be anywhere up to one year after the date of Royal assent) by which the legislation would commence, should it not be brought into force at an earlier date by Order in Council.

The Social Services Committee reported the bill to the House with no significant changes to the commencement provisions.

Henry VIII powers

The issue of Henry VIII provisions arose for three bills during the reporting period. A Henry VIII provision is the granting in primary legislation of a power for delegated legislation to amend, suspend, or override primary legislation.

The established principle applying to the use of Henry VIII provisions, which we endeavour to uphold, is that they should be avoided unless “demonstrably essential”. We have previously stated that Parliament should grant an empowering provision that enables regulations to amend legislation rarely and with strict controls.

During the reporting period, the Health Committee requested advice for the Home and Community Support (Payment for Travel Between Clients) Settlement Bill. The Health Committee indicated that it was considering an amendment to the bill to replace the regulation-making powers in clause 25 of the bill, as introduced, with schedules that would contain much of what the bill had previously intended to include in regulations made under clause 25.

The Health Committee also proposed that a new clause be added to the bill to allow an Order in Council to amend those schedules. The prerequisites for the Minster
recommending such an order, as set out in clause 25 of the bill as introduced, included consultation with specified entities, and being satisfied of various relevant factors.

The proposed new clause was an empowering provision enabling legislation to be amended by regulations and so was a Henry VIII power.

We recommended that the change proposed to the bill not proceed and that the original clause 25 be retained with any necessary amendments, such as further constraints on the parameters for mileage rates and distances.

The Health Committee did not discuss our advice in its commentary on the bill and recommended adopting the changes set out in its letter. However, changes were made to the text of the new clause to place greater controls on the operation of the Henry VIII power.

**Modifying definitions in an Act by way of regulations**

Powers that modify definitions in primary legislation by regulation are a particular kind of a Henry VIII provision. Where the definition of a key term is left for regulations to determine in part, resulting regulations may have the effect of modifying or altering an Act. In turn, this may mean that matters are left for regulations to determine that would more appropriately be the subject of primary legislation.

During the reporting period, we considered the Taxation (Land Information and Offshore Persons Information) Bill. Two central definitions contained in the bill can be extended by regulations: “specified estate in land” and the “exempt transfer”.

The former is a central concept because the requirement to provide tax information attaches to the transfer of a specified estate in land. The latter is a central concept because there is no requirement to provide tax information in connection with an exempt transfer.

We were concerned that the bill sought to provide for the definition of “specified estate in land” to be extended by regulations. The usual reason for using regulations to extend a list in an Act is to future-proof the list. However, it seems unlikely that a new estate in land will be created and, if so, an Act would be likely to create it. That Act could consequentially amend the definition in the bill to recognise the new estate.

We recommended that the Finance and Expenditure Committee seek advice from its officials as to why they could not identify the estates in land that New Zealand law recognises, and specifically list them in the bill.

The Finance and Expenditure Committee reported the bill to the House with no significant changes to address the matters we raised about the definition provisions for “specified estate in land” and the “exempt transfer”.

**Broad, open-ended powers**

The issue of regulation-making powers that are drawn unduly broadly arises regularly in our work. It is a clearly established principle that regulation-making powers should be drafted so as to specify the limits of the delegated legislative power as clearly and precisely as possible.

The delegated power should not be drawn more broadly than necessary, to ensure that it is not used for purposes that Parliament did not intend. A delegated power that is broad and
open-ended may also authorise the making of regulations likely to contain matters of substantial policy that would more appropriately be included in primary legislation.

During the reporting period, we reported on clauses 89 to 93 of the Radiation Safety Bill. Those clauses provided for the Director for Radiation Safety to issue codes of practice for the purpose of implementing any of the fundamental requirements set out in clauses 9 to 13 and “any provision of the Act”.

This was a very broad and unspecified power. In particular, the purpose of authorising codes of practice to implement “any provision in the Act” was not clear. The resulting codes were to be subject to little scrutiny. A code of practice was to be neither a disallowable instrument nor a legislative instrument for the purposes of the Legislation Act. The bill provided few safeguards for issuing of codes of practice.

We recommended that the Health Committee consider amending the bill to narrow the breadth of the power to issue codes of practice by specifying more precisely what the purpose of a code of practice is and providing for greater safeguards for the process for developing a code, such as requiring appropriate consultation and ministerial approval for a code to have legal effect.

We also recommended that the bill specify that a code is a disallowable instrument but not a legislative instrument for the purposes of the Legislation Act.

The Health Committee reported the bill back with several amendments to clauses 89–93 that addressed the matters raised in our report.
5 Complaints

Under Standing Order 320, any person or organisation may make a complaint to us about a regulation. We first assess the complaint before formally resolving to accept and proceed or, by unanimous resolution, not to proceed with the complaint. If we decide to proceed with an investigation, the complainants are given the opportunity to address us.4

Although our jurisdiction to investigate complaints is broad, our only remedy is to make recommendations in a report to the House or the Government. Under Standing Order 252, the Government must respond to any select committee recommendations within 60 working days after the report has been presented.

In 2015, we reported on just one complaint. This was about the Accident Compensation (Motor Vehicle Account Levies) Regulations 2015. The complaint concerned an alleged discrepancy between definitions of the same term in two enactments. We found that the complaint was not made out. The complaint report is available here.

We currently have three complaints under active consideration.

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4 The Office of the Clerk produces a booklet, “Making a Complaint to the Regulations Review Committee”, to assist potential complainants. It is available online at New Zealand Parliament – Making a Complaint to the Regulations Review Committee.
6 Briefings and investigations

We can consider any matter about regulations and report on it to the House if we consider it necessary. Where we thought matters required further investigation, we sought briefings from the appropriate bodies.

Local government infringement fees

We had an outstanding item of business from the previous Parliament. This was a briefing on local government infringement fees, initiated in June 2009. The Regulations Review Committee of the 50th Parliament received written evidence on this item but never heard oral evidence.

Background

In March 2009, the previous committee examined the Local Government (Infringement Fees for Offences: Hawkes Bay Regional Council Navigation Safety Bylaws) Regulations 2008 (SR 2008/380). The committee wrote to Local Government New Zealand and the Minister of Local Government, inviting them to comment on

- the nature of local government infringement fees and other penalties
- the process that is followed to determine what fees and other penalties are appropriate
- whether any guidelines exist to support decision-making and the development of delegated legislation of this nature
- whether there is a process to ensure consistency of local government offences and penalties throughout the country.

In its response, Local Government New Zealand stated that it was not aware of specific guidelines to assist local authorities and the Department of Internal Affairs in developing regulations for local government infringement regimes.

In his response, the Minister of Local Government noted that section 259 of the Local Government Act 2002 provides for regulations to be made prescribing which breaches of bylaws are infringement offences under that Act. The Minister advised that, to date, this provision had not been used and that he had directed the Department of Internal Affairs to review the current general infringement powers available to councils as provided under that section.

The Regulations Review Committee of the 50th Parliament asked the Office of the Auditor-General whether it had developed any guidelines to support local government agencies in decision-making processes. It advised us that it had not carried out work in this area.

In June 2009, the committee resolved to initiate a briefing. From 2009 to 2012, the committee wrote to Local Government New Zealand, the Minister for Local Government, and the Minister for Internal Affairs requesting updates on the review.
In March 2013, the Minister of Local Government noted that, although the review had not progressed because of competing priorities, the New Zealand Productivity Commission was due to release its final report into local government regulation. This report “Towards better local regulation” was released in May 2013, and covered the scope of the committee’s briefing.

**The report “Towards better local regulation”**

As part of the Government’s Better Local Government reform programme to improve the legislative framework for New Zealand councils, the Productivity Commission was asked to carry out an inquiry about ways of improving regulatory performance in local government.

The Regulations Review Committee of the 50th Parliament was concerned that there is no overarching local government approach to infringement fees. Regulations enabling councils to impose infringement notices need to be made on a council-by-council basis. The Commission directly addressed this issue in its report, stating:

> At the moment, regulations enabling councils to impose infringement notices (under s259 of the LGA) need to be made on a council-by-council basis. This is a cumbersome process, and the only infringement notices that have been made on this basis are those under navigation bylaws. S259 should be broadened, so that regulations can be drafted enabling infringement notices for similar kinds of bylaws across local authorities, rather than on a council-by-council basis.

This led to this recommendation:

> R10.4 Section 259 of the Local Government Act 2002—relating to the empowerment of infringement notices—should be amended to enable regulations to be made for infringement notices for similar kinds of bylaws across local authorities, rather than on a council-specific and bylaw specific basis.

In its response, the Government said that it was aware of the limitations of the current legislation. Infringement regimes are not suited to all regulatory regimes. Some preliminary assessments have been made as to the feasibility of what is proposed. Further progress will be made as resourcing permits.

The [Productivity Commission’s report](#) is available here.

We resolved to conclude this item of business without a report to the House.

**Civil defence and emergency management**

We initiated a briefing from the Ministry of Civil Defence and Emergency Management so that the Ministry could provide information relevant to our Inquiry into Parliament’s legislative response to future national emergencies. The Ministry outlined its Civil Defence Emergency Management legislative framework for emergencies. This briefing will remain open until the inquiry is complete.

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5 Page 10, *Towards better local regulation*.

6 Page 208, *Towards better local regulation*. 

15
7 Other matters

In 2015, one bill was referred to us; the Subordinate Legislation Confirmation Bill. We also opened an Inquiry into Parliament’s legislative response to future national emergencies. We summarise our consideration of these issues below.

Subordinate Legislation Confirmation Bill

A bill of this nature is generally referred to us on an annual basis. The bill is not concerned with policy matters but prevents the lapse of specific pieces of subordinate legislation. The Subordinate Legislation Confirmation Bill was referred to us on 2 July 2015.

The bill had two main purposes. The first was to confirm, or confirm and validate, subordinate legislation that would lapse at a specific time unless confirmed, or confirmed and validated, by an Act of Parliament. The second purpose was to replace existing confirmation provisions in the Legislation Act as a means of simplification.

For a more detailed explanation of our analysis, please refer to our report to the House.

Inquiry into Parliament’s response to future national emergencies

In 2014, the Standing Orders Committee reviewed Standing Orders. A recommendation to the House was that “it refer to a select committee an inquiry into Parliament’s legislative response to future national emergencies”. The Regulations Review Committee in the previous Parliament initiated the inquiry on 30 July 2014. The item is an ongoing item of business for the current committee.

The aim of the inquiry is to investigate and develop a best-practice model for recovery legislation. Please refer to the interim report produced on 7 May 2015 for more information about

- the terms of reference
- an explanation of emergency response and recovery
- a catalogue of emergency powers.

After this interim report, we invited written submissions from the public on the inquiry. We heard oral submissions on 22 October and 5 November in Wellington, and on 2 November 2015 in Christchurch.

We expect to report on our findings, with any recommendations, at the conclusion of the inquiry.
Appendix A

Committee members
Hon David Cunliffe (Chairperson)
Andrew Bayly
Hon Chester Borrows
Christopher Bishop
Hon David Parker
Appendix B

Standing orders 318 to 320

318 Functions of Regulations Review Committee

(1) The Regulations Review Committee examines all regulations.

(2) A Minister may refer draft regulations to the committee for consideration and the committee may report on the draft regulations to the Minister.

(3) In respect of a bill before another committee, the committee may consider—
   (a) any regulation-making power, and
   (b) any matter relating to regulations,—
   and report on it to the committee that is considering the bill.

(4) The committee may consider any matter relating to regulations and report on it to the House.

(5) The committee investigates complaints about the operation of regulations, in accordance with Standing Order 320, and may report on the complaints to the House.

319 Drawing attention to regulation

(1) In examining a regulation, the committee considers whether it ought to be drawn to the special attention of the House on one or more of the grounds set out in paragraph (2).

(2) The grounds are, that the regulation—
   (a) is not in accordance with the general objects and intentions of the enactment under which it is made:
   (b) trespasses unduly on personal rights and liberties:
   (c) appears to make some unusual or unexpected use of the powers conferred by the enactment under which it is made:
   (d) unduly makes the rights and liberties of persons dependent upon administrative decisions which are not subject to review on their merits by a judicial or other independent tribunal:
   (e) excludes the jurisdiction of the courts without explicit authorisation in the enactment under which it is made:
   (f) contains matters more appropriate for parliamentary enactment:
   (g) is retrospective where this is not expressly authorised by the enactment under which it is made:
   (h) was not made in compliance with particular notice and consultation procedures prescribed by applicable enactments:
   (i) for any other reason concerning its form or purport, calls for elucidation.
320  **Procedure where complaint made concerning regulation**

(1) Where a complaint is made to the committee or to the chairperson of the committee by a person or organisation aggrieved at the operation of a regulation, the complaint must be placed before the committee at its next meeting for the committee to consider whether, on the face of it, the complaint relates to one of the grounds on which the committee may draw a regulation to the special attention of the House.

(2) The person or organisation making the complaint is given an opportunity to address the committee on the regulation unless the committee agrees by unanimous resolution not to proceed with the complaint.
Appendix C

Bills that have been the subject of a report to another select committee between the period 23 October 2014 and 31 December 2015

Accident Compensation (Financial Responsibility and Transparency) Amendment Bill
Coroners Amendment Bill
Drug and Alcohol Testing of Community-based Offenders and Bailees Legislation Bill
Gambling Amendment Bill (No 3)
Health (Protection) Amendment Bill
Hineuru Claims Settlement Bill
Home and Community Support (Payment for Travel Between Clients) Settlement Bill
Ngāruahine Claims Settlement Bill
New Zealand Business Number Bill
Organised Crime and Anti-corruption Legislation Bill
Policing (Cost Recovery) Amendment Bill
Radiation Safety Bill
Social Security (Extension of Young Persons Services and Remedial Matters) Amendment Bill
Standards and Accreditation Bill
Taxation (Land Information and Offshore Persons Information) Bill
Weathertight Homes Resolution Services Amendment Bill
Inquiry into Parliament’s legislative response to future national emergencies

Report of the Regulations Review Committee

Fifty-first Parliament
Hon David Cunliffe, Chairperson
December 2016

Presented to the House of Representatives
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Inquiry into Parliament’s legislative response to future national emergencies

Summary of recommendations
The Regulations Review Committee makes the following recommendations to the Government:

Theme One: executive powers to override enactments should extend only as far as is necessary to deal with the emergency itself, and should only be exercised for that purpose

1. Emergency legislation should be bespoke for each national emergency and confer powers only as necessary to each situation. Generic national emergency legislation should not be passed in advance (page 19).

2. As much time as possible in the circumstances should be allowed for select committee consideration of emergency legislation (page 19).

3. Existing select committees should consider emergency legislation (page 20).

4. Emergency legislation should take the form of primary legislation wherever reasonably possible, rather than relying on broad powers to make delegated legislation (page 20).

Theme Two: emergency legislation should incorporate safeguards

5. Powers to override enactments by Order in Council should provide a positive list of the specific enactments that can be overridden (page 21).

6. Orders in Council should be subject to scrutiny before and after they are made (page 22).

7. The right to seek judicial review of Orders in Council made under emergency legislation should be preserved and upheld (page 22).

8. Legislation for national emergencies should have regard to international norms and benchmarks (page 23).

9. Bespoke emergency powers should be in force only for as long as is reasonably necessary, and should have built-in sunset provisions (page 24).

Theme Three: any legislative response to a national emergency should be designed to ensure that recovery from the emergency begins on day one

10. Legislation must reflect the principle that recovery from a national emergency starts on day one (page 24).

11. The responsible Minister should formally report, annually, to the House on the exercise of powers under the emergency legislation and on progress with the recovery effort (page 25).
1 Introduction

This inquiry was referred to the Regulations Review Committee by the House in July 2014. It aims to establish constitutional principles for the arrangement and delegation of recovery powers in the case of a national emergency.

Legislation enacted following the Canterbury earthquakes had raised questions about the constitutional implications of provisions to make delegated legislation for such purposes, and the institutional arrangements needed for the long-term recovery from a national emergency. These questions are relevant today, as the House considers emergency legislation in response to the Hurunui/Kaikōura earthquakes of November 2016.1

The inquiry had the following terms of reference. It was to:

- consider the overarching principles governing the delegation of Parliament’s law-making powers in the context of recovery from a national emergency
- propose appropriate enhancements to the framework for both primary and delegated legislation to confer the powers necessary for recovery after the lifting of a state of national emergency
- consider and recommend to the House and other appropriate bodies which constitutional and other enactments (or provisions in enactments) should expressly not be modified by delegated legislation, and make recommendations accordingly
- establish guiding principles for the expiry of recovery legislation, and of modifications to enactments under associated delegated legislation
- examine the legitimacy of actions taken under recovery legislation once the authority to act under the legislation has expired
- determine the extent and nature of the parliamentary scrutiny that would be appropriate in passing a recovery bill
- propose appropriate safeguards and checks and balances on the use of powers delegated to the executive
- consider the role of the House in scrutinising delegated legislation made under a recovery Act.
- consider the extent of the role of the judiciary in examining recovery legislation, and whether any limits on it might be appropriate
- examine alternative models for recovery legislation used in other jurisdictions
- consider lessons learned from the implementation of recovery legislation after the Canterbury earthquakes.
2 The events that led to this inquiry

The September 2010 Canterbury earthquake

A magnitude 7.1 earthquake struck Canterbury on 4 September 2010 at 4:35am. No lives were lost, but there was significant property damage.

At 9:33am a state of emergency was declared for Christchurch City under section 68 of the Civil Defence Emergency Management Act 2002 (the 2002 Act). Soon afterwards, a state of emergency was declared for the other two affected local authority districts. The declaration relating to Christchurch city expired on 6 September 2010, but was extended by three further declarations through to 16 September 2010.2

Maintaining a state of emergency lacks the regulatory precision necessary to address the ongoing need for response and recovery.3 A declaration under the 2002 Act has a short life, and the use of its powers for emergency management is intended to be in extremis and necessarily short term.4

The Canterbury Earthquake Response and Recovery Act 2010

Accordingly, on 8 September 2010, the Attorney-General directed that a bill be drafted to allow legislative dispensations available during a state of emergency under the 2002 Act to continue to be available after the state of emergency was lifted, to help expedite a quicker and fuller recovery.5

That bill became the Canterbury Earthquake Response and Recovery Act 2010 (the 2010 Act). It was taken through all stages by leave of the House on 14 September 2010.6 It was not considered by a select committee and no public submissions were called for. The 2010 Act came into force the following day, 15 September 2010.

The 2010 Act provided that the Governor-General may make Orders in Council which “may grant an exemption from, or modify, or extend any provision of any enactment”.7 Such Orders in Council could be retrospective back to the date of the earthquake.8

Several safeguards existed:

- although the Order in Council powers were general in their application, a number of Acts were excluded (a “negative list”)9

- such orders could be made only if reasonably necessary or expedient for the purpose of the Act10

- the Regulations (Disallowance) Act 1989 applied to the Orders in Council,11 so the Regulations Review Committee examined all orders made12

- the Act was temporary; neither it, nor any Orders in Council made under it, would apply after 1 April 2012

- the Orders in Council could be scrutinised by the High Court on judicial review. Restrictions on judicial review related only to the recommendation to make an Order in Council, not the order itself.13
Notwithstanding these safeguards, the 2010 Act was criticised as being contrary to well-established constitutional conventions that provisions with retrospective effect should not be enacted, and the executive should not be given the power to override Acts of Parliament. Restrictions on judicial review of Orders in Council were also criticised.

In An open letter to New Zealand’s people and their Parliament, 27 legal scholars argued that, in passing the 2010 Act, Parliament had “abandon[ed] established constitutional values and principles in order to remove any inconvenient legal roadblock…a dangerous and misguided step.” The open letter described the 2010 Act as “an extraordinarily broad transfer of law-making power away from Parliament and to the executive branch, with minimal constraints on how that power may be used.”

Thirty orders were made under the 2010 Act. They extended deadlines in, modified the application of, or created exemptions to, provisions in 19 Acts.

The Regulations Review Committee received no complaints about any of the orders made under the 2010 Act.

Interim report of the Regulations Review Committee (December 2010)

In an interim report presented to the House in December 2010, the Regulations Review Committee outlined its scrutiny procedures for seven of the first Orders in Council made under the 2010 Act. The report covered its request for information from the Parliamentary Counsel Office (PCO) about the explanatory notes to the orders as well as its examination of regulations relating to the earthquake, but not made under the 2010 Act.

The committee tested with instructing agencies and the PCO the justification for the orders and whether they were consistent with the purpose of the 2010 Act. The PCO was requested to provide extended explanatory notes for the orders. The committee concluded that all the orders were within the scope of the empowering provision and did not recommend that the House disallow any of them.

The then committee chair, Charles Chauvel MP, noted in the House that the Orders in Council made under the 2010 Act were:

…moderate…There has not been an attempt, to date, to overreach the powers that the Minister has had conferred on him by this Parliament. I will put that on record happily and freely.

The February 2011 Canterbury earthquake

A much more devastating 6.3 magnitude earthquake struck Canterbury on 22 February 2011. In it, 185 people lost their lives and there was extensive damage to personal and public property.

A state of national emergency was declared under the 2002 Act the following day. This was extended, week by week, for two months. That period allowed time for development of policy to implement a long term recovery programme, and for drafting a bill to implement that programme. At the same time, the 2010 Act continued to apply, as the February 2011 earthquake was technically an aftershock from the September 2010 earthquake.

The 2011 Act

Although the February earthquake was more severe in its effects than that of 2010, the legislative response was slower and more considered. Preliminary drafting instructions reached PCO on 7 March 2011. The resulting Canterbury Earthquake Recovery Bill was
INQUIRY INTO PARLIAMENT’S LEGISLATIVE RESPONSE TO FUTURE NATIONAL EMERGENCIES

read for the first time on 12 April 2011, and referred to the Local Government and Environment Committee. The committee heard submissions in Wellington later that same day, and in Christchurch and Wellington on 13 April 2011. Special instructions that accompanied the bill’s referral meant that the committee was not empowered to recommend amendments, only to hear the submissions and report.

Several criticisms have been made about the select committee process:

- there was a lack of opportunity for formal public input (the bill was not available until 4pm on the day before submissions began to be heard)
- submitters were selected, and there was no general call for public comment
- those who wished to make a submission had less than 24 hours to prepare and present it
- neither the Law Commission nor the Legislation Advisory Committee was consulted during the development of the bill.

The Government took the Canterbury Earthquake Recovery Bill through all of its remaining stages under urgency on 14 April 2011. Forty clauses were amended in the Committee of the whole House by a Supplementary Order Paper. The Canterbury Earthquake Recovery Act 2011 (the 2011 Act) came into force on 19 April 2011.

The 2011 Act included provisions setting out the powers, duties and functions of the Canterbury Earthquake Recovery Authority (CERA) and the Minister for Canterbury Earthquake Recovery. It also required community input into certain ministerial decisions, provided for the development and implementation of various planning instruments, and created powers for information gathering, entry, surveys, building works, directions, compliance orders, and the acquisition and disposal of real property. The 2011 Act, unlike the 2010 Act, provided for compensation to be paid in relation to demolition of property and compulsory acquisition of land under the Act.

The power to make Orders in Council under the 2011 Act was constrained by a less specific and more recovery-focused purpose provision.

The 2011 Act was less heavily criticised than its 2010 predecessor. Additional safeguards were also provided under the 2011 Act. They included the following:

- the Minister was required to review its operation and effectiveness annually, and recommend any amendments
- the Minister was required to have regard to the recommendations of the Canterbury Earthquake Recovery Review Panel when recommending an Order in Council (in practice, this requirement was met by the executive submitting a finalised draft of the proposed order to the Review Panel for its consideration before submitting that order to the Executive Council)
- community and cross-party forums provided a way to share information between local and central agencies
- the Orders in Council made under the 2011 Act were generally in the form of lifting burdens rather than imposing them.
Oversight by the Regulations Review Committee

The Regulations (Disallowance) Act 1989 (and subsequently the Legislation Act 2012) applied to the Orders in Council, so the Regulations Review Committee examined all orders made.

Regulations Review Committee’s Interim Report (October 2011)

The committee’s interim report of October 2011 set out its further scrutiny of two orders referred to in its December 2010 interim report, and its scrutiny of other orders made since then. The committee did not need to seek additional information about many of the orders. Where it had concerns, they were usually resolved through correspondence with departments. However, the committee noted:

Despite this, we consider it very important to monitor the operation of orders in force and any new orders that may be made, because the Regulations Review Committee’s scrutiny is the only way in which Parliament can exercise any oversight of the powers conferred on the Government to make these orders. Because of this, and as the Canterbury Earthquake Recovery Act will have effect until 2016, we strongly encourage the Regulations Review Committee of the 50th Parliament to continue to investigate the orders made under the Act, and report to Parliament as they see fit on their scrutiny.

Regulations Review Committee’s activity in 2012

In 2012, the Regulations Review Committee asked the Inland Revenue Department to clarify the effect of the Canterbury Earthquake (Tax Administration Act) Order (No 2) 2011 (SR 2011/375) made under the 2011 Act. The Committee considered the clarification satisfactory and did not take any further action.

The committee also expressed concerns about another order, in that the Canterbury Earthquake Recovery Review Panel’s recommendations on the draft Order in Council had not been presented to the House as soon as practicable after receiving the recommendations. The committee received an assurance from Land Information New Zealand and the CERA that the delay in presenting the panel’s recommendations to the House was an oversight, and the process had been reviewed to ensure it would not happen again.

Regulations Review Committee’s activity in 2013

In 2013, the committee sought information from relevant government departments or ministries about four orders made under the 2011 Act.

It received two complaints about the Canterbury Earthquake (Building Act) Order 2011. This order modified the Building Act 2004 to give three Canterbury area councils the authority to issue an extended section 124 notice, or “red card”, under the Building Act, where there was a risk of injury or death from the collapse of nearby land. The committee considered that none of the Standing Orders’ grounds raised by the complainants was made out. It noted that the order had expired and its replacement did not empower the issuing of extended section 124 notices. The committee expressed its concern, however, that section 124 notices were still in force and recommended to the Government that, as a matter of urgency, it issue explicit guidelines to the relevant local authorities relating to the removal of the extended section 124 notices that had been issued under the Canterbury Earthquake (Building Act) Order 2011.
Consideration in the 51st Parliament

The current Regulations Review Committee was established at the start of the 51st Parliament in October 2014. In the following year we examined the Canterbury Earthquake (Christchurch Replacement District Plan) Order 2014 (LI 2014/228) and noted two matters of interest: the retrospective effect of clause 6(5) and limitations on rights of appeal from a decision of the hearings panel. A matter of greater significance concerned whether the Canterbury Earthquake Recovery Review Panel was properly constituted under section 72 of the 2011 Act when it had recommended that the order be made.

We noted that the panel’s convenor and legal member, Sir John Hansen, had recused himself because of a proposal that he become chairperson of the hearings panel. Some members of our committee considered that the order was invalid, while other members considered that the panel remained properly constituted notwithstanding Sir John’s recusal (as he remained one of its members). In any event, the order was validated by the Greater Christchurch Regeneration Act 2016 (the 2016 Act).

Repeal of 2011 Act by the Greater Christchurch Regeneration Act 2016

The 2011 Act was repealed on 16 April 2016 by the 2016 Act. The 2016 Act also revoked 33 of the Orders in Council made under the 2011 Act or the 2010 Act (and continued under the 2011 Act). Nine Orders in Council were continued, amended and validated by the 2016 Act.

The 2016 Act recognises the shift in focus from recovering from the Canterbury earthquakes to regeneration. It does not continue the power to make further Orders in Council granting exemptions from, modifying, or extending the provisions of any enactment. It continues the Minister’s power to suspend, amend or revoke a Resource Management Act document, council plan, or other planning documents. However, the Minister’s powers to suspend or cancel resource consent and other entitlements protected under the Resource Management Act 1991 are not continued under the 2016 Act.

Lessons learned from the 2010 and 2011 Acts

We considered a paper by three Parliamentary Counsel—Mark Gobbi, Dr Briar Gordon, and Fiona Lincoln—who suggest that a lesson learned from the adverse reactions to the powers delegated under the 2010 Act was that primary legislation should be used as far as could reasonably be predicted for the purposes of addressing emergency measures.

They refer to the value of:

- taking a measured approach to the development of a remedial legislative response with adequate pre-introduction consultation
- avoiding as far as possible a truncated parliamentary process
- ensuring appropriate mechanisms exist for coordinating the agencies involved in both the response and recovery efforts
- ensuring that people and communities are heard (as well as protected from further injurious effects)
- making balanced provision for local participation (rather than imposing a “top down” model)
• providing for transparent planning processes, including community and stakeholder involvement
• enabling collaborative stake-holder opportunities with overarching planning requirements
• ensuring that the powers to make delegated legislation are adequate for the purpose, while also placing appropriate limits on the power handed to the executive, such as by including in the primary legislation such powers as can clearly be anticipated as necessary
• providing as necessary for the protection of executive action to discourage unworthy challenges to the legitimate purposes of the primary legislation
• permitting judicial supervision of the exercise of executive powers.50

Gobbi, Gordon, and Lincoln also noted that some criticisms of the order-making powers were repeated, including that they lacked safeguards and were open to abuse through the test of expediency (orders could “make any provision that is reasonably necessary or expedient for all or any of the purposes stated in section 3(a) to (g)”).51

We agree that valuable lessons were learnt from the process of enactment and application of the 2010 and 2011 Acts. We do, however, take a slightly different view on the penultimate point in relation to discouraging unworthy challenges to executive action. We believe that whether a challenge is “unworthy” will often be in the eye of the beholder. As we set out later, we consider that one of the important safeguards against misuse of broad powers to make Orders in Council is unfettered access to the courts to seek review of the lawfulness of an order.

The genesis of the present inquiry

In 2011, the Standing Orders Committee of the 49th Parliament recommended that there be an inquiry into Parliament’s legislative response to a national emergency, particularly in terms of how it enables ongoing response and recovery.52 It recommended allowing a reasonable period to enable the progress of recovery from the Canterbury earthquakes before this work was undertaken.

In 2014, the Standing Orders Committee of the 50th Parliament determined that the time had come for such an inquiry. It noted that the legislation passed in the aftermath of the Canterbury earthquakes had raised some significant issues in terms of parliamentary oversight and constitutional matters. It considered that such high-level considerations should be settled before they need to be reflected in legislation in the wake of the next national emergency.

On 30 July 2014, the House instructed the Regulations Review Committee to inquire into Parliament’s legislative response to future national emergencies, and to make a report to the House. In moving the instruction, the Leader of the House, Hon Gerry Brownlee, noted that:

…it would be good—and Parliament agrees it would be good—to set out constitutional principles for the arrangement and delegation of recovery powers for the House’s ready reference on the next occasion, should this country be unfortunate enough to require the passing of special disaster-recovery legislation.
...I think it is best that the way in which the Act is tested is through having the Regulations Review Committee formally look at the way in which that Act is being used. ... I think it is important that we establish a way that gives some surety, particularly to the courts, that Parliament is constantly reaffirming what it intended when it passed legislation.
3 The inquiry: the process and issues considered

On 17 December 2014, we issued a statement detailing the terms of reference of our inquiry (see Chapter 1 above), and explaining that its role was not to deal with substantive issues arising from the Canterbury earthquake, but that the review may be informed by recent experiences, including Canterbury, in considering the use of executive power and delegated legislation. We described the purpose of the inquiry as being:

…to establish the most appropriate legislative model for enabling and facilitating response to, and recovery from, national emergencies once a state of emergency has been lifted, while maintaining consistency with essential constitutional principles, the rule of law, and good legislative practice.

In undertaking this work, we have been aware that several other related initiatives are either underway or have been undertaken. These include the review by the Ministry of Business, Innovation and Employment of building emergency management under the Building Act 2004; the Department of the Prime Minister and Cabinet’s Earthquake Recovery Learning and Legacy Programme; and the Ministry for the Environment’s work on the development of a National Policy Statement for the management of natural hazards under the Resource Management Act. We are not seeking to replicate these initiatives, but to focus on the specific mandate of the Regulations Review Committee: that is, to examine the use of delegated legislation and its relation to empowering statutes, as relevant to our terms of reference.

Submissions that we received

On 7 May 2015, we made an interim report that included a catalogue of existing emergency powers on the statute book. This was intended to help inform submissions from interested parties. When we made this report, we set a deadline of 1 August 2015 for submissions to be sent to us. We received 32 written submissions and heard oral evidence from 17 submitters at hearings in Wellington and Christchurch. Some of the recurring themes in the submissions were:

- the desirability of having the legislation necessary for recovery from a national emergency prepared, as much as is possible, in advance
- the difficulty of preparing generic legislation to comprehensively cover the wide range of potential emergencies and that it may be preferable to adopt a sectoral approach where emergency legislation is tailored to the needs of particular emergencies, as recommended by the Law Commission in its 1991 Final Report on Emergencies
- concerns about the use of Orders in Council to override primary legislation
the need to ensure that there is robust scrutiny and other safeguards on the enactment and application of legislation following a national emergency, including through the courts

the need to ensure that vulnerable members of the community are adequately protected

that legislation should be consistent with international benchmarks such as:
  • the Guiding Principles of the Sendai Framework for Disaster Risk Reduction 2015–2030
  • the United Nations Inter-Agency Standing Committee (IASC) Operational Guidelines on Human Rights and Natural Disasters
  • the United Nations Principles on Housing and Property Restitution for Refugees and Displaced Persons (the Pinheiro Principles)
  • the rights affirmed in the New Zealand Bill of Rights Act 1990

that emergency legislation should only be in force for as long as is absolutely necessary before resumption of normal law occurs

that emergency legislation should recognise that recovery starts from day one of the emergency

that emergency legislation should balance local community involvement with “top-down” central government measures.

The Law Commission’s report on emergencies

We also noted and spent time considering an important piece of work in this area by the Law Commission. In 1991, the Law Commission published its Final Report on Emergencies. This was concerned primarily with the response phase of emergencies, whereas our inquiry is focused on legislation for the recovery phase. Nevertheless, several aspects of the Law Commission’s work are well worth noting in the context of the current inquiry, and we have consulted it extensively.

First, the Law Commission recommended a sectoral approach to the grant of emergency response powers. That is, powers should be tailored to the needs of the particular emergency. It considered there should not be a general “national emergencies” statute containing a broad emergency regulation-making power.

Second, the Law Commission acknowledged the need for there to be provisions empowering the making of delegated legislation that would override primary legislation, in two kinds of emergency situations where it may not be feasible to confer the necessary powers, or all of them, in the governing statute:

• The first such situation is to deal with the possibility that events take an unexpected turn.

• The second situation is where it is not possible to know in advance the form the emergency may take. The measures required to deal with it may extend across the whole economy. War is cited by the Law Commission as the prime example where “the conferral of powers by emergency regulations will then be the first recourse, not the last, and the power to make those regulations will be a general one”. Indeed, the Law Commission’s draft War Emergencies Act includes such a provision.
However, the Law Commission considered that a far-reaching empowering provision of this kind would need to be made subject to specific limits:

In the case of the draft War Emergencies Act these limits prohibit the making of regulations inconsistent with certain other Acts or interfering with the liberty of the person in certain ways…And, even where the regulation-making power remains wide, the regulations must still be capable of being related to the general purpose of the statute.\textsuperscript{61}

**Reviewing the current legislative framework for emergencies**

The Civil Defence Emergency Management Act (the 2002 Act) sets out the primary legislative framework for managing recovery from emergencies. It promotes a “Four R’s approach”—reduction, readiness, response, and recovery, in addressing emergency management.\textsuperscript{62} A summary of the current legislative framework for managing recovery from emergencies is set out in diagrammatic form as Appendix E to this report.

The 2002 Act was thought to have significant shortcomings relating to managing recovery from emergencies.\textsuperscript{63} The Ministry of Civil Defence and Emergency Management (MCDEM) has been engaged in reviewing the legislative framework for recovery from emergencies. MCDEM’s review entails two stages.

Stage One is focused on small- to moderate-scale emergencies (which are the most frequent experienced in New Zealand, for example weather-related emergencies such as the 2004 North Island storm, the 2005 Matata floods, the 2006 Canterbury snowstorm, and the 2007 Northland storms), and enhancing the recovery provisions in the 2002 Act.

Stage Two is focused on large-scale emergencies, such as the February 2011 earthquake, and what legislation might be needed for recovery.

Stage One of MCDEM’s review has resulted in the Civil Defence Emergency Management Amendment Act 2016.\textsuperscript{64} The 2016 Amendment Act aims to strengthen the legislative framework for recovery by introducing provisions that:

- provide for a mandate for roles and responsibilities that apply for the duration of the recovery from an emergency
- strengthen recovery planning
- ensure a seamless transition from the response to an emergency to the initial recovery period, by ensuring appropriate and effective statutory powers are available
- create a permanent legislative authority to allow for Crown funding of response and recovery costs.

In relation to Stage Two of MCDEM’s review, it should be noted that the Civil Defence Emergency Management Amendment Act 2016 does not distinguish between emergencies of small to moderate scale, and national emergencies (apart from in the explanatory note to the bill). Accordingly, the recovery-focused provisions in the Act will, in practice, be able to be used in national emergencies, or large-scale local emergencies until any bespoke legislation is enacted.\textsuperscript{65} The Act lacks any powers to make Orders in Council, such as those in the 2011 and 2010 Acts. An important question is whether such Order in Council-making powers should be included in future legislation for recovery from national emergencies.
This question is expected to arise again soon after this Report is finalised, when Parliament considers the Hurunui/Kaikōura Earthquakes Recovery Bill 2016 on 1 December 2016. The Government has announced this Bill will establish a process that enables plans and bylaws to be amended by Order in Council.

**Assessment of the 2010 Act**

**The view of the Legislation Advisory Committee**

We noted the view of the Legislation Advisory Committee. This body was critical of the Order in Council-making powers, which it described as lacking safeguards and being open to abuse through the test of “expediency”. The committee observed that orders could “make any provision that is reasonably necessary or expedient for all or any of the purposes stated in section 3(a) to (g)”.

**The open letter to New Zealand’s people and their Parliament**

We have referred above to *An open letter to New Zealand’s people and their Parliament*, in which a group of 27 legal scholars from New Zealand and overseas outlined deep concerns over the constitutional implications of the 2010 Act. In particular, the writers noted that:

- individual government Ministers, through Orders in Council, may change virtually every part of New Zealand’s statute book in order to achieve very broadly defined ends, thereby effectively handing to the executive branch Parliament’s power to make law
- the legislation forbids courts from examining the reasons a Minister has for thinking an Order in Council is needed, as well as the process followed in reaching that decision
- Orders in Council are deemed to have full legislative force, such that they prevail over any inconsistent parliamentary enactment
- persons acting under the authority of an Order in Council have protection from legal liability, with no right to compensation should their actions cause harm to another person.

The writers of the open letter expressed the view that the 2010 Act stood as a “dangerous precedent for future ‘emergency’ situations” because, inevitably, there would be calls for a similar legislative response to future events. The 2011 Act contained similar Order in Council-making powers, so these concerns remained pertinent.

**Previous reports of the Regulations Review Committee**

The Regulations Review Committee has previously expressed concerns about regulation-making powers that authorise regulations overriding primary legislation. In 2014, the then committee issued a report on transitional override powers—powers authorising the making of regulations that can amend or override primary legislation during a specified transitional period.

The report noted that a transitional override power is a type of Henry VIII provision, because it authorises delegated legislation to amend, suspend, or override primary legislation. The committee endorsed the view of the United Kingdom’s Donoughmore Committee that Henry VIII provisions should be avoided unless “demonstrably essential”. This reflects the constitutional principle that primary legislation should rarely if
ever be overridden, suspended, or amended by delegated legislation, and certainly not without clear and express authority to do so. As former Regulations Review Committee members have stated:71

The practical significance of Henry VIII clauses lies in the loss of the public scrutiny and accountability for policy decisions that would usually occur when primary legislation is made by Parliament. In other words, matters of policy can be determined by the executive without the effective scrutiny of Parliament.

In its previous reports, the committee has stated that a Henry VIII empowering provision should be contained in an Act only in exceptional circumstances, should never be used routinely in reforming legislation, and ought to be subject to appropriate controls and safeguards.72 It has also stated previously that Henry VIII clauses should be drafted in the most specific and limited terms possible, and has also advocated the adoption of a formal consultation process before regulations that override primary legislation are made. In addition, the committee has recommended that sunset provisions should apply to the regulations made pursuant to a Henry VIII clause, as well as to its empowering provision.

Feedback received by the committee

Apart from the initial criticism of the Order in Council powers at the time of the enactment of the 2010 Act, criticism of the powers, and of their exercise, was relatively muted. There were no successful judicial review challenges to any of the orders made under either the 2010 or 2011 Act,73 and only a single complaint to the committee.74

One submitter to our inquiry, the Christchurch City Council, analysed the orders made under the 2011 Act and found that there had been no need to amend eight of the 23 Acts specified as being able to be modified by Order in Council.75 In the circumstances, as the Council’s analysis shows, the indicative list in section 71(3) of the 2011 Act was reasonably accurate. Fourteen of the 23 Acts listed were modified by Order in Council and a further seven Acts, not separately identified in the 2011 Act, were modified.76

The New Zealand Parliament’s use of Henry VIII powers in the 2010 and 2011 Acts has received endorsement from Australia. The Standing Committee on Justice and Community Safety in the ACT Legislative Assembly observed that:77

While [the powers in section 71 of the 2011 Act] are, indeed, sweeping, the Committee notes that the fact that they relate to a natural disaster of terrible proportions brings this use of “Henry VIII” clauses clearly within the exceptional circumstances/emergency justification that has previously been given for the use of such clauses.

The provisions in the 2010 and 2011 Acts empowering the making of delegated legislation overriding primary legislation were not unique. The Epidemic Preparedness Act 2006 provides for various powers to make Orders in Council, modifying statutory requirements and restrictions, to facilitate the management of diseases.78 Similarly, section 79 of the 1983 predecessor to the 2002 Civil Defence Emergency Management Act provided for the making of Orders in Council during a state of emergency, or civil defence emergency, that could override any Act, regulation, or bylaw, other than the Civil Defence Act itself. (This power was not replicated in the 2002 Act.)

Nonetheless, as we have detailed above, the use of Orders in Council to override Acts of Parliament was strongly criticised following the enactment of the 2010 Act. As part of our inquiry, we considered these criticisms in some detail.
Our conclusion

We consider that the criticisms expressed in the *Open letter to New Zealand’s people and their Parliament* about the inclusion of powers to make Orders in Council overriding Acts were well-made. They served to remind everyone involved in the process of legislating for the recovery from the Canterbury earthquakes that overriding primary legislation with delegated legislation was contrary to constitutional norms and carried risk of abuse. The safeguards and checks put in place helped ensure that the powers were not abused, but were used moderately and consistently with the purpose for which they were granted.

Nevertheless, the regulation-making power was broader than was necessary, and we believe it is useful to consider some further checks and safeguards that could be incorporated if it becomes necessary to consider using similar powers in a future national emergency.
4 Our findings and recommendations

Major themes

Our recommendations are made against the background of three major themes, all of which uphold the need to facilitate recovery from the emergency while minimising intrusion on protected rights and freedoms.

The first theme is that executive powers to override enactments should extend only as far as is necessary to deal with the emergency itself, and should only be exercised for that purpose. The drafting of such powers should enshrine the principle that any override should be tightly focussed and be the minimum necessary to achieve its purpose.

We consider that the 2011 Act had a reasonable legislative form, and the safeguards in that Act provide a useful starting point. But the powers to override enactments in the 2011 Act were broader than they needed to be. We consider that an analysis of the enactments that were overridden should inform the scope of any override power that may be included in future legislation to deal with a national emergency. A proper (although inevitably truncated) legislative process is required, with select committee scrutiny that includes public submissions and the ability to recommend changes to the legislation before it is enacted.

The second theme is that emergency legislation should include safeguards:

- using primary legislation wherever possible rather than broad powers to make delegated legislation
- including sunset provisions for emergency powers and requiring renewal of such powers every three years at the most
- retaining an external panel led by a retired High Court Judge to review Orders in Council before they are made to ensure they are authorised and to suggest any amendments
- preserving rights to seek judicial review of the exercise of emergency powers, including of Orders in Council, while ensuring meritless challenges do not frustrate the ability to get the job of recovery underway.

The third theme is that any legislative response to a national emergency should be designed to ensure that recovery from the emergency begins on day one. Pre-planning (operational not legislative) must set this up in advance. We agree with submitters, such as the New Zealand Law Society, who emphasised that preparation for national emergencies is largely a practical and operational matter, involving aspects such as:

- ensuring a workable chain of command
- training of emergency responders and the relationship between different emergency responder agencies
- provision of emergency relief to those affected
- availability of suitable provisions and equipment
We make the following recommendations arising from these themes.

**Recommendation**

1. Emergency legislation should be bespoke for each national emergency and confer powers only as necessary to each situation. Generic national emergency legislation should not be passed in advance.

Some submitters argued in favour of the preparation and enactment of legislation in anticipation of a national emergency. This argument is instinctively attractive, because planning and preparing for response and recovery from emergencies always seems desirable. However, we consider that the Civil Defence Emergency Management Act 2002 will generally allow for an appropriate level of response to most emergencies, especially with the 2016 amendments. The Government can also promote special legislation for particular emergencies if needed, as occurred in 2010 and 2011 and as is currently occurring in relation to the Hurunui/Kaikōura earthquakes. Such legislation can be passed promptly following an emergency, allowing time (albeit truncated) for policy development and public consultation via select committees.

Overall, therefore, we agree with the Law Commission’s 1991 recommendation that there should not be a general “national emergencies” statute containing broad emergency regulation-making powers. The multitude of different types of emergencies that are possible means that the resulting powers under such legislation would inevitably have to be unacceptably broad.

Experience with the Canterbury earthquakes legislation, in particular the 2011 Act, has shown that our legislative agencies and institutions are capable of enacting quickly bespoke legislation for recovery from a national emergency. The key is to ensure such legislation adequately balances the need for extraordinary powers to get the job of recovery done, without overly compromising rights and freedoms and proper process.

In addition, we support continuation of the sectoral approach to the enactment of legislation conferring emergency powers, under which legislation can be tailored to the needs of a particular emergency. We note that the Law Commission supports this also. A good example is the Epidemic Preparedness Act 2006.

**Recommendation**

2. As much time as possible in the circumstances should be allowed for select committee consideration of emergency legislation.
Submitters indicated to us that they considered the two-day limited submission period for the Canterbury Earthquake Recovery Bill inadequate. We agree that affected people should be able to participate in the development of legislation and that adequate time for select committee consideration should be allowed. We also consider that, wherever possible, the select committee charged with reviewing emergency legislation should be able to recommend changes for consideration in the Committee of the whole House. We recognise, however, that in the circumstances of a national emergency, a more truncated submission process is likely to be necessary.

Recommendation

3 Existing select committees should consider emergency legislation.

The 2011 Act required the Minister to arrange for a cross-party parliamentary forum to be held from time to time for the purpose of providing the Minister with information or advice about the operation of the Act. Some submitters thought the cross-party forum was a good idea, but wanted to take the idea further. They wanted recovery legislation to provide for the automatic establishment of a specially constituted select committee. This committee would be involved in scrutinising legislation, hearing submissions, and inquiring into, and reviewing, the overall progress of the recovery.

We do not consider that future legislation for recovery from a national emergency needs to provide for the establishment of a dedicated select committee for these purposes. Existing select committees are capable of carrying out the scrutiny work that is needed.

We consider it is advisable that cross-party consultation in the preparation and development of a bill is very helpful, given the truncated timeframes for consideration by the House, and therefore we recommend this practice should be continued.

Recommendation

4 Emergency legislation should take the form of primary legislation wherever reasonably possible, rather than relying on broad powers to make delegated legislation.

This recommendation arises from our second major theme, discussed above. We acknowledge that one of the main reasons for including broad power to make Orders in Council overriding enactments in the 2010 and 2011 Acts was the need for flexibility to facilitate recovery from the earthquakes. It was not possible to anticipate, when those Acts were passed, what powers might need to be enhanced or what duties abrogated or modified.

However, there needs to be a proper balance. Once of the reasons that the 2010 Act, in particular, was criticised was because the balance appeared to weigh too heavily in favour of the use of delegated legislation. Reflecting on those criticisms, and best practice advocated by agencies such as the Legislation Design and Advisory Committee,85 we agree that primary legislation should be used as far as can reasonably be predicted for the purposes of addressing emergency measures.

One of the consequences of promoting the use of primary legislation is that it will require those preparing the emergency legislation to take more time to consider carefully the
underlying policy, including what additional powers are needed to deal with the emergency. We think this is a good thing. The experience of the 2011 Act (compared to the 2010 Act) was that taking a little longer to prepare the legislative response (while in the meantime relying on existing powers in the Civil Defence Emergency Management Act 2002), resulted in a better legislative product overall.

**Recommendation**

5. Powers to override enactments by Order in Council should provide a "positive list" of the specific enactments that can be overridden.

The 2010 and 2011 Acts permitted the making of an Order in Council that “may grant an exemption from, or modify, or extend any provision of any enactment”. Five Acts were excluded from the Order in Council override power under the 2010 Act, namely the Bill of Rights 1688, the Constitution Act 1986, the Electoral Act 1993, the Judicature Amendment Act 1972, and the New Zealand Bill of Rights Act 1990 (effectively a “negative list”). In the 2011 Act, the Parliamentary Privilege Act 2014 was added to the list of Acts that could not be overridden.

In its submission to our inquiry, the Christchurch City Council submitted that a further 35 Acts should be excluded from Order in Council amendment because of their fundamentally constitutional nature in protecting the rights and freedoms, and transparent governance, of which New Zealand is justly proud.

We do not favour the suggested approach of adding to the list of Acts that cannot be amended. Instead, we recommend that any future national emergencies legislation with power to make Orders in Council overriding other Acts should set out an exclusive “positive list” of enactments (including subordinate legislation) that can be overridden by Order in Council.

We are unable to say in advance which enactments should be on that list. It will depend on the nature of the particular emergency, and when it occurs. Rather than attempt to prepare a list in advance, we think a better approach would be for the list of enactments that can be overridden to be developed under the supervision of the Attorney-General, with select committee consideration, informed by submissions, during the preparation of bespoke legislation following a national emergency.

We consider that the guiding principle should be that the list of Acts that could be overridden should be no broader than necessary in each circumstance. We consider that there should be substantive justification for the inclusion of each Act listed.

We also agree with the approach taken in the 2010 and 2011 Acts of expressly requiring a clear link between the Order in Council and the purposes of the emergency legislation. In our view it is difficult to imagine any circumstances in which the Order in Council-making power would need to be used to override the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993. It follows that any Orders in Council would need to be consistent with those Acts, and could be judicially reviewed if they were not (see also Recommendation 7 below).

The enactments that can be overridden should be informed by an assessment of which of the Acts were modified by Order in Council under the 2010 and 2011 Acts. We have
analysed which Acts were overridden by Orders in Council made under the 2010 and 2011 Acts and note that at least 40 Acts were modified by Order in Council, of which around 25 were listed in neither the 2010 or the 2011 Acts. Moreover, 10 of the Acts listed in the 2010 and/or 2011 Acts, as examples of Acts that could be modified, were not amended.

The 2010 and 2011 Acts also provided that an Order in Council made under section 71 could not:

- grant an exemption from or modify a requirement to
  - release a person from custody or detention or
  - have any person's detention reviewed by a court, Judge, or Registrar
- grant an exemption from or modify a restriction on keeping a person in custody or detention.

We agree that these restrictions should be maintained.

**Recommendation**

6 Orders in Council should be subject to scrutiny before and after they are made.

The 2011 Act provided for an external Review Panel, headed by a retired High Court Judge, to review draft Orders in Council and make “recommendations” to the Minister before the Minister recommended they be made. While in practice the Review Panel made few recommendations for change to Orders in Council under the 2011 Act, the Panel’s presence was an important safeguard that helped ensure that the Order in Council power was exercised responsibly and lawfully. We recommend that such a practice be included in future emergency legislation including powers to make Orders in Council overriding Acts.

Likewise, the scrutiny of Orders in Council, in particular by this committee, is another important safeguard, which should be preserved in emergency legislation. The Regulations Review Committee examines all regulations, which includes Orders in Council made under emergency legislation, and decides whether they ought to be drawn to the special attention of the House. Orders in Council are disallowable instruments by default, and subject to the disallowance procedures in the Legislation Act 2012. These safeguards applied to Orders in Council made under the 2011 Act.

**Recommendation**

7 The right to seek judicial review of Orders in Council made under emergency legislation should be preserved and upheld.

One of the provisions attracting the most criticism in the 2010 and 2011 Acts was the provision that the Minister's recommendation to the Governor-General to make an Order in Council may not be challenged, reviewed, quashed, or called into question in any court.

A companion provision, that “So far as it is authorised by this Act, an order has the force of law as if it were enacted as a provision of this Act”, was criticised as ineffectual by one expert. By contrast, the Legislation Advisory Committee submitted that this latter
provision “may well have the effect of precluding challenge to the validity of regulations by way of judicial review”. 98

From a constitutional point of view, neither of these provisions is desirable. Under New Zealand’s democracy, the courts uphold the principle that no one, not even the executive, may usurp Parliament’s powers of legislation. 99 Accordingly, judicial scrutiny of subordinate legislation upholds the rule of law and the sovereignty of Parliament. 100

We think that part of the quid pro quo for Parliament conferring such broad powers to the executive to make Orders in Council overriding primary legislation in emergencies is that citizens should be able to ask the Court to review the lawfulness of such Orders in Council. In turn, the Court should not be impeded by attempts to exclude its jurisdiction to conduct this exercise. There were no successful challenges to any of the Orders in Council made under the 2010 or 2011 Acts. As the Law Commission recognised in its 1991 Report, in practice, the courts are extremely unlikely to prejudice a necessary emergency response by granting an injunction. 101

**Recommendation**

8 Legislation for national emergencies should have regard to international norms and benchmarks.

We recommend that legislation for recovery from national emergencies should be consistent with international norms and benchmarks, including:

- the Sendai Framework for Disaster Risk Reduction 2015-2030, 102 which emphasises that:

  …the recovery, rehabilitation and reconstruction phase, which needs to be prepared ahead of a disaster, is a critical opportunity to “Build Back Better”, including through integrating disaster risk reduction into development measures, making nations and communities resilient to disasters.


  Affected persons should be informed and consulted on measures taken on their behalf and given the opportunity to take charge of their own affairs to the maximum extent and as early as possible. They should be able to participate in the planning and implementation of the various stages of the disaster response. Targeted measures should be taken to include those who are traditionally marginalized from participation in decision-making.

- the United Nations Principles on Housing and Property Restitution for Refugees and Displaced Persons (the Pinheiro Principles), Principle 2 of which provides: 104

  All…displaced persons have the right to have restored to them any housing, land or property of which they were arbitrarily or unlawfully deprived.

Many of the international norms and benchmarks reflected in the above documents are of fairly general application, but they provide useful guidance to inform the preparation of bespoke national emergency legislation.
Recommendation

9 Bespoke emergency powers should be in force only for as long as is reasonably necessary, and should have built-in sunset provisions.

In principle, emergency powers should be in force no longer than is reasonably necessary to manage the consequences of the emergency. That is especially true in relation to broad powers conferred on the executive, such as powers to amend primary legislation by Order in Council.

The history of the use of emergency powers in New Zealand demonstrates the need to ensure emergency powers do not stay in force longer than is necessary to deal with the consequences of the emergency. Regulation-making powers under the Public Safety Conservation Act 1932, passed during the Depression, were used seven years later at the outbreak of war, and 19 years later for suppressing industrial action. Regulation-making powers under the Economic Stabilisation Act 1948 were used 34 years later to institute a national wage and price freeze. The 2011 Act contained a sunset clause for its expiry, and the revocation of Orders in Council made under it, five years after the date of its commencement.

We consider as a general principle that there should be renewal of the parliamentary mandate for extraordinary emergency powers at least every three years, in line with the length of the parliamentary term.

Recommendation

10 Legislation must reflect the principle that recovery from a national emergency starts on day one.

We see this recommendation as having a strong operational (as well as legislative) dimension. The best way to ensure the fastest recovery is to prepare in advance for practical matters arising from foreseeable emergencies of the kind New Zealand has recently experienced—for example, to ensure in advance that there is adequate post-emergency resilience of lifeline networks such as power, water, sewerage, phone, and internet.

Inevitably, a national emergency will require heavy involvement by central government in the response and recovery phases. The capacity of local leadership can often be impaired as a result of a national emergency. Nonetheless, involvement of central government will need to be appropriately balanced with that of local government and local communities.

A strong theme in submissions to our inquiry was that a “top-down” approach to response and recovery risks alienating and excluding local government and communities, and hindering them from being able to press ahead with the recovery of their communities at the earliest possible stage. The Greater Christchurch Regeneration Act 2016 was seen by some submitters as striking the right balance, but several years too late. The Civil Defence Emergency Management Amendment Act 2016 also enhances the focus on recovery in the 2002 Act.

Accordingly, we recommend that those involved in the preparation of legislation for response and recovery from national emergencies are mindful to ensure that such legislation:
facilitates the return to normality of laws and institutions as soon as reasonably possible by ensuring that recovery becomes a primary goal from day one of the emergency

- enables community input into decision-making, the exercise of powers, and the regeneration of communities

- adequately recognises local leadership, and existing processes and tools in recovery from, and regeneration following, a national emergency, while recognising that local capacity may be impaired as a result of such a national emergency.

**Recommendation**

11 The responsible Minister should formally report, annually, to the House on the exercise of powers under the emergency legislation and on progress with the recovery effort.

The 2011 Act required the Minister for Canterbury Earthquake Recovery to carry out annual reviews of the operation and effectiveness of the 2011 Act, make any recommendations for amendments to the Act, and report to the House of Representatives as soon as possible after the review has been completed. The Minister was also required to make quarterly reports to the House on the operation of the Act, including the powers exercised by, or on behalf of, the Chief Executive of CERA.

The Christchurch City Council submitted that it was important to include reporting requirements relating to the recovery effort as well, something that was lacking in the 2011 Act. We agree that future recovery legislation should include a requirement that the Minister report annually to the House on progress with the recovery effort, as well as reporting on the exercise of powers under the legislation.

The New Zealand Law Society submitted that there should be greater community input in the operation of emergency legislation and reviews of powers exercised under it, together with access to an ombudsman or statutory complaints officer who can receive and determine complaints from members of affected communities. We agree these suggestions may have merit and should be considered in the event that new emergency legislation is being considered.

As a matter of good practice, we consider it would be desirable that all MPs from affected areas be briefed regularly by the responsible Minister, particularly during the early stages of the emergency.
5 Conclusion and next steps

For the reasons set out in detail above, we do not recommend passing general legislation in advance for national emergencies. While superficially attractive, the wide range of different types of potential national emergencies we face in New Zealand means that unduly broad powers would need to be conferred to cover all possible eventualities. Rather, we prefer bespoke legislation with appropriate safeguards that can be tailored to the needs of the particular emergency concerned.

New Zealand’s recent experience in dealing with the consequences of major earthquakes has demonstrated that our public agencies, executive Government, and House of Representatives together have the capabilities to produce appropriate and timely legislation to respond to national emergencies as they arise. There needs to be public involvement in the development of such legislation, as well as scrutiny by the House and other agencies, both during the legislation’s passage and in its implementation. With these things in place, an appropriate balance can be struck between facilitating the necessary emergency response and the subsequent recovery, without placing undue limits on rights and freedoms.

We invite the Government to formally consider and respond to our report and recommendations, and to table its response for debate in the House as soon as practicable.

We note that the proximity of the 14 November 2016 Hurunui/Kaikōura earthquakes, and the introduction of subsequent emergency legislation, may provide a preliminary opportunity for debate on the principles and recommendations contained in this Report. Such debate should complement, but not replace, Parliament’s scrutiny of the Government’s formal response to the recommendations we have made in this Report.
Appendix A

Committee procedure
This inquiry was referred to the Regulations Review Committee on 30 July 2014. The committee met between 30 October 2014 and 1 December 2016 to consider the inquiry. We called for public submissions with a closing date of 1 August 2015. We received 32 submissions from the organisations and individuals listed in Appendix B and heard oral evidence from 17 submitters. We heard evidence in Wellington and Christchurch.

We were assisted by advice from our legal counsel, Jason McHerron, barrister.

Committee members
Hon David Cunliffe (Chairperson)
Andrew Bayly
Chris Bishop
Hon Chester Borrows
Hon David Parker
Appendix B

List of submitters

Andrew Sheldon
Blue
Bryce Jensen
Canterbury Earthquake Recovery Authority
Caritas Aotearoa New Zealand
Centre for Advanced Engineering
Christchurch City Council
Cliff Mason
D S Whitfield
Deaf Aotearoa
Dr Ljubica Mamula-Seadon
Dr W John Hopkins
Earthquake Commission
Equal Justice Project
Greg
Harry Bradshaw
Insurance Council of New Zealand
McGuiness Institute
Ministry of Civil Defence and Emergency Management
National Council of Women of New Zealand
New Zealand Council of Christian Social Services
New Zealand Human Rights Commission
New Zealand Law Society
NGO Disaster Relief Forum
Office of the Privacy Commissioner
Parliamentary Counsel Office
Professor Jeremy Finn, Professor Elizabeth Toomey, Mr Robert Kipp
Robert Philip Barlin
Sigjaws Charitable Trust
The Salvation Army
WeCan
Wellington Community Justice Project
Appendix C


Canterbury Earthquake Response and Recovery Act 2010

6 Governor-General may make Orders in Council for purpose of Act

(1) The Governor-General may from time to time, by Order in Council made on the recommendation of the relevant Minister, make any provision reasonably necessary or expedient for the purpose of this Act.

(2) In making a recommendation under subsection (1), the relevant Minister must—
   (a) take into account the purpose of this Act; and
   (b) consult the recovery commission (if any) if practicable; and
   (c) have regard to the recommendations of the recovery commission (if any).

(3) The recommendation of the relevant Minister may not be challenged, reviewed, quashed, or called into question in any court.

(4) An Order in Council made under subsection (1) may grant an exemption from, or modify, or extend any provision of any enactment, including (but not limited to)—
   (a) the Building Act 2004:
   (b) the Cadastral Survey Act 2002:
   (c) the Commerce Act 1986:
   (d) the Earthquake Commission Act 1993:
   (e) the Health Act 1956:
   (f) the Health and Disability Services (Safety) Act 2001:
   (g) the Historic Places Act 1993:
   (h) the Land Transport Act 1998:
   (i) the Land Transport Management Act 2003:
   (j) the Local Government Act 1974:
   (k) the Local Government Act 2002:
   (l) the Local Government Official Information and Meetings Act 1987:
   (m) the Local Government (Rating) Act 2002:
   (n) the Public Works Act 1981:
   (o) the Rating Valuations Act 1998:
   (p) the Reserves Act 1977:
   (q) the Resource Management Act 1991:
   (r) the Road User Charges Act 1977:
   (s) the Social Security Act 1964:
   (t) the Soil Conservation and Rivers Control Act 1941:
   (u) the Transport Act 1962:
   (v) the Waste Minimisation Act 2008.

(5) An exemption from, or modification of, or extension of a provision—
   (a) may be absolute or subject to conditions; and
   (b) may be made—
      (i) by stating alternative means of complying with the provision; or
      (ii) by substituting a discretionary power for the provision.

(6) Despite subsections (1) and (4), an Order in Council made under this section may not make or authorise—
(a) an exemption from or a modification of a requirement to—
   (i) release a person from custody or detention; or
   (ii) have any person’s detention reviewed by a court, Judge, or Registrar; or
(b) an exemption from or a modification of a restriction on keeping a person in custody or detention; or
(c) an exemption from or a modification of a requirement or restriction imposed by the Bill of Rights 1688, the Constitution Act 1986, the Electoral Act 1993, the Judicature Amendment Act 1972, or the New Zealand Bill of Rights Act 1990; or
(d) an amendment to this section, or section 7, 17, or 21.

(7) Subsections (4) and (5) do not limit subsection (1).

7 Further provisions about Orders in Council

(1) While it remains in force, every Order in Council made under section 6 has the force of law as if it were enacted as a provision of this Act.

(2) An Order in Council made under section 6 must provide that it comes into force on a date specified in the Order in Council and that date may be before or on or after the date on which it is made, but not earlier than 4 September 2010.

(3) An Order in Council made under section 6 expires on a date appointed in the Order in Council, being a date not later than 1 April 2012, and different dates may be appointed for the expiry of different provisions.

(4) An Order in Council made under section 6 may be retrospective only to the extent provided for in subsection (2).

(5) No Order in Council made under section 6 may be held invalid because—
   (a) it is, or authorises any act or omission that is, repugnant to or inconsistent with any other Act; or
   (b) it confers any discretion on, or allows any matter to be determined or approved by, any person.

(6) Subsection (5) is subject to section 6(6).

Canterbury Earthquake Recovery Act 2011

71 Governor-General may make Orders in Council for purpose of Act

(1) The Governor-General may from time to time, by Order in Council made on the recommendation of the relevant Minister, make any provision that is reasonably necessary or expedient for all or any of the purposes stated in section 3(a) to (g).

(2) An Order in Council made under subsection (1) may grant exemptions from, modify, or extend any provisions of any enactment for all or any of the purposes stated in section 3(a) to (g).

(3) The enactments that may be the subject of an Order in Council that does anything referred to in subsection (2) include (without limitation) the following:
   (a) the Building Act 2004;
   (b) the Cadastral Survey Act 2002
   (c) the Civil Defence Emergency Management Act 2002;
   (d) the Commerce Act 1986:
An exemption from, modification of, or extension of a provision may be—

(a) absolute or subject to conditions; and

(b) made by—

(i) stating alternative means of complying with the provision; or

(ii) substituting a discretionary power for the provision.

To avoid doubt, an exemption from, modification of, or extension of a provision may be for the purposes of enabling the relaxation or suspension of provisions in enactments that—

(a) may divert resources away from the effort to—

(i) efficiently respond to the damage caused by the Canterbury earthquakes:

(ii) minimise further damage; or

(b) may not be reasonably capable of being complied with, or complied with fully, owing to the circumstances resulting from the Canterbury earthquakes.

Despite subsections (2) to (5), an Order in Council made under this section may not—

(a) grant an exemption from or modify a requirement to—

(i) release a person from custody or detention; or

(ii) have any person’s detention reviewed by a court, Judge, or Registrar; or

(b) grant an exemption from or modify a restriction on keeping a person in custody or detention; or

(c) grant an exemption from or modify a requirement or restriction imposed by the Bill of Rights 1688, the Constitution Act 1986, the Electoral Act 1993, the Judicature Amendment Act 1972, the New Zealand Bill of Rights Act 1990, or the Parliamentary Privilege Act 2014; or
(d) contain any provision having the effect of amending this section or section 3, 6, 72 to 76, or 93.

(7) Subsections (2) to (5) do not limit subsection (1).

74 Procedure for recommending Order in Council

(1) In making a recommendation under section 71, the relevant Minister must—

(a) take into account the purposes of this Act; and

(b) have regard to the recommendations of the Canterbury Earthquake Recovery Review Panel.

(2) The recommendation of the relevant Minister may not be challenged, reviewed, quashed, or called into question in any court.

75 Further provisions about Orders in Council

(1) This section applies to Orders in Council made under section 71.

(2) An order may not be held invalid just because—

(a) it is, or authorises any act or omission that is, inconsistent with any other Act; or

(b) it confers any discretion on, or allows any matter to be determined or approved by, any person.

(3) An order may be expressed to come into force on a day that is before, on, or after the date on which it is made, but not earlier than 4 September 2010; and the order comes into force or, as the case may be, is deemed to have come into force accordingly.

(4) An order may be retrospective only to the extent provided for in subsection (3).

(5) So far as it is authorised by this Act, an order has the force of law as if it were enacted as a provision of this Act.

76 Application of Legislation Act 2012

(1) Despite section 75(5), an Order in Council made under section 71 is a disallowable instrument for the purposes of the Legislation Act 2012.

(2) An Order in Council made under section 71 is also a legislative instrument for the purposes of the Legislation Act 2012 and must be presented to the House of Representatives under section 41 of that Act.
### Appendix D

#### Acts amended/not amended by Orders in Council under 2010 and 2011 Acts

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<tr>
<td>Tax Administration Act 1994</td>
<td>2010/2011</td>
<td>x</td>
<td>x</td>
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<tr>
<td>Transport Services Licensing Act 1989</td>
<td>2011</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Transport (Vehicle and Driver Registration and Licensing) Act 1986</td>
<td>2010/2011</td>
<td>x</td>
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</tr>
</tbody>
</table>
### Acts listed in section 6(4) of 2010 Act or section 71(3) of 2011 Act that were not amended by Order in Council

<table>
<thead>
<tr>
<th>Act</th>
<th>Listed in s6(4) of 2010 Act?</th>
<th>Listed in s71(3) of 2011 Act?</th>
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<tbody>
<tr>
<td>Commerce Act 1986</td>
<td>✓</td>
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<tr>
<td>Health Act 1956</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Health and Disability Services (Safety) Act 2001</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Heritage New Zealand Pouhere Taonga Act 2014</td>
<td>x</td>
<td>✓</td>
</tr>
<tr>
<td>Land Transport Management Act 2003</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Local Government Act 1974</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Public Works Act 1981</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Soil Conservation and Rivers Control Act 1941</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Transport Act 1962</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Waste Minimisation Act 2008</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
Appendix E

Continuum of current legislative response to emergencies:
The four R’s of civil defence emergency management (s 3(d) CDEM Act 2002)

**Reduction**
- Take preventative steps to avoid or mitigate adverse consequences of hazards
  - s 3(b)(iii) CDEM Act 2002
  - Part 6, cls 86-91 of National CDEM Plan*
  - a wide range of other legislation, some of which is listed in cl 89 of CDEM Plan and s 17 of CDEM Act
- NZ is party to the United Nations International Strategy for Disaster Reduction (UNISDR) and Government has signed the declaration adopting the Sendai Framework for Disaster Risk Reduction 2015-2030

**Readiness**
- Build capacity and capability, enabling an effective response to, and recovery from, emergencies.
  - s 3(c) CDEM Act 2002
  - Part 7, cls 92-95 of CDEM Plan
  - sections 19-23 of Guide to CDEM Plan (planning, capability development, exercising and testing, monitoring and evaluation, public education and community engagement)
- Examples: National Health Emergency Plan and NZ Influenza Pandemic Action Plan

**Response**
- Actions taken immediately before, during, or directly after an emergency to save lives and property and to help communities begin to recover.
  - s 3(c) CDEM Act 2002
  - Part 7, cls 92-95 of CDEM Plan
- Response ends when the response objectives have been met or a transition to recovery has occurred
  - Part 8, cls 112-116 of CDEM Plan
  - Part 4 of CDEM Act 2002: declaration of state of emergency
  - Part 5 of CDEM Act: powers in emergencies and new parts 5A and 5B relating to transition periods
  - see also Sections 25-33 of Guide to CDEM Plan

**Recovery**
- Recovery involves the co-ordinated efforts and processes used to bring about the immediate, medium-term, and long-term holistic regeneration and enhancement of a community following an emergency.
  - Part 9, cls 152-155 of CDEM Plan
  - Section 32 of Guide to CDEM Plan
  - Civil Defence Emergency Management Amendment Act 2016
  - Canterbury Earthquake Recovery Act 2011 (repealed)
  - Greater Christchurch Regeneration Act 2016
  - Regulations Review Committee’s inquiry relates to legislation concerning recovery from a national emergency

* The National CDEM Plan came into force on 1 December 2015 and was implemented by the National Civil Defence Emergency Management Plan Order 2015

The National CDEM Plan came into force on 1 December 2015 and was implemented by the National Civil Defence Emergency Management Plan Order 2015
Appendix F

Definitions of terms
Existing legislation defines relevant terms.

Emergency

Emergency is defined in the 2002 Act as follows:

**emergency** means a situation that—

(a) is the result of any happening, whether natural or otherwise, including, without limitation, any explosion, earthquake, eruption, tsunami, land movement, flood, storm, tornado, cyclone, serious fire, leakage or spillage of any dangerous gas or substance, technological failure, infestation, plague, epidemic, failure of or disruption to an emergency service or a lifeline utility, or actual or imminent attack or warlike act; and

(b) causes or may cause loss of life or injury or illness or distress or in any way endangers the safety of the public or property in New Zealand or any part of New Zealand; and

(c) cannot be dealt with by emergency services, or otherwise requires a significant and co-ordinated response under this Act

State of National Emergency

A state of national emergency is defined in the 2002 Act as a state of national emergency declared under s 66 of that Act, which provides:

66 Minister may declare state of national emergency

(1) The Minister may declare that a state of national emergency exists over the whole of New Zealand or any areas or districts if at any time it appears to the Minister that—

(a) an emergency has occurred or may occur; and

(b) the emergency is, or is likely to be, of such extent, magnitude, or severity that the civil defence emergency management necessary or desirable in respect of it is, or is likely to be, beyond the resources of the Civil Defence Emergency Management Groups whose areas may be affected by the emergency.

(2) The Minister must advise the House of Representatives as soon as practicable where a state of national emergency has been declared or extended.

(3) If a declaration of a state of national emergency is made, any other state of emergency then in force in the area to which the state of national emergency applies ceases to have effect.

Recovery Activities

The Civil Defence Emergency Management Amendment Act 2016 introduces a new definition of **recovery** and will replace the definition of **recovery activities**, as follows:

**recovery** means the co-ordinated efforts and processes used to bring about the immediate, medium-term, and long-term holistic regeneration and enhancement of a community following an emergency
recovery activity means an activity carried out under this Act or any civil defence emergency management plan to deal with the consequences of an emergency, including, without limitation,—

(a) the assessment and ongoing monitoring of the needs of a community affected by the emergency; and

(b) the co-ordination and integration of planning, decisions, actions, and resources; and

(c) measures to support—

(i) the regeneration, restoration, and enhancement of communities across the 4 environments (built, natural, social, and economic); and

(ii) the cultural and physical well-being of individuals and their communities; and

(iii) government and non-government organisations and entities working together; and

(d) measures to enable community participation in recovery planning; and

(e) new measures—

(i) to reduce risks from hazards; and

(ii) to build resilience
Orders in Council made under 2010 and 2011 Acts

Based on a list provided to the inquiry by CERA

<table>
<thead>
<tr>
<th>Order in Council</th>
<th>Commencement</th>
<th>Legislation amended</th>
<th>Effect</th>
<th>Expiry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canterbury Earthquake (Christchurch Replacement District Plan) Order 2014 (LI 2014/228)</td>
<td>8 July 2014</td>
<td>Resource Management Act 1991</td>
<td>Provides a streamlined process for the review of the existing Christchurch district plans (the Christchurch City Plan and the Banks Peninsula District Plan) and for the preparation of a comprehensive replacement district plan for the Christchurch district.</td>
<td>Will be revoked on the close of 30 June 2021 (continued and amended by Greater Christchurch Regeneration Act 2016)</td>
</tr>
<tr>
<td>Order in Council</td>
<td>Commencement</td>
<td>Legislation amended</td>
<td>Effect</td>
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<tr>
<td>Canterbury Earthquake (Social Security Act) Order (No 2) 2010 Amendment Order 2014 (LI 2014/108)</td>
<td>1 April 2014</td>
<td>Social Security Act 1964</td>
<td>Provides that the amended definition of “premises” for the purposes of the Accommodation Supplement be continued until 19 April 2016 to allow people to continue to receive financial assistance where necessary.</td>
<td>Revoked 19 April 2016</td>
</tr>
<tr>
<td>Canterbury Earthquake (Rating Valuations Act – Christchurch City Council) Order 2013 (SR 2013/396)</td>
<td>27 September 2013</td>
<td>Rating Valuations Act 1998</td>
<td>Modifies the rating valuation system for Christchurch City. Enables the Christchurch City Council to conduct a revaluation before 31 March 2014 and then operate and maintain the district valuation roll until the next valuation.</td>
<td>Revoked 19 April 2016</td>
</tr>
<tr>
<td>Canterbury Earthquake (Building Act) Order 2013 (SR 2013/390)</td>
<td>17 September 2013</td>
<td>Building Act 2004</td>
<td>Extends part of the Canterbury Earthquake (Building Act) Order 2011 to enable the existing dangerous building notices issued under the 2011 Order to continue in force.</td>
<td>Revoked on the close of 18 April 2016</td>
</tr>
<tr>
<td>Canterbury Earthquake (Local Government Act 2002- Retaining Walls) Order 2013 (SR 2013/33)</td>
<td>4 April 2013</td>
<td>Local Government Act 2002</td>
<td>Extends the powers of the Christchurch City Council to access private land for the purposes of constructing and rebuilding Council-owned retaining walls on or under private land.</td>
<td>Will be revoked on the close of 30 June 2021 (continued and amended by Greater Christchurch Regeneration Act 2016)</td>
</tr>
<tr>
<td>Order in Council</td>
<td>Commencement</td>
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<td>Canterbury Earthquake (Local Government Act 2002 – Christchurch City 3-Year Plan) Order 2013 (SR 2013/39)</td>
<td>22 March 2013</td>
<td>Local Government Act 2002</td>
<td>The Order exempted the Christchurch City Council from the obligation to have a long-term plan under the Local Government Act 2002 while the order was in force. Before the end of June 2015, the council had to adopt a long term plan for 2015/25. The council was to prepare and adopt a plan (the Christchurch City 3-Year Plan) covering the period 1 July 2013 to 30 June 2016. The plan remained in force until the close of 30 June 2015.</td>
<td>Expired on the close of 1 July 2015</td>
</tr>
<tr>
<td>Canterbury Earthquake (Rating Valuations Act - Waimakariri District Council) Amendment Order 2012 (SR 2012/323)</td>
<td>30 November 2012</td>
<td>Rating Valuations Act 1998</td>
<td>Deferred the general revaluation to maintain the ratings valuation system’s operability, integrity and transparency, and facilitated a smooth return to the standard rating valuation system.</td>
<td>Expired on the close of 31 March 2015</td>
</tr>
<tr>
<td>Canterbury Earthquake (Rating) Order 2012 (SR 2012/147)</td>
<td>1 July 2012</td>
<td>Local Government (Rating) Act 2002</td>
<td>Modifies the rating powers of the Christchurch City Council to enable rates to be assessed following building, demolition or subdivision during the course of the year, rather than only at the start of the next financial year as at present.</td>
<td>Will be revoked on 1 July 2018 (continued by Greater Christchurch Regeneration Act 2016)</td>
</tr>
<tr>
<td>Order in Council</td>
<td>Commencement</td>
<td>Legislation amended</td>
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<tr>
<td>Canterbury Earthquake (Inland Revenue Acts) Amendment Order 2012 (SR 2012/35)</td>
<td>1 April 2012</td>
<td>Inland Revenue Acts (see footnote 1)</td>
<td>Allowed the Commissioner of Inland Revenue to extend a time limit specified in tax legislation if a person was unable to comply with an original time limit because of the Canterbury earthquakes.</td>
<td>Expired on the close of 1 October 2012</td>
</tr>
<tr>
<td>Canterbury Earthquake (Social Security Act) Order (No 2) 2010 Amendment Order 2012 (SR 2012/42)</td>
<td>30 March 2012</td>
<td>Social Security Act 1964</td>
<td>Extended the principal Order, Canterbury Earthquake (Social Security Act) Order (No 2) 2010 that was due to expire on 31 March 2012.</td>
<td>Expired on 1 April 2014</td>
</tr>
<tr>
<td>Canterbury Earthquake (Reserves Legislation) Order (No 2) 2011 (SR 2011/368)</td>
<td>7 November 2011</td>
<td>Reserves Act 1977</td>
<td>Repeals and replaces the Canterbury Earthquake (Reserves Legislation) Order 2011 to extend the timeframe for powers provided to the Selwyn and Waimakariri District Councils and Christchurch City Council to permit reserves to be used for earthquake response and recovery efforts.</td>
<td>Will be revoked on the close of 30 June 2021 (continued by Greater Christchurch Regeneration Act 2016)</td>
</tr>
</tbody>
</table>
### Order in Council

<table>
<thead>
<tr>
<th>Order in Council</th>
<th>Commencement</th>
<th>Legislation amended</th>
<th>Effect</th>
<th>Expiry</th>
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</thead>
<tbody>
<tr>
<td>Canterbury Earthquake (Building Act) Order 2011 (SR 2011/311)</td>
<td>17 September 2011</td>
<td>Building Act 2004</td>
<td>Assisted the Selwyn and Waimakariri District Council and the Christchurch City Council to deal with ongoing earthquake response issues promptly and effectively and ensure that the people in Canterbury are adequately protected from public health and safety risks following the Canterbury earthquakes.</td>
<td>Expired on the close of 16 September 2013</td>
</tr>
<tr>
<td>Canterbury Earthquake (Reserves Act – Electricity Network Recovery) Order 2011 (SR 2011/308)</td>
<td>4 September 2011</td>
<td>Earthquake Commission Act 1993</td>
<td>Enables the Earthquake Commission to carry out the managed repair of residential land and property in greater Christchurch, particularly through the Project Management Office established by the Commission.</td>
<td>Will be revoked on the close of 30 June 2021 (continued by Greater Christchurch Regeneration Act 2016)</td>
</tr>
<tr>
<td>Order in Council</td>
<td>Commencement</td>
<td>Legislation amended</td>
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<tr>
<td>Canterbury Earthquake (Historic Places Act) Order 2011 (SR 2011/231)</td>
<td>1 July 2011</td>
<td>Historic Places Act 1993</td>
<td>Adds a streamlined New Zealand Historic Places Trust process for determining applications to modify sites of interest to Māori in a way that balances the need to support recovery and rebuilding of Canterbury with the need to protect sites of interest to Māori.</td>
<td>Will be revoked on the close of 30 June 2021 (continued and amended by Greater Christchurch Regeneration Act 2016)</td>
</tr>
<tr>
<td>Canterbury Earthquake (Rating Valuations Act: Waimakariri District Council) Order 2011 (SR 2011/218)</td>
<td>30 June 2011</td>
<td>Rating Valuations Act 1998</td>
<td>Modified or suspended the effect of certain provisions of the Rating Valuations Act 1998 in relation to the Waimakariri District Council so that the council had a practical basis for setting and assessing rates, at least for the 2011/12 financial year and possibly for longer depending on the speed of recovery work in greater Christchurch.</td>
<td>Expired on the close of 31 March 2015</td>
</tr>
<tr>
<td>Order in Council</td>
<td>Commencement</td>
<td>Legislation amended</td>
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<tr>
<td>Canterbury Earthquake (Rating Valuations Act: Christchurch City Council) Order 2011 (SR 2011/216)</td>
<td>30 June 2011</td>
<td>Rating Valuations Act 1998</td>
<td>Modified or suspended the effect of certain provisions of the Rating Valuations Act 1998 in relation to the Christchurch City Council so that the council had a practical basis for setting and assessing rates, at least for the 2011/12 financial year and possibly for longer depending on the speed of recovery work in greater Christchurch.</td>
<td>Revoked on 27 September 2013</td>
</tr>
<tr>
<td>Canterbury Earthquake (Rating Valuations Act: Selwyn District Council) Order 2011 (SR 2011/217)</td>
<td>30 June 2011</td>
<td>Rating Valuations Act 1998</td>
<td>Modified or suspended the effect of certain provisions of the Rating Valuations Act 1998 in relation to the Selwyn District Council so that the council has a practical basis for setting and assessing rates, at least for the 2011/12 financial year and possibly longer depending on the speed of recovery work in greater Christchurch.</td>
<td>Expired on 1 July 2012</td>
</tr>
<tr>
<td>Canterbury Earthquake (Energy Companies Act) Order 2011 (SR 2011/215)</td>
<td>1 April 2011</td>
<td>Energy Companies Act 1992</td>
<td>Modified the application of the Energy Companies Act 1992 to Orion New Zealand so that it can benefit from extra time to prepare and update its statement of corporate intent and operations report, particularly in light of the changes to the electrical lines infrastructure since the earthquakes.</td>
<td>Expired on the close of 1 November 2012</td>
</tr>
</tbody>
</table>
## Orders in Council under the Canterbury Earthquake Response and Recovery Act 2010 (in descending chronological order)

<table>
<thead>
<tr>
<th>Order in Council</th>
<th>Commencement</th>
<th>Legislation amended</th>
<th>Effect</th>
<th>Expiry</th>
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<tbody>
<tr>
<td>Canterbury Earthquake (Local Government Act 2002) Order 2011 (SR 2011/219)</td>
<td>1 March 2011</td>
<td>Local Government Act 2002</td>
<td>Relaxed or suspended specific Local Government Act provisions for the Christchurch City Council that may divert resources away from recovery, or may not be reasonably capable of being complied with due to circumstances resulting from the earthquakes</td>
<td>Expired on the close of 31 December 2012</td>
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<tr>
<td>Order in Council</td>
<td>Commencement</td>
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<tr>
<td>Canterbury Earthquake (Local Government Official Information and Meetings Act) Order 2011 (SR 2011/43)</td>
<td>5 March 2011 (retroactive)</td>
<td>Local Government Official Information and Meetings Act 1987</td>
<td>Modified the time requirements for providing a Land Information Memorandum (LIM) where a request had been made for a LIM and it had not been provided by 5 March 2011. The Selwyn and Waimakariri District Councils and Christchurch City Council need only include information that is readily accessible. Any LIM issued under this Order must be viewed as only carrying limited information.</td>
<td>Expired on the close of 31 March 2012</td>
</tr>
<tr>
<td>Canterbury Earthquake (Social Security Act) Order 2011 (SR 2011/40)</td>
<td>1 March 2011 (retroactive)</td>
<td>Social Security Act 1964</td>
<td>Provided that those living in the districts of Ashburton, Christchurch, Hurunui, Selwyn or Waimakariri are exempt from the provisions which provide for the expiry of the unemployment benefit and require application for a further grant of that benefit.</td>
<td>Expired on the close of 30 November 2011</td>
</tr>
<tr>
<td>Canterbury Earthquake (Tax Administration Act) Order 2011 (SR 2011/27)</td>
<td>24 February 2011 (retroactive)</td>
<td>Tax Administration Act 1994</td>
<td>Created an exemption allowing the Commissioner of Inland Revenue to disclose information about a person to certain government agencies where it is necessary to enable the government agency to provide assistance as a result of the Canterbury earthquakes.</td>
<td>Expired on the close of 31 October 2011</td>
</tr>
<tr>
<td>Order in Council</td>
<td>Commencement</td>
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<tr>
<td>Canterbury Earthquake (Reserves Legislation) Order 2011 (SR 2011/56)</td>
<td>22 February 2011</td>
<td>Reserves Act 1977</td>
<td>Enabled the Christchurch City Council, Selwyn District Council and Waimakariri District Council to exercise powers in relation to reserves for certain purposes that the councils would otherwise be prohibited from exercising without certain preconditions.</td>
<td>Revoked 10 November 2011</td>
</tr>
<tr>
<td>Order in Council</td>
<td>Commencement</td>
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<tr>
<td>Canterbury Earthquake (Education Act) Order 2011 (SR 2011/38)</td>
<td>22 February 2011 (retroactive)</td>
<td>Education Act 1989</td>
<td>Made changes to the Education Act 1989. Students enrolled in a school zone within the specified area at the time of the 22 February earthquake continue to be considered as living in the home zone of the school, even if they had moved. Special enrolment schemes could be set up within the specified area. The Minister could vary the meaning of “half-day” etc.</td>
<td>Expired on the close of 1 April 2012</td>
</tr>
<tr>
<td>Canterbury Earthquake (Social Security Act) Order (No 2) 2010 (SR 2010/483)</td>
<td>24 December 2010</td>
<td>Social Security Act 1964</td>
<td>Relates to accommodation supplements, and extends them to people who would otherwise be eligible for the supplement, but who are unable to remain in their homes due to the Canterbury earthquakes. The Order extends the definition of “premises” to include this situation.</td>
<td>Will be revoked on the close of 30 June 2021 (continued and amended by Greater Christchurch Regeneration Act 2016)</td>
</tr>
<tr>
<td>Canterbury Earthquake (Social Security Act) Order (No 3) 2010 (SR 2010/484)</td>
<td>24 December 2010</td>
<td>Social Security Act 1964</td>
<td>Modified the definition of cash assets to exclude money paid to any person by the Earthquake Commission or by any insurance company in respect of damage to property or costs of alternative accommodation in light of the Canterbury earthquakes.</td>
<td>Expired on the close of 31 March 2012</td>
</tr>
<tr>
<td>Order in Council</td>
<td>Commencement</td>
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<tr>
<td>Canterbury Earthquake (Rating Valuations Act) Order 2010 (SR 2010/412)</td>
<td>16 December 2010</td>
<td>Rating Valuations Act 1998</td>
<td>Section 9(1) requires a territorial authority to revise its district valuation roll at intervals of not less than 3 years. This order extends the interval within which the Christchurch City Council is to comply with that provision to 1 December 2011.</td>
<td>Revoked 30 June 2011</td>
</tr>
<tr>
<td>Canterbury Earthquake (Historic Places Act) Order 2010 (SR 2010/333) amended by (SR 2011/76)</td>
<td>23 September 2010</td>
<td>Historic Places Act 1993</td>
<td>Provided for emergency authority to destroy, damage, or modify the whole or part of an archaeological site in the territorial districts</td>
<td>Revoked on 1 July 2011 by SR 2011/231</td>
</tr>
<tr>
<td>Canterbury Earthquake (Social Security Act) Order 2010 (SR 2010/331)</td>
<td>27 September 2010</td>
<td>Social Security Act 1964</td>
<td>Exemption from sections 99AA and 99AB of the Social Security Act 1964 in respect of people residing in specified areas. Those sections, which come into force on 27 September 2010, provide for the expiry of the unemployment benefit and require application for a regrant of that benefit.</td>
<td>Expired on the close of 28 February 2010</td>
</tr>
<tr>
<td>Canterbury Earthquake (Road User Charges Act) Order 2010 (SR 2010/427)</td>
<td>4 September 2010 (retroactive)</td>
<td>Road User Charges Act 1977</td>
<td>Exemptions from section 5(1)(b) of the Road User Charges Act 1977 (which concerns the operation of a vehicle in excess of its maximum gross weight.</td>
<td>Expired on the close of 30 November 2010</td>
</tr>
<tr>
<td>Order in Council</td>
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<tr>
<td><em>Canterbury Earthquake (Civil Defence Emergency Management Act) Order (No 2) 2010 (SR 2010/482)</em></td>
<td>4 September 2010 (retroactive)</td>
<td>Civil Defence Emergency Management Act 2002</td>
<td>A person acting in accordance with a direction given or a request made under section 91 of the Civil Defence Emergency Management Act 2002 during a state of emergency declared as a result of the Canterbury earthquake may not be held liable for breaches of resource consents in relation to disposal of waste at the Kate Valley landfill in the Hurunui District.</td>
<td>Expired on 1 January 2011</td>
</tr>
<tr>
<td>Order in Council</td>
<td>Commencement</td>
<td>Legislation amended</td>
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<tr>
<td>Canterbury Earthquake (Civil Defence Emergency Management Act) Order 2010 (SR 2010/316)</td>
<td>16 September 2010</td>
<td>Civil Defence Emergency Management Act 2002</td>
<td>While a state of local emergency was in force in respect of a specified district (Christchurch City, Selwyn District, or Waimakariri District), those provisions enabled civil defence emergency management powers to be exercised in respect of that district by persons who are, or who are acting under the authority of, a Controller or a constable (authorised persons).</td>
<td>Expired on the close of 29 November 2010</td>
</tr>
<tr>
<td>Canterbury Earthquake (Building Act) Order 2010 (SR 2010/315)</td>
<td>16 September 2010</td>
<td>Building Act 2004</td>
<td>Extended the definition of a “dangerous building” under the Building Act to include dangerous, earthquake-prone or unsanitary buildings. The territorial authority could also issue notice requiring work to be carried out on a building to reduce or remove danger or prevent the building from remaining in an unsanitary state, or issue a notice restricting entry to a building.</td>
<td>Expired on the close of 16 September 2011</td>
</tr>
<tr>
<td>Canterbury Earthquake (Inland Revenue Acts) Order 2011 (SR 2011/80)</td>
<td>4 September 2010</td>
<td>Inland Revenue Acts&lt;sup&gt;312&lt;/sup&gt;</td>
<td>Authorised the Commissioner of Inland Revenue to extend a time limit or a time period if the Commissioner considers that a person/group/class of persons is or has been unable to comply with that time limit as a result of the Canterbury earthquakes and the Commissioner considers it fair and equitable in the circumstances to extend it.</td>
<td>Expired on the close of 1 October 2012</td>
</tr>
<tr>
<td>Order in Council</td>
<td>Commencement</td>
<td>Legislation amended</td>
<td>Effect</td>
<td>Expiry</td>
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<tr>
<td>Canterbury Earthquake (Local Government Act 2002) Order 2010 (SR 2010/317)</td>
<td>4 September 2010 (retroactive)</td>
<td>Local Government Act 2002</td>
<td>Made amendments relating to the preparation of the Christchurch City Council’s Annual Report, Annual Plan and Council-controlled organisations’ 2011/12 Statement of Intent. Some timelines were extended or requirements relaxed. The Council was required to prepare and adopt progress points at intervals of not more than 4 months.</td>
<td>Expired on the close of 31 December 2011</td>
</tr>
<tr>
<td>Canterbury Earthquake (Resource Management Act) Amendment Order 2010 (SR 2010/325)</td>
<td>4 September 2010 (retroactive)</td>
<td>Resource Management Act 1991</td>
<td>Amended the principal Order, Canterbury Earthquake (Resource Management Act) Order 2010 to provide that the extension of time period under clause 6 of that order and the power to extend a time period under clause 7 of that order are in addition to, and not in substitution for, the powers under sections 37 and 37A of the Resource Management Act 1991.</td>
<td>Revoked 19 April 2016</td>
</tr>
<tr>
<td>Order in Council</td>
<td>Commencement</td>
<td>Legislation amended</td>
<td>Effect</td>
<td>Expiry</td>
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</tr>
<tr>
<td>Canterbury Earthquake (Resource Management Act) Order 2011 (SR 2011/34)</td>
<td>4 September 2010 (retroactive)</td>
<td>Resource Management Act 1991</td>
<td>The Order streamlines the consent process for land remediation work following the Canterbury earthquakes. It applies to resource consent applications made to the Christchurch City Council, Selwyn District Council, Waimakariri District Council, Canterbury Regional Council and other specified bodies to undertake land remediation work or to change or cancel conditions of resource consents granted under the Order.</td>
<td>Revoked 18 April 2016</td>
</tr>
</tbody>
</table>
Appendix H

Endnotes

Chapter 2 The events that led to this inquiry

1 Hurunui/Kaikōura Earthquakes Emergency Relief Bill and Civil Defence Emergency Management Amendment Act 2016 Amendment Act 2016. A third bill containing powers to override enactments by Order in Council, the Hurunui/ Kaikōura Earthquakes Recovery Bill, is expected to be introduced on 1 December 2016.

2 New Zealand Gazette 2010 pp 3225-3226, 4193–4194, 4196-4197. See sections 68, 70, and 71 of the 2002 Act, which give a declaration of a state of emergency a default life of 7 days before a further declaration is required but impose no limit on the number of extensions that may be declared.

3 Mark Gobbi, Briar Gordon, and Fiona Lincoln, "Managing Emergency Management: A Look at New Zealand’s Legislative Approaches", Australasian Drafting Conference, Adelaide Drafting Forum, 2011, at p 11. Section 2 of our report draws extensively from this paper, which was submitted to our inquiry by the Parliamentary Counsel Office. The authors are all parliamentary counsel, but the paper reflects their personal views, rather than those of the Parliamentary Counsel Office or New Zealand’s Attorney-General. We are grateful to the authors for their work in compiling this important historical record.

4 Ibid.

5 Gobbi, Gordon, and Lincoln (above n. 3) at 11

6 Journals of the House (for the week beginning Tuesday 14 September 2010).

7 Section 6(4) of the 2010 Act – see Appendix C.

8 Section 7(2) of the 2010 Act.

9 See 2010 Act, section 6(6)(c): the Acts excluded were the Bill of Rights 1688, the Constitution Act 1986, the Electoral Act 1993, the Judicature Amendment Act 1972, and the New Zealand Bill of Rights Act 1990.

10 2010 Act, section 6(1). The purpose provision was set out in section 3 of the 2010 Act. That meant, for example, that the 2010 Act is unlikely to have justified imposing retroactive criminal penalties. See Quake Outcasts v Minister for Canterbury Earthquake Recovery [2015] NZSC 27, [2016] 1 NZLR 1 in which the Supreme Court held at [115] that (in relation to the Canterbury Earthquake Recovery Act 2011) the purposes of the Act were expressed comprehensively, indicating that the Act was intended to be the vehicle (and the only vehicle) for major earthquake recovery measures.

11 Section 8 of the 2010 Act.


13 2010 Act, section 6(3).


Gobbi, Gordon, and Lincoln (above n. 3) at 17.

Gobbi, Gordon, and Lincoln (above n. 3) at 17 put this down to “RRC diligence, PCO vigilance, and Executive compliance”.


Gobbi, Gordon, and Lincoln (above n. 3) at p 28.


Gobbi, Gordon, and Lincoln (above n. 3) at 18.
Gobbi, Gordon, and Lincoln (above n. 3) at 28 – no policy change was effected. Drafting changes were made to clarify the intent and achieve a better alignment of the Bill with legal principles and practical reality.


2011 Act, sections 60-57.

2011 Act, sections 3 and 71(1).

2011 Act, section 92.

2011 Act, sections 72 and 73. The Panel was chaired by a retired High Court Judge, Sir John Hansen, was Canterbury based, and was familiar with local circumstances. The Panel reviewed the 36 orders made under the 2011 Act. It recommended an amendment be made to only one of them – the first order it reviewed. It recommended one other order be reviewed in two years with regular reports on progress. The Panel recommended the remaining 34 orders be made without change.

2011 Act sections 6, 7.

Gobbi, Gordon, and Lincoln (above n. 3) at 20.


Greater Christchurch Regeneration Act 2016 (2016 Act), section 147(3)(a), which provides that an order continued by subsection (1) is declared to have been lawfully made and to be and always have been valid.

2016 Act, section 146(1).

2016 Act, section 146(2) and Schedule 6.

2016 Act, section 147(1) and Schedule 7.

Greater Christchurch Regeneration Bill, explanatory note.

2016 Act, section 71; cf. 2011 Act, s 27.
Chapter 3 The inquiry process and the material that influenced our thinking


55 Ibid.

56 A list of submitters is at Appendix B. Each submission is available to be downloaded at www.parliament.nz.


58 Law Commission, (above n. 57), at [4.55].

59 Ibid, at [5.78]-[5.79].

60 Ibid at Appendix D, p 372, clause 5.

61 Ibid at [5.80].

62 See, for example, 2002 Act, section 3(d). A diagrammatic representation of the continuum of current legislative responses to emergencies is attached as Appendix E.

63 See Regulatory Impact Statement, Review of the legislative framework for recovery from emergencies, p 2

64 Most of the Act was originally due to come into force on 15 May 2017, 180 days after it received Royal assent (15 November 2016). On 15 November, in the wake of the 7.8 magnitude Hurunui/Kaikōura earthquake that struck just after midnight the previous day, Hon Gerry Brownlee suggested in answer to an oral question: “I think, given the events of the last couple of days, there may be a need to look at bringing that commencement date further forward. It is my intention to have discussions with all parties in the House with a view to perhaps moving in that direction.” See https://www.parliament.nz/en/pb/hansard-debates/rhr/combined/HansD_20161115_20161115. These discussions culminated in the Civil Defence Emergency Management Amendment Act 2016 Amendment Act 2016, which has brought the Amendment Act’s commencement date forward to 29 November 2016 at 9:59pm.


So named after the Statute of Proclamations of 1539, which allowed King Henry VIII’s proclamations to have the same force as an Act of Parliament.


In Scott v Christchurch City Council HC Christchurch CIV-2010-409-2401, 23 October 2010, the plaintiff sought an interim order pursuant to section 8 of the Judicature Amendment Act 1972 to halt the demolition of Manchester Courts, a Category 1 historic place. While it was not a challenge to an Order in Council itself, it was a challenge to the exercise of powers under section 129 of the Building Act 2004 to direct its owner to demolish the building. In dismissing the application for review, the Court considered that the 2010 Act and orders made under it, including the Canterbury Earthquake (Building Act) Order 2010, had the effect of truncating the decision-making process and neutralising any implicit consultation obligation under section 129. The speed with which the Court dealt with the proceeding is noteworthy. Mr Scott filed his proceeding on Friday 22 October 2010, the hearing occurred the next day, Saturday 23 October, and Chisholm J gave his written judgment and reasons the same day.

Regulations Review Committee Complaint regarding the Canterbury Earthquake (Building Act) Order 2011 (24 April 2014).

The eight Acts that were not amended were the Commerce Act 1986, the Health Act 1956, the Health and Disability Services (Safety) Act 2001, the Heritage New Zealand Pouhere Taonga Act 2014, the Local Government Act 1974, the Public Works Act 1981, the Soil Conservation and Rivers Control Act 1941, and the Waste Minimisation Act 2008.

Our own analysis of the Orders in Council is broadly similar to that of the Council, but we identified additional unlisted Acts that were overridden by Order in Council – see Appendix D, Acts amended/not amended by Orders in Council under 2010 and 2011 Acts, and Appendix G, Orders in Council made under 2010 and 2011 Acts.
I.168 INQUIRY INTO PARLIAMENT’S LEGISLATIVE RESPONSE TO FUTURE NATIONAL EMERGENCIES

77 Legislative Assembly for the ACT, Standing Committee on Justice and Community Safety, Henry VIII clauses fact sheet, prepared by Stephen Argument, November 2011 at 11, noting that similar considerations applied in relation to the Queensland Reconstruction Authority Bill 2011, the Queensland Government’s legislative response to the disastrous floods in Queensland, in 2011.

Chapter 4 Our findings and recommendations


79 Including: community input; cross-party parliamentary involvement; purposes of the Act, and linking the exercise of powers to those purposes; time limits on exercise of powers; timeliness requirements; requirements to present information to the House of Representatives; offer back of land taken by Proclamation; appeal rights; Canterbury Earthquake Recovery Review Panel, with House of Representatives being informed and Minister required to take into account Panel’s recommendations; application of Legislation Act 2012 (Orders in Council are disallowable instruments); quarterly reports to House of Representatives by Minister on operation of Act; annual reviews of operation and effectiveness of Act including recommendations for amendments must be presented to House of Representatives; expiry of Act after 5 years (and revocation of Orders in Council); provision of comprehensive explanatory notes to Orders in Council.

80 See, for example, Acting Minister of Civil Defence Hon Gerry Brownlee’s comments following confusion about tsunami warnings in the wake of the magnitude 7.8 Hurunui/Kaikōura earthquake on 14 November 2016: "We want to get through this current circumstance...there'll be all sorts of suggestions about changes, and some of those will ultimately be reflected in the law…."The whole command and control structure of [MCDEM] needs to be looked at.”:
http://www.stuff.co.nz/national/86441740/civil-defence-overhaul-inevitable-after-tsunami-warning-confusion-govt

81 As reflected in one of the purposes of the Civil Defence Emergency Management Act 2002, section 3(c).

82 Law Commission, Final Report on Emergencies (above n. 57) at [4.55].

83 See LAC Guidelines (above n. 15) at [13.1].

84 2010 Act, section 6(6)(c).

85 2011 Act, section 71(6)(c).

86 2010 Act, section 6(1); 2011 Act, section 71(1). See also section 10(1) of the 2011 Act, which provided that "the Minister and the chief executive must ensure that when they each exercise or claim their powers, rights, and privileges under this Act they do so in accordance with the purposes of the Act". In Quake Outcasts v Minister for Canterbury Earthquake Recovery [2015] NZSC 27, [2016] 1 NZLR 1 at [118], the Supreme Court held that "...the Act is explicit that all of the powers in the Act must be used for the purposes of the Act and, even then, only when it is reasonably considered necessary for those purposes."

87 It is difficult to be precise about the number of Acts that were overridden as some Orders in Council did not clearly specify which Acts were modified. For example, the Canterbury Earthquake (Reserves Legislation) Order (No 2) 2011 (SR 2011/368), cl 6, which dispenses from Councils’ obligations to comply with the Reserves Act 1977, "or any other enactment under which the reserve is held or that applies to the reserve”.

88 A list of such Acts is included at Appendix D.

89 2011 Act, section 71(6)(a) and (b); 2010 Act, section 6(6)(a) and (b).
The 2011 Act, section 76, provided that Orders in Council made under s 71 of that Act were disallowable instruments and legislative instruments for the purposes of the Legislation Act 2012, which would have been the default position anyway, but for s 75(5) which provided that “So far as it is authorised by this Act, an order has the force of law as if it were enacted as a provision of this Act”. We do not consider s 75(5) was necessary and do not recommend an equivalent provision be included in future emergency legislation.

Submission of Professor Joseph (above n. 96) at p 105.


Appendix F

2011 Act, section 92.

109 New Zealand Law Society supplementary submission, 7 December 2015.


111 The Acting Minister of Civil Defence, Hon Gerry Brownlee, suggested in response to a Parliamentary Question on 15 December 2016 that the definitional question of what is a “large-scale emergency” may need to be reconsidered following the magnitude 7.8 earthquake that struck near Hanmer at 12.02am on 14 November 2016: https://www.parliament.nz/en/pb/hansard-debates/rhr/document/HansS_20161115_054337000/10-civil-defence-disaster-preparedness-legislation

Activities of the Regulations Review Committee in 2016

Report of the Regulations Review Committee

Fifty-first Parliament
(Hon David Parker, Chairperson)
April 2017

Presented to the House of Representatives
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1 Introduction

Recommendation
The Regulations Review Committee recommends that the House take note of this report.

Purpose of this report
By convention, the Regulations Review Committee produces a report on the activities that it has not reported separately to the House of Representatives (the House). This report is about the work we have done between 1 January and 31 December 2016 in the 51st Parliament.

This report demonstrates our approach to the scrutiny of delegated legislation. It draws attention to issues that we consider should be kept in mind in making regulations.

Functions of the committee
The Standing Orders of the House of Representatives set out our powers and functions, and allow us to bring specified matters to the special attention of the House.¹ We

- scrutinise all regulations
- consider draft regulations referred by Ministers of the Crown and report back to them
- examine regulation-making powers in bills
- investigate complaints about the operation of regulations
- conduct inquiries into matters related to regulations
- initiate briefings on matters related to regulations.

We met 30 times between 1 January and 31 December 2016, and presented five reports to the House. These reports are publicly available on Parliament’s website.²

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¹ Refer to Appendix B for the Standing Orders that are relevant to our committee.
² Reports of the Regulations Review Committee,
2 Regulation-making powers in bills

Scrutinising regulation-making powers in bills is central to our work. In 2016, we made 26 reports to other committees about regulation-making powers in bills. We encourage committees to advise us of the outcome of their consideration of our advice.

We examine all bills that come before select committees for delegated legislation-making powers. Our purpose is to determine whether the delegation of Parliament’s law-making power is appropriate and clearly defined. We are concerned about whether the regulation-making powers represent good legislative process, not about matters of policy, which are for the respective committees to assess.

In examining regulation-making powers in bills, we are not confined to the grounds for scrutiny set out in the Standing Orders. We also examine whether the regulation-making powers are consistent with good legislative design, including the established principles set out in the Legislation Design and Advisory Committee’s “Guidelines on the Process and Content of Legislation”, which is a guide to making good legislation. These principles are that:

- matters of policy and substance should not be delegated to regulations
- regulations should not generally override, suspend, or amend Acts (Henry VIII powers)
- law-making powers should not be delegated without provision for adequate controls and independent scrutiny.

Routine scrutiny

We conduct routine scrutiny and write to the appropriate subject committee when we identify an issue. Alternatively, committees may proactively write to us for advice.

Appendix C lists the bills on which we reported to the relevant committee in the reporting period.

Issues of current concern

The main recurring areas of concern that arose in our scrutiny of regulation-making powers in bills during the reporting period are as follows:

- commencement by Order in Council
- Henry VIII powers
- broadly drafted regulation-making powers
- significant policy that would more appropriately be included in primary legislation
- exemption-making powers without express controls
- non-standard form of regulation-making powers.

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Commencement by Order in Council

Four of the bills that we scrutinised in the reporting period included provision for the resulting Act to come into force on a date to be set by the Governor-General by Order in Council.

We have previously reported generally on commencement by Order in Council. The Legislation Design and Advisory Committee’s guidelines note that:

> In limited cases, the setting of the commencement date may be delegated to the executive. Such provisions are likely to face additional RRC scrutiny and, as such, cogent reasons for the delegation must exist. The legislation should also incorporate a provision that the legislation is brought into effect automatically after a set period of no more than one year after its enactment, if not brought into force earlier by Order in Council.\(^4\)

During the reporting period, we wrote to the Primary Production Committee about the Food Safety Law Reform Bill. Four clauses of that bill would come into force only on a date appointed by the Governor-General by Order in Council. There was no fall-back commencement date. The explanatory note stated that the delayed commencement of these clauses would enable regulations to be made. There was no explanation of why this delay needed to be open-ended.

We recommended that the Primary Production Committee consider amending the bill to insert a fall-back date for the commencement of these clauses. In its report to the House, the Primary Production Committee made this same recommendation, so the delayed commencement was not open-ended.

Henry VIII powers

During the reporting period, we identified Henry VIII provisions in seven bills.

The parliamentary process allows for public scrutiny and accountability for policy decisions. We describe a regulation-making power as a “Henry VIII provision” when primary legislation proposes to allow delegated legislation to amend, suspend, or override it. The practical effect of including this type of provision in primary legislation is that public scrutiny and accountability for policy decisions is lost.\(^5\)

The established principle that applies to using this type of provision, which we try to uphold, is that they should be avoided unless “demonstrably essential”. We have said before that a Henry VIII power:

- should be included in an Act only in exceptional circumstances
- should never be used routinely in reforming legislation
- should be drafted in “the most specific and limited terms possible”.\(^6\)


\(^6\) Regulations Review Committee, Inquiry into the Resource Management (Transitional) Regulations 1994 and the principles that should apply to the use of empowering provisions allowing regulations to override primary legislation during a transitional period, 1993—96, AJHR, 1.16C, page 16.
The Child Protection (Child Sex Offender Register) Bill provides an example of the suggested use of this type of power during this reporting period.

The bill’s schedule had a list of offences that could mean an offender might be registered. Clause 50 of the bill allowed that schedule to be amended by Order in Council. No reasons were given in the bill about why this power was required. It was not clear to us whether or not there were exceptional circumstances that might justify its use. There were no criteria in the bill for this power to be used. For example, there was no indication of the type of offence that could be added to the schedule.

We wrote to the Social Services Committee recommending that the committee give some thought to whether or not this power would be needed. We recommended adding clear controls if the power was retained.

The committee considered our advice. It considered that the use of this power could not be justified and recommended to the House that clause 50 be deleted.

**Broadly drafted regulation-making powers**

It is a well-established principle that regulation-making powers should be drafted so they specify the limits of the delegated legislative power as clearly and precisely as possible. This principle aims to prevent broadly drafted powers being used for purposes that were not intended by Parliament. We identified four bills with broad, open-ended powers in this reporting period.

A delegated power that is broad and open-ended may also authorise regulation-making on matters of substantial policy that would more appropriately be included in primary legislation.

During this reporting period, we wrote to the Transport and Industrial Relations Committee about the broadly drafted regulation-making powers in clause 31 of the Land Transport Amendment Bill. This clause enabled regulations to specify obligations of a person who is liable to pay a passenger service fare or a public transport service fare. We recommended that the committee ask for more information about the intention of this clause. If required, it should more clearly specify the type of regulations that can be made under it.

The Transport and Industrial Relations Committee recommended to the House that this clause be deleted.

**Significant policy that would more appropriately be included in primary legislation**

Matters of principle and policy are usually found in primary legislation, while detail and implementation are ordinarily found in delegated legislation. Matters of significant policy should rarely, if ever, be included in delegated legislation. Only in very rare circumstances should it be objectively justifiable to allow for policy issues to be decided in delegated legislation.

We noted two examples of this during this reporting year.

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One of these was in the Shop Trading Hours Amendment Bill. The policy intent was to remove the restriction on trading on Easter Sunday. However, the bill allowed territorial authorities to make that decision, not Parliament.

We recommended to the Commerce Committee that it amend the bill to remove the ability for territorial authorities to make bylaws to override a statutory prohibition of opening on Easter Sunday. The Commerce Committee could not reach agreement on the bill, and it was reported back to the House without any changes.

**Exemption-making powers without express controls**

Legislation sometimes allows for instruments to be made that exempt people from the requirements of an Act. In 2016, we advised the relevant committees about 11 bills that allowed for regulations to grant exemptions.

Our approach to the use of regulations to grant exemptions has been to follow safeguards recommended by the Legislation Advisory Committee. These are summarised as follows:

- The empowering Act should set out clear purposes for granting exemptions.
- The empowering Act should set out clear criteria for granting exemptions, including, at least, a requirement that granting the exemption is consistent with the purpose of the objectives of the empowering Act. Ideally, there should be guidance.
- When an exemption is granted, there should be a requirement to give reasons and to say what those reasons are in the exemption instrument.
- There should be an expiry clause in an exemption instrument. These instruments should expire within five years.  

During the reporting period, we wrote to the Primary Production Committee about exemption-making powers in the Food Safety Law Reform Bill. We were concerned that several exemption-making powers were either created or amended. None of them were consistent with our principles. The exemption-making powers were in both regulations and notices.

We asked the committee to satisfy itself that the powers were required. We recommended that they be removed from the bill if they were not required. We recommended amending the exemption-making powers if they were required, to increase the safeguards on how those powers could be used.

The Primary Production Committee recommended amending the exemption-making powers to increase the safeguards on those powers.

We also wrote to the Social Services Committee about three provisions in the Social Security Legislation Rewrite Bill. These provisions allowed for regulations to be made to identify persons or benefits that would be exempt from requirements set out in the bill. The exemption-making powers were inconsistent with the principles we recommend:

- There was no explanation of the purpose of the exemptions.
- No criteria were included for making regulations under the exemption powers.

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There was no requirement to give reasons for the exemption granted in the regulations themselves.

There was no time limit on the regulations made under the clause.

The Social Services Committee recommended amending the three provisions to insert clear purposes and criteria for granting exemptions.

**Non-standard form of regulation-making powers**

Regulation-making powers should be drafted in a standard form with a clear purpose. Provisions should be clear and certain about the powers they are creating. This is to ensure that delegated legislation is enacted as Parliament intended and does not create broad, open-ended powers. We identified an issue with the way regulation-making powers were drafted in four of the bills we examined.

The Healthy Homes Guarantee Bill (No 2) contains a clause that allows the Ministry of Business, Innovation and Employment (MBIE) to prepare and publish minimum standards on a certain topic. Failure to comply with the standards under the bill is unlawful.

We have written to the Government Administration Committee recommending that it specify the status of the standard in the bill. We recommend that such standards should be disallowable but not legislative instruments for the purposes of the Legislation Act 2012.

The bill is currently with the Government Administration Committee.
3 Briefings and investigations

We can consider any matter about regulations and report on it to the House. Where we thought matters required further investigation, we sought briefings from the appropriate bodies.

Civil defence and emergency management

We initiated a briefing from the Ministry of Civil Defence and Emergency Management so that the ministry could provide information relevant to our Inquiry into Parliament’s legislative response to future national emergencies. We heard from the ministry again this year and resolved to close this item of business.

We reported back to the House on our Inquiry into Parliament’s legislative response to future national emergencies on 1 December 2016. That report is discussed in the final chapter.

Access to subordinate instruments project

Acts of Parliament and subordinate instruments that are drafted by the Parliamentary Counsel Office are published in full on the New Zealand Legislation website—www.legislation.govt.nz. However, more than 100 agencies draft and publish thousands of other subordinate instruments.

These agency-drafted instruments are published in the Gazette, on a variety of different websites, or in newspapers, or are not readily available to the public. As a result, there is currently no single place where people can see all of New Zealand’s legislation. This makes it difficult to find and access the law. The Access to Subordinate Instruments Project has been set up to address this problem.

The Parliamentary Counsel Office established the project in response to a Cabinet directive. The project’s objective is to improve access to legislation by publishing all subordinate instruments on the New Zealand Legislation website.

The Cabinet Office directive was for the office to explore amendments to the Legislation Act 2012 (or other relevant legislation) to provide for a register of tertiary (or subordinate) instruments.

Subordinate instruments are legislation made under the delegated law-making authority of Parliament or the Royal prerogative. They include regulations, rules, and bylaws, among other forms of instruments. The project would result in a single, comprehensive, official, public source for all New Zealand legislation. However, exceptions may be required for bylaws made by local authorities and for other instruments that cannot, for some reason, be publicly disclosed.

We are following this work with interest and plan to continue with briefings from the Parliamentary Counsel Office in 2017.
4 Complaints

Under Standing Order 320, any person or organisation may make a complaint to us about a regulation. We first assess the complaint before formally resolving to accept and proceed or, by unanimous resolution, not to proceed with the complaint. If we decide to proceed with an investigation, the complainants are given the opportunity to address us.

Although our jurisdiction to investigate complaints is broad, our only remedy is to make recommendations in a report to the House or the Government. Under Standing Order 252, the Government must respond to any select committee recommendations within 60 working days after the report has been presented.

In 2016, we considered eight complaints. We did not proceed with three of them. We considered and reported back to the House on two that we did not uphold.

We found that neither the Complaint about Animal Welfare (Layer Hens) Code of Welfare (Colony Cages)\(^9\) nor the Complaint about the Shipping (Charges) Amendment Regulations 2013 (SR 2013/155) and the Marine Safety Charges Amendment Regulations 2013 (SR 2013/153)\(^10\) were made out. However, our consideration of these complaints raised concerns, and we noted these in our reports to the House.

We considered three other complaints but did not report to the House. We summarise these complaints and our consideration below.

**Complaint about Accident Compensation Light Passenger Vehicle Levy Bands**

The Accident Compensation (Motor Vehicle Account Levies) Regulations 2015 prescribe the rates of motor vehicle levies for Accident Compensation purposes. These regulations are made under the Accident Compensation Act 2001.

Section 216(2) of that Act indicates that the regulation-making power is to enable motor vehicles to be classified, and have levies imposed on them, based on their risk rating. The regulations state that the levy charged for a motor vehicle is determined by a band that the vehicle is allocated to. Allocating the vehicle into a band is determined by the year the vehicle is first registered in New Zealand.

The complainant considered that her motor vehicle levy was not consistent with the actual risk rating of her car. The complainant spoke to us about this issue at one of our meetings.

We wrote to MBIE about this complaint. We noted that we thought it related to the grounds in Standing Orders 319(2)(a) and (c).

MBIE advised us that it had carried out a detailed analysis on a range of issues about how to decide the base risk ratings for Accident Compensation Corporation (ACC) levy purposes. It also advised us that the ACC motor vehicle levies are reviewed and set annually. Consultation was already under way for the levies for the following year. As a

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result of consultation, the complainant’s type of vehicle would be allocated into a different band in the next levy year.

We were pleased that this information resolved the issue the complainant brought to our attention. We did not think it was necessary to proceed further.

**Crown Minerals (Minerals Fees) Amendment Regulations 2014**

We received a complaint in 2015 about the fees charged for offshore mining permits. The complainant was concerned that the 2014 amendment regulations did not provide a refund of fees paid in the 2013/14 permit year.

We heard from the complainant and from MBIE.

After a very detailed consideration of this complaint, we determined that the complaint was not made out for the regulations complained about.

**Complaint about Exclusive Economic Zone and Continental Shelf (Fees and Charges) Regulations 2013**

In 2015, we received a complaint under Standing Orders 319(2)(b) and (i). It was about fees charged under the Exclusive Economic Zone and Continental Shelf (Fees and Charges) Regulations 2013.

The complainant queried the charge-out rates for the agency involved in considering marine consent applications prescribed by the regulations. The complainant was also concerned about the way in which the agency uses its discretion to charge actual and reasonable costs. The complainant thought that the costs should be determined on a commercial basis.

Although we were not unsympathetic to the concerns raised, we concluded that the complaint was not made out. We could not take any more action because of our jurisdiction under Standing Orders. We wrote to the complainant advising it of our position. We suggested that the Ombudsman process may provide an appropriate mechanism to resolve the complaint if the complainant wanted to pursue that option.
5 Legislative instruments

Standing Order 318(1) empowers us to examine all regulations. We examine regulations and consider whether they should be drawn to the special attention of the House on any of the grounds set out in Standing Order 319(2).

Standing Order 3(1) defines “regulations” as any delegated legislation, including both legislative instruments (LI) and disallowable instruments. In this part of our report, we deal only with regulations published in the LI series. We deal with disallowable instruments that are not legislative instruments separately, in a later part of this report.

Our scrutiny process

We examine each new regulation at our weekly meetings. From 1 January to 31 December 2016, we scrutinised 279 regulations: LI 2015/266-323 and LI 2016/1 to 222.

Our routine scrutiny continues to focus on the grounds set out in Standing Order 319(2). We raise any issues with the responsible Ministers, departments, or agencies. After receiving their responses, we decide whether to proceed further.

Routine scrutiny

A large number of legislative instruments that we reviewed in this series set fees, charges, or levies (fees regulations). Although these instruments did not raise any issues, we carefully examined two of them.

We asked the agencies concerned for the financial models used to calculate how fees were set. This included the main assumptions adopted to set the levies (for example, additional capital costs involved in a project) and the work done to arrive at the current amount. We also asked the agencies to provide a comparison with previous fees.

We provided those agencies with the following information about general principles for fee-setting by regulation:

- the Office of the Auditor-General’s report “Charging fees for public sector goods and services”\(^{11}\)
- the Treasury’s “Guidelines for Setting Charges in the Public Sector”\(^{12}\)
- constitutional principles for fee-setting set out in our previous reports.\(^{13}\)

Issue of concern

We identified one issue of concern in our scrutiny in 2016. The International Student Contract Dispute Resolution Scheme Rules 2016 (LI 2016/42) are made under section 238M of the Education Act 1989. The rules govern the use of the International Student

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\(^{13}\) Regulations Review Committee, *Inquiry into the constitutional principles to apply when Parliament empowers the Crown to charge fees by regulation* (1989) I.16C.
Contract Dispute Resolution Scheme (DRS), which was established under section 238J of the Education Act.

Rule 17 of these Rules appears inconsistent with section 238J(6) of the Education Act. Section 238J(6) suggests that, when a dispute is adjudicated by, or on behalf of, a DRS operator, the outcome of that adjudication is binding. However, rule 17 suggests that, for such an outcome to be binding, the student claimant must accept it.

We considered that rule 17 raises concerns falling within the grounds in Standing Orders 319(2)(a) and (c) in that such a rule may not be “in accordance with the general objects and intentions of the enactment under which it is made” or may be an “unusual or unexpected use of the powers conferred by the enactment under which it is made”.

We wrote to the Secretary for Education about this issue. The Ministry of Education responded to our letter, advising us that amendments would be made to the Rules in order to remove the inconsistency. We note no changes have been made yet.
6 Disallowable instruments that are not legislative instruments

In this chapter, we deal with disallowable instruments that are not legislative instruments (DINLIs).

We examine each regulation as soon as possible after publication, but specific difficulty identifying and accessing DINLIs may delay our scrutiny.

From 11 February 2016 to 14 December 2016, we raised concerns about 24 regulations with the responsible departments or agencies.

Routine scrutiny

We identified two issues with the DINLIs we reviewed this year. These issues were:

Instruments were not presented to the House within 16 sitting days, as required by section 41 of the Legislation Act 2012

A disallowable instrument, stated by an Act to be a disallowable instrument, must be presented to the House not later than the 16th sitting day after the day on which it is made. This is so we can review the regulation, as is our mandate under Standing Orders.

We found that 21 of the regulations that we reviewed had not been presented to the House as required by the empowering Act.

We wrote to the relevant entities, asking them to provide us with an explanation of why the disallowable instruments were not presented. We attached a list of procedural steps for presenting DINLIs to our letter.

No or little notification of commencement

The Cabinet Manual says that legislative instruments must not come into force until at least 28 days after they have been notified in the Gazette. The reason is that “the law should be publicly available and capable of being ascertained before it comes into force”. The manual recognises that compliance with the 28-day rule is not always appropriate—for example, when a delayed commencement would allow unfair commercial advantage to be taken.\(^\text{14}\)

The 28-day rule does not apply to DINLIs. However, the reason for the rule is just as relevant to these instruments, which are also notified in the Gazette.

We wrote to three entities this year about the regulations they had made, bringing this issue to their attention. We asked for a response about whether or not they thought it would be good practice to leave time between the notification and commencement of an instrument. We also asked them to comment on whether there were circumstances that would have made it inappropriate to do so.

7 Other matters

One bill was referred to us in 2016. It was the Subordinate Legislation Confirmation Bill. We also continued our Inquiry into Parliament’s legislative response to future national emergencies. We summarise our consideration below.

Subordinate Legislation Confirmation Bill (No 2) 2016

The Subordinate Legislation Confirmation Bill (No 2) 2016 was referred to us on 23 August 2016. This type of bill is generally referred to us on an annual basis. The bill is not concerned with policy issues but prevents the lapse of specific pieces of subordinate legislation.

The bill’s purpose is to confirm subordinate legislation made under various Acts. In passing the bill, the House approves the instruments in the bill so that they would continue in force. If not confirmed by a specified date, these instruments would be revoked or considered invalid for past operation.

We noted in our report that we need more time for considering this type of bill. This is so time is available to refer specific policy issues raised by the bill to subject select committees. We recommend that, in the future, confirmation bills be introduced and referred to us earlier than this year’s bill.15

Inquiry into Parliament’s response to future national emergencies

The House referred this inquiry to us in 2014. It was an ongoing item of business for us in 2016. Legislation passed after the Canterbury earthquakes had raised questions about the constitutional implications of using regulation-making powers after a national emergency.

We reported back to the House on 1 December 2016.16 Our report aims to establish constitutional principles for the arrangement and delegation of recovery powers in a national emergency.

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Appendix A

Committee members

Hon David Cunliffe (Member and Chairperson until 23 March 2017)
Hon David Parker (Chairperson from 23 March 2017)
Hon Chester Borrows
Hon Craig Foss
Chris Bishop
Michael Wood
Appendix B

Standing Orders 318 to 320

318 Functions of Regulations Review Committee

1 The Regulations Review Committee examines all regulations.

2 A Minister may refer draft regulations to the committee for consideration and the committee may report on the draft regulations to the Minister.

3 In respect of a bill before another committee, the committee may consider—
   a) any regulation-making power, and
   b) any matter relating to regulations,—
   and report on it to the committee that is considering the bill.

4 The committee may consider any matter relating to regulations and report on it to the House.

5 The committee investigates complaints about the operation of regulations, in accordance with Standing Order 320, and may report on the complaints to the House.

319 Drawing attention to regulation

1 In examining a regulation, the committee considers whether it ought to be drawn to the special attention of the House on one or more of the grounds set out in paragraph (2).

2 The grounds are, that the regulation—
   a) is not in accordance with the general objects and intentions of the enactment under which it is made:
   b) trespasses unduly on personal rights and liberties:
   c) appears to make some unusual or unexpected use of the powers conferred by the enactment under which it is made:
   d) unduly makes the rights and liberties of persons dependent upon administrative decisions which are not subject to review on their merits by a judicial or other independent tribunal:
   e) excludes the jurisdiction of the courts without explicit authorisation in the enactment under which it is made:
   f) contains matters more appropriate for parliamentary enactment:
   g) is retrospective where this is not expressly authorised by the enactment under which it is made:
   h) was not made in compliance with particular notice and consultation procedures prescribed by applicable enactments:
   i) for any other reason concerning its form or purport, calls for elucidation.
320 Procedure where complaint made concerning regulation

(1) Where a complaint is made to the committee or to the chairperson of the committee by a person or organisation aggrieved at the operation of a regulation, the complaint must be placed before the committee at its next meeting for the committee to consider whether, on the face of it, the complaint relates to one of the grounds on which the committee may draw a regulation to the special attention of the House.

(2) The person or organisation making the complaint is given an opportunity to address the committee on the regulation unless the committee agrees by unanimous resolution not to proceed with the complaint.
Appendix C

Bills that have been the subject of a report to another select committee between the period 1 January and 31 December 2016

Child Protection (Child Sex Offender Register) Bill
Civil Defence Emergency Management Amendment Bill
Electronic Interactions Reform Bill
Energy Innovation (Electric Vehicles and Other Matters) Amendment Bill
Enhancing Identity Verification and Border Processes Legislation Bill
Fire and Emergency New Zealand Bill
Food Safety Law Reform Bill
Greater Christchurch Regeneration Bill
Healthy Homes Guarantee Bill (No 2)
Land Transfer Bill
Land Transport Amendment Bill
Local Government Act 2002 Amendment Bill (No 2)
Maritime Crimes Amendment Bill
Maritime Transport Amendment Bill
New Plymouth District Council (Waitara Lands) Bill
New Zealand Horticulture Export Authority Amendment Bill
New Zealand Intelligence and Security Bill
Outer Space and High-altitude Activities Bill
Regulatory Systems (Commercial Matters) Amendment Bill
Resource Legislation Amendment Bill
Riccarton Racecourse Development Enabling Bill
Shop Trading Hours Amendment Bill
Social Security Legislation Rewrite Bill
Substance Addiction (Compulsory Assessment and Treatment) Bill
Taxation (Business Tax, Exchange of Information, and Remedial Matters) Bill
Te Atiawa Claims Settlement Bill
Telecommunications (Property Access and Other Matters) Amendment Bill
Trans-Pacific Partnership Agreement Amendment Bill
Activities of the Regulations Review Committee in 2017

Report of the Regulations Review Committee

Fifty-first Parliament
(Hon David Parker, Chairperson)
August 2017

Presented to the House of Representatives
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1 Introduction

Recommendation
The Regulations Review Committee recommends that the House take note of this report.

Purpose of this report
By convention, the Regulations Review Committee produces a report on the activities that it has not reported separately to the House of Representatives. This report is about the work we have done between 1 January and 22 August 2017 in the 51st Parliament.

This report demonstrates our approach to the scrutiny of delegated legislation. It draws attention to issues that we consider should be kept in mind in making regulations.

Functions of the committee
The Standing Orders of the House of Representatives set out our powers and functions, and allow us to bring specified matters to the special attention of the House.1 We:

- scrutinise all regulations
- consider draft regulations referred by Ministers of the Crown and report back to them
- examine regulation-making powers in bills
- investigate complaints about the operation of regulations
- conduct inquiries into matters related to regulations
- initiate briefings on matters related to regulations.

We met 12 times between 1 January and 22 August 2017, and presented three reports to the House. These reports are publicly available on Parliament’s website.2

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1 Refer to Appendix B for the Standing Orders that are relevant to our committee.
2 Regulation-making powers in bills

Scrutinising regulation-making powers in bills is central to our work. In this reporting period, we made eight reports to other committees about regulation-making powers in bills. We encourage committees to advise us of the outcome of their consideration of our advice.

We examine all bills that come before select committees for delegated legislation-making powers. Our purpose is to determine whether the delegation of Parliament’s law-making power is appropriate and clearly defined. We are concerned about whether the regulation-making powers represent good legislative process, not about matters of policy, which are for the respective committees to assess.

In examining regulation-making powers in bills, we are not confined to the grounds for scrutiny set out in the Standing Orders. We also examine whether the regulation-making powers are consistent with good legislative design, including the established principles set out in the Legislation Design and Advisory Committee’s “Guidelines on the Process and Content of Legislation”, which is a guide to making good legislation. These principles include that:

- matters of policy and substance should not be delegated to regulations
- regulations should not generally override, suspend, or amend Acts (Henry VIII powers)
- law-making powers should not be delegated without provision for adequate controls and independent scrutiny.

Routine scrutiny

We conduct routine scrutiny and write to the appropriate subject committee when we identify an issue. Alternatively, committees may proactively write to us for advice.

Appendix C lists the bills on which we reported to the relevant committee in the reporting period.

Issues of current concern

The main recurring areas of concern that arose in our scrutiny during the reporting period are as follows:

- Henry VIII powers
- exemption-making powers
- broad, open-ended powers.

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We explain these matters in greater detail below, with some examples of advice we have provided to other committees about parts of the bill that raised concern.

**Henry VIII powers**

During the reporting period, we identified Henry VIII provisions in four bills. A Henry VIII provision is the granting in primary legislation of a power for delegated legislation to amend, suspend, or override primary legislation. The practical significance of Henry VIII powers is the loss of public scrutiny and accountability for policy decisions that would otherwise occur through the parliamentary process.

The established principle that applies to using Henry VIII provisions, which we aim to uphold, is that they should be avoided unless “demonstrably essential”. We have said previously that a Henry VIII provision:

- should be included in an Act only in exceptional circumstances
- should never be used routinely in reforming legislation
- should be drafted in “the most specific and limited terms possible”.

During the reporting period, we scrutinised the Customs and Excise Bill and raised a number of issues in respect of delegated legislation. This included the use of Henry VIII powers in both clause 187(5) and clause 288(6).

Clause 187(5) provided for the definition of “specified enactment” to be defined by Order in Council for the purposes of that provision. The effect of this is that decisions about which enactments are appropriate to trigger a detention power would be left to the discretion of the Executive.

Clause 288(6) proposed to define “serious default” as an amount of $1,000 (or any other amount that may be fixed by Orders in Council). This is a Henry VIII provision because it authorises delegated legislation to amend primary legislation.

Both powers described were carried over from the Customs and Excise Act 1996 and no explanation was given as to why these powers are required.

We recommended that the Foreign Affairs, Defence and Trade Committee consider whether the definition of “specified enactment” could be removed from the bill and instead amend the list of enactments in clause 187 by primary legislation. We also recommended that it consider whether the amount of $1,000 in the definition of “serious default” could be amended more appropriately by primary legislation rather than by delegated legislation.

The committee considered our advice and discussed it in its report to the House. It recommended deleting clause 187(5), because it considered it appropriate to address extensions to the power in clause 187 when new statutes are drafted. It also recommended amending the definition of “serious default” so that the monetary threshold could be set by Order in Council, up to a maximum of $5,000. This limits the scope of the Henry VIII power.

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4 Regulations Review Committee, Inquiry into the Resource Management (Transitional) Regulations 1994 and the principles that should apply to the use of empowering provisions allowing regulations to override primary legislation during a transitional period, 1993-96, AJHR, I.16C, p.16
Broad, open-ended powers

Regulation-making powers that are drawn unduly broadly is an issue that we commonly identify in bills. This issue arose in two bills in this reporting period.

It is a well-established principle that regulation-making powers should be drafted so they specify the limits of the delegated legislative power as clearly and precisely as possible.\(^5\) A delegated power should not be drawn more broadly than necessary, as it creates a risk for it to be used for purposes not intended by Parliament.

We raised our concerns about the regulation-making power in clause 38 of the Anti-Money Laundering and Countering Financing of Terrorism Amendment Bill, with the Law and Order Committee. This clause sought to replace section 139 with two new sections relating to the disclosure of information. The provision as introduced appeared to suggest that the regulations could extend the purpose for which information may be disclosed. In particular, the regulation-making power did not require recipients of information under a specific section to have a “proper interest” in receiving the information, seemingly inconsistent with requirements elsewhere in the bill.

To address these issues, we recommended that the committee amend clause 38 so that it sets out clear limits on the regulation-making power relating to information sharing, and retains the “proper interest” requirement.

The Law and Order Committee, in its report to the House, acknowledged that “the framework provided for information sharing under clauses 38, 40, and 48 is unduly broad”. It also noted its “concerns about the breadth and implications of these provisions” with regard to the new sections that would be inserted by clause 38. For this reason, it recommended amending clause 38 to delete clauses 139 and 139A of the bill as introduced. It also recommended the addition of clause 38A to insert new section 139A in the Act. This new section would allow regulations relating to information sharing to be made by Order in Council. However, it would impose additional safeguards such as that, before making regulations, the Minister must consult with the Privacy Commissioner, among other people.

Exemption-making powers without express controls

Legislation sometimes allows for instruments to be made that exempt people from the requirements of an Act, without providing for adequate controls on the power to make such exemptions. This a recurring matter of concern that we raise in our scrutiny.

Our approach to the use of regulations to grant exemptions has been to follow safeguards recommended by the Legislation Advisory Committee. These can be summarised as:

- the empowering Act should set out clear purposes for the granting of exemptions
- the empowering Act should set out clear criteria for the granting of exemptions including, at least, a requirement that granting the exemption be consistent with the objectives of the empowering Act and, ideally, further guidance

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• when an exemption is granted, there should be a requirement to give reasons and to state them in the exemption instrument itself

• empowering provisions should state that exemption instruments granted under them will expire within five years, and exemption instruments should contain sunset clauses to that effect.  

We wrote to the Finance and Expenditure Committee regarding concerns about the use of delegated powers in the Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Bill. Clauses 200 and 231 of the bill proposed to create exemption-making powers enabling an employer or registered person over the electronic filing threshold to seek an exemption from the Commissioner if they meet the requirements set out in the relevant provisions.

We considered it unclear whether the exemptions granted by the Commissioner would be disallowable instruments. Additionally, the exemption-making powers are generally consistent with the principles mentioned above. However, it does not require the exemption instrument to include the reasons for granting an exemption to the electronic filing thresholds. Also, there is no explicit requirement for the exemption granted to be time-limited.

We recommended that the committee consider amending the bill to specify the status of the exemptions. Furthermore, that the bill be amended to require that any exemption granted include a statement of reasons and provide that any exemption also expires after a certain time period.

At this time, the bill has not yet been reported by the Finance and Expenditure Committee.

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6 Regulations Review Committee, Inquiry into the use of instruments of exemption in primary legislation, 2008, I.16Q.
3 Briefings and investigations

We can consider any matter about regulations and report on it to the House. Where we thought matters required further investigation, we sought briefings from the appropriate bodies.

Access to Subordinate Instruments Project

In 2017, we have continued to receive briefings from the Parliamentary Counsel Office (PCO) on the progress of the Access to Subordinate Instruments Project (ASIP). The main objective of ASIP is to improve access to legislation by publishing all subordinate instruments on the New Zealand Legislation website. ASIP has three core components:

• legal and procedural changes
• development of information technology systems
• collecting subordinate instruments, and access.

Legislation Bill

In November 2016, Cabinet approved a proposal for the PCO to develop a system to enable subordinate instruments drafted by agencies to be published on the New Zealand legislation website. This proposal would be supported by primary legislation.

The resulting Legislation Bill seeks to rewrite and replace the Legislation Act 2012 to implement publication and other reforms relating to the production of high-quality legislation that is easy to find, use, and understand. It would also update and re-enact the Interpretation Act 1999.

The Legislation Bill was introduced to Parliament on 20 June 2017.

The Legislation Bill simplifies the terminology that applies to subordinate instruments. The bill will remove the distinction between legislative instruments and disallowable instruments that are not legislative instruments, instead adopting the term “secondary legislation”. The Legislation Bill defines secondary legislation as follows:

Secondary legislation means an instrument (whatever it is called) that—

(a) is made under an Act if the Act (or other legislation) states that the instrument is secondary legislation; or

(b) is made under the Royal prerogative and has legislative effect.

The Legislation Bill will be supplemented by a further bill that will make numerous detailed amendments to empowering provisions across the statute book to specify whether the

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empowering provision results in secondary legislation, within the being of the Legislation Bill, or not.

Prior to the Legislation Bill being introduced, we were consulted about a proposed transitional arrangement amending empowering provisions to re-categorise them. We understand that the bill as introduced contains a transitional regulation-making power to clarify or correct legislative status of instruments.

Given our engagement with the developments of ASIP, we would encourage the Regulations Review Committee of the next Parliament to make a submission on the Legislation Bill, in the event that submissions are called.
4 Legislative instruments

Standing Order 318(1) empowers us to examine all regulations. We examine regulations and consider whether they should be drawn to the special attention of the House on any of the grounds set out in Standing Order 319(2).

Standing Order 3(1) defines “regulations” as any delegated legislation, including both legislative instruments (LI) and disallowable instruments. In this part of our report, we deal only with regulations published in the LI series. We deal with disallowable instruments that are not legislative instruments separately.

Our scrutiny process

We examine each new regulation at our weekly meetings. From 1 January to 22 August 2017, we scrutinised 267 regulations: LI 2016/223 to 310, and LI 2017/1 to 180.

We raise any issues with the responsible Ministers, departments, or agencies. After receiving their responses, we decide whether to proceed further.

Routine scrutiny

Our routine scrutiny continues to focus on the grounds set out in Standing Order 319(2). Recently, we have been particularly interested in fee-setting matters. The following two legislative instruments established or changed a fee structure substantially:


We asked the relevant Ministers to provide us with the financial models used to calculate how the fees were set, including the key assumptions adopted in setting the fees (e.g. additional capital costs involved in the project and the work undertaken to arrive at the current amount).

We note the response from the Minister for Building and Construction, regarding the Building (Pools) Regulations 2016. It set out that the approach taken to its fee setting is consistent with the Office of the Auditor-General’s guidelines “Charging fees for public goods and services” because it balances the objective of cost recovery with achieving the purpose of the regime. We were also provided with the consultation document.

We have not yet received a response regarding the Crown Minerals (Minerals Fees) Regulations 2016.
Hurunui/Kaikōura Earthquakes Recovery (Coastal Route and Other Matters) Order 2016

We considered the above Order, which came into force on 21 December 2016 and will be revoked on 31 March 2018. The Order was made under section 7 of the Hurunui/Kaikōura Earthquakes Recovery Act 2016.

We identified a number of issues in respect of this Order, which we discuss in more detail below.

**Excluding the jurisdiction of the courts without explicit authorisation in the enactment under which it is made**

Under Standing Order 319(2)(c), a regulation may be brought to the special attention of the House if it excludes the jurisdiction of the courts without explicit authorisation in the enactment under which it was made.

Part 6 (clause 32 to 38) of the Order modifies the process for taking land for Public Works where the Minister for Land Information considers it reasonably necessary to take land for the purpose of restoration work.

Clause 35 excludes the right of a person with an interest in the land intended to be taken, to object in the Environment Court. The modified process does not replace the right to object to a notice of intention to acquire land with an alternative or modified process.

This Order therefore raises concerns falling within the scope of the ground in Standing Order 319(2)(c).

**Unduly makes the rights and liberties of persons dependent upon administrative decisions which are not subject to review on their merits by a judicial or other independent tribunal**

Standing Order 319(2)(d) reflects the principle that where an administrative decision can affect a person’s legal rights, privileges or legitimate expectations, there should be a right of appeal to, or review by, an independent body or person.

The right of a person who has interest in the land to object to the taking is removed by clauses 35(5). This leaves the rights of a person who have interest in the land dependent on the Minister’s decision.

In the past, the Regulations Review Committee has expressed the view that, although aggrieved parties have a right to seek judicial review of administrative decisions, this right in itself does not constitute the formal, independent administrative review process on the merits of the decision, required by the Standing Order ground that applies in this instance.

Therefore, we consider that this Order raises concerns falling within the scope of the ground in SO 319(2)(d).

**Lack of clarity**

Under Standing Order 319(2)(i), a regulation may be brought to the special attention of the House if its form or purport calls for elucidation.

One of the primary purposes of the Order is to facilitate restoration work on the coastal route. Clause 29 specifically sets out the actions an agency may carry out in a reserve
despite anything to the contrary in the management plan, Reserves Act, or the enactment which the reserve is held under. These actions are to:

(a) undertake restoration work anywhere in a reserve
(b) operate a parking area for heavy motor vehicle anywhere in a reserve
(c) prohibit persons from entering or remaining on a reserve.

We considered that it should be made clear that the powers in clauses 29(b) and (c) may be used only in relation to restoration work.

We wrote to the responsible Ministers seeking comment on the issues raised and we are awaiting a response.
5 Disallowable instruments that are not legislative instruments

In this chapter, we deal with disallowable instruments that are not legislative instruments (DINLIs).

We examine each regulation as soon as possible after publication, but specific difficulty identifying and accessing DINLIs may delay our scrutiny.

From 1 January to 22 August 2017, we raised concerns about 15 regulations with the responsible departments or agencies.

Routine scrutiny

The following are some examples of issues that we have found with the DINLIs we reviewed this year.

Instruments were not presented to the House within 16 sitting days, as required by section 41 of the Legislation Act 2012

A disallowable instrument, stated by an Act to be a disallowable instrument, must be presented to the House not later than the 16th sitting day after the day on which it is made.

We found that nine of the regulations that we reviewed had not been presented to the House as required by the empowering Act.

We wrote to the relevant entities, asking them to provide us with an explanation of why the disallowable instruments were not presented. We attached a list of procedural steps for presenting DINLIs to our letter.

Rules of New Zealand Greyhound Racing Incorporated

We identified two issues relating to the above Rules. The first is the availability of amended Rules.

Amendments to the Rules were notified in the Gazette on 1 December 2016 by the New Zealand Greyhound Racing Association Incorporated (the Racing Association). The Gazette notice listed the Rules that have been amended but did not give detail about the nature or substance of the amendments.

On the Racing Association’s website, it appears that the amendments have been incorporated into the rules. However, any information regarding those amendments is not readily apparent. Also, because there are no previous versions of the Rules on the website, it is difficult to identify the amendments. The amended Rules were also presented to the House in this same format on 30 January 2017.

Therefore, it is unclear how the Rules listed in the Gazette notice have been amended and whether they have been incorporated into the Rules on the website.

We recommended to the Racing Association that it ensures that the Gazette notification includes an explanation of the amendment.
The second issue that we identified relating to these Rules is compliance with statutory prerequisites.

Sections 29 to 32 of the Racing Act 2003 deal with the making and amendment of racing rules. Under section 32(3) of the Racing Act 2003, any rules must be notified in the Gazatte and come into force on the date specified for the purpose in the rules (which must not be earlier than the date of their notification).

The amendments to the Rules were notified in the Gazatte on 1 December 2016. According to the notice in the Gazatte, the amendments to the Rules came into effect on 8 October 2016. Consequently, the amendments to the Rules did not comply with the statutory prerequisite regarding the notification of rules prior to commencement.

We asked the Racing Association to provide a response addressing the inconsistency.
6 Complaints

Under Standing Order 320, any person or organisation may make a complaint to us about a regulation. We first assess the complaint before formally resolving to accept and proceed or, by unanimous resolution, not to proceed with the complaint. If we decide to proceed with an investigation, the complainants are given the opportunity to address us.

Although our jurisdiction to investigate complaints is broad, our only remedy is to make recommendations in a report to the House or the Government. Under Standing Order 252, the Government must respond to any select committee recommendations within 60 working days after the report has been presented.

In 2017, we considered two complaints. We did not proceed with one of them. We currently have one complaint under consideration.
7 Other matters

The Subordinate Legislation Confirmation Bill (No 3) was the one bill referred to us this year.

**Subordinate Legislation Confirmation Bill (No 3)**

The Subordinate Legislation Confirmation Bill (No 3) was referred to us on 8 June 2017. This type of bill is generally referred to us on an annual basis. The bill is not concerned with policy issues but prevents the lapse of specific pieces of subordinate legislation.

The bill’s purpose is to confirm subordinate legislation made under various Acts. In passing the bill, the House approves the instruments in the bill so that they would continue in force. If not confirmed by a specified date, these instruments would be revoked, and in some cases considered invalid for past operation.

For further explanation of our analysis, please refer to our report to the House.
Appendix A: Committee members

Committee members
Hon David Parker (Chairperson)
Hon Craig Foss (Deputy Chairperson)
Hon Chester Borrows
Chris Bishop
Michael Wood
Appendix B: Standing Orders 318 to 320

318 Functions of Regulations Review Committee
(1) The Regulations Review Committee examines all regulations.
(2) A Minister may refer draft regulations to the committee for consideration and the committee may report on the draft regulations to the Minister.
(3) In respect of a bill before another committee, the committee may consider—
   (a) any regulation-making power, and
   (b) any matter relating to regulations,—
   and report on it to the committee that is considering the bill.
(4) The committee may consider any matter relating to regulations and report on it to the House.
(5) The committee investigates complaints about the operation of regulations, in accordance with Standing Order 320, and may report on the complaints to the House.

319 Drawing attention to regulation
(1) In examining a regulation, the committee considers whether it ought to be drawn to the special attention of the House on one or more of the grounds set out in paragraph (2).
(2) The grounds are, that the regulation—
   (a) is not in accordance with the general objects and intentions of the enactment under which it is made:
   (b) trespasses unduly on personal rights and liberties:
   (c) appears to make some unusual or unexpected use of the powers conferred by the enactment under which it is made:
   (d) unduly makes the rights and liberties of persons dependent upon administrative decisions which are not subject to review on their merits by a judicial or other independent tribunal:
   (e) excludes the jurisdiction of the courts without explicit authorisation in the enactment under which it is made:
   (f) contains matters more appropriate for parliamentary enactment:
   (g) is retrospective where this is not expressly authorised by the enactment under which it is made:
   (h) was not made in compliance with particular notice and consultation procedures prescribed by applicable enactments:
   (i) for any other reason concerning its form or purport, calls for elucidation.

320 Procedure where complaint made concerning regulation
(1) Where a complaint is made to the committee or to the chairperson of the committee by a person or organisation aggrieved at the operation of a regulation, the complaint must be placed before the committee at its next meeting for the committee to consider whether, on the face of it, the complaint relates to one of the grounds on which the committee may draw a regulation to the special attention of the House.

(2) The person or organisation making the complaint is given an opportunity to address the committee on the regulation unless the committee agrees by unanimous resolution not to proceed with the complaint.
Appendix C: Bills that have been the subject of a report to another select committee between the period 1 January and 22 August 2017

- Anti-Money Laundering and Countering Financing of Terrorism Amendment Bill
- Children, Young Persons, and Their Families (Oranga Tamariki) Legislation Bill
- Customs and Excise Bill
- Domestic Violence–Victims’ Protection Bill
- Education (Tertiary Education and Other Matters) Amendment Bill
- Family and Whānau Violence Legislation Bill
- Land Transport (Vehicle User Safety) Amendment Bill
- Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Bill
Question of privilege regarding use of social media to report on parliamentary proceedings

Report of the Privileges Committee

Fifty-first Parliament
(Hon Christopher Finlayson QC, Chairperson)
September 2015

Presented to the House of Representatives
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I.17A QUESTION OF PRIVILEGE REGARDING USE OF SOCIAL MEDIA
Question of privilege regarding use of social media to report on parliamentary proceedings

**Summary of recommendations**

We recommend that the Speaker issue guidance based on existing rules of the House to all members of the House and the Parliamentary Press Gallery on appropriate use of social media to report on parliamentary proceedings (p. 8).

We recommend that the Standing Orders Committee review the “Rules for filming and conditions for use of official television coverage” (Appendix D of the Standing Orders) as part of its regular review of the Standing Orders (p. 11).
1 Introduction

In May 2014, the Speaker referred to us as a general matter of privilege the implications for Parliament of people using social media to report on parliamentary proceedings and to reflect on members of Parliament (including the Speaker).

Following the Speaker’s ruling (Appendix B), we developed the following terms of reference:

1 Should any restrictions, or guidelines, apply to members’ use of hand-held electronic devices in the Chamber and committees, including accessing social media to comment on the proceedings?

2 Do the Parliament’s procedures and rules need modernising to reflect the opportunities and challenges provided by social media, including where the House and committees use social media to disseminate information and facilitate public participation?

3 Are the current rules, that
   a. reflections on members (including the Speaker or other presiding officers) could amount to a contempt; or
   b. accusations against the Speaker that reflect on him or her in that capacity could amount to a contempt appropriate? If so, should these rules also apply to reflections or accusations made outside the House or on social media?

In our terms of reference and consideration of this question of privilege, we have followed a similar approach to that taken by the Standing Orders Committee of the Victorian Legislative Assembly when it conducted a similar inquiry in 2012.¹

¹ See Standing Orders Committee of the Legislative Assembly of Victoria, Report into use of social media in the Legislative Assembly and reflections on the Office of Speaker, December 2012.
2 Use of social media by Parliament and members

We consider the growth in the use of social media to communicate about Parliament in recent years to be a positive development. Parliament has an active Twitter account and is exploring increased use of Facebook by select committees. A healthy democracy relies on public participation, and all communication channels need to be fully used to promote the work that occurs in the House of Representatives.

For many members of Parliament, social media has become an essential tool for engaging with people and constituencies. At the time of writing, 105 out of the 121 members of the 51st Parliament had Twitter accounts. Members’ use of social media can provide a useful and interesting parallel commentary on what takes place in the House or in committees.

Given the value of social media for popular engagement and its enduring presence in our lives, we have no intention of questioning whether members and others should use it to report on parliamentary proceedings. Rather, our focus has been on appropriate behaviour when using social media, including assessing the relevant rules currently in place.

Our views on the use of social media by Parliament and its members reflect those expressed in the submissions we received, which recognised that social media has facilitated more and diverse communication about the work of Parliament.
3 Guidance on use of social media

Recommendation

We recommend that the Speaker issue guidance based on existing rules of the House to all members of the House and the Parliamentary Press Gallery on appropriate use of social media to report on parliamentary proceedings.

We believe that our examination of this question of privilege provides a timely opportunity to remind members and others of some existing and relevant parliamentary rules and practices, as well as some significant issues that should be borne in mind when using social media.

We recommend that these various rules and practices be compiled to form standalone guidance to be issued by the Speaker (Appendix C).

In particular, we wish to clarify any misconception about comments made by members on social media, including comments made from the Chamber. Such comments are not part of parliamentary proceedings, nor are they published under the authority of the House. Therefore, they may not be protected by parliamentary privilege.

Members should be aware that anything said on social media is potentially actionable in court. Members should also be careful not to disclose confidential select committee proceedings or reports through any means, including social media. The House may treat any such breach of confidentiality as a contempt. Another potential contempt that may be committed through social media is an adverse reflection on the character or conduct of a member (including the Speaker). We discuss this issue in detail in the next section of this report.

We consider that a ruling from 2012 on using electronic devices provides enough guidance on the practicalities of their use in the Chamber. The essential point is that members should be free to use any electronic device as long as it does not disrupt the business of the House or create disorder.

On this basis (i.e., that using electronic devices should not create disorder), we propose a particular approach to members using electronic devices to film or take photographs from the floor of the House. This is a matter on which there are currently no rules, unlike the situation for the Parliamentary Press Gallery. Although we have no intention of restricting social media comment by members, including from the floor of the House, we are concerned about the use of electronic devices to photograph and film in the Chamber and select committees.

Modern technology means that members can take photos and film unobtrusively, and new apps make it possible to stream footage taken on phones. Regrettably, on a small number of occasions, a member has taken a photo of another member in the House without permission and used it for political advantage. We consider this unacceptable. Access to

2 Standing Order 410(q).
3 Standing Order 410(o).
parliamentary proceedings is readily available through radio and television broadcasts and online streaming.

At the same time, we recognise that events take place in the Chamber that are of special significance to groups of people or members, such as swearings in, maiden and valedictory speeches, and waiata after the third reading of a Treaty of Waitangi claims settlement bill. On these occasions, we believe it is appropriate for the Speaker to authorise members to photograph or film from the floor of the House. We also believe that the Speaker should be able to designate other events in the House as being of special significance and permit filming and photography, provided that members are fully forewarned.

Before deciding on this approach, we discussed whether to allow members to film and photograph at any time in the Chamber, recognising that the use of social media has created expectations of increased informality and greater access to institutions and their representatives. Most of us believe that permitting filming and photography only on certain occasions is preferable to promote decorum and minimise the potential for disorder, both of which are important to public confidence in Parliament. The Chamber and select committee meetings rooms are working environments and we are concerned that if members are aware that they could be subject to candid filming or photography at any time, there may be negative effects on their behaviour or how they participate in proceedings.

We wish to clarify that our recommendation on when members may or may not film and photograph in the Chamber applies only to when the House is sitting. We are not concerned about members taking photographs in the Chamber with guests or visiting groups when the House is not sitting.
4 Reflections on members (including the Speaker) through social and other media

Our terms of reference for this examination required us to review the current rules on adverse reflections on members in the light of the proliferation of political commentary and views on social media, and the reality that something said on social media can reach a large audience in a short time.

Under Standing Order 410(o), the House may treat as a contempt the act of “reflecting on the character or conduct of the House or of a member in the member’s capacity as a member of the House”.

It is well understood that the House is a place of robust debate and that all members (including the Speaker and other presiding officers) can expect public comment and criticism if their performance warrants it.

The intent of Standing Order 410(o) is not to stifle criticism of members. Rather, the intent is to provide a longstop provision to address reflections that damage or undermine the integrity of the House. The last instance of a contempt under this provision was in 2007, in response to an allegation that a particular member always delivered his vote in the interests of the tobacco and liquor lobbies.4

Reflections against the Speaker or other presiding officers, and in particular any comment that alleges that they have been biased in performing their duties, are among the most serious reflections that can be made about members.5 The rule that it is a potential contempt to make a serious allegation against the Speaker that reflects on his or her impartiality derives from the longstanding practice and tradition of the House of Commons. The rule serves to protect the reputation of the office of Speaker and the institution of Parliament.

Reflections on the Speaker have been censured in New Zealand on only six occasions, the last of which was in 1998.6 Standing Order 410(o) has therefore been used only on rare and serious occasions. The rules about reflections on members have constitutional significance, and there is no evidence that they are being misapplied to inhibit the free speech of members, the media, or the public. Accordingly, we believe that the rules should be retained in their current form.

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4 See Privileges Committee, Question of privilege relating to a reflection on a member in his capacity as a member of the House (I.17C, February 2007).
6 Ibid.
5 Official television coverage

Recommendation

We recommend that the Standing Orders Committee review the “Rules for filming and conditions for use of official television coverage” (Appendix D of the Standing Orders) as part of its regular review of the Standing Orders.

We are satisfied that the House’s rules and procedures do not require significant updating in response to the rise in social media use. However, we have become aware of an area of the House’s rules that warrants re-examining. Both the Clerk of the House and the Chair of the Parliamentary Press Gallery observed that the rules for filming official television coverage of the House and for using this coverage (contained in Appendix D of the Standing Orders) could be relaxed to provide viewers with a truer picture of what takes place in the House. For example, providers of official coverage cannot currently show general disorder on the floor of the House and may only show a static wide-angle shot when a personal vote is taking place.

Both the Clerk and the Chair of the Parliamentary Press Gallery also proposed removing the prohibition on the use of official television coverage for “satire, ridicule, or denigration”. This rule has never been used and risks making Parliament seem out of touch and wary of criticism. We agree, subject to the reservation that what is published does not amount to a false or misleading account of parliamentary proceedings. We note that the House may treat “publishing a false or misleading account of proceedings before the House or a committee” as a contempt,7 which appears to be enough to deal with any seriously damaging use of official television coverage.

Appendix D may be modernised in other ways. We consider that the Standing Orders Committee is in the best position to thoroughly review the rules for official television coverage as part of its regular review of the Standing Orders and encourage it to do so.

7 Standing Order 410(e).
Appendix A

Committee procedure
We met between May 2014 and September 2015 to consider the question of privilege. We received 15 written submissions and heard evidence from the Clerk of the House of Representatives, the Chair of the Parliamentary Press Gallery, and Professor Andrew Geddis.

Committee members
Hon Christopher Finlayson QC (Chairperson)
Hon Simon Bridges
Hon Gerry Brownlee
Dr Kennedy Graham
Chris Hipkins
Hon Murray McCully
Hon David Parker
Rt Hon Winston Peters
Grant Robertson
Hon Anne Tolley

Clare Curran replaced Grant Robertson for this item of business.
Speaker’s ruling

Following discussion in the Business Committee, I have considered as a matter of privilege the recent use of social media to report on parliamentary proceedings and to reflect on members, including the Speaker. Although Standing Order 403 requires an allegation of breach of privilege or contempt to be formulated as precisely as possible so as to give the member or person against whom the allegation is made full opportunity to respond, no allegation against a particular member has been made out. However, the issue is a significant one.

The longstanding and carefully nuanced rules of the House do not necessarily sit comfortably with the informal and instant nature of the new information and communications technology, with its potential to reach a very wide audience very quickly. Although members tweeting from the Chamber during question time or debates is clearly not a proceeding in Parliament, this is not well understood and nor are the House’s wider rules protecting parliamentary proceedings and the various participants in them. Tweets may be actionable in the courts. Members could find themselves held in contempt by the House for publishing a false or misleading account of proceedings or reflecting on the character or conduct of the House or members. Furthermore, accusations that the Speaker has shown partiality in discharging his or her duties have in the past been judged very seriously, given the special position the Speaker holds.

Some uncertainty surrounds the application of parliamentary privilege to official social media usage for disseminating information about what Parliament is doing and facilitating wider public participation. The level of engagement with social media is such that it cannot be ignored. I believe that the House’s rules need to be examined in light of this new technology. Members and those participating in or commenting on parliamentary proceedings need to be clear about the rules and how they will be applied.

Consequently, I have determined that a general question of privilege does arise. The question therefore stands referred to the Privileges Committee.

20 May 2014
Appendix C

Proposed guidance on use of social media

GUIDELINES ON THE USE OF SOCIAL MEDIA IN PARLIAMENT

General

1 Social media offers a unique opportunity for members to share news and information about aspects of their work with the public. It can instantly bring Parliament to a much larger audience than other forms of communication. It also enables members to engage with sections of the community who might not otherwise be interested in the institution of Parliament and its central role in New Zealand’s system of representative democracy.

2 The importance of social media for popular engagement with Parliament suggests that members should be neither discouraged nor restricted from its use. Accordingly, these guidelines do not in any way restrict the use of social media for commenting on parliamentary proceedings.

3 Instead, these guidelines are intended to remind members and the Parliamentary Press Gallery of some relevant considerations about using social media in the House and its committees. These guidelines also clarify that, subject to some limited exceptions, members may not photograph or film other members on the floor of the Chamber or in select committee meetings.

Use of social media by members in the House and committees

4 Members are reminded of the following:

(a) Although using electronic devices in the Chamber and select committees is permitted, certain conditions govern such use. The main condition is that using electronic devices must not create disorder or disrupt the business of the House.\(^1\)

(b) Comments made by members on social media may not be covered by parliamentary privilege even if they have been made in the Chamber or a select committee meeting and relate to the business of the House or committees. Such comments are unlikely to be part of parliamentary proceedings or published under the authority of the House. Members may, therefore, be held legally liable for comments made on social media in the same way as they are for comments made outside the House.

(c) The proceedings of a select committee are not open to the public except when evidence is heard and remain strictly confidential to the committee until it reports to the House.\(^2\) Similarly, a report or a draft report of a select committee is strictly confidential to the committee until it reports to the House.\(^3\) Confidential select

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1 Speakers’ Ruling 17/3.
2 Standing Order 239.
3 Standing Order 240.
committee proceedings or reports should not be disclosed, contrary to Standing Orders, by any means, including social media. Any breach of the confidentiality of select committee proceedings or reports may amount to a contempt.\(^4\)

(d) Any public reflections on the character or conduct of a member in his or her capacity as a member of the House may amount to a contempt.\(^5\) This extends to the presiding officers, which means that any public reflections on the character or conduct of the Speaker, Deputy Speaker, or Assistant Speakers in their capacity as a member of the House may also amount to a contempt. This applies to public reflections on any medium, including through social media.

5 Members should not photograph or film on the floor of the Chamber, except during
(a) the swearing-in of a member
(b) a maiden or valedictory statement by a member
(c) a waiata in the Public Gallery after the third reading of a Treaty of Waitangi claims settlement bill; and
(d) any other occasion approved by the Speaker.

6 Members should not photograph or film in a select committee meeting except with the agreement of those members.

Use of social media by the Parliamentary Press Gallery

7 Members of the Parliamentary Press Gallery are reminded that all existing protocols and conventions that regulate media access to the House and its committees apply to their use of social media. These include the Protocol for interviewing members, filming, and photographing in Parliament Buildings issued by the Speaker and the Rules for filming and conditions for use of official television coverage set out in Standing Orders.

8 Any public reflections that members of the Parliamentary Press Gallery make on the character or conduct of a member (including the presiding officers) may amount to a contempt.\(^6\) This applies to public reflections on any medium, including through social media.

\(^4\) Standing Order 410(q).
\(^5\) Standing Order 410(o).
\(^6\) Ibid.
Three questions of privilege relating to alleged reflections by members on the Speaker in his capacity as Speaker

Report of the Privileges Committee

Fifty-first Parliament
(Hon Christopher Finlayson QC, Chairperson)
March 2016

Presented to the House of Representatives
Three questions of privilege relating to reflections by members on the Speaker in his capacity as Speaker

Recommendations

We recommend that the House accept the expression of regret provided by Andrew Little MP and take no further action in relation to this matter (p. 7).

We recommend that the House accept the expression of regret provided by Chris Hipkins MP and take no further action in relation to this matter (p. 7).

We recommend that the House accept the expression of regret provided by Hon Ruth Dyson MP and take no further action in relation to this matter (p. 7).

Referrals of the three questions of privilege

On 11 November 2015, the Deputy Speaker ruled that two questions of privilege arose from comments reportedly made by Andrew Little MP and Chris Hipkins MP in news articles.

On 1 December 2015, the Deputy Speaker ruled that a question of privilege arose from comments made from a Twitter account in the name of Hon Ruth Dyson MP.

These three questions consequently stood referred to this committee. The rulings are appended to this report (Appendix B).

Background

The complaints

Tim Macindoe MP raised the three matters of privilege.

The first two matters concerned comments reportedly made by Andrew Little MP and Chris Hipkins MP about a ruling the Speaker gave concerning the Healthy Homes Guarantee Bill (No 2).

In a news article published by Newstalk ZB, Andrew Little MP was reported to have stated:¹

All of a sudden we had one ruled out of order that the [S]peaker’s office have known about for four months—it's political and it's wrong.

And that the Speaker was developing:


In a news article published by the New Zealand Herald, Mr Little was reported to have stated:²

… National has clearly had a word in the Speaker’s ear, leading him to make an unprecedented decision to stop the bill being read this year.

¹ Newstalk ZB, 16 October 2015, Little calls foul over Speaker’s housing bill intervention (http://www.newstalkzb.co.nz/news/politics/little-calls-foul-over-speakers-housing-bill-intervention/).
And that:

The ruling raises serious questions about political interference. The Speaker must say whether this issue was raised with him by the Government after the Bill was drawn today or if he himself put pressure on the Clerk.

In a news article published on stuff.co.nz, Chris Hipkins MP was reported to have stated:3

They have clearly done the numbers and worked that out, and now the Speaker is interfering on their behalf to ensure the Government does not face that embarrassment.

And:

This is massive interference in the parliamentary process by the Speaker.

The third matter of privilege concerned comments made through a Twitter account in the name of Hon Ruth Dyson4 about guidance the Speaker gave to Marama Davidson MP during question time on 10 November 2015. The tweet was sent at 2.51 pm on 10 November 2015 and read:5

@publicaddress @MaramaDavidson What is his problem? Incompetent. Biased. Doesn't like job. Lazy. Sexist. Doesn't give a toss. #NeedIGoOn?

**Standing Orders**

Standing Order 409 provides that the House may treat as a contempt any act or omission which:

(a) obstructs or impedes the House in the performance of its functions, or

(b) obstructs or impedes any member or officer of the House in the discharge of the member’s or officer’s duty, or

(c) has a tendency, directly or indirectly, to produce such a result.

Specifically, Standing Order 410(o) provides that the House may treat as a contempt the act of reflecting on a member in the member’s capacity as a member of the House. Its purpose is not to stifle criticism of members, but rather to address reflections that would damage or undermine the integrity of the House.

**Committee consideration**

At our meeting on 2 December 2015, we had a useful discussion about the events which preceded the comments by the members. These included, in the cases of Mr Little and Mr Hipkins, the Speaker’s ruling of 16 October about the Healthy Homes Guarantee Bill (No 2), following earlier advice from the Office of the Clerk that the bill was in order. In the case of Ms Dyson, they included the Speaker’s ruling of 10 November following the events surrounding the references in the House during oral questions to Opposition members “supporting rapists”.

On 9 December 2015, we received a letter from Mr Little and Mr Hipkins that acknowledged that the comments made were unparliamentary. The letter expressed regret that they had responded in that way. Similarly, on 9 December, we received a letter from Ms Dyson that acknowledged that her comments were intemperate and unparliamentary. The letter also expressed regret that she had responded in that way. Copies of the letters are appended to this report (Appendix C).

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4 The Twitter account has the username @ruthdysonmp.

5 The tweet has subsequently been deleted from Ms Dyson’s account.
We recommend that the House accept these expressions of regret and take no further action in relation to these matters.

On the same day as we received these letters, there was the following exchange in the House:  

Rt Hon JOHN KEY (Prime Minister): I raise a point of order, Mr Speaker. During question time on 10 November, in response to a supplementary question on question No. 1, I made a comment about the Opposition that caused offence. Subsequently, the matter has been raised several other times in the House. I have reflected on my comments, and, on this, the last sitting day of the year and so close to Christmas, I would like to withdraw and apologise for that response.

ANDREW LITTLE (Leader of the Opposition): I raise a point of order, Mr Speaker. In recent weeks, statements have been made by members on this side of the House about you, which reflected upon you. I wish to draw to the attention of this House that correspondence has gone to the chair of the Privileges Committee today, accepting that those comments were unparliamentary and expressing regret for them—all of which demonstrate that this House is capable of acting, if not in the spirit of Christmas, then in the spirit of the Bloody Red Baron.

Mr SPEAKER: I thank the member sincerely.

Reflections on the Speaker

The House has a duty to protect itself and its members if a reflection on a member is liable to become an improper obstruction of the functions of the House—for example, if criticism of a member could undermine public respect for, and confidence in, the House as an institution. However, this is not a means of inhibiting legitimate public debate. The House will have regard to the importance of preserving freedom of speech in matters of political controversy when deciding whether to exercise its powers.

As we noted in our recent report on the use of social media to report on parliamentary proceedings, reflections against the Speaker or other presiding officers—and, in particular, any comment that alleges that they have been biased in performing their duties—are among the most serious reflections that can be made about members.

We were interested to compare the New Zealand position in regards to reflections on the Speaker with that of other comparable Parliaments. We looked at the current situation in the lower houses of Australia, Canada and the United Kingdom. In particular we were interested in any procedural mechanisms which exist in these other jurisdictions to allow members to express and debate dissent from a Speaker’s ruling (as opposed to reflecting on the character or actions of the Speaker).

Dissent from a Speaker’s ruling

In New Zealand the formal mechanism by which a member may express his or her dissent from a Speaker’s ruling is to lodge a notice of motion (for example, expressing dissent and calling on the Speaker to reconsider, or expressing no confidence in the Speaker). However, members’ notices of motion that have not been dealt with within one week of their first appearance on the
Order Paper will lapse, and are therefore unlikely to be debated unless there is majority support for such an action. This is broadly similar to the position in Canada and the United Kingdom.

In Australia however, members may express their dissent from a Speaker’s ruling by moving a motion of dissent at the time the ruling is made. If the motion is seconded the Speaker will propose the question to the House and debate may proceed immediately. The chairperson does not participate during such a debate other than, for instance, to clarify a procedural matter, as the question is in the hands of the House. The debate is limited to a total of 30 minutes.

We recognise that it is never acceptable for members to reflect on the Speaker or other presiding officer in a way which alleges bias or otherwise brings the House into disrepute. However, the context for these three questions of privilege reveals that, on occasion, significant tension and disorder in the House can cause members to behave in ways they may later regret. Clarity over the time-period within which a member may take a point of order based on personal offence at a remark made by another member may be useful. The Standing Orders Committee may wish to consider this matter as part of its regular review of the Standing Orders.

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9 Standing Order 100.


Appendix A

Committee procedure

We met between December 2015 and March 2016 to consider the questions of privilege. We received advice from the Office of the Clerk of the House of Representatives.

Committee members

Hon Christopher Finlayson QC (Chairperson)
Hon Simon Bridges
Hon Gerry Brownlee
Dr Kennedy Graham
Chris Hipkins
Hon Murray McCully
Hon David Parker
Rt Hon Winston Peters
Grant Robertson
Hon Anne Tolley

Hon Clayton Cosgrove replaced Chris Hipkins for these items of business.
Appendix B

Deputy Speaker’s ruling – questions of privilege regarding alleged reflections by Andrew Little MP and Chris Hipkins MP on the Speaker in his capacity as Speaker

Two matters of privilege relating to comments about the Speaker reported to have been made by Andrew Little and Chris Hipkins have been raised as matters of privilege by Tim Macindoe. Because the matters relate to the Speaker, he has asked me to consider and rule on them. It is suggested that the comments complained of could each amount to contempt of the House in that they reflect on the Speaker in his capacity as Speaker.

In two news articles, Mr Little is reported to have stated that the Speaker has “a reputation in short order of acting politically in the way he handles question time” and “National has clearly had a word in the Speaker’s ear, leading him to make an unprecedented decision to stop the bill being read this year” and “the ruling raises serious questions about political interference”.

A news article reported Chris Hipkins as saying “the Speaker is interfering on their behalf to ensure the Government does not face that embarrassment” and “[t]his is massive political interference in the parliamentary process by the Speaker”.

The matters of privilege raised are significant ones. The Privileges Committee, in its recent report, stated that “reflections against the Speaker or other presiding officers, and in particular any comment that alleges that they have been biased in performing their duties, are among the most serious reflections that can be made about members.”

I have considered the matters raised and considered their degree of importance. In my view, allegations that the Speaker acts on the instruction of the Government and interferes in parliamentary process for political reasons are serious matters that suggest that the Speaker is not only biased in performing his duties but is open to partisan manipulation.

The comments complained of were not made in the heat of debate but were pre-meditated. As experienced politicians, they went to the media. The members concerned have not withdrawn the comments or resiled from them in any way but have sought to mitigate them by making comparison with comments by other members on other occasions. It is for the Privileges Committee to determine whether such comments amount to contempt.

Consequently, I rule that a question of privilege does arise from the comments reportedly made by Mr Little in that they may constitute a reflection on the Speaker in his capacity as Speaker. I also rule that a question of privilege arises from the comments reportedly made by Mr Hipkins in that they may constitute a reflection on the Speaker in his capacity as Speaker. The questions therefore stand referred to the Privileges Committee.

11 November 2015
Deputy Speaker’s ruling – question of privilege regarding alleged reflections by Hon Ruth Dyson MP on the Speaker in his capacity as Speaker

A matter of privilege pertaining to comments about the Speaker reported to have been made by the Hon Ruth Dyson have been raised as matters of privilege by Tim Macindoe. Because the matters relate to the Speaker, he has asked me to consider and rule on them. It is suggested that the comments complained of could each amount to contempt of the House, in that they reflect on the Speaker in his capacity as Speaker. On Twitter, comments from an account in Ms Dyson’s name say the Speaker is “Incompetent. Biased. Doesn’t like job. Lazy. Sexist. Doesn’t give a toss.” The matter of privilege raised is significant.

In a recent report, unanimously supported by members, the Privileges Committee stated that “Reflections against the Speaker or other presiding officers, and in particular any comment that alleges that they have been biased in performing their duties, are among the most serious reflections that can be made about members.” I have considered the matters raised and considered their degree of importance. The member concerned clearly does not consider the comments to be serious, though she stated in a letter to me that the Standing Orders exist to prevent personal attacks on members. It is for the Privileges Committee to determine whether the comments, in this instance, amount to contempt. Consequently, I rule that a question of privilege does arise from the comments made from Ms Dyson’s Twitter account, in that they may constitute a reflection on the Speaker in his capacity as Speaker. The question therefore stands referred to the Privileges Committee.

1 December 2015
Appendix C

9 December 2015

Hon Christopher Finlayson
Chairperson
Privileges Committee

Dear Chris

We write in relation to the matter of privilege concerning comments that we have made regarding the Speaker.

Our comments were made at a time of heightened tension following a ruling from the Speaker.

We acknowledge that the comments made were unparliamentary and regret that we responded in that way.

Yours sincerely

Andrew Little MP

Chris Hipkins MP
9 December 2015

Hon Christopher Finlayson
Chairperson
Privileges Committee

Dear Chris

I write in relation to the matter of privilege concerning comments that I have made regarding the Speaker.

I made my comments in reaction to comments the Prime Minister made in the House and the Speaker’s response to it.

I acknowledge that my comments were intemperate and unparliamentary. I regret that I responded in that way.

Yours sincerely

Ruth Dyson MP
Review of Standing Orders

Report of the Standing Orders Committee

Fifty-first Parliament
(Rt Hon David Carter, Chairperson)
July 2017

Presented to the House of Representatives
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Review of Standing Orders

Part 1

Recommendation to the House
We recommend to the House that the amendments to the Standing Orders set out in Part 2 of this report be adopted, with effect from the day after the dissolution or expiration of the present Parliament.

Introduction
The Standing Orders Committee is empowered to review the Standing Orders, procedures and practices of the House, and usually conducts a review of Standing Orders during each term of Parliament. The Standing Orders are part of New Zealand’s constitutional landscape, and the Standing Orders Committee therefore has a convention of requiring consensus or overwhelming support if proposed amendments are to be effected.

This report sets out recommended amendments to the Standing Orders on which consensus could be reached. We have also included many observations about how the House’s existing rules should apply in practice, and about opportunities for change and innovation.

We would like to thank the people who made submissions on this review.

Main points

- **Subject select committees**—The number of subject select committees is reduced from 13 to 12, and subject areas are re-arranged (see page 17 and Appendix C on page 74).
- **Select committee membership**—Select committees are expected to reduce in average size with a guideline of 96 seats overall, allocated on a proportional basis (page 19).
- **Effective chairing of committees**—A “job description” for select committee chairpersons is set out, with expectations for this challenging and crucial role (page 20).
- **Committee meetings in adjournment weeks**—Select committees are strongly encouraged to meet during weeks when the House is not sitting (page 21).
- **Business Committee innovations**—Members are encouraged to make proposals to the Business Committee about how to focus the House’s time on debating the important issues of the day, and the Clerk will publish a handbook to help members to make the most of the Business Committee’s powers to innovate (page 9).

1 Standing Order 7.
• Effective law-making—There are many ways for the Business Committee to promote better law-making: rewarding the use of inclusive and robust pre-legislative processes by the Government, referring Supplementary Order Papers to select committees, and arranging the committee stage of bills (pages 24, and 29 to 32).

• New Zealand Bill of Rights Act—The Attorney-General can report on amendments to bills that appear inconsistent with the New Zealand Bill of Rights Act 1990, at any time during the legislative process (not just on the introduction of bills), and we encourage this practice (page 25).

• Family-friendly Parliament—The Speaker administers the granting of permission to be absent for the care of very young children in a way that promotes the well-being of members’ families while taking account of the high expectation that members will attend. The Clerk of the House intends to consult members about better accommodating family needs in parliamentary life (page 6).

• Parliament TV coverage—The ban on the use of coverage for satire, ridicule, or denigration is lifted (page 11).

• Retrospective rulings—The Speaker can deal retrospectively in the House with matters of order if it is in the House’s interests to do so, but members cannot raise retrospective points of order (page 14).

• Financial scrutiny debates—New rules for the Estimates and annual reviews, which have been trialled by the Business Committee, are now made permanent (page 35).

• International treaties—A new procedure is introduced for debating each international treaty that the Government intends to implement through a bill, in return for the first reading of the bill being taken without debate (page 39).

• Parliamentary noticeboard—A new feature will be developed on the Parliament website for members to publish notices about community events or milestones or significant achievements by constituents (page 40).

• Pecuniary interests—The purpose of the Register is amended, a new declaration category is created to cover interests in managed investment schemes, and provision is made for corrections to members’ returns to be published as part of the parliamentary record (page 42).
1 General provisions and office-holders

Working towards a family-friendly Parliament

Finding the appropriate balance of work and family life can be difficult for people in all walks of life. The families of members of Parliament can face particular challenges arising from their role, including the working hours, periods away from home, and a heightened public profile. To an extent these pressures are inherent to being elected to Parliament, but it is still important to look for ways to protect the well-being of members’ families.

It is in the House’s interests to ensure optimal conditions for members to participate in proceedings and other duties. Moreover, the health of a democracy can be measured through reference to the diversity of elected members. For this reason, the Inter-Parliamentary Union (IPU) pays significant attention to the representation of women in parliaments around the world. New Zealand’s proportion of women in Parliament (34 percent) rates moderately well at 32nd out of 193 countries in the IPU’s database. This has increased since the change to MMP, but could be improved. More family-friendly conditions could reduce the disincentives for some women and men who otherwise might consider putting themselves forward for election.

Effective use of House time

From the House’s perspective, a more family-friendly approach might include the minimisation of late-night sittings, especially if they are additional to the regular sitting pattern and occur without sufficient warning to make family arrangements. However, ideas for adjusting use of House time are not straightforward. While reduced evening sittings might be helpful for members whose families are based in the Wellington area, this could be counter-productive if it meant longer or more frequent sitting periods keeping other members away from home.

The key is to promote the more effective and predictable use of House time. The House has made considerable progress in this respect in recent years, most significantly via the Business Committee. Solutions arrived at through this channel tend to enable progress while permitting good scrutiny and retaining proper constraints on legislative activity. There is further scope for the Business Committee to schedule business, and we have discussed this below.

Care for young children

Since 2014, the Standing Orders have included provision for the Speaker to grant members permission to be absent without affecting the proxy-vote limit for parties. The Speaker has used this provision to allow periods of parental leave or to permit members to leave the parliamentary precinct to nurse infants. This has been a positive development.

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2 The IPU places great emphasis on diversity as an aspect of democracy. See for example, the Universal Declaration on Democracy adopted by the Inter-Parliamentary Council in September 1997. Article 11 calls for parliaments “in which all components of society are represented”, and Article 4 particularly sets out the principle that “achievement of democracy presupposes a genuine partnership between men and women in the conduct of the affairs of society in which they work in equality and complementarity, drawing mutual enrichment from their differences”.

3 IPU statistical archive of women in national parliaments (http://www.ipu.org/wmn-e/classif-arc.htm) as at 1 January 2017. For comparison, only Rwanda and Bolivia exceed 50%, Sweden is sixth with 44%, Germany 23rd with 37%, the United Kingdom 47th with 30%, Australia 50th with 29%, Canada 62nd with 26.3%, and the United States of America 104th with 19%.

4 Standing Orders 38(1) and 155(3) and (4).
We have considered whether to set out rules or guidelines that provide greater certainty about the prospect of parental leave for members. One issue is that it is not possible for members of Parliament to take unpaid leave—members must be paid, by law. There also is no job-protection element for members, as their seats can become vacant only under the circumstances described in the Electoral Act 1993.

In our view, the process for the Speaker to grant permission to be absent for the care of very young children is working, and it is in the House’s interests for this to be administered to promote the well-being of members’ families. It is appropriate for the Speaker to continue to administer such leave, rather than devolving it to whips, so that the Speaker can ensure a consistent approach and take account of the high expectation that members will attend the House. As a particular suggestion, a submitter asked for changes to allow breastfeeding and bottle-feeding in the Chamber and lobbies. This can be achieved without requiring a change to the Standing Orders, as it is a matter for the Speaker to decide, both when presiding and also through the rules for admission to the Chamber and lobbies. While it is customary for people who are not members or officers of the House to be barred from the floor during a sitting, this parliamentary objection is not applicable to infant children of members. Such arrangements would need to avoid undue disturbance to, and distraction from, the participation of other members in the House’s proceedings.

Consultation with members

Members will undoubtedly have ideas for better accommodating family needs in parliamentary life. The Clerk of the House has signalled that he would like to have this conversation with members in collaboration with the General Manager of the Parliamentary Service, and we look forward to this happening during the next term of Parliament.

Terms and definitions

Serjeant-at-Arms

We recommend modifying the definition of Serjeant-at-Arms to reflect that appointments to the position are made by the Speaker, rather than by the Crown on the recommendation of the Speaker.

The Serjeant-at-Arms was historically appointed by the Crown, but this has not been the case since the statutory provision for the Crown to do so was repealed in 1985. Since then, practice has evolved so that the appointment is made by the Speaker. This arrangement appropriately reflects the House’s exclusive right to determine its own affairs.

Amendment 1 Serjeant-at-Arms

Modify the definition of Serjeant-at-Arms to reflect that appointments to the position are made by the Speaker.

Written or in writing

We recommend updating the definition of written or in writing to modernise the language used and to describe more clearly the formats included in the definition. This includes explicitly acknowledging email as a valid format, and removing the part of the definition that describes combining different formats.
Amendment 2  Definition of “written” and “in writing”

Update the definition of written or in writing to modernise the language used and to more clearly describe the formats included in the definition.

Members’ days

The term “Members’ day” is commonly used and widely understood as a Wednesday on which Members’ bills are considered. However, the term is not recognised in the Standing Orders, which instead repeatedly use the long-winded description of “sitting at which Members’ orders of the day take precedence”.

We propose that the Standing Orders refer to “Members’ days”, while retaining the same method for calculating their occurrence. This will require a new definition in Standing Order 3 and a change to Standing Order 76, as well as consequential changes to Standing Order 281 (about the Members’ bill ballot), and the Standing Orders regarding the Estimates debate and annual review debate.

Amendment 3  Members’ days

Recognise the phrase “Members’ day” in Standing Orders 3, 76, and 281, and in the Standing Orders relating to the arrangement of the Estimates debate and annual review debate.

Hansard, Journals, and records of the House

Hansard is currently authorised under the somewhat obscure heading of “Official report”. We recommend adding Hansard to the heading of Standing Order 9, to make its subject-matter more obvious. Similarly, we recommend adding the word “Journals” to the heading of Standing Order 8.

We recommend further updating the wording of Standing Order 9, by changing “portions of the proceedings” to “types of proceedings”. Standing Order 9 gives the Speaker the ability to determine which types of proceedings are covered in Hansard, allowing the omission of some proceedings that do not add to the record of the House’s business. For example, Hansard does not repeatedly transcribe the prayer or the lists announced by the Clerk under general business, nor the myriad ways members express their party votes. In earlier times, the ability to omit “portions of proceedings” reflected the usual practice for no transcript to be included of proceedings in committees of the whole House. These proceedings are now included. Standing Order 9(2) is not intended as a means for the Speaker to censor Hansard.

Regarding the records of the House, the wording of Standing Order 10 implies that the records are held in physical files. This is no longer necessarily the case, particularly for select committee records, the official version of which is now entirely electronic. We recommend this Standing Order be updated with format-neutral wording.

Amendment 4  Hansard, Journals and records of the House

Update the wordings of Standing Orders 8, 9, and 10 to clarify the provisions for Hansard, Journals, and records of the House.
2 Sittings of the House

Use of House time—Business Committee

Effective use of the House’s sitting hours is integral to Parliament’s overall effectiveness in legislating, scrutinising, and representing. During this review, the focusing of the House’s time on important issues that warrant debate has been a topic of interest for many members. There is a general desire to spend less time discussing non-controversial or less complex legislation and more time debating the important issues of the day.

Many of the suggestions we have heard and discussed for better programming of the House’s time could currently be achieved through constructive negotiation at the Business Committee. That committee has, since the Review of Standing Orders 2011, developed into an indispensable forum and proving ground for new ways of doing things. It has wide powers to determine the progress of bills and the time spent on items of business, and arrange debates on set-topics or reports. Although the committee’s readiness to innovate has been impressive, we think that it could do even more, particularly if members take the opportunity to propose ideas to the committee.

The Business Committee rightly operates on the basis of unanimity or near-unanimity. House time is a coveted resource, and the proposals most likely to gain the support of all parties are ones that have a win-win flavour. Expediting non-controversial business and holding special debates, for example, can go hand-in-hand if the overall proposal satisfies both the Government’s and non-Government members’ priorities.

The Business Committee does not have a monopoly on good ideas. All members can write to the committee or talk to their party representatives on the committee about the programming of House time, and we hope that more members will do so in future.

We acknowledge that the visibility of the Business Committee’s powers and how they can best be used could be improved. As the committee has developed significantly over the past six years, the different ways the committee’s powers could be creatively combined have multiplied. Moreover, the committee’s powers are located across various chapters of the Standing Orders.

The Clerk indicated in his submission that he intends to produce a Business Committee handbook. The handbook would set out the committee’s powers, examples of innovations, and guidance for interacting with the committee. It would assist both the committee’s members and members generally to realise the potential offered by the committee. We welcome this intention and look forward to the development of the handbook.

Urgency

Several submitters raised issues concerning how urgency is accorded, what its effect is, and how it is used in practice. All of these submitters noted concerns about the decrease in consultation on and scrutiny of legislation passed under urgency, and the potential impact on legislative quality. These topics have received extensive discussion during our review.

The use of urgency over the past two Parliaments has been relatively low, accounting for around 9 percent of total sitting hours in comparison to an average of just over 20 percent
I.18

A REVIEW OF STANDING ORDERS

for the period from 1996 to 2011. We think this represents a genuine improvement in how urgency is utilised by Governments. In addition, the requirement introduced in 2011 for a Minister to inform the House with some particularity of the circumstances that warrant the use of urgency has improved the transparency of the procedure.

Urgency can be used to progress bills through any number of legislative stages, resulting in different patterns of use over Parliaments. The current Parliament has seen a noticeable decrease in the number of bills considered under urgency, but a rise in bills proceeding through all stages and bypassing the select committee stage. Bills that proceed through all stages inevitably do not benefit from the in-depth consideration and amendment that the regular legislative process affords, and the working assumption of our Parliament is that statutes that do receive such consideration are better for it. While there are some circumstances that legitimately require urgent legislative action, Governments should show restraint in the overall use of urgency. Where possible, bills should be afforded select committee consideration, even if only for a brief period in the case of genuinely urgent bills.

A number of proposals for changing the urgency procedure were discussed, but no agreement was reached by the committee. The Labour Party proposed requiring a special majority of 75 percent for according urgency to bills, and the same threshold for adopting amendments to bills under urgency. The proposal was made on the basis that the higher threshold would mean urgency would tend to be used only in circumstances that warranted it, for example during an emergency. The Labour Party is disappointed that no agreement could be reached about this proposal, and notes that it was balanced with a separate proposal to facilitate the consideration of bills that had undergone a good pre-introductory process, which the Labour Party argued would have resulted in a net benefit for Governments in terms of House time to progress their legislative programmes.

Extended sittings

Extended sittings, introduced in 2011, have successfully provided a mechanism to progress non-controversial business and supplement the hours available to the House.

The procedure has increasingly been used to progress Treaty of Waitangi claims settlement bills, with over 75 percent of all extended sitting time devoted to settlement bills in the current Parliament compared to just over 60 percent in the previous Parliament. We acknowledge the significant contribution this has made to the settling of historical grievances. There is significant potential to consider other types of business through extended sittings, including other non-controversial bills and special debates. We hope to see greater and more varied use of the procedure in future.

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6 Twenty bills have been considered under urgency in the current Parliament, with 15 passing through all stages. By comparison, four of 44 bills considered under urgency bypassed the select committee stage in the 2013 calendar year (during the 50th Parliament).

7 This has occurred for several bills in this Parliament.
Broadcasting

Rules for filming and television coverage

Visual coverage of proceedings in the Chamber forms an important part of how Parliament is communicated and made accessible to the public. In its 2015 report on the use of social media to cover parliamentary proceedings, the Privileges Committee encouraged us to review the rules for official television coverage, which are set out in Appendix D of the Standing Orders. The submission of Dr Gavin Ellis cited principles of openness, accessibility, and fair and accurate reporting, and proposed that the rules for filming be amended to give greater flexibility to show what happens in the Chamber.

We consider that the current coverage of the House is of high quality, and could not reach agreement about a relaxation of the rules for official television coverage at this time. We do, however, see merit in liberalising some of the rules, and encourage the next Standing Orders Committee to undertake a thorough review of all of the rules and practices surrounding filming and photography in the Chamber, including the practices of members and the press gallery.

Conditions for use of official coverage

Part B of Appendix D sets out the conditions that apply to the use of official television coverage. It states that coverage must not be used for (a) political advertising or election campaigning (except with the permission of all members shown), (b) satire, ridicule, or denigration, or (c) commercial sponsorship or commercial advertising.

In its 2015 report on the use of social media to cover parliamentary proceedings, the Privileges Committee endorsed the removal of the prohibition on use of coverage for satire, ridicule, or denigration. The committee stated that:

This rule has never been used and risks making Parliament seem out of touch and wary of criticism. We agree [with the proposal to remove the rule], subject to the reservation that what is published does not amount to a false or misleading account of parliamentary proceedings. We note that the House may treat “publishing a false or misleading account of proceedings before the House or a committee” as a contempt, which appears to be enough to deal with any seriously damaging use of official television coverage.

In keeping with the Privileges Committee’s conclusion, we recommend the deletion of the ban on the use of coverage for satire, ridicule, or denigration.

Amendment 5  Conditions for use of official television coverage

Lift the ban on the use of official television coverage for satire, ridicule, or denigration, which is set out in subclause (1)(2)(b) of Part B of Appendix D.

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8 Privileges Committee, Question of privilege regarding use of social media to report on parliamentary proceedings (15 September 2015), [2014–2017] AJHR I.17A, p. 11.
9 Ibid.
Accessibility

Initiatives to improve accessibility to Parliament for people with disabilities

Two submissions asked us to consider the accessibility of Parliament. In particular, it was suggested that the rules of the House should require committees to reasonably accommodate submitters with disabilities who wish to engage in the parliamentary process.

Improving the accessibility of the parliamentary precinct and parliamentary proceedings has been a focus for the Office of the Clerk and Parliamentary Service since the 2014 report of the Government Administration Committee on its inquiry into the accessibility of services to Parliament. A number of initiatives reflect Parliament’s commitment to accessibility of services, including:

- specific modifications to the buildings in the precinct (for example, changes to signage, flooring, glass doors)
- the introduction of an upgraded, more user-friendly Parliament website
- plain English committee reports and website content
- live captioning of proceedings in the House.

Use of New Zealand Sign Language (NZSL) interpretation has also been well received, with signing being provided for Question Time during New Zealand Sign Language Week and on Budget Day. This interpretation increases accessibility of these sittings for hearing-impaired or deaf viewers of Parliament TV and people in the public galleries, and the intention is to continue with signing on these occasions.

Select committees regularly receive requests from submitters with disabilities to appear before them and all reasonable steps are taken to assist, for example through the use of remote conferencing facilities, engagement of NZSL interpreters, or changes to the physical layout of committee rooms.

We also note that the Parliamentary Service’s extensive work to enable the parliamentary precinct to be accessible has been recognised with a Gold rating for accessibility from Be Accessible.

We expect that initiatives will continue to be taken to improve the accessibility of parliamentary processes, including for people with disabilities. In that light, we do not recommend the inclusion of a specific requirement in the Standing Orders. We note that our expectations for chairpersons of select committees, set out below, include the need for participants in parliamentary processes to be treated fairly and respectfully, and for Parliament to engage well with the public and encourage democratic participation.

Parliamentary prayer

The committee received several submissions that advocated strongly for altering the practice of reading a Christian prayer at the opening of sittings of the House. We acknowledge that not all members of Parliament or of the public identify with the current practice. The prayer itself is not set out in Standing Orders but is a matter of long-standing tradition. Following the Review of Standing Orders 2014, the Speaker consulted members about the prayer but no agreement was reached on an alternative. We believe that any

change in practice should follow the process of the Speaker consulting members about the matter. We note that the Speaker has indicated it would be appropriate for the Speaker of the next Parliament to undertake further consultation on the matter.
3 General procedures

Maintenance of order

Dealing retrospectively with matters of order

There is a well-established prohibition on raising points of order in the House about events that have passed. This helps to ensure points of order address matters that are relevant to the maintenance of order at that point in time and are not themselves used to disrupt the order of the House. This prohibition on retrospective points of order is appropriate and we encourage Speakers to continue not to entertain them.

We consider, however, that the Speaker is able to deal retrospectively in the House with matters of order if the Speaker considers it important and in the House’s interests to do so. The Speaker’s primary task is to preside over the effective conduct of proceedings. Where an incident may have a continued impact on the House’s ability to deal with its business, the Speaker can address the matter.

Retrospective intervention by the Speaker should be infrequent and used only in serious cases. In such situations, the Speaker could ask the offending member to withdraw and apologise, or could take stronger action if necessary.

Members should raise such issues privately with the Speaker, outside the House. This ensures that the prohibition on retrospective points of order remains undisturbed, and members can discuss their concerns with the Speaker away from the charged atmosphere of the Chamber. There is still, of course, a strong presumption that points of order will be raised immediately.

As always, rulings of the Speaker are final. A retrospective ruling on a matter of order does not re-open the matter for discussion.

Members’ dress—formal wear

The Pacific Youth Leadership and Transformation Council (PYLAT) submitted that members should be allowed to wear the formal wear of any culture in the Chamber.

The standard of dress required of members is determined by the Speaker, in line with the stipulation made by the Standing Orders Committee in 2003 that “appropriate business attire” is expected in the Chamber. We support the suggestion that members should be allowed to dress in the formal wear of the culture they identify with. Indeed, members have worn cultural attire in the House on many occasions. We encourage members to consult the Speaker if they are unsure about what would be acceptable.

Rules of debate

Languages

PYLAT’s submission suggested more support for members to address the House in the languages and dialects of Tokelau, the Cook Islands, and Niue.

Although the Standing Orders recognise English, Māori, and New Zealand Sign Language as the official languages of New Zealand, members are able to use other languages when
speaking in the House. When a member chooses to do so, they must provide a brief translation for the House.

We are not aware of any occasions when members have sought to address the House at length using the language of one of the Pacific territories within the Realm of New Zealand. However, we would support this practice as long as an accurate interpretation is provided so that other members can understand the remarks. Members wishing to speak in another language should contact the Speaker in advance to discuss arrangements. For example, it might be appropriate for additional time to be allowed so the member can provide an interpretation.

**Voting**

**Personal votes following party votes**

Since the party vote procedure was introduced in 1996, there have been occasional calls for the Speaker to use Standing Order 144 to permit personal votes to test whether party votes have been cast properly on the basis of the number of members in the precinct at the time. However, the consistent approach has been that the closeness of a vote result is not by itself enough to trigger Standing Order 144; rather, there would need to be something else that might make a material difference. This led to uncertainty about whether the rule would ever apply. The House already has procedures in place to correct errors and mistakes in voting, including where confusion arises concerning the result of a vote. Misleading the House through the improper casting of votes would potentially be a contempt, and members with any evidence of such conduct should draw it immediately to the Speaker’s attention.

Overall, the use of personal votes would not provide conclusive evidence about whether party votes had been properly cast. The failure of a member to register a vote in the lobbies does not prove that the member was absent from the precinct at the time of a party vote several minutes earlier. Conversely, a member who is absent from the precinct, but still nearby, could potentially reach the lobbies within the seven minutes available.

Proxy rules for personal votes and party votes are not the same. First, the limit on proxy votes applies only during party votes—there is no limit on proxies during a personal vote. Second, the general authority that whips exercise to cast proxies during party votes does not apply during personal votes, which means that for personal votes members need to give specific authority so proxies can be cast on their behalf. Moreover, a number of complexities would need to be taken into account, including the absence of members with permission from the Speaker (who are not counted towards the proxy limit), or who are outside the precinct on parliamentary or approved business (in which case they are regarded as in attendance). The use of personal votes for this purpose thus could undermine confidence in the party vote procedure by not taking account of these complexities. Moreover, the need to recognise the above factors in the context of each personal vote conducted under this procedure could mean the result of a vote might take some time to discern, which could disrupt or cast doubt on the outcome of the House’s proceedings.

We have discussed this matter at length, and particularly considered whether to replace Standing Order 144 with a new provision empowering the Speaker to require information so

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11 Speaker’s Ruling 77/1.
12 Standing Order 152.
as to be satisfied that a party vote or proxy vote has been properly cast. However, we have not reached agreement about this. The voting provisions would benefit from being rewritten so they are clearer, and especially to separate the different procedures for casting proxies during party votes and personal votes. We suggest that this occur during the next review. In the meantime, we note that the Speaker already has the ability to ask members about matters relating to compliance with the Standing Orders or potential matters of privilege, including in connection with the casting of party votes.
4 Select committees

Reorganisation of subject select committees

In its 2014 report the Standing Orders Committee concluded that the subject areas of subject select committees should be reviewed in the 51st Parliament, to improve the alignment of subject areas with the current organisation of the public service and Votes, and the Government’s sector approach to defining objectives and measuring achievements. The committee also noted that any imbalances between committee workloads should be considered.ⁱ³

Accordingly, we recommend that the 13 existing subject select committees be reorganised into the following 12 subject select committees:

**Economic Development, Science and Innovation Committee**: business development, tourism, Crown minerals, commerce, consumer protection and trading standards, research, science, innovation, intellectual property, broadcasting, communications, information technology

**Education and Workforce Committee**: education, training, employment, immigration, industrial relations, health and safety, accident compensation

**Environment Committee**: conservation, environment, climate change

**Finance and Expenditure Committee**: economic and fiscal policy, taxation, revenue, banking and finance, superannuation, insurance, Government expenditure and financial performance, public audit

**Foreign Affairs, Defence and Trade Committee**: customs, defence, disarmament and arms control, foreign affairs, trade, veterans’ affairs

**Governance and Administration Committee**: parliamentary and legislative services, Prime Minister and Cabinet, State services, statistics, internal affairs, civil defence and emergency management, local government

**Health Committee**: health

**Justice Committee**: constitutional and electoral matters, human rights, justice, courts, crime and criminal law, police, corrections, Crown legal services

**Māori Affairs Committee**: Māori affairs, Treaty of Waitangi negotiations

**Primary Production Committee**: agriculture, biosecurity, racing, fisheries, productive forestry, lands, land information

**Social Services and Community Committee**: social development, social housing, income support, women, children, young people, seniors, Pacific peoples, ethnic communities, arts, culture and heritage, sport and recreation, voluntary sector

**Transport and Infrastructure Committee**: transport, transport safety, infrastructure, energy, building and construction.

Under our proposal, five committees remain largely or entirely unchanged from their current incarnations: Finance and Expenditure Committee, Foreign Affairs, Defence and Trade Committee, Health Committee, Māori Affairs Committee, and Primary Production Committee. In some cases their subject areas have been altered slightly, but the essential character of the committees has not.

The subject areas and names of the remaining seven committees are substantially reorganised. We have included a graphical representation in Appendix C (page 74), which shows the relationships between the current and proposed committees. Some significant changes are nonetheless worth highlighting here:

- Justice Committee merges the existing Justice and Electoral Committee and Law and Order Committee, with consideration of constitutional matters added to the new committee’s subject area.
- Economic Development, Science and Innovation Committee replaces the Commerce Committee. The new committee retains many of the Commerce Committee’s subjects, but takes on research, science, and technological development from the current Education and Science Committee, and has a new focus on innovation. Broadcasting is also added to its list of subjects.
- Governance and Administration Committee is a modified version of the existing Government Administration Committee. It takes on local government from the existing Local Government and Environment Committee—which becomes the Environment Committee—and hands over a number of subjects to the new Social Services and Community Committee.

In determining the above configurations, we strove to balance logical subject groupings, public sector structures, and committee workloads, although we acknowledge a degree of unpredictability in future workload trends. We have updated out-of-date terminology where appropriate. Any such wide-ranging reorganisation is likely to be accompanied by teething issues, and we invite future reviews of Standing Orders to refine the groupings we have proposed.

Standing Order 188 will therefore be amended to show the new structure and subject areas of the subject select committees. Consequential amendments are required to Standing Orders 394 and 396 to reflect the new names of the relevant committees (the Governance and Administration Committee and the Environment Committee).

**Decrease in number of subject select committees**

The decrease in committees from 13 to 12 would, together with our proposals for committee membership discussed below, reduce the burden of multiple committee membership on some members. We hope this will provide greater flexibility for committees to form subcommittees to focus on particular business, and for members to attend other committees according to the business they are scheduled to discuss.

The slight reduction in the number of committees would also result in broader subject areas and therefore less compartmentalisation of committee business. We do not see any problem with potential overlaps in the jurisdiction of committees—it is for each committee to decide how to exercise its power to self-initiate business within its portfolio.
Reallocation of business to new committees

When the House reinstates business in the new Parliament, business will resume at the stage that it has reached when the current Parliament is dissolved, under Standing Order 83. Many items will resume before select committees, and this will require some reallocation of business to take account of the new select committee structure. We suggest that the reinstatement motion include the proposed allocation of business to select committees. This is appropriate because the reallocation of business is a necessary consequence of the operation of Standing Order 83.

Amendment 6 Reorganisation of subject select committees

Amend Standing Order 188 to reflect the reorganisation of subject select committees.

Membership

Target to decrease overall membership of select committees

The overall number of select committee seats is not specified in the Standing Orders, but by well-established practice there tends to be approximately as many committee seats as members in the House in the distributions agreed by the Business Committee. Under Standing Order 185, the overall number of seats must be proportionally allocated among parties, so far as reasonably practicable.

We believe there would be some merit in decreasing the overall number of select committee seats while retaining the proportionality requirement. Committees are generally larger than is necessary for them to be effective, and some members have too many committee commitments. With a decrease in the number of subject committees from 13 to 12, committees would become even larger if the overall membership remained around 120.

A decrease in committee seats would provide more flexibility for parties to manage committee attendance and absences. This flexibility would also allow members to attend committee meetings according to their interests, expertise, and availability. Government backbench members would not be expected to be on more than two committees each, allowing them to be more focused in their committee work. There could also be greater scope to arrange extended sittings at the same time as committee meetings, as fewer members would be required to attend those meetings.

We do not favour specifying the number of seats in the Standing Orders. The Business Committee should retain the ability to determine the size of each committee. We propose instead that the Business Committee adopt a target of 96 seats across the 12 subject select committees. We considered models based on 108 committee seats, which would have little impact given the decrease in the number of committees, and 84 committee seats, which would leave too many members without permanent committee seats—a matter considered below. A total of 96 seats will result in most committees having seven, eight, or nine members.

In order to ensure the seats are distributed proportionally, we recommend that at the start of each Parliament the Clerk of the House calculate each party’s proportional allocation of the 96 seats based on its seats in the House and using the Saint-Lagué method of proportionality—as used in our electoral system—and inform parties of their allocations as soon as practicable. The Business Committee can then negotiate and agree upon any changes to the overall number of seats and the associated impact on proportionality.
Members without permanent committee seats
The proportional allocation of 96 committee seats will leave some members without permanent committee seats on subject select committees. As described above, fewer seats will give parties and members more flexibility in managing their committee work. Moreover, the Business Committee can currently appoint permanent non-voting members to committees, and this could be done more frequently in future to ensure all members can have regular involvement in committee work. Parties could also effectively split a seat between two or more members on an ongoing basis, under the current provisions for temporary changes to membership, so particular members are able to specialise in portfolios within select committee subject areas.

Chairpersons

Effective chairing of select committees
The effectiveness of select committees relies heavily on the proper exercise of the role of chairperson. The role can be difficult. It requires balancing the needs and expectations of all participants in committee business: members, submitters and witnesses, advisers, journalists, and the public in general. Chairpersons can be subject to strong demands from Ministers, especially if they are from the same party. All chairpersons must balance their legitimate political loyalties with the need to be fair and effective when arranging committee meetings and presiding over proceedings.

The Standing Orders do not set out how the role of chairperson should be performed, and this is appropriate. However, we wish to set out some expectations for chairing select committees. Unlike the Speaker in the House, select committee chairpersons participate both as presiding officers and also as members in a deliberative and political capacity. The overarching principle is that select committee chairpersons, when exercising functions and authority as presiding officers, must regard the interests of the House as paramount.

The interests of the House are served when:

- the rules and practices of the House are impartially and consistently interpreted, constructively applied, and always complied with
- members are able to make informed decisions about the business before them
- meetings are facilitated so that time is used effectively and collaborative decision-making can occur where possible
- participants in parliamentary processes are treated fairly and respectfully
- Parliament engages well with the public and democratic participation is encouraged
- bills and other instruments are scrutinised properly and improved so that New Zealand is regulated by good-quality legislation
- the Government is held to account for its policies, strategies, administrative actions, and financial performance
- legitimate expectations of Government and non-Government members are accommodated
- reports properly crystallise the outcomes of committee consideration and allow the expression of differing views
- business and arrangements for meetings are signalled in advance, and good warning is given of meetings outside Wellington
- business is considered in a timely way and reporting deadlines are met.
The House’s business is increasingly being communicated through the Parliament website and social media. Select committee chairpersons are getting involved in promoting committee activities so that the public is encouraged to participate. We commend this development and see it as another avenue for chairpersons to demonstrate their leadership of the select committee system.

Balancing such diverse interests and functions is a demanding task. But effective chairpersonship can be highly satisfying and can enhance the reputation of members and equip them well for other public office. Members regularly pay tribute across the House to chairpersons whom they regard as having discharged their roles in a constructive and fair manner. The above guidance will assist chairpersons to discharge their duties effectively.

**Appointment**

We considered whether the procedure for the selection of chairpersons and deputy chairpersons should be reformed so these positions are allocated proportionately to total party membership of the House. The distribution of these positions has always heavily favoured governing parties, including during every parliamentary term since the move to the MMP electoral system. We have not found a procedure to replace the current process whereby each select committee appoints its own presiding officers. In reality, most select committee chairpersons and deputy chairpersons are determined in advance by the parties concerned, outside the committee room.

Members of the Labour Party, Green Party, New Zealand First and United Future consider that it would be appropriate for the Business Committee, when looking at the membership of select committees, to consider the allocation of these roles to recognise the make-up of the House, even if this is not done with strict proportionality. In their view, while the Business Committee currently lacks the power to appoint chairpersons and deputy chairpersons, discussions in this context would assist in achieving an overall pattern for appointments to enhance the effectiveness of the select committee system. In particular, they consider that such discussions could result in the appointment of non-Government chairpersons for some committees with Government majorities, and vice versa.

**Meetings**

**Adjournment weeks**

We are concerned that there appears to be an increasing reluctance for committees to meet outside sitting weeks, curtailing the overall time available for committees to effectively discharge all of their responsibilities and raising the impact of disturbances to regular meeting times by extended sittings or unique events.

One of the main reasons why the House’s all-year sitting pattern was adopted was so select committees had regular non-sitting weeks in which to meet to discharge their functions. To compensate for members having to devote much of their time in adjournment weeks to select committee meetings, Fridays ceased to be regular sitting days. They continue to be protected from select committee work to this day, as part of this trade-off.

We strongly encourage committees to meet during adjournment weeks to carry out their business effectively. The alternative would be to remove the barrier to holding Friday meetings in sitting weeks, and the Standing Orders Committee may wish to consider this if

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the current aversion to meetings in adjournment weeks persists during the next Parliament. We acknowledge that calls on members’ time are many, and non-sitting weeks provide valued opportunities to connect with constituents. However, members’ primary responsibility is to attend to the House’s business, and we believe the balance should be shifted back in favour of select committee work in adjournment weeks.

**Meetings outside Wellington in adjournment weeks**

Standing Order 193(b) restricts the ability of select committee chairpersons to schedule meetings outside Wellington during adjournment weeks. This restriction dates back to the mid-1980s, at which point it amounted to a significant liberalisation. This restriction now seems unnecessary and we recommend removing it. Currently, a committee first has to meet in Wellington in order to agree to then meet outside Wellington. Giving the chairperson the ability to schedule meetings outside Wellington will give committees greater flexibility to make the most of the opportunities afforded by adjournment weeks. Apart from the restriction in Standing Order 193, committees have general authority to meet anywhere in New Zealand, under Standing Order 192.

Our expectations for effective chairing of select committees set out above include the expectation that members will be given as much notice as practicable of meetings outside Wellington. A committee wishing to constrain the chairperson’s ability to set meetings could achieve this by resolving the details of its next meeting.

**Amendment 7  
Adjournment week meetings outside Wellington**

Delete Standing Order 193(b) to allow chairpersons to schedule meetings outside Wellington in adjournment weeks.

**Form submissions**

The Green Party’s submission asked us to consider developing guidelines for committees’ treatment of form submissions, noting that form submissions are often treated differently based on their source.

Form submissions are submissions to a select committee generated from a single standardised form, which is usually created by an interest group or a political party. They differ in the quantity in which they are submitted, the degree to which individual submissions are customised, and the information they require submitters to provide about themselves. Committees also vary in their approach to form submissions.

We note that the Office of the Clerk is currently upgrading the electronic submission platform on the Parliament website. Future stages of this project may include a form submission function or an equivalent process. This would help to standardise the format and treatment of form submissions.

**Natural justice**

**Advisers on petitions about Government agencies**

One submitter described his experiences interacting with select committees and raised a number of questions related to natural justice, particularly regarding advice provided to a select committee about a petition relating to a Government department.
Select committees must observe principles of procedural fairness when dealing with allegations or grievances. When a petition raises a grievance against a Government agency, for example, the committee should avoid appointing that or another Government agency to provide advice about the petition. In such circumstances, a Government agency’s submissions should be received as evidence. This would ensure an equal footing for both the petitioner and the agency without affecting the availability of information to the committee.

**Status of proceedings**

**Release of committee proceedings**

When a select committee reports finally on an item of business, the committee’s proceedings become available to the public (apart from secret evidence). This does not necessarily mean the proceedings are published or posted on the Parliament website. The Clerk, as part of his or her custody of the House’s proceedings (under Standing Order 10), can exercise discretion about whether to publish proceedings. The Clerk also redacts information such as personal contact details from submissions before publishing them.

The Clerk occasionally receives requests from individuals for their submissions to be removed from the Parliament website. Where a submitter’s views have simply changed from those originally expressed, removing the submission is not warranted. However, in cases involving significant personal safety, privacy, or family considerations, the potential harm to individuals may outweigh the public interest in the transparency of parliamentary proceedings. We endorse the Clerk’s exercise of discretion in such exceptional cases.

**Draft reports**

Questions have arisen during the current Parliament over the treatment of draft reports. After thorough consideration of this matter we consider that a draft report should remain confidential to a committee after the business to which it relates has been reported. Draft reports are prepared for committees by secretariat staff as a service to the committee, and first drafts of reports do not necessarily reflect a committee’s views. It is paramount that the relationship between members and committee staff remains free and frank. We believe that routine publishing of draft reports could undermine this relationship. Hon Trevor Mallard disagrees with this position.
5 Legislative procedures

The House is a legislature: its main function is to make law. It is in New Zealand’s interests for the law to be up-to-date and to reflect changing political priorities, and also for its consideration to be robust. The House plays its part in the constitutional framework by both facilitating and constraining legislative activity. During each review of the Standing Orders, the committee considers whether the balance is in the right place.

Our attention was drawn to a recommendation made by the New Zealand Productivity Commission in its Regulatory institutions and practices report (published June 2014). The Commission reported that the lack of parliamentary time available for progressing legislation was consistently identified by chief executives of regulatory agencies as an “important reason” for regulatory frameworks being out-of-date or not fit-for-purpose. The report acknowledged that a number of improvements have been made to parliamentary processes. However, it concluded that the lack of parliamentary time creates a “bottleneck”.

Our view is similar to that of previous Standing Orders Committees: the simple addition of House time is not the answer, so much as finding ways to use the available time effectively. Effectiveness in this context is not the same as efficiency. Members want time to be focused on matters of political importance to both Government and Opposition members, while ensuring that legislative proposals to improve the statute book are facilitated.

Since 2011, the increased emphasis on the Business Committee’s powers to arrange business has provided a means to achieve this. As we have commented previously in this report, there is real potential for Ministers and members to innovate further in the proposals they bring for the Business Committee to consider. The publication of a Business Committee handbook will inform members about how they can approach this.

Pre-legislative scrutiny

The House determines the ultimate form of the law, but it does not initiate it. For the most part, that is the Government’s role. Legislative initiatives can wallow for many reasons, and their prospects are improved through good policy preparation and consultation before they are even brought to the House. Meaningful public input and political consultation before the introduction of a bill may well ease its subsequent parliamentary process. The Business Committee provides the primary avenue for facilitating the passage of bills, but satisfaction or dissatisfaction with the quality of the Government’s engagement can also be manifested in the way members approach bills when debating them in the House.

We have considered the idea of amending the Standing Orders to provide concrete rewards for inclusive and robust pre-legislative policy-making by the Government. A full policy development process, including consultation, exposure drafts, and thorough examination of policy implications, can only improve legislative quality. However, the short three-year electoral cycle provides a significant disincentive to engaging in a drawn-out pre-legislative process. Rewarding good pre-legislative policy-making with the prospect of a streamlined process in the House could turn the existing disincentive on its head. The Labour Party made a specific proposal along these lines, which was part of a package that also included curbs on the use of urgency. While all of us see the merit of rewarding good pre-legislative
scrutiny, we have not reached agreement about this package of proposals. Labour Party members are disappointed that this discussion has not resulted in an agreed set of changes to the legislative process. We all agree, however, that the Business Committee should find ways to encourage and reward the use of inclusive and robust pre-legislative processes by the Government.

The Clerk of the House has indicated that he would like to collaborate with relevant central agencies to identify ways that pre-introductory policy and consultation processes by Government agencies could align more closely with the House’s consideration. This work would inform the development of proposals for rewarding good pre-legislative policy-making. We support this suggestion.

**Omnibus bills**

**Amendment by committee of the whole House**

In 2011, the Standing Orders Committee recommended the revocation of a rule that prevented a committee of the whole House from considering a substantive amendment to an Act not amended by an omnibus bill, as originally introduced, except by leave. This rule was revoked accordingly. At the time, the Standing Orders Committee reasoned that select committees and the committee of the whole House should both have the power to consider such amendments, provided certain conditions are met. We would like to reiterate these conditions and confirm that they are still important:

- a substantive amendment to another Act can be considered only if the bill before the committee is already an omnibus bill
- the bill concerned must still relate to one subject area only, unless the one-subject-area rule has been waived by the House or otherwise modified in its application under the Standing Orders
- the amendment must be relevant to the subject-matter of the bill, consistent with the principles and objects of the bill, and otherwise conform to the Standing Orders and practices of the House.

**New Zealand Bill of Rights Act**

**Consideration of New Zealand Bill of Rights Act issues**

The legislature is required, by way of sections 3 and 5 of the New Zealand Bill of Rights Act 1990 (NZBORA), to subject the rights and freedoms set out in that Act “only to such reasonable limits prescribed by law as can be demonstrably justified in a free and democratic society”. The previous Standing Orders Committee considered that, in order to meet this obligation, the House should ensure that members are equipped to make an informed judgement when a question arises about whether a limitation of rights meets this important test. With this in mind, the previous committee suggested that future reviews consider how developments in NZBORA scrutiny have contributed to the House’s scrutiny of legislation. The committee considered that the House should provide mechanisms for NZBORA issues to be duly considered, so that the decision as to whether a limitation of rights is demonstrably justified is taken as a conscious exercise of the collective political and moral judgement of members.

We received a number of submissions about NZBORA scrutiny of legislation, particularly about the scrutiny of amendments proposed for the committee of the whole House stage.
It was also suggested, as in previous reviews, that a separate select committee on human rights should be established.

**Subject select committee reporting on NZBORA issues**

We do not favour the establishment of a separate select committee to look at rights matters. Consistency with the NZBORA is an important element of legislative quality, and it is for all committees to be mindful of legislative quality when considering bills. We endorse the comments of the previous Standing Orders Committee on this matter.\(^{15}\)

Following the 2014 review, the Standing Orders were amended to provide that a “section 7 report”—that is, a report of the Attorney-General under section 7 of the NZBORA—stands referred to a select committee for consideration. This has encouraged select committees to substantively consider each section 7 report referred and comment on their findings when reporting back to the House. We are satisfied that this change has been effective.

In our view, the general process for select committee consideration of a section 7 report should include:

- a briefing is provided by the Attorney-General or his or her officials
- the section 7 report is noted when the bill is advertised for submissions, so that submitters can comment on the issues raised in the report
- departmental advisers on the bill address the points raised in the section 7 report, and in submissions that comment on the section 7 report, when summarising issues and making recommendations for the committee to consider
- the committee’s report to the House about the bill deals with the issues raised in the section 7 report.

**Scrutinising amendments to bills for consistency with NZBORA**

Select committees should, of course, also examine their own proposed amendments for consistency with the NZBORA, and seek relevant advice where necessary. The question then remains about how to inform members about NZBORA issues that arise from amendments proposed for the committee of the whole House.

In 2011, the Standing Orders Committee recommended to the Government that Cabinet guidelines be amended to require NZBORA reporting on substantive Supplementary Order Papers (SOPs).\(^{16}\) In 2014, the committee discussed the question of whether the Attorney-General should examine amendments proposed to be moved in a committee of the whole House, and present papers where it appears that amendments raise inconsistencies with the NZBORA. However, the previous committee did not reach agreement about this idea.

We invited Hon Christopher Finlayson to discuss the role of the Attorney-General in reporting on NZBORA issues during the legislative process. The Attorney-General agreed it is important to explore how to enhance the information available to the House when it is considering legislation that raises NZBORA issues. He also agreed with the view expressed to us by the Clerk of the House that there is no law, procedure, or constitutional convention that prevents the Attorney-General from informing the House, after a bill has been


introduced, about provisions contained in the bill that are inconsistent with the NZBORA. Section 7 of the NZBORA provides only for the Attorney-General to report on a bill’s introduction, but the fact that it makes no mention of reporting subsequently in the legislative process does not itself constrain such reporting. On the contrary, it is entirely appropriate that the NZBORA does not set out the House’s procedure for considering NZBORA matters during its legislative process. The House itself should determine how it observes the requirement under section 5 for laws not to limit rights unless the limitation is reasonably justified in a free and democratic society.

As a Minister, the Attorney-General has the ability to present a paper on any working day under Standing Order 372(1). To this extent, then, no change to the Standing Orders is required to enable the Attorney-General to report on NZBORA issues arising from amendments. We encourage the Attorney-General to do so in future, and will follow the matter with interest through the next Parliament.

Disclosure statements and NZBORA analysis

The recently-introduced Legislation Bill includes provisions that make disclosure statements a legal requirement for most Government bills and proposals for substantive amendments to bills. The disclosure requirements would include a need to draw attention to unusual legislative features and other significant aspects of legislative quality, and we expect that NZBORA issues would be raised through this means.

Cabinet requirements already stipulate that a disclosure statement should be published for almost all Government bills, and substantive Government SOPs. In practice, though, disclosure statements have not tended to offer meaningful analysis of NZBORA matters arising from SOPs. The Legislation Bill provides a potential vehicle for strengthening the Government’s reporting on the NZBORA implications of its own legislative proposals, and we look forward to the House’s consideration of the bill.

Local bills and private bills

Public notice

We received a submission suggesting that notice requirements for local bills and private bills do not facilitate public engagement. The submission particularly noted the requirement for public notices to be published in newspapers. In our view, the current public notice requirements are suitable. While public notices in newspapers are required, notification by electronic means—particularly through websites—is also stipulated. Electronic communication is preferred by many, but this is not the case for all people. Removing the requirement for public notices in newspapers would adversely affect those who still may refer to such notices for official public notification. The purpose of the preliminary procedures is to ensure that reasonable steps are taken to inform people who may be affected by, or interested in, the subject-matter of a private bill or local bill. The procedure is intended to give notice to potentially interested people, but is not itself a consultation process.

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17 Legislation Bill, Part 4. The bill was introduced on 20 June 2017.
18 Cabinet Office Circular CO (13) 3, Disclosures Requirements for Government Legislation, 4 July 2013. The requirements relate to bills and SOPs released since 29 July 2013.
Revocation of fee

Clause 13 of Appendix C of the Standing Orders provides that the promoter of a bill must pay the Clerk of the House a fee of $2,000 (including GST). The fee must accompany the documents forwarded to the Clerk, and is to be applied to defraying general administrative expenses incurred in respect of the promotion and printing of these classes of bills.

The fee reflects a time when the Clerk of the House was responsible for arranging the printing of these classes of bills. As the Clerk no longer has this responsibility, it is appropriate for the fee to be removed. While the fee could be regarded as a disincentive to the frivolous promotion of such bills, this is not a sufficient reason to retain it. There are other costs involved in preparing and notifying a private bill or local bill, and such bills are not overly frequent. We therefore recommend that the requirement to pay a fee be removed from the Standing Orders.

Amendment 8 Private bills and local bills

Amend Appendix C of the Standing Orders to omit the fee payable for promoting a private bill or a local bill.

Select committee consideration of bills

Time for submissions on bills

Submitters asked that we consider certain minimum standards for public input into select committees’ consideration of bills. Select committees are autonomous in their ability to determine arrangements for receiving and hearing submissions. This is appropriate, and enables committees to take account of the legislation or item under consideration and the time available to the committee to deal with it. The Standing Orders Committee has previously indicated desirable timeframes for committee consideration. These can be summarised as follows:

- committees should generally allow a minimum of six weeks when setting a closing date for submissions19
- a lesser period than six weeks may be allowable in exceptional circumstances, but submitters should be given a realistic period to comment on a substantial bill or inquiry20
- longer than six weeks can be decided when dealing with large or complex bills—this is up to the committee concerned21
- committees examining bills must allow sufficient time for proper drafting and consideration of amendments and commentaries.22

We endorse these previous comments. Ultimately, committees make political judgements—which thus can be subject to political critique—about how long to allow for submissions, the provision and consideration of advice, and the drafting and consideration of amendments and commentaries. However, select committees must bear in mind their crucial role in engaging with the public on the House’s behalf, and ensuring that New Zealand’s interests are served by quality legislation. On this basis, they should endeavour to allow reasonable timeframes for public input.

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Supplementary Order Papers

Referral to select committee

The consideration of legislation by select committees is the best means through which the House can test the implementation of policy and improve legislative quality. It also enables members to receive and consider evidence and advice about the implications of legislative proposals. For a number of years, submissions have drawn attention to the shortcomings of having major policy changes incorporated in bills at the committee of the whole House stage. The submission of the New Zealand Law Society emphasised this point.

As long ago as 1995, the Standing Orders Committee indicated that, aside from amendments that are generally agreed to be important for inclusion or which are minor and technical in nature, amendments making substantial changes to a bill should be referred to a select committee to consider and, if possible, receive submissions. We support this general principle. The referral of substantial Supplementary Order Papers for select committees to consider is good practice, rather than a procedure that requires specific provision in the Standing Orders.

We have looked at the mechanism for referral to select committees. Standing Order 189(3) prevents a select committee from using its general inquiry powers to consider a bill that has not been referred to it, or a Supplementary Order Paper relating to a bill that is not before the committee. The House or the Business Committee can, however, approve such consideration. We have considered revoking Standing Order 189(3) and providing for select committees to consider and report to the House on amendments to bills, on the invitation of the member in charge of the bill. We have not reached agreement on this procedure, but instead wish to encourage Ministers and members in charge of bills to ask the Business Committee to refer substantive amendments on Supplementary Order Papers for select committees to consider. The Business Committee could set a deadline for a committee report, or the Minister or member in charge could undertake not to propose the Supplementary Order Paper to a committee of the whole House until the select committee has had an opportunity to consider it. Suggestions along these lines should be included in the proposed Business Committee handbook.

Committee stage

Purpose of committee of whole House consideration
The consideration of a bill in the committee of the whole House ideally serves four main purposes:

- providing the final opportunity to improve the legislative quality of the bill through amendments to its text
- ensuring that the text of the bill is approved by a majority of members reflecting the full proportionality of the House
- allowing members to propose and test relevant amendments and record the political response to these proposals through voting
- enabling members, through debate, to scrutinise, question, clarify, explain, challenge, and express views about the text of the bill and relevant amendments.

Structure of bills and debate
The Chief Parliamentary Counsel submitted that the structure of bills should not be formally linked to the arrangements for debate. The current linkage between the structure of bills and debate demonstrably detracts from legislative quality, particularly the accessibility and readability of Acts of Parliament. A bill should have a logical and accessible structure, where provisions are grouped together according to the major conceptual ideas that they deal with. Further accessibility can then be provided by sub-parts and other headings.

The conceptual structure that parts can provide would suit a thematic debating approach. However, Governments legitimately want to reduce the amount of House time spent on each piece of legislation, and this has created pressure for parts to be minimised. Thus the conceptual assistance that parts can provide is often lost.

We agree that the arrangements for the committee stage of bills should not formally be linked to their drafting structure. While we are not prepared at this point to change the default settings for debate in the committee stage, we encourage the Business Committee to trial arrangements for better debates during this part of the legislative process.

Arranging debate
Recently, there have been examples of committee stages that have met the expectations set out above very well. One particular approach that has been successful is for bills to be debated as a whole. This does not mean that debates will necessarily be shorter. A large bill dealing with many different concepts or areas of policy could be expected to last for several hours. Conversely, a bill with a narrow, technical focus might not justify extensive debate.

This could place additional emphasis on the chairing of proceedings by presiding officers. Ideally, the chairperson should be able to guide the committee through the provisions of the bill in sequence, much like a chairperson in a select committee meeting. At the end of the debate, it will be up to chairpersons to consider when it is reasonable to accept a closure based on how material has been traversed and the relevancy and repetition of material.

It would be useful, however, for the debate to be arranged to facilitate the chairperson’s management of proceedings. It should become usual practice for the Business Committee to determine themes for debate. These would be based on major topics and overall policy objectives in the bill. The Business Committee could also set overall time limits for the committee stage of a bill.
Speaking opportunities

Under current rules, members (apart from Ministers and members in charge of bills) have a limit of four calls on each question during the committee stage. Taking every bill as a whole thus could severely curtail speaking opportunities for members, particularly those who have higher expertise and interest in the subject-matter of bills. We therefore suggest that the shift to debating bills as a whole be accompanied by the removal of the four-call limit. Again, it does not follow that this would lengthen debate on bills. The chairperson would still be primarily concerned with relevancy and repetition when deciding whether it is reasonable for a debate to conclude, regardless of who has been speaking. Moreover, when members are not limited in the number of calls, this reduces the incentive to take the full length of each call. Holding a single or thematic debate on each bill would provide a greater prospect that backbench members who are interested in the subject-matter can take part.

Another valuable side-effect of lifting the limit on the number of calls could be the encouragement of interaction between members during debate. For example, members and Ministers might feel more inclined to take short calls to ask and answer questions about the meaning of words or phrases in the text of a bill. This has been occurring more often in recent times, and incentives to increase this practice would be an excellent development.

Notice of amendments

The New Zealand Law Society was particularly concerned that amendments—and often substantial amendments—can be tabled up until the time that voting begins. Wholesale amendments at the last minute can cause considerable harm, and there is a reluctance to recommit bills to correct errors that might arise.

The Chief Parliamentary Counsel suggested the idea of requiring amendments to be lodged 24 hours before the committee stage commences for a bill, apart from minor amendments to correct drafting or technical errors. If major substantive amendments are proposed, they are likely to need particular explanation and debate, which are made possible only by adequate or fair notice. The submission cited the Standing Orders Committee’s 1995 report, which recommended that the practice of tabling Supplementary Order Papers containing significant amendments “is not a practice which should continue”.24

A requirement for amendments to be lodged at least 24 hours before the committee stage commences for a bill, apart from minor amendments to correct drafting or technical errors, would be workable. In practice, this notice period would, at least for non-Government members, require that the Government give notice of committee stages through the Business Committee under Standing Order 301(3). Where such notice is not given, Opposition members cannot be expected to meet a 24-hour rule.

This change would result in improved legislative quality, as there would be time for consequential amendments to be identified. Members would have a greater ability to scrutinise amendments and decide whether to vote for them, and to prepare material for debate. They also could suggest or test technical amendments to clarify the meaning of words. A notice requirement also would make improved NZBORA scrutiny a feasible prospect, as there would be at least a short timeframe for examining and providing advice about NZBORA implications.

Trial of proposals for committee stage

We therefore can see merit in a number of suggestions to adjust the procedures for the committee of the whole House stage of bills. Taken together, these changes would amount to a significant reform of the process, and in our view further trial is needed before making such a major reform. We therefore propose that the Business Committee trial, on a bill-by-bill basis, the following arrangements for committee stages:

- Arrange the committee stage of bills so that it is not formally linked to their drafting structure.
- Arrange for the committee stage to consider a bill as a whole.
- Establish a practice of determining themes for debate during the committee stage of a bill.
- Remove the limit on the number of speeches for individual members in the committee stage of a bill.
- Require amendments to be lodged at least 24 hours before the committee stage commences for a bill, apart from minor amendments to correct drafting or technical errors, as long as the Government has given notice of the committee stage under Standing Order 301(3).

We would like to see these arrangements being trialled frequently during the 52nd Parliament, with a view to becoming the default position in the future.
6 Financial procedures

Financial veto

Petition 2014/107 of Malcolm Harbrow
During our review we received a petition in the name of Malcolm Harbrow, which requests “That the House take note that 417 people have signed an online petition requesting that Standing Orders 326 to 329, governing the Crown financial veto, be repealed”. We resolved to consider and report on Mr Harbrow’s petition as part of our review of Standing Orders.

Proposal for abolition
Several submitters proposed that the Government’s financial veto be abolished. The submitters argued that the veto is undemocratic, because it is designed to be used when the Government disagrees with a majority of members of Parliament. Some of the submitters noted that Governments could deem relevant votes to be matters of confidence as an alternative to exercising a veto.

The financial veto procedure is founded on the principle that the Government is responsible for the Crown’s financial performance and position, and therefore needs to have control over the fiscal aggregates. This principle is then balanced with the desire of members to promote policies that may have financial implications.

The abolition of the veto was considered by the Standing Orders Committee in 2014. The committee strongly endorsed the principled basis for the veto, stating that the Government could not retain ultimate responsibility for the administration of the country if fiscal decisions were imposed upon it. The committee noted that, until 2005, the Government’s ability to maintain control of public finance was protected under the Constitution Act 1986. That provision was repealed precisely because Parliament’s financial veto mechanism existed. Revoking the mechanism now would be a significant constitutional step.

In theory, the Government could deem relevant votes on bills with financial implications to be matters of confidence. However, such an approach could actually reduce political accountability. A veto certificate relating to a bill as a whole may be given only when the bill is awaiting third reading, which ensures that members have an opportunity to debate the merits of the proposed bill and hold the Government accountable for its position. Under a model where proposals are simply voted down on a confidence vote at the first hurdle, there may be little opportunity for debate or select committee consideration.

The use of confidence votes as a means for the Government to retain control over the fiscal aggregates also could affect the stability of Governments. Confidence votes should in principle relate to a Government’s broad programme and performance. While occasionally Governments might arbitrarily declare discrete issues as matters of confidence, we do not think this practice should be encouraged.

Presentation of veto certificate by Minister
This Parliament saw the Government employ its financial veto in respect of an entire bill for the first time. This event emphasised that while the procedure allows the Government to retain control over the fiscal aggregates for which it is responsible, the use of the veto to bar a decision favoured by the majority of the House carries a need for political accountability.
We recommend that the current procedure be amended to require a Minister exercising a financial veto to present the veto certificate in the House, rather than deliver it to the Clerk as is currently required. This will enhance the visibility of the Government’s decision and the responsibility for taking it. The certificate will be debatable and given effect to in the same manner as it currently is. The Speaker will retain the authority to determine whether or not the certificate is in order.

We also recommend that financial veto certificates be published under the authority of the House as parliamentary papers so they may be incorporated into Parliament’s official record.

**Amendment 9  Presentation of financial veto certificate**

Amend Standing Order 327 to require a Minister exercising a financial veto to present the veto certificate in the House, and for certificates to be published under the authority of the House.

**Financial scrutiny**

**Estimates week**

The Business Committee has trialled an “Estimates week”, which is a week that is designated for Ministers and officials to attend select committees for Estimates hearings. We consider that this should become an ongoing practice, with the Estimates week being included by the Business Committee in the sitting programme, or at least being determined well in advance, as soon as the timing of Budget day is known. Estimates week will generally be an adjournment week, though it will have a similar expectation for Ministers and members to be available as applies to House sittings. Committees will not always be able to adopt supplementary questions and receive advice before the Estimates week takes place, and it will not be possible for all hearings to be held in that week. However, we expect that adopting the practice of including the Estimates week in the sitting calendar will result in most hearings being held that week. Committees can arrange further hearings to follow up on issues if required.

**Deadline for report-back of Estimates**

The Business Committee also should arrange the sitting programme so that committees have at least one sitting week in which to adopt their reports on the Estimates in the period before the report-back deadline. If necessary, the Business Committee has the power to extend the deadline beyond its usual two months, although this could require some negotiation to ensure there is sufficient House time to pass the main Appropriation Bill before its own deadline (within three months of the delivery of the Budget).

**Presentations at select committees**

Some members have raised concerns about the amount of time taken up by the introductory remarks of Ministers and chief executives at Estimates and annual review hearings, and have suggested that these presentations be discontinued because they take time away from scrutiny.

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25 This was not possible during this year’s trial, on account of the short notice, and two Estimates weeks were designated—one sitting week and one adjournment week.

26 The Business Committee has this power under Standing Order 248.

27 Standing Order 340(3).
The practice of Ministers and chief executives giving presentations at the beginning of financial scrutiny hearings is not set out in the Standing Orders. Standing Orders state that the examination of a witness is conducted as the chairperson, with the approval of the committee, directs. We consider there to be value in Ministers and chief executives being given the opportunity to convey the points they wish to highlight or address, but they should be as succinct as possible. The emphasis of the process should be on scrutiny. We encourage chairpersons to use their authority to ensure that introductory presentations are brief.

Financial debates

During this Parliament, the House trialled a sector-based approach to the annual review debate and the Estimates debate, via determinations made by the Business Committee. The determinations put into practice ideas suggested by the Standing Orders Committee in 2014.28 Organising the debates based on sectors rather than prioritising individual entities in an ad hoc fashion has significantly improved the cohesion and focus of scrutiny and debate. Associated changes made by the Business Committee, such as setting a single report-back date for select committees and proportionally allocating calls in the debates, have also improved the House’s scrutiny activities. We recommend incorporating the Business Committee’s recent determinations into the Standing Orders. The Business Committee will retain the ability to adapt the format of the debates further.

The main features of the changes are as follows:

- Organisation of the debate into sectors, with Votes and annual reviews grouped according to the sectors in the Estimates of Appropriations.
- Debates to be led by speeches from relevant committee chairpersons setting out the committee’s major findings.
- Proportional allocation of speeches across the whole debate (although the mechanism of allocating calls does not need to be detailed in the Standing Orders).
- Consolidation of annual reviews of departments, Officers of Parliament, Crown entities, State enterprises and public organisations into a single procedure.
- A deadline of 31 March for select committee reports on all annual reviews.
- Completion of the annual review debate before delivery of the Budget.
- Total time allocation of 11 hours for the Estimates debate to remain unchanged and total time for the annual review debate to increase from 7 to 10 hours.

We note that while under these changes the annual review debate must be completed before the date notified to the House by the Government for the delivery of the Budget, a failure to do so would not affect the timing of the Budget. In practice, if the date for the Budget were approaching, the Speaker would require the annual review debate to be placed at the top of the Order Paper to ensure its completion.

Amendment 10  Estimates and annual reviews

Amend Standing Orders to reflect the approaches trialled by the Business Committee for organising the House’s annual review and Estimates scrutiny activities.

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7 Non-legislative procedures

Petitions
Several submitters raised concerns about variability in how petitions are treated by select committees and suggested more prescriptive rules to address this. The Standing Orders Committee considered this matter in 2014, stating that it did not support a prescriptive approach because changes in petitioning trends may result in volumes that could exceed committees’ capacity to meet such requirements. The committee also expressed an expectation that principal petitioners will be invited to make written submissions on their petitions, and that committees’ reports should show some substantive consideration of the issues at hand. The Clerk advised us that, of petitions lodged in the current Parliament, 75 percent have received substantive reports. We hope to see this number improve further in the next Parliament.

e-Petitions
The Clerk informed us that work to design and cost an electronic system to mirror the paper-based system is well underway, as recommended by the Standing Orders Committee in 2014. Once the e-petitions system is completed, a sessional order will be required to allow the acceptance of petitions lodged using the electronic system. The current priority is to successfully implement an electronic system to mirror the paper-based system. Future reviews of Standing Orders should investigate whether thresholds triggering certain results can be added to the petitions procedure in a way that encourages engagement with, and supports the functioning of, our representative democracy.

Ministerial accountability

Delegations schedule
The Cabinet Office submitted that there should no longer be a requirement for the Leader of the House to present a Schedule of Responsibilities Delegated to Associate Ministers and Parliamentary Under-Secretaries (the Delegations Schedule) to the House at least once a year. The current requirement originates from a recommendation made by the Standing Orders Committee in 1995.29

The Delegations Schedule has two main functions: it informs the House of the exact areas of responsibility delegated to Associate Ministers and Parliamentary Under-Secretaries to enable members to direct their oral and written questions to the appropriate member of the Executive; and it serves as the official record of those delegations. However, the requirement to present a schedule only once each year will not adequately achieve these functions.

The House should have up-to-date information on Executive responsibility and there should be an official record of delegations. We encourage the Cabinet Office and the Office of the Clerk to determine how those aims can best be achieved.

Status of Parliamentary Under-Secretaries

Some uncertainty arose during this Parliament over the status of Parliamentary Under-Secretaries, particularly regarding the proportional allocation of oral questions. Following our consideration of this matter we wish to clarify that, from the next Parliament onwards, Parliamentary Under-Secretaries should not be included in the proportional allocation of oral questions. This calculation is done based on non-Executive membership, and Parliamentary Under-Secretaries are part of the Executive. \(^{30}\) We recommend amending Standing Order 381 to make this clear.

Although it is widely understood that Ministers are excluded from this calculation, we have included them in the amendment for completeness. Associate Ministers are not specifically included because they hold ministerial warrants in their own right and are therefore treated as Ministers for this purpose.

Amendment 11 Status of Parliamentary Under-Secretaries

Amend Standing Order 381 to clarify that Ministers and Parliamentary Under-Secretaries are excluded from the proportional allocation of oral questions.

Oral questions

Effectiveness of question time

We recognise that at times there are valid criticisms about the way members and Ministers interact during question time, and the value of both questions and replies. In our view, though, question time is working effectively as a means for holding the Government to account, highlighting policy differences, and raising issues in a very public forum. We have not recommended any changes to the procedure, but there are some ideas raised in submissions that we would like to discuss.

Source of questions

The broad themes raised by the submissions on oral questions were the quality of questions, quality of answers, conduct of members, and ministerial accountability. A submission suggested allowing the public to submit questions. While this is an interesting idea, only a few questions can be asked each sitting day, and deciding the political priorities for this is the role of members. Moreover, the fundamental nature of our representative democracy is that members hold the Government to account on behalf of the public. Members are free to canvass the public for issues and questions to ask Ministers.

Government members are entitled to a share of questions, as a function of the principle of proportionality. Currently, this allocation is calculated with the number of seats held by members of the Executive subtracted from the equation, and this methodology recognises that oral questions are primarily a means for holding the Government to account. It is up to the Government parties to decide how they employ their question opportunities. We considered a proposal from the Clerk of the House to establish a procedure for short ministerial announcements as an optional alternative to questions from members of governing parties, but we do not think this change is necessary.

Breadth of questions

Submitters enquired whether broad questions should continue to be allowed; for example, questions about whether the Prime Minister or other Ministers stand by their statements. Questions of this sort are generally used both to introduce a line of questioning without notice and to avoid having questions transferred to other Ministers.

The Speaker tends to deal with the variable nature of questions by moderating what is expected from Ministers in reply. Members who lodge questions seeking specific information from Ministers will be supported in this approach. In this case, Ministers will be expected to provide such information unless it is not in the public interest to do so. On the other hand, Speakers are less able to insist that Ministers provide informative answers when they have not been warned of the particular topic at issue. While Ministers can prepare for question time by discussing possible topics with officials, members cannot expect them to answer with precise information in this situation. However, Ministers are expected to be on top of their portfolios, so it is acceptable to probe the depth of their knowledge about matters for which they are accountable.

Transfer of questions

Members frequently express frustration when questions are transferred, but the Government has discretion to decide which Minister will respond. This approach is based on the principle expressed in the Constitution Act 1986 that Ministers are effectively interchangeable. The allocation of ministerial responsibility is entirely an Executive matter. Despite this, the Speaker has the ability to intervene if a transfer is patently an abuse, though this is a high test.

Availability of Ministers

The Labour Party considers that the Government should provide a list to other parties, by 9 am of each sitting day, indicating which Ministers will not be able to attend the House during question time. This would enable parties to prepare their questions accordingly and, in the view of Labour Party members, would improve Executive accountability to the House.

Adequacy of replies

A number of Speakers’ rulings have been given on the adequacy of replies, including that the Speaker cannot force a Minister to answer a question, has no responsibility for the quality or content of the answer, and does not make political judgements on how well Ministers have responded to the House. The Speaker occasionally allows additional supplementary questions in instances where he or she considers an answer to be inadequate, and this is an effective form of discipline for Ministers.

31 Constitution Act 1986, s 7.
32 Speakers’ Ruling 198/2–200/2.
International treaties

Roles of the executive and legislature

Under New Zealand’s constitutional arrangements, the executive is responsible for negotiating and entering into international agreements and the legislature is responsible for scrutinising the Government’s decisions and passing any laws needed to implement the agreements in domestic law. 33 Although Governments may signal their intention to take internationally binding treaty action (for example, by signing a treaty), by convention they will not take binding action until the treaty has been presented to Parliament and the minimum period for parliamentary scrutiny of a treaty has elapsed. 34 In a separate convention, it has been said that the executive will generally prefer to pass any implementing legislation before ratifying—that is, taking binding action in respect of—a treaty. 35 This way, the risk of breaching international obligations by failing to pass legislation is pre-empted.

The balance between the executive’s and legislature’s roles has long been a topic of interest, and we received submissions on this issue during our current review. The submissions suggested that the House’s role in international treaty-making should be bolstered in various ways. For example, the Green Party suggested that the House’s express approval be required before the Government is able to take any binding treaty action.

The current parliamentary procedure for treaty examination requires the Government to present to the House any treaty that is to be subject to ratification or other approval by New Zealand. 36 The treaty is then referred to a select committee, which considers the treaty along with the national interest analysis—prepared by the relevant government department and the Ministry of Foreign Affairs and Trade—and reports its findings to the House. A select committee can ask the Government for additional time for its consideration, to supplement the minimum 15-sitting-day period.

Committees’ reports to the House on international treaties are set down as Members’ orders of the day. Because private and local bills and Members’ bills take precedence over such reports, they generally are not debated. If primary legislation is required to implement the treaty, the Government may—in keeping with the convention outlined above—introduce legislation any time after the minimum 15-sitting-day period, and the normal legislative process then applies. The committee report on the treaty may well be referred to in the course of debating the implementing legislation.

Proposed changes to parliamentary process

Select committee consideration of treaties is intended to scrutinise the case for entering into a treaty as a matter of principle, 37 whereas implementing bills are considered within the framework of the regular legislative process—debate on the bills should focus primarily on the proposed law changes themselves. In light of this distinction, we believe that in cases

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34 Cabinet Manual 2017, para 7.129, p. 119. The Government is not required to wait until the select committee considering the treaty has reported its findings to the House, although it is highly preferable that the committee has done so before the House considers any implementing legislation.
36 Standing Order 397.
where primary legislation is required to implement a treaty, the House’s involvement in the process would be improved by debating the select committee report on the treaty, before debating the implementing bill. Our proposal, in such cases, is for select committee reports on treaties to be debated as Government orders of the day, in exchange for there being no debate on the first reading of the implementing legislation.

To implement the above proposal, the Standing Order governing the contents of national interest analyses—which must be presented along with treaties—is amended to require all analyses to clearly identify whether or not the Government intends to implement an international treaty through a bill or bills. The select committee examining the treaty would be required to draw attention to this point in its report, which in turn would trigger the report being set down as a Government order of the day. Reports on international treaties that do not require primary legislation will remain Members’ orders of the day.

Instead of specifying the length of treaty report debates in the Standing Orders, we have opted for the Business Committee to agree the structure of the debates on a case-by-case basis. Treaty report debates should generally be similar in length to first reading debates, and no more than two hours, which is the time limit we have included in Appendix A of the Standing Orders. We encourage the Business Committee to consider progressing treaty report debates under extended sittings.

**Amendment 12  Debating international treaties**

Provide for select committee reports on international treaties, in the case of treaties that the Government intends to implement through primary legislation, to be debated, and, when a treaty has been debated in this way, for the first reading of a bill to implement that treaty to be taken without debate.

**Timely presentation of treaties to Parliament**

International treaties should be presented to Parliament as soon as practicable once the Government has indicated an intention to take binding action. Lindsay Tisch noted in his submission a case in which nearly three years passed between the Government’s decision in principle to accept an amendment to an international treaty and the date the amendment was received by the Foreign Affairs, Defence and Trade Committee for consideration. While adequate time must be allowed for producing the national interest analysis, we encourage Governments to present treaties to Parliament in a timely fashion. The relevance of the select committee process is enhanced when the committee has adequate time to call for public submissions and arrange its consideration.

**Parliamentary noticeboard**

Almost all Members’ notices of motion are congratulatory in nature, and relate to community events or mark significant achievements or milestones for constituents. It is not uncommon for there to be 30 or more such motions on the Order Paper at a time, although such motions are seldom dealt with by the House before being discharged. Ministers are deterred from lodging similar congratulatory motions as they would be set down as Government notices of motion, which more usually relate to their ministerial portfolios.

We endorse the Clerk’s proposal to create an online parliamentary noticeboard as an alternative outlet for congratulatory notices. Under the Clerk’s proposal, members could publish notices on a special portal on the Parliament website, as part of the House’s
proceedings. Notices would retain their official status, and would be much more accessible to the public than the Order Paper. The noticeboard would be open to use by all members. Authentication would be required as it currently is for notices of motion, and the notices could not be about members, parties, or Government business. Nor would they be intended for criticism of people outside the House.

We hope that a more accessible and modern mechanism for members to connect with their constituencies will strengthen community ties for members and enhance the relevance of the House’s representative function.

The Clerk plans to further investigate the creation of such a noticeboard. We note that sessional orders will be required to establish the noticeboard once the website functionality is ready to commence.
8 Pecuniary and other specified interests

Purpose clause
We were pleased to receive a submission from Sir Maarten Wevers, Registrar of Pecuniary and Other Specified Interests of Members of Parliament. Sir Maarten noted in his submission that the purpose clause added following the 2014 review of Standing Orders has been a valuable addition to the rules governing the Register. It has assisted members and the Registrar in fulfilling their obligations under Appendix B of the Standing Orders. However, Sir Maarten recommended the clause’s wording be simplified.

Amendment 13 Purpose of Register
Amend clause 1 to reflect that the Register’s purpose is to record members’ interests, thereby providing transparency and strengthening public trust and confidence in parliamentary processes and decision-making.

Definition of superannuation interests
The definition of “registered superannuation scheme” in clause 2 draws on the Superannuation Schemes Act 1989, which was repealed in December 2014. Superannuation schemes are now governed by the Financial Markets Conduct Act 2013. We agree with Sir Maarten’s recommendation to update the definition to reflect the relevant governing legislation. Because the Financial Markets Conduct Act regime does not cover schemes with fewer than five participants—as the Superannuation Schemes Act definition did—we have included a subclause that incorporates private superannuation schemes into the definition of retirement schemes.

The current definition of “registered superannuation scheme” does not include overseas superannuation schemes, because those schemes are not registered in New Zealand. We believe that overseas superannuation schemes constitute interests in the same way that domestic ones do, and have included overseas schemes in the new definition.

Amendment 14 Superannuation interests
Amend clause 2 by replacing the term “registered superannuation scheme” with “retirement scheme”, which includes a retirement scheme within the meaning of section 6(1) of the Financial Markets Conduct Act 2013 and any trust or other arrangement established in New Zealand or any other country with a purpose of providing retirement benefits to individuals; for example, a private superannuation scheme.

New declaration category for interests in managed investment schemes
Sir Maarten explained that some financial interests are not clearly covered by the current declaration categories. Shares, bonds, debentures, and term deposits are all clearly catered for, but managed funds are not. A unit trust, which is a common investment vehicle, is required to be declared under the trusts category, although that category is generally associated with family trust interests. Sir Maarten informed us that some members do seek
Sir Maarten recommended creating a new category to ensure that all investment interests are covered in a manner that ensures clarity for and consistency across all members. We agree with his suggestion and recommend creating a declaration category for managed investment schemes, as defined in section 9 of the Financial Markets Conduct Act.

Under our proposal, unit trusts will be declared under the managed investment schemes category, not the trusts category. We recognise that retirement schemes are a type of managed investment scheme, but believe there is merit in keeping them separate for the purposes of the Register. They remain declarable under a separate category.

There is a specialised type of investment product not catered for under this proposal, called derivatives (for example, a futures contract). These products involve an individual agreeing (or “purchasing”) a derivatives contract from an issuer (a bank, for example) focused on a particular commodity, such as wool or oil. The individual’s underlying interest is then related to the price of the commodity, rather than the issuer of the contract. We do not believe the Register is the appropriate place to record such interests. Members are required to declare financial interests not included in the Register orally in the House if they may benefit financially from the outcome of the House’s consideration of a particular item of business (Standing Order 164). We believe this requirement adequately deals with the possibility of members personally holding derivatives contracts and that creating a separate category for declaring them in the Register is not required.

Finally, we note that financial services exist whereby a service provider manages a portfolio of investments on behalf of an individual—these are called discretionary investment management services. In such cases the individual components of the portfolio—shares in individual companies, for example—are registered in the name of the person utilising the investment management service. Therefore, they are required to be declared under clauses 5(1)(a) or 5(1)(b). Members making use of investment management services must ensure that any financial interests legally registered in their name are properly included in their returns to the Registrar.

**Amendment 15 Interests in managed investment schemes**

Amend Appendix B to create a new declaration category for interests in managed investment schemes, as defined in section 9 of the Financial Markets Conduct Act 2013.

**Overseas travel costs and official inter-parliamentary relations programme**

The wording of the exemption for declaring contributions to travel and accommodation costs related to official parliamentary visits was updated in 2014. The updated wording has caused some confusion and Sir Maarten recommended simplifying the exemption.

Sir Maarten noted that the official inter-parliamentary relations programme is not currently published on the parliamentary website. We recommend that the disclosure practices for the official inter-parliamentary relations programme be reviewed in order to ensure that external contributors to the programme are publicly disclosed separately to this regime.
Amendment 16  Contributions to overseas travel

Amend clause 8(2)(e) by replacing the current exemption for declaring some contributions to overseas travel related to the official inter-parliamentary relations programme with an exemption for declaring all contributions to official inter-parliamentary relations programme travel.

Contents of summary report

Currently, the Standing Orders require the Registrar to include in each summary report the interests of only those members who are members of Parliament at the date of the summary report’s publication—that is, “current members”. This means the returns of members who submitted returns as at 31 January 2017 but leave Parliament before the report is published are not included in the summary report.

Not including these returns in the summary report appears anomalous in light of the Register’s purpose, which is to strengthen public trust and confidence in parliamentary processes and decision-making. Members are only required to submit returns covering periods and as at a time they are involved in parliamentary processes and decision-making. That they are no longer members at the time of the report’s publication does not lessen the relevance of the information for upholding public trust and confidence. We recommend that all returns received by the Registrar within the period for submitting returns be included in a summary report.

Amendment 17  Returns of members who leave Parliament

Amend clause 18 to require the Registrar to include all returns received during a returns period in a summary report.

Amendments to members’ interests

Currently, members are required to notify the Registrar of any errors or omissions in any return they have previously made. The Registrar may, at the Registrar’s own discretion, publish an amendment on the Parliament website.

Amendments published on a website are not currently notified to the House or made part of the official parliamentary record, as the main summary report is. This represents a gap in the process. The House should be informed of amendments made to the official record and the official record should accurately reflect members’ interests as they have been notified to the Registrar.

We recommend amending Appendix B to enable the Registrar to prepare a summary of amendments and for such summaries to be presented to the Speaker and subsequently the House, in the same way that main summary reports are. Our preference is for summaries to be prepared and presented shortly after the publication of a summary report—when the need to make amendments most often occurs—and then as the need arises in the time before the next annual round of returns.
Amendment 18  Publication of corrections
Amend clause 20 to state that the Registrar may prepare a summary of amendments made to correct errors and omissions, and that upon receiving such a summary the Speaker must present a copy to the House.

Destruction of records
Currently, all returns and records relating to current and former members that have been held for three complete terms of Parliament must be destroyed at the end of each Parliament.

Sir Maarten noted that the effect of this requirement is that any part of a member’s record that has been held for three terms must be destroyed, while the three most recent terms are kept, leading to incomplete files. We agree with his assessment that there is an interest in having complete records for current members, and recommend that the destruction requirement be amended so that records are destroyed once a member has ceased to be a member for three complete terms of Parliament. The three-term period ensures that the records of members who leave and subsequently return to Parliament remain complete.

Amendment 19  Destruction of records about former members
Amend clause 21 to require that records relating to an individual former member who has ceased to be a member for three complete terms of Parliament must be destroyed.

Registrar’s contact with parliamentary party offices
Sir Maarten informed us that, under long-standing practice, the Registrar liaises directly with whips’ offices near the end of the one-month period for members to submit their annual returns, to facilitate the timely submission of all returns. The information provided by the Registrar concerns which members from the relevant office’s own party have not yet submitted returns at that point in time.

As Sir Maarten pointed out, the current practice may not be properly authorised under the recently agreed Protocol for the release of information from the parliamentary information, communication and security systems.

It is in the public interest for the Register to be as complete as possible at its publication. We believe the Registrar should have standing authority for such contact with parliamentary party offices. In order to ensure that members’ trust in the confidentiality of their interactions with the Registrar is maintained, the information supplied by the Registrar to parliamentary party offices should be limited to whether or not a given member has submitted a return at the time of communication.

Amendment 20  Liaising with whips about submission of returns
Insert a new clause into Appendix B to authorise the Registrar to have contact with whips’ or equivalent party offices within the period for members to submit their returns, to facilitate the timely submission of returns.
Part 2—Recommended amendments to the Standing Orders

STANDING ORDERS
OF THE
HOUSE OF REPRESENTATIVES

Amendments recommended by the Standing Orders Committee

July 2017

NOTES:  References are to numbered amendments as set out in Part 1 of the report.

The Standing Orders will be renumbered when they are reprinted to incorporate the amendments as agreed by the House.

Recommended amendments are shown as follows: struck out and inserted text.
CHAPTER 1

GENERAL PROVISIONS AND OFFICE-HOLDERS

INTRODUCTION

... 

3 Definitions
(1) In these Standing Orders, if not inconsistent with the context,—

... Members’ day means a sitting for which private and local orders of the day and Members’ orders of the day take precedence over Government orders of the day
Serjeant-at-Arms means any officer appointed by the Crown, on the recommendation of the Speaker, to be the Serjeant-at-Arms to the House, and includes any person performing the functions or exercising the powers of Serjeant-at-Arms by direction of the Speaker
Serjeant-at-Arms means the person directed and authorised by the Speaker to be the Serjeant-at-Arms, and includes any other person directed and authorised by the Speaker to perform the functions or exercise the powers of the Serjeant-at-Arms

... written or in writing means written by hand, typewritten, duplicated, or printed, or partly one and partly one or more of the others, and includes a communication transmitted in facsimile or otherwise electronically
written or in writing means written by hand, printed, typewritten, or otherwise visibly represented, copied, or reproduced, including by email, fax, or other electronic means.

... 

JOURNALS, HANSARD, AND RECORDS OF THE HOUSE

8 Clerk to note proceedings

The Clerk notes all proceedings of the House. The Clerk’s notes are published as the Journals of the House.

9 Official report

(1) An official report (known as Hansard) is made of those portions of the proceedings of the House as are determined by the House or by the Speaker.
(2) The report is made in such form and subject to such rules as are approved from time to time by the House or by the Speaker.
(3) The report is published.
9  **Hansard** published as official report of proceedings

(1) An official report, which is known as **Hansard**, is made of the proceedings of the House.

(2) The Speaker may determine which types of proceedings are included in the report, and also may approve the form of the report and rules for its preparation.

(3) The report is published.

10  **Custody of Journals and records**

The Clerk maintains custody of the Journals and of all petitions and papers presented and records belonging to the House. Such Journals, petitions, papers, and records must not be taken from the House or its offices without an order of the House or the permission of the Speaker.

(1) The Clerk maintains custody of the Journals and of all petitions and papers presented and all records belonging to the House, subject to paragraph (2) and Standing Order 11.

(2) The House or the Speaker may give permission for Journals, petitions, papers, and records to—

(a) be removed from the Clerk’s custody;

(b) cease to be records belonging to the House.

…
CHAPTER 2

SITTINGS OF THE HOUSE

…

SITTINGS

53 Interruption deferred when vote in progress
Whenever, at the time for the Speaker or the chairperson to interrupt business, a question is being put to the House or a vote is in progress or the closure is carried, the interruption of business is deferred until—
(a) the question (in the case of the closure, the main question) is determined;
(b) any further question, which is required to be put without debate, is dealt with.

…

BUSINESS OF THE HOUSE

…

67 Government orders of the day
Government orders of the day consist of Government bills, the Address in Reply debate, the debate on the Prime Minister’s statement, consideration of the performance and current operations of Crown entities, public organisations, and State enterprises, and Government notices of motion.

Government orders of the day consist of—
(a) the Address in Reply debate,
(b) the debate on the Prime Minister’s statement,
(c) Government bills,
(d) international treaty examinations, if set down under Standing Order 250(1A)(a), and
(e) Government notices of motion.

76 Wednesdays Members’ days and other Wednesdays
(1) At a Wednesday sitting private and local orders of the day and Members’ orders of the day alternate with Government orders of the day as to precedence.
(2) Government orders of the day are always taken first on a Wednesday if the Address in Reply debate, the debate on the Prime Minister’s statement, or the Budget debate is before the House. In these circumstances private and local orders of the day and Members’ orders of the day are taken first on the next Wednesday.
(1) Every alternate Wednesday sitting is a Members’ day, for which private and local orders of the day and Members’ orders of the day take precedence over Government orders of the day. For all other Wednesday sittings, Government orders of the day take precedence.
(2) Despite paragraph (1), Government orders of the day are always taken first on a Wednesday if the Address in Reply debate, the debate on the Prime Minister’s statement, or the Budget debate is before the House. In this case, the following Wednesday sitting is a Members’ day.
CHAPTER 3

GENERAL PROCEDURES

INTERRUPTION OF DEBATE

131 Interruption of member speaking
A member speaking may be interrupted—
(a) by a point of order:
(b) by the raising of a matter of privilege relating to the conduct of strangers present:
(c) by the suspension or conclusion of a sitting:
(d) in accordance with a decision of the House or a determination of the Business Committee.

COMMITTEES OF THE WHOLE HOUSE

176 Instruction to committee of the whole House

(6) There is no amendment or debate on the question for an instruction to a committee requiring it to consider a bill clause by clause if the only purpose of the instruction is to increase the number of questions for the committee to debate when dealing with the bill’s provisions.
CHAPTER 4
SELECT COMMITTEES

ESTABLISHMENT OF COMMITTEES

184 Establishment and life of select committees
...

185 Membership of committees
(1) The overall membership of subject select committees must, so far as reasonably practicable, be proportional to party membership in the House.
(2) The Business Committee may determine the size of each committee.
...

186 Non-voting members
...

187 Changes in membership
...

SUBJECT SELECT COMMITTEES

188 Subject select committees

The subject select committees and their subject areas are—

Commerce Committee: business development, commerce, communications, consumer affairs, energy, information technology, insurance, superannuation, and tourism

Economic Development, Science and Innovation Committee: business development, tourism, Crown minerals, commerce, consumer protection and trading standards, research, science, innovation, intellectual property, broadcasting, communications, information technology

Education and Science Committee: education, education review, industry training, research, science, and technology

Education and Workforce Committee: education, training, employment, immigration, industrial relations, health and safety, accident compensation

Environment Committee: conservation, environment, climate change

Finance and Expenditure Committee: audit of the financial statements of the Government and departments, Government finance, revenue, and taxation, economic and fiscal policy, taxation, revenue, banking and finance, superannuation, insurance, Government expenditure and financial performance, public audit

Foreign Affairs, Defence and Trade Committee: customs, defence, disarmament and arms control, foreign affairs, trade, veterans’ affairs

Amendment 6
— Reorganisation of subject select committees
Government Administration Committee: civil defence, cultural affairs, fitness, sport and leisure, internal affairs, Pacific Island affairs, Prime Minister and Cabinet, racing, services to Parliament, State services, statistics, and women’s affairs

Governance and Administration Committee: parliamentary and legislative services, Prime Minister and Cabinet, State services, statistics, internal affairs, civil defence and emergency management, local government

Health Committee: health

Justice and Electoral Committee: courts, Crown legal and drafting services, electoral matters, human rights, and justice

Law and Order Committee: corrections, criminal law, police, and serious fraud

Justice Committee: constitutional and electoral matters, human rights, justice, courts, crime and criminal law, police, corrections, Crown legal services

Local Government and Environment Committee: conservation, environment, and local government

Māori Affairs Committee: Māori affairs, Treaty of Waitangi negotiations

Primary Production Committee: agriculture, biosecurity, racing, fisheries, productive forestry, lands, land information

Social Services Committee: housing, senior citizens, social development, work and income support, and youth development

Social Services and Community Committee: social development, social housing, income support, women, children, young people, seniors, Pacific peoples, ethnic communities, arts, culture and heritage, sport and recreation, voluntary sector

Transport and Industrial Relations Committee: accident compensation, immigration, industrial relations, labour, occupational health and safety, transport, and transport safety.

Transport and Infrastructure Committee: transport, transport safety, infrastructure, energy, building and construction.
Meetings outside Wellington area during sittings

A committee may meet outside the Wellington area—
(a) during a sitting of the House only with the agreement of the Business Committee, and
(b) otherwise than during a sitting of the House only if the committee has itself agreed to the place for its meeting.

Meetings within Wellington area on sitting days

(1) When meeting within the Wellington area, a select committee may not meet—
   (a) during oral questions:
   (b) during a sitting of the House except by leave of the committee:
   (c) during an evening (after 6 pm) on a day on which there has been a sitting of the House.

(1A) The Officers of Parliament Committee, the Privileges Committee, the Regulations Review Committee, and the Standing Orders Committee may meet during a sitting of the House, despite paragraph (1)(b).

(2) When a meeting within the Wellington area is in progress at 6 pm on a day on which there has been a sitting of the House, it may be continued while the leave of the committee is forthcoming in order to conclude business before the committee.

Reports set down

(1) Following their presentation, reports of select committees are set down as follows:
   (a) a report from the Privileges Committee, except a report on a bill or a petition, is set down for consideration as general business:
   (b) a report on a bill is set down as prescribed in Standing Order 296:
   (c) reports on the Budget policy statement, the fiscal strategy report, the economic and fiscal update, the statement on the long-term fiscal position, the investment statement, the financial statements of the Government, Estimates, Supplementary Estimates, and annual reviews are considered as set out in Standing Orders 332, 336, 339A, 340, 347, and 349 or as determined under Standing Order 350 and 347A:
   (d) a report on a notice of motion under Standing Order 322 or 323 is set down for consideration together with that notice of motion.

(1A) A report on an international treaty examination is set down as follows:
   (a) if the Government has indicated that it intends for the treaty to be implemented through a bill, as a Government order of the day, or
   (b) otherwise, as a Members’ order of the day.

(2) The Business Committee may direct that a report on a petition be set down as a Members’ order of the day.
(3) A report on a briefing, inquiry, international treaty examination or other matter, or a report of the Regulations Review Committee, is set down as a Members’ order of the day.

(4) A report set down under paragraph (1A)(b), (2) or (3) may be selected by the Business Committee for debate.
CHAPTER 5

LEGISLATIVE PROCEDURES

... INTRODUCTION ...

281 Ballot for Members’ bills
(1) Eight orders of the day for the first readings of Members’ bills are available for consideration at each sitting at which Members’ orders of the day take precedence on each Members’ day. ...

... FIRST READING ...

285 Bills set down for first reading
(1) After its introduction a Government bill is set down for first reading,—
   (a) in the case of a bill introduced on any sitting day, on the next Tuesday on which the House sits, or
   (b) in the case of a bill introduced on any working day that is not a sitting day, on the third sitting day following.

(2) A private bill, local bill, or Member’s bill is set down for first reading on the third sitting day following its introduction.

(3) Urgency may be accorded to the first reading of a bill despite the bill not being available to be set down for first reading under paragraph (1) or (2).

(4) There is no amendment or debate on the question for the first reading of a bill in the following cases:
   (a) an Appropriation Bill;
   (b) an Imprest Supply Bill;
   (c) a bill to implement an international treaty, if an international treaty examination of that treaty has already been separately debated by the House under Standing Order 250(1A)(a);
   (d) a revision bill;
   (e) a confirmation bill under Standing Order 325.

... DELEGATED LEGISLATION ...

325 Confirmation and validation bills
(1) Where the purpose of a bill is limited to the confirmation and validation of regulations that otherwise would lapse, the procedures set out in this Standing Order apply to the bill.
CHAPTER 6
FINANCIAL PROCEDURES

GOVERNMENT’S FINANCIAL VETO

326 Financial veto

327 Financial veto certificate

(3) A certificate is given by delivering it to the Clerk.

(3) For a certificate to have effect it must be presented by a Minister in the House or in a committee of the whole House. The certificate is a paper published under the authority of the House.

328 Application of financial veto rule to bills and motions

(1) A certificate relating to a bill may be given presented only when the bill is awaiting its third reading.

(4) A certificate relating to a motion may be given presented before the motion is moved. Where a certificate is given presented, the motion is out of order and no question is put on it.

329 Application of financial veto rule to amendments to bills and changes to Votes

(1) A certificate relating to any or all of the amendments recommended to a bill by a select committee may be given presented before the House agrees to those amendments. Where a certificate is given presented, those amendments are omitted from the bill.

(2) A certificate relating to an amendment to a bill or a change to a Vote to be proposed by a member in a committee of the whole House may be given presented before the question on the amendment or change is put. Where a certificate is given presented, the amendment or change is out of order and no question is put on it.

330 Notice of amendment to bill or change to Vote

ESTIMATES

339 Estimates debate

(1) The consideration in committee of the main Appropriation Bill is the Estimates debate. The Estimates debate is a consideration of the appropriations being sought by the Government in each Vote in the main Appropriation Bill.
(2) During the Estimates debate, Votes are considered as determined under Standing Order 350, arranged under Standing Order 339A. As each Vote is reached, the question is proposed that the Vote stand part.

339A Arrangement of Estimates debate
(1) The Government may select any day, other than a Members’ day, for the Estimates debate.
(2) Votes are grouped according to the sectors within which they were presented in the Estimates.
(3) As the debate on each sector is reached, the question is proposed that the Votes within that sector stand part. The chairperson or a member of a select committee that considered Estimates within that sector commences the debate, in order to set out the major findings of the committee. Other speeches are allocated to parties on a proportional basis across the whole Estimates debate.
(4) The Business Committee can determine any additional or alternative arrangements for the Estimates debate.

ANNUAL REVIEW

340 Third reading of main Appropriation Bill

344 Allocation of responsibility for conducting annual reviews
(1) As soon after the commencement of the financial year as it thinks fit, the Finance and Expenditure Committee allocates to a subject select committee (or retains for itself) the task of conducting an annual review of—
(a) the performance in the previous financial year and the current operations of each department, Office of Parliament, Crown entity, public organisation or State enterprise, and
(b) what has been achieved with expenditure from appropriations administered by each department or Office of Parliament.
(2) When the annual report of each department, Office of Parliament, Crown entity, public organisation or State enterprise is presented to the House, its annual review stands referred to a select committee as allocated by the Finance and Expenditure Committee.
(3) When the annual financial statements of the Government for the previous financial year are presented, their annual review stands referred to the Finance and Expenditure Committee.

345 Select committees to conduct annual reviews
(1) The Finance and Expenditure Committee must, within one week of the first sitting day in each year, report to the House on the annual financial statements of the Government as at the end of the previous financial year.
(2) Each select committee must, within one week of the first sitting day in each year, conduct and finally report to the House on an annual review of the performance and current operations of every department and Office of Parliament allocated to it.
I.18 Review of Standing Orders

345 Time for report on annual reviews

(1) The Finance and Expenditure Committee must, no later than 31 March in each year, report to the House on the annual financial statements of the Government as at the end of the previous financial year.

(2) Each select committee must, no later than 31 March in each year, finally report to the House on every annual review allocated to it.

346 Appropriation (Confirmation and Validation) Bill

347 Annual review debate

(1) The consideration in committee of the Appropriation (Confirmation and Validation) Bill is the annual review debate. The annual review debate is the consideration of—

(a) the financial position of the Government as reflected in the report of the Finance and Expenditure Committee on the annual financial statements of the Government for the previous financial year, and

(b) the annual reviews of the performance in the previous financial year and the current operations of departments and Offices of Parliament select committee reports on annual reviews.

(2) When the annual review debate commences, the question is proposed that the report of the Finance and Expenditure Committee on the annual financial statements of the Government for the previous financial year be noted.

(3) The committee then proceeds to consider reports of select committees on annual reviews as determined under Standing Order 350 arranged under Standing Order 347A. As each report is reached, the question is proposed that the report be noted.

(4) At the conclusion of the total time for the annual review debate, the provisions of the bill and any amendments proposed by the Minister in charge of the bill that are notified on a Supplementary Order Paper are put as one question. There is no amendment or debate on the question.

(5) The annual review debate must be held no later than 31 March.

347A Arrangement of annual review debate

(1) The Government may select any day, other than a Members’ day, for the annual review debate.

(2) The reports on annual reviews are grouped according to the sectors within which relevant Votes were presented in the Estimates for the financial year to which the annual reviews relate.

(3) As the debate on each sector is reached, the question is proposed that reports of select committees on the annual reviews within that sector be noted. The chairperson or a member of a select committee that considered annual reviews within that sector commences the debate, in order to set out the major findings of the committee. Other speeches are allocated to parties on a proportional basis across the whole annual review debate.
(4) The Business Committee can determine any additional or alternative arrangements for the annual review debate.

(5) The annual review debate must be completed before the date notified to the House by the Government under Standing Order 333(1).

348 Passing of Appropriation (Confirmation and Validation) Bill

349 Consideration of annual reviews of Crown entities, public organisations, and State enterprises

(1) Consideration of the annual reviews of Crown entities, public organisations, and State enterprises may be set down as a Government order of the day in the charge of a Minister. Consideration is given in committee to the performance in the previous financial year and the current operations of Crown entities, public organisations and State enterprises.

(2) When the order of the day is reached, the House resolves itself into committee, and the committee considers annual reviews of Crown entities, public organisations, and State enterprises as determined under Standing Order 350.

(3) As each annual review is reached, the question is proposed that the report of the select committee on the annual review be noted.

DETERMINATION OF VOTES AND ANNUAL REVIEWS FOR DEBATE

350 Determination of Votes and annual reviews for debate

(1) The Government may select any day (other than a Wednesday on which Members’ orders of the day take precedence) for the Estimates debate, the annual review debate, or the debate on the annual review of Crown entities, public organisations and State enterprises.

(2) The Government determines which Votes or annual reviews are available for debate on a particular day and how long in total is to be spent on the debate that day. This information is to be included on the Order Paper.

(3) The Business Committee may determine the order in which the Votes or annual reviews are to be considered on a particular day and how long is available for considering each or any of them.
CHAPTER 7
NON-LEGISLATIVE PROCEDURES

PAPERS AND PUBLICATIONS

374 Speaker controls publication
The Speaker has control and direction of all matters which relate to printing and publication executed by order or under the authority of the House.

374 Speaker controls presentation and publication
The Speaker may direct how papers are presented to the House, and may also control all matters relating to the publication of papers that are published by order or under the authority of the House.

QUESTIONS TO MINISTERS AND MEMBERS

381 Lodging of oral questions

(2) Twelve oral questions to Ministers may be accepted each day. Questions will be allocated on a basis that is proportional to party membership in the House, excluding Ministers and Parliamentary Under-Secretaries. The Business Committee decides the weekly allocation and rotation of questions.

(3) Oral questions that have been accepted are circulated.

GENERAL DEBATE

392 General debate each Wednesday

(3) No general debate is held in a week in which the debates on the Address in Reply, the Prime Minister’s statement, the Budget, or the Budget policy statement are held, or when the House considers a notice of motion under Standing Order 323(4).

(3) No general debate is held on a sitting day on which the House debates or considers—

(a) the Address in Reply;
(b) the Prime Minister’s statement;
(c) the Budget;
(d) the Budget policy statement, the statement on the long-term fiscal position, or the investment statement;
(e) a notice of motion for a negative resolution, under Standing Order 323(4).
CIVIL DEFENCE
394 Civil defence
(1) Any national civil defence emergency management strategy and any proposed civil defence emergency management plan stand referred to the Government Administration Committee.
(2) The Government Administration Committee must report to the House on a national civil defence emergency management strategy no later than 12 sitting days after its referral to the committee.

OFFICERS OF PARLIAMENT
396 Reports of Officers of Parliament
(1) A report from an Officer of Parliament, other than an annual report, stands referred,—
   (a) in the case of a report of the Controller and Auditor-General, to the Finance and Expenditure Committee:
   (b) in the case of a report of the Ombudsmen or an Ombudsman, to the Government Administration Committee:
   (c) in the case of a report of the Parliamentary Commissioner for the Environment, to the Local Government and Environment Committee.

Amendment 6
—Reorganisation of subject select committees
INTERNATIONAL TREATIES

397  Presentation and referral of treaties

398  National interest analysis

(1)  A national interest analysis must address the following matters:
(a)  the reasons for New Zealand becoming party to the treaty:
(b)  the advantages and disadvantages to New Zealand of the treaty entering into force for New Zealand:
(c)  the obligations which would be imposed on New Zealand by the treaty, and the position in respect of reservations to the treaty:
(d)  the economic, social, cultural, and environmental effects of the treaty entering into force for New Zealand, and of the treaty not entering into force for New Zealand:
(e)  the costs to New Zealand of compliance with the treaty:
(f)  the possibility of any subsequent protocols (or other amendments) to the treaty, and of their likely effects:
(g)  the measures which could or should be adopted to implement the treaty, and the intentions of the Government in relation to such measures, including legislation:
(h)  a statement setting out the consultations which have been undertaken or are proposed with the community and interested parties in respect of the treaty:
(i)  whether the treaty provides for withdrawal or denunciation.

(1A)  In relation to paragraph (1)(g), a national interest analysis must indicate whether or not the Government intends for the treaty to be implemented through a bill.

(2)  In the case of a treaty that has been subject to ratification, accession, acceptance, or approval on an urgent basis in the national interest, the national interest analysis must also explain the reasons for the urgent action taken.

(3)  In the case of a treaty that has been subject to ratification, accession, acceptance, or approval and that is to be subject to withdrawal or denunciation by New Zealand, the national interest analysis must address the matters set out in paragraph (1) to the full extent applicable to that proposed action.

400  Reports by select committees on treaties

(1)  A select committee must report to the House on any treaty that has been referred to it.

(2)  In examining a treaty and the accompanying national interest analysis, the committee considers whether the treaty ought to be drawn to the attention of the House—
(a)  on any of the grounds covered by the national interest analysis, or
(b)  for any other reason.

(3)  The committee must include the national interest analysis as an appendix to its report.

(4)  If the Government intends for the treaty to be implemented through a bill, the committee must draw this to the House’s attention.
## APPENDIX A

### TIME LIMITS OF SPEECHES AND DEBATES

<table>
<thead>
<tr>
<th>Item of business and member speaking</th>
<th>Times for speeches or debates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GENERAL PROCEDURES</strong></td>
<td></td>
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<tr>
<td><strong>Amendments</strong></td>
<td></td>
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<tr>
<td>Each member</td>
<td>Same as on the original motion</td>
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<td></td>
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<tr>
<td><strong>FINANCIAL PROCEDURES</strong></td>
<td></td>
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<td></td>
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<tr>
<td><strong>Estimates debate (committee of the whole House stage of main Appropriation Bill)</strong></td>
<td>Multiple speeches of 5 minutes each, but normally not more than 2 consecutive speeches</td>
</tr>
<tr>
<td>Minister in charge of the Vote</td>
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<tr>
<td>Other members speaking on each Vote</td>
<td>Not more than 2 speeches of 5 minutes each</td>
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<tr>
<td>Whole debate</td>
<td>11 hours</td>
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<td></td>
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<tr>
<td><strong>Annual review debate (committee of the whole House stage of Appropriation (Confirmation and Validation) Bill)</strong></td>
<td>Multiple speeches of 5 minutes each, but normally not more than 2 consecutive speeches</td>
</tr>
<tr>
<td>Minister in charge of the annual financial statements of the Government for the previous financial year, or Minister responsible for department or Office of Parliament</td>
<td></td>
</tr>
<tr>
<td>Other members speaking on each annual review</td>
<td>Not more than 2 speeches of 5 minutes each</td>
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<tr>
<td>Whole debate</td>
<td>4 hours</td>
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<tr>
<td>Whole debate</td>
<td>10 hours</td>
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<tr>
<td><strong>Consideration of annual reviews of Crown entities, public organisations, and State enterprises</strong></td>
<td>Multiple speeches of 5 minutes each, but normally not more than 2 consecutive speeches</td>
</tr>
<tr>
<td>Minister responsible for Crown entity, public organisation, or State enterprise</td>
<td></td>
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<tr>
<td>Other members speaking on each annual review</td>
<td>Not more than 2 speeches of 5 minutes each</td>
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<tr>
<td>Whole debate</td>
<td>4 hours</td>
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<tr>
<td><strong>NON-LEGISLATIVE PROCEDURES</strong></td>
<td></td>
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<td></td>
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<tr>
<td><strong>Debate on international treaty</strong></td>
<td>Not more than 2 hours</td>
</tr>
<tr>
<td>Whole debate</td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX B

PECUNIARY AND OTHER SPECIFIED INTERESTS

INTRODUCTION

1 Introduction

(1) This Appendix establishes the Register of Members’ Pecuniary and Other Specified Interests.

(2) The Appendix sets out requirements for members to make returns declaring interests that—
   (a) are financial, business, or personal, and
   (b) are specified in this Appendix, and
   (c) are held by a member at the effective date of the return or have been received by a member in the period covered by the return, as appropriate.

(3) The purpose of the register is to facilitate the transaction of business by the House by promoting the highest standards of behaviour and conduct by members, and thereby strengthening public trust and confidence in parliamentary processes and decision-making, record members’ interests, thereby providing transparency and strengthening public trust and confidence in parliamentary processes and decision-making.

(4) A person making a decision in the course of complying with this Appendix must be guided by the register’s purpose.

PART 1

2 Definitions

(1) For the purposes of the return and registration of pecuniary and other specified interests, unless the context otherwise requires,—

   business entity—
   (a) means any body or organisation, whether incorporated or unincorporated, that carries on any profession, trade, manufacture, or undertaking for pecuniary profit, and
   (b) includes a business activity carried on by a sole proprietor, and but
   (c) does not include a unit trust managed investment scheme

   managed investment scheme has the same meaning as in section 9 of the Financial Markets Conduct Act 2013.

   registered superannuation scheme means any superannuation scheme that is registered under the Superannuation Schemes Act 1989 (including any scheme referred to in section 19H of the Government Superannuation Fund Act 1956)

   retirement scheme includes—
   (a) a retirement scheme within the meaning of section 6(1) of the Financial Markets Conduct Act 2013, and
(b) any trust or other arrangement established in New Zealand or any other country with a purpose of providing retirement benefits to individuals; for example, a private superannuation scheme

…

5 Contents of return relating to member’s position as at effective date of return

(1) Every return must contain the following information as at the effective date of the return:

…

(b) the name of every other company or business entity in which the member has a pecuniary interest, other than an interest as a unit holder in a unit trust other than as an investor in a managed investment scheme and a description of the main business activities of each of those companies or entities, and

…

(d) the name of the trust, and whether the member is a trustee, a beneficiary, or both, for each trust to which the following apply:

(i) the member knows or ought reasonably to know that the member is a beneficiary or a trustee or both of it, and

(ii) it is not a trust whose name is disclosed under subclause (1)(e), and

(iii) it is not a registered superannuation retirement scheme whose name is disclosed under subclause (1)(h), and

(iv) it is not a managed investment scheme whose name is disclosed under subclause (1)(ha), and

…

(g) the location of real property, and a description of the nature of the real property, held by a trust to which the following apply:

(i) the member is a beneficiary of it, and

(ii) the member knows or ought reasonably to know that the member is a beneficiary of it, and

(iii) it is not a unit trust whose name is disclosed under subclause (1)(d), and

(iv) it is not a registered superannuation retirement scheme whose membership is open to the public and whose name is disclosed under subclause (1)(h), and

(h) the name of each registered superannuation retirement scheme and the manager of each retirement scheme in which the member has a pecuniary interest, and

(ha) the name of each managed investment scheme and the manager of each managed investment scheme in which the member has a pecuniary interest and which is not a retirement scheme whose name is disclosed under subclause (1)(h), and

…
8 Contents of return relating to member’s activities for period ending on effective date of return

(2) The information referred to in subclause (1)(a) does not have to be included in the return if the travel costs or accommodation costs (as the case may be) were paid by the following or any combination of the following:
   (a) the member;
   (b) the member’s spouse or partner;
   (c) any parent, child, stepchild, foster-child, or grandchild of the member;
   (d) the Crown;
   (e) any government, parliament, or international parliamentary organisation entity that paid the travel costs or accommodation costs because the member was participating in the official inter-parliamentary relations programme funded by the Office of the Clerk approved by the Speaker of the House.

Amendment 16
—Contributions to overseas travel

PART 2

18 Registrar must publish summary of returns of current members of Parliament—all returns received in period for transmitting returns

(1) The Registrar must, within 90 days of the due date for transmitting any initial returns that are required to be made following a general election, publish on a website and in booklet form a summary containing a fair and accurate description of the information contained in those initial returns that has been transmitted by persons who, at the date of publication, are members of Parliament all returns received during the period for transmitting returns.

(2) The Registrar must, within 90 days of the due date for transmitting annual returns, publish on a website and in booklet form a summary containing a fair and accurate description of the information contained in those annual returns that has been transmitted by persons who, at the date of publication, are members of Parliament all returns received during the period for transmitting returns.

(3) The Registrar must promptly provide a copy of the booklet to the Speaker.

(4) The Registrar must ensure that a summary containing a fair and accurate description of information contained in all returns is—
   (a) maintained on a website:
   (b) available for inspection by any person at Parliament Buildings in Wellington on every working day between the hours of 10 am and 4 pm.

(5) Subclause (1) does not apply in respect of information contained in the annual return of any member who has ceased to be a member of Parliament after submitting a return and before the information is published under subclause (4).

(6) A person may take a copy of any part of the summary referred to in subclause (4)(b) on the payment of a fee (if any) specified by the House.

Amendment 17
—Returns of members who leave Parliament
19 Speaker must present copy of booklet to House of Representatives

20 Errors or omissions
   (1) Any member who becomes aware of an error or omission in any return previously made by that member must advise the Registrar of that error or omission as soon as practicable after becoming aware of it.
   (2) The Registrar may, at the Registrar’s own discretion, publish amendments on a website to correct errors or omissions advised under subclause (1).
   (2A) The Registrar must promptly provide a copy of any booklet prepared under subclause (2) to the Speaker.
   (2B) The Speaker must, as soon as practicable after receiving a copy of a booklet under subclause (2A), present a copy of the booklet to the House.
   (3) Nothing in this Appendix requires members to advise the Registrar of changes to their interests that have occurred since the effective date of their last return.

21 Information about register
   (1) Subject to clauses 15, 16, and 17, all returns and information held by the Registrar or by the Auditor-General relating to an individual member are confidential until destroyed under subclause (2).
   (2) On the dissolution or expiration of Parliament, all returns and information that have been held for three complete terms of Parliament by the Registrar or by the Auditor-General relating to individual members must be destroyed.
   (2A) On the dissolution or expiration of Parliament, all returns and information relating to an individual former member who has ceased to be a member for three complete terms of Parliament must be destroyed.

21A Disclosure to party whips or leaders
   (1) The Registrar may disclose to a member’s party whip (or party leader where a party does not have a whip) that the member has or has not yet transmitted a return to the Registrar.
   (2) This clause applies despite clause 21(1) and is for the purpose of facilitating the timely transmission of returns.

22 Responsibilities of members and Registrar

...
APPENDIX C

PRELIMINARY PROCEDURES FOR PRIVATE BILLS AND LOCAL BILLS AND LOCAL LEGISLATION BILLS

PRIVATE BILLS AND LOCAL BILLS

2 Form and content of notice
   (1) Every notice must be headed with the title by which the Act bill is to be known.
   ...

13 Fees
   (1) The fee payable by the promoter of a bill is $2,000 (including goods and services tax) and accompanies the documents forwarded under clause 11.
   (2) The fee is made payable to the Clerk of the House of Representatives, and applied to defraying general administrative expenses incurred in respect of the promotion and printing of private bills and local bills.

14 Refunds
   (1) If the select committee which considers a private bill recommends to the House that a refund be made on the ground of hardship, the House may direct that the whole or any part of the fee be refunded to the promoter.
   (2) Every refund directed by the House is made accordingly by the Clerk.
   ...

17 Examination and endorsement of bills and documents
   ...
   (3) If the Standing Orders appear not to have been complied with, the Clerk returns the documents and the fee to the promoter.

Amendment 8 —Private bills and local bills
APPENDIX D

RULES FOR FILMING AND CONDITIONS FOR USE OF OFFICIAL TELEVISION COVERAGE

PART B: CONDITIONS FOR USE OF OFFICIAL TELEVISION COVERAGE

(1) Official television coverage of the House is made available on the following conditions:

1. Any broadcast or rebroadcast of coverage must comply with the broadcaster’s legal obligations.

2. Coverage of proceedings must not be used in any medium for—
   (a) political advertising or election campaigning (except with the permission of all members shown):
   (b) satire, ridicule, or denigration:
   (c) commercial sponsorship or commercial advertising.

3. Reports that use extracts of coverage of proceedings and purport to be summaries must be fair and accurate.

…

Amendment 5
—Conditions for use of official television coverage
Appendix A—Committee procedure and membership

Committee procedure
At its meeting on 22 September 2016, the Standing Orders Committee resolved to commence a review of the Standing Orders. The conduct of a review of the Standing Orders, procedures, and practices of the House is a function of the committee under Standing Order 7(a). The committee invited public submissions on the review, with a closing date of 25 November 2016. Submissions were received from 35 people and organisations, as listed in Appendix B of this report. Evidence from submitters was heard in public in the Parliament Buildings. Petition 2014/107 of Malcolm Harbrow was considered as part of the review of Standing Orders.

David Wilson, Clerk of the House of Representatives, was our principal adviser on the review.

Committee members
Rt Hon David Carter (Chairperson)
Hon Simon Bridges
Hon Gerry Brownlee (until 3 May 2017)
David Clendon
Hon Peter Dunne
Marama Fox
Chris Hipkins
Hon Trevor Mallard
Denis O’Rourke
Hon Michael Woodhouse (from 3 May 2017)
Appendix B—List of submitters

List of submitters

Axford, Graeme
Baker, A R
Cabinet Office
Clerk of the House of Representatives
Doyle, Geoff
Ellis, Dr Gavin
English, Hon Bill, Minister of Finance
Environment and Conservation Organisations of NZ (ECO NZ)
Foreign Affairs, Defence and Trade Committee
Foster, Jonathan
Green Party of Aotearoa New Zealand
Hart, Angela
Health Committee
Hill, Graham
Joyce, Hon Steven, Minister for Regulatory Reform
Lassen, Samantha
Leonard, Billy
Māori Affairs Committee
McCorkindale, Rex
Monks, Karen
Morgan, Thomas
New Zealand First Party
New Zealand Law Society
New Zealand Society of Authors (PEN NZ) INC
Olsen, Jen
Pacific Youth Leadership and Transformation Trust (PYLAT)
Parliamentary Counsel Office
Registrar of Pecuniary and Other Specified Interests of Members of Parliament
Rimell, Anthony Peter
Rzesniowiecki, Greg
Taylor, Sarah
Tisch, Lindsay
Turkington, Stephen
Wall, Louisa
Whitehead, Matthew.
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Introduction

This is a compendium of all the select committee reports on the 2015/16 Estimates. This compendium has been structured to reflect the organisation of the Estimates of appropriations into 10 sectors, each of which covers one or more Votes.

The reports for Vote Labour Market and Vote Transport were not presented at the time this compendium was produced and will be available separately. The Fiscal Strategy Report 2015 and the Budget economic and fiscal update 2015 are included in a combined report by the Finance and Expenditure Committee. The Finance and Expenditure Committee’s reports on the 2014/15 Supplementary Estimates will be printed in the Appendix to the Journals — Select Committee Reports 2015.

The votes for the security agencies are examined by a statutory committee, rather than a select committee. The Intelligence and Security Committee was established by the Intelligence and Security Committee Act 1996. The committee’s report on the examinations of Vote Communications Security and Intelligence and Vote Security Intelligence is inserted into this compendium for ease of reference. Its report on the 2015/16 Supplementary Estimates for Vote Communications Security and Intelligence and Vote Security Intelligence will be printed in the Appendix to the Journals — Select Committee Reports 2015.
# 2015/16 Estimates for Vote Business, Science and Innovation (excluding Science and Innovation appropriations)

Report of the Commerce Committee

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2015/16 Estimates for Vote Business, Science and Innovation (excluding Science and Innovation appropriations)

Recommendation
The Commerce Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Business, Science and Innovation (excluding Science and Innovation appropriations) as set out in Parliamentary Paper B5, be accepted.

Introduction
Vote Business, Science and Innovation is a new vote in 2015/16, and resulting from a merger of the following former votes: Vote Commerce and Consumer Affairs; Vote Communications; Vote Economic Development and Employment (except Employment appropriations, which now form part of Vote Labour Market); Vote Energy; Vote Science and Innovation; and Vote Tourism.

This report excludes Science and Innovation appropriations, which are to be examined by the Education and Science Select Committee.

The total appropriations sought for Vote Business, Science and Innovation in 2015/16 is $2.264 billion; appropriations detailed in this report are: $153.277 million for Commerce and Consumer Affairs appropriations; $250.817 million for Communications appropriations; $456.140 million for Economic development appropriations; $174.401 million for Energy appropriations; and $139.8 million for Tourism appropriations.
Commerce and Consumer Affairs appropriations

Introduction
Commerce and Consumer Affairs appropriations total $153.277 million in 2015/16, an increase of 0.1% on the estimated actual $153.197 million in 2014/15. The appropriations fund the administration of the business regulatory environment, consumer information initiatives, and the work of the Commerce Commission and the Financial Markets Authority, among other work programmes.

Unscrupulous lending

Responsible Lending Code
The Responsible Lending Code came into force on 6 June 2015. It addresses unscrupulous lending practices by setting out responsibilities for lenders, to ensure that consumers can make informed decisions. We heard that the code is not binding; however, the principles of the Credit Contracts and Consumer Finance Act 2003 are. The minister said the code sets out in detail how lenders can comply effectively with the act, but that there are various ways to comply, and the non-binding nature of the code provides “flexibility in the system”. The Commerce Commission monitors lenders’ compliance with the Act, and we heard there are “serious consequences” to not complying.

We observed that the code recommends that lenders display the interest rates they are charging. There are some recommendations under the Credit Contracts and Consumer Finance Act that lenders disclose the full price under certain circumstances, but the code does not recommend informing consumers of the total price of a good purchased with credit in all circumstances, including the total interest to be charged. The Minister said that this was not endorsed by the select committee that considered the issue. However, he thinks it is an option worth considering.

Interest rate cap
We observed that many comparable countries have introduced caps on interest rates, and asked the Minister why he does not support doing likewise. He said this option was considered, but ultimately decided against for two reasons. First, a cap can become a “target” interest rate for lenders, leading to higher average interest rates. Secondly, limiting the rate of interest may result in fewer short-term credit options being offered by lenders, and consumers in need of short-term finance might not be able to access credit. This could force consumers to seek credit from black market lenders, the Minister told us.

Resourcing
An appropriation of $13.935 million is sought to fund the Commerce Commission’s enforcement of general market regulations, including the Credit Contracts and Consumer Finance Act 2003. We questioned the Commerce Commission’s capability to monitor compliance with the new code effectively, since the amount budgeted for this function has not increased from 2014/15. Some of us asked for specific measures and resources that
will be initiated as a result of the recent changes to the Act. The Minister could not give the committee specific detail but assured us that he is confident the Commerce Commission is adequately resourced for the task.

**Mobile lending trucks**

The Minister said he has no plans to regulate mobile lending trucks, which often sell goods on layby, including food, at very steep prices. He emphasized that the new code should ensure that consumers understand the prices they are paying. While certain lenders may not be following the rules, “they will be found out very quickly”.

**Financial literacy**

An appropriation of $5.782 million, a decrease of $310,000 or 5 percent from 2014/15, is sought to fund the work of the Retirement Commissioner, who leads the Commission for Financial Capability. We asked the minister what is being done to improve financial literacy, which is a major factor in outcomes for borrowers. We heard that the Retirement Commissioner has developed a National Strategy for Financial Capability. The Commissioner consults banks, large employers such as The Warehouse, budgeting services, and schools on how to improve financial literacy. The Commerce Commission also holds workshops with community and social organisations.

**Non-tendered procurement**

We observed that the amount spent by the Financial Markets Authority in the past financial year on work that wasn’t publically tendered for increased by roughly 60 percent from the previous financial year. The Minister said that there are many reasons an agency may not tender for work, including urgency and expertise, and that he would be happy to ask the Financial Markets Authority about the increase. Some of us were concerned that the minister was unable to answer this question at the hearing.

We were later informed that in some cases it was not possible to tender due to the limited pool of expertise, potential conflicts of interest resulting from this limited pool, and “significant confidentiality concerns”. We were also informed that consultants and contractors were hired in previous years through a tender process, and have since been engaged in ongoing work, which appears as untendered work in the information provided to the committee. In one case, an untendered contract was awarded to a provider who had already gone through other Government tender processes.
Communications appropriations

Introduction
The appropriations relating to communications sought for 2015/16 decrease by 10.1 percent from 2014/15 to $250.817 million (2014/15 estimated actual is $278.961 million).

The appropriations include two new initiatives for 2015/16: an upgraded emergency response system; and extending ultra-fast broadband, especially to schools and rural areas.

Rural broadband initiative
The Minister told us that the uptake of rural broadband was at 25.2 percent, counting access through upgraded copper wiring and fixed wireless connections as well as fibre. Of the 25.2 percent uptake, 85.7 percent connect with copper wiring. The total number of fixed wireless connections is difficult to calculate; there are 8,500 known connections, based on Vodafone numbers only.

The Minister said that it is not possible to ascertain exactly how many users connect to the fixed wireless broadband rural broadband initiative infrastructure; the ministry provides the physical towers, but the associated componentry and services are provided privately, so the exact numbers of connections are not publicly available.

The Minister assured us that the previous $60 million spent on broadband towers was good value for money, as is the full $300 million spent so far on the initiative. The towers offer a much better level of service. She also considers this outlay to represent good value for money because of the large associated increase in cellular connectivity, which is especially important for people in rural areas. The initiative had also considerably increased peak speeds, at competitive prices. Provision has been made for upgrading and new technology.

We asked about rural access points, which allow customers with providers other than Chorus to access Chorus’ fibre. The Minister said 964 Chorus cabinets have been upgraded under the rural broadband initiative, making them available for unbundled services.

We heard that there had been some issues with specific towers, for example regarding resource consent, but nothing untoward, and the roll-out is on time so far and ahead of budget.

Performance of the rural broadband initiative
We asked why there was not a publicly available analysis of the whole rural broadband initiative, since it is publicly funded. The Minister disputed the necessity of such evaluation, at this stage of the programme, suggesting that the desire of the rural community to have more connectivity does not imply the initiative is inefficient or not working. She assured us the Ministry of Business, Innovation, and Employment undertakes regular independent technical and financial audits of the programme, which so far show the programme to be progressing as required. The ministry produces quarterly reports on the performance of the initiative, but some of us think they lack enough detail to provide full transparency.
Comparison with Australia

We noted that Australia has a large rural population, and asked how New Zealand’s rural broadband provision compares. The Minister said Australian rural communities admire New Zealand’s initiative, which is superior in terms of coverage, cost, and speed. She also said New Zealand’s provision compares favourably with other countries, such as Singapore and the UK.

Mobile telephone coverage

The Minister said that rural mobile coverage is one of the issues that is raised with her most often. Three-quarters of the towers that the ministry has funded have been used by more than one cellular provider, which has greatly increased mobile telephone coverage.

The Minister has announced a $50-million initiative to address rural “black spots”. This should benefit traffic safety and tourism, and access to mobile data generally, the use of which is expanding rapidly.

Ultra-Fast Broadband

We asked the Minister and the ministry to clarify financial risks related to the impairment of the value of broadband investment. Specifically, we asked about the extent to which the recovery of the investment in broadband depended on the uptake of connections. The Minister could not quantify the risk, but assured us that uptake compares well internationally, and is growing strongly.

Other matters

Internet connectivity

We asked the Minister about the quarter of New Zealand households with no connectivity to the internet. The Minister acknowledged that approximately 34,000 households were outside the scope of the Rural Broadband and Ultra-Fast Broadband programmes. She is currently consulting on whether the spending priority in these projects should be increasing the speed and quality of connection or connecting more households, admitting that ideally both would be covered. For some households, she understood that satellite coverage may be the best residual option.

Emergency service application

The Minister announced a request for proposals to build a smartphone application for calling emergency services, which could connect the caller directly to the service required, at the same time communicating their location information to the service. Accurate location information can be critical in emergency call-outs. It is hoped that the application will be live by July 2016.

Telephone books

We congratulated the Minister on the expansion of the “opt-in” scheme for white pages telephone books throughout New Zealand, after successful use in Auckland for the past three years. It is estimated that 475,000 fewer phone books would be delivered in Auckland than in 2012.
Telephone services for the hearing-impaired

The ministry has made changes to the CapTel service which allows hearing-impaired people to have effective real-time conversations over the telephone. Since the service has been popular, its hours have been extended by several hours daily.

The video remote interpretation service allows deaf members of the community to communicate with government agencies when a sign-language interpreter is not available. The Minister expects to announce extensions to this programme shortly.

Net neutrality

Net neutrality is the principle that internet service providers and governments treat all data on the internet equally. The Minister said she believes, as does the Commerce Commission, neutrality is not an issue in New Zealand at present, but the situation needs to be monitored, and transparency will be vital to keeping anti-competitive practices under control.

The Commerce Commission can now examine any practice that it considers to be anti-competitive, including aggressive internet traffic management.

New Zealand Labour Party minority view

Labour has serious concerns that the government is embarking on spending $150 million on the next stage of the rural broadband initiative (RBI) without undertaking an analysis of the first tranche of the scheme which has cost $300 m in direct government appropriation and an industry levy.

This was to be achieved through fixed wireless broadband, 154 new cell towers and upgrading a further 380 sites by Vodafone and an upgrade to the existing copper network by Chorus.

Labour asked the Minister if her ministry had undertaken any analysis into the value for money or effectiveness of the RBI. The Minister responded that she hadn’t but relied on public quarterly reports which provide no detail and non-public technical and financial audits. Despite concerns expressed by Labour members of the committee, these reports have not been made publicly available.

When asked whether the $300 million spent on the rural broadband initiative was value for money, in particular the $60 million spent on fixed wireless broadband which has resulted in around 8,500 connections, the Minister asserted the scheme was value for money but hard evidence of this is lacking, in the view of the Labour members on the committee.

When asked if there had been reports of delays, programme changes or cost blow-outs relating to the upgrade and new towers and asked if Vodafone was meeting its commitments, the Minister claimed that the roll-out was on time and ahead of budget. She replied she had heard anecdotes of issues with particular towers in the consenting process, but hadn't had any formal reports of delays/cost overruns etc.

We were concerned that providers with customers other than Chorus were finding it difficult to access Chorus’ fibre at rural access points. The Minister could not provide any
information other than to say that 964 Chorus cabinets had been upgraded. However Labour remains concerned that there is no information available on whether unbundled services are able to be accessed by other providers.

The Minister was unable to provide the committee with the number of fibre connections to rural schools which were enabling wider community connections. The Minister explained this was the responsibility of the associate minister for education, however we remain concerned that this means of providing greater connectivity experience to rural communities was not part of an evaluation of the rural broadband initiative and should form part of a wider analysis of its effectiveness.

The government promised in 2010 to deliver enhanced broadband connection to 252,000 households and businesses. It’s against this criteria that the success or otherwise of the public appropriation and levy should be judged. Instead the only hard evidence is that 8,500 households are connected to fixed wireless connections. That represents around $7000 per connection as $60 million has been invested into that part of the programme.

The Minister and MBIE have both admitted there has been no return on investment analysis of the $300 million expenditure to determine whether it has been effective and value for money.

We are now in a position where $450 million has been committed to a scheme without any return on investment analysis into its effectiveness in delivering on the stated policy goals other than quarterly reports.

Labour is completely committed to deliver a better rural broadband experience for rural New Zealand. We believe the rural broadband scheme has let down our regions and there is an urgent need for evaluation before more money is spent.
Economic Development appropriations

Introduction
Economic development appropriations in 2015/16 total $456.140 million, an increase of $39.284 million or 9.42 percent from the estimated actual total for 2014/15. The appropriations fund advice and services to promote economic development across the whole economy, and through firms, sectors and regions. Through these appropriations, the Ministry of Business, Innovation and Employment (MBIE) supports the Government’s Business Growth Agenda and leads the Procurement Reform Agenda. Funding is also provided for the Government’s national economic development agency, New Zealand Trade and Enterprise, and for the Crown company Venture Investment Fund Limited.

Export target
As part of the Business Growth Agenda, the Government has set a target for exports to reach 40 percent of GDP by 2025. Some of us observed that we have recently seen a decrease of exports as a percentage of GDP to below 30 percent. The minister disputed this. We were told that the growth in exports that will be needed to reach the target by 2025 is now occurring. However, progress has been masked by the dairy sector’s poorer results, and may remain so in the near future. The minister highlighted several industries that are growing, including ICT, high-tech manufacturing, agricultural technology, and some food and beverage industries. He also said that in recent years the resilience and growth of the export sector have exceeded economists’ predictions, and he is confident that the target can be reached by 2025.

Ministry of Business, Innovation and Employment refit
We expressed concern over the cost of certain items in the refit of MBIE’s Stout Street premises, notably the lobby TV screen, the sundeck, and the sign outside the building. We also asked about the installation of hair-straighteners for staff. The Minister said he is very disappointed with some items of expenditure, and that the chief executive of MBIE will be changing financial delegation powers as a result. The Minister said that the lesson is that even though the overall refit project came in $2 million under budget, the appropriate amounts to spend on individual items still need to be considered; it would not, however, be appropriate for a Minister to go through a ministry’s spending proposals line by line.

We also heard that the relocation to Stout Street is expected to save $40 to $50 million over the 20-year lease period.

Regional growth
In May 2015, MBIE released an independent report on opportunities for growth in the Bay of Plenty. The study was commissioned as part of the Regional Growth Plan, in partnership with the Ministry for Primary Industries, and will inform a Bay of Plenty Regional Economic Action Plan. We asked the Minister why this region was chosen. The Minister said that while the regions have performed most strongly since the global financial
crisis, some sub-regions in the New Zealand economy have had “deep-seated” challenges for 30 to 50 years. Regions were chosen for the growth studies on the basis of these sub-regions.

We observed that regions given high priority have little central government presence, and noted our disappointment at this. The minister agreed that having local staff is important, and said he is considering increasing the number of regional staff under the Regional Growth Plan.

Creative industries

Film industry

An appropriation of $78 million, an increase of 16 percent from the nearly $67 million estimated actual expenditure in 2014/15, is sought to assist internationally-focused screen productions in New Zealand. The Minister said the film industry is a very competitive international business, with countries competing by offering incentives to film companies. We heard that in early 2014 it became apparent that New Zealand’s incentive system was not sufficiently competitive in this market. Changes have had a “significant positive impact”; but the Minister said New Zealand cannot simply engage in a “race to the bottom” in terms of incentives. A new advisory board has been set up to provide advice on encouraging the making of mid-level New Zealand films in New Zealand for sale on international markets, as this is “ultimately more sustainable”.

Video game industry

The Minister said that the video game industry, though it uses similar technology and skills, does not operate on incentives as the film industry does. The video game industry has been consulted, eliciting mixed views on whether incentives would be helpful. The Minister said the video game industry has been “very successful” at making money without support.

SkyCity Convention Centre

We asked questions about the design of the international convention centre and whether it meets the Government’s original objectives. Some of us are concerned that the principles outlined in the original design brief have not been met.
Energy and Resources appropriations

Introduction

Energy and Resources appropriations in 2015/16 total $174.40 million, a decrease of $8.95 million from the estimated actual for 2014/15. Most of the Energy and Resources appropriations fund the work of the Electricity Authority and the Energy Efficiency Conservation Authority (EECA).

Market competition

Electricity prices

We asked the Minister to comment on electricity prices. He said that prices had increased on average by 3.8 percent in the past year, and drew attention to the fact that investment in infrastructure accounted for 3.6 of the 3.8 percent of the price increase, while the price retailers charge customers contributed only 0.2 percent. This investment is why, according to the Minister, electricity prices have not dropped even though demand for electricity has been flat in recent years. The Minister noted that infrastructure investment is heavily regulated by the Commerce Commission, and acknowledged that this is appropriate. The Minister believes the energy market is the most competitive it has ever been in New Zealand.

Electricity generation

We observed that five major companies account for 92 percent of electricity generation in New Zealand, and that it is difficult for new companies to enter the generation market. The Minister agreed, and said that a lot of work is being done to address the issue. We were told that the energy futures market, or hedge market, has made it easier for small companies to negotiate with larger ones, reducing the barriers for smaller companies to enter the generation market. The Electricity Authority is consulting the industry on improving the futures market.

Consumer switching

The Minister told us that $7.5 million has been set aside over the next three years to fund the Electricity Authority’s “What’s My Number?” campaign, which facilitates customers’ switching electricity providers, because the campaign has been delivering good results. We heard that switching rates are very high, and that this means consumers are better off, as the larger companies are “feeling the pressure” to offer competitive prices. The Minister said that although the largest companies’ overall share of the market remained very high, each company’s share of customers within this group is “changing around quite violently”.

Retail data project

The Electricity Authority recently introduced new rules, to take effect in February 2016, which will require electricity retailers to provide customers with their electricity consumption data, up to four times per year. This data can then be shared with other electricity retailers, or third-party comparison service providers, to see if customers could
get a better deal by switching retailers. We were told that companies with “very sophisticated software” are keen to offer comparison services, and that some are talking about using automatic switching software. We also heard that these “exciting developments” could greatly increase the competitive pressure on electricity retailers.

**Prepaid electricity**

We asked the Minister what is being done to improve the lack of choice in prepaid electricity options in some regions, which affects many vulnerable customers. The Minister said that it is important to consider prepaid along with post-pay options in any given region, as they compete against each other. He also pointed out that guidelines had been introduced for dealing with vulnerable consumers, and he believes that fewer customers are being disconnected as a result.

**Fuel importers’ margin**

The fuel importers’ margin is the difference between the cost of importing petrol and diesel, and the price retailers charge. The margin covers some domestic costs such as transportation, and the retailers’ profits. We expressed concern over the size of the margin in late 2014, and asked the Minister if he would support an inquiry into competition in the fuel market. The Minister agreed that the margin had been too high late last year, but said that an inquiry was not required at this time, for two reasons. First, a working group has been set up with the importers to examine the issue of margins, and has not yet reported back to the Minister. Secondly, Z Energy Limited’s intended purchase of Chevron’s New Zealand fuel business is being scrutinised by the Commerce Commission, to assess whether the deal will lessen competition in the fuel market. The Commission’s analysis will provide “the best, most up-to-date information” on competition in the market, and the Minister will be following their report with interest.

**Chief executives’ salaries**

We noted that chief executives of power companies that are 51 percent owned by the Crown have had large salary increases over the past year. Some of us raised concerns about the competitiveness or otherwise of the market given the significant salary increases in the past year. We asked whether the Minister is comfortable with the scale of these increases. The Minister said that it is for the companies to justify the salaries that they pay, but that in general he focuses on the industry providing the right outcomes for the country rather than on how much chief executives are paid.

**Transmission pricing methodology**

In June 2015, the Electricity Authority released a working paper on how the cost of transmitting electricity could be better shared among the regions of New Zealand. One option proposed would see consumers in the upper North Island paying more for electricity, and Southland consumers, including New Zealand Aluminium Smelters Limited, paying less. We asked the Minister whether he approved of this option. The Minister said it is too early in a long process to comment on individual options. He is confident the authority will have a “careful, strong consultation process” to consider the views of stakeholders.
We asked whether the Minister thinks it would be fair for a large company such as New Zealand Aluminium Smelters Limited to pay less for electricity while some households pay more. The Minister said that changing how transmission costs are divided regionally is not about benefitting any one company, but about making the system fairer and more efficient for the whole country.

Oil industry

An appropriation of $17.5 million is sought to fund the management of the Crown Mineral Estate, which includes the Crown’s oil reserves. The Estate is managed by New Zealand Petroleum & Minerals (NZP&M), which is a branch of the Ministry of Business, Innovation and Employment. We asked how low oil prices are affecting the oil industry in New Zealand. The Minister said the lower global oil price means the Crown receives less in taxes and royalties, but New Zealand is still a “compelling” option for oil companies, because of its “intriguing, unexplored geology”, and because it easy to do business here. The Minister said that companies understand that a secure oil supply in the future means investing in exploration now, and many are doing so in New Zealand. We heard that Chevron is exploring the Pegasus Basin, Statoil is exploring the Northland-Reinga Basin, and several companies are exploring the Great Southern Basin, among other exploration projects.

Promotional activity

We asked why the Government spends hundreds of thousands of dollars hosting oil company executives and supplying oil companies with seismic data. The Minister said that it is a good investment considering the spending on exploration by these companies, and the potential for billions of dollars in revenue. The Minister also argued that he has a “very balanced programme”, and it is “probably stronger on the renewable side” in terms of spending on promoting renewable energy relative to the Crown Mineral Estate.

Permit timeframes

We noted that the time it takes for oil companies to obtain exploration permits from NZP&M is significantly longer than how long such applications take in some countries, and asked what is being done to ensure our timeframes for permits are competitive. We heard that NZP&M operates an annual cycle for granting permits, a conscious decision that has been welcomed by international companies. NZP&M is seeking to reduce the time it takes for companies to make changes to existing permits. It is consulting the industry to produce guidelines, and making provision for applications to be lodged electronically.
Tourism appropriations

Introduction
The 2015/16 tourism appropriations in Vote Business, Science and Innovation total just under $140 million, a 5.1 percent increase on the estimated actual for the previous year. About 90 percent of the proposed tourism funding is budgeted for Tourism NZ and to support partnerships with industry. Funding is also sought to help complete two cycle trails.

Labour market and infrastructure challenges
We asked what infrastructure was planned in anticipation of projected increases in visitor arrivals and visitor spending. We were told that the accommodation industry was aware of shortfalls; they were being addressed with the construction of a large new five-star hotel now under way in Auckland, and the hotel complex to be built as part of the new convention centre at SkyCity. Research is also being done on the standard expected by visitors, and the fact that local star ratings do not always match up with those overseas.

Workforce numbers and work visas
Workforce is also an area of concern. The Minister told us frankly that we have too few trained people to deal adequately with the expected increases in demand. We will need another 36,000 people working in tourism and accommodation over the next few years. This area has been seen as a source of part-time or temporary employment, for example for young people on working holiday visas, but professional careers in the area need to be encouraged.

We asked about the implications of the work visa system for employment in the sector. The Minister said she strongly believes that the tourism industry needs to be employing and investing in New Zealanders, rather than using work visas to fill skill shortages. She cited the recent extension of work visas in Queenstown, which removed the requirement for employers there to prove that a New Zealander could not do the job in question, so that they had an adequate work force in their busy period. This concession is about to expire because the Minister believes employers in the industry need to prove they are trying to attract New Zealanders, and are addressing the reasons New Zealanders are not taking up those jobs, rather than continuing to rely on the temporary work visas. The Minister told us she is working on the visa issue with government departments. She agreed that clearer career pathways are needed; she also pointed out the need to make sure that people are aware of opportunities in this growing market.

Protecting workers
The Minister said the industry needs to make sure the tourism workforce shares in the rewards of growth in the sector if it wants to retain them. She has challenged the sector to provide free transport for workers, for example, where facilities are distant from their accommodation.
Some of us raised concerns about the sharing of dividends from the industry and the “soft levers” in place to protect the interests of vulnerable workers.

The Minister also said that the Government will prosecute unfair employment practices in the tourism sector, to help protect workers from exploitation. However, the Minister said it would not dictate pay rates; when there is a shortage of skilled workers, they will naturally go to those employers who will treat them best.

**Visiting driver safety**

The actual number of visiting drivers involved in serious accidents in New Zealand is relatively low, but a negative perception of safety can harm our country’s reputation as a tourism destination. We asked what the industry has done to address this issue. The Minister said a lot has been done, for example in the area of improving road markings. The Tourism Industry Association New Zealand has helped develop a new Drive Safe website (www.drivesafe.org.nz), and has worked with rental car companies to develop best practice safety guidelines for visitor drivers. Air New Zealand also offers a video available on the individual screens on aircraft to help educate people on road rules and signage in New Zealand.

**European visitor market**

Some of us were concerned that visitor numbers are still lower than they were before the global financial crisis. We asked what is being done to grow the traditional markets in Europe. We were told that Europe and the United Kingdom remain areas of focus for Tourism New Zealand. For example, Tourism 2025 is an industry-wide strategy to increase our tourism market share and grow value, with the ultimate goal of increasing tourism’s contribution to our economy from the current $24 billion to $41 billion by 2025. We were told that Europe remains a part of the strategy, and includes using opportunities such as leveraging the Hobbit movies. We will monitor the progress of Tourism 2025 to assess whether European and UK visitor numbers increase as expected.

**Chinese visitor market**

We were told that a China Market Research project is getting under way, to build on success so far, and to increase understanding of the expectations of Chinese visitors. We welcome this focus since China is now our second largest market for visitor numbers and spending.

**International Growth Package and Tourism Growth Partnership**

Some of us are worried that the significant injection of funds into the International Growth Package has not produced the step change promised, and we asked what evaluations had been carried out or were planned to address this step change. We were told that the overall International Growth Package is expected to be evaluated later this year, and given the large funding increase in the partnership initiative we look forward to reviewing its effectiveness.
The Tourism Growth Partnership, which is part of the International Growth Package, is intended to lift the value that international tourism delivers to New Zealand and overcome constraints on its growth. In this year’s budget, the partnership is receiving nearly $10.5 million, an increase of 40 percent from $7.4 million last year. Technically this is only an increase of $566,000 because of a $2.4 million expense transfer from 2014/15 to 2015/16. We were informed the partnership underwent an independent operational review this year, and the programme was found to be operating “reasonably well”.
Appendix

Committee procedure
The committee met on 28 May, 17 and 18 June, and 2 July 2015 to consider the 2015/16 Estimates for Vote Business, Science and Innovation (excluding Science and Innovation). We heard evidence from the Minister of Commerce and Consumer Affairs, Hon Paul Goldsmith; Minister for Communications, Hon Amy Adams; the Minister for Economic Development, Hon Steven Joyce; the Minister of Energy and Resources, Hon Simon Bridges; and the Associate Minister for Tourism, Hon Paula Bennett. We also heard evidence from the Ministry of Business, Innovation and Employment and received advice from the Office of the Auditor-General. Corrected transcripts from the hearings on the Communications appropriations and Economic Development appropriations are available on the Parliament website www.parliament.nz.

Committee members
Melissa Lee (Chairperson)
Brett Hudson
Kanwaljit Singh Bakshi
Ria Bond
Dr David Clark
Hon Judith Collins
Clare Curran
Kris Faafoi
Gareth Hughes
Simon O'Connor

Evidence and Advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Business, Science and Innovation (excluding Science and Innovation appropriations); prepared by committee staff, dated 11 June 2015.

Office of the Auditor-General, Briefing on Communication appropriations, dated 18 June 2015.


Office of the Auditor-General, Briefing on Tourism appropriations, dated 18 June 2015.
Vote Business, Science and Innovation, Response to standard Estimates questionnaire.

Minister for Communications, Responses to additional questions, received 15 and 29 June 2015.

Minister of Commerce and Consumer Affairs, Responses to additional questions, received 15 and 26 June 2015.

Minister for Economic Development, Responses to additional questions, received 15 and 29 June 2015.

Minister of Energy and Resources, Responses to additional questions, received 15 and 29 June 2015.

Minister for Tourism, Responses to additional questions, received 15, 18, and 29 June 2015.
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Vote Business, Science and Innovation (Science and Innovation appropriations only)

Recommendation

The Education and Science Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Business, Science and Innovation (Science and Innovation appropriations only), as set out in Parliamentary Paper B.5 Vol. 1, be accepted.

Introduction

The appropriations sought for science and innovation in Vote Business, Science and Innovation amount to $1.09 billion in 2015/16, an increase from an estimated actual expenditure in Vote Science and Innovation for 2014/15 of $897.913 million. From 2015/16, the former Vote Science and Innovation is now a set of science and innovation appropriations subsumed within Vote Business, Science and Innovation. The Minister of Science and Innovation, Hon Steven Joyce, is responsible for the science and innovation appropriations within Vote Business, Science and Innovation. We heard from the Minister of Science and Innovation, from the Ministry of Business, Innovation and Employment, and from Callaghan Innovation.

Funding system

Marsden fund

We asked for the Minister’s opinion of statements made by the director of the MacDiarmid Institute in her blog from the Director of 22 May 2015. The Minister did not agree with the characterisation of Government funding as an “ever tightening resource environment”. He noted that the blog was primarily concerned with the Marsden Fund, which has increased from about $38 million to $54 million since the Government took office.

We heard that the first round of the application process for Marsden funding was more akin to an expression of interest than a full bid for funding. While the proportion of first-round applicants proceeding through the second round to receive funding remained at about 7 percent, a reduction in the number of proposals proceeding to the second round (from about 250 to about 200) meant that fewer organisations had to incur the cost of putting together a full bid.

Regional science institutes

An intention to develop regional science institutes modelled on the private Cawthron Institute in Nelson was announced in Budget 2015. We asked if the establishment of more institutes would increase contention for the Marsden funding pool. We heard that the new institutes would have dedicated funding, which would be a mixture of contestable funds and funds allocated specifically to particular institutions. The Minister believes that a good funding mechanism is variable and flexible enough to encourage all parts of the system.

National Science Challenges

The National Science Challenges appropriation is intended to “achieve improvement in innovative solutions to fundamental issues … by drawing scientists together to achieve a
common goal through collaboration”. We heard that the Science Challenges were proceeding well. Funding decisions have been made on ten of the eleven challenges. The last challenge, Building Better Homes, Towns and Cities, has been announced and released, but proposals have not yet been called for. Most of the challenges are now entering an evaluation phase.

We asked about the appropriateness of Callaghan Innovation granting money to Auckland University to prepare a bid for a National Science Challenge. We heard that this was seed funding for institutions to encourage participation in the challenges. We heard that the ministry was seeking to keep overheads for the challenges under 5 percent, whether paid for by institutions or directly by Government as seed funding.

Performance-based Research Fund

We asked about concern that the contestable nature of PBRF funding was having unintended consequences for staffing decisions in universities. The Minister said that the allocation of funding to particular researchers was a matter for the universities to decide, and that the PBRF has led to an increase in citations, papers, and research quality. A recent review of operational considerations for the PBRF has led to improvement of the process for assessing the staffing component of PBRF applications. The Minister hopes that this will prevent institutions manipulating staffing to meet the conditions of a PBRF application, or the appearance of doing so. We asked for a copy of this review.

Contestable Industry Funding

We asked what the Minister thought about statements by the Prime Minister’s Chief Science Advisor, Sir Peter Gluckman, to the effect that end-user involvement in the contestable funding system led to short-termism, and by the director of Te Pūnaha Matatini (a Centre of Research Excellence at Auckland University), Professor Shaun Hendy, that industry co-funding of research and development is biasing our research system towards traditional sectors.

The Minister said he believed Sir Peter was expressing his view as a public research scientist, and would acknowledge that it was just one view among many in the sector, and that he was likely to think differently depending on the particular pressures on parts of the funding system. The Minister said he believed Professor Hendy was wrong in his assertion that the dominance of big industries as sources of co-funding was disincentivising the economy from moving to newer, high-value work; the biggest increases in the allocation of business research and development funding were in ICT and high-tech manufacturing.

The Minister said it was hard to be certain if the right balance had been achieved between public-good, curiosity-led, and commercial science, which was a subjective judgement, but that the Government had tried to increase funding in all areas. He mentioned the new Centres of Research Excellence, and increases to both the PBRF and the Marsden fund, as evidence that funding was being allocated to these various kinds of scientific inquiry.

Callaghan Innovation

R&D Growth Grants

Some of us noted media reports of a range of recipients of Callaghan growth grants which for various reasons did not appear to meet expectations. Discussion focussed on whether the automatic nature of the growth grants, once qualifying criteria such as minimum R&D spend were met, meant that grants were not targeted sufficiently at the highest-quality
recipients. A second issue was the threshold level of $300,000 per annum R&D spend, which tended to exclude fast-growing startup companies.

We heard, for example, that Bayer, a German-owned company, was allowed to apply for New Zealand government R&D funding as the research was being conducted in New Zealand and contributing to the local research and development ecosystem. We also heard that Chatham Rock Phosphate had not received any research and development funding. Its approval for funding had been conditional on it gaining a resource consent, which it was not able to obtain. Trans-Taman Resources qualified for research and development funding for research into meeting environmental standards. Some of us queried the availability of R&D funding of non-New Zealand companies, and companies engaged in the non-renewable energy sector.

The Minister is generally comfortable with R&D growth grants being largely automatic when all criteria are met. There are stringent requirements regarding the amount and proportion of R&D spending over two years, financial and due diligence requirements, and a requirement that research be of a certain quality.

Replacement of Industrial Research Limited funding

We noted that at setup, Callaghan Innovation had functions of overseeing and managing the funding system, and as a research provider through the remaining Industrial Research Limited (IRL) business. It avoided a conflict of interest between the two by not bidding for any of the contestable funding available.

We also noted that Callaghan Innovation expects to replace the resulting $6-million shortfall in revenue from IRL by increasing its commercial revenue. We heard that, despite some concern earlier in the year, Callaghan Innovation was well on track for achieving the revenue target. The Minister said that Callaghan Innovation is set up to be profitable even without this revenue stream.

C-prize

Callaghan Innovation has recently launched its first C-prize. Competitors for this C-prize are seeking to develop next-generation UAV (unmanned aerial vehicle or drone) technology for the screen industry. The technology is expected to also benefit agriculture, where drones may be used for monitoring drought conditions, tracking livestock, and monitoring forest disease.

Other issues

Ministry of Business, Innovation and Employment spending

Some of us asked whether the Minister was comfortable with MBIE spending $43,000 on a street sign for its new building (MBIE subsequently revised its cost disclosure upwards to $70,000) as one example of spending decisions by MBIE during its relocation that appeared excessive.

The Minister said that he generally avoids any involvement in operational matters, and is generally pleased with cost savings from the merger that created the Ministry of Business, Innovation and Employment and from its change of accommodation. However, he has expressed his displeasure at the cost of certain aspects of the outfitting of the new premises.
Christchurch rebuild

We heard that science and innovation funding was contributing to the Christchurch rebuild in two main areas. First, MBIE is involved in coordinating the development of an innovation precinct in Christchurch. The ministry funded the Enterprise Precinct Innovation Centre, and Callaghan Innovation and New Zealand Trade and Enterprise are being encouraged to base their operations in the precinct. This is attracting many companies to conduct their R&D in the precinct. Secondly, the Lincoln Hub is intended to bring together public and private sector research organisations in one location.

We noted concern that only a third of staff from Invermay and Ruakura will move to the new hub. The Minister explained that the new hub was intended to operate alongside existing research centres, not to replace them.
Committee procedure

We met on 3 June and 1 July 2015 to consider Vote Business, Science and Innovation (Science and Innovation appropriations only). We heard evidence from the Minister of Science and Innovation, Hon Steven Joyce, and the Ministry of Business, Innovation and Employment and Callaghan Innovation, and received advice from the Office of the Auditor-General.

Committee members

Dr Jian Yang (Chairperson)
Hon Judith Collins
Hon David Cunliffe
Catherine Delahunty
Paul Foster-Bell
Hon Paul Goldsmith
Chris Hipkins
Melissa Lee
Tracey Martin
Jenny Salesa
Hon Maurice Williamson

Evidence and advice received

In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Business Science and Innovation (Science and Innovation appropriations only), prepared by committee staff, dated 29 May 2015.

Office of the Auditor-General, Briefing on Vote Business, Science and Innovation (Science and Innovation appropriations only), received 3 June 2015.

Minister of Science and Innovation, Response to standard Estimates questionnaire.

Minister of Science and Innovation, Responses to additional questions, received 9 and 22 June 2015.

Callaghan Innovation, responses to pre-hearing questions, received 9 June 2015.

Callaghan Innovation, contractor details and ISSP Business Case 2014, received 9 June 2015.

Ministry of Business, Innovation and Employment, Appendix 1 – conferences, and Appendix 2 – gifts, received 9 June 2015.
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Vote Canterbury Earthquake Recovery

Recommendation

The Finance and Expenditure Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Canterbury Earthquake Recovery, as set out in Parliamentary Paper B5. Vol.1, be accepted.

Introduction

The vote funds the activities of the Canterbury Earthquake Recovery Authority (CERA) in leading and coordinating the earthquake recovery effort and managing residential red-zoned land. It also funds land acquisition and development costs for “anchor” projects in Christchurch’s central business district.

The appropriations sought for 2015/16 total $453.655 million, compared with estimated actual expenditure of about $698 million in 2014/15. Funding is expected to continue reducing as the recovery progresses. Of the total for 2015/16, $81.5 million is budgeted for CERA’s departmental expenditure.

Following CERA’s transition from a government department to a departmental agency in February 2015, the appropriations are now administered by the Department of the Prime Minister and Cabinet (DPMC). Performance information for the appropriations will be reported in DPMC’s annual report. The Minister for Canterbury Earthquake Recovery remains responsible for the appropriations within the vote.

Anchor projects

The Christchurch Central Recovery Plan envisaged several “anchor” projects in the city centre to help stimulate private-sector investment. They include the bus interchange (now operational), the Christchurch convention centre, metro sports facility, stadium, earthquake memorial, and Avon River precinct. The vote includes three multi-category appropriations for expenditure on the anchor projects and related land acquisitions, totalling about $313.6 million in 2015/16. Estimated actual spending amounted to $351 million in 2014/15.

We noted that quite a few of the anchor projects seem to be experiencing delays, and asked what is being done to progress them. The Minister said that any time lines announced for the projects have simply been indicative, and one problem of time lines is that they can reduce the ability to negotiate a sharp price. The Minister noted that quite a few of the projects, such as the Avon River precinct, are progressing on time and without difficulty; those experiencing some delays are the convention centre and the metro sports facility. The sports facility is largely a Christchurch City Council project under the cost-sharing agreement signed with the Government in 2013. The Minister said the convention centre will be a large and expensive asset, and time is needed for the Government to have confidence that it is not “doing the wrong thing”.

Christchurch convention centre

We asked what the Minister meant about avoiding “doing the wrong thing” with the convention centre. He explained that one major decision is the size: whether it should have 2,000 seats, 1,500, or only 1,000. He said the Government had been reluctant to commit to
decisions while the Christchurch City Council was reconsidering the future of the town hall over the past eight months, and in his opinion he would not have chosen to restore it due to the geological conditions of the ground underneath, but it was a decision for the council, in which the Government will not interfere. We were subsequently informed that the decision to restore the town hall had little effect on consideration of the size and timing of the convention centre project, and that the two facilities are unlikely to compete directly and might in fact complement each other.

Some of us sought clarification about the budget for the convention centre and the apparent differing views of the Minister and the Prime Minister about the costs. The Minister said there had been no budget blowout as there is as yet no budget for the project; he believes the Prime Minister was describing a cost estimate that was larger than initially expected.

We focused on the spending decisions so far taken on the convention centre. From our discussion with the Minister, we understand that $77 million has been spent on acquiring land for the project from the Christchurch City Council and private landowners, with arrangements for $25 million to be transferred back to the Crown once the site of the former Camelot Hotel is settled. We also understand that Cabinet has approved a further $284 million in funding and contingencies. We sought confirmation of these amounts and were informed that “details of expenditure to date and appropriations or contingencies are still commercially sensitive and cannot be released at this stage”.

As to the eventual ownership of the convention centre, the Minister said that will not be decided for quite some time. When the cost-sharing agreement with the council was put together, he said, the thinking was that some stimulus would be needed in the central city to attract private investment in hotels and tourism, and it would be helpful if the Government moved first to get a convention centre under way. At this stage the land is publicly owned and the intention is that the centre will be built with public money. However, the option remains open for a private operator to build it, and the Government is not ruling out that it could become privately owned at some point; and the Minister noted that it would be unusual for a commercial, profit-making facility to be community owned.

**Metro sports facility**

We heard that the timing of the metro sports facility project is dependent on ongoing analysis of the ground conditions, and investigation of a potential asbestos problem. Thinking is also still evolving as to what the facility should include: swimming pools are clearly required, but it could be that netball courts go elsewhere and high-performance sports facilities are included. Some of us agreed with the Minister that it makes sense to consider such decisions carefully for a facility that should last 20 years or more.

**Building and housing issues**

We are pleased to note that, with help from the Government, the Christchurch City Council regained its accreditation from IANZ as a building consents authority. We asked whether this had helped to speed up progress on rebuilding. The Minister said there is still a problem, which appears to stem from lack of communication between the people issuing resource consents and those issuing building consents, and there is still a long way to go to improve the situation. We noted the Minister’s comment that far too many building companies have been saying it is easier to do business in Auckland than Christchurch.
We consider it important that the lessons learned from Canterbury’s experience are shared with other councils around New Zealand, and we heard that the Minister of Building and Housing and the Minister of Local Government are involved closely in ongoing monitoring.

Affordable housing

We asked about delay with the “Breathe” urban village project, which envisaged affordable medium-rise housing in the central city. The Minister said he was unsure, but was personally not optimistic about progress as he understood that the contractor was finding the affordability parameters challenging.

Quality of home repairs

Although progress with repairs under EQC’s home repair programme is not directly related to Vote Canterbury Earthquake Recovery, some of us took this opportunity to express concern to the Minister about recent surveys assessing the quality of completed repairs, as the process used appeared to allow insurers to hand-pick the sample surveyed. The Minister said the Government cannot direct private insurers as to the sample they provide, but he would be interested in the findings. The aim of the survey, as with setting up the Canterbury home repair programme in the first place, was to avoid poor-quality work on repairs. The Minister said that in his view private insurers have done a good job in continuing to offer cover, at rates that were settling down to less than originally feared, and he noted that some insurers were proactively revisiting their earlier repair work to make improvements on the basis of methods they have since learned.

Transitional arrangements after April 2016

With the Canterbury Earthquake Recovery Act expiring in April 2016, we discussed how plans are developing for the transition to longer-term arrangements. The Minister said that CERA’s very broad mandate at present will shrink as activity moves increasingly from recovery to Christchurch’s regeneration. The aim is to see other government agencies take over as much of CERA’s work as possible before the Act expires. He said some of the powers in the Act may still be useful for the Christchurch City Council and others. The Government does not want to prescribe what they should be, but he has received advice from the advisory group chaired by Dame Jenny Shipley that will be developed into a transition plan on which there will be public consultation before decisions are taken on the way forward. We note that the vote includes $9 million of funding for CERA under a new policy initiative to “support the implementation of the recovery after April 2016”.

Some of us commented that in view of its pending transition, CERA could be taking a lower profile in some areas, such as the development of Victoria Square. As council reserve land, this should be the preserve of the Christchurch City Council.

Local authorities

We discussed the role played by local authorities. The Minister said the Waimakariri and Selwyn councils had made rapid progress, with Waimakariri proving particularly good at dealing with the problems there, although he noted they were on a much smaller scale than in Christchurch. The Minister noted that the Government had been criticised for taking an overly-dominant role in Christchurch’s CBD, but he believed that had been necessary at the start, and would remain so to some extent for a while yet. In his view the Christchurch City Council had been somewhat slow in its consenting decisions for subdivisions, but had
shown good commitment through SCIRT to getting ahead with the work needed in the greater Christchurch area. He observed that it was necessary to get the balance right between making decisions and endless public consultation.

The Minister commented that the Christchurch City Council faces a challenge in getting its next 10-year plan approved, given that it requires significant increases in rates and would require the council to achieve some high prices for assets. The Minister noted that until the 10-year plan is settled and accepted by the wider Christchurch population, it would be difficult for the Government to finalise the transition arrangements for CERA.

Residential red zone

The Minister said he was unable to tell us when plans for the future use of residential red-zoned land in Christchurch would be sufficiently developed for public consultation to occur. He said the Christchurch City Council has yet to finalise a workable plan for what is to be done with the infrastructure in the area; for example, it would not be feasible to remove all the underground pipes at once. The council is interested in retaining an east-west access through the middle of the zone, but he has suggested this be considered carefully as it would clearly reduce the options for future use of the land. He said the Government is keen for decisions to be made as quickly as possible. In Waimakariri, he noted, the red-zoned area was much smaller and plans were already being progressed after public consultation.

Horizontal infrastructure

Repairs to roads and pipes are being managed by SCIRT, an alliance of CERA, the Christchurch City Council, the New Zealand Transport Agency, and five private contracting companies. The Minister commented that the alliance arrangement had been a risk, but he believes it has paid off. The alliance board had structured incentives for private contractors in a way that kept tight discipline over cost inflation, and the repairs were being done for well below the original $3.2 billion estimate. We were informed that an independent assessor has estimated the gross cost of repairs at $348 million below this figure.

Additional information

The responses to additional questions form part of the public record of our examination of the appropriations for Vote Canterbury Earthquake Recovery for 2015/16, and are available on Parliament’s website as evidence related to this item of business.

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1 SCIRT is the Stronger Christchurch Infrastructure Rebuild Team.
Committee procedure
We met on 18 June and 1 July 2015 to consider Vote Canterbury Earthquake Recovery. We heard evidence from the Minister for Canterbury Earthquake Recovery, Hon Gerry Brownlee, and the Canterbury Earthquake Recovery Authority, and received advice from the Office of the Auditor-General.

Committee members
David Bennett (Chairperson)
Andrew Bayly
Chris Bishop
Hon Clayton Cosgrove
Stuart Nash
Dr Russel Norman
Rt Hon Winston Peters
Grant Robertson
Jami-Lee Ross
Alastair Scott
David Seymour

Eugenie Sage replaced Dr Russel Norman for this item of business.

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:


Minister for Canterbury Earthquake Recovery, Response to standard Estimates questionnaire.

Minister for Canterbury Earthquake Recovery, Responses to additional questions, received 30 June 2015.
Appendix B

Transcript of hearing of evidence 18 June 2015

Members
David Bennett (Chairperson)
Chris Bishop
Darroch Ball
Andrew Bayly
Hon Clayton Cosgrove
Matt Doocy
Hon Ruth Dyson
Stuart Nash
Eugenie Sage
Stuart Smith

Witnesses
Hon Gerry Brownlee
John Ombler, Chief Executive Officer, Canterbury Earthquake Recovery Authority
Benesia Smith, Deputy Chief Executive Strategy and Governance

Bennett Good afternoon, Minister. Thank you for making time for us. We had a rearrangement on Wednesday so people could go to the funeral, so I appreciate you scheduling another time. To do that we’ve cut it down to half an hour, so if you just want to give us a very, very brief introduction and then we’ll do questions, if that’s OK.

Brownlee Well, I’m not sure it’s worth having an introduction. I think everything is going well, so that leads to the questions inevitably, and the answers confirm that.

Bennett Excellent. So have any questions?

Dyson I’ve got a couple.

Bennett OK. Would you like to start?

Dyson Thanks very much for that introduction, Minister.

Brownlee I would like, since it’s being recorded, to note that I was actually informed that the committee wouldn’t want a presentation.

Bennett Yeah, no, we won’t need introductions. We’re just giving a welcome.

Dyson So I’d like to ask about the anchor projects. There seem to have been quite a few delays announced over recent times, so I’m keen to know what’s happening to the projects that have been announced as being delayed, and then I want to ask some specific questions on the convention centre. Do you want me to ask them now, and then you can go over the anchor projects?
Brownlee

Let me just respond to the suggestion that the anchor projects are being delayed. Firstly, what I would say is that any time lines that were put on them were put on them to try to give an indication of where you try and get to. I have at all times always said to journalists I don’t like putting time lines on things because that assumes that you are going to be able to get everything necessarily in place by that particular time. If you’ve got something about the Avon River precinct, that’s going ahead without any difficulty.

Dyson

No, I was asking about the projects that have been delayed.

Brownlee

Well, OK, but I think it’s fair to point out that there are actually quite a few that are progressing on time. The ones that have got some delay on them at the moment are the convention centre and the Metro Sports Facility. The Metro Sports Facility, under the cost-sharing agreement, is largely a Christchurch City Council issue, and on the convention centre it’s a very large asset, a very expensive asset, and I’m interested to see us get to a point where we can be confident that we are not doing the wrong thing, and that takes a little bit of time.

And, of course, when you do put out time lines, then that also starts to diminish your ability to get a sharp price, so if you don’t look so eager then it might also have some effect on what you eventually pay for the thing. And there are any number of people out there who will say that “Well, every day’s delay is so many hundred thousand, etc.”, but a lot of those people have been quite wrong on most of their predictions so far.

Dyson

The Prime Minister said at the tourism conference that there had been a budget blowout for the convention centre, and you said there hasn’t been a budget blowout for the convention centre—what’s the story with the budget for the convention centre? Who’s right?

Brownlee

Well, I think what he was describing was a cost estimate that was larger than we had initially anticipated. There is no budget blowout because there is no budget to work to at the present time.

Dyson

There’s an appropriation of $284 million which has been approved by Cabinet.

Brownlee

Some of it has. Some of it is in contingency. Of course, there’s also the $77 million that’s been spent so far on acquiring the land for that project.

Dyson

So if the Cabinet paper in November last year that asked for additional funding and that there might be—

Brownlee

Specifically, additional funding.

Dyson

Is that on top of the $284 million?

Brownlee

No. I’m pretty sure—I’ll stand corrected, but I think it’s inside it. There’s some very specific aspects of it that related to what we hope will be the eventual managers of that facility.

Dyson

So you’ve spent $77 million so far of the $284 million.

Brownlee

No, that’s in addition. That’s the point I was making.
Dyson You’ve spent $77 million in addition to the $284 million?

Brownlee The $284 million hasn’t been spent. An amount of $77 million has been spent on acquiring the land. It was purchased off some private owners, but also the Christchurch City Council, and there is a transfer in there that will occur once the Camelot site is settled, which will see $25 million coming back to the Government.

Dyson So you’ve got $284 million and you’ve spent $77 million of that.

Brownlee No, it’s separate from it.

Dyson So you’ve still got the $284 million to spend some time. You’re going to get $25 million back.

Brownlee Some of it’s appropriated. Some of it’s contingency.

Dyson So we’ve got our first booking for the convention centre for November 2018. What are the odds on that it’s going to be open?

Brownlee I think it’s highly unlikely, and that should be pretty obvious. It’s 2 years away.

Dyson That’s right. So you reckon we should cancel the medical conference?

Brownlee I’m not making any comments about what people should do or shouldn’t. It’s surprising to me that they’ve actually booked it.

Dyson Did you not know that?

Brownlee No. I had no idea. I don’t engage in those sorts of—if the committee would like me to become the booking agent for a non-existing convention centre, I can take it on.

Bayly You’ve mentioned the role of the Christchurch City Council in the question you’ve been talking about here. I was just very interested in your perception around their future role and ability to contribute meaningfully and help the Government in achieving its objectives down there.

Brownlee Well, I mean, they’re common objectives. I think the Christchurch City Council has got a challenge in the next short while to land their 10-year plan. That plan at the moment requires them to put up rates at quite an alarming rate, at quite an alarming speed, in my opinion. It also would require them to get some quite extraordinary prices for assets that I think are massively overvalued. But all those are matters for them, and until that 10-year plan is settled and agreed and accepted by the wider Christchurch population, it’s a little difficult to work out exactly where our transition from CERA is going to end up.

Sage Just going back to the convention centre—you said you wanted to be confident that we’re not doing the wrong thing. What might the wrong thing be?

Brownlee Well, do you build 2,000 seats, 1,000 seats, or 1,500 seats? Those types of things are relevant. I think also you have to be sure that this is going to be a facility that is going to get the use that was initially intended. Remember that a lot of the pre-planning work was in an environment where it wasn’t
anticipated the town hall would be surviving, so we’ve also been somewhat sort of reticent to commit while we’ve had about an 8-month period of Christchurch City Council reconsidering the future of the town hall.

Sage  Who’s going to own the convention centre?
Brownlee  That’s something that would be decided quite some time into the future.
Sage  So how will it be decided?
Brownlee  Well, that’s something that will be decided at a future time as well.
Sage  Given there’s $283 million plus $77 million for the land purchase, that’s a fairly large chunk of public money. Why is there some doubt about it being publicly owned?
Brownlee  I don’t think there is any doubt. At the moment it is publicly owned.
Sage  The finished convention centre.
Brownlee  Well, I don’t think there is—I think you’re leaping way ahead of where we’re at at the present time. So at the moment the land is publicly owned, the appropriation is obviously public money, and the intention is that it would be built on that basis.
Sage  But no commitment to the—
Brownlee  No, absolutely not.
Sage  —final centre being publicly owned?
Brownlee  Yeah, I think it’s an odd idea to suggest that a facility that everyone who uses that facility will try and make money out of should somehow be a community owned facility. That was the problem with our previous facilities that Christchurch had and the difficulties it had with making our Vbase a more successful operation.
Sage  So will nearly $300 million of public money be used effectively to subsidise private operations?
Brownlee  Well, at the moment that’s exactly what you’re proposing and what everyone else is proposing. I don’t propose that. I think that’s wrong. That’s exactly the point.
Sage  No, the other option would be to have a private operator actually build it.
Brownlee  Well, that is of course—that remains an option.
Sage  Without any Government input.
Brownlee  That remains an option. Having said that, let me just qualify that. At the time that the cost-sharing agreement was put together, we were looking at trying to provide some stimulus into Christchurch. There was always a question about who moved first. If you take something like tourism, which is slowly returning, but it still suffers the downside of a limited number of beds available. For people to privately invest in hotels, they would want to see a facility like a convention centre that attracts large numbers of people for specific periods of time. Now it’s sort of a little bit catch-22 because no one is going to say: “Well, look, I’ll build this facility and that’ll assist you to
get your hotel done.” Someone had to move. So where we’ve got to at the moment is we can substantially get that convention centre under way at some point but we will not rule out that it would become privately owned at some point.

Bishop Yeah, thanks very much, Minister. One of the things that you do hear said is that the SCIRT alliance has been a real success story out of the rebuild, and I just wondered if you could comment on what it is about the SCIRT model that has enabled it to work so well and what are some of the success stories that have come from that?

Brownlee Well, I think the SCIRT model was always a risk, and I suppose my enthusiasm for it is that the risk has largely paid off. So the risk was that you took the five big civil construction companies in New Zealand, asked them to form an alliance board, and then put a governance structure over the top of it which had call on funds that were committed from the three partners to that. And the risk then was that when you went through the whole specific investigation into what had to be done either you’d find a lot more than had been estimated or you’d get runaway inflation with little control over it. The success here has been that, one, they were pretty conservative, or generous, whichever way you want to put it, with their assessment of what had to be done and the way in which the alliance board have structured it for all the private contractors who come into the scheme—where if they don’t meet a price they’re penalised, they go to the bottom of the stack, and someone else gets the opportunities—has meant that there’s been quite a discipline on inflation. So the inflated aspect of the original $3.2 billion cost has virtually been removed, which has been pleasing for everyone.

Dyson Can I just go back to the convention centre? Where did the Cabinet paper from last November fit into the $77 million or the $284 million? Was that in addition to both of those figures?

Brownlee Yes, it is. Well, hang on I’d better stand correct there. I think what we were doing is calling from the contingency about $15 million that—

Dyson So you’re asking Cabinet for specific allocation out of that 284?

Brownlee I could get you those figures.

Dyson Yeah, yeah. That would be fine. If you could do it in writing that would be better. I’d rather you did that than us have a misunderstanding about it. Just going back to the Metro Sports Facility, so you said council—other than that, what’s happening with the Metro Sports Facility? It’s got a lovely empty site that’s fenced.

Brownlee There’s two things that are relevant there. One is ongoing analysis of the ground conditions, and, secondly, the potential asbestos problem on the site. So those are two things that are currently being investigated. I think then there’s also—things shift around a little bit, as far as what sort of facility is required. Certainly the swimming pools are required but you’ve had in recent times netball acquire that property in Papanui, a very large space where they’re putting in indoor courts. You have to rethink about
some of that. Also there is a desire been expressed to put the high
performance sports centre which is currently in fairly good, but none the
less temporary, facilities into that facility. So they create a degree of
reconsideration etc. but I do think, and I’ve said it many, many times, that
you build one of these things—if you look over the years how many times
QEII had to be altered, changed, and added to, it’d be nice to think we
might get a period of 15 or 20 years out of this asset where you don’t have
to go through that type of activity.

Dyson That makes sense. So when are we going to hear the final decisions?

Brownlee I think in part, if I can be forward looking, is that we’re in a process of
trying to transition CERA out of the city and I think the next stage of
where we’re at is going to be the regeneration part of Christchurch. So
“recovery” is a word that you could continue to use but I don’t think it
fairly represents some of the activity that’s going on there. So there will be
something that replaces it. There’s been a group under the chair of Jenny
Shipley that included the mayors of the three local councils and various
other people looking at firstly what powers exist in the CERA Act at the
moment that might be useful for those authorities moving forward, and
what sort of structure they might like to see in place, and they’ve given a
report to me that I will release, but not for a while yet, that will allow us to
put together a recovery plan, recognising that the Supreme Court has made
it pretty clear that everything we do in the name of the CERA Act should
be done by way of plan with reference to that Act. And that’ll go through a
public process in the near future and then we’ll be able to settle on what
those arrangements might look like moving forward. Things like the anchor
projects naturally are going to get caught up in that.

Doocey Minister, carrying on with the discussion around anchor projects and
significant buildings, the council has reconfirmed their decision to restore
the town hall. You don’t support this. Why’s that?

Brownlee Well, look, from a ministerial point of view I don’t have an opinion. As the
Minister for Canterbury Earthquake Recovery I don’t have an opinion, and
I haven’t expressed it other than as a personal opinion. What I know is that
the thing is leaning over quite substantially, it’s got a lot of water under it,
and that despite what has been reported, the geological condition of the
ground underneath is, to say the least, challenging. So that would lead me
personally to say, you know, sad, but let’s move on. But the council made a
decision and we’re not interfering in that.

Dyson Have you had an opportunity to read the report yet on the town hall?

Bennett No, no —Ruth, you’re not next. Eugenie was next.

Dyson It’s a supp.

Bennett Well, Eugenie was next.

Sage Going to residential red zone, when do you expect to be in a position to
announce what is happening with that and to begin public consultation?

Brownlee The Waimakariri red zone is—
Sage  Sorry, the one in the city, not the Waimakariri.

Brownlee  Well, I want to contrast the two. So Waimakariri has a much smaller area. They’ve worked out what their infrastructure needs are in that area, and they’re progressing a plan. They’ve had their public consultation process; that’s going well. We are still waiting on a finalised infrastructure plan from the Christchurch City Council, and one that will work, I might add. So we all accept that the wholesale removal of various underground infrastructure through that very large amount of land wouldn’t be very smart. Over time you might do it, but doing it all in one hit would be particularly challenging. The council have a view that they need to have an east-west access that might run through the middle of that. I’ve asked them to think carefully about that, because it certainly reduces the overall utility of that particular block of land. So I can’t answer when it’s going to come, but we’d like to move on it as soon as we possibly can.

Dyson  What about the urban village? Do you know much about why that’s been delayed?

Brownlee  Which one is this?

Dyson  Breathe. The Breathe one. You know, part of the blueprint. Under the CCDU leadership.

Brownlee  Well, one of the challenges with Breathe was getting a sufficient number of affordable houses and my understanding is that the chosen developer is finding it particularly challenging.

Dyson  So when do you think we might see any progress on that?

Brownlee  My ministerial view would be I’m not sure. Personal view would be less optimistic.

Dyson  Less optimistic than you’re not sure?

Smith  Government invest a lot of effort and money in getting the councils consenting accreditation back. How much effect has that had on smoothing the consenting process going forward?

Brownlee  Well, you still get a lot of complaints about it. I think there is a problem. I think the nub of the problem is the consenting people and the planning people don’t talk, and that there is a lot of evidence around the people seeking a building consent are delayed because they’re told they have to get a resource consent and there are other circumstances where resource consents are granted, or in some cases declined, but then building consent is issued anyway. So I think they’ve got a long way to go. I still think it’s a work in progress. I think the one-stop shop between the two councils is probably helpful, but there are a very limited number of central city projects that require two councils to be involved. So it remains one of those things that we’ll keep looking at. It can be a block. For most of the housing companies, they’ll report that things are better, but far too many of them—and there aren’t that many—say it’s much easier to do business in Auckland than Christchurch, and I think that should worry us a little bit.
2015/16 ESTIMATES FOR VOTE CANTERBURY EARTHQUAKE RECOVERY

Smith Can I just have a quick follow up on that? The learnings that you’ve gained from this—are you sharing that with the other Ministers relevant to other councils around the country who face similar issues?

Brownlee Yes, very much so. So building and housing and local government—both those Ministers are very involved in the monitoring process that’s ongoing.

Sage You said you’re looking to transition CERA out of city regeneration.

Brownlee No. Sorry, can I explain that?

Sage Yeah.

Brownlee So I think at the moment CERA has a very broad mandate—a huge amount of activity. What we’re trying to do is get ahead of the cessation of the law that they work under as much of the work that should be done by other Government agencies back into those agencies with a Christchurch focus, and they can chose how that focus is. So CERA now is inside DPMC and likely to shrink down to being more like a business unit inside DPMC, but there will be a body of “hows”—I hate using that word—that are in that Act that may still be useful for Christchurch City Council and others. Now, I haven’t prescribed what they are, and I don’t want to prescribe what they are, but the advisory group that includes the mayor of Christchurch, the mayor of Waimakariri and so on, and others have given me some advice about that, and at some point all of that will be put into a transition plan. The transition plan will be publicly consulted, and then we’ll decide what to do from there. They’ve asked for several things as well.

Sage Given that then, why has CERA got so involved with Victoria Square, which is a city council reserve, when I would have thought, at this stage of proceedings, it would be better to leave the city council to look after that, and created such controversy?

Brownlee Well, I’m unaware of the controversy.

Dyson What? Truly?

Brownlee No one has talked to me about it.

Wagner I’m sure Nicky Wagner has.

Brownlee Well, Nicky Wagner is probably quite involved with it. If she’s here—do you want to answer a question on that? I understand it’s all been—there’s a good process in place, there’s no particular issues now.

Doocey Minister, in your experience, what have you observed are the positive aspects of governance over the recovery in the last 5 years—more around local governance? I suppose, I have to say, as the MP for Waimakariri I don’t say that too much as a leading question.

Brownlee Well, you probably mean it that way. Waimakariri have been, as a council, particularly good at dealing with their problems. With all due respect to them, the problems they have are a small subset of what Christchurch city’s been involved in. I think the other thing is some people would suggest that
the Government have sort of taken over Christchurch. We’ve had quite an
involvement in the CBD, and that was necessary right from the start. I think
it’s going to remain necessary for a while in some form, but it’s negotiable.
But the greater Christchurch area, or the greater Christchurch city area, is
large, and the Christchurch City Council are, by the commitment through
SCIRT and various other things, have got on with it. I think they’ve been a
little slow in some of the consenting areas around subdivisions—they’ve
been eaten alive by Waimakariri and Selwyn—but I suppose my observation
would be that when you’re faced with stuff like this you have to get the
balance between making decisions and endless public consultation right.

Dyson It’s not directly under your ministerial responsibility, but I know you’ve
been interested and had quite a lot of involvement in it, in your CERA
capacity. We heard a while ago that MBIE had done a survey of 14 repaired
houses and, of the 14, 13 were shonky. EQC, in your other portfolio, said it
wasn’t a representative sample, so they were going to provide a bigger
sample. We now learn that the 200 houses that are going to be reviewed for
the quality of the repairs have been hand-picked by insurers. And I think
that’s a bad process, and I want to know what you think about it.

Brownlee Two parts to it—so the reason why we had the CHRP repair programme
was because we didn’t want shonky repairs. So when you had people
putting in complaints, the plan there was to take those complaints and to
look at them. So the original 14 were all complaints. People had complained
about their work and they brought it in. It did show. I saw some of the
photographs. I mean, you didn’t need to go on-site to know that there was a
problem, and that was readily accepted and remedied and that caused a
number of other checks on similar types of damage. What I did say though
is: “EQC, you can take this on the chin and be out there on your own, but
there’s a truckload of work being done by private insurers as well.” We
don’t have the capacity to direct private insurers to give us any type of
sample, but they have put up those 280, and that’s also out of their
complaint base. So it’ll be interesting to see what is discovered as that
survey goes on, but I think the important thing is to keep a focus on the
fact that you don’t want bad work out there.

Dyson I agree, but it seems to me that asking insurers to provide their hand-picked
homes for the MBIE investigation doesn’t leave any integrity in this.

Brownlee Well, it’s out of their complaint process. Look, private insurers get kicked
around quite a bit. In the big picture, they’ve done a pretty good job, in my
opinion. They’ve stayed with Christchurch, they continue to offer cover—
and that cover is settling out at prices that are nowhere near as escalated as
was originally feared. I’m aware too that as they discover methodologies
they’re going back to some of their work and having another look at it. I
heard of one the other day, in fact, last Thursday. They’ve been back in the
house for 5 months. Their insurer turned up and said “We want to look at
this particular problem that relates to the type of repair done on your
home.” and within 24 hours, by the end of Friday, had concluded that it
needed to be done again. So that’s directed by Government; it’s them
making their own choices. Now, how often that’s happening, I don’t know, but it’s a positive sign.

Bennett: Well, thank you, Minister. We’ve run out of time now, so thank you very much for coming and also thank you to all your support staff there.
2015/16 Estimates for Vote Education and Vote Education Review Office

Report of the Education and Science Committee

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Appendix 6
Vote Education and Vote Education Review Office

Recommendation

The Education and Science Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Education and Vote Education Review Office, as set out in Parliamentary Paper B.5, Vol 2, be accepted.

Introduction

The appropriations for Vote Education increase to $10.772 billion in 2015/16 from an estimated actual expenditure for 2014/15 of $10.311 billion. Those sought for Vote Education Review Office decrease to $29.28 million in 2015/16 from an estimated actual expenditure of $30.081 million in 2014/15. The $801,000 decrease is mainly due to a reduction in contracted services. Hon Hekia Parata, the Minister of Education, is responsible for the appropriations in both votes. We heard evidence from the Minister, the Ministry of Education, and the Education Review Office.

Operational funding and staffing entitlements

We noted in the Minister of Education’s written answers to the committee that increases in school and early childhood education rolls as a result of net migration was listed as a potential financial risk. Some of us were concerned that the Minister had suggested she might “limit future year increases to operational and/or staffing entitlement if the risk is realised”. After further questioning the Minister provided an assurance that roll growth as a result of migration would not result in a reduction of per-student funding in real terms and additional funding would be sought if required.

Partnership schools/kura houora

The Minister said that eight of the nine partnership schools are doing as well as, if not slightly better than, decile 1–3 schools, against which they are benchmarked. She acknowledged that the one other school is failing. The Minister has issued this school with a performance notice, and the Ministry of Education has conducted a special audit of the school. The ministry is working with the schools’ sponsors to address the issues raised in the audit. We were told that this process would take less than a year to complete.

We are aware that only two Ongoing Resourcing Scheme (ORS) students are attending the nine partnership schools, a rate some of us consider unacceptable, since part of the rationale for the schools was meeting students’ specific learning needs. The Minister said partnership schools are expected to target students with the highest learning needs, but ultimately have limited influence in parents’ choice of schools. The Minister said that partnership schools cannot turn away applicants, and there was no indication they had done so.

Investing in Educational Success

Budget 2015 includes an increase in the appropriation for implementing the Investing in Educational Success initiative by $25.671 million (to a total of $28.356 million) in the
primary education sector, and $15.361 million (total appropriation $16.459 million) in the secondary education sector. We are aware that 29 communities of schools have been confirmed, and heard that this funding is intended to be used to enable teachers and principals to share teaching and leadership expertise with their community of schools.

**Teacher-led Innovation Fund**

The Investing in Educational Success Initiative includes a contestable $10-million Teacher-led Innovation Fund. It is intended to support teachers in developing innovative ways of delivering the curriculum, which can then be shared between schools. We heard that the winners of this contestable funding will be announced soon. We will watch with interest the initiatives supported by this fund.

**Mathematics teaching**

We are aware that the New Zealand Initiative, a public policy think-tank, recently released a report on mathematics education, highlighting it as an area where New Zealand students often require additional help. The report concluded that primary school teachers’ lack of confidence in mathematics is a key issue. The Minister acknowledged that initial teaching training does not put enough weight on the teaching of mathematics. The Minister expects the new professional body for teachers, EDUCANZ, to address this. We heard that the Ministry of Education is also targeting the schools with the greatest need for help with the teaching of mathematics, and expects the Investing in Educational Success initiative to address mathematics teaching.

Some of us questioned whether there is insufficient emphasis on better managing initial teacher education and other teacher supply initiatives to ensure that there is a sufficient number of teachers in specialist areas such as mathematics and science, while there appears to be an overabundance of teachers in other areas.

**Christchurch schools**

We asked about the ministry’s timetable for reviewing school zones in Christchurch. The Minister said that, rather than have the Ministry of Education be prescriptive about zoning, she would prefer the schools to work out a solution themselves. The ministry is concerned to ensure that there are good quality education options in every community, and also to continue working with the Christchurch Principal Associations to achieve a workable system. This may involve a wider review where local solutions or practices are no longer fit for purpose, or at the request of schools.

Under one proposal students would be assigned a “home school”, and would travel to other campuses for classes from teachers with specific expertise in areas such as science and technology. This approach might help address the lack of specialist teachers by maximising students’ access to them. The Minister acknowledged that many schools would like the ministry to step in, but said she would prefer education leaders in the city drive the changes. We will continue to monitor developments in Christchurch.

**Special education**

The Minister told us of an extra $62.9 million of investment over four years to better assist children with special education needs. The Minister expects this to allow an additional 500 students with the highest education needs to be supported by the ORS scheme, bringing the total number of students in this scheme to 9,000. Budget 2015 would also fund an extra 1,500 teacher aide hours, their allocation to be determined by schools.
Early childhood education

The appropriation for early childhood education has increased from an estimated actual expenditure in 2014/15 of $1.607 billion to $1.663 billion for 2015/16. It is intended to subsidise early childhood education services for children in licensed and chartered early childhood education services. The main reason for the increase in the appropriation is an increase in the number of funded child hours, budgeted at $48.591 million. The Minister has set up an advisory group to report on the quality of early childhood education by the end of June.

Playcentre New Zealand has previously expressed concern to us that it will face collapse within two years unless it is able to secure additional funding. The Minister said she has had meetings with Playcentre New Zealand, and suggested that they re-evaluate their funding model. However, the ministry does not advocate any particular model of early childhood teaching, and if parents opt not to send their children to playcentres their funding will continue to decrease.

We asked if the Minister was aware of the concerns raised by Dame Lesley Max with regard to budget announcements around beneficiary parents and how these announcements might affect programmes such as HIPPY. The Minister confirmed she was aware of the concerns and acknowledged her personal desire to have parents well engaged in their children’s learning, as well as having access to and participation in the workforce.

Kōhanga Reo

We are aware of a number of irregularities regarding expenditure incurred by Te Pataka Ohanga, a wholly-owned subsidiary of the Kōhanga Reo Trust Board. The Minister told us that she is confident that all of the money the Ministry of Education pays to the trust board for the purposes of education is spent wisely, although she is concerned about systemic flaws found in spending by the subsidiary. We heard that the trust board now must achieve specific milestones before the ministry makes its monthly payments; the Minister expects them to modernise their governance.

NCEA achievement rates

We are aware that 68 percent of 18-year-olds achieved NCEA level 2 in 2008, while in 2014 it was 81 percent. The Minister said the increase is due to a targeted approach to the students who need the help most. We heard that the ministry has strengthened its regional administration, increasing the number of regions from four to 10. Each region has a director of education, who helps individual schools to improve their achievement rates.

We asked if there was in-depth data showing the quality of pass rates currently being achieved. The Minister said that there was very good, very deep data, and that there was a continuing need to ensure NCEA credits achieved are meaningful.

National Standards

We heard that various other data sources are being used to assess the accuracy of data collected in the National Standards assessments. The ministry has also run moderation workshops for the last three years, to help teachers ensure that judgements about students are consistent between schools. The results of the National Standards assessments are moderated within schools, but not nationally.
Teaching of Asian languages

We are aware that the Minister has established a $10-million fund to incentivise schools to offer Asian languages, particularly Mandarin. Schools that apply for this funding have to detail a sustainable teaching programme, showing that it will be engaging, and that the language will be used outside of the classroom. We heard that there have been 101 applications for funding under this scheme, for teaching languages including Korean, Japanese, and Indonesian. Twenty-three applications have been approved.
Appendix

Committee procedure
We met on 17 June and 1 July 2015 to consider Vote Education and Vote Education Review Office. We heard evidence from the Minister of Education, Hon Hekia Parata, and the Ministry of Education and the Education Review Office, and received advice from the Office of the Auditor-General.

Committee members
Dr Jian Yang (Chairperson)
Hon Judith Collins
Hon David Cunliffe
Catherine Delahunty
Paul Foster-Bell
Hon Paul Goldsmith
Chris Hipkins
Melissa Lee
Tracey Martin
Jenny Salesa
Hon Maurice Williamson

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:


 Office of the Auditor-General, Briefing on Vote Education, received 15 June 2015.

 Office of the Auditor-General, Briefing on Vote Education Review Office, received 15 June 2015.

 Minister of Education, Response to standard Estimates questionnaire.

 Ministry of Education, Responses to additional questions, received 18 and 26 June 2015.

 Education Review Office, Response to standard Estimates questionnaire.

 Education Review Office, Responses to additional questions, received 18 and 26 June 2015.

 New Zealand Qualifications Authority, Creative Arts Qualification Review, Health and Safety Review, UCOL review findings, and Waiariki review findings, received 22 June 2015.

 Capital Consulting, New Zealand Qualifications Authority Testing Services Options and New Zealand Qualifications Authority Testing Services project, received 22 June 2015.
2015/16 Estimates for Vote Tertiary Education

Report of the Education and Science Committee

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Vote Tertiary Education

Recommendation
The Education and Science Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Tertiary Education, administered by the Ministry of Education, as set out in Parliamentary Paper B.5, be accepted.

Introduction
The appropriations sought for Vote Tertiary Education increase by 1.42 percent to $3.06 billion in 2015/16 from an estimated actual for 2014/15 of $3.018 billion. Hon Steven Joyce, the Minister for Tertiary Education, remains the Minister responsible for the appropriations within the vote. We heard from the Minister for Tertiary Education, and from the Ministry of Education, and the Tertiary Education Commission.

Tertiary education Budget 2015
We had enquired of the Minister how much of the “further $113-million boost” that he announced on 21 May 2015 was actually new funds for the tertiary education system. The Minister confirmed that it was “not a massive amount” of $7.3 million. Some of us noted that such a small amount of funding implied a significant real-terms cut to the budget, and asked the Minister if he saw that as a good thing. The Minister replied “yeah, it is actually”.

Some of us then asked how New Zealand tertiary funding per student rated within the OECD, noting it was amongst the lowest. The Minister argued that if per student funding included student support, the answer would be no. We then asked whether the real terms budget had changed since 2009. The Minister said he did not have that information handy. The Minister confirmed that the 2015 Budget included a $30-million carryover from the previous financial year, and a reallocation of funds available due to lower forecast student numbers. The Minister explained that “it’s a further $112.3 million of operating funding over four years,” and “The investment will come from funding made available by the reducing demand for tertiary education, reprioritisation within the Vote, and continuing to target student support to those who need it, and some additional money from the Crown.”

We enquired further as to the Minister’s assumptions, noting that a recent drop in interest rates by the Reserve Bank implied a cooling economy, and noted Statistics New Zealand population forecasts showing a rising population to 2019, and forecast high immigration levels.

The Minister responded that while total population was increasing, the tertiary-student-age cohort was forecast to reduce, and this was reflected in lower total Student Achievement Component payments. We will carefully monitor the assumptions underlying these cohort changes. Some of us are concerned that recent policy changes, such as more restrictive university entrance requirements, may impede access to tertiary education.
Support for tertiary students

Overseas student loan repayments

Some of us were concerned that the number of student loan borrowers overseas defaulting on their loans has increased substantially, despite the Government’s recent crackdown on overseas loan arrears. The Minister suggested this may be due to better detection rather than a net increase. There is now a one-year repayment “holiday” for those heading overseas, and a requirement for borrowers to give contact details for their travel period; they may be questioned at the border.

The overseas-based borrowers’ initiative was set up at the end of 2010 to encourage New Zealanders abroad to pay back their student loans. The Minister said that progress has been made, and that $190 million of additional repayments had been made since November 2010. The aim from now is to regain an additional $100 million a year.

The Minister told us that he would hope total student support was lower because “we were paying massively stupid amounts of money on student allowances that we couldn’t afford”.

Student support duration

We questioned the Minister on the effects of his government’s “7 EFTS” limit on student support to seven years of full-time study. Some of us noted that this created particular hardship for students in conjoint degrees, recognised long courses and postgraduate courses (including doctorates), for whom total study requirements were greater than seven years. Some of us questioned whether this arbitrary cut-off was in the public interest given that it may discourage able students of modest financial means from completing such degrees.

Some of us raised the particular concerns surrounding medical degrees, noting that a significant number of medical students (estimated by some student associations as up to 47 percent) would be affected.

The Minister outlined correspondence he had received from the New Zealand Medical Students’ Association regarding the new limit on student loan eligibility and its effects on some graduate medical students. The Minister acknowledged that the student loan limit of seven years of study might pose a problem for those with a longer undergraduate degree before their medical studies. He disputed the issue was applicable to PhD and other doctoral students, who he said had access to ten years of interest-free loans. The Minister said he was waiting for data about the number of students likely to be affected, but that it was unlikely to affect many in the next two years. However, he emphasised the importance of placing a limit on eligibility to borrow, to avoid the expense of people studying for very long periods. He said that student loans, while being interest free, have a write-off cost of 40 percent, and so represent a significant cost to the Government. The Minister encouraged all students to take the quickest path possible through their degree.

Mature students

Some of us were concerned that the enrolment of students aged over 55 has fallen between 2008 and 2014, but the Minister said that this decrease was predominantly in low-level courses. He suggested such courses are unlikely to lift incomes, so having people leave employment for them may not be beneficial.
Skill shortages

Investment in science and engineering

We asked whether the Minister was satisfied that the current funding model for initial teaching education was delivering an optimal volume and mix of teachers. Evidence was cited that applications for science and mathematics teaching positions in high schools had decreased, and the Minister agreed that this was a problem. We heard that funding of tertiary training in science and maths is adequate, but that the mix of degrees and the matching of graduates to areas of need, particularly in the regions, could be improved. Some scholarships and other schemes already help, and the Ministry of Education will be pursuing the problem further.

The Minister noted that by global standards, New Zealand students excel in the humanities and social sciences but have room for improvement in the sciences. School-level incentives to study in the science, technology, engineering and maths fields may be a way to achieve improvement. The Minister said that better communication with students about their study choices is vital, including prospective income figures for different occupations.

The Minister said that $11 million has been allocated to increase the number of engineering graduates in New Zealand, an area of significant skills shortage. We will watch with interest the impact on the number of graduates in science, technology, engineering and maths.

We heard that the volume of students being trained in New Zealand was much lower than other comparable OECD countries. The Minister outlined some initiatives previously used to increase the number of engineering graduates, such as adjusting the amount of funding allocated to each student. We heard that the number of equivalent full time students in engineering increased by nearly 20 percent between 2008 and 2013, and the number of graduates by 21 percent over this same period. The Minister said that from 2017 onwards, he aims to see at least 500 more engineering students graduate every year from New Zealand universities.

International students

The Minister told us that the number of international students coming to New Zealand has increased by 13 percent from 2013 to 2014. The industry is worth $2.8 billion, provides 30,000 jobs, and is our fifth-largest export earner. The Minister said that the marketing work done by Education New Zealand, along with a global trend of more students studying overseas, has contributed.

Some of us noted that the increase in international student numbers appeared to be an offset against the real-terms decline in public tertiary education funding. We noted that in particular, some $60 million had been cut from regional polytechnic budgets from 2010 to 2014. Some of us had heard, external to the hearing, that some regional polytechnics are opening campuses in Auckland specifically to gain access to international students as a way of making up their budget shortfalls. Some of us consider this has the surprising effect of regional polytechnics locating campuses remote from the populations they are set up to serve.

The Minister is confident that New Zealand is attracting more international students, and that they enrich the experience of New Zealand students, help maintain our links to trading partners, and provide income to the New Zealand economy.
We were interested to hear that about 20 percent of these international students remain to work in New Zealand upon graduation. The Minister said that some international students can be attracted to regional areas, which may boost development there. For those students who return home, the Minister said that many become “unofficial ambassadors” for New Zealand and may help attract more visitors and overseas students.

Some of us are concerned about previous issues in the quality of education provided to international students, and the effects on our international reputation. The Minister said that an international education senior officials group monitors this, and the New Zealand Qualifications Authority and Immigration New Zealand are also working with providers to ensure standards are met. There are plans to raise required standards of English language proficiency for students from countries such as India, to reduce the rate of declined visa applications.

**Regional provision**

Concern was raised about the mapping of pockets of New Zealand where little or no post-secondary provision exists. The example given was Warkworth, where access to the closest providers is restricted by a lack of public transport. The Minister noted that initiatives such as Youth Guarantee take the availability of regional provision into account, but resolved to look more closely at this instance.
Appendix

Approach to this examination

We met on 17 June and 1 July 2015 to consider Vote Tertiary Education. We heard evidence from the Minister of Tertiary Education, Hon Steven Joyce, the Tertiary Education Commission and the Ministry of Education, and received advice from the Office of the Auditor-General.

Committee members

Dr Jian Yang (Chairperson)
Hon Judith Collins
Hon David Cunliffe
Catherine Delahunty
Paul Foster-Bell
Paul Goldsmith
Chris Hipkins
Melissa Lee
Tracey Martin
Jenny Salesa
Hon Maurice Williamson

Evidence and advice received

We considered the following evidence and advice during this examination:


Minister for Tertiary Education, Skills and Employment, Written Responses, received 12 June and 26 June 2015.
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Vote Environment

Recommendation

The Local Government and Environment Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Environment, as set out in Parliamentary Paper B.5 Vol. 3, be accepted.

Introduction

Vote Environment provides funding to support New Zealand’s environmental management systems, to manage fresh water sources, and to further the goal of achieving a low-carbon nation resilient to climate change.

The appropriations sought in 2015/16, including $5.4 million of multi-year appropriations, increase by 35.3 percent to $333.35 million from estimated actual spending of $246.367 million in 2014/15. Environment appropriations make up 42 percent of the vote, and climate change appropriations the other 58 percent of the vote. The most significant appropriations are as follows:

- $159.8 million for the allocation of New Zealand emission units to the New Zealand economy
- $39.6 million for the improvement of the resource management framework
- $19.4 million for the Environmental Protection Authority’s regulatory functions
- $16.0 million for local authority payments for the Waste Disposal Levy.

New funding of $15.6 million has been allocated to Vote Environment for resource management reforms, water reforms, Environmental Protection Authority functions, and management of the Emissions Trading Scheme.

The Ministry for the Environment administers Vote Environment. The Minister for the Environment, Hon Dr Nick Smith, and the Minister for Climate Change Issues, Hon Tim Groser, are the Ministers responsible for the appropriations within the vote.

Resource management reform

Phase two of Resource Management Act 1991 (RMA) reforms are planned in 2015/16, and will focus on areas such as natural hazard management and consent processes. The Minister also said he intends to progress an amendment to combine national environmental standards (NES) and national policy statements (NPS), previously separate documents. The Minister said that legislative reforms are “very important”, and have been given top priority within the vote, receiving additional new funding of $5.8 million in 2015/16.

We were told that better environmental outcomes and reductions in compliance costs can be achieved through NESes, which are country-wide regulations issued under section 43 of

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2 Ibid. p. 7.
3 Ibid. p. 8.
the RMA. The NESes for forestry and telecommunications are at the consultation stage, and it was indicated that further national standards will be introduced.

We asked the Minister about his prioritisation of RMA reforms, and the research used to support it. The Minister drew our attention to a Local Government New Zealand public survey on perceptions of councils. The results highlighted dissatisfaction with resource consent processes. We were also referred to a draft report on the interaction between the environment and the economy, released in 2014, which rated New Zealand one of the worst states in the OECD for costs related to environmental regulatory system compliance. Finally, the Minister pointed to reports from the Productivity Commission, which attributed housing affordability problems to resource management framework issues.

Some of us were concerned about the potential cost implications of delaying the introduction of the next phase of reforms, in the light of a $1-million budgeted increase for contractors in 2015/16 compared with 2014/15. The Minister clarified that these budgeted costs are not exclusively allocated for legislative reform, and are shared with initiatives such as national environmental standards in forestry and telecommunications.

We asked how the draft NESes on telecommunications and forestry would help to achieve the reform objectives. The Minister replied that the RMA incurs large costs for no environmental benefit by having every council trying to write its own rules. He expressed the view that writing good national standards is very difficult and that drafting these two NESes has provided useful learning experiences. He noted for example that the first version of the forestry NES was quite “Wellington-centric”, and the inclusion of local government, the forestry sector, and other organisations in the process was important. The Minister also emphasised the importance of a consistent set of national rules that take into account local risk levels. The Minister does not, however, consider it appropriate to always implement national standards, which can be rigid, and suggested that many factors need to be taken into account.

**Fresh water**

Fresh water is managed under the Resource Management Act, and has been accorded $4.1 million in new funding for 2015/16. The intention is that most water reform initiatives should be implemented by 2019. In total, the 2015/16 budget allocates around $23.8 million to fresh water management.

The Minister told us that since the 2010 Resource Management (Measurement and Reporting of Water Takes) Regulations came into effect, the measurement of water takes (extraction from stream, lakes or rivers for land use) has increased from about 35 percent to 80 percent. Within a year, the goal is for at least 90 percent of water takes to be measured. The Minister emphasised that this regulation has helped to enforce compliance with allocation limits, as accurate data is important for managing water resources.

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7. Ibid. p. 10.
We were told that the ministry will be working to increase implementation by local councils of the National Policy Statement for Freshwater Management 2014. The Minister said a follow-up discussion document, drawing on the Parliamentary Commissioner for the Environment’s recent report, will be available in late 2015 or early 2016.\(^8\)

**Fresh water clean-ups**

We asked about the outcomes of fresh water clean-ups to date, and the funding budgeted for this purpose. The Minister said that funding committed to clean-ups has increased considerably. He said that clean-up costs are shared with local and regional authorities, and that projects are not funded unless local progress is being made towards preventing further pollution of the sites. The Minister gave several examples of clean-up projects, including what he considered to be one of the most successful projects at Lake Rotoiti.

Some of us were concerned whether there was a risk of increased water pollution from housing intensification, particularly as a result of Special Housing Area developments. The Minister said that councils are required to take environmental impacts into consideration.

**Hazardous substances**

We asked about the ministry’s progress on hazardous substance issues. The Minister said his highest priority regarding hazardous substances is enforcement. He noted that compliance with the Hazardous Substances and New Organisms 1996 Act is low, at about 25–30 percent. The Minister considers that the Health and Safety Reform Bill, currently before the Transport and Industrial Relations Committee, will help to address compliance through mechanisms such as fines.

The Minister announced that more work will be done on cleaning up contaminated sites this year, with particular priority given to the Prohibition and Alexander mines (near Reefton on the West Coast), New Zealand’s most toxic contaminated site. We heard that remediation of contaminated sites is challenging and that costs and time-frames can be unpredictable, but the ministry has learnt from past clean-ups to proceed cautiously. The Minister is confident that processes have improved; recently the Tui Mine remediation project in the Waikato received a Resource Management Law Association award. We are encouraged by this, and will monitor future progress on remediation projects.

The Minister said that he expects to receive recommendations shortly from the ministry on product stewardship schemes, which encourage all parties involved in the life of a product to manage its environmental impact. We were told that focus will be placed on ensuring that goods are recycled for useful purposes, to avoid merely shifting the problem.

**Marine management**

The Minister indicated that reform legislation on marine protected areas is likely to be progressed this year. He also drew our attention to the fact that in October New Zealand’s Exclusive Economic Zone pollution regulation management will be transferred from the Maritime Transport Association to the Environmental Protection Authority. He acknowledged that this will need to be done well. We will observe this transition with interest.

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Environmental reporting

We were told that a new challenge for the ministry will be in implementing the environmental reporting legislation. The first synthesis report by Statistics New Zealand and the ministry will be released in October. In 2016 the regular six-monthly domain reporting system will be initiated. We look forward to examining these reports.

Climate change

Climate-change related appropriations make up a significant proportion of Vote Environment. The largest is Allocation of New Zealand Units, accounting for $159.8 million, or 48 percent of the vote. Others include Climate Change Multi Category Appropriation, Impairment of Debt Relating to Climate Change Activities, and New Zealand Emission Trading Scheme, which together account for $32.6 million.

The Minister for Climate Change Issues told us that one of the biggest challenges facing New Zealand in this area is that approximately 70 percent of the country’s emissions come from transport and agriculture. He is very optimistic that technological advances will make lower emission options more affordable.

Emissions

The Minister for Climate Change Issues believes methane and nitrous oxide emissions are the principal issue facing the country. We asked if a low price for carbon had resulted in an increase in land use that is detrimental to water quality. He acknowledged that a low price provides less incentive for landowners to move towards low-emission practices. He said steps taken in the last six months have had the practical effect of increasing the carbon price by approximately 700 percent. He told us he does not have an ideal carbon price and is open to what it might be. He also acknowledged problems with the weighting of different greenhouse gases but said international consensus on this issue is required.

Sea-level rise

The Minister for the Environment told us that there was no national environmental standard for sea level rise because the “science is not good enough”. He believes there is still too much uncertainty for a rigid standard to be applied. He cautioned that too conservative a view of these uncertain risks could have adverse effects, such as limiting development or increasing property prices.

The Minister for Climate Change Issues noted that the current guidance for local and regional authorities is clear and specific, although it stops short of setting a national standard. He said he was open to debate on this topic and noted that much of the country’s infrastructure was built before awareness of climate change. He acknowledged that smaller councils in particular will need support to plan and prepare for the effects of sea-level rise. Climate change is among the natural hazards to be covered in the reform of resource management legislation.

In the Pacific, New Zealand is taking a leading role supporting countries most at risk of harm from sea-level rise. Reducing reliance on fossil fuels in these countries is an important part of this work. The Minister said an international response is needed to protect Pacific Islands from global warming. New Zealand’s contribution to combating global warming should be announced soon.
Transport

We asked the Minister for Climate Change Issues about his engagement with the Minister of Transport on the interaction between their portfolios. He has had some input into the preparation of the Auckland rail network for electric trains. He also noted developments in electric and hybrid vehicles. Both Ministers pointed out that public facilities for charging electric vehicles are not necessary in urban areas, where power points in homes provide sufficient charging capacity. The price of these vehicles continues to drop, which is expected to result in higher demand. The Minister for the Environment said that a major announcement on public transport is expected soon.
Appendix

Committee procedure
We met on 25 June and 2 July 2015 to consider Vote Environment. We heard evidence from the Minister for the Environment, Hon Dr Nick Smith, the Minister for Climate Change Issues, Hon Tim Groser and the Ministry for the Environment, and received advice from the Office of the Auditor-General.

Committee members
Scott Simpson (Chairperson)
Matt Doocey
Paul Foster-Bell
Julie Anne Genter
Joanne Hayes
Tutehounuku Korako
Ron Mark
Todd Muller
Su’a William Sio
Dr Megan Woods
Eugenie Sage

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:


Office of the Auditor-General, Briefing on Vote Environment, received 25 June 2015.

Minister for the Environment, Response to standard Estimates questionnaire.

Minister for the Environment, Response to additional questions 1-180, received 16 June 2015.

Minister for the Environment, Vote Environment Appendix 1 Ministry for the Environment Four Year Plan, received 16 June 2015.

2015/16 Estimates for Vote Conservation

Report of the Local Government and Environment Committee

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Vote Conservation

Recommendation

The Local Government and Environment Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Conservation, as set out in Parliamentary Paper B.5 Vol. 3, be accepted.

Introduction

The vote provides funding for the Department of Conservation (DOC) and the purchase of services to support natural and historic heritage conservation. The appropriations sought for Vote Conservation increase by 12.6 percent in 2015/16 to $452.465 million, from estimated actual spending of $401.804 million in 2014/15. However, they decrease marginally from the $454.134 million budgeted in 2014/15. Approximately two-thirds of the vote is allocated to the management of natural heritage, including ecosystems, habitats, and species (about 35 percent), and to the management of recreational facilities and services, including business concessions (about 31 percent).

The vote includes a new four-year kiwi protection initiative (of which $592,000 is budgeted for 2015/16) which would expand on work with individuals and community groups. Another multi-year appropriation to prevent the spread of kauri dieback was announced in 2014/15, but is proposed to commence in 2015/16, with $1.834 million budgeted for that year.

Predator control

In 2015/16, $159.077 million is budgeted for the management of natural heritage (an increase of 0.6 percent from 2014/15 estimated actual spending).¹ This includes the maintenance, restoration, and protection of ecosystems, habitats, and species. The budgeted Crown contribution for regional pest management in 2015/16 increases by 29 percent over 2014/15 estimated actual expenditure.² The Minister emphasised the importance of pest management, noting that she will be appointing a Threatened Species Ambassador in the next few weeks, and that Air New Zealand will be financially supporting the role over the next two years.

Kiwi recovery

There are fewer than 70,000 kiwi left in the wild, with the population declining by 2 percent a year as a result of predation. We asked about the objectives for the proposed four-year “Save Our Iconic Kiwi” programme, for which $11.2 million would be appropriated. The Minister said it would focus on growing the kiwi population to a sustainable level through careful monitoring programmes and predator extermination. DOC-funded kiwi sanctuaries will be set up so that kiwis can be released into safe, predator-free environments. The director-general noted that the area under sustained protection will increase from 450,000 to 900,000 hectares. We were also told that DOC will

employ nine new rangers and partner with Kiwis for Kiwi, a non-profit organisation, as well as with iwi, farmers, and private land-owners to address kiwi recovery.

The Minister said she considered the Kiwi Recovery Plan, a ten-year plan started by the department in 2008, to be on track. We were told that measurable targets, such as the current goal to achieve a 2 percent growth rate for the kiwi population, were being used to assess progress and avoid the kiwi extinction threat.

**Battle for our Birds**

The “Battle for our Birds” initiative is New Zealand’s biggest-ever predator programme, addressing the impact of the 2013/14 summer beech mast. The Minister told us it had been successful in reversing the extinction of species such as the mohua (yellowhead). We were informed that the programme will be expanding, with the focus moving from beech trees to podocarp forests.

The Minister emphasised the role of 1080 poison, which was used to reduce the number of predators such as rats. About 700,000 hectares of land has been treated with 1080, and a further 126,000 hectares will receive treatment in 2015/16. The goal is to have 27 percent of public conservation land under sustained pest control by 2021.

The Minister reflected on the difference between 1080 drops in the 1970s and those today, noting that about 24 kilograms per hectare was dropped in the past, whereas it is now down to about 2–4 kilograms. However, she said that research on alternative pest control options, such as para-aminopropiophenone (PAPP), was important. We were told that science, as well as partnerships with organisations such as Landcare, would help to avoid any unintended consequences from poison dissemination.

We were told that a final review of the programme will be available within two years.

**Flora, fauna, and the “war on weeds”**

**Kauri dieback**

The Minister acknowledged that more information about the disease killing kauri trees is needed. We were told that interim mitigation measures are in place, such as the upgrading of kauri forest tracks and the installation of 300 hygiene stations to contain the disease and hinder its transfer. Public education, including better signage, will also be an important tool to curb the spread of the disease.

**Endangered species**

The Minister emphasised her desire to focus more on the protection of endangered flora by ensuring that government agencies and voluntary groups have the necessary tools to prevent their accidental or malicious destruction. More than 360 of New Zealand’s 2,500 vascular plants are either threatened or lack the statistical data to confirm their status, and we were told that various plants are susceptible to pests, such as the Clianthus maximus (kākā-beak), of which only 40 plants remain in the wild. The Minister assured us that DOC is working to identify flora protection priorities.

Some of us were concerned about the lack of robust population monitoring for a number of threatened species and that 569 nationally critical and nationally endangered species do not have active species management plans.

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Biodiversity

The Minister said a new initiative will be starting: the “war on weeds”. She informed us that wilding pines present the greatest challenge as they damage landscapes and cause irreversible damage. Wildings threaten to cover 22 percent of New Zealand’s landscape within 20 years, which the Minister said would cost around $2 billion through loss of pastoral land.

We asked about progress so far on tackling the problem of wilding pines. The Minister said the annual budget to curb the spread of wildings is around $3.5 million, but she hopes to see it increased next year. In the meantime, she noted the importance of financial partnerships with organisations such as the Queenstown Lakes Trust, which has injected about $5 million over 4–5 years. The department is keen to utilise new technology, such as drones, and is open to initiatives such as conservation work by prisoners.

In the Minister’s view, regulations could be improved to better integrate regional efforts against the spread of wilding pines. We were told that the department is engaging with regional councils to improve regional collaboration.

The Minister noted that department resources and operating practices would be reallocated to address the impacts of climate change on species.

Land swaps

Land swaps involve the exchange of stewardship land (a category of conservation land) for private land in order to enhance conservation values. This process has been the focus of two recent reports from the Parliamentary Commissioner for the Environment. We asked what process is in place to ensure that valuable land is not lost in a swap. The Minister said that each proposal is considered on a case-by-case basis and evaluated on whether it would produce a net conservation gain.

We asked about progress on reviewing stewardship land and affording it greater protection. The department’s director-general said that DOC has started with St James Station in Canterbury, but progress has been stalled due to discussions with iwi about cultural rights to use land.

The Minister noted that the process of converting stewardship land into national parks affords them greater protection; a recent example is Aotea Conservation Park on Great Barrier Island. The director-general acknowledged that the commissioner’s comments in her reports were being taken seriously. We look forward to seeing progress in this area.

Partnerships

The Minister emphasised the importance of working in partnership with ministries, local governments, iwi, and philanthropists to achieve better conservation outcomes, noting that DOC cannot achieve its objectives in isolation. We asked how DOC measures the success of its partnerships. The Minister informed us that they had raised $60 million for conservation, and one benefit has been the positive impact on bird flight paths as a result of the “green corridor” from the Rimutakas to Wellington Central across both public and private land.

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The Minister indicated her appreciation of donations from philanthropists, which have helped DOC projects. Recently, $480,000 was donated towards combating kauri dieback. These donations are not always allocated to DOC’s own programmes. For example a recent $150,000 donation was focussed on community conservation in Marlborough.

Some of us expressed concern about potential issues deriving from private partnerships. The Minister affirmed that the benefits to New Zealand conservation are the most important consideration, and that certain projects made possible by partnerships would otherwise not have happened. She said the department monitors the use of funds allocated to entities such as Kiwis for Kiwi. Strict performance indicators are used to assess entities’ use of the money, and an internal audit of the department’s investments is under way.

The Minister also acknowledged the importance of working with individuals who have contributed to conservation efforts in areas such as pest control. We asked whether DOC is consistent in its dealings with all individuals, giving possum trappers as an example. The Minister told us that she is willing to work with anyone interested in exterminating possums, and that her department deals with a variety of groups such as the Conservation Iwi Leaders Group and the New Zealand Fur Council. She said the department aims to maintain consistent standards of communication.

The Minister stressed that financial partnerships have become an integral conservation strategy for DOC, with philanthropists actively “courted” to achieve conservation benefits for New Zealand. We were assured that DOC will continue to promote partnerships because cost sharing makes more projects possible, and taxpayers’ money “go a lot further”.

**Tourism**

We asked how DOC contributes to tourism. The Minister noted the importance of New Zealand’s natural landscape for tourism, and said the department has funded the maintenance of recreational facilities such as huts and campgrounds. In particular, $13 million was invested in flood protection and tourism infrastructure in Milford Sound, which received over half a million visitors last year. The department is also aware of the negative environmental impacts from an increase in visitor numbers, and mitigates them by ensuring that facilities such as walking tracks are maintained.
Appendix

Committee procedure
We met on 18 June and 2 July 2015 to consider Vote Conservation. We heard evidence from the Minister of Conservation, Hon Maggie Barry, and the Department of Conservation, and received advice from the Office of the Auditor-General.

Committee members
Scott Simpson (Chairperson)
Matt Doocy
Paul Foster-Bell
Julie Anne Genter
Joanne Hayes
Tutehounuku Korako
Ron Mark
Todd Muller
Eugenie Sage
Su’a William Sio
Dr Megan Woods

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Conservation, prepared by committee staff, dated 16 June 2015.

Office of the Auditor-General, Briefing on Vote Conservation, received 18 June 2015.

Minister of Conservation, Response to standard Estimates questionnaire.

Minister of Conservation, Response to additional questions 1–123, received 16 June 2015.

Minister of Conservation, Response to additional questions 124–224, received 30 June 2015.

Minister of Conservation, hearing presentation, received 18 June 2015.
The Local Government and Environment Committee has examined the 2015/16 Estimates for Vote Parliamentary Commissioner for the Environment and recommends that the appropriations in respect of Vote Parliamentary Commissioner for the Environment for the year ending 30 June 2016, as set out in Parliamentary Paper B.5, Vol. 3, be accepted.

Scott Simpson
Chairperson
2015/16 Estimates for Vote Foreign Affairs and Trade, and Vote Official Development Assistance

Report of the Foreign Affairs, Defence and Trade Committee

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Vote Foreign Affairs and Trade, and Vote Official Development Assistance

Recommendation

The Foreign Affairs, Defence and Trade Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Foreign Affairs and Trade and Vote Official Development Assistance, as set out in Parliamentary Paper B.5 Vol. 4, be accepted.

Introduction

The Minister of Foreign Affairs is responsible for the appropriations in Vote Foreign Affairs and Trade. The total appropriations sought for the vote in 2015/16 are $485.2 million, up by 9.5 percent from estimated actual spending of $443.2 million in 2014/15.

The Minister of Foreign Affairs is also responsible for Vote Official Development Assistance. The total appropriations sought for this vote in 2015/16 increase by 2.5 percent to $602.9 million from estimated actual spending of $588.2 for 2014/15.

Demonstration sheep farm in Saudi Arabia

We were told that no additional funds have been provided to New Zealand Trade and Enterprise (NZTE) or the Ministry of Foreign Affairs and Trade towards the multi-million dollar agribusiness service hub and demonstration farm in Saudi Arabia. About thirty New Zealand businesses provided goods and services that are connected to the agribusiness hub which the Minister said is intended to showcase New Zealand’s agricultural technology, including an abattoir, to a targeted market.

The Minister provided some background on the matter which began in the 1990s when Mr Al Khalaf and his colleagues began investing in the breeding of cross-bred Awassi sheep in New Zealand for export to Saudi Arabia as live lambs for slaughter. Following animal welfare issues with live shipments from Australia to Saudi Arabia, the practice was frozen in New Zealand, and in 2007 the New Zealand Government regulated to prohibit the trade. In response to protests from the Saudi Arabian parties and their Government New Zealand Ministers indicated that arrangements were being worked on to allow the trade to resume and that they should maintain their investment. When the regulations were rolled over in 2010 the Saudi Arabian parties were deeply aggrieved. Fallout threatened New Zealand’s trade relationship with Saudi Arabia and the countries of the Gulf Cooperation Council group, and halted progress on the free trade agreement with the group. The Government chose to shift the business to Saudi Arabia in the form of the agribusiness service hub run by NZTE.

The Minister said that since 2008 he has met with Mr Al Khalaf on three occasions in New Zealand to discuss the live sheep transport ban. We asked what would happen to New Zealand’s investment in the farm if Mr Al Khalaf were to sell the farm, and heard that NZTE, not MFAT, has negotiated the arrangements in Saudi Arabia. There were no restrictions from the Government, that the Minister was able to advise, that would take them outside a normal commercial partnership.
We asked the Minister whether Crown Law had provided legal advice about a potential claim for compensation from the Al Khalaf group. The Chief Executive Officer of the Ministry of Foreign Affairs and Trade said that the cabinet paper on the matter had been redacted on the basis of the ministry’s claim of legal privilege under the Official Information Act 1982. Some of us are concerned about our ability to ask questions of the Minister, and do not accept the answers provided by the Minister or the ministry. Some of us believe the Al Khalaf group had no legitimate legal claim and that the payment to the group was an improper facilitation payment to remove Mr Khalaf’s blockage to the proposed Gulf Cooperation Council free trade agreement involving Saudi Arabia.

**Trans-Pacific Partnership Agreement**

We asked for an update on the Trans-Pacific Partnership Agreement, including its benefits to New Zealand and the scrutiny process it will go through. A recent vote by the United States Senate gave the President authority to negotiate the agreement. The agreement is an important one for New Zealand, involving over 40 percent of New Zealand’s trade in goods and services, and five of New Zealand’s top ten trading partners. The parties to the agreement are expected to seek to conclude the negotiations within the next couple of months.

Once the agreement is signed by all parties, it will go through New Zealand’s domestic approval processes, in the course of which the agreement and its associated National Interest Analysis come before this committee for consideration. If changes are required to New Zealand’s domestic legislation, Parliament will need to pass them before ratification of the treaty can take place.

We asked about New Zealand’s position regarding Pharmac and the agreement. The Government has made it clear that New Zealand will not negotiate away the fundamentals of the New Zealand public health system, including the fundamentals of the way Pharmac operates, in the agreement.

**ASEAN relationship**

2015 is the 40th anniversary of New Zealand’s diplomatic relations with the ASEAN (Association of Southeast Asian Nations) countries. New Zealand will host 31 celebratory events, across ten ASEAN capitals. Senior representatives of the countries will be involved, to raise the profile of the relationship.

Current exports to the ASEAN countries in one week are higher than New Zealand’s exports to the region for the whole of 1975, and our goods trade with the ASEAN countries grew by 5.5 percent last year. We heard that there is potential to develop trade in services, investment, and education with Southeast Asia.

**Niue**

We asked about a 2010 report by a chartered accountant on the effectiveness of New Zealand’s aid contributions to Niue. The Minister said he was not aware of the specific report, but said he would like to speak more generally about Niue.

Since 2010 New Zealand has focussed its support to Niue on the development of its tourism industry, at the request of the country’s Premier and Government. Niue’s visitor numbers have increased considerably, and to accommodate this Air New Zealand flights have increased to twice weekly services using bigger aircraft. Tourism has been a great success for Niue, and New Zealand supports its ambitious growth targets. Tax revenue
from tourism has helped improve Niue’s government accounts, and Niue has been receiving clean audits in recent years. The Minister said the New Zealand Government has no concerns about Niue’s financial management.

**Presidency of the United Nations Security Council**

In July New Zealand will begin a month-long presidency of the United Nations Security Council, and we discussed what is planned for that period. The fixed items on the agenda include 20th anniversary commemorations of the massacre in Srebrenica, and an event to mark the downing of Malaysian Airlines flight MH17 over Ukraine. New Zealand will host an open debate in the Council on 30 July, in which countries from outside the Council can participate, on security challenges facing small island developing States. Although such States make up about one quarter of the membership of the United Nations, only three of them have ever served on the Security Council. New Zealand wants to provide an opportunity for the wider group to be heard in the council.

New Zealand also plans an informal, closed dialogue on reform of the Security Council to make it more accountable and transparent. New Zealand is seeking to persuade the Permanent Five members of the council to voluntarily agree to surrender their right to use the veto in cases of mass atrocities where their national interests are not affected. The veto has diminished the capacity of the Council to deal with many of the big conflicts around the world.

**Middle East peace process**

We asked how New Zealand having a seat on the United Nations Security Council will affect its involvement in the Middle East peace process. There is a general consensus that after the Israeli elections and the formation of its government, Security Council talks on Iran also need to be concluded before the Middle East peace process can be addressed. There may be an opportunity in August or September to consider the peace process, and New Zealand will be alert to playing an active role in the process on which the international community agrees urgent action is needed.
Appendix

Committee procedure
We met on 25 June and 2 July 2015 to consider Vote Foreign Affairs and Trade, and Vote Official Development Assistance. We heard evidence from the Minister of Foreign Affairs, Hon Murray McCully, and the Ministry of Foreign Affairs and Trade, and received advice from the Office of the Auditor-General.

Committee members
Mark Mitchell (Chairperson)
David Bennett
Hon Phil Goff
Dr Kennedy Graham
Dr Shane Reti
Jami-Lee Ross
David Shearer
Fletcher Tabuteau
Lindsay Tisch
Dr Jian Yang

Hon David Parker replaced Hon Phil Goff for this item of business.
James Shaw replaced Dr Kennedy Graham for this item of business.
Tracey Martin replaced Fletcher Tabuteau for this item of business.

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Foreign Affairs and Trade, and Vote Official Development Assistance prepared by committee staff, dated 22 June 2015.

Office of the Auditor-General, Briefing on Vote Foreign Affairs and Trade, and Vote Official Development Assistance, received 23 June 2015.

Minister of Foreign Affairs, Response to standard Estimates questionnaire.

Minister of Foreign Affairs, Response to additional questions, received 23 June and 1 July 2015.
2015/16 Estimates for Vote Defence and Vote Defence Force

Report of the Foreign Affairs, Defence and Trade Committee

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Recommendation

The Foreign Affairs, Defence and Trade Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Defence and Vote Defence Force as set out in Parliamentary Paper B.5 Vol. 4, administered by the Ministry of Defence and the New Zealand Defence Force, be accepted.

Introduction

The Minister of Defence is responsible for the appropriations in Vote Defence and Vote Defence Force. The appropriations sought for Vote Defence decrease by 42.1 percent to $239.5 million in 2015/16, from estimated actual expenditure of $413.6 million in 2014/15. The largest decrease is in non-departmental expenditure on capital equipment, which the ministry purchases for and on behalf of the New Zealand Defence Force. The appropriations sought for Vote Defence Force increase by 7.6 percent to $3.214 billion in 2015/16, from estimated actual expenditure of $2.987 billion in 2014/15. The Minister of Veterans Affairs is responsible for $144.5 million of this total.

Fitness

We asked about the fitness of New Zealand Defence Force personnel, in the light of a recent media report that nearly one in five soldiers and more than a quarter of the navy are considered obese in terms of the Body Mass Index (BMI). We heard that the BMI, which measures a person’s height-to-weight ratio, can be misleading as to physical fitness; for instance according to the index many of the All Blacks would be considered overweight. The defence force has its own internal measures of fitness which it tests frequently. The defence force has decided to restrict the consumption of sweet drinks and deep-fried food, and overall its personnel are fit and healthy.

Weight of trucks

We asked how the defence force’s heavy trucks, which are overweight by New Zealand’s regulatory standards, are allowed to travel on New Zealand’s roads. The Minister’s understanding was that the vehicles, which are designed and built for military purposes, have a special permanent dispensation allowing them to be used on our roads.

Defence White Paper 2015

A new Defence White Paper is being planned for publication by the end of 2015. Public consultation, which included public meetings, has recently closed, and we heard that over 300 written submissions were received.

Deployment to Iraq

We heard that the Minister expects to stay within the budgeted $65 million for the defence force deployment to Iraq, depending on the precise circumstances and requirements. We heard that the deployment is to a high-risk, challenging environment with the potential for attacks from inside and outside Taji camp. Taji offers the protection of a secure compound with four-metre high walls and mortar-proof accommodation. New Zealand soldiers on
this deployment are being paid around $149.50 per day plus their normal pay and leave provisions. There is no intention of providing tax-free wages such as Australian personnel in the area receive.

Some of us questioned the decision to send New Zealand troops to Iraq. Some of us believe that the billions of dollars spent by the US and other countries have not shown positive results. New Zealand, as part of the coalition, is responding to a request for assistance from the Iraqi Government.

We heard that the New Zealand personnel are doing well in Iraq, building empathy with the Iraqi recruits by using the local language, and working to the environmental conditions. Attendance at the training sessions is high and the Iraqi troops are responding well to the discipline and structure.

Measuring success

We asked how the New Zealand Government will measure the success of the deployment. A policy measure would be completion of the mission and positive feedback from the Iraqi Government. The mission is to train Iraqi troops to build up the capability of the Iraqi security forces, and New Zealand is one of a number of countries working to this end. A specific measure is the number of personnel being trained by the coalition countries: approximately 1,800 recruits are to be trained by Australia and New Zealand trainers over the two-year deployment period. The effectiveness of the personnel after their training is also an important measure.

Training

We asked what military ranks the New Zealand personnel are training and heard that enlisted personnel are being trained, as well as personnel with some experience. Officers are also present during the training sessions, and sometimes Iraqi personnel are pulled away to meet security needs elsewhere.

Assistance to Vanuatu following Cyclone Pam

The New Zealand Defence Force provided assistance to Vanuatu following Cyclone Pam in March 2015. New Zealand was part of a humanitarian effort in which engineers, medics and troops supported the Vanuatu Government. We asked why it took more than two weeks to get the HMNZS Canterbury to Vanuatu, and we were told that a thorough assessment of the situation in Vanuatu was necessary so that the Defence Force could provide what was really needed.

The NH90 helicopters were not used from the Canterbury and we heard that this was a matter of timing: these helicopters, which were purchased in November 2011, are now operating off the Canterbury. They are expected to be fully integrated to work from defence force ships by the end of the year. Some of us were surprised that it has taken so long to rate these helicopters for these sorts of missions. Other aircraft were used in Vanuatu.
Appendix

Committee procedure
We met on 24 June and 2 July 2015 to consider Vote Defence and Vote Defence Force. We heard evidence from the Minister of Defence, Hon Gerry Brownlee, the Ministry of Defence, and the New Zealand Defence Force. We received advice from the Office of the Auditor-General.

Committee members
Mark Mitchell (Chairperson)
David Bennett
Hon Phil Goff
Dr Kennedy Graham
Dr Shane Reti
Jami-Lee Ross
David Shearer
Fletcher Tabuteau
Lindsay Tisch
Dr Jian Yang

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Defence and Vote Defence Force, prepared by committee staff, dated 22 June 2015.

Office of the Auditor-General, Briefing on Vote Defence and Vote Defence Force, received 22 June 2015.

Minister of Defence, Response to standard Estimates questionnaire.

Minister of Defence, Responses to additional questions, received 22, 23 and 30 June 2015.
2015/16 Estimates for Vote Customs

Report of the Foreign Affairs, Defence and Trade Committee

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Vote Customs

Recommendation
The Foreign Affairs, Defence and Trade Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Customs, as set out in Parliamentary Paper B.5 Vol. 4, be accepted.

Introduction
The total appropriations sought for Vote Customs for 2015/16 are $189.562 million, a decrease of 8.4 percent from the estimated actual expenditure in 2014/15 of $207.001 million. This reflects a smaller appropriation for departmental capital expenditure.

Large allocations are sought for clearance and enforcement services related to goods ($69.480 million) and to passengers and crew ($57.545 million), and for information and intelligence services ($15.629 million).

International standing
The Minister of Customs told us that the key trends in the New Zealand Customs Service are very positive and that New Zealand ranks highly on international measures of customs services. New Zealand is now ranked fourth in the world for enabling trade and sixth for the efficiency of its customs border clearance processes. We heard that international flows of travellers and goods into and out of New Zealand have been increasing, including a surge in low-value goods from internet shopping. The collection of tax revenue on goods has been increasing as trade has increased.

We also heard that New Zealand’s risk and intelligence systems have been enhanced, with more information collection, analysis, and sharing, and expanded clearance and screening processes for departing passengers.

Joint Border Management System
The Joint Border Management System (JBMS) is providing Customs and the Ministry for Primary Industries with a single customs and biosecurity system. The system is bringing numerous benefits to businesses and improvements to border security. The system was originally intended to be implemented in two tranches. Progress on the first has been complicated by delays and modifications, but much of the intended functionality has now been implemented. In the meantime, Customs has continued to run the older border management system, CusMod, in parallel with the JBMS.

We asked the Minister to comment on the reported failings of the JBMS, including its implementation now running three years late, its being used in parallel with a 20-year-old outdated system, and its running $30 million dollars over budget. We heard that the JBMS is costing more and taking longer to implement than was planned. However, Customs rejected the notion that the project was a failure, arguing that the implementation of the product has been very thorough and successful so far. We heard that there have been two million transactions through the Trade Single Window, and that the New Zealand Customs Service has been successful in its efforts to maintain the integrity of the border system for traders. We asked the Minister to clarify whether the JBMS was likely to fall short of the
promised functionality when completed. Customs assured us that the completed product will meet the aspirations of full functionality set out in 2011, and is expected to be completed by 2015/16.

The Minister commented that the combined cost for tranche one and two was originally planned to total $140 million, and $104 million has been expended so far. The Minister said that the project was within budget, and additional funding was not expected to be sought. We note that tranche two is unlikely to proceed and that the delivery mode of the changes had been revised from a single date to a modular approach.

We asked the Minister when CusMod was going to be retired. Customs was unable to specify a date and said that due to the very large amounts of information stored in CusMod, it is still an important tool and will be retained for the time being. Customs said that server and software upgrades to protect CusMod had been put in place making it suitable for continued use.

**Legal negotiations with IBM**

We are aware of recent high-level legal discussions between the New Zealand Customs Service and IBM, and asked the Minister whether Customs has needed to resort to the threat of legal action against IBM. Customs explained that the legal discussions were necessary to manage its relationship with IBM, which involved recasting its original contract.

**SmartGate**

We heard from the Minister that the new SmartGate system has been a great success and is now integral to Customs’ service. The 10-millionth passenger was processed through SmartGate in September 2014 and the 13-millionth in 2015. The Minister said that SmartGate is very effective and efficient, and that its photographic analysis of passengers’ faces can be more accurate than the human eye in some cases. Customers have reported very high satisfaction with the system.

The SmartGate system is currently available for use by passengers of five different nationalities (including New Zealanders) who are 12 years of age and above. Customs reported that it hopes to extend the use of SmartGate to other nationalities and to lower the age of eligibility by two years. Today 32 percent of all travellers use SmartGate. Customs said that it would like to achieve 55 percent.

**Drug trade**

The New Zealand Customs Service continues to prioritise protecting New Zealand from the illicit drug trade. Customs has noted increasing volumes ofamphetamine, particularly from East Asia, and said that the drugs have mostly been found concealed by individuals in legitimate travel groups. We asked how Customs plans to improve its drug detection capabilities. Customs said that it is continually refining its approach, and recently purchased new technology which can detect drugs in liquids. Customs also recently purchased First Defender units, which can detect illicit materials inside complex manufactured items such as lightbulbs. Customs said that it is also working with Chinese and Hong Kong authorities to disrupt the drug trade at its source.

Customs noted that it is difficult to estimate the percentage of the drug trade it has been able to prevent, since it is not possible to know exactly how much arrives in the country.
Nonetheless, we heard that the selling price of illicit drugs has stabilised and may even be rising, which suggests a decrease in supply.

**Staff morale**

We noted that there have been recent reports of low morale among Customs staff and a much higher turnover than in other government departments. Customs confirmed that staff turnover has been high, but it noted that it is higher among support staff than frontline staff. The three principal reasons staff gave for leaving their positions were limited career advancement opportunities, low remuneration, and needing a change. Customs also commented that some people do not like the shift work at the terminal. Customs has changed its recruitment processes in recent years to create more realistic expectations of what its work entails and television programmes on border control have profiled Customs positively.
Appendix

Committee procedure
We met between 28 May and 2 July 2015 to consider Vote Customs. We heard evidence from the Minister of Customs, Hon Nicky Wagner, and the New Zealand Customs Service, and received advice from the Office of the Auditor-General.

Committee members
Mark Mitchell (Chairperson)
David Bennett
Hon Phil Goff
Dr Kennedy Graham
Dr Shane Reti
Jami-Lee Ross
David Shearer
Fletcher Tabuteau
Lindsay Tisch
Dr Jian Yang

Rino Tirikatene replaced Hon Phil Goff for this item of business.

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Customs, prepared by committee staff, dated 22 June 2015.

Office of the Auditor-General, Briefing on Vote Customs, received 23 June 2015.

Minister of Customs, Response to standard Estimates questionnaire.
Minister of Customs, Responses to additional questions, received 22 June and 1 July 2015.
The Government Administration Committee has examined the 2015/16 Estimates for Vote Parliamentary Service, and Vote Prime Minister and Cabinet, and recommends that the appropriations in respect of these votes for the year ending 30 June 2016, as set out in Parliamentary Paper B.5, Vol. 5, be accepted.

Hon Ruth Dyson
Chairperson
2015/16 Estimates for Vote Communications Security and Intelligence, and for Vote Security Intelligence

Report of the Intelligence and Security Committee

The Intelligence and Security Committee has examined the 2015/16 Estimates for Vote Communications Security and Intelligence, and for Vote Security Intelligence. We heard from the Government Communications Security Bureau and the New Zealand Security Intelligence Service and received advice from the Office of the Auditor-General.

We recommend that the appropriations in respect of these Votes for the year ended 30 June 2016, as set out in Parliamentary Paper B.5 Vol 5, be accepted.

Rt Hon John Key
Chairperson
2015/16 Estimates for Vote State Services

Report of the Government Administration Committee

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Recommendation

The Government Administration Committee recommends that the appropriations for the year ending 30 June 2016 for Vote State Services, as set out in Parliamentary Paper B.5, vol. 5, be accepted.

Introduction

The appropriations sought for Vote State Services decrease to $41.367 million in 2015/16 from an estimated actual expenditure of $43.302 million for 2014/15. The State Services Commission administers Vote State Services, and is the Government’s lead adviser on New Zealand’s public management system.

Sector leadership

The departmental output expense Management of the Public Management System is for ensuring the Public Management System is equipped to deliver public services. It decreases to $19.473 million from estimated actual $20.983 million in 2014/15. The decrease reflects the cessation of expense transfers primarily for the Leadership Capability Deployment and Development Programme and the Establishment of a Centre of Excellence in Continuous Improvement.

Developing leaders for the State sector is a major focus for the commission, and a priority for the Minister. We were told that careers in the sector are now viewed differently, with more movement between organisations, and that retention was better because of it. Career boards and the practice of moving managers around the sector through acting positions were proving beneficial in this respect. We commend the commission for this work.

During our consideration of the 2013/14 annual review of the State Services Commission, we discussed the issue of sector leadership, which is central to the commission’s role and the commissioner’s. We returned to this discussion, seeking the Minister’s view. The Minister said that the commissioner has her confidence, and argued that a willingness to acknowledge mistakes is a mark of a good leader. She said public service chief executives have not communicated any lack of confidence in the commissioner to her, and while she had not formally asked them for feedback from their agencies she said that opportunities exist to provide that feedback.

Performance improvement

The commission’s Performance Improvement Framework report was published in 2012/13. The commission acknowledged that it needed considerable work. A follow-up review report is due this year (2015). We were assured that, like all Performance Improvement Framework reports, it will be publicly available. The commissioner said that since the original report was released real progress has been made, but that there remained scope for improvement as regards strengthening leadership.
Diverse and inclusive workforces

In 2008 the Mainstream Employment Programme, which facilitates employment opportunities in the State sector for disabled people, was transferred from the State Services Commission to the Ministry for Social Development. In 2011 the programme was extended to the private sector. The commission retains a role in enabling inclusive workplaces. We were pleased to hear that the commission intends to resume collecting information on disabled workers in its annual survey of the state sector workforce. Such information was previously self-reported and therefore inconsistent.
Committee procedure
We met on 17 June and 1 July 2015 to consider Vote State Services. We heard evidence from the Minister of State Services, Hon Paula Bennett, and the State Services Commission, and received advice from the Office of the Auditor-General.

Committee members
Hon Ruth Dyson (Chairperson)
Sarah Dowie
Brett Hudson
Mojo Mathers
Mark Mitchell
Adrian Rurawhe

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote State Services, prepared by committee staff, dated 9 June 2015.
Office of the Auditor-General, Briefing on Vote State Services, dated 17 June 2015.
Minister of State Services, Response to standard Estimates questionnaire.
Minister of State Services, Response to additional questions, received 16 and 30 June 2015.

Report of the Finance and Expenditure Committee

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Recommendation

The Finance and Expenditure Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Finance, as set out in Parliamentary Paper B.5 Vol.5, be accepted.

We also recommend that the House take note of the matters we considered in our examination of the Fiscal Strategy Report 2015 and the Budget Economic and Fiscal Update 2015.

Introduction

As well as examining the appropriations sought for Vote Finance in 2015/16, we considered the Minister of Finance’s strategy behind the Budget, as outlined in his fiscal strategy report, and the Treasury’s economic and fiscal update on which the Budget forecasts are based. We met separately with the Minister of Finance and the Treasury to discuss these matters.

Overview of Vote Finance

The annual, permanent, and multi-year appropriations for Vote Finance in 2015/16 would total $5,871 million, an increase of 6.7 percent over estimated actual spending the previous year. Nearly 60 percent of the vote, $3,392 million, would fund the costs of servicing Crown debt; these expected costs are about 6 percent less than in 2014/15. About 1.5 percent of the annual and permanent appropriations ($87.2 million) would fund the services delivered by the Treasury, about 4 percent less than estimated actual spending the previous year.

The main areas of new funding under the vote relate to the Government’s housing policy initiatives. They include $1,300 million for the transfer of housing stock to the Tamaki Redevelopment Company, and a $100-million increase in its loan facility under a multi-year appropriation.

Economic and fiscal outlook

The Treasury’s Budget Economic and Fiscal Update (BEFU) provides forecasts for the economy and the Government’s finances for the period to March 2019. It sees economic growth averaging 2.8 percent over the next four years, mainly driven by low interest rates, robust investment activity, strong population growth, and historically high terms of trade. Unemployment is expected to drop below 5 percent in the next two years. It notes that the high New Zealand dollar is constraining export growth, but benefitting households and businesses through increased purchasing power.

Developments since the BEFU

The Secretary to the Treasury said the overall picture is one of solid growth in economic activity, with the Government’s finances improving and core Crown debt expected to peak as a percentage of GDP in 2015/16. He pointed out that the forecasts had been finalised in
mid-April, so he updated us on the main economic developments in the two months since then, particularly regarding dairy prices, the exchange rate, inflation, and the global economy.

Dairy prices have fallen repeatedly at recent global auctions, and Fonterra has twice reduced its farm-gate milk price. While the Treasury’s forecasts took into account some weakness in dairy prices, it now seems that prices may be slower to improve, with their recovery delayed to early 2016, rather than the second half of 2015. This would lower the terms of trade and slow growth in nominal GDP, although it might not affect production levels and economic activity.

Despite this fall, the Treasury said the overall GDP growth picture is similar to what the Reserve Bank projected in its recent monetary policy statement, released on 11 June, which factored in the impact of lower interest and exchange rates. Those projections are for GDP to grow by slightly over 3 percent in each of the next three years. The Treasury also noted that the recent weakening of the exchange rate has offset the fall in dairy prices to some extent.

Inflation was slightly lower in the March quarter than the Treasury forecast, and generally lower than one would expect for an economy growing so strongly. It says this is partly because the economy’s productive capacity has increased as a result of high migration and record-high levels of workforce participation. Also, inflationary pressures outside the labour market are low, with businesses not planning major price increases. Another reason is the state of the global economy, with demand still weak, inflation low, and growth subdued among New Zealand’s main trading partners.

Inflationary pressure has increased recently with the 5 percent rise in petrol prices and depreciation of the New Zealand dollar, but the Treasury notes that the Reserve Bank’s official cash rate reduction on 11 June reflects an expectation that inflation may stay low for some time. The Treasury is expecting an increase in inflation, from 0.2 to 0.4 percent, but notes this is still very low.

The international situation

Developments internationally have varied slightly from the Treasury’s forecasts, but overall are consistent with the assumptions underlying the BEFU. Europe’s economic outlook has improved other than in Greece, where the risk remains that it might default on debt repayments, leading into “uncharted waters”. The US economy is showing increasing signs of growth, while Australia’s recent Budget included lower growth forecasts. China’s growth has slowed a little but its focus on consumption-led growth is positive for New Zealand’s export outlook.

Fiscal strategy

The Minister of Finance’s fiscal strategy report states that the Government’s fiscal priorities remain unchanged, and that it is making good progress on all of them. It notes that the Budget forecasts are for a deficit in the Government’s operating balance before gains and losses (OBEGAL) of $684 million in 2014/15 ($2.2 billion less than the previous year), followed by a surplus of $176 million in 2015/16 and increasing surpluses thereafter.

The deficit is larger than forecast at the half-year update in December 2014, mainly because inflation and interest rates are lower than expected, resulting in lower tax revenue. The Minister said that what matters is the overall trajectory of improvement. The Government
had sufficient confidence in that trajectory to include several social policy initiatives in the Budget such as more childcare support and increased benefits for low-income families.

He said the Government continues to focus on the long-term drivers of deprivation and welfare dependency, as well as increasing spending on health (to $15.9 billion) and education (to $10.8 billion). Overall, he believes, the economy is in reasonable shape and should see the benefits over the next 5 years of sustained moderate growth of around 2.5 to 3 percent a year.

**Better public services**

The Minister noted that one important aspect of the fiscal strategy, which does not feature in the Budget, is the continuing work on better public services: focusing on the underlying drivers of expenditure and looking for ways to ensure that every dollar spent on government interventions has the best possible impact in providing services and solving social problems. He cited the example of work over the past three years to reduce the incidence of rheumatic fever. He sees this focus on making spending more effective as preferable to cutting spending, but notes that over time it also means spending is reduced: “if you do your job properly, your expenditure shrinks”.

**Achieving a Budget surplus**

Some of us commented that the Minister must be disappointed about failing to deliver a budget surplus, despite strong economic growth, when achieving a surplus in 2014/15 had been top of the Government’s list of economic priorities. The Minister noted that the result for 2014/15 is still uncertain, and the Government’s accounts for the 10 months to 30 April 2015 were about $1 billion better than forecast. The Minister was not concerned, as the key issue is that there are sufficient indicators of sustained economic growth to provide confidence that incomes will improve and imbalances will be avoided. He conceded that there are risks at any given time, such as the weaker dairy prices at present, but said the Government’s policy settings aim to provide resilience against those risks so that people and businesses can adapt to them, as he believes the dairy industry is doing. He reiterated that what is important is the trajectory, which is positive.

The Secretary to the Treasury also said that the important thing is the track that we are on, noting that this is for a small surplus in 2015/16. We recalled that the Treasury had advised the Minister of Finance last November that the surplus forecast for 2015/16 was likely only if dairy prices recovered, and asked if it stood by that advice. The Treasury said it stands by its forecast, but pointed out that the difference between surplus and deficit entails a very small difference between two very large numbers. It noted that for the past 8 years it had been forecasting an OBEGAL balance of between 1 percent and -0.3 percent of GDP.

The Treasury added that other economic factors besides dairy prices play a role in the overall picture for growth and the Government’s operating balance. Petrol prices have risen from their previous low; like dairy price movements, this is a headwind. On the other hand, the recent reduction in the official cash rate (which the BEFU had assumed would be held until the end of 2016) and weakening of the exchange rate are positive factors. When the whole picture is taken into account, the Treasury said, a surplus could be achieved in 2015/16.

As for differences between its forecasts and the Reserve Bank’s, the Treasury said the two used different assumptions about the terms of trade and the exchange rate, but were
actually closer than they might have seemed. The difference for nominal GDP, which determines Government tax revenues, is only about 0.3 percent—$0.6 billion—for 2015/16.

**Economic growth**

The Treasury is forecasting that economic growth will average 2.8 percent over the next four years. It notes that in the year to December 2014 New Zealand recorded its fastest economic growth since 2007, with real GDP growing by 3.3 percent.

We asked both the Minister and the Treasury what proportion of the growth rate could be attributed to Canterbury’s reconstruction activity. The Minister said he did not have specific forecasts, but noted that at times the rebuild has contributed as much as 1 percent to GDP. Some of us noted that economists have estimated the contribution to growth from recent record-high immigration levels and from Christchurch’s reconstruction; when both are factored in, real growth per capita could be as low as 1 percent. The Minister dismissed this line of reasoning, commenting that growth could be calculated as zero if all contributing factors were excluded.

**Migration’s influence on growth**

The Treasury acknowledged that both Christchurch and immigration had been influences in the current recovery, and how they play out will have an impact on how growth slows. Its central forecast is based on net immigration easing back to normal levels by 2017. This assumes that the fundamental driver of net migration—our relative growth rate compared with that of Australia and other countries—will return to normal over time. It acknowledged that New Zealand’s recent net inflow from immigration has been strong compared with historic levels.

**Variability in the forecasts**

We note that as well as the central forecast in the BEFU, the Treasury also offers positive and negative scenarios; for the former, it modelled the effect of strong immigration being sustained for longer, while the downside assumed weaker terms of trade persisting.

Some of us noted that the downside scenario in the forecasts appears the most likely, as commodity prices are now well below forecasts. The Minister said he does not believe the downside scenario applies, as it was based on assumed levels for interest rates and the exchange rate, which have already changed.

As asked about the likely variability from its forecasts, the Secretary to the Treasury said they could be very wrong, but the Treasury is one of New Zealand’s best economic forecasters, and generally comes pretty close.

**The outlook for exports**

The Minister accepted the view expressed by the Reserve Bank in its recent monetary policy statement, that “there is little evidence that export prices are about to recover” insofar as it related to dairy prices; but he pointed out that dairy exports make up only about 20 percent of New Zealand’s total exports. He noted that other sectors such as tourism and international education, and exports like kiwifruit, wine, and IT, have been growing strongly, and are now benefitting from the exchange rate dropping. Asked about progress toward the objective of lifting exports to 40 percent of GDP, he said that remains a long-term objective. Recent years had seen capital investment strongly focused on the
domestic economy, given the recession and earthquakes, but that phase should change, especially if the exchange rate continued to fall, so investment in exports should increase.

The Secretary to the Treasury said that its forecasts had assumed a gradual recovery in dairy prices; this would likely be delayed, but it does still see prices recovering. He did not have a view on what proportion of dairy farms are currently losing money, but believes from talking with farmers that they can see themselves working through the cycle, as they have done before, and banks appear to take a similar view, as they are extending lines of credit. The key issue, he said, is the sustainability of the debt that farmers are carrying. A small percentage of farmers, often the less experienced ones, have high debt levels and are having great difficulties, but overall he noted that a profit or loss in a given year does not define the sustainability of a business.

**Regional growth and development**

Some of us question how reflective the GDP growth figures are of the country as a whole, and consider that while they may reflect activity in Auckland and Christchurch, they bear no resemblance to activity in the provinces, which are seriously struggling. Some of us also noted that there seemed to be little in the Budget to support economic development in provincial and regional New Zealand.

The Minister said he did not share such negativity about the regions, noting that many until recently had been growing faster than Auckland, and even now some such as Southland have lower unemployment than Auckland. He also noted that many with lower growth now had had various Government programmes over the years; the lesson was that regions need to build on their strengths rather than try to bolt on ill-fitting initiatives. The Government, he said, is demonstrating a large commitment to regions by enabling infrastructure such as roads of regional significance and the rollout of ultrafast broadband. The Budget increase for families on a benefit will also inject cash into regions with a concentration of low-income families, he noted.

**Social policy**

The Budget includes a $790-million package of measures to address child hardship. The Minister said that Governments had been hesitant to raise benefits because of the desirability of maintaining a gap between welfare and work; however, it had become clear that the gap had widened and steps could be taken to alleviate hardship while still maintaining the incentive to work. The Budget measures also stemmed from considerable work over the past four or five years to gain a better understanding of the drivers of persistent deprivation and welfare dependency. This “social investment approach” is providing clearer indications of where the Government can most effectively intervene. As a result, he said, considerably more money is already being spent on some groups, like young sole parents, and the Government intends to focus in the next few years on people suffering from mental and psychological conditions that require them to be on a benefit. The Minister added that the social housing reforms are also drawing important insights from the social investment approach.

**Auckland’s housing market**

Some of us consider that the Budget should have done more to address the housing problems Auckland is facing, given that the OECD has cited them as one of New Zealand’s major economic roadblocks. The Minister said he believes the Government is doing as much as could reasonably be expected, and had introduced the “brightline” tax
measure, which he acknowledged was yet to be proven. Together, the steps it is taking with Housing New Zealand Corporation, the Ministry of Business, Innovation and Employment, and the Tamaki Redevelopment Company for use of surplus Crown land should make an impact on supply over the next two to four years. He noted that many of the next decisions are for the Auckland Council to make. He did not accept that the Government’s land use policy had been rushed.

As to the risks from a housing “bubble”, the Minister said experience elsewhere has shown that markets that grow aggressively can collapse quickly, which is why the Reserve Bank introduced financial stability measures. For its part, the Government is seeking to go through the same sort of process seen in past decades with the labour, electricity, and telecommunications markets: to move from a highly-regulated market to a more flexible one. He said the results in those earlier cases had been successful, and supported growth.

Climate change

We asked whether climate change had been factored into the Treasury’s projections, noting that a recent report which the New Zealand Superannuation Fund had helped to commission said that New Zealand is particularly at risk from climate change because of its low-lying population centres and heavy reliance on agriculture. The Treasury said it had not factored in climate change directly, mainly because of the degree of uncertainty. Its forecasts focus on the coming four years, whereas much of the data on climate change takes a very long-term perspective. However, its next long-term fiscal statement, to be published next year, would focus more deeply on environmental and climate change issues.

Some of us noted that climate change can have shorter-term fiscal implications. A Treasury paper about emissions targets for the period 2021–2030 had noted that New Zealand’s emissions in excess of a target of 5 percent below 1990 levels could equate to 350 million tonnes of CO₂. The paper said that if offsetting credits had to be purchased offshore, the cost could be up to $52 billion over that decade. Some of us believe that this potential cost should be reflected in the Budget documents as a contingent liability.

Commenting on the Government’s approach to climate change policy, the Minister said that the critical aspect was to make sure that the benefits exceed the costs. He noted that the forestry cycle and New Zealand’s unique profile of emissions makes this challenging.

In response to a suggestion that the Government should have done more to strengthen the price signals around carbon, the Minister said he views the low world price for carbon as a sign of success, not failure, as it shows that the world is reducing its emissions. Some of us believe that New Zealand’s emissions are increasing rather than diminishing.

Asian Infrastructure Investment Bank

The Minister agreed to provide us with a briefing about the Government’s investment in the newly-formed Asian Infrastructure Investment Bank. We will report to the House after the briefing.

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Committee procedure

We met on 17 June and 1 July 2015 to consider Vote Finance, the Fiscal Strategy Report 2015, and the Budget Economic and Fiscal Update 2015. We heard evidence from the Minister of Finance, Hon Bill English, and the Treasury, and received advice from the Office of the Auditor-General.

Committee members

David Bennett (Chairperson)
Andrew Bayly
Chris Bishop
Hon Clayton Cosgrove
Stuart Nash
Dr Russel Norman
Rt Hon Winston Peters
Grant Robertson
Jami-Lee Ross
Alastair Scott
David Seymour

Evidence and advice received

In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:


Office of the Auditor-General, Briefing on Vote Finance, dated 15 June 2015.

Minister of Finance, Response to standard Estimates questionnaire.

Minister of Finance, Response to additional questions, received 25 June 2015.
Good morning Secretary and your team. Welcome to the committee. So we’ve got about half an hour, so if you wish to just give us a brief introduction and then if anyone’s got any questions they can—

Sure. Thank you, Chair, good morning. If I could just introduce my colleagues—I’ve got Dr Girol Karacaoglu on my right, my chief economist, and Bill Moran on my left, my chief operating officer. It’s been a few weeks since the release of the Budget and longer since the forecasts for the Treasury’s Budget Economic and Fiscal Update were finalised in mid-April so I’d like to take a few moments to briefly update you on some of the key economic developments in that time. Overall we’re continuing to see solid growth in economic activity. At the same time the Government’s finances are improving and core Crown debt is expected to peak as a percentage of GDP in the next financial year.

So within that context I’d like to briefly touch on what’s been happening to dairy prices, the exchange rate, inflation, and the global economy. Dairy prices have fallen at each of the five global dairy trade auctions since the Treasury’s forecasts were finalised before the BEFU. Fonterra has twice revised down its farm-gate milk price for the season just finished. And, as of this morning, the whole-milk powder price was US$2,327 per metric tonne, down slightly from the last auction. And while we anticipated continuing weakness in dairy prices in our forecasts, there is now a greater risk that...
prices could take longer to pick up with the recovery starting later this year, or in early 2016, rather than in the second half of this year as anticipated. While this may not affect production levels and economic activity, it would lower the terms of trade and slow growth in the total dollar value of goods and services, i.e., nominal GDP.

Even taking account of the recent fall in dairy prices, the Treasury’s Budget forecasts are similar to the Reserve Bank’s latest GDP forecasts, which also include the impact of lower interest and exchange rates. And on exchange rates, the current low dairy prices have been offset, to some degree, by shifts in the exchange rate. The New Zealand dollar has depreciated against the US dollar, largely reflecting the improving outlook for the US economy. An expectation that interest rates will soon be rising and monetary policy easing, here.

The Reserve Bank’s OCR reduction last week reflects an expectation that inflation may stay low for some time yet. Consumer price inflation was slightly lower in the March quarter than we were expecting at 0.1 percent compared to our forecast of 0.2 percent. Petrol prices have risen 5 percent since our forecasts were finalised, which, along with the depreciation of the New Zealand dollar, is adding inflationary pressure. We’re now expecting inflation for the year to June to be slightly higher at 0.4 percent, but that’s still very low in the scheme of things.

Certainly, inflation is lower than we would normally expect at a time when the economy’s growing as strongly as it is right now. That’s partly because the engine of the economy is bigger—we’ve got more productive capacity—partly as a result of the migration boom, and record high levels of workforce participation. We’re also not seeing a lot of inflation pressure outside the labour market, even though production levels are high and capacity pressures are increasing. Businesses expect inflation to stay low and aren’t planning significant price increases.

Apart from the conditions in New Zealand, another key reason inflation is low is the state of the global economy. As I mentioned, the US economy is showing increasing signs of self-sustaining growth in spite of a weak March quarter resulting from the harsh winter. Job numbers for May, released earlier this month, exceeded expectations. But, globally, demand is still weak, inflation is low, and growth among New Zealand’s main trading partners is subdued.

The economic outlook for Europe has improved, but negotiations between Greece, the EU, and the IMF remain inconclusive and the risks of Greece defaulting on its debt repayments have increased. The implications of such a default are uncertain, and as the President of ECB, Mario Draghi, said: “These are uncharted waters.”

In Australia, the Budget released shortly before New Zealand’s included a downward revision to their growth forecasts as the move from mining to more broad-based economic activities is expected to take longer than previously thought.
China’s growth has also slowed a little although its focus on encouraging more consumption-led growth will be positive for New Zealand in the long term as a premium food producer.

So what does this mean for New Zealanders? The weak global economy is something of a double-edged sword in that it means we’re getting less for our exports as commodity prices stay low, but we’re also paying relatively less for imported goods and it’s helping to keep inflation down. This means the economy can sustain stronger growth before undesirable effects start to kick in. There has been some variation from what we anticipated but, overall, these developments are consistent with the assumptions underpinning our forecasts in the BEFU.

As always there are risks, for example, on the downside, global growth and dairy prices could stay weak for longer. On the upside, New Zealand’s strong position compared to other countries could see high levels of net migration continue, boosting demand at home. Low inflation could also provide a bigger boost to domestic consumption. What’s clear is that New Zealand is in a better position than many other countries, with high levels of employment and low increases in the cost of living. The growing economy is helping to close the gap between what the Government earns and spends. There’ve been some shifts in the accounts, but it’s important to keep them in context—they are movements at the margins of two very large numbers. What’s important is the longer-term trend and the consistent overall improvements in the Crown’s financial position.

With that in mind the Government needs to stay disciplined about where it invests on behalf of taxpayers. It will be important to keep to our fiscal strategy and ensure we have a stable macroeconomic environment, not just to further strengthen the Crown’s books, but to also give businesses the confidence to invest and underpin growth. A more productive, sustainable, inclusive society is the way to prosperity over the longer run and the Treasury will continue to focus on how we can get the best results for New Zealanders. Thank you, Mr Chair.

Robertson Thanks for that. With reference to your comments around dairy prices, in November last year you advised the Minister that the surplus for 2015-16 was only likely to if “dairy prices recover”. Do you stand by that advice?

Makhlouf I think we still stand by our forecast, but, as I said, I mean, when we’re talking about surpluses, we’re dealing with the difference between two very big numbers. I mean, over the last 8 years, we’ve been forecasting an OBEGAL of between 1 percent of GDP to -0.3 percent of GDP. So, you know, these differences are pretty small with some very big numbers.

What’s important to us is the track that we’re on, and at the moment, where we are with—you know, forecasts for 2015-16 show a very, very, small surplus.

Robertson I guess, without being rude, I guess that’s my point, is that you made a pretty clear statement that a very small surplus was only possible if dairy prices recovered. You’ve just told us that the dairy prices are, in fact,
going—if we’re talking about trends—are very much going the other way. So I would take it that you stand by your advice that a surplus is only possible if dairy prices recover relatively significantly, and you’ve just told us they’re going in the other direction.

Makhlouf No, I think there are other factors in the economy. I think Girol would like to say something. There are other factors in the economy that also play a part in here, and, of course, spending, on the part of Government, plays a part in ultimately deciding if we’ve got a surplus. So, I mean, dairy prices are an obviously important feature for the country, but other factors would come into play. Girol?

Karacaoglu Just although dairy prices are lower, petrol prices are higher. Those are head winds, as it were, relative to our forecasts on the other side. The OCR drop recently and the exchange rate drop are helping on the other side. So net-net, we might still be OK.

Robertson So you think it’s still conceivable that 2015-16 will see a surplus, even though we’ve now got, what, 50 percent decline since February last year in dairy products?

Karacaoglu That’s correct. If you take the whole picture into account, that may still be possible, yes.

Robertson There’s starting to become quite a large gap—not necessarily to carry on with you, but a large gap between the Reserve Bank think things are going and where you think things are going, because we had the Reserve Bank Governor here last week with a quite different and, I would say, more pessimistic view than you.

Makhlouf I think the whole of the Budget forecast is underpinned by economic judgments—judgments around terms of trade; judgments around—well, a number of factors. This is relevant to what we may have said last year about dairy prices. Our assumption in the BEFU in the central forecast was that the Reserve Bank would keep the OCR at its then level until the end of 2016. I mean, that’s been brought forward. They took a different view of terms of trade and the exchange rate to what we did 6 weeks-plus ago, or nearly 2 months ago, and I think their views and our views—that’s why I said in my opening statement, I think we are actually closer than we might look at first blush, because of the assumptions they’ve made about OCR and interest.

Robertson When he was here last week, the Governor said there was little evidence that export prices are about to recover. That’s what he told us. Is that the view of the Treasury then, as well?

Karacaoglu Their forecasts on terms of trade are more pessimistic than ours, but then when you take into account the other factors I referred to, net-net, we are talking only about $0.6 billion, 0.3 percent in terms of nominal GDP for 2015-16, so it’s really very small. These numbers are very, very—our forecasts, in other words, are very small, relatively speaking, in terms of the differences between our forecasts.
Robertson  Just specifically on that point, though, do you support the view of the Reserve Bank Governor that: “There is little evidence that export prices are about to recover.”?

Karacaoglu  Our fundamental assumptions underpinning our forecast was a gradual recovery in prices. That will be delayed almost certainly, and there will be a flatter period, but, again, when you take the other factors into account, net-net the impact on nominal GDP, which affects our tax forecasts, are very, very small.

Norman  So at current dairy prices, what’s your understanding? What percent of dairy operations are currently losing money?

Makhlouf  I don’t have a view of current dairy operations losing money. I mean, just to give you— I know we don’t like to focus on anecdotes, but one of the things that struck me, when I went to Fieldays last week was the extent to which many people that I spoke to could see themselves working through the cycle, you know. They realised they were under pressure in the dairy sector, but, actually, they themselves, as farmers, could see themselves working through the cycle, and the banks appear to have a similar view so were extending credit lines. So, obviously, it’s having an impact on quite a few farmers.

The key thing here is actually the sustainability of the debt they’re carrying. A third of total debt in the dairy sector is held by, I think, about—I can’t remember the number off the top of my head but a small percentage of farmers. So they’ll be the ones, the less experienced ones, as well, who will be, you know, have great difficulties. I can’t really—I don’t know the answer to your question, if you’re talking about a profit and loss perspective.

Norman  I mean, the issue is that if we say at current prices, 50 percent of dairy farmers aren’t making money, well, you haven’t given a number so that’s one number to give, right? If current prices persist over an extended period, and 50 percent of dairy operations are, sooner or later, going to go belly up—because if you don’t make money in the end, the bank’s going to foreclose on you, right? So where do you see this playing out? If this continues at the current price level, it’s a significant problem.

Makhlouf  Well, we see prices recovering. We do see prices recovering, and that’s the, you know, our forecast, basically, and I suppose what Girol just said: we’re seeing the start of a recovery; a recovery pushed back, but we do still see prices recovering. And the point I made about Fieldays just still stands, which is, you know, if you make a profit or you make a loss in a particular year, it doesn’t necessarily define the sustainability of your business.

Norman  But year on year on year, loss after loss after loss becomes a problem, right?

Makhlouf  Well, but I think you’re taking a very, very pessimistic assumption. What I’m saying is we do think prices will recover. We do see businesses, farmers actually expressing confidence that they understand the way the cycle works, and we do see the financial institutions, who have lent them money,
also seeing that and prepared to give them credit lines to sustain them through the downturn.

Chris Bishop’s got a question.

Thanks. Historically, it’s been assumed that growth rate in the New Zealand economy, clean growth’s about 2 percent. That’s the capacity of the economy. It’s about 1.9 to 2 percent. We’re now seeing growth at 3, maybe a tick over 3, percent with very long inflation. You made some comments in your introduction about a potential increase in the speed limit of the economy. What’s your view as to what, I guess, the trend growth in New Zealand could be, or what the capacity of our economy to grow is about, building up those inflationary pressures now?

Potential growth rate of the New Zealand economy’s around 2.8 percent. We are growing now around 3 to 3.3 percent, but what we are saying is over the next period of time—2 or 3 years—it is coming back down towards that. So that gap we are talking about is not going to persist for long. It is positive gap, in other words. We are growing slightly above that, but the potential growth rate, by estimates provided by both the central bank, Reserve Bank, and us are at about 2.8, 2.9 percent.

Is that larger than you previously thought?

Excuse me?

Is that growth rate larger than you previously thought, say 5 or 10 years ago?

Yeah, that growth rate, the potential growth rate, has not changed much in terms of our forecast and our estimates.

Picking up on Mr Robertson’s questions on the surplus or deficit, what I want to focus on is: can you explain the variability of that number? You’ve talked about the importance of the right direction rather than whether it’s a positive or negative surplus or deficit, and we’ve heard the Reserve Bank’s forecasts are different to your forecasts. And forecasts are always going to be wrong, in hindsight, no matter which forecast—whether they go with the RBNZ or yourselves. So can you explain some of the variability? Do you run, for example, Monte Carlo simulations around varying your inputs and giving yourself some confidence levels around that band of a surplus?

I really want to make the point that the surplus or deficit, give or take a percentage, and then I want you to try and explain the immigration factor if China blows up, Australia falls apart, if America doesn’t perform as well. What’s the variability of the out-turn with some confidence?

Girol can answer the, sort of, technical aspect of this, but let me just kick off by just an important difference between the Reserve Bank’s forecasts and our forecasts. One of our big differences is the fact that we’re focusing—when we talk about surplus, we’re looking at the Crown’s books, we’re talking about the Crown’s books, and we’re actually talking about what the operating balance before gains and losses, whereas the items you
just mentioned and the conversation we’ve been talking about is really what’s happening on the revenue side.

So, more often than not, some of the variability that we’re talking about—there certainly can be variability around, you know, what happens with global trading partners and what happens in terms of trade, but then there are issues about accounting adjustments that feature into whether we get into a surplus or not, levels of Government spending, decisions made on whether we spend in a particular year or another year. So it’s more than just looking at what’s happening in the microeconomy. What the Government actually controls plays a factor.

Karacaoglu I just want to say that whenever we do forecasts we run two scenarios. We use a set of judgments and then we say “What are the two scenarios that could go very positive or very negative?” and in that context then we say “What are the implications of those scenarios for our economic and fiscal situation?” This time around, one of the scenarios we ran on the negative side was around the terms of trade persisting weaker maybe longer, and on the positive side what would be the implications of a sustained stronger immigration story. On that basis we run our numbers. So we do that every time.

Scott So how wrong can you be? How wide is that gap? How wide is that gap between the real positive scenario and a real negative scenario?

Makhlouf We could be very wrong, but, actually, we’re generally—

Scott That’s the point I wanted to make.

Makhlouf But we’re generally pretty close, right? We’re one of the best forecasters of the New Zealand economy.

Norman This is a climate change question. Have you seen the Mercer report that the NZ Super Fund was involved in commissioning that was released in the last week or so? What it did was it said that New Zealand was particularly at risk from climate change because we had population at low-lying levels, so sea level rise would be a problem, and also the heavy reliance on the agricultural sector, so with extreme weather—droughts and floods—we were particularly susceptible. Has Treasury factored that into its, kind of, projections going forward?

Makhlouf What? Last week’s report by Mercer?

Norman The impacts of climate change on the New Zealand economy as a whole.

Makhlouf Not directly, mainly because of the degree of uncertainty. I mean, we tend to forecast over a 4-year period. Anything beyond that, we think, there is too great uncertainty to be valid. But, obviously, to the extent that there are impacts already happening, they’ll be taken into account in our forecasts for growth. You know, if there’s an impact of climate change of whatever sort on the dairy sector, that would feed into forecasts for the dairy sector. But, generally speaking, a lot of the information data on climate change takes a very long-term perspective and won’t actually feature in our forecasts,
except for when we do our long-term fiscal work. Bill, do you want to say something?

Moran Yeah. When we produced the 2013 long-term fiscal statement we foreshadowed in that document that the next statement, which is coming out next year, will actually focus more deeply on environmental/climate change type issues.

Norman What about the shorter-term fiscal impacts? So I know that you produced a paper about the 2021–2030 target and what the, kind of, fiscal implications of that target would be because you looked at the big increase in emissions coming out of New Zealand. So in that paper you said there was about a 350 million tonne of CO₂ equivalent excess above a 5 percent target. So if we had to buy all of those credits offshore, that would be a significant impost on the New Zealand Treasury. The top estimate was $52 billion over that decade, you said it would cost the Government. I mean, why was that not reflected in the Budget documents that were just released—that potentially huge fiscal cost because of our big increase in emissions?

Makhlouf The $52 billion number is certainly not our number of fiscal cost. I don’t know what Budget papers you’re talking about that we’ve just released, because we’re releasing the Budget papers in a few weeks’ time.

Norman Sorry, I mean as a, kind of, contingent liability, sorry. So it’s a contingent liability, depending on the target.

Bennett Dr Norman, I think he’s answered. Mr Peters has got a question, and we’ve only got 5 minutes to go.

Peters I didn’t have my hand up, Mr Chairman.

Bennett Don’t you want to?

Peters Apparently we’ve got new rules around here. I mean, usually you look around the room and you see who wants to ask a question. The idea of putting your hand up like some primary school child is absolutely ridiculous, and I think you should change the way of chairing this meeting.

Bennett Have you got a question or not?

Peters Yes, I have got a question. I had it some time ago.

Bennett Well, ask it.

Peters The last thing I want to happen to me is being put upon by you. If you don’t behave yourself in this committee, I’ll ensure your party understands why I’ll get rid of you.

Bennett Are you—

Peters No, no. No one’s powerless in this game. You’re not chairing this meeting properly. Now back to my point.

Unidentified Get on with it.

Peters Oh, I’ll get on with it, sunshine. You’ve said on the dairy prices “We see prices as recovering.” So what would be a recovery? 10 percent? 30 percent? What?
Makhlouf: Well, obviously—

Peters: Well, it was 50 percent higher not so long ago—18 months ago. What would be a recovery? When you say prices are recovering, at about what percentage would you see that?

Makhlouf: At the moment we use—we assume in our forecasts what the FAO are projecting by the end of 2016, that prices will get to $3,900 US dollars per metric tonne. So that is the sort of assumption. But, I mean, you could argue that a 1 percent increase would be a recovery.

Peters: That’s what I’m asking you. You said: “We see prices as recovering”—

Makhlouf: We do.

Peters: But to what extent do you see—

Makhlouf: We don’t see them returning to the spectacular levels that they were last year.

Peters: Oh, you don’t see it getting to there. So what would you think would be a recovery then?

Makhlouf: Well, we do at the moment in our forecasts assume—we use the FAO’s number—that they’ll get to 3,900 by the end of 2016.

Peters: When you talk about your growth above 3 percent—3.2, 3.3—what are you attributing that growth to with respect to, a, Christchurch and, b, record immigration?

Makhlouf: Well, they all play a factor. Girol?

Karacaoglu: Yes, the current growth rate relative to long-run potential is absolutely driven significantly by domestic factors such as the Christchurch rebuild, such as net migration data, and so on. And that’s why, as those numbers even out, certainly the migration side, then it will start going towards 2.7, 2.8 kind of level. So those domestic factors, including business investment and domestic consumer spending, are significant influences on that cyclical strength relative to long-term growth.

Peters: No, some economists have set out to try and put a percentage of that GDP growth attributed to the Christchurch earthquake and in terms of record immigration into this country. I’m not talking about getting rid of investment; I’m talking about these two factors. Some have said that that means your growth rate really is about 1 percent.

Karacaoglu: In terms of comparing our growth with the consensus forecast that just came out, it is slightly more optimistic, our growth rate in 2015-16 and 2016-17, but the margin is very small. In terms of the specific impact of net migration and Christchurch build, they are the two important factors in terms of the current recovery, but I don’t have a percent attribution to those two factors. But I can confirm you’re right that they are significant influences. And the way that Christchurch plays out and how quickly net migration numbers turn down will have an impact on the slowdown of that growth, yes.
Peters You predicated your forward growth figures on a continuation of record immigration.

Karacaoglu Record immigration—we do say there that both migration and dairy prices and petrol prices will go back to their normal levels. So we are saying a potential up-side would be for those net migration numbers to stay strong but the central forecast sees those migration numbers easing out.

Peters Why?

Karacaoglu Because the fundamental drivers of net migration to New Zealand is our relative growth rates compared to Australia and other places, and that relative margin historically was the main driver, particularly between Australia and New Zealand, remembering also that reflects how many New Zealanders are leaving or coming back. So that relative growth rate is one of the main drivers.

Peters But, look. You’re talking about massive immigration—110,000, 114,000—these are colossal figures, with 56,000 being the net gain.

Karacaoglu That’s correct.

Peters These are huge figures.

Karacaoglu They are.

Peters Do you know any other country that’s doing that?

Karacaoglu They are huge figures relative to our history, absolutely—recent history anyway, but I’m repeating; New Zealand has had a very good economic performance relative to the places with which that migration number is affected, especially Australia. And in that context it’s explainable and that’s why we expect it to start going back towards a lower figure. It is a net figure, you’re right.

Peters Yes, well—of course, if you were going to have a massive influx of people you’ll get GDP growth by way of consumption, pretty significant but it’s not going to be sustainable, and you get what you have got in Auckland where the city is choking. You’ve got Christchurch rebuild, we understand that. But all around the provinces, their communities are dying. A leading economist described Whāngarei as being “zombie town”. All over New Zealand, town after town is looking like that.

So my question is: when you talk about growth like this, do you expect the people in the provinces to actually believe this? Because it’s Christchurch, and it’s Auckland on immigration, and the rest is going to hell in a handbasket.

Makhlouf Just to make clear, we do assume that in 2017 those net migration numbers will get back to what they’d usually be.

Peters Why?

Makhlouf For the reasons that Dr Karacaoglu just told you, because the relative attractiveness of other countries will, we are assuming, just adjust because of what’s happening in their growth and in ours. So our growth numbers
over the forecast period do not assume the existing net migration number—they assume that migration will fall.

Peters: You look at your so-called surplus target and you look at your—what is alleged—ACC overcharge and the taxing of the super fund for the last 4 years, which wasn’t available to previous Governments, this surplus looks pretty flimsy doesn’t it?

Makhlouf: Well, it’s small.

Peters: Well, it’s cigarette paper - thin. Haven’t done those two things!

Bennett: OK, I think that will be great. Thank you very much.

**Conclusion of evidence**
2015/16 ESTIMATES FOR VOTE FINANCE AND RELATED ITEMS

Appendix C

Transcript of hearing of evidence 17 June 2015 (Hearing with the Minister)

Members
David Bennett (Chairperson)
Andrew Bayly
Chris Bishop
Hon Clayton Cosgrove
Stuart Nash
Dr Russel Norman
Rt Hon Winston Peters
Grant Robertson
Jami-Lee Ross
Alastair Scott

Witnesses
Hon Bill English, Minister of Finance
Gabriel Makhlouf, Secretary to the Treasury

Bennett Welcome Minister and Secretary and your team. Welcome to the committee hearing. We’ve got 45 minutes, Minister, so if you want to give us a brief introduction, then we can open for questions, OK?

English Thank you Mr Chairman. I’ll just summarise the main aspects of the Budget, delivered against the background of sustained economic growth, rising incomes, more jobs, low inflation, and low interest rates. The forecasts show annual GDP growth of around 2.8 percent on average over the next 4 years, which would—you know, these days, in a world of very low interest rates and inflation in developed economies, that’s a reasonable growth rate. Unemployment is expected to drop below 5 percent in the next 2 years. By mid-2019 it’s forecast for a further 150,000 jobs and moderate sustained increases in incomes that lift the average wage to $63,000 a year. Interest and inflation rates are expected to be significantly lower than were forecast back at the half-year update. It’s good news for consumers but, as we’ve discussed previously, it impacts on Government revenue through smaller nominal GDP and a smaller tax take. Budget forecasts deficit of $684 million in 2014/15, $2.2 billion less than the previous financial year deficit, and a surplus of $176 million is expected in 2015/16 with increasing surpluses in following years.

These forecasts, of course, are subject to normal degree of uncertainty. We can see this where having delivered the Budget the Government accounts for the surplus in the 10 months to 30 April were about $1 billion better than forecast at the Budget but we’ve yet to see how that winds through for the last couple of months and then the end of year adjustments accountants do. What really matters is the overall trajectory of improvement and we had
sufficient confidence in that trajectory to make choices like the $25 a week to benefit households with children. So we’re focused on ensuring that that trajectory continues because it gives us those kinds of choices and, actually, it underpins the sustainability of services.

We’ll continue to focus on Better Public Services, so a fair bit of what’s going on with improvement in Government’s operations and its services don’t feature in the Budget because they’re not necessarily about new spending but you’re getting results that are driven by a number of factors, some of which has been improvements in services: 38 percent reduction in youth crimes since 2011, the number of teenage solo parents on a benefit has dropped by 40 percent since 2011, and the historical gap in immunisation rates between Māori and the rest of the population has almost been closed. So the Budget builds on that with the $790 million package to reduce hardship among children in New Zealand’s poorest families. And this sits alongside our efforts to get to grips with the long-term drivers of deprivation and welfare dependency, and therefore the long-term drivers of a significant part of the Government Budget.

From the Government’s perspective the Budget included several important initiatives in this respect: increased work obligations for sole parents on a benefit, more childcare support for low-income families, and the increase in benefit rates but also the increase in Working for Families payments to low-income families not on a benefit. These measures are targeted at around 160,000 families—or 300,000 children—earning less than $36,000 a year.

I won’t go through all the initiatives today but just to remark on a few others outside the child hardship package, the Budget also provides over $100 million in further initiatives to support vulnerable children. A $1.7 billion health package, taking the total annual health spend to $15.9 billion which as a proportion of GDP is a bit bigger than the dairy industry, includes $1.3 billion for district health boards for extra services, cost pressures, and population changes. A $680 million package for compulsory education takes the annual ECE and schools budget to $10.8 billion. So in our view it puts money where it’s needed most while continuing to manage the Government’s books to surplus. A track to surplus is determined essentially by continuing restraint on spending while we improve public services on the one hand, and on the other hand the revenue that we get from a growing economy, although in a low-inflation growing economy that revenue doesn’t grow as fast as used to be the case as economies came out of recessions.

So the economy’s in reasonable shape and we think over the next 5 years we will see the benefits of what we think of as sustained moderate growth in the 2.5 to 3 percent range.

Robertson You must be disappointed that with around a 3 percent growth rate you can’t deliver a surplus. You’ve still got 40,000-odd more people unemployed than when you came into office, you’ve got a current account deficit that’s ballooning out even more if you believe the Reserve Bank rather than your
own officials, and exports that are stagnant. That’s a pretty disappointing record if you are claiming a growth rate of around 3 percent, isn’t it?

English Oh, no. No, I’m not concerned about that. I mean the key issue here is whether you have got the indicators of confidence that look like they are going to underpin sustained growth. Most people measure it by changes in their incomes and, from a macro perspective, if you can get improvements in incomes at the same time as avoiding significant imbalances, then you know that those improvements can be sustained. And the indications are that that’s the case. Of course, at any given time, there’s going to be risks, and you’ve pointed out some of those. What the policy settings are trying to achieve is resilience to those risks and ensuring your institutions and your businesses can adapt. So, for instance, at the moment there’s a softer track for dairy prices than certainly people thought months ago. So we’ll get through that—the dairy industry adapts quickly, and it looks like it’s doing that. It’s done it pretty recently so it knows how to do it. Interest rates have come down a bit and the exchange rate has dropped off, so while the price track is a bit softer, some of those other factors are going to be a bit more supportive of growth.

Robertson But you’ve got a growth—you know, you’re saying you’ve got 3 percent growth going down over these projections to around 2.7 percent. If we actually take out of that—I mean, what do you estimate the Canterbury rebuild to be in terms of the growth that you’ve got at the moment? What portion of that do you think that is?

English Well, at different times it’s been as high as 1 percent of GDP. I couldn’t tell you exactly what it is over the next while.

Robertson If you throw that and the migration in, you know, real growth per capita is actually much lower—it’s 1 or 1.5 percent or something like that.

English Well, there’s no doubt if you take the drivers of growth out of GDP growth, you’ll be left without growth.

Robertson The point is, Minister, that it’s not real growth, is it? I mean you must be disappointed that you are claiming these growth figures and in reality you haven’t met the thing that you put up as the totem pole of your economic success: making surplus. You haven’t done that. Yet in, say, 2006, when we had a similar growth rate, we were in surplus massively, unemployment was the second-lowest in the OECD. You must be disappointed in that result.

English No, no—there are other things about life I get disappointed about, but this isn’t one.

Robertson But it was your No. 1 promise to the electorate, wasn’t it? First thing in your list of economic priorities, No. 1: surplus in 2014/15.

English Yes, and we’ve, you know, yet to see how that will come out, and, as I think we’ve discussed before, there’s variation around that, around the figures and the forecast because you’re talking about $73 billion of spending and $72.9 billion of revenue. So it could be—it will be plus or minus a bit, but I think what’s important is the trajectory, and as I said we’re sufficiently confident in that—
Robertson: It’s not what you said to the electorate. You didn’t promise good trajectory; you promised a surplus in 2014/15 didn’t you?

English: Well, we said we wanted to make surplus, that’s right.

Robertson: In 2014/15, and on the Budget figures we’ve got in front of us today, you’re breaking that promise, aren’t you?

English: Well, these are forecasts. We’ll see what happens, and as I said—look, we’re quite happy to have the public discussion about trade-offs. I mean, we could have got closer in these Budget forecasts to a surplus if we didn’t do some of the stuff we’ve done, like free under-13 doctors visits, or $25 a week in benefit households. So, you know, we’re happy to explain those—the fact that we’ve got sufficient confidence in the track for surplus that we’ve been willing and able to make some of those pressing decisions.

Robertson: Do you accept that the downside scenario in the Budget is now the most likely thing, given that it’s predicated on commodity prices not rebounding? They haven’t rebounded and they’re well below the forecasts that you’ve got in your Budget. We’re now on the track to the downside scenario of the Budget.

English: No, because the downside scenario, as I understand it—and the Secretary to the Treasury can correct me if I’m wrong, which he often does—doesn’t include the lower interest and exchange rate tracks, so yes, it does have a scenario on lower commodity prices at an assumed interest and exchange rate which the track has changed already. So, it’s not so much that—of course there is uncertainty there that you pointed out, and the forecasts, I don’t think, in our view, don’t pretend to be definitive of what’s going to happen, because you can’t be definitive in what’s going to happen in the next 12 months. But the adjustments that you might expect from a lower commodity price track are actually occurring probably a bit sooner than people expected. I don’t know if we expected the exchange rate under 70 cents, even just 3 or 4 months ago.

Robertson: But, I mean, we had the Reserve Bank Governor here last week and what he told us was that there is: “little evidence that export prices are about to recover.” Will you accept that?

English: I’d accept that on dairy prices but not on others. I mean, there’s others—remember, dairy is 20 percent of exports. The other 80 percent actually looks in probably better shape than we might have expected. Tourism is back to No. 1. International education, which is a third-earner, is going pretty well. It picked up after quite a number of years of effort to try to achieve that. And then other smaller sub-groups of it are going pretty well. Kiwifruit, wine, IT—all growing pretty strongly. In fact, a number of those industries have been organised around a sort of US80c-plus exchange rate, and find themselves with a US70c exchange rate and probably dropping, so they are probably doing fairly well.

Robertson: You believe then on that track that you are going to meet your promises about lifting the percentage of exports up to the 40 percent mark that you promised?
English: Well, you know, it’s a long haul. It’s a long-term objective.

Robertson: It’s just another one of those trajectory ones, is it?

English: Well, any economy works on trajectories. I mean, if you could just change it overnight, you would. But with the export issue there’s a— you’ve got to look at how things have actually unfolded with the recession and the earthquake, it means there’s been a pretty strong domestic focus for investment and activity. The housing construction catch-up—you know, capital’s scarce. You’re going to have to get through that phase, and capital will follow profitability and exports, particularly if the exchange rate stays down.

Bishop: Thanks, Minister. Minister, one of the big talking points out of the Budget was the child hardship package. I was just wondering if you could explain—you know, it’s the first real increase in benefit levels for 40-odd years. I was just wondering if you could explain the driver and the rationale and the motivation for that package, and, in particular, how that links to the social investment approach that you’ve talked a lot about recently, and how that’s been embedded in the Budget.

English: Well, I think there’s been quite a lot of work done on MSD’s measures of hardship, which are sort of an absolute level of what households can and can’t afford. The indications from that have been that, you know, there’s been a growing level of genuine hardship. So the decision to act on that, I think, has a couple of important aspects to it. One is that Governments have been hesitant to raise benefit levels because they worry about closing the gap between welfare and work. There was a time in New Zealand 25 years ago when there was really not much gap between welfare and work; now, it’s as big as it’s ever been. So it became clear that you could do something to alleviate the hardship without significantly reducing the incentive to work, and this Government and most people who study welfare issues agree that getting into work is the best thing that can happen for family income as well as family welfare.

The other aspect of the context for the increase is that we’ve spent 4 or 5 years getting a better grip on the drivers of persistent deprivation and long-term dependency. The social investment approach has been all about getting a much more in-depth understanding of what happens to the people who are dependent on Government, particularly for a long time—so instead of taking a sort of a departmental view of these people, look at the population as a whole and work out what happens to them over 20 or 30 years. That much more in-depth understanding and the investment framework that goes with it is giving us clearer direction about where to intervene to change those pathways. And, actually, we’re spending quite a lot more money on that, particularly on some groups, like young sole parents. We would expect in the next 2 or 3 years to be spending quite a bit more money on people with the sort of mental and psychological conditions that go with being on a benefit or that put people on the modern equivalent of the sickness benefit. So given our confidence with that tool kit, again, we thought that we could do something to alleviate this hardship.
without making things worse, because we’ve got a much more nuanced understanding of what you need to do for the families who are getting more money to help them out of deprivation. The other aspect of that that’s growing in importance is around the social housing reforms as well.

Norman Yesterday I put a question to you in the House about the Mercer report on climate change, which was transferred to Groser. Mr Groser’s response—the Mercer report came to the conclusion that New Zealand is particularly vulnerable to climate change because of our low-lying populations and our agricultural-based economy, so drought and extreme weather events. Mr Groser’s response was that the Mercer conclusion was ludicrous to suggest that New Zealand is particularly vulnerable to climate change. Is that an opinion that you share?

English I think the particular—well, yes, relative to the issue that was raised. So the particular issue was whether it would affect Government bond rates, and I agree with him. I think the idea that it would affect Government bond rates is ludicrous.

Norman So are you aware that one of the sponsors of the report was the New Zealand super fund?

English No.

Norman And that the CEO of the New Zealand super fund, Adrian Orr, is on the public record making very positive comments about the Mercer climate report?

English No, I wasn’t aware of that, but I don’t think it makes any difference.

Norman So when a major financial institution produces a report sponsored by the New Zealand super fund that finds that New Zealand is particularly vulnerable to climate change, your view is that that’s just all ludicrous?

English Well, the bit that he was referring to is ludicrous. I mean, New Zealand is vulnerable to climate change like anyone is if the climate changes significantly. But the bit that he was referring to, I think, was the impact on Government bond rates.

Norman When I put a written question to you, I asked you whether you’d had any advice as to the economic impacts of climate change. You said you’d had no advice as to the economic impacts of climate change in the last 12 months. Do you think that it’s a responsible thing for a Minister of Finance to have had no advice on the economic consequences of climate change?

English Well, there isn’t any specific advice on it. There’s endless material around, which I think anyone involved in public policy these days reads and absorbs.

Norman Did you read the Treasury advice that said the cost of setting a target at 5 percent below 1990 levels for the 2021-2030 period—if we had to buy all of those carbon credits offshore, the cost could be many billions of dollars for New Zealand because our emissions have increased so dramatically and are predicted to increase very significantly in the future? Are you not concerned that a fiscal cost of many billions of dollars to New Zealand because our
emissions have increased so much is a problem for the New Zealand Government?

Well, yes, I have read the advice. In the first place, there are pretty wide ranges of uncertainty. But, secondly, of course, you’d be concerned about the fiscal cost, and I think that’s a critical aspect of considering climate change policy—to make sure that the benefits exceed the costs. Where the costs are high, you’d be looking for such as—if that turned out to be the case. You know, there is a wide range of projections. If the upper projection turned out to be the case, then we’d certainly be wanting to make sure that there are benefits from a policy that costs that much.

But the issue is that the reason why the costs are high is because our emissions are increasing. The costs aren’t high because we’re trying to cut emissions; the costs are high because our emissions have increased so dramatically above 1990 levels that if we had to buy all those carbon credits offshore, the cost to the taxpayer would be billions of dollars. Wouldn’t it be better to try to cut New Zealand’s emissions, rather than have this huge increase in emissions and try to spend billions of dollars to buy carbon credits from offshore?

Well, you’re always looking for the least-cost options, and that’s all going to happen in real time over the next 6 months or so, as there’s this ongoing negotiation about future climate change targets and so on. And you’ll know, better than most of us, the sort of unique profile of New Zealand emissions that makes this particularly challenging.

Do you now regret weakening all the price signals around carbon, which has resulted, in part, in this big increase in net emissions? Wouldn’t it have been better to have a good price signal around carbon, so that we would have had lower net emissions instead of this very high increase in emissions, so that we wouldn’t be in such a problematic situation of facing a multi-billion dollar bill to buy carbon credit?

No, I think that the low world price for carbon was a sign of success, not failure. The world price dropped because carbon emissions across the globe dropped, and it’s the global bit that matters, right? So I know some people—because all the original assumptions were, you know, the $25 to $50 price, and we ended up with $1.50, for good reasons. So I was never as concerned about that as, say, the Green Party was, because the low price told you that there was low demand for the credits, and there was low demand for the credits because there was less carbon being emitted. In that sense, recessions are, in the green world, a good thing.

And now you’ve got a big headache, because for the 2021-2030 period you’ve got a huge increase in net emissions above 1990 levels, and you don’t have any idea how to meet it except to spend many billions of dollars of taxpayers’ money to buy carbon credits offshore. And you’ve created that headache.

No, I don’t think we’ve created that headache. Some of it is a product of the forestry cycle in New Zealand, as you may be aware.
Norman: Which is because the carbon price is so low, they’re not replanting.

English: Yes, well, as I said, that’s—I mean, you can either take the view that it’s New Zealand’s job to reduce global emissions—

Norman: They’re just our emissions—just our emissions.

English: Yes, but the measure is—if you just go back a bit to the admirable system that the Greens helped put in place, the emissions-trading system, it’s as good as anywhere in the world. Good clear price, good clear thinking about getting a price signal in there. And the price dropped, so that tells you that the globe, as a whole, was doing OK. Because that’s what matters to climate change: not our emissions; it’s everyone’s emissions.

Norman: Don’t you think that New Zealand has a responsibility to actually cut its net emissions, instead of dramatically increasing them as we are currently doing and are predicted to do?

English: Certainly we should—New Zealanders feel not just that they have a responsibility; they feel, I think, a degree of moral compulsion to be better than everyone else at this stuff.

Scott: Minister, coming back to—could you describe the changes to our balance sheet or our commitments going forward vis-à-vis the spending we’re doing today on the immunisation rates, warmer houses. You talked about targeting sole parents, but what does that do to our future commitments and our balance sheet?

English: Well, that’s a very good question. We’re trying to develop a framework—well, we are developing a framework—where you can get a measure on that, and we’ve got some parts of our expenditure where we understand it. And that’s a big chunk, the bigger single bit being the welfare liability. So you can look at the fiscal spend this year, and that’s traditionally what we looked at, but now you can look at it in two dimensions and at over 30 years. And that’s guided us to make some interventions now that will have an effect later. That tool kit is turning out to be quite a powerful motivator for policy and for public servants, and that’s probably its real impact. And it’s more precise than generalised policy, so we’re trying to add to that.

We’ve got a pretty good idea in education now about the costs of failure or lost opportunity, or unmet potential, if you want to tip it around positively. In health it’s a bit less developed, so while they have quite good ways of talking about reducing the incidence of things in a population—say you immunise against measles to reduce the incidence of measles—they don’t have a strong fiscal or economic dimension to it, so you’ve got to add that in. There’s almost certainly an economic case for immunisation, but it would be quite good to know where it really matters. With some parts of the population it will really matter that they get immunised, and with others it won’t—just like with some of them it really matters that they get access to reasonable quality, low-cost housing, because if they don’t, it creates a cascade of further problems, which turn out to be very expensive.
Robertson: Apologies in advance, Minister—I’ve got to go to a funeral, which I’m sure you’re aware of. I want to just talk about housing issues, briefly. Do you think you’ve got the Auckland housing issue under control?

English: I think we’re making pretty good progress, yes.

Robertson: You do.

English: Yes.

Robertson: So you’ve put in place, in the Budget, the brightline test, which, you acknowledged yourself, you don’t have a clue whether it’s going to work or not—you’ve said you don’t know whether it’s going to work or not. You’ve got an Auckland housing land use proposal that’s falling apart around you at the moment. We’ve got the OECD saying that housing is acting as one of the major roadblocks at the moment in terms of the economy. With all of that in place, the Budget should have done a lot more on housing, shouldn’t it?

English: Oh, look, we’re doing about as much or a bit more than can be reasonably expected, given the way the housing decisions get made. So the biggest decisions ahead are actually those that the council will make around the Auckland Unitary Plan, where they’ve projected growth and demand. Over the next few months there’ll be decisions made about what proportion of that growth and demand the Auckland Unitary Plan allows to be met. It could be a lot less than 100 percent. So if they say, well, you had x demand and our plan’s only going to deliver 60 or 70 percent of it, then that would be the most significant issue that we have to deal with. That is the Auckland Council’s decision.

With respect to the other issues you raised, there’s always going to be—you know, when you’re trying to push housing development through our planning system and Government assets systems and land management and RFRs and all that, you’ve got to push pretty hard to get it through, and we’ve got quite a lot going on. So Housing New Zealand, Tāmaki Redevelopment, MBIE are setting out to use surplus Crown land, as you’ve indicated. You know, each one on its own is significant; added together they should make an impact on supply over the next 2 to 4 years.

Robertson: The Auckland land use policy was rushed out, wasn’t it? It wasn’t ready.

English: Well, it’s just deploying to Auckland a model that worked pretty well in Christchurch and so—

Robertson: But you must admit everything that’s happened since that announcement was rushed out just before the Budget shows that that policy simply wasn’t ready to go, and it’s now kind of unravelling around you.

English: No, I don’t agree with that. The idea is to get some transactions up and going by the 1st October. There’s no reason to believe that that won’t happen. The discussion about rights of first refusal—there’s a few ironies there. I mean, a number of months back there was media coverage about the Salvation Army not wanting to deal with the Government. The RFRs...
are about Ngāti Whātua, who are so keen to deal with the Government they’re—

Robertson Well, no—they’re so keen that you act in good faith towards them. That’s what they’re keen on.

English They’re willing to take us to court to make us do a deal with them. That’s how keen they are to participate in our housing programme. So we’ve got not only a queue, but people trying to jump the queue.

Ross Minister, 4 years ago the Government posted an $18 billion deficit. We’re now close to surplus 4 years later. That’s quite a big turn-round. Can you talk to us about the factors that you figure have led to that trajectory that we’re on now, and do you see that continuing into the future?

Cosgrove That was subtle.

English That deficit was—that man’s got a great future. [Interruption] I was just thinking what year he would be in politics if he was here as long as you, Mr Peters.

Ross He was elected before I was born.

Peters It ain’t going to happen, mate. It ain’t going to happen.

English I think he’d be still here in 2060. So to get back to the topic—

Nash Some very good MPs were around for a long time.

English Yes, that’s right—nothing wrong with it.

Peters It’s like the Mainland ad.

Ross $18 billion deficit 4 years ago.

English Mr Peters is in that ad, I think. The $18 billion was, I mean, a big number for two reasons: the recession, but also we expensed a lot of earthquake support that year. And the track since there has been based on two things: tax revenue growing because the economy’s growing and constraint on expenditure. So we’ve averaged—I think the average is in the last 7 years $690 million or something discretionary new spend per year. It’s not the total new spend, but that’s the discretionary bit. And that’s against what for the 10 years before that was probably closer to $2 billion to $2.5 billion.

So it’s been a pretty straightforward strategy—not to go out and cut stuff or thrash around, you know, getting cheaper photocopiers and banning Milo for morning tea. I mean, you know, those things happen, but they don’t add up to that much. So we’ve focused just hard on the drivers of expenditure. I think because we’re doing that we’re finding that a lot of the solutions to the problems the Government is meant to deal with—a lot of them are social problems—don’t need more money, actually. In fact, probably if departments are making bids for hundreds of millions more money, what it means is their programmes are failing. And, unfortunately, we’ve had a system that’s had a bit too much rewarding of failed programmes with new, more expensive programmes. I think that’s shifting as a culture, and you’re getting a lot of really good in-depth thinking and sort of complex problem
solving. So a good example would be rheumatic fever. It’s a couple of hundred cases a year—150. Solving it is really quite complex. It needs a lot of work from a lot of people. Over 3 years that’s happened and it’s starting to have an impact, but that’s how long it’s taken.

Ross

You’ve successfully driven down the costs of Government spending from 34 percent of GDP down to 30 percent of GDP. Where do you see that heading in the future? Are you happy with about 30 percent, or is there still work to reduce that further?

English

Well, the key to smaller Government is better Government. So if you do your job properly, your expenditure shrinks. So we wouldn’t chase it just for the sake of it—although I tend to think a smaller Government’ is better. But I think you’ll get—what the public wants are better services having higher impact. When you achieve that, your spending will shrink, as it is shrinking with welfare, for instance. The spending is lower now than we were forecasting 4 or 5 years ago, not just because of the economy but because we’ve spent a lot of time understanding where to intervene to have more impact.

Ross

Now about 20 minutes ago Mr Robertson was doing his best to try to talk down the New Zealand economy. I’m sorry he’s not here to hear this answer, actually, but can you tell us how we’re tracking and how’s our fiscal management compared to the US, the UK, the eurozone, Japan, and Australia? Those, I think, are important comparisons to get on the record here.

English

Well, I’ve been—if you have a look at, I mean, our growth rates are about the same as Australia and a bit better than others. The US one’s picking up, but, you know, Euro and Japan, which are the second and third biggest economies in the world, are much lower. On fiscal tracks, it depends how you measure it. So to get apples with apples you have to use IMF numbers, probably, and I think they show us in surplus already. We use quite conservative measures, and that’s bipartisan. It’s not just this Government; the measures New Zealand uses are reasonably conservative. So we would be—most of them are heading to surplus but quite a bit more slowly. Some have been there for a bit. So Germany, you know, got to surplus.

On debt, you know, the New Zealand consensus around low debt levels is pretty powerful, and that’s probably where the biggest differences now are. So those other developed economies you mentioned just have—by 2020 you’ll have public debt levels four or five times ours. Even Australia’s will be, by IMF measures, significantly larger than ours by then. In New Zealand we know why that is. It is because we have high levels of private borrowing and because we need to be resilient, as a small, open economy, to recessions. That’s why it’s important we get surpluses and get those debt numbers down.

Peters

Well, quite frankly this briefing reminds me of President Harding’s briefing from JP Morgan where he said his economy was the best in the world and the market and the future was brilliant, and within a week was the biggest crash ever. And then somebody who believes in small government became
No, no, gentlemen—gentlemen, don’t get jealous, will you? Can I ask you this: you said that it was the MSD that was doing the levels on the question of hardship, but isn’t it a fact that your internal polling told you that this is the most worrying matter on behalf of a great number of New Zealanders, and you reacted to that, not the MSD stuff? Because, after all, this hardship issue is not new. It has been growing for a quite significant time, even before you became the Government.

No, I don’t agree with that. The—

You don’t read the polls?

Well, you know, people wouldn’t know about MSD’s measures of hardship even if you polled them, and we didn’t. So—

No, I’m talking about your polls that told you that, so that’s why you acted.

No, no, I don’t agree. The poll that counts is the election, and on election night the Prime Minister said—having not really campaigned on the issue actually—that he thought it was time to do something.

I think that a brighter future signifies that for everybody doesn’t it?

What’s that?

I think the promise of a brighter future signified that was for everybody, or is it just for the top?

Well, I think that was precisely the point he was making.

You said he didn’t campaign on it.

Well he didn’t campaign on saying we’re going to increase benefits for families on benefit by $25 a week. But he did say on election night that he thought the re-elected Government would be governing for all New Zealanders and it was time to do something about hardship. And so the Budget reflects that.

Tell me, not now but could you give this select committee a briefing on your new investment in the Asian bank?

Yes, sure.

Excellent, OK.

It’s all in the newspapers. There’s nothing that’s not public as far as I’m—

No, but you’d be happy to give us a briefing about it, not just what you told the papers.

Yes.

Why you did it.

Yes. No problem.

Well, you did sell the last bank we had—you know, it was pretty big, the BNZ, you sold that—and now we’re investing in a foreign bank, nicely. Anyway, look, the dairy industry—
Bishop Like when you floated Contact with them.

Peters Eh?

Bishop Like when you floated Contact.

Peters No, no—I didn’t float Contact; I had been expelled by then. It was 1 October—1 October 1998, sunshine. Go and look at your history. Don’t come along here with a smattering of knowledge and think you’ll get away with it—1 October 1998, right? Anyway, you said the dairy industry—

English We’ve got to buy back that airport.

Bennett Yes, exactly.

Peters No, no, no, I walked because of that. [ Interruption ] You said the dairy industry knows how to deal with it.

English Yes.

Peters Really? You think the people of Northland know how to deal with this issue when dairy prices are so low, given that their production per hectare is much lower than other parts of the country? You think they’ll be able to deal with it?

English Well, what I mean by that is not that it won’t be difficult, because it certainly will, you know, in Southland as well as Northland. And it’s just that you get real distress if you have a sector that’s not used to having to adapt to low prices. Well, the dairy industry’s done it a couple of times in the last 15 years so they’ve got a rough idea how to do it. If they didn’t, the outcome of that significantly worse for those communities and that would—as we saw, I think, in the late 1980s and early 1990s, which I recall, when SMPs were taken off. You had a sheep meat and wool industry that had been supported by Government when it got into difficult times, and so when the prices dropped because the subsidies went they didn’t know what to do. They used to line up at my office—as a 30-year-old new member of Parliament—as they did all round the country. And so they were coming to politicians for business solutions. They don’t do that now because they know what to do.

Peters Well can I ask you this: what was your role, or Treasury’s role, in something that didn’t emerge in the Budget but nevertheless was put out there because you did mention Mr Key’s promises. Now, I’ve trawled through the Budget—

English Role in what, sorry?

Peters I said what was your or Treasury’s role in the following things, because you just told me Mr Key campaigned on these things—well, he didn’t campaign on them. That was your distinction. What was Treasury’s role or your role with respect to the promises of two-lane bridges in Northland area and 10 new two-lane bridges; the Pūhoi to Wellsford highway, which, going online, we could not see anything past Warkworth, but all of a sudden that’s been changed, and they’ve pulled down the site from Transport New Zealand; the broadband roll-out that is ultra, ultra-fast now up north; or, the fourth
one, taxpayer replacing private industry funding of cell tower coverage in the north? What was your role in those four promises?

English

Well, I would have been part of the policy discussion and part of the process of making sure that any undertakings made were affordable.

Peters

So you’ve got costings for all these things?

English

Well, yes, there will be. If the Government’s spending the money, they’ll be costings for them.

Peters

Well if I try to find out what is the cost between Warkworth and Wellsford, there is no costing on it at all. In fact, they’re saying they’re working on it. So you say there are costings.

English

I mean, because that one’s going into a PPP there’ll be a very broad estimate and then they’ll work through the public sector comparator and then they’ll go to the bidding, and those numbers will all be different. And they’re probably in a phase of it where the only numbers that will get used will be ones that, you know, can stand intensive scrutiny.

Peters

Well, I’m grateful if I’d be able to ask a question of you and get all the detail of costings for those four particular items because hitherto we haven’t been able to extrapolate any promises, or any commitments, or any costings for any of those things. Take, for example, the 10 new two-lane bridges. You must have known about them. How are they going to cost?

English

Look, I can’t tell you off the top of my head, but there was certainly attention paid to what it might cost.

Peters

One last question. Can I ask you whether or not you think, realistically, that the potential for the Auckland housing bubble to burst is a serious concern for anyone analysing the future—or potential future—of this economy?

English

I think we know from other economies that housing markets that grow aggressively can collapse quickly—you know Ireland and Spain, being the obvious ones, and the US. In each case though there are different sets of circumstances and so you wouldn’t want to generalise too far from those markets to this one, but given that in each of those countries have brought down the banking system and put large burdens on the taxpayer absorbing the risk of all that, then we need to pay attention to it here, which is what the Reserve Bank does through its role in financial stability and what we’re doing with our role. That is, fundamentally, to take a market which is a bit like highly regulated labour markets used to be 30 years ago—that’s what we have for housing supply market these days; we’ve got a 30-year-old regulated market. And we just need to go through it with the same kind of processes New Zealand’s been through in other markets that had to become more flexible: electricity, telecommunications, and the labour market. And in each case it’s been successful, it’s supported growth, and we can achieve that with housing as well.

Peters

Can you just confirm for Mr Bishop’s sake that his prime ministerial heroine Jenny Shipley sold Contact Energy on 1 October 1998?

English

I can’t confirm it, but I’m pleased she did.
Cosgrove  Minister, could you just confirm that you’re happy to provide those written costings that Mr Peters asked for—is that correct?

English  Well, yes, at the level at which they exist. So with, you know, the mobile phone black spots, I won’t be able to tell you the costings of fixing a black spot, but I’ll be tell how much—what proportion of the total amount is allocated to that.

Nash  Mr English, we’ve heard a lot about Auckland and about Christchurch, etc., but there is another big chunk of New Zealand, which you were a part of at one point, and that is the regions. And it just seems in this Budget there was very, very little for the regions. And I wonder, you know, does it actually take a National MP to stand down before a Government does focus on the regions and provide some sort of level of economic development, or promise at least, of some sort of level of economic development? I mean, what is the Government doing to help provincial and regional New Zealand grow jobs and economic development to build for a brighter future?

English  Well, look, in the first place, coming from the regions, I don’t share the same inherent negativity as you do about regions. It’s only quite recently they were all growing faster than Auckland, and even today you’re much more likely to get a job in Southland than in Auckland because unemployment’s higher in Auckland than it is in Southland—in fact, it’s higher in Auckland than it is in a number of regions. So that’s the first point.

The second point is that for the regions where economic growth is lower, they have had, over the years going back a long way, lots of different Government programmes and initiatives. And I think the lesson out of all that is that our regions need to build on their strengths, not try to bolt on things that don’t fit. The Government can contribute in ways that enable that. So, actually, there’s a lot of commitment to the regions through the roads of regional significance and the roll-out of ultra-fast broadband, and at the margin that’s quite a large—so the next 5 percent of UFB is costing about $200 million, and that’s getting down to towns of, you know, 2,000 to 4,000, so that’s actually a very large commitment. And that’s the kind of enabling infrastructure that works. The $25 for families on a benefit will be a direct cash input into those regions where they sit, particularly where’s there’s a higher concentration of lower-income families.

Bennett  Thank you very much Minister, and we appreciate you’ve got to go to the funeral as well, so we’ll let you go.

Conclusion of evidence
2015/16 Estimates for Vote Revenue

Report of the Finance and Expenditure Committee

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Vote Revenue

Recommendation

The Finance and Expenditure Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Revenue, as set out in Parliamentary Paper B.5 Vol.5, be accepted.

Appropriations

The appropriations sought for Vote Revenue in 2015/16 total $6,814 million, an increase of 6.7 percent over estimated actual spending in 2014/15 of $6,389 million.

Over half the appropriations are for benefits and related expenditure, such as tax credits, KiwiSaver payments, and benefit payments such as child support and paid parental leave. The total of $3,648 million for these items in 2015/16 represents a slight decrease ($92.2 million) from estimated actual expenses in 2014/15, largely because of the Budget 2015 initiative to discontinue KiwiSaver kick-start payments, which reduces spending on benefits by $175 million.

A third of the vote (about $2,279 million) covers the write-off, write-down, and impairment of debt. These expenses are roughly the same as budgeted in 2014/15, but higher than that year’s estimated actual costs, which totalled $1,886 million.

Funding for the Inland Revenue Department’s outputs would be similar to the previous year, at $709.9 million. In addition, a new appropriation of $55 million is sought for expenses on the business transformation programme.

Capital expenditure would increase by $72 million to $105 million in 2015/16, mainly for information systems for the business transformation programme and child support reforms.

Overview of the tax work programme

The Minister told us New Zealand’s broad-base, low-rate tax system is working well, and the Inland Revenue Department (IRD) continues to work on improving tax compliance. In addition to business-as-usual activities, IRD is focused on its major business transformation programme, which aims over a ten-year period to modernise and simplify the way New Zealand’s tax system is administered. As we have outlined in previous reports, the programme will be implemented in four stages, focusing in turn on digital services, income and business taxes, social policy, and a final wrap-up.

Business transformation

The Minister outlined the main recent developments under the business transformation programme.

In early June IRD announced that it had selected the main software provider for its new, core tax system: Fast Enterprises, a US technology company based in Colorado. It will provide the commercial, off-the-shelf software to replace the department’s existing system, FIRST. It is of interest that several of Fast’s stakeholders were involved in designing, building, and implementing the existing system some 30 years ago.
The Minister said IRD now expects the total expenditure on the programme to be toward the lower end of the $1.3–1.9 billion range previously indicated. He believes it could be around $1 billion, with the programme’s time frame more likely to be 7 or 8 years than the 10 years previously indicated. About $100 million has been spent on the programme so far, with over half of that going to New Zealand companies. He noted that New Zealand has a lot of IT expertise, and he aims to see New Zealand companies involved as much as possible. IRD will be working closely with local software providers such as MYOB and Xero over the next year; in particular, he expects them to provide several products that will simplify and modernise how small businesses manage their tax and dealings with IRD.

He added that IRD’s expected spending to maintain and run its current computer system would amount to about $1.6 billion over a 10-year period, without the efficiency gains and scope for policy changes that will be made possible with the new system.

Consultation and legislation
IRD has issued two documents for public consultation titled “Making Tax Simpler”, covering tax administration and digital services, and has been receiving useful responses. Further rounds of consultation later this year and early in 2016 will focus on issues around PAYE, GST, and provisional tax—areas where the Minister noted there is considerable scope for reducing the time and cost businesses expend on compliance.

Several pieces of simplifying legislation are envisaged in connection with the programme; we heard that the first bill would be introduced in the next month or so. We will be interested in examining the proposed measures, and appreciate the Minister’s offer to have IRD provide ongoing briefings as the programme progresses. We will take up the Minister’s offer to explore ways this could also cover commercially sensitive information.

We were also interested to hear that the Minister was that day releasing the business case agreed by Cabinet for the programme, with the department due to release related material in the next few days. We agree that making information public about the proposals and engaging in wide consultation will help to ensure that the programme builds on feedback to deliver the hoped-for benefits for taxpayers.

Disposal of the FIRST system
We discussed the risks around the changeover to the new computer system and disposal of the legacy system, in the light of problems experienced in the past with Novopay and other major IT projects, such as the Police’s INCIS system in the 1990s. The Minister assured us that the plan is for the two systems to run in parallel until it is clear that the new system is operating as intended and the old one can be retired. He said planning has factored in the cost of running both systems for a time. He would expect the eventual decision to switch off FIRST and dispose of it to be taken by Cabinet, but probably not for another 6 to 8 years. He noted also that the new system would be modular rather than one big system as FIRST was, which would make it easier to make adjustments as needed.

Expected benefits
The Minister said the estimated benefits for taxpayers from the business transformation could be $2.5 billion in time savings and efficiencies. He pointed out that the average cost of tax compliance for a small business in New Zealand is about $4,500 a year. While he noted that this is already less than half the average compliance cost in the USA, he believes there is scope to cut the cost by half again by modernising and simplifying the system. This
would free up small-business owners to focus on running and investing in their business, which could add significantly to GDP.

**Child support debt**

As part of the major reforms under way relating to child support payments, Budget 2015 proposes changes to the rules on debt owed by non-custodial parents for child support which will see about $1.7 billion of penalties owed by parents forgiven over the next four years. Initially, $2.7 million is allocated under Vote Revenue in 2015/16 to address this child support legacy debt.

The Minister noted that arrears for child support payments have grown over time to total $3.2 billion. Of this, only $700 million is the original payments due, while $2.5 billion is penalties. The Budget measure seeks to address the fact that much of this debt is owed by people earning less than $30,000 a year, making it an insurmountable burden. The new rules will allow the Inland Revenue Department to work with parents to write off some of the penalties if they start paying the child support owed.

**Wider child support reforms**

As the House is aware, the reforms form part of the Taxation (Annual Rates for 2015–16, Research and Development, and Remedial Matters) Bill, which is currently before this committee. The first phase of the reforms is already being implemented from 1 April 2015.1

We discussed the background to the reforms with the Minister, recalling that the original business case for the reforms estimated the cost at $30 million, but after delays to allow the IRD to make necessary adjustments to its computer systems the estimated cost had increased to $210 million; the Government had then decided to implement only part of the second phase of the reforms, reducing the cost to $163 million.

While fully supporting the policy objectives of the reforms, some of us are deeply concerned about the cost blowout, and believe that nobody has been held to account for it. Some of us also note that the advice from the Treasury, the Government Chief Information Officer, and the State Services Commission had been not to proceed with the reforms. These advisers stated that “the financial cost of achieving these objectives is significant, and ... the resulting reduction in transparency for customers is at odds with the Government’s Better Public Services objectives, as well as the principles ...[of the] Business Transformation ... programme.”

The Minister said he did not accept that the reforms would undermine the business transformation programme. He said the Government believed that to have left the reform of child support policies for another 8 or 9 years until social policies were addressed in the third stage of the programme would have entailed unreasonable hardship for the parents involved. As to the original cost estimate, he believed that the size of the challenge and what it would cost had been significantly underestimated.

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1 We previously reported to the House on the reforms as part of our report on the 2013/14 annual review of the Inland Revenue Department, dated 2 April 2015.
Changes to property tax rules

We discussed the “brightline” test, introduced as part of the Budget, which would require non-residents and New Zealanders buying residential property—other than the family home, an inherited property, or a property from a matrimonial settlement—to pay tax on any gains if it was sold within two years. The Minister said that advice from the Treasury and IRD was that the measure could raise between $5 million and $40 million in additional tax. However, he noted that the Government was being cautious and had not included such revenue in its forecasts, as the amount collected would depend on the details of legislation yet to be enacted. We will be interested in scrutinising the details of the proposed measures, and receiving public feedback on them, when we consider the Taxation (Land Information and Offshore Persons Information) Bill, referred to this committee on 23 July.

Some of us expressed doubt about the amount likely to be raised from the measure, noting that previous advice in 2010 had been that a brightline test for properties held even longer than two years would raise only from $2 million to $30 million. Some of us also consider it unlikely that behaviour by property owners would change as a result of the measure, since about 85 percent of properties are already held for longer than two years. The Minister said the main objective of the measure was to clarify a law that had been in place for many years: if you buy something with the intention of making a capital gain, you are liable to pay income tax. He also expected some behavioural change to result.

Overseas purchasers

We note that tax residents of other countries will need to provide their tax identification number from their home jurisdiction. In addition, to meet anti-money-laundering rules, overseas people will need to have a New Zealand bank account and an IRD number.

It appears to some of us that as details will need to be logged with Land Information New Zealand, this amounts to a register of foreign buyers, something which both the Minister of Finance and the Minister of Building and Housing have previously said would be expensive and a waste of money. The Minister said it would not be a register, and would not be based on a person’s immigration status. He emphasised that the rule aimed to provide more clarity about property purchases and what tax is owed, and would apply equally to New Zealanders who reside overseas. The proposed rule, he said, was essentially a clarification of income tax laws that have been in place for many years, and not a capital gains tax.

Tax compliance

Budget 2015 proposes an additional $7.4 million for IRD’s tax investigation work. We support efforts over recent years to ensure that taxpayers comply with their obligations, and note that this work has produced good results; for example, we were told that work on aggressive tax planning, a means by which large companies can avoid tax, has achieved returns of over $60 for every dollar invested.

Multinational tax compliance

We heard that IRD and other officials continue to work closely with the OECD and other tax jurisdictions on the problem of international erosion of the tax base, known as BEPS (base erosion and profit shifting). The work covers complex issues arising from
globalisation, including appropriate ways of taxing large multinational corporations, and the issue of online services and GST.

The Minister said he believes a multilateral approach is the only way of achieving a fair outcome for all countries. He explained that officials in New Zealand have been focusing on about 15 areas of work highlighted for attention by the OECD. In addition, IRD initiatives are seeking to improve New Zealand’s rules around thin capitalisation, which can be another means by which companies operating internationally can seek to avoid tax.

On a parallel stream of work, the Minister said he recently signed an agreement in Paris about the automatic sharing of information between tax jurisdictions, which will facilitate the IRD’s efforts to ensure that companies active here and overseas pay their fair share.

Regarding online services and GST, we were told that the Minister will be presenting several options to Cabinet in the next few weeks, following which he plans to seek public feedback. He noted that no country has yet developed efficient or effective rules for collecting GST on goods as they cross the border; however, the past few years have seen some countries implement rules that seem to be working for services and intangible goods, such as internet TV and music downloads. He said consultation is planned on how this might apply in New Zealand.

We agree that international tax issues are of increasing importance for New Zealand, and support the work being undertaken in these areas. We are aware of concern that the pace of multilateral work through organisations such as the OECD can be very slow, and were pleased to hear from the Minister that it is progressing more quickly than he had expected. It is also encouraging that some companies that operate across tax jurisdictions are already moving to change their practices, in order to protect their reputation.

We encourage officials to continue to look for additional ways of addressing international tax compliance issues, alongside or in advance of the OECD’s work. We note that the IRD is currently seeking feedback on a discussion paper about ways to improve the existing rules around non-resident withholding tax.

Foreign trusts

We asked whether such work is addressing the issue of New Zealand-designated trusts, which allow foreign assets to be parked with no transparency as to the identity of the beneficiaries. Foreign trusts are reportedly a major area of concern for tax authorities in Australia, and presumably for the OECD as well, as they can be a means of disguising drug financing as well as of tax avoidance. The Minister said he does not believe it is a large problem in New Zealand, and noted that trusts are used for many legitimate purposes. In his view the areas of concern are best addressed through the OECD’s work on extending the exchange of information among jurisdictions. He added that he has received various reports on the issue which have not drawn conclusions, but work continues on making New Zealand’s tax system more open and transparent, and on sharing information.

Refunds of overpaid tax

As we noted in our recent annual review of IRD, we commend the work it does in chasing and collecting the tax debt that people owe, but would like to see it equally proactive in contacting people who have overpaid their tax, so they can receive a refund.2 We asked the Minister whether there are any plans to work on refunding the $750 million of overpaid tax.

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2 Finance and Expenditure Committee, 2013/14 Annual review of the Inland Revenue Department, 2 April 2015, p. 4.
tax, noting that unlike tax owed, which remains as a debt indefinitely until paid, people’s entitlement to a refund of any overpayment lasts for only four years.

The Minister said one of the challenges about tax overpayments is that IRD cannot always find people to get money back to them. Unlike in the UK, where every individual must file a tax return and is therefore in the system, New Zealand only requires individuals to file a return if they have had certain types of income other than salary or wages, such as rental income. He suggested it could be useful to explore with this committee and the public possible ways people could be brought back into the tax system, as this would make it easier for IRD to pay refunds when due. However, he would not wish to increase the compliance burden people face.

The Minister added that he believes the business transformation changes will help by bringing the tax system closer to real time and evening out the peaks and troughs. He believes the provisional tax system needs an overhaul, and would like to see the system automatically pay out refunds when they are due.
Appendix A

Committee procedure
We met on 17 June and 1 July 2015 to consider Vote Revenue. We heard evidence from the Minister of Revenue, Hon Todd McClay, and the Inland Revenue Department, and received advice from the Office of the Auditor-General.

Committee members
David Bennett (Chairperson)
Andrew Bayly
Chris Bishop
Hon Clayton Cosgrove
Stuart Nash
Dr Russel Norman
Rt Hon Winston Peters
Grant Robertson
Jami-Lee Ross
Alastair Scott
David Seymour

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Revenue, prepared by committee staff, dated 15 June 2015.

Office of the Auditor-General, Briefing on Vote Revenue, dated 17 June 2015.

Minister of Revenue, Response to standard Estimates questionnaire.

Minister of Revenue, Responses to additional questions, received on 15 and 26 June 2015.
Appendix B

Transcript of hearing of evidence 17 June 2015

Members
David Bennett (Chairperson)
Andrew Bayly
Chris Bishop
Hon Clayton Cosgrove
Stuart Nash
Jono Naylor
Dr Russel Norman
Rt Hon Winston Peters
Grant Robertson
Jami-Lee Ross
Alastair Scott

Witnesses
Hon Todd McClay

Inland Revenue Department
Naomi Ferguson, Commissioner and Chief Executive
Arlene White, Deputy Commissioner (Service Delivery)
Struan Little, Deputy Commissioner (Policy)

Bennett Well, good morning, Minister and officials. Welcome to select committee. We’ve got until 10 o’clock so I’m sure there’ll be a number of questions from members. So we’ll open up for you to give us a brief introduction and then we can go from there.

McClay Chairman, thank you very much, and a pleasure to be here. I’ve missed this committee, so I’m grateful. I will just make a few comments but not too long. I’m very happy to have the open discussion. I think, it’s most useful for members to introduce the commissioner of revenue—I know that you’ve met before and has been here—and Struan, who is the deputy commissioner for policy, and we’ve got a few others here with us.

So, Mr Chairman, around the Budget, we’ve made progress since last year. Inland Revenue’s been focused on the broad-base, low rate settings. We think they’re working very well. Revenue continues to rise compared to the year before: $56.2 billion was collected, which is an increase of about 4.46 percent. Work around tax compliance has also been going very well. In the Budget, we received $98 million, over 5 years, around tax-compliance issues. To give you an example of just one of those areas over the last year, aggressive tax planning—so these are generally larger companies who
aggressively plan their affairs so they can avoid tax. We had a return of $62.43 for every dollar spent.

Earlier this year I released the Government’s tax work programme for the next 18 months, and it’s a combination of business as usual, so that’s all the things that we do to protect the tax base and to make sure it’s working fairly, both for the Government but also for taxpayers, but, also, some of the opportunities that are around Business Transformation. It was published at the time, but I’m happy to make that available to the committee.

So one of the largest pieces of work we have under way currently, and for a number of years, is around Business Transformation. So this is around modernising and simplifying tax administration in New Zealand. There are four key stages to it: looking at digital services; the second stage is around income and business taxes; the third is social policy; and then the final stage, there’ll be a wrap up.

We released two consultation documents earlier in the year around making tax simpler, and we’ve brought copies of those. We’ll make them available to the committee. They’ve been out for consultation—one looking at just tax administration, and the second is around digital services. We have received a significant number of responses to that—positive, very useful and helpful.

The next stage will be later this year—another round of public consultation around looking at PAYE and the employee monthly schedules. This is an area where there’s a significant amount of compliance time and cost for companies. There could be as many as one million errors in these every month, so we want to find ways to get that out of the system. The second will be around GST.

Later in the year or early next year, I hope to be able to go and put out a consultation document around provisional tax. It’s a system that worked well for Government, but there’s significant cost and burden upon businesses, and we think there must be ways to fix that.

Next month or so, I expect to deliver the first of a number of BT-related simplification bills to the House that will come before this committee. The first bill will be modest in its intention, but it does a number of important things that helps Inland Revenue move towards the use of digital services. There will be a number of bills over the course of Business Transformation. This committee will deal with all of those, it would be my expectation, and the first one is not too far away.

Earlier this month Inland Revenue announced the selection of Fast Enterprises—the first transformation partner for Business Transformation. Actually, a number of the shareholders or stakeholders in the company Fast were the people that designed and built and implemented our current computer system 30 years ago. They’re not a large company, but they bring, we believe, a number of benefits to Business Transformation. They provide a COTS service, a commercial, off-the-shelf service. The Cabinet papers
have estimated the cost of Business Transformation will be between $1.3 billion and $1.9 billion over 10 years. About a third of that is likely to be ICT or IT costs. The rest are in other areas, and the commissioner may wish to speak to that later on. However, with the selection of Fast and looking at their COTS service, Inland Revenue have indicated they think that the expenditure will be towards the bottom of that range. Actually, it’s my expectation that, depending upon decisions of Government, it could be around the $1 billion mark and reduce to the time frame to be about 7 to 8 instead of the 10 years that was signalled previously.

We’re working very closely with New Zealand businesses. So, so far, over the last few years, about $100 million has been spent on Business Transformation. Approximately 58 percent of that is to New Zealand companies. It’s my view and the Government’s view that, wherever possible, New Zealand companies should do as much of this work as they can. We need to make sure we’re getting the very best expertise to deliver Business Transformation, but I think we’ll be working very closely with the ICT sector, and a lot of that expertise is here in New Zealand.

Next year we’ll be working quite closely with a number of NZ software providers—MYOB and Xero and others. Next year I expect them to launch a number of products as part of Business Transformation that will simplify and modernise the way small businesses deal with tax and interact with Inland Revenue, and that’s the first of a number of areas we look to cooperate or collaborate with the private sector. We don’t think we have to build everything ourselves. We think the private sector will be able to do a lot of this work, and we’ll be able to work with them and borrow some of what they’ve done. I think the relationship is one that’s positive and is building.

BT, Mr Chairman, will go across a number of parliaments. Already there have been two. There have been two Ministers, and it’s my aim to simplify tax administration. This committee’s going to deal with the majority of that legislation. Therefore it’s my desire that Inland Revenue is made available to the committee on an ongoing basis to brief you and talk about some of the issues around Business Transformation. Some of the issues will be commercially sensitive. I won’t be able to discuss them in public, but I’m very happy for us to have a conversation about how that might work. The aim of this is actually to simplify tax administration for New Zealand companies, and I think that’s something that everybody around the table must—does—have an interest in.

In line with that, today I’m releasing to you the business case agreed by Cabinet last year. It’s not previously been released. The commissioner will also be releasing a large number of BT-related documents later this week, and we’re going to be looking at how we can continue to release these documents as we go forward. My view is the more the public are aware of what we’re doing, the more we engage with your committee and others, the greater the likelihood we deliver the benefits that the New Zealand taxpayer deserves.
Just a couple of final areas—away from Business Transformation—around multinational tax compliance. It’s an area we’ve been focusing on doing a lot of work. So this is called base erosion and profit shifting, and a component of that is online GST. You know, the tax system has to be fair, and fairness is very important to it. It’s my view that multinationals must pay their fair share of tax in New Zealand, but we do need better information on exactly what they’re doing here and in other countries before decisions can be made whether our current tax laws are fit for purpose.

Where one country of the world changes its rules and offers incentives to multinational countries, it creates inequalities in the tax systems, which means that some of these companies are not likely to be paying their fair share of tax in jurisdictions that they’re involved in.

Officials have been working very closely—and will continue to—with OECD and other jurisdictions. It’s my view that a multilateral approach to this issue is the only one that’s actually going to work for all countries of the world. However, in the meantime, we’ve been looking at a number of own rules around thin cap rules and things like that to make sure they are working as well as they could. I’ve asked the commissioner to keep—with her officials—focusing on these things.

We’ve indicated we’ll be an early adopter of an automatic exchange of information between tax jurisdictions. This has been negotiated at the OECD, and I was in Paris a couple of weeks ago where I signed such an agreement that allows Inland Revenue to share a lot more information on companies that are active here and to receive information on companies that are active overseas to make sure they’re paying their fair share of tax.

Around GST—this is an issue of fairness. It’s an issue of fairness to the New Zealand taxpayer, to New Zealand consumers and to New Zealand businesses. My approach to this is to support New Zealand businesses and employees over that of employees in other countries. But in anything we decide to do around this, we’ve got to make sure it works and that we’re not just passing burden and cost on to others, including consumers.

Later, in the next few weeks, I hope to take a paper to Cabinet that will identify a number of options, and after that, in the coming weeks, put a public document out for consultation on the issue of online services and GST. There will be a number of options there, but we’re pretty keen for public feedback on this. Incidentally, good tax policy in New Zealand is always developed through open consultation before legislation’s delivered, and I think this is an issue where that certainly will be the case.

There are no countries of the world yet that have put in place rules that efficiently or effectively collect GST on goods as they come across a border. However, a number of tax jurisdictions have put in place rules over the last couple of years around services and intangible goods—so the TV you might get over the internet now, or the download of music—that seem to be working. I received a report that says that the systems may well be suited to
New Zealand’s tax system, and so that’s something that we’ll be consulting on.

Mr Chairman, the other big piece of work we’ve been doing is around child support. I know this committee has been looking at that and, rightly so, asking important questions. This is the biggest reform of child support that we’ve seen since the legislation was first put in place 20 years ago. It’s extremely, extremely complex, and I know the committee is aware of that. After the legislation was passed, there are now more than 27,000 business rules attached to the child support system, and Inland Revenue has to create a computer system under the existing system first—not under the Business Transformation—to deliver this. They came to me fairly late in 2013 and said they were not sure that it would work as well as it needed to. I decided that the half a million New Zealanders, parents and children, who rely upon the child support system needed certainty. We put the implementation date off by a year. The first phase of child support was implemented earlier this year, and I’m advised it’s working well.

Thereafterwards the Inland Revenue came to me and said the cost had escalated. When I became Minister it was around about $120 million. The additional cost from the delays and the complexity meant that the cost would blow out to about $210 million. I expressed some displeasure. I support the policy fully. It’s a very important policy. The policy needed to be changed. The extra cost, I don’t support and have not. I’ve expressed my views that I’m not happy about that. I asked Inland Revenue to go and look for ways to reduce that, and they knocked about $50 million off—in some cases because we’ll put off changes until later on; in some cases, we’ll do things manually, because they make more sense. That is before your committee at the moment—those changes.

Mr Chairman, we did receive advice from Treasury and others that we shouldn’t go ahead with the changes because of the cost, but it was my view and the view of Cabinet that this was a very important system that New Zealanders relied upon. It wasn’t just about cost, and, actually, to make it fairer for all New Zealanders was important. We collect about $500 million of child support every year and pass it between custodial and liable parents. Over the 10 years of the costing of this project, there’ll be more than $5 billion collected from parents and passed on to other parents to raise their children. It was my view to make that system fairer for that 10-year period was something that the taxpayer would demand, should demand, and could expect.

The other part of this, of course, is that in finding that the previous system was unfair, which is why Parliament decided to change it, $3.2 billion worth of child support arrears have grown over a period of time. If we recognise that the system was unfair and we’ve changed it, we have an obligation to go back and look at the problems caused by that unfair system. The changes that were put in place and that have now been implemented means that we’re able to look at that $3.2 billion worth of debt. Only $700 million of that is child support, $2.5 billion is penalties, and about 70 percent of that is owed by people who earn less than $30,000. It’s a debt that will be with
them—a burden—for the whole of their lives. They’ll never get up from under it. So therefore, in Budget, I received funding to change some of these rules and to work with parents. It’s their obligation to pay for the raising of their children, but where they meet us halfway and they start to pay off that debt, Inland Revenue now has the ability to set up fairness rules, where those penalties will be written off. And over a 4-year period, we think $1.7 billion of burden can be relieved off parents so that the money that’s due to pay for their children is paid on time, the kids in those families are better off, and they don’t have to worry about a significant debt that’s been built up because the system was unfair.

Without the changes that were put in place through your legislation, we wouldn’t be able to work with these parents around that $3.2 billion worth of debt, and I know that’s before the committee at the moment.

McClay The final one was about property tax, but I’m happy to deal with the property tax component of this through questions, because I know members have been so supportive. Thank you.

Bennett Thank you for that very full and interesting introduction. The webcasting is not working.

McClay If you fix it, I can start again.

Cosgrove Can I deal with your last point? I’ve got some questions around the brightline test. You have, in a written answer, advised that the 2-year brightline test will raise between $5 million and $40 million, is that correct?

McClay So that’s the estimate that Treasury gave us. We’ve been extremely cautious about that.

Cosgrove No, no, you advised that IRD in the written question—

McClay Well, Treasury and IRD gave advice. So the two of them give advice around tax issues together. So Treasury and IRD gave advice of around $5 million to $40 million over that period of time. The Government’s been extremely cautious. We haven’t booked any revenue against that in the current Budget. A sum of that will be determined on the detail of the legislation that’s been worked through at the moment.

Cosgrove It’s interesting you say that Treasury gave you advice, because in 2010, both IRD and Treasury said that a 3-year brightline test would raise as little as $2 million, a 5-year test would raise up to $30 million, yet you say that your current advice—and I’m just dealing with the advice in your answer to me from IRD—would raise anywhere between $40 million and $5 million. Where’s the evidence to back up that estimation?

McClay Well, the Government seeks advice from a range of people—in this case, both from Treasury and Inland Revenue. I guess they’ve done a degree of modelling. Some of this will depend upon the rules that are put in place and what the legislation looks like. So one could assume that if actually you said every single property is covered by the 2-year period, irrespective of anything around that, there are no exceptions, the amount of tax collected would be much greater. The more exceptions, the more complicated the
legislation is. I would assume that less is collected in this case. The advice I have received is that based upon the early settings of what went before Cabinet, a range of $5 million to $40 million is likely to be collected. That will be dependent upon the legislation when it’s delivered.

Cosgrove  Could you tell us then, because obviously you’ve thought this policy through in detail before it was announced in the Budget, what evidence you have that there will be an impact, a behaviour-change impact, by a 2-year hold, effectively, on property, especially, say, in Auckland where I think it’s only about 15 percent of property owners or property sales are turned over in 2 years or less? I would put it to you if you are making 17 points a year, most people would be holding it well beyond 2 years anyway. So where’s the evidence of a behaviour change?

McClay  Well, so the first thing is this is a clarification of a law that has been in place since around about the 1970s, from memory. So in New Zealand, if you purchase anything with the intention of making a capital gain, you’re liable for income tax upon that. So it’s income tax that you pay. However, that’s a subjective test and it can be challenging. We gave Inland Revenue funds a couple of years ago to go and look at property tax compliance, and they returned a significant amount of revenue for the Crown, based upon that. It was the Government’s view that a clarification of this would be useful for Inland Revenue and for taxpayers, and that a 2-year brightline test, with a number of rules attached to it, would assist with what’s been a law in New Zealand for an extended period of time.

So in my view this is good tax law. They are good tax rules. It allows certainty for the taxpayer. It also allows certainty for Inland Revenue, so that when people are due to pay tax they know that they have to. Where they don’t, we’ve given Inland Revenue $32 million additionally in this Budget to go and look at tax compliance.

Cosgrove  So the objective, from your point of view, is simply around the payment of tax. The policy has nothing to do with attempting to change the behaviour of property owners. It’s simply about getting to those people who might abrogate their tax responsibilities.

McClay  Well, there will be a number of things, I think, that this policy does, and again——

Cosgrove  Could you give us some evidence of that, because that’s what I’m after.

McClay  So I think there are a number of things. But every time we change tax laws, people change behaviour. That’s the reason with the broad-base, low rate settings. We do as much as we can to keep the tax system fair. So the majority of people in New Zealand pay their tax voluntarily. We don’t have to chase them to do so, because they see the tax system as fair. But a fair tax system has to be easy to understand. In this case I do expect that some behaviour will change, but this is also good tax policy to provide clarity and guidance so people can plan for their tax affairs.
Cosgrove: So you’ve announced that everyone buying and selling a residential property, other than their family home, will have to submit an IRD number that will be logged with the IRD—correct?

McClay: That’s right.

Cosgrove: And you’ve also said—

McClay: It will be logged with LINZ at the time of—

Cosgrove: Yep, so there will be a database, or whatever. You’ve also said that you’re looking at a withholding tax for foreign buyers. So the question is how will you track who—this might seem slightly silly, but it’s a fair question—and who isn’t a foreign buyer in respect of payment of withholding tax?

McClay: That’s a good point. So a couple of things there. The first is that anybody that’s not buying a principal residence will have to provide an IRD number at the time that they purchase a house—No. 1. No. 2, if they are an overseas person they will have to get an Inland Revenue number. So you will need one to buy a property in New Zealand; that is the first thing. The second thing is they will also need to get a bank account, so that AML rules at the time of getting that bank account will apply to them. Somebody who has involvement with a tax jurisdiction overseas—an example of this is somebody that is tax resident in another country—will have to provide their overseas tax number to Inland Revenue, and information can be provided to that overseas jurisdiction, just as we’re able to receive information from an overseas tax jurisdiction on New Zealanders and their affairs.

Then it comes to how most efficiently and effectively we can collect tax when it’s due. So for a New Zealand tax resident we have that ability. They pay their tax at the end of the financial year, as they do with many other things, when the tax becomes due. For somebody who is not resident in New Zealand and may not be in New Zealand that could be more challenging, and therefore we’ll look to implement a withholding regime. So work still needs to be done on this, including consultation, but where tax is withheld at the time of the sale—very similar to what we do with interest paid in banks at the moment.

Cosgrove: So, effectively, you’ll have a database or a list.

McClay: Information will be collected that was made available to Inland Revenue.

Cosgrove: You see, to me that sounds like something called a register. Because it’s a list you can dress it up. It’s a bit like calling a tax a levy, rather than a tax, as to what it is. Do you share the view of your ministerial colleagues, for instance Nick Smith who said it would be a waste of money, costing mega-millions, to have such a database or register, or your own finance Minister who said: “No one has produced a simple, low-cost way of doing that.”?

McClay: Yes, I do agree with him. So this isn’t going to be a register; it will provide us with additional information. The information will allow us to focus on people that should be paying tax. But what it also will do is provide greater clarity as to what’s happening in the market and the types of people who are purchasing and not purchasing. But it also is going to be based around tax
residents. There will be a situation where somebody who is a New Zealand citizen but is no longer resident in New Zealand and no longer a tax resident in New Zealand will have some of these rules applied to them, because from a tax point of view we also focus on tax residents. It’s not around somebody’s immigration status.

Cosgrove
So how is that going to work, if people change where they’re domiciled? How are you going to ensure that that—I would call it a register, a list, a database; it’s all the same, it’s an accrual of data. How are you going to assume that the IRD records are accurate?

McClay
Well, so it’s based on a point of purchase and a point of sale, and between purchase and sale somebody’s tax status could change. It will be treated the same as someone who migrates to New Zealand or a New Zealander who returns home from the UK or somewhere else, and their tax status changes. They have obligations under the New Zealand tax laws to provide that information to Inland Revenue, and with the changing of their tax status they will be liable for a differing degree of taxation.

But to give you an example. Somebody who doesn’t reside in New Zealand can’t have a principal place of residence here. So there can be no exception to them having to pay income tax on any capital gain within that brightline period. However, if somebody was to migrate to New Zealand and they take tax residence here and therefore this is their principal place of residence, during that 2-year period of time that could change.

Ross
Minister, someone has suggested that rather than just a tax clarification, as the Government announced, rather than just that, the Government should have gone further and gone with a full-scale capital gains tax, as has been advocated by some parties in the past. Can you outline why the Government rejected that idea, and the flaws you would have seen with that policy?

McClay
Capital gains taxes are notoriously complex and they end up having more exceptions than anything else to them. But, look, this is income tax, so in New Zealand you have to pay income tax on a number of things, including an intention to make a capital gain. If you buy a boat, you buy some shares, you buy anything else with that intention, then you have to pay income tax. That’s been the case since the early 1970s.

Having said that, we believe a brightline test, in this case around property, will create some clarity for people. This isn’t about people’s individual home. But an example: where mum or dad might buy a house and renovate it and sell it, and buy a house and renovate it and sell it, and buy a house and renovate it and sell it within that 2-year period. They know now what their obligations are, rather than being unsure and Inland Revenue having to go and look to audit and do compliance around it.

Ross
Can I just change the subject now, to Business Transformation. You outlined in your introductory comments some of the investment the Government is making in Business Transformation. Can you go into more detail into the areas that the Government will be investing in, through
Business Transformation, and the benefits you see that will be delivered through that new tax system.

McClay I’m very happy to speak about that, most certainly. A couple of things here. It’s around simplification and modernisation. To give you an example, a study was done in the States a little while ago that the average cost of tax compliance in the US for small businesses was about $10,000 a year. A similar study in New Zealand shows that it cost about $4,500. So our businesses are already better off. There’s less compliance cost compared to America. But when one considers how many small businesses we have in New Zealand and you extrapolate that out, that could be a couple of billion dollars’ worth of cost.

If we can find a way to efficiently halve that, then there is opportunity for significant growth of quarter to half a percent of GDP in a given year—is the first thing. And, secondly, that’s more time that people get to spend focusing on their businesses and investing in that businesses. So we do that from modernising the system. You know, those of you that choose could be on your cellphones at the moment, booking holidays, buying something on TradeMe, getting the groceries delivered at home—all from your digital device. We think that if New Zealanders are able to do that increasingly in their own lives, Inland Revenue needs to be dragged, kicking and screaming, into the 21st century so that people think less about paying tax and more about running their businesses, and compliance goes up because of the ease of doing business.

Ross It’s fair to say that it’s not a small amount of money—the Business Transformation costs. In the time that you’ve been Minister, how comfortable have you been around the costs and what have you done to demand savings from your officials through this process?

McClay The thing is that this is going to cost what it costs, but the taxpayer has a right to expect value for money and delivery of a good service. So we’ve spent about a $100 million so far, and more than half of that is going to New Zealand businesses. But, ultimately, this is about delivering a service. So that’s the first thing. The second thing that we need to do is ensure that there are benefits for taxpayers. Ironically, just replacing the computer system would be conceivably less work than transforming tax administration, but there would be a benefit to Inland Revenue for that and no benefit to the taxpayer.

There are estimates that the benefit to the taxpayer through Business Transformation could be as high as $2.5 billion in savings to their time and efficiencies. I am focused on making sure we can deliver those. That’s why I am willing to make all of these documents available to the committee and the public and Inland Revenue so we can continue to have these discussions as we go along.

So one of the most important things to realise, though, is that, as we move forward, Cabinet or Cabinets will need to make decisions about some of the things they want Business Transformation to do and to deliver. Those will
have cost implications to them and that is very much why I think open
dialogue will assist us and help us in these areas.

The final point I want to make—so currently we have a computer system
and Inland Revenue spends about $120 million a year on that. In the next
year or two they expect, without Business Transformation, that cost will go
to $160 million a year before coming down to about $140 million a year by
2025. So take the original 10-year period and that cost: that’s $1.6 billion to
maintain and run the current system without any efficiency gains for the
taxpayer, and with the Government being restrained in additional policy
they want to deliver.

So examples of the challenges that we’ve faced: an additional cost around
child support increasingly will likely be the case unless we move through a
system such as Business Transformation. So, you know, we’re going to
make sure that we deliver for the taxpayer. We’ll be working closely with
you to make sure that Inland Revenue spends the least amount possible to
deliver the most for the taxpayer.

Cosgrove You have made a decision to effectively dispose of your legacy computer
system. We’ve been advised that this morning. Do you see some inherent
risks in that, given that banks never dispose of their legacy system; given
that Novopay tried it and blew it apart; INCIS tried it—the police—your
previous Government tried it, blew it apart; ACC tried it and it blew apart.
And yet, you believe you can dispose of your legacy system and, effectively,
start from scratch, and that’s the low-risk option.

McClay No, that’s not what we’re doing at all. So, actually—

Cosgrove Well our advisers have told us that you’ve made a decision to dispose of
your legacy system.

McClay So, no. But, actually, what you’re indicating is we’re going to turn one off
and the other one on, and so that’s not the case at all. You know, so there
will be a day when we don’t need the current computer system but it’s my
expectation after all the advice that we’ve had—and a significant amount of
the expenditure has been around high-level advice and governance and
assurity and oversight to make sure that we’re making the right decisions
now. One of the challenges you have in any system like this is unless you
have the right people around the table they sometimes won’t know what
questions they don’t know to ask.

So we’ve extensively sought advice to make sure—including from the
people who have assessed and reassessed Novopay—to make sure that we
have the right management and governance structures in place to give all
the assurity we can at this stage. So that is the first thing. The second thing
is, over that 8-year period, it’s my expectation that the new system—
Business Transformation—and the existing system first will have to run in
parallel, for exactly the reason that you’re indicating. I don’t think it would
be a good policy or a good decision on my part to say: “Looks pretty good.
We’re going to switch the old one off and the new one—see what
happens.”
So some of that extra effort and that extra cost that we’re talking about is that we will run two systems for a period of time and it will be up to a future Cabinet—it won’t be during this term of Parliament, but a future Cabinet—to make the decision as to when the old system should finish. If I’m still the Minister then, in 6 or 7 or 8 years’ time, I would want absolute surety of a number of years of the new system working without error before that decision would be made.

Robertson In light of that comment, I want to take you back to the child support system. Who do you think is responsible for the blowout from what was to be a $34 million project—but it’s still a $210 million project because all you’ve really done is just delayed some of the implementation, maybe knocked a few dollars off here and there—but who’s responsible for that cost blowout?

McClay So, no we haven’t delayed it; it will be $163-odd million. So we’ve not knocked a few million dollars off; we’ve knocked about $50 million off, so that’s important—firstly. Secondly, I’m not sure it’s easy to say that there is one person in a group of people responsible. Those that conceived this—

Robertson Well how about a list?

McClay —are no longer involved in the project. I would say though that whomsoever came up with a view of it costing $30 million all those years ago, significantly and hugely underestimated, actually, the size of the challenge and the problem. I don’t think this was ever costing $30 million. I also don’t think it should cost $210 million. I’m glad that Inland Revenue have found savings and knocked about $50 million off this. It’s a very important policy and I’ll defend the policy but I don’t defend the spending.

Robertson I think everyone defends the policy but the people who are paid to give the Government advice about spending, Treasury; the people who are paid to give advice about IT, the Government Chief Information Officer; the people who are paid to give advice about the State services, the State Services Commission, told you and the Inland Revenue Department to pull the plug on the project. Why did you ignore that advice if you think you’re being responsible about spending?

McClay Well a couple of things there. The first is, half a million New Zealanders rely upon child support, that’s the first thing. The second thing, as this committee and Parliament found, the old system was unfair to the vast majority of those half a million New Zealanders. We collect $500 million worth of child support every year and we transfer it, over the 10-year—

Robertson And you’re still doing that, Minister, with respect, that would still have happened and those officials who I just read out said to you the same thing: they “… support the policy objectives … However: the financial cost of achieving these objectives is significant, and … the resulting reduction in transparency for customers—is at odds with the Government’s Better Public Services objectives, as well as the principles … [of the] Business Transformation … programme.” So those officials were telling you—this was actually at odds with the programme you’ve just spend 20-odd minutes
telling us how important and proud you are but you’re still prepared to go ahead and spend $130 million more than what was budgeted.

McClay

That’s right, and I think there are benefits for all of those New Zealanders that rely upon this service and I and Cabinet decided that we wouldn’t accept that advice, and that the changes that had been made were important to help these families. So this isn’t just about the cost, this is about some of the social good that we do in many areas. So Inland Revenue is responsible for taxation but it’s now responsible for a number of other things, including—

Robertson

With respect Minister, it’s not a zero—no, no—because we’ve already heard—

Bennett

Grant, Grant. Let him finish. Let him finish. No, Grant, let him finish OK?

Robertson

He’s finished.

Bennett

He’s not finished.

Robertson

So, Minister, with respect, you and your predecessor were told time and time again that the system would still collect money. You’re presenting it like it’s a zero-sum game—that there’d be no child support collected if you didn’t make these changes. That’s not what you were advised. What you were advised was that this was actually going to undermine your Business Transformation programme, and you ignored that advice.

McClay

Well, no I don’t accept that it is undermining Business Transformation—

Robertson

— and I’m not accepting that, and there’s no evidence of that—that’s the first thing. The second thing is it’s around timing. So I’m not saying that child support wouldn’t be collected, but what I’m saying is we have $3.2 billion worth of debt, so the system wasn’t working well. Conceivably, that would continue to get worse not better, and this is about mothers and fathers and their children. The final thing is a third stage of Business Transformation and is when we look at social policy, and that is 5 or 6 or 7 years away; in fact, it’s probably 8 or 9 years away from when this challenge around child support was first brought to me. I don’t think it’s reasonable to expect mothers and fathers who are trying to raise their children in difficult circumstances to have to wait that long because Treasury officials decide that we shouldn’t spend a little bit of extra resource at that stage to make the system better for them.

Robertson

So you’re telling us that as at today we’re not ever really going to be able to identify which groups of people were responsible for this blowout and you’re just happy to accept it’s just one of those things that $130 million or more has gone west.

Unidentifiable

No one’s accountable.

McClay

That’s not what I said at all—

Robertson

So who is accountable, Minister? Are you accountable? Is your predecessor accountable?
McClay: So the commissioner’s looked extensively at this. We’ve had oversight come and look at the issues and the problem. I am reliably informed that the system is working well. It’s delivering for the taxpayers that need it the most. It’s been going on for an extended period of time.

Bayly: Thank you. I was interested in your comments about base erosion and profit shifting before. Obviously, a very difficult topic because it involves multiple jurisdictions to be able to make it work, otherwise it’s a disadvantage. Perhaps where we can move quicker is around the thin capitalisation roles, and you’ve alluded to that. I was just keen to see what you’re doing because, obviously, use of different debt and quasi-foreign debt equity instruments is quite common, and particularly for [Inaudible] parties—so I was just really interested in an update on that.

McClay: Yep, good. So the OECD came up with a list of about 15 areas that countries should focus on around base erosion and profit shifting and New Zealand’s strong in the vast majority of those—12 or 13. There’s a couple of areas we don’t think quite fit with tax policy in New Zealand and some areas where we think could do a little bit of extra work. I’ll ask the Commissioner Struan to talk around thin capitalisation in greater detail in a moment.

However, within that, whilst New Zealand tax settings will be fit for purpose in those 15 areas or so that the OECD has identified, that in itself is not an overall solution for base erosion and profit shifting. And the reason for that is there will be a number of companies around the world who have legally structured into lower tax jurisdictions and they’re using those for tax advantage and tax gain. So I can’t answer the question when asked whether or not y or z company is paying their fair share of tax in New Zealand but, when one looks at how little sometimes they pay compared to the feeling of the amount of business they have, the taxpayer would be right to be concerned that they may not be. Through the exchange of information—so if you pick any company and Inland Revenue knows what they’re doing in Australia or the in the UK or in Ireland or any of the other jurisdictions—we have a better chance to make sure that we are setting our tax rules and cooperating with others so they pay their fair share of tax.

The final point on this—and the OECD, when I was there, I had a very in-depth briefing with the people who are driving this work forward. Two things, I suppose. The first is they’ve made greater progress than I thought they might a year or two ago and there seems to be an increasing number of countries around the world who are cooperating more than we thought they would. There are a couple of countries in Europe that have structures—[Inaudible] that, whilst legal, give other tax jurisdictions concerns. They’ve indicated they’re willing to move and change those structures, which I welcome.

The other thing that’s very interesting from this is some of the companies you hear of the most around these issues across jurisdictions are indicating they’re going to start changing their tax practices and this can only be
because they see the OECD and tax jurisdictions are starting to look to change their rules. Some of them, for reputational purposes, are ahead of that game. My advice to them is New Zealand’s a very good and fair place to be based; come down here and pay your tax. But Struan maybe you would like to talk about thin capitalisation.

Little

Just a couple of very brief points, and I’m agreeing with the Minister. But, clearly, international tax is going to be more and more important for New Zealand as we go forward, and that, obviously, involves our counterparties as well. So everything we need to do with do with them. So there’s two waves really. There’s one around can we get better international rules about enforcement of tax internationally, which includes thin capitalisation rules and others, and the second is information flows between jurisdictions. And New Zealand’s been very, very actively engaged in both of those and very, very supportive.

We’re moving with the flow with the OECD but there are some things that we can do at the same time, or even before, where we think that our rules can be tightened, and one of the things we’ve got up for discussion now is a paper on non-resident withholding tax where we think at the moment it’s not working as effectively as it can and we’ll continue to do that during the course of this year and then work with the OECD on larger changes as that goes forward.

Norman

Just related to that is the foreign trust issue. Now last year there was talk that there would be some action on foreign trusts before the end of last year. I may have missed it but I haven’t seen any action by the Government to close down the foreign trusts. Now, the foreign trusts—obviously it means that foreigners can park assets in a New Zealand-designated foreign trust entity, which is completely non-transparent. Nobody knows who the beneficiaries are of those assets, those foreign assets that are being parked in a New Zealand foreign trust. So it’s a major concern for the Australian taxation authorities. They see it as a major way to avoid paying tax, and I’m sure it’s a concern for the OECD as well. Will New Zealand finally move on the foreign trust problem whereby we are contributing to international tax avoidance or not?

McClay

Yeah, look, so I don’t think we have a big problem in this area, and I know others have categorised New Zealand as a tax haven. The thing about tax havens is there is complete secrecy, no information available. So within the New Zealand settings information is available. We can have a discussion—

Norman

No, no. The information on the beneficiaries isn’t available.

McClay

Yeah, so we can have a discussion or debate around these particular vehicles and whether enough information is available there and that’s something that we’ve been considering and working through. The push around the exchange of information through the OECD is where we are most likely to be able to deal with this. So my view is, actually, that this industry is important to New Zealand, it does have a legitimate purpose, but I am mindful we want to make sure that all the information that needs to be available to our tax authorities and other tax authorities is available and
through the exchange of information agreements we’re entering into force we’ll need to look at those issues.

Norman Well, when you say the industry’s important to New Zealand—I mean, the only people who get any employment out of this are a handful of lawyers who administer the foreign trusts and who are the official trustees and who cover for the real beneficiaries of the trust. So the way the trust works is the New Zealand lawyers sign the documents—they’re the face of the trust—but the actual beneficiaries, the people who own the assets or benefit from the assets, which could be Mexican drug lords or anything, they are completely unknown. So nobody knows. Like, so if I’m the Mexican Government and I want to track who these people are there’s no way for me to know, right, who the beneficiaries are of the trust. So why don’t you change the rules so that there’s transparency as to who are the beneficiaries of foreign trusts that are in New Zealand? Because that would help other tax authorities tremendously in terms of trying to crack down on international tax avoidance.

McClay So as we work through the issues of the automatic exchange of information with jurisdictions around the world and as we negotiate these agreements both bilaterally or multilaterally through the OECD those are all issues that we will look to address.

Norman And so the IRD said that you were reporting to the Minister by the end of 2014. Did the IRD report to your by the end of last year, as the media reports said at the time and as the IRD said in November?

McClay I’ve received a number of reports on this issue. None of them have drawn conclusion, and we continue to consider how best to make sure that the New Zealand tax system is open and transparent.

Norman And so when you’ve discussed the issue with the OECD, has the OECD raised with you the issue of New Zealand’s foreign trust regime, as the Australian Taxation Office—the ATO—has raised with New Zealand about our foreign trust regime? Has the OECD raised the issue with New Zealand of our foreign trust regime?

McClay So it hasn’t been raised with me directly, but I think that and a number of other settings around the exchange of information has been raised with Inland Revenue officials when they visited them.

Nash I mean, the IRD does a lot of, you know, good work around getting tax debt. There’s no doubt about that and we applaud that and we applaud the results that you’ve achieved. My one concern is there’s actually $750 million of overpaid tax that the IRD owes Kiwis, but it doesn’t appear to me that the IRD is being particular proactive in actually giving these Kiwis a call and saying: “Hey, you know what, we owe you some money. Give us a bank account number for us to put it into.” Have you got any more plans to replicate the action at one end to collect the debt with at the other end to actually give that $750 million back, keeping in mind after 4 years that drops off, whereas if it’s tax debt that goes until forever.
McClay: Yeah, so the member made a statement a little while ago on this and, look, the statement generally was helpful. The bit I don’t think that was correct though was the suggestion that the Government’s keeping this money back to prop up surpluses. So, actually, if you owe tax you have to pay it, it’s booked. If you have a refund it’s not our money. It either sits there and you get it back; we don’t want to spend it because it’s yours. So a couple of issues and challenges around it. There’ll be situations where we are able to find people and get the money back to them. There are situations where, you know, we can’t find these people and we don’t know.

The way forward around this though is around these changes to the computer system and Business Transformation. So it’s my view of one of the places we want to land is that actually much more of the tax system gets closer to real time, and an example of—let’s say somebody owes some money. At the end of the financial year for whatever reason you can owe some money. It’s a big burden a lot of time on a lot of business and a lot of New Zealanders, so we need the certainty we’re going to get that money.

There may be a possibility we can even that out over a tax period. We don’t need it as a lump sum—a bit more withholding as long as we know we’re going to get it. In the same case that that can happen much more automatically, which means that some of the peaks and troughs are taken out, it’s better for their businesses; there’s more certainty. Where you’re owed money back we want to get a system where automatically it can come back to you.

For individual taxpayers, a discussion that we’ll have to have is about bringing them into the tax system. So at the moment you don’t have to file a tax return as an individual unless you have certain types of income—rental income and so on. That works pretty well for the majority of people, but not for everybody. It may be one of the things we need a discussion on with this committee and the public is is there a way to bring people back into the tax system? Because the more they know about the tax system they’re more likely to get those refunds. We know they’re right, but I’d only want to do that if it doesn’t increase the burden upon them.

In the UK everybody gets a tax return and has to send it back. Well that would be a waste of everybody’s time and money in New Zealand, but through Business Transformation perhaps there are ways that this can happen much more automatically so, like the situation you’ve described, the money just turns up in their bank account.

Nash: That’s an assurance you’re going to pursue those who you owe money as vigorously as you go after those who owe you money?

McClay: And so the way that we want to do this also on the other side of the ledger going forward is where people owe money, you even the system out so it’s much more difficult for them not to have paid it, and so that you don’t get the discrepancies. So if you take the provisional tax system, that really needs an overhaul. Without doubt it needs an overhaul. Actually, my view would be if you’d adhered to our rules and the figures aren’t quite right at the end of the year, as long as we know that we’re going to get the right amount,
should we be penalising you to the degree that we do today? If you haven’t adhered to our rules then certainly that’s a different conversation. So on the other side, we want to even the system out for taxpayers, get it as close to real time as we can, so that you don’t have those peaks and troughs, and use that system to treat those who owe and those who are owed the same way and to treat them fairly.

Bennett OK, we’re out of time now.

Peters No we’re not. I’d like to ask a few questions, it’s a rather important issue. Can I ask you this? You said you’re going to go for a new system whilst keeping the old system alive, and for some considerable time. Now, it is conceivable that your new system does not work. Are you going to then fall back on the old system whilst developing another new system?

McClay So the thing about Business Transformation is we do it in four stages so there has to be a core to it, but actually it’s not like the old legacy systems where it’s one great big computer; it’ll be quite modular. So the other part of this is take some of the private sector software providers around accountancy in New Zealand and two that come to mind are MYOB and Xero. We actually think that if we can give them our rules and we can rely upon the way that they’re treating information that they can do a lot of the work with their clients on how that information is manipulated and is controlled. We just need to receive the information and rely upon it.

However, having said that, the company that’s been selected, Fast, is a company that is involved in creating our current computer system. They’ve been involved in 30 states and countries around the world so they’ve got extensive experience in this area and they’re one of the companies that has the best track record in delivering these services. We’re going to take a very cautious approach to this but it’s not one big system to replace an old big system, you know, it’s a numbers of areas we’ll work through.

Peters If I understand, you’re going to compartmentalise it or go for modular after modular, and you might have one failure over here but you could patch that up, get that right, and then keep on expanding your new system until it’s complete, is that roughly the answer?

McClay Similar to that, that’s right. So if you imagine at the moment you’ve got the current computer system which is called FIRST, and that’s just a tax vehicle. It’s had lots of other things sort of bolted on to it but it’s not bolted on, it’s written into it—and that’s as new policies come along, so the child support, the student loans, all of these other things. So the problem you’ve got is FIRST was not designed to do the things it’s now doing. This commercial off-the-shelf product is; it’s been working in 30 jurisdictions around the world. So at the moment an issue with child support is we had to go and change the child support component of the big computer, which can have an impact on all other parts of the computer. That’s why it takes so long and can be more expensive than anybody would want. In this case you’re going to have a separate program that bolts on and works—
Peters: If it’s working in 30 other countries why not just grab it off one of those countries?

McClay: Well, some of what they’re doing will be borrowed but their tax systems and our tax system are very very different.

Peters: One last question. Did anybody in your department bring to your attention the recent article in *North and South* about serious money laundering and its tax evasion implications?

McClay: Ah no, what did it say?

Peters: What it says is it’s rampant, it’s wholesale, and it’s mainly happening with foreign interests. But I would be—

Bennett: I think we might be out of time now. Thank you very much Minister, really appreciate your time.

Peters: Could I just ask another question?

Bennett: Well he said he’d never heard of it, so that’s—

Peters: No, no, I’m asking do any of his officials over there know what I’m talking about?

McClay: Well, we take tax avoidance very very seriously. We’ve given Inland Revenue in a previous Budget—

Peters: Anybody over there read it?

Bennett: OK, that’s enough.

**conclusion of evidence**
2015/16 Estimates for Vote Office of the Clerk

Report of the Government Administration Committee

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Vote Office of the Clerk

Recommendation

The Government Administration Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Office of the Clerk, as set out in Parliamentary Paper B.5 vol. 5, be accepted.

Introduction

The appropriations sought for Vote Office of the Clerk decrease to $20.33 million in 2015/16 (estimated actual for 2014/15: $21.139 million). The Office of the Clerk of the House of Representatives is the legislature’s secretariat. It provides specialist advice on parliamentary procedure and parliamentary law, and administrative services to the Speaker and members of the House of Representatives in the performance of their duties as members of the House. The responsible Minister is the Speaker of the House of Representatives, the Rt Hon David Carter.

Recruitment and retention

The chief executive and Clerk of the House is Mary Harris. On 3 July 2015 Mary Harris will retire after 28 years in the Office of the Clerk, five of them as Clerk of the House. We would like to thank Ms Harris for her service. The Clerk-Designate is David Wilson, currently Clerk-Assistant (House).

A number of reviews and restructures have reduced staff numbers in the Office of the Clerk from a total of 117 staff in 2013 to 110 full-time equivalents. In the 2015/16 financial year this will fall a further 11 percent to 98, at an estimated redundancy cost of about $590,000 (incurred in the 2014/15 financial year).

Around half of the office’s budget is allocated to salaries, and the office is forecasting a shortfall in workforce costs from 2016 and out-years of up to $1 million. In response to questions, the office stated its intention of managing 2015/16 pressures through its work programme and those of out-years through budget bids for employment costs.

Leadership and development

The Performance Improvement Framework review in 2014 was critical of how staff were managed and the lack of career development. Although Vote Office of the Clerk does not have a specific appropriation for career development, we were assured that funding for this sits within the general appropriation. The office has taken steps to action the recommendations of the review, which we commend.

Publication of the 4th edition of *Parliamentary practice in New Zealand* (McGee) is being used as a development opportunity for some staff, while a restructure of Select Committee Services has been driven partly by the need for professional development related to a strengthened scrutiny function being rolled out to select committees.

We also heard that the office has good links with Australian parliaments, both State and federal, through the Australia and New Zealand Association of Clerks-at-the-Table and
Commonwealth clerks, through the Commonwealth Parliamentary Association, which offer development opportunities.

A number of redundancies in recent years reflect extensive changes to the office’s leadership structure, based on a distinction between leading and managing. The office has sought to establish two career paths, one for leaders and the other for parliamentarians; the Clerk of the House noted that the best proceduralists often are not the best managers. While the Office of the Clerk of the House of Representatives is a specialist organisation, necessarily offering specialised (and somewhat narrow) career paths, it has endeavoured in restructuring Select Committee Services to develop ways for staff to move more easily throughout the organisation and into and out of the wider job market.

The office expects a Performance Improvement Framework follow-up review to be conducted during the 2015/16 financial year. We look forward to the results.

**Core parliamentary and publishing systems**

One of the office’s strategic impacts is that public respect for the institution of Parliament grows because the public is informed about what Parliament is doing and can participate. The office submitted four budget bids for Budget 2015, of which three related to this strategic impact: updating the information technology systems supporting core parliamentary and publishing systems, redeveloping the parliamentary website, and webcasting select committee hearings of evidence and Parliament TV. Budget constraints have caused the office to defer some of the redevelopment of the website and the full roll-out of webcasting select committee hearings of evidence.

The office’s core parliamentary and publishing systems include Hansard, questions for written answer, closed captioning of Parliament TV, and the select committee online system. We discuss captioning in detail below. The budget bid for capital planning to fund updating the information technology systems was reduced from the $625,000 sought ($580,000 in out-years) to $500,000. Realistically the office’s publishing systems need to be upgraded every five years. We note that the online questions for written answer system has been identified as a risk because of its age.

**Captioning**

In Budget 2013 the office received $900,000 in additional funding to establish a closed captioning system for Parliament TV ($600,000 in out-years). Part of the appropriation Secretariat Services for the House of Representatives, the funding was in response to the report of the Government Administration Committee of the 50th Parliament’s inquiry into the accessibility of services to Parliament. Although funding has been available since the 2013/14 financial year, captioning of Parliament has yet to be implemented two years later. This is disappointing, particularly in the light of the Speaker’s response to the previous committee’s accessibility report, where it was noted that the “Office of the Clerk has made a commitment to providing live captioning on Parliament TV during the current term of Parliament” (that is, the 51st Parliament).1

In response to our questions, the office submitted that a very high rate of accuracy and the least possible delay in captions appearing is required before it could allow the service to go live. Two trials have been undertaken with Able, New Zealand’s television captioning and audio description service, and although there was significant improvement in the standard

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2015/16 ESTIMATES FOR VOTE OFFICE OF THE CLERK

and timeliness of the captions the quality remained unsuitable for broadcasting. The trials had begun with Question Time as it is the most watched parliamentary proceeding, but it is also of its nature the most difficult to caption in real time.

We acknowledge that for the service to be useful, it must be of the highest quality. We concede that Question Time is both the most watched parliamentary proceeding and the most difficult to caption. The typically quick interchanges during Question Time mean that a 15- to 20-second delay in captions being displayed could make the exercise ineffective. Able is the only New Zealand organisation that provides television captioning and audio services. We heard that it is difficult to develop the necessary skill to meet parliamentary requirements as so little live captioning is done in New Zealand. Contracting out overseas is an option.

We are adamant that the captioning of parliamentary proceedings ought to proceed as swiftly as possible. The best way forward might be to divide live and delayed captioning contracts between different agencies. We are pleased that the office has agreed to consider implementing on-demand captioning immediately while the necessary additional work with live captioning is progressed. We intend to keep a very close eye on developments.

Parliament website

The office submitted a budget bid of $1.4 million in capital expenditure and $250,000 operating expenditure ($500,000 in out-years) to redevelop the Parliament website to implement a disaster recovery system, to meet web accessibility standards, and open up the availability of data. That this bid was unsuccessful is of concern to some of us.

In response to the previous committee’s accessibility report, the Speaker stated that the Office of the Clerk and the Parliamentary Service was embarking on a “major project” to refresh the website to make it accessible to all New Zealanders. Following the unsuccessful budget bid, the office has re-prioritised funding in order to deliver some of the services planned for. It assured us that this will be possible. The parliamentary website does not comply with State Services Commission accessibility guidelines. We consider that Parliament’s website should do so.

We are also concerned that monies were unavailable in the Budget to implement a disaster recovery system, and were pleased to hear that the Clerk of the House has been in discussions with the Treasury and intends to resubmit the budget bid. We support this endeavour and encourage the participants in the budget process to consider how funding might be obtained, as it is important to have Parliament up and running as soon as possible following any major disaster.

Webcasting

The office submitted a budget bid to extend the webcasting of select committee hearings of evidence to all committee rooms, and to cover the cost of web streaming Parliament TV. While it received the additional funding sought for Parliament TV of $180,000 per year, it did not receive the funding requested for select committee webcasting. Consequently, it has deferred the roll out of the full webcasting of select committee hearings of evidence and has reverted to the pilot arrangement whereby hearings in Select Committee Meeting Rooms 1 or 2 are streamed.
Appendix

Committee procedure
We met on 17 June and 1 July 2015 to consider Vote Office of the Clerk. We heard evidence from the Speaker of the House of Representatives, Rt Hon David Carter, and the Office of the Clerk of the House of Representatives, and received advice from the Office of the Auditor-General.

Committee members
Hon Ruth Dyson (Chairperson)
Sarah Dowie
Brett Hudson
Mojo Mathers
Mark Mitchell
Adrian Rurawhe

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Office of the Clerk, prepared by committee staff, dated 3 June 2015.
Office of the Auditor-General, Briefing on Vote Office of the Clerk, dated 17 June 2015.
Speaker of the House of Representatives, Response to standard Estimates questionnaire.
Speaker of the House of Representatives, Response to additional questions, received 15, 29, and 30 June 2015.
The Finance and Expenditure Committee has examined the 2015/16 Estimates for Vote Audit and recommends that the appropriations in respect of Vote Audit for the year ending 30 June 2016, as set out in Parliamentary Paper B.5, Vol.5, be accepted.

David Bennett
Chairperson
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Recommendation

The Government Administration Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Ombudsmen, as set out in Parliamentary Paper B.5, vol. 5, be accepted.

Introduction

The Office of the Ombudsman is an Office of Parliament, and acts as an independent authority to help the community in its dealings with Government agencies. The office administers Vote Ombudsmen, and the Speaker of the House of Representatives, Rt Hon David Carter, is the Minister responsible for the appropriations within the vote. Each year the budget for the Office of the Ombudsman is considered by the Officers of Parliament Committee before being introduced in the Budget.

The appropriations sought for Vote Ombudsmen increase to $12.387 million in 2015/16 from $12.278 million estimated actual for 2014/15.

Recruitment and retention

The Chief Ombudsman, Dame Beverley Wakem, is due to retire in 2015 after 10 years in the office, seven of them as Chief Ombudsman. We would like to thank Dame Beverley for her service. Recruitment for a new Ombudsman is in progress, and the Speaker expects an announcement on the subsequent appointment of a Chief Ombudsman to be made in August or September 2015. The roles of ombudsman and Officer of Parliament are of the utmost importance, and we look forward to these appointments being made in the not too distant future.

The Office of the Ombudsman is a relatively small agency with about 78 full-time-equivalent staff members. At 30 June 2015 the office had six unfilled positions, and although it does not expect to have any unfilled positions in the 2015/16 financial year it has received three resignations that will take place during the 2015/16 financial year. The office has experienced significant staff turnover in recent years. While some of this is due to retirement and personal circumstances, we heard that the office is unable to compete with remuneration offered by other employers. Dame Beverley also noted that a number of the staff have been “head-hunted” by a particular organisation.

While we are confident that the office can recruit quality staff, turnover leads inevitably to a loss of institutional knowledge, and has the potential to affect performance. Dame Beverley acknowledged that it can take around a year for new staff to come to grips with their role. Notwithstanding the dedication of staff to the purpose of the ombudsmen, the office has implemented a continuous improvement strategy model and quality control measures to prevent overlap and duplication of work.

Complaints to the Office of the Ombudsman

Monies sought for the appropriation Investigation and Resolution of Complaints About Government Administration increase from an estimated actual $9.907 million in 2014/15 to $11.237 million in 2015/16. Complaints to the Office of the Ombudsman have increased...
significantly in recent years, the 13,684 complaints in the 2012/13 financial year being the highest total to date. The 2014/15 financial year has received the second highest number of complaints.

The office is not always able to predict spikes in complaints, and is in the unfortunate position of being unable to allocate funding or staff to set its performance measures as a result of this. We see value in undertaking this work and encourage the ombudsmen to consider how it might be done.

We asked why the performance measure for completing Official Information Act complaint investigations has remained unchanged at 800 for the 2015/16 financial year despite this estimate being exceeded during the 2014/15 financial year by about 200. We were pleased to learn that this target has been reviewed since publication of the Estimates documents and that the new target, to be included in the statement of intent for 2015–19, is 1,000.

**Codification**

We are pleased that the office’s codifying of its major decisions is soon to be completed and published. We heard that this might have the effect of reducing the volume of complaints, as people would be able to view comparable decisions and tailor their actions accordingly. We look forward to the completion of this project and commend them on this work.

**Ombudsman Act**

Amendments in 2015 to the Ombudsman Act 1975 allow the ombudsmen to refuse to investigate a complaint if preliminary inquiries indicate that an investigation is unnecessary. We were interested to hear that, while this provision should lighten the office’s workload, the ombudsmen see their power as deriving mostly from persuasion and mana, not “hatchet” provisions in legislation. We also discussed the possibility of amending the Act to set deadlines for agencies to respond to complaints under the Ombudsman Act. Currently there are none, leaving the office at the mercy of agencies regarding the timeliness of their response. A draft review is before the Minister of Justice and we look forward to progress.

**Official Information Act requests**

In December 2014 the Chief Ombudsman launched a review of practices regarding response to requests for information under the Official Information Act 1982. The project is funded from baseline funding, with the assistance of one contractor.

The impetus for this review has been allegations that the OIA process is being circumvented for a variety of reasons. We were interested to hear from Dame Beverley that she thinks the problem is due more to ignorance of the Act and inexperience in implementing its provisions, than maleficence. She said that Ministers’ staff are in particular need of training as ignorance and inexperience of the Act leaves Ministers exposed. Dame Beverley also observed that those who know best how the Act should work are no longer with the public service. Looking ahead to the release of the ombudsmen’s report, Dame Beverley thinks that it is likely to recommend establishing a regular audit process. A review of guidance might also help with systemic issues or gaps in governmental agencies. She also expects considerable improvement in response times.
We noted an increased tendency to redact information in documents produced in response to OIA requests, often to the point where the information sought is of little to no use. We heard that agencies are often concerned that people will not understand the context of the information obtained, and attempt to prevent misunderstanding by removing information. We think that the ombudsmen’s suggestion of releasing more information would be a better solution, providing the necessary context.

Agencies’ and Ministers’ responses to the ombudsmen’s survey are due to be released in 2015, and the ombudsmen’s report is due to be released thereafter. Under Standing Order 396(1)(b) reports from the ombudsmen stand referred to the Government Administration Committee. We look forward to considering the ombudsmen’s review of Official Information Act requests at the appropriate time.
Appendix

Committee procedure
We met on 17 June and 1 July 2015 to consider Vote Ombudsmen. We heard evidence from the Speaker of the House of Representatives, Rt Hon David Carter, and the Office of the Ombudsman, and received advice from the Office of the Auditor-General.

Committee members
Hon Ruth Dyson (Chairperson)
Sarah Dowie
Brett Hudson
Mojo Mathers
Mark Mitchell
Adrian Rurawhe

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Ombudsmen, prepared by committee staff, dated 11 June 2015.
Office of the Auditor-General, Briefing on Vote Ombudsmen, dated 17 June 2015.
Speaker of the House of Representatives, Response to standard Estimates questionnaire.
Speaker of the House of Representatives, Response to additional questions, received 15 and 30 June 2015.
2015/16 Estimates for Vote Health
Report of the Health Committee

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Vote Health

Recommendation

The Health Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Health, as set out in Parliamentary Paper B.5 Vol. 6, be accepted.

Introduction

Vote Health is the second-largest vote in Budget 2015, accounting for 17.8 percent of the total 2015/16 appropriations. It is the largest vote in terms of output expenses, which at $14.716 billion make up 42 percent of the total estimated appropriations for such expenses in 2015/16.

The appropriations sought for Vote Health increase by approximately 4.9 percent to $15.868 billion in 2015/16 from estimated actual spending of $15.131 billion in 2014/15.1 About three-quarters of the appropriations sought are to fund health services from District Health Boards (DHBs).2 In a change from previous years, $55 million of non-departmental capital is provided in 2015/16 as deficit support for DHBs.

The Minister of Health, Hon Dr Jonathan Coleman, is responsible for the appropriations within Vote Health.

Minister of Health

We congratulated Dr Coleman on his appointment last year as Minister of Health and expressed our satisfaction with the working relationship he has established with us.

Some of us noted that responses to written questions and Official Information Act requests to the Minister and to the Ministry of Health are not always produced in good time. The Minister agreed that information should be shared openly. He said that, while the ministry tries its best to reply promptly and accurately to the large volume of requests it receives, previous privacy breaches have made it very careful with the information it releases. The ministry’s decentralised system can mean staff need a long time to assemble and provide information, but the Minister assured us that there is no deliberate intention to delay its release.

We asked the Minister if he would consider implementing a timeliness measure for answering written questions. The Minister doubted that such a measure would overcome the issues contributing to slow responses, but said that he would look into the matter.

Sector leadership

Chai Chuah was appointed Director-General of Health in March 2015 after acting in the role since October 2013. Some of us expressed concern at reports of a culture of bullying and intimidation in the ministry, especially among senior leaders. The Minister suggested that in such a large ministry, there will always be some disgruntled people. Mr Chuah told us that the results from the most recent Gallup engagement survey of the ministry, held in

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1 Parliamentary Paper B.5 Vol.6, p. 10
2 Parliamentary Paper B.5 Vol.6, p. 2
April, show an overall improvement in staff engagement. Figures for 2011 showed 21 percent of ministry staff were engaged. This has improved to 38 percent in 2015. Mr Chuah acknowledged that some teams consistently record low engagement, but assured us that this is being addressed. He said that he tells staff regularly that he expects a culture of engagement and transparency, and that bullying will not be tolerated. The Minister said he has faith in the Director-General's ability to address any unacceptable behaviour.

Cost pressures in the Ministry of Health

Some of us are concerned that the Ministry of Health had asked for $150 million in the Budget to address cost pressures but had received only $79 million, so might not be able to deal with cost pressures and meet the Government’s expectations. The Minister acknowledged the pressures on the ministry, but said that he had been assured that it will be able to absorb and manage them over the coming year. The ministry said that the $150 million was originally sought to purchase services, rather than to cover departmental expenses, and that the figure was based on a Treasury forecast of higher inflation; when the forecast changed, the figure was adjusted downward accordingly.

Demographics and chronic disease

New Zealand’s population is not only growing but also ageing. The proportion of New Zealanders aged 65 and over is predicted to increase from 14 percent (approximately 630,000 people) in 2013 to 22 percent (approximately 1.15 million people) in 2033. Life expectancy has also increased, but many people spend their later years suffering from chronic diseases such as diabetes.

We asked the Minister how changing demographics and chronic disease will be addressed. We also conveyed our concern about the costs of dealing with chronic conditions and the pressure it will put on the sector. The Minister told us that new models of care will be needed, so that more people are treated in primary care, funding is moved away from expensive secondary and tertiary care, and services in the community are strengthened. We were pleased to hear that more focus will be placed on prevention, and interventions made earlier. The ministry said it is also looking at better ways to support older people in their homes, to help them maintain independence.

The Minister ultimately envisions a patient-centered system in which people take more responsibility for their own care.

Promoting healthy lifestyles

We asked how the ministry is addressing the related problems of obesity and diabetes. The Minister acknowledged that obesity is a major issue for New Zealanders. We heard that various initiatives are operating, including the Healthy Families New Zealand pilot project, which is running in communities recognised as high risk. We were pleased to learn that the Healthy Families programme, which seeks to gradually modify risk factors such as obesity, is proving successful and will be expanded to more communities.

The Minister told us that as Minister responsible for both Health and Sport, he sees the linking of the two portfolios as part of the way to improve New Zealanders’ overall fitness and health. He said that 79 percent of children exercise or play sport more than three times a week, and he would like to see this figure increase. We heard that the Health Star Rating for food and newly announced cycle-ways are part of a broader campaign to counter obesity and sedentary lifestyles.
Diabetes

We pointed out that a 2008 report by PwC\(^3\) estimated that by 2021 treatment of type 2 diabetes and related diseases would cost the health sector $1.78 billion. Research by the University of Otago\(^4\) has also demonstrated that the proportion of the population with diabetes is likely to be higher than previously thought. We asked what modelling the ministry is undertaking of the future cost of obesity and diabetes-related disease, and how the ministry intends to deal with these issues. The Minister said the ministry has not been conducting detailed modelling because valid predictions are already easily obtained. The Minister’s focus is on action rather than analysis, and he considers that multiple initiatives are needed, including the existing five-year diabetes strategy. We asked what the projected cost of diabetes related disease will be by 2021 but the ministry was unable to provide us with figures. We will continue to monitor this matter.

Smoke-free targets

The Minister expressed shock at some smoking statistics, including 50 percent of Māori women smoking throughout pregnancy, and said that the ministry needs to do better in this area. We asked the Minister about the progress of the Smoke-free Environments (Tobacco Plain Packaging) Amendment Bill. We understand that data on the effect of 2012 legislation in Australia mandating the plain packaging of tobacco products indicated that the percentage of the population who smoke has fallen by about three percent. The Minister told us that the Cabinet will discuss what is to be done next, including any action on tobacco excise provisions.

Prevention and detection of disease

Bowel cancer

We heard that $12.4 million has been allocated to extend the bowel cancer screening pilot at the Waitemata DHB to December 2017. We asked if and when funding will be provided for screening in other regions. The Minister said the results of the pilot will be analysed before a decision is made on whether to expand the programme. We will follow this matter with interest.

Macular degeneration

We asked the Minister if there were plans to fund a national awareness programme for macular degeneration, which is a leading cause of blindness. Such a programme is funded in Australia. We heard that there has been a significant improvement in the incidence of the condition as a result of new therapeutic measures. The ministry said it is involved in an ongoing conversation with Macular Degeneration New Zealand about raising public awareness of the condition.

Flu vaccine

We voiced concern about the delayed supply of the flu vaccine earlier this year. This was due to the need to accommodate a new influenza strain. We were assured that an adequate supply is now available. We hope that planning for the next flu season will ensure a sufficient supply in good time.

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\(^3\) Diabetes New Zealand and PwC, 2008

Palliative care
We were pleased to learn of a new initiative providing $76.1 million over four years to help hospices expand their palliative care services. The Minister told us that $13 million is being allocated each year to help hospices expand community services for people at home and in aged-care facilities. A further $7 million has been allocated for new nurse specialists, palliative care educators, and other workers at hospices. We heard that the aim of improving palliative care is to make a person’s life, and the lives of those in their family, as comfortable as possible and ensure they are fully informed about their care and options.

Hospice funding
We were pleased to hear of the 70/30 hospice funding split, where the government provides 70 percent of the funding of individual hospices through DHBs and the hospices fund the rest. We were concerned that this may not be operating effectively across the board. South Auckland’s Totara Hospice, for example, is reportedly receiving less than 50 percent of the funding it needs from the responsible DHB. We heard that the ministry is discussing the funding for New Zealand’s 29 hospices with Hospice New Zealand, and DHBs. We will continue to monitor this issue.

Health procurement agencies
Health Benefits Limited (HBL) is a Crown company formed in 2010 to help DHBs save money by reducing their administrative, support, and procurement costs. HBL will cease operation on 30 June 2015 and its functions will be assumed by a new multi-parent Crown entity subsidiary, New Zealand Health Partnerships Limited, owned equally by all DHBs. We note that the Office of the Auditor-General is undertaking an inquiry into HBL.

The Minister assured us that a $12.74-million Crown loan that HBL was due to pay back by the end of June 2015 would be repaid before the end of the month and that the net savings achieved by HBL outweighed the overall costs it incurred.

We also noted problems with HBL’s reporting of the financial results of its programmes to the sector. We sought assurance that the new entity will have better, more accurate reporting systems. The Minister said it is important that New Zealand Health Partnerships Limited ensures that its financial forecasting and reporting are better than those of HBL, and that the new entity has been set up to ensure certainty in its reporting. The Minister said that New Zealand Health Partnerships Limited would implement the effective programmes developed by HBL, with resulting savings to the sector.

District Health Boards (DHBs)
Cost pressures
Some of us expressed doubt that the $300 million in additional funding provided in the Budget to reduce cost pressures on DHBs over the next year will be enough. We asked if DHBs would be expected to make efficiencies to break even financially. The Minister said he was confident that the funding provided would be sufficient, but acknowledged that DHB chief executives and chairs will need to manage their funds carefully.

We note that the Serious Fraud Office declined to initiate an investigation into the $5.3 million that Southern DHB alleged it was owed by South Link Health. The period within which civil action might have been launched has lapsed, and the Minister said it was time to move on from the case.
Annual plans

We are aware that some DHBs' 2014/15 annual plans had not been agreed by the fourth quarter of the year to which the plans applied. This presents a clear risk for governance decision-making. The Minister said he has made it clear that such a situation should not occur again. He said that 11 draft 2015/16 annual plans are ready, and the remaining DHBs still have work to do before their plans can be signed off. We intend to monitor this issue.

School-based health services

School-based health services were expanded in 2013 and are now also provided in decile three schools. We were pleased to note that their programmes are producing good results. At present, funding is provided to schools in the three lowest deciles. The Minister said that the ministry funds the services, and that it will continue to fund schools already in the programme even if their decile ratings should change.

Social bonds

On 1 June 2015 the Minister of Health and the Minister of Finance announced $28.8 million of funding under Vote Finance, for four social bond programmes. Under the social bonds model, the private sector invests in the delivery of services by non-governmental organisations, and is paid a return on the investment depending on the achievement of agreed outcomes. The first pilot programme is aimed at supporting people with mental health conditions’ return to employment.

We asked how risks, and measures of success, will be managed, and heard that although the social bonds programme is yet to be designed the Minister expects effective contracts to mitigate risks and provide for worthwhile, sustained outcomes.

Funding for pharmaceuticals

The Minister told us that Budget 2015 provides $800 million for the combined pharmaceutical budget. Some of us expressed concern that over the past few years funding for this area, which includes the Pharmaceutical Management Agency’s (Pharmac’s) operating costs, has not grown much; we suggested this represented a potential risk to New Zealanders’ access to modern pharmaceuticals. Some of us were surprised to hear from the ministry that Pharmac agreed to the flat-line approach to funding. We will continue to monitor this area with interest.

Joint and bone pain teams

We were pleased to hear that $6 million is allocated to a new initiative for joint and bone pain teams in the health sector. The Minister told us that a multidisciplinary board will be meeting in the near future to draw up parameters and measurements for this team approach. It will also decide how it will be implemented. The programme aims to alleviate pain and suffering for a large number of New Zealanders, and also to prevent the need for some operations. It will help people with joint and bone pain stay active for longer.
Appendix

Committee procedure

We met on 24 June and 1 July 2015 to consider Vote Health. We heard evidence from the Minister of Health, Hon Dr Jonathan Coleman, and the Ministry of Health, and received advice from the Office of the Auditor-General.

Committee members

Simon O’Connor (Chairperson)
Jacqui Dean
Kevin Hague
Hon Annette King
Barbara Kuriger
Dr Shane Reti
Scott Simpson
Barbara Stewart
Louisa Wall

Evidence and advice received

In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Health, prepared by committee staff, dated 22 June 2015.

Office of the Auditor-General, Briefing on Vote Health, received 22 June 2015.


Ministry of Health, Responses to supplementary standard Estimates questions 1-178, received 22 June 2015, questions 179-204 received 29 June 2015.
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Vote Justice

Recommendation

The Justice and Electoral Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Justice, as set out in Parliamentary Paper B.5, Vol. 7, be accepted.

Introduction

The Minister of Justice, Hon Amy Adams, is responsible for the appropriations in Vote Justice, which is administered by the Ministry of Justice. The total appropriations sought this year for Vote Justice amount to $591.644 million, a 22.4 percent increase from the estimated actual expenditure in 2014/15 of $483.379 million. Capital expenditure has almost doubled (from $143 million in 2014/15 to $274 million for 2015/16) due to the Christchurch Justice and Emergency Services Precinct build, the refurbishment of courts, and other technology upgrades. Non-departmental output expenses have decreased by approximately 12 percent from the 2014/15 budget requirements for funding the 2014 General Election, although this is partially offset by additional funding in 2015/16 for the process to consider changing the New Zealand Flag.

Justice sector users

We asked if users were surveyed about their satisfaction with the justice system. The Minister said the Crime and Safety Survey, conducted approximately every five years, captures people’s experience of, and perceptions relating to, crime and victimisation. The Minister observed that the amount of violent crime in public places has fallen considerably, contributing to people’s generally good perception of public safety. The chief executive commented that judicial satisfaction with the services of the Public Defence Service was surveyed at 93 percent.

Māori and Pasifika

Many user satisfaction surveys do not take account of the ethnicity of the person being surveyed. We were concerned at the disproportionate number of Māori and Pasifika youth in the justice system, and some of us suggested there should be an inquiry into structural discrimination in the system. The Minister agreed that there is work to be done on the overrepresentation of Māori in the justice system, but pointed out that many of the contributing factors were outside the justice sector. Māori youth offending decreased by 47 percent from 2009 to 2014, compared with a 58 percent reduction in offending by non-Māori youth. Although the conviction rates evidence the disparity in the representation of Māori in the justice system, the Minister is encouraged by the reduction in the conviction rate of Māori.

Family violence

The Minister acknowledged that while crime is at a 36-year low, the high incidence of family violence is unacceptable. Reducing family violence is the top priority for the ministry, although historically it has been difficult for any one policy initiative or programme to make headway. The Minister is working on reviewing and updating
domestic violence legislation, including the Domestic Violence Act 1995. A key initiative is designed to help victims of family violence stay safe in their own homes to minimise disruption to them.

**Case management**

The ministry is seeking to improve its case management programme to improve outcomes and address issues of family violence, with the welfare of children as the top priority. It is trialling intensive case management for high-risk victims to provide them with more comprehensive support services. The Law Commission is helping to reform family and sexual violence case management by empowering judges to be more pro-active as to which cases they accept. Family Court reforms have allowed more cases to be resolved through mediation, freeing up space and enabling the more efficient processing of critical cases through the court system.

**Information-sharing**

The Minister is focusing on improving the coordination of government services, recognising that family violence issues require an integrated whole-sector approach. Currently, information is not being shared between the civil and criminal courts, which has far-reaching consequences for the safety and support of families. For example, the criminal court deals with issues like the breaching of protection orders, but these outcomes are not communicated to the civil court, which deals with matters such as care of children rights and the granting of protection orders. The Minister is working to improve communication between the civil and criminal courts on matters that affect families.

**Chief Victims Adviser**

The Minister is setting up a new role of Chief Victims Adviser to Government to give ministers independent advice specifically representing the views and voices of victims. The Minister hopes that this new role will provide a foundation of practical advice to inform future policy.

**Access to justice**

Some of us questioned whether efficiencies in the justice system were creating barriers to people accessing justice services, echoing Justice Winkelmann’s concern that the justice system was increasingly becoming “user pays”, creating a gap of unmet justice needs, evidenced by the increasing numbers of self-represented litigants.

**“User pays”**

The Minister said that New Zealand has one of the lower rates of collection of the costs of running courts; the most substantial court costs will be fees for lawyers. Some of us are concerned that filing costs are still unaffordable for many people; for example, one of us quoted the filing costs for one day in the High Court as approximately $6,700, excluding the costs of representation. The Minister said that the cost of running the court has to be balanced between court fees paid by litigants and the cost to the taxpayer, which is currently estimated at 85 percent.

**Self-represented litigants**

Some of us expressed concern at New Zealand’s rising rates of self-representation. The Minister acknowledged that, but said that they reflected an international trend, rather than any particular policy direction. There are various reasons why litigators might choose to
represent themselves; for example, lawyers may reject a litigant’s claim if they consider it to be baseless. The Minister noted that four self-represented litigants are responsible for 44 percent of the filings in the Supreme Court.

Legal aid

We asked if people had reasonable access to legal aid, especially considering the low threshold for ineligibility in the civil courts: a single applicant is eligible if their maximum income level before tax does not exceed $22,366. Legal aid thresholds do not apply to the criminal courts, so are no barrier in accessing quality legal advice. In civil court cases legal aid can be awarded to people above the threshold if it is deemed appropriate; but some of us felt that the application process could be daunting for some people.

Some of us were concerned that only $112 million is being appropriated for legal aid in the 2015/16 budget, against a forecast estimate of $124 million. The Minister pointed out that the budget for legal aid in 2015/16 has actually increased by about $2.75 million from what was appropriated in 2014/15. Legal aid is a demand-driven budget, which means there is no fixed limit to legal aid provisioning, and additional money is transferred into the budget in response to demand throughout the year.

Trust law

We asked about the progress of the Trusts Reference Group, established to reform laws governing private trusts. The Minister was enthusiastic about the work of the group, saying that trust law was outdated and a barrier to the effective application of trusts. The Minister hoped that a bill concerning trust law would appear before this Parliament. Charitable trusts would be scrutinised in a separate review by the Law Society.

Offender levy

The Minister said that approximately 85 percent of the levy is being collected, generating revenue of round $4 million a year. The levy funds programmes such as home safety services, specialist advisers for victims of sexual violence, funeral assistance for victims of homicide, and various other grants to reduce the financial burden on victims, such as travel assistance grants. The offender levy does not negate or replace any restitution the courts might impose.

Family Court law reform

We asked if the Ministry of Justice is consulting the Law Society about the Family Court law reforms, and were told that there is no specified programme for review of law reforms, but the ministry does have regular discussions with the society to address issues and improve services. The reforms have resulted in a number of improvements. For example, 70 percent of cases that would have gone through the courts can now be resolved through mediation, allowing more enduring outcomes, reducing costs and time, and freeing up space for critical cases to be heard in court. We were concerned that 68 percent of applications were filed as “without notice” applications. The Minister said that a judge determines if the “without notice” application is appropriate.

We asked why care of children applications had decreased by 6,000, and wondered if this was because fewer people are accessing services, which would be of concern to us. The Minister said that there had been a surge of activity as people wanted to have their cases resolved before the law reforms took effect, resulting in a reduction in current case volumes. She said there is no evidence of a gap of unmet need.
Appendix

Committee procedure
We met on 25 June 2015 and 2 July 2015 to consider Vote Justice. We heard evidence from the Minister of Justice, Hon Amy Adams, and the Ministry of Justice, and received advice from the Office of the Auditor-General.

Committee members
Jacqui Dean (Chairperson)
Jacinda Ardern
Chris Bishop
Marama Fox
Peeni Henare
Jono Naylor
Alfred Ngaro
Denis O’Rourke
James Shaw
Hon Louise Upston

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Office of the Auditor-General, Briefing on Vote Justice, received 23 June 2015.
Minister of Justice, Response to standard Estimates questionnaire.
Minister of Justice, Response to additional questions, received 22 June 2015.
2015/16 Estimates for Vote Courts

Report of the Justice and Electoral Committee

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2015/16 ESTIMATES FOR VOTE COURTS

**Vote Courts**

**Recommendation**

The Justice and Electoral Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Courts, as set out in Parliamentary Paper B.5 Vol.7, be accepted.

**Introduction**

The Minister for Courts, Hon Amy Adams, is responsible for the appropriations within Vote Courts, which is administered by the Ministry of Justice. The appropriations sought for Vote Courts in 2015/16 total $718.602 million, a 3.8 percent increase from the estimated actual expenditure in 2014/15 of $692.777 million. The increase in the vote can be attributed partly to funding related to the Christchurch Justice and Emergency Services Precinct and to the implementation of the Vulnerable Children Act 2014.

**Court closures**

We asked the Minister to explain a number of recent court closures. The Minister said that some courts, like Oamaru, have had to relocate temporarily so that their premises can be earthquake strengthened after receiving National Building Standard ratings of as little as 10 percent. Other courts, like Rangiora, have been closed because their low usage could not justify the cost to the taxpayer. Because crime rates are at a 38-year low, the Minister said, court use is dropping. When closing a court the ministry is careful to analyse travel distances and accessibility for users.

We asked for an update on the earthquake-strengthening work being done on the historic Dunedin High Court building. The Minister said that the Department of Building and Housing has recently updated its risk analysis and the department and WorkSafe NZ have produced clearer guidelines as to the building’s standards. A business case based on the new guidelines is being developed for funding approval.

Although the ministry was reducing costs by closing courts, some of us were concerned that these expenses were being transferred to other agencies, like the Police, who would now face extra costs and time to transport prisoners further for court appearances. We were told that, across the Justice sector, Police, Courts, Justice, and Corrections work collaboratively to ensure that policy changes in one area have minimal effects on other areas’ budgets.

The Minister observed that the courts in bigger centres have a better and wider range of services, allowing more efficient processing of cases. This benefits users and allows considerable cost savings.

**Court user survey data**

We asked how efficiency improvements to the court network are affecting court users, as indicated by the Court User Survey. The chief executive noted that survey data indicated that overall satisfaction is high, with 80 percent of users in 2014 reporting they were satisfied with court services and facilities. The Minister attributed the high satisfaction
result to time savings in users’ day-to-day interactions with the courts; for example, disputes tribunal applications are being processed in as few as six days.

**Alcohol and Other Drug Treatment Court pilot**

We were pleased by the effective initiatives that have been coming out of the Alcohol and Other Drug Treatment Court pilot in the Waitakere and Auckland District Courts. We asked whether the 5-year pilot could be shortened so that these initiatives could be incorporated more quickly into policy, for use throughout the country. The Minister advised that while 5 years would normally be a long time for a pilot, a court intervention could take between 18 months and 2 years to complete, so a longer period was needed to compile the necessary data to support regulatory impact analysis. However, the Minister noted that the wait for completion of the pilot was not preventing the initiation of other evidenced-based initiatives resulting from the court.

**Youth Court**

The Minister acknowledged that there was a range of opinions about the age at which an offender should be dealt with in the adult court system as opposed to the youth court. In deciding the age limit for the youth court, the Minister is seeking advice on what would give the best outcome for the greatest number of young people. However, she noted that if an offence meets a certain threshold, the case could be transferred to an adult court, regardless of the offender’s age.
Appendix

Committee procedure
We met on 25 June and 2 July 2015 to consider Vote Courts. We heard evidence from the Minister of Courts, Hon Amy Adams, and the Ministry of Justice, and received advice from the Office of the Auditor-General.

Committee members
Jacqui Dean (Chairperson)
Jacinda Ardern
Chris Bishop
Marama Fox
Peeni Henare
Jono Naylor
Alfred Ngaro
Denis O'Rourke
James Shaw
Hon Louise Upston

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Courts, prepared by committee staff, dated 28 May 2015.
Office of the Auditor-General, Briefing on Vote Courts, received 23 June 2015.
Minister for Courts, Response to standard Estimates questionnaire.
Minister for Courts, Responses to additional questions, received 22 June 2015.
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Vote Corrections

Recommendation
The Law and Order Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Corrections, as set out in Parliamentary Paper B.5 Vol. 7, be accepted.

Introduction
The Minister of Corrections, Hon Peseta Sam Lotu-Iiga, is responsible for the appropriations within Vote Corrections, which is administered by the Department of Corrections. The total appropriations sought this year for Vote Corrections amount to $1.572 billion, a 2.7 percent increase from the estimated actual expenditure in 2014/15 of $1.530 billion.

Significant allocations include $814 million (64 percent of the vote) for the provision of custodial services for detained offenders, $213 million (17 percent of the vote) for the management and delivery of sentences and orders served in the community, and $192 million (15 percent of the vote) for the provision of case management and interventions designed to address the underlying causes of criminal reoffending.

Rates of reoffending
The Minister told us that the department was working towards the Better Public Services target of a 25 percent reduction in reoffending by 2017, and that since June 2011 reoffending rates had decreased by almost 10 percent. This reoffending rate is assessed on the basis of reimprisonment and reconviction rates.

The Minister observed that offenders serving longer prison sentences typically have lower reoffending rates. Since they are in prison for longer they have more time and opportunity to participate in programmes, such as drug and alcohol addiction treatment, to help their rehabilitation. The Minister told us that about 80 percent of prisoners have alcohol or drug issues when they come to prison. We asked how the department could reduce the rate of reoffending by prisoners with shorter sentences, and were told the department often follows up prisoners after their release, through the probation system and other social agencies, such as the Ministry of Social Development.

The department continues to focus on finding job opportunities for prisoners once they are released and hopes this will help reduce reoffending rates. By the end of the year, the number of “working prisons”, where prisoners undertake work during their sentences, will increase from three to seven, equipping more prisoners with the skills and training for work. The Minister has set an aspirational target of being able to provide 1,000 job opportunities to prisoners upon release.

Out of Gate programme
We asked how the Out of Gate programme was contributing to the reduction in reoffending. The programme, which has been running for over two years, aims to reduce the probability of prisoners’ reoffending by connecting them with support networks and helping them develop a step-by-step plan to follow upon their release. In the first weeks
after release a prisoner is most vulnerable and likely to need the most support. The programme is targeted at short-serving offenders, the demographic most likely to reoffend, and is customised to the individual needs of the offender.

So far the programme has helped reduce reoffending by an extra 9 percent compared with prisoners released without the programme. We heard the even a 1 percent reduction in crime equals a saving of approximately $5.5 million to the taxpayer.

**Prisoner numbers**

We asked why, despite an overall reduction in reoffending, the number of prisoners has increased, and is projected to continue to increase in the next year. The Minister said changes to the Sentencing Act 2002 and Bail Act 2000 had increased the number of prisoners. Although fewer new prisoners were being incarcerated, these legislative changes have meant that inmates are serving longer sentences, fewer are being released on parole, and more are being held on remand.

We were concerned that the department might need to use police cells if it could not manage the rise in the number of prisoners. The Minister said that police cells were used to manage small fluctuations in prisoner numbers, especially in rural areas, and that the department would do so only where it was absolutely necessary.

**Privatisation of prisons**

The private company Serco is responsible for the operations of the Mt Eden and Auckland South prisons. We were concerned by reports of high numbers of prisoner-on-prisoner assaults in the Mt Eden prison. The Minister said that although this particular number was high, other statistics such as the number of serious assaults were very similar to those of other prisons. The Minister posited that the deviation reflected the transient nature of the Mt Eden prison population, many of the prisoners being newly remanded, rather than Serco’s operating model.

The Minister said the department’s public-private partnership with Serco was proving beneficial to both parties, as they could share and model best practice for the most effective use of taxpayer dollars. The department was taking up Serco’s innovative use of technology and their model of health provision; conversely, the department had been able to help Serco with security procedures and emergency response plans.

**Monitoring of Serco**

The Chief Executive of the Department of Corrections is still responsible for the prisoners held in Serco facilities. Department staff monitor the performance of Serco inside the two prisons to hold Serco to account for its performance and operations. We were told that Serco provides monthly, quarterly, and annual reports to the department, and that the oversight of its facilities was possibly higher than that of the prisons run by the department. Both Serco and the department are accountable to external stakeholders who monitor their performance, such as the Office of the Auditor-General and the Ombudsman.

We asked if there were accountability measures to ensure Serco provided a high level of service. The Minister said an agreement with Serco included financial incentives for performing well, and that fines of up to $50,000 could be imposed if Serco did not manage a situation properly.
Food and nutrition in prisons

We noted that prison meals were budgeted at $5.30 per inmate per day, and observed that no formal assessment of the prison diet had been conducted since Regional Public Health Wellington’s 2008–2009 review, which had assessed the menu as adequate to meet the needs of sedentary prisoners. We asked if there were any plans to review the food and nutrition requirements for prisoners, especially as Corrections’ focus on working prisons means that physical activity by prisoners is likely to increase. Some of us were also concerned by a 2014 report from the United Nations Subcommittee on Prevention of Torture, which said that New Zealand’s prison meals were of low nutritional value, and posited a link between nutrition and behaviour, on the basis of recent research from the United Kingdom. The report also said that the food items prisoners could purchase to supplement their diet were expensive, of limited choice, and unhealthy.

We were told that very few complaints were received regarding the prison diet, and the Minister said he was satisfied by the quality, quantity, and variety of the food provided. Prisoners who are participating in a working prison programme are sometimes eligible for extra food. Regarding food available for purchase by the prisoners, we were told there was a balance to be struck between restricting inappropriate items and allowing prisoners freedom to choose what they wanted. We encouraged the Minister and department to plan for a review of the nutritional needs of prisoners.
Appendix

Committee procedure
We met on 24 June and 1 July 2015 to consider Vote Corrections. We heard evidence from the Minister of Corrections, Hon Peseta Sam Lotu-Iiga, and the Department of Corrections, and received advice from the Office of the Auditor-General.

Committee members
Kanwaljit Singh Bakshi (Chairperson)
Todd Barclay
Mahesh Bindra
David Clendon
Kelvin Davis
Hon Phil Goff
Ian McKelvie
Lindsay Tisch
Jonathan Young

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Corrections, prepared by committee staff, dated 25 May 2015.

Office of the Auditor-General, Briefing on Vote Corrections, received 22 June 2015.

Minister of Corrections, Response to standard Estimates questionnaire.

Minister of Corrections, Responses to additional questions, received 22 June 2015.
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Vote Police

**Recommendation**

The Law and Order Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Police, as set out in Parliamentary Paper B.5 Vol. 7, be accepted.

**Introduction**

The Minister of Police, Hon Michael Woodhouse, is responsible for the appropriations within Vote Police, which is administered by the New Zealand Police. The total appropriations sought this year amount to $1.609 billion, a 0.9 percent decrease from the estimated actual expenditure in 2014/15 of $1.625 billion. Significant allocations include $396.674 million (25 percent of the vote) for police primary response management, $378.195 million (24 percent of the vote) for investigations, and $305.067 million (19 percent of the vote) for road safety.

**Resourcing**

The 2015/16 budget has decreased by 0.9 percent, approximately $15.397 million, from the estimated actual expenditure of 2014/15. However, the figure originally budgeted in 2014/15 is $1.561 billion, against which the 2015/16 Vote has increased by 3.1 percent, or $48.360 million. The Police’s baseline funding has increased as a result of the injection of $164 million new operating funding over four years, consolidating the $41 million one-off funding from the Justice Sector Fund in 2014/15.

The Minister also noted that several police programmes had ceased, freeing up some funding, and said he believed the proposed budget would allow the Police to maintain their current capability and resource levels, including, crucially, the number of sworn and front-line officers. The Minister said that the proposed budget does not prevent Police from developing new initiatives to address the drivers of crime.

Some of us expressed concern that the stretching of resources might be causing public confidence in Police to fall; by approximately 9 percent in between 2013 and 2015, as cited by Research NZ. The commissioner reported that Police survey data shows a 1 percent drop in public confidence, from 79 to 78 percent. The Police are monitoring public confidence closely, acknowledging that public confidence is critical to their existence and operations.

**Crime resolution and prevention**

Some of us expressed concern that the Police still had less operating expenditure than they did in the previous budget and asked how this might affect the timeliness and quality of operations, particularly the investigation and resolution of high-volume and serious crimes. We noted, for example, that resolution rates of assault and sexual assault decreased by 7 percent between 2012 and 2014 and that burglary resolution rates were as low as 6 percent in some districts. We asked how the Police were planning to increase resolution rates considering the appropriation for criminal case resolution has decreased by $1.8 million and criminal investigations by $1.3 million this budget round.
The commissioner pointed out that the definition of burglary has broadened in recent years, which could account for an increase in the volume of reports and difficulty resolving burglary crimes. Also, some high-volume crimes like vehicle crime are typically resource-intensive, and inherently difficult to resolve. By international standards, a 10 percent resolution rate would be seen as a real success, which is why policing is focusing on prevention first. The Minister said that shifting resources from investigation to prevention has led to a reduction in crime by more than 20 percent.

We considered that higher resolution rates could also function preventatively, both by providing a deterrent, and by reaching low-level offenders before they move into more serious crime. The Minister shared our concern at the low resolution rates, and said that he is working with the commissioner to develop strategies to improve them. For example, the Police retain teams dedicated to preventing and resolving youth crime. Other initiatives include educating the public on how to secure their vehicles and property, and targeted campaigns against specific crimes prevalent in particular districts.

**Mobile policing**

All sworn officers carry mobile devices, which contribute to the mobility and efficiency of police in the field and free them from administrative requirements. This results in estimated productivity gains of half an hour per officer per shift, amounting to approximately half a million hours per year. The police can invest these hours in front-line policing. The Minister said that the strategic deployment and better visibility of police in their communities has increased public perceptions of safety, according to 2013/14 survey data. As the Police seek to manage costs by delivering services more efficiently and flexibly, they have closed some stations, for example those that are very close to others. Since 2009 the Police have closed 32 stations, and opened 16.

**Christchurch Justice Precinct**

We asked about the development of the Christchurch Justice and Emergency Services Precinct, due to be completed in 2017, and specifically how the Police could contribute to an all-of-government approach to justice. The Minister said that Police were enthusiastic about working seamlessly with justice-sector partners to prevent crime and reduce reoffending. The Minister hopes that the precinct will become a working model of cooperation in the sector.

**Organised crime**

The Police are working with other government agencies, including the Ministry of Social Development, on a strategy to reduce gang crime. It includes a planned multi-agency gang intelligence centre to collect real-time information on gang activity, and a programme to support families in leaving the gang lifestyle. The strategy will also seek to strengthen legislation to prevent gang crime, and will establish a multi-agency task force whose focus will include drug-trafficking and asset recovery. The gang intelligence centre is expected to be established by December 2015, and will provide Police with data to help them target their resources to prevent gang crime and seize criminal assets.

The commissioner said that Police have investigated approximately half a billion dollars’ worth of criminal assets since the establishment of the Criminal Proceeds Recovery Act 2009. The Police said that they generate very little revenue from the seizure of criminal assets, but it is an effective way of breaking up criminal groups.
Youth crime

We noted that the Police have exceeded the Government’s Better Public Service target of reducing the youth crime rate by 25 percent. They are working with other social sector agencies to identify children and youth most at risk of entering the justice system or of long-term dependency on the state; this is expected to make savings in several government sectors.

Road safety

We asked how the Police expected to meet their road safety budget standards while addressing a rise in road fatalities, and noted that the Police’s road safety budget had been cut by $16.8 million. The Minister said that the decrease in appropriation was partly due to the completion of a $10-million speed camera expansion programme in 2014/15. The commissioner said that in previous years they have underspent their road safety appropriation, and can carry forward some funds to meet their current expenditure requirements.
Appendix

Committee procedure
We met on 17 June and 1 July 2015 to consider Vote Police. We heard evidence from the Minister of Police, Hon Michael Woodhouse, and the New Zealand Police, and received advice from the Office of the Auditor-General.

Committee members
Kanwaljit Singh Bakshi (Chairperson)
Todd Barclay
Mahesh Bindra
David Clendon
Kelvin Davis
Hon Phil Goff
Ian McKelvie
Lindsay Tisch
Jonathan Young

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Police, prepared by committee staff, dated 26 May 2015.
Office of the Auditor-General, Briefing on Vote Police, received 15 June 2015.
Minister of Police, Response to standard Estimates questionnaire.
Minister of Police, Responses to additional questions, received 16 June 2015.
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Vote Serious Fraud

Recommendation

The Law and Order Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Serious Fraud, as set out in Parliamentary Paper B.5 Vol.7, be accepted.

Introduction

The Minister of Police, Hon Michael Woodhouse, is responsible for the appropriations within Vote Serious Fraud, which is administered by the Serious Fraud Office. The total appropriations sought for Vote Serious Fraud in 2015/16 are $9.607 million, a 1.8 percent increase from the estimated actual expenditure in 2014/15 of $9.442 million. Of the total appropriations, $9.507 million is allocated for the investigation and prosecution of serious financial crime, with the remaining $100,000 allocated for capital expenditure on the purchase or development of assets and intangibles.

Baseline funding

The Serious Fraud Office was appropriated extra resources to investigate and prosecute instances of financial crime related to the finance companies that collapsed following the global financial crisis. From 2014/15 the office was anticipating a budget reduction of approximately $2.5 million, back to baseline; however, acknowledging that there remains a complex environment within which to investigate financial crime, the Government has embedded permanent funds of $2.03 million into the office’s baseline from 2015/16.

Staffing

Despite fluctuations to the office’s baseline and workload, the chief executive said that staff levels have remained stable due to the flexibility provided by using staff on fixed-term contracts.

Global participation

The chief executive acknowledged that anti-corruption issues are being given increasing attention internationally, as awareness of the costs of corruption grows. The office is working to enhance New Zealand’s anti-corruption stance in the global community. It assists the Ministry of Justice in reviewing New Zealand’s implementation of the Organisation for Economic Co-operation and Development anti-bribery conventions. The office also participates, where it can, in anti-corruption work for the United Nations and the Asia-Pacific Economic Cooperation community. Parliament is currently considering the Organised Crime and Anti-Corruption Legislation Bill.
Appendix

Committee procedure

We met on 17 June and 1 July 2015 to consider Vote Serious Fraud. We heard evidence from the Minister of Police, Hon Michael Woodhouse, and the Serious Fraud Office, and received advice from the Office of the Auditor-General.

Committee members

Kanwaljit Singh Bakshi (Chairperson)
Todd Barclay
Mahesh Bindra
David Clendon
Kelvin Davis
Hon Phil Goff
Ian McKelvie
Lindsay Tisch
Jonathan Young

Evidence and advice received

In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Serious Fraud, prepared by committee staff, dated 26 May 2015.

Office of the Auditor-General, Briefing on Vote Serious Fraud, received 15 June 2015.

Minister of Police, Response to standard Estimates questionnaire.

Minister of Police, Responses to additional questions, received 16 June 2015.
2015/16 Estimates for Vote Attorney-General and Vote Parliamentary Counsel

Report of the Justice and Electoral Committee

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Vote Attorney-General and Vote Parliamentary Counsel

Recommendation

The Justice and Electoral Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Attorney-General, administered by the Crown Law Office, and for Vote Parliamentary Counsel, administered by the Parliamentary Counsel Office, as set out in Parliamentary Paper B.5 Vol. 7, be accepted.

Vote Attorney-General

Introduction

The Attorney-General, Hon Christopher Finlayson QC, is responsible for the appropriations in Vote Attorney-General, which is administered by the Crown Law Office. The total appropriations sought this year for the vote amount to $65.151 million, a 9.6 percent increase from the estimated actual expenditure in 2014/15 of $59.462 million.

The multi-category appropriation, which forms approximately 60 percent of the vote, has decreased, reflecting the adoption of a fee model for Crown prosecution services since 2013/14. Other departmental output expenses have increased (by approximately 40 percent) from an estimated actual spend in 2014/15 of $18.419 million, to a budget total of $25.693 million in 2015/16; most of this variance is reflected in the “Legal advice and representation” appropriation, which depends on the needs of, and thus demand from, government departments and Crown agencies.

Government Legal Network

The Attorney-General updated us on the development and performance of the Government Legal Network. He said the network is proving very successful. It brings together all Government lawyers for purposes of career development, training, building capability in the sector, and providing advice to the Attorney-General on Crown legal risk. It is also hoped that the network will make the provision of shared resources easier, and avoid unnecessary duplication.

Crown prosecutions

The Attorney-General has a constitutional responsibility for the Government’s role in the administration of the criminal law, but that the Attorney-General, like any minister, does not involve himself in particular prosecutions. The Criminal Procedure Act 2011 makes the Solicitor-General responsible for general oversight of all public prosecutions, and for the conduct of prosecutions. Section 9 of the Constitution Act 1986 allows the Attorney-General to delegate all but a very few of his constitutional responsibilities, thus avoiding any appearance of ministerial involvement in the conduct of prosecutions.

We asked what flexibility there is within the vote to manage any changes in demand for Crown prosecution services, and have been informed that for 2015/16, Crown Law has an expense transfer in principle, from 2014/15, of up to $1 million. In 2016, Crown Law will seek to incorporate the Law Officer appropriation into the existing multi-category
appropriation. The proposed changes will cover criminal and non-criminal Law Officer services. This will make it easier to respond to external demand for a particular type of service.

Judicature Modernisation Bill

Some of us noted concern that the provision in the Supreme Court Act 2003 that “Nothing in this Act affects New Zealand’s continuing commitment to the rule of law and the sovereignty of Parliament” was not being carried forward to the Judicature Modernisation Bill, and asked the Attorney-General to comment. He agreed that such a statement should be somewhere in legislation once the Judicature Modernisation Bill supersedes the Supreme Court Act, as undesirable meaning could be ascribed to its removal. He suggested that the proper place for such a provision would be in the Constitution Act 1986, but accepted that the Constitution Act 1986 could not be modified by any legislation currently before the House, and that making such a provision in the Judicature Modernisation Bill would have the same force in law. We agree with the Attorney-General that this is not an issue that should divide Parliament.

Crown Law workload and funding

We were interested to learn that Crown Law appropriations fluctuate according to the demand for services, and that there has been more emphasis on core Crown legal work since 2012. We asked whether the reduced demand for Crown Law services had led to more use of external providers for Crown legal work by other parts of the public sector, and if this increased overall cost to the Crown.

We heard that Crown Law spends about $32 million on the Crown Solicitors Network, and that this has been assessed as providing good value. Crown Law has an appropriation of $22.365 million for Legal Advice and Representation; the estimated actual use of this appropriation in 2014/15 was $16.395 million against $15.5 million in revenue from others. The Ministry of Business, Innovation and Employment administers the $37-million contract with the private sector for Crown legal work. This work costs more than the work done by Crown Law, but tends to be in specialised areas that Crown Law cannot staff permanently.

Staffing

Crown Law noted a capability risk where the expertise required in some of its more specialised senior Crown Counsel roles was not available in the public sector. Although it has a succession plan and a knowledge management process, it must sometimes compete with the private sector for scarce skills, and cannot offer comparable remuneration. The Attorney-General noted that experience in the kind of legal work undertaken only by Crown Law was a valuable part of a legal career. We heard that Crown Law had recently recruited two very senior expert counsel, despite being constrained to paying well below market expectations.

Crown Solicitor warrants for Auckland and Manukau

The Attorney-General updated us on the Crown Solicitor Network. We heard that it is the oldest public-private partnership in New Zealand. In the last 12 months Crown Law has reviewed eight of the Crown Solicitor warrants, and has contributed to work on splitting the Auckland warrant into two, creating a separate warrant for South Auckland.
We asked about reports that changes to the method for funding the warrants had led to less experienced staff being assigned to important cases, and that there had been an increase in plea bargaining. We heard that the Attorney-General had undertaken to look into the issue of plea bargaining at the previous year’s hearing, and had found no evidence that its use was increasing. We also heard that Crown Law had received no adverse feedback about the seniority of staff assigned to cases in its recent reviews of the courts system. We asked that the process for tendering for warrants be made as open as possible, as it is not subject to official information requests.

**Criminal Cases Review Commission**

We sought the opinion of the Attorney-General as to whether the establishment in New Zealand of a commission to review criminal cases where a miscarriage of justice is alleged would improve the efficiency of the criminal justice system. Such commissions have been established in the UK and more recently in Australia. The Attorney-General expressed the view that the New Zealand system generally works well, and that while there will always be high-profile cases where a conviction is overturned, the number in New Zealand is too low to warrant a commission. He said that while he listens carefully to groups advocating such a commission, it is ultimately a matter for the Minister of Justice.

**Extradition**

We were interested to learn that the Law Commission is reviewing extradition and mutual assistance in criminal matters, and considering whether one of the Law Officers should be established in statute as the central authority for extradition. We raised cases where immigrants to New Zealand had brought the proceeds of corruption with them from their home countries, and asked how the Attorney-General balanced the need to bring such people to justice against what New Zealanders might view as overly harsh penalties they might face if extradited.

The Attorney-General said he could not comment on current cases; extradition was generally a complex matter, and the system was in need of review. We heard that liaison with overseas authorities was a matter for the New Zealand Police and other agencies, while Crown Law and the Attorney-General considered the case for extradition once it was presented.

**Vote Parliamentary Counsel**

**Introduction**

The Attorney-General, Hon Christopher Finlayson QC, is responsible for the appropriations in Vote Parliamentary Counsel, which is administered by the Parliamentary Counsel Office (PCO). The total appropriations sought this year for Vote Parliamentary Counsel amount to $23.435 million, a 14.7 percent increase from the estimated actual expenditure in 2014/15 of $20.439 million. Departmental capital expenditure has more than doubled to cover the office’s intended refurbishment of its accommodation in the coming year. Approximately half of the vote provides for law drafting services, including legislative drafting assistance to Pacific Island nations.

**Contracts and commercial legislation review**

The Attorney-General brought us up to date on the triennial programme of statute revision. The PCO has been working on a review of contracts and commercial legislation, including legislation such as the Carriage of Goods Act 1979, the Contracts (Privity) Act
1982, the Contractual Mistakes Act 1977, the Contractual Remedies Act 1979, and the Frustrated Contracts Act 1944. The intent is to bring these provisions into a single act and update the language, but not to substantively amend the law. This legislation should come before Parliament soon.

The next pieces of work will be similar processes for civil liability legislation, partnership revision legislation, and then the Summary Offences Revision Bill. $380,000 has been allocated in the 2015/16 year to deliver the revision of statutes programme. This funding covers the salary costs for one Parliamentary Counsel and two staff members from the Policy and Revision unit. The staffing resources allocated will depend on the amount of work required in each year of the three-year programme of statute law revision.

Secretariat services for the Legislative Design and Advisory Committee

We are interested in the resource implications for the PCO of taking on the secretariat functions for the Legislative Design and Advisory Committee, and asked what funding has been allocated in 2015/16 to enable the PCO to fulfil this function. We have been informed that the PCO’s role in hosting the secretariat will involve providing both administrative and policy support to the committee, and will be based at the PCO. Allocated funding for 2015/16 is yet to be determined but the PCO intends to fund it from within its current baseline.

Drafting services for Pacific Island nations

We asked about the provision by PCO of drafting services to Pacific Island nations, and how demand is being managed. We heard that the programme was being expanded beyond the realm countries (the Cook Islands, Niue, and Tokelau) to, for example, developing Standing Orders for Fiji, and providing peer review in the Solomon Islands. The service is still provided by only one senior Parliamentary Counsel, and only Government bills are drafted, as members’ bills might not proceed.

We also asked about progress on capacity and capability in Pacific countries, and the partnership with the Ministry of Foreign Affairs and Trade for delivering the programme. We heard that PCO is seeking long-term funding from MFAT’s New Zealand aid programme for assisting places such as Niue and the Cook Islands that are too small to develop their own drafting capability. Some mentoring and training is still involved, as a foundation for good governance and regional security.

Long-term funding from New Zealand’s aid programme is also being sought to cover continued related assistance for the smaller nations, such as litigation skills training from Crown Law, Parliamentary training from the Office of the Clerk, and judicial training provided by the courts. This type of aid lacks the finite duration of more typical aid programmes.

We heard that a pool of preferred providers for providing drafting services had been developed through the Commonwealth secretariat, but that the quality of service was variable. We were told that PCO’s work in the Pacific had provided more formalised control of the contracting process, and local templates for the drafter’s use.

Workload and funding

We asked why PCO expected to draft 50 to 70 bills in the coming year, when 108 bills had actually been drafted in the previous year. We heard that the number of bills is difficult to predict, but that PCO is funded and resourced to draft the 70 to 100 bills and 400
legislative instruments required in most years. We have subsequently been informed by PCO that further investigation revealed an error in the reporting of Government bills drafted and amended in the 2014 calendar year. The number was actually 33 (or 65 if the bills in the Statute Amendment Bill are considered separately). We heard that PCO considers the rate at which Parliament progresses legislation to be a more significant capacity issue. If a bill spends a long time on the order paper before progressing, it is likely to require the drafting of a substantial supplementary order paper to address issues that have arisen in the meantime.

**Access to tertiary legislation**

The Regulations Review Committee has been considering how to make tertiary legislation more readily available to the public. Tertiary legislation is made by a wide variety of rule-making bodies, as distinct from regulations, which are made under a statutory power. The Regulations Review Committee has had advice from PCO on how this is accomplished in other jurisdictions, and will be considering the platform used in the Australian Capital Territory as possibly the most suitable for New Zealand to adopt.

We heard that the Legislation Act 2012 effected a partial reform in this area, but that further reform would require modifying the Legislation Bill currently before the House, and consequent amendments to a wide variety of other legislation. We were told that extending the current legislation website was likely to be more cost-effective than developing a parallel system.
Committee procedure

We met on 18 June and 2 July 2015 to consider Vote Attorney-General and Vote Parliamentary Counsel. We heard evidence from the Attorney-General, Hon Christopher Finlayson, the Crown Law Office, and the Parliamentary Counsel Office, and received advice from the Office of the Auditor-General.

Committee members

Jacqui Dean (Chairperson)
Jacinda Ardern
Chris Bishop
Marama Fox
Peeni Henare
Jono Naylor
Alfred Ngaro
Denis O’Rourke
James Shaw
Hon Louise Upston

Evidence and advice received

In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Attorney-General, prepared by committee staff, dated 28 May 2015.

Estimates briefing paper for Vote Parliamentary Counsel, prepared by committee staff, dated 28 May 2015.

Office of the Auditor-General, Briefing on Vote Attorney-General, received 18 June 2015.

Office of the Auditor-General, Briefing on Vote Parliamentary Counsel, received 18 June 2015.

Attorney-General, Response to standard Estimates questionnaire.
Attorney-General, Responses to additional questions, received 15 June 2015.
Attorney-General, Responses to further questions, received 25 June 2015.
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Tūtohutanga

Ka tūtohu Te Komiti Whiriwhiri Take Māori kia whakaaetia ngā wāwāhanga moni mō te tau ka mutu hei te 30 o Pipiri tau 2016 mō Te Pōti Take Māori, e ai ki tērā kua whakatakotia i Te Pepa Pāremata B.5.

Kupu Whakataki

Ka piki mā te 12.56 ōrau ki te $249.672 miriona ngā moni i rapua i te tau 2015/16 mō te Pōti Whanaketanga Māori, mai i te whakapaunga tūturu e $221.807 miriona i whakapaetia mō te tau 2014/15.

Neke atu i te e $43 miriona i roto i ngā wāwāhanga moni Whānau Ora, nō mai i ngā ratonga i ahu mai i ngā pokapū komihana kore-kāwanatanga hei whakatutuki i ngā hua o Whānau Ora; neke atu i te $7 miriona e hāngai ana mō te whakatinana, te whakawhanake, te whakahaere, me te whakamātāu hoki i te tukunga ratonga me te ara whakakōmihana; ā, e $4 miriona mō te whakaroaanga atu i te kaha o te tukunga ratonga.

Whānau Ora

I ngā tau e whā kua hori, he maha ngā mōhiotanga kua ako a Te Puni Kōkiri mō te taha whakahae i te pūtea āwhina mā Whānau Ora. Ka pātai mātou ki Te Minita mehemea kei te ngākau titikaha ia kei te tautokona te whakawhitinga o ētahi whakaratonga pūtea āwhina ki ngā pokapū whakakōmihana mā ngā mahere whakatinana pai. Ko tā Te Minita i ki, kua tū ngā huarahi mahea mō te whakamārama mahi he whakarite kei te hāngai te tauaro o nga moni, ā, kāore i te here i te tūpatotanga o ngā pokapū. Kua whakaputaina e ia ētahi reta e whakakototo ana me pēhea te whakapau moni kia whakarotoa; ā, kua tono ia i ngā pokapū kia whakaputa pūrongo ā-hau whē e whakauri ana i ngā hua. Ka aro matawaitia ngā whakatutukinga mahi e te kohinga rangapū mō Whānau Ora, me te whai i tētahi aro matawai anō me tētahi reta hou wawatangangā i ia tau.

Kei te neke te manatū ki te wāhanga e whai ake ai ngā pokapū whakakōmihana i te ara Whānau Ora. I mua i te kopounga o ngā pokapū whakakōmihana, i mate rātou ki te wawao kei te mārama rātou ki te tikanga, ā, mehemea ka taea e rātou te whakatu mai ka pēhea tā rātou whakamana i tēnei. Ka haere tonu te mahi aro turuki, te mahi whakamāhine i ēnei wawatatanga kua kirimanatia.

Ngā kaiurungi me ngā kaiwhakarato o Te Whānau Ora

Kua whakawhitia ngā moni āwhina mā ngā kaiurungi Whānau Ora ki ngā pokapū whakakōmihana. Ka whakatūturu mai te manatū ki a mātou, ko aua kaiurungi anō ka whiwhi pūtea āwhina, ā, ko tōna tūmanako anō mō tētahi whakapikinga i roto i te pūtea āwhina nei.

I te mōhiotia anōtia hoki, he morea kei rito i te mahi whakawhitī pūtea āwhina ki ngā pokapū whakakōmihana a Whānau Ora, kihai he hononga o te manatū ki ngā kaiwhakarato o nāiānei. Heoi, kua tuaritia e ia te pūrongo katoa kei te hunga whakarato e pupuri ana ki ngā pokapū.
Te tōtika me te whai putanga o Whānau Ora

Ka pātai mātou ki Te Minita, mehemea kia kitea e ia he huanga mai i ngā pokapū whakakōmihana e mahi ana i te taha whānau. Ka kī mai a ia, he maha ngā tauira kua rongo ōna taringa, ā, me tana hōmai tauira e pā ana ki tētahi whānau i Tamaki-makau-rau i āwhinatia kia hūnuku mai i tētahi ao kēngē, ā, kua hauora i nāianei, e koa ana kei te tiakinatia paitia ngā tamariki, ā, me te aha hoki, he maha ngā mema o te whānau kua whiwhi mahi.

Ko tērā i kitenga kēngē e mātou, ko tā te manatū i ki kī mai ki a mātou, ko te mea nui kē kia āta whakamāramatia ngā huanga o te Whānau Ora kē ngā tāngata e tika ana ka whai hua rātou. Ohorere ana mātou ki tēnei nā te mea, kua whā kē ngā tau e mahi ana te hōtaka, ā, nā runga i tērā ka pātai mātou ki te manatū mō āna mahere kei a ia ki te whakatika kore mōhiotanga. Ka whakaae mai Te Minita nā ngā raruraru e pā ana ki te mahi i te taha o ētahi atu pokapū kāwanatanga me te rerekē o tō rātou tirohanga ahurea, me tana kī, ki tōna whakaaro ki te mōhio o te tāngata ēhara i te Whānau Ora kē pā whakathāhā e nō te whānau, ā, kua hauora i te taha ēhara i te Whānau Ora. Heoi, kē tō tonu a ia ki te taha pūmanawa o te manatū ki te whakapikī i te kaha o te whānau.

Ka whakamārama mai Te Minita ki a mātou, ki te hiahia ātū tētahi tangata, ēhara i Te Māori, hei urungi mō Whānau Ora, ka riro mā te pokapū whakakōmihana e pā ana, tō rātou rawe e whakatau; mā ngā tāngata katoa o Aotearoa te hōtaka.

Ko te whai tikanga o te tūranga kei a Te Puni Kōkiri mō te whakangāwari i te whakakuraunga tāngata ēhara i Te Māori, ki roto i a Whānau Ora tērā kē ēhara i te manatū. Nā runga i te haruru o te putanga a te pūrongo o Te Tari o te Tumuaki o Te Mana Arotake, a Whānau Ora: i ngā tau tuatahi e whā, ka pātai mātou mō te whakamaherehere e pā ana ki te pou tarāwaho putea āwhina kua hoatu e ia ki Te Manatū Kaporeihana Whare me Te Manatū Whakahiaito Ora e pā ana ki te harurutanga nei. Ko kē mai Te Minita, i haere a ia i te taha o Te Pirimia ki Taranaki ki te whakaatu i ngā kōkiringa hou e rua i te whai angitu, ēhara kē mārāmā katoa ana ki Te Pirimia, he whai huanga aua kōkiringa hou Whānau Ora kē te hāporo katoa, ēhara anake ki Te Māori.

Te āraitanga o te whakamomorī

Ka pātai mātou mō te mahi a te manatū e pā ana ki te āraitanga o te whakamomorī. Kāore anō ngā tohu angitu kia kēte, tētahi āhuatanga angitu i tua atu rānei kēte wā iwi ēngari, kei te pūkeke te manatū ki te whai ake i te take nei mā tētahi ara Whānau Ora, ā, me te mahi i te taha whānau. Ki kē mai anō ngā āmiki kē kēte ēngari, kē te wātea mai tētahi pūtea āwhina kairapu mā ngā kāiwhakarōtou. Ka kē mai Te Minita ki a mātou, mea tāpiri i tua atu te pūtea āwhina ki te pūtea āwhina mō te āraitanga whakamomorī a Te Manatū Hauora me Te Kaupapa Hauora Hinengaro Taiohinga a Te Pirimia.

Te Reo Māori

Whakaata Māori

Ka pātai mātou ki Te Minita mō te kaupapa kia whakaroahia atu te pāhotonganga o Whakaata Māori mā ngā hāora e 24 ia rā mā ngā rā e whitu ia wiki. I rongo mātou e whiriwhiri ana a Whakaata Māori i ēhara mahi tuatahi me te āta titiro kēte whai ahūwha ēhepene kī kē ma te whakatūturu. Ka pātai anō ngā āmiki mō kēte, mea tāpiri i tua atu te pūtea āwhina ki te āraitanga whakamomorī a Whakaata Māori me Te Manatū Hauora me Te Kaupapa Hauora Hinengaro Taiohinga a Te Pirimia.
NGĀ WHAKAPAE MŌ TE PŌTI WHANAKETANGA MĀORI O TE TAU 2015/16

a Māori Whakaata ki hea. Tū ai ngā hui okaia ia hau whā o te tau ēngari, ka whakatūturū mai Te Minita, tua atu i te whakatenatena ihirangi Reo Māori, kāre he wāhi ki a ia me āna kaimahi me ahata, me peheaia ngā ihirangi pāhotanga.

Hangarau Whakawhitinga Kōrero Māori, Mōhiohio Māori

Ka pātaitia e mātou te pūtea āwhina ICT mā ngāi Māori. Kia mōhio mai hoki, he tino rahia tonu te pūtea āwhina nei, ā, kua whakahokia ki Te Puni Kōkiri, i runga anō i tētahi whakaroa ture, kihai he mana whakahae re i a Te Māngai Pāho e pā ana ki te pūtea āwhina ICT. Ko tā Te Minita Minita i kī, me hāngai kē te arotahi o Whakaata Māori ki te whai putanga mā te ipurangi.

Whiwhinga Whare

Ka pātai mātou ki te Minita mehemea ki tōna whakapono, ka piki ake te kaha o ngāi Māori ki te whiwhi whare i raro i te kaupapa whiwhi whare a Te Kāwanatanga. I ki mai Te Minita, ēhara anake kei a ia, kei Te Minita Whanaketanga Māori tērā take. Ko tāna noa iho ka taea, he whakatata atu ki ētahi atu minita kei a rātou te haepapa i tēnei takiwā te whiwhinga whare.

Hangarau Whakawhitinga Kōrero Māori, Mōhiohio Māori

Kua kōreroetia e Te Minita mō Te Kaupapa Whare, a Hōnore Nick Smith, mō ngā take Tiriti e pā ana ki a ngāi Māori, otirā, mō te tika o te kapenga tuatahi e kerēmeheira rā e Ngāti Whātua mō ētahi ake whenua marea. Ka kī Te Minita, kua kōrero a ia ki Te Pirimia, ki a Honore Nick Smith, ā, ki a Ngāti Whātua; ko te kītea o tētahi whakaotinga mā te matapakinga, ko tērā tāna ka wawatatia.

Ko tō Te Minita, he whakapūmau ka whakapaua ngā kaha katoa i te mea, tino piri kau ana te pōharatanga ki te whiwhinga whare. Ko tō Te Minita, he whakapūmau ka whakapaua ngā kaha katoa i te mea, tino piri kau ana te pōharatanga ki te whiwhinga whare. Ko tō Te Minita, he whakapūmau ka whakapaua ngā kaha katoa i te mea, tino piri kau ana te pōharatanga ki te whiwhinga whare.

Te huarahi ki te whiwhinga whare

He maha rawa atu ngā Māori pōhara kei Tamaki-makau-rau e noho ana, ā, nā runga i tērā kihai ana e kaha ki te hoko whare mō rātou. E $2 miriona mō te āwhina whānau ia tau tā Te Puni Kōkiri kia whiwhi whare a i tō rātou ake whare. Ahakoa he whakarato, he whakamātatau kaupapa here kia teretere ake ai te whiwhi whare mō rātou ake, kāore rawa atu e mahere uka mō ngā kōkiringa hou e pā anaki te hoko whare.

Ka kī mai Te Minita, e mārama ana a ia he tekiona whiwhinga whare tā Te Manatū Take Māori ō mua, ā, kei reira tonu tērā i roto i tōna mahara. Tērā pe, kāre hoki a ia i whakahē i te kōrero, ā, he wā anō pe ē a ra ake tāna rite ki tērā. Ko tāna e rapu ana i te wā nei, he mau mai i ētahi atu pūtea āwhina me ngā mana whakahae rewhiwhinga whare ki roto i Te Ao Māori.

Tāpoi

Ki a mātou nei, he wāhi nui tō ngāi Māori i roto i te ao tāpoi, ā, ka pātai ki Te Minita, he aha ngā pūtea āwhina kei te wātea mai. Nā te mea kei raro kē te nuinga o te pūtea āwhina mō te tāpoi i te haepapa o Te Pirimia, kei a ia kē kōrero. Ko tērā te whakautu mai a Te Minita Whanaketanga Māori. Ko tāna anō, i te mea he wāhi nui tō tāpoi i roto i te whanaketanga o te ōhanga, e hiahia ana a ia ki te māhi i te taha o Te Minita Whanaketanga Ōhanga, me te akiaki i a ia kia whakapikia te wāhi ki a ngāi Māori.
E hiahia kē ana te nuinga o mātou, kia tino rahi kē atu te putea āwhina e tohaina ana ki a tāpoi Māori.

**Kimihanga kaimahi**

Nā tētahi whakarerekētanga i roto i te rōpū whakahaere, ka whakahaekia ngā kaimahi o te manatū mai i te e 366 ki te e 300 noa iho. Nā runga i tērā, e uaua tonu ana te whakakī tūranga wātea, otiār, i ngā tūranga pakeke. Kei te whakakītoto mahere te manatū ki te kimi tangata mō ngā tūranga nei, ā, ka whakaineinetti ngā utu tāpuri mō ngā kaimahi mā te whakaiti ake i ngā kaimahi me ngā mātanga mahi ā-kirimana ai.

Kei te noho wātea tonu te tūranga o te kaiwhakahaere matua i Te Tauranga Whiri i Te Reo Māori.

**Te Pire Ture Whenua Māori**

Kua whakaputaina he tuhinga whai tohutoho, ā, kei te whakatū hui Te Puni Kōkiri huri noa i te motu e pā ana ki Te Pire Ture Whenua Māori hou. Ko te whāinga o te pire, ko te whakarato i te mana rangatiratanga ki Te Māori, me te whakamāmā, whakamārama ake hoki i ngā hātepe mō te whakahaerenga o te whenua, tae noa ki te whakataunga tautohetohe.

I raro i te pire, ka āhei ngā rangatira whenua Māori, ki te whanake me te whakaae ki ō rātou ake kaupapa ture whakahaere me te kopouranga o ngā Kaitiaki, i tua atu i te whai i te whakataua a Te Kōti Whenua Māori. Ko tōna whāinga anō hoki, ko te whakarite ka taa te tuku i ngā moni āwhina kua herea ki roto i te whenua, ki ngā rangatira o te whenua, me te whakarato pou tarāwaho hei whakatenatena i te puritanga o ngā whenua e ngā rangatira whenua Māori me te manaaki i tōna tikanga ake ā-ahurea. Kei te whai anō hoki te pire ki te maru i te whenua mō ngā whakatipuranga e heke mai nei.

He tokomaha ngā tāngata käre i te tino mōhio mō ngā kawenga a te Kaitiaki Māori me te Kōti Whenua Māori, ā, ko te tūmanako, mā ngā wānanga me ngā hui e pā ana ki te pire, e āwhina ki te whakapai ake i te mōhiotanga.

E $12.8 miriona ka uru atu ki te póti i ngā e whā e tū mai ana he tahu moni mā Ngā Whatunga o Te Pire Ture Whenua, ki te āwhina i a hunga Māori mā kia pai ake ai ngā hua e puta ake mai ana i ō rātou whenua. Ko te wawata, he āwhina anō hoki kei tēnei pūtea āwhina mā te hapori whānui.

**Ngā Wātene Māori**

Ka pātai mātou, mehemea he raruraru anō kei te pā ki ngā Wātene Māori nō mai i Te Kaunihera Māori, ā, ko tērā i rongo mātou e whakatawhiti atu ana ētahi wātene i te Kaunihera Māori ēngari, kāore ētahi i te pēra. Kei te whakarite hui Te Minita mō ngā rā e rua ki te whakatatū kuene tanga me te whakapai ake hononga.
NGĀ WHAKAPAE MŌ TE PŌTI WHANAKETANGA MĀORI O TE TAU 2015/16

Tāpiritanga

Ara ki tēnei tirohanga
I hui mātou i te 17 me te 30 o Pipiri tau 2015 ki te whakaaroaro i Te Pōti Whanaketanga Māori. I rongo taunakitanga nō mai i Te Minita Whanaketanga Māori, a Te Hōnore Te Ururoa Flavell, nō mai i Te Puni Kōkiri, ā, me te whiwhi whakamaherehere nō mai i Te Tari o Te Tumuaki.

Ko ngā mema o te komiti, ko
Tūtehounuku Kōrako (Heamana)
Hōnore Chester Borrows
Mārama Fox
Joanne Hayes
Hōnore Nanaia Mahuta
Pita Paraone
Rino Tirikātene
Mētīria Tūrei

Taunakitanga me te whakamaherehere i whiwhi
Tua atu i ngā tuhinga Whakapae noa, ka whakaaroarohia e mātou ngā taunakitanga ka whai ake, ā, me te whakamaherehere i whiwhi i te wā o tēnei tirohanga, arā:

Te pepa whakatakotangahnohutohu mō Ngā Whakapae e pā ana ki Te Pōti Whanakaetanga Māori, nā ngā ringa whakatutuki mahi o te komiti i takatū i te 22 o Haratua tau 2015.

Te whakatakotangahnohutohu mō Te Pōti Whanaketanga Māori a Te Tari o Te Tumuaki i te 17 o Pipiri tau 2015.

Te urupare ki te rārangi pātai mō Ngā Whapapae Noa a Te Minita Whanaketanga Māori.

Ngā urupare ki ngā pātai i tua atu i whiwhi i te 15 o Pipiri tau 2015, a Te Minita Whanaketanga Māori.
2015/16 Estimates for Vote Māori Development

Report of the Māori Affairs Committee

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Vote Māori Development

**Recommendation**

The Māori Affairs Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Māori Development, as set out in Parliamentary Paper B.5, be accepted.

**Introduction**

The appropriations sought for Vote Māori Development in 2015/16 increase by 12.56 percent to $249.672 million from estimated actual spending of $221.807 million in 2014/15.

Whānau Ora appropriations include over $43 million for services from non-government commissioning agencies to achieve Whānau Ora outcomes; over $7 million towards implementing, developing, administering, and evaluating Whānau Ora’s service delivery and commissioning approach; and $4 million for extending service delivery capacity.

**Whānau Ora**

In the last four years, Te Puni Kōkiri has learned a lot from administering the funding for Whānau Ora. We asked the Minister if he was confident that the transfer of some of this funding provision to commissioning agencies was backed up by satisfactory implementation plans. The Minister said there are clear lines of accountability to ensure that money is directed appropriately, without limiting the agencies’ discretion. He has issued letters detailing how the money provided is expected to be spent; and he has required agencies to issue quarterly reports including results. Performance will be assessed by the Whānau Ora partnership group, with reassessment and a new letter of expectation every year.

The ministry is moving to the stage where the commissioning agencies take up the Whānau Ora approach. Before the commissioning agencies were appointed, they had to prove they understood the intent of the approach, and could demonstrate how they would give effect to it. These contracted expectations continue to be monitored and refined.

**Whānau Ora navigators and providers**

Funding for Whānau Ora navigators has been transferred to commissioning agencies. The ministry assured us that the same number of navigators would be funded and indeed it hoped for an increase in this funding.

It was recognised that the transfer of funding to the Whānau Ora commissioning agencies carried some risk because the ministry has no relationships with current providers. However it has shared all the information it held about providers with the agencies.

**Effectiveness and accessibility of Whānau Ora**

We asked the Minister if he had seen benefits from commissioning agencies working with whānau. He said he had heard of many examples, and gave the example of a family in Auckland that was helped to move away from a gang environment, and now has healthy, happy, well cared-for children, and many members of the whānau have employment.
We noted that the ministry had told us that it was important to ensure the benefits of Whānau Ora are explained to people who could potentially benefit. We considered this surprising when the programme has been in operation for four years, and asked the ministry what plans it had to rectify any lack of understanding. The Minister acknowledged problems working with other government agencies with a different cultural outlook, and said he thought it possible that the general populace is unclear about the role and benefits of Whānau Ora. However he stands by the efficacy of the ministry in increasing the capacity of whānau.

The Minister explained to us that should a non-Māori person wish to be a Whānau Ora navigator, their suitability would be a decision for the commissioning agency concerned; the programme is for all New Zealanders.

We noted that Te Puni Kōkiri would have an important role in facilitating the inclusion of non-Māori in Whānau Ora. We asked, in the wake of the Office of the Auditor-General’s report *Whānau Ora: the first four years*, what funding framework advice had been given to the Ministries of Housing and Social Development to this end. The Minister said he had accompanied the Prime Minister to Taranaki to demonstrate two initiatives there, and the Prime Minister understood entirely that the Whānau Ora initiatives were of benefit to the entire community, not just Māori.

**Suicide Prevention**

We asked about the work the ministry is doing on suicide prevention. There are no indications of success or otherwise as yet, but the ministry is determined to address this issue with a Whānau Ora approach, working with families. The detail remains to be worked out, but a contestable fund will be available for providers. The Minister told us that the funding provided is in addition to Ministry of Health funding for suicide prevention, and the Prime Minister’s Youth Mental Health Project.

**Te Reo Māori**

**Māori Television**

We asked the Minister about the proposal that Māori Television be extended to broadcast 24 hours a day, seven days a week. We heard that Māori Television is prioritising ensuring that its equipment is kept up to date.

The Minister assured us that Māori Television would remain independent. He is seeking to establish a rigorous protocol to prevent any appearance of improper influence. We also asked his view about the ideal situation of the Māori Television premises, given that its lease will shortly be up for renewal, but the Minister had no preconceived ideas about location. Formal meetings are held quarterly, but the Minister assured us that apart from encouraging Māori Language content, neither he nor his staff had any influence on the content broadcast.

**Māori Information and Communication Technology**

We asked about ICT funding for Māori. This funding, which is substantial, has been returned to Te Puni Kōkiri, after a legal opinion that Te Māngai Pāho had no authority to administer it. The Minister said that the intended focus should be on internet access.
2015/16 ESTIMATES FOR VOTE MĀORI DEVELOPMENT

**Housing**

We asked the Minister if he believed that the Government’s housing policy would increase housing capacity for Māori. The Minister said that as the Minister for Māori Development he can approach other ministers in this area, but the issue does not rest solely with him.

The Minister for Building and Housing, Hon Nick Smith, has talked about Treaty issues regarding Māori land, and specifically the right of first refusal claimed by Ngāti Whātua over certain public land. The Minister said that he has spoken to the Prime Minister, the Hon Nick Smith, and Ngāti Whātua; he is hopeful that discussion will find a resolution.

We are aware of concern about the availability of funding for Māori housing. The Minister told us the funding set aside for this purpose has now been increased, and Te Puni Kōkiri are now prepared to take the lead on housing initiatives. The Minister is ensuring all possible efforts are being made, as housing is so closely tied to poverty.

**The route to home ownership**

Many Māori in Auckland cannot afford to buy homes. Te Puni Kōkiri has $2 million annually for helping whānau toward home ownership. Although it is the role of Te Puni Kōkiri to provide and evaluate policy to improve the rate of home ownership, there are no firm plans for house purchasing initiatives.

The Minister said that he was aware that the previous Ministry of Māori Affairs had a housing section, and had not discounted the possibility of something similar. He is seeking to bring more funding and the housing authorities into the Māori world.

**Tourism**

We believe that Māori have a crucial role in tourism, and asked the Minister what funding was available. He replied that tourism funding is largely the remit of the Prime Minister as the responsible Minister. Since tourism makes a large contribution to economic development, he would like to work with the Minister for Economic Development, and lobby to increase the role of Māori.

Some of us would prefer to see greater funding allocated towards Māori tourism.

**Recruitment**

Organisational change has reduced the ministry’s staff from 366 to 300. Vacancies, particularly in senior positions, continue to cause difficulty. The ministry is planning to recruit for these roles, and the extra staffing costs will be offset by a corresponding reduction in contractors and consultants employed.

The role of Chief Executive for Te Taura Whiri I te Reo Māori also remains vacant.

**Te Ture Whenua Māori Bill**

A consultation document has been released, and Te Puni Kōkiri are holding hui around the country, on the new Te Ture Whenua Māori Bill. The bill aims to provide Māori with more autonomy, while making processes for governance of the land, including dispute resolution, easier and clearer.

Under the bill, Māori land owners would be able to develop and approve their own governance constitution and the appointment of Kaitiaki without requiring confirmation by the Māori Land Court. It also aims to ensure funds tied up in land can be released to their owners, while providing a framework to encourage the retention of land by Māori.
owners and to respect its cultural significance. The bill also seeks to safeguard land for future generations.

Many people are unsure about the roles the Māori Trustee and the Māori Land Court, and it is hoped that consultation and hui on the bill will help to improve understanding.

The vote includes $12.8 million over four years to fund Te Ture Whenua Networks, to help Māori improve the productivity of their land. It is expected that this funding will also help the wider community.

**Māori Wardens**

We asked whether Māori Wardens were experiencing problems with the Māori Council and heard that some wardens are moving away from the Māori Council, but others are not. The Minister is planning a two-day meeting to resolve any grievances and improve relationships.
Appendix

Committee procedure
We met on 17 and 30 June 2015 to consider Vote Māori Development. We heard evidence from the Minister for Māori Development, Te Ururoa Flavell, and Te Puni Kōkiri, and received advice from the Office of the Auditor-General.

Committee members
Tutehounuku Korako (Chairperson)
Hon Chester Borrows
Marama Fox
Joanne Hayes
Hon Nanaia Mahuta
Pita Paraone
Rino Tirikatene
Metiria Turei

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Māori Development, prepared by committee staff, dated 22 May 2015.

Office of the Auditor-General, Briefing on Vote Māori Development, received 17 June 2015.

Minister for Māori Development, Response to standard Estimates questionnaire.

Minister for Māori Development, Responses to additional questions, received 15 June 2015.
Ngā whakapae mō Te Pōti Whiriwhiringa Tīriti o te tau 2015/16
Te pūrongo a Te Komiti Whiriwhiri Take Māori

**Ihirangi**

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Te Pōti Whiriwhiringa Take Tiriti

Tūtohutanga

Ka tūtohu Te Komiti Whiriwhiri Take Māori kia whakaaetia ngā wāwāhanga moni mō te tau ka mutu hei te 30 o Pipi 2016 mō Te Pōti Whiriwhiringa Take Tiriti e ai ki tērā kua whakatakotia i roto i Te Pepa Pāremata B.5.

Kupu Whakataki

Nā, mō ngā wāwāhanga moni i rapua i te tau 2015/16. He nui tonu te piki ki te $437.824 miriona nō mai i ngā whakapaunga tūturu e $311.059 miriona i whakapaenga i te tau 2014/15. Tua atu i ngā wāwāhanga moni i rapua mō te tau 2014/15, ka uru atu ki Te Pōti Whiriwhiringa Take Tiriti tētahi tau tinimaha wāwāhanga móni e $1.4 piriona mō ngā tau tū mai e rima atu i te tau 2015 ki te tau 2019.

Ka rongo kōrero mātou nō mai i Te Minita e pā ana ki te ahunga whakamau o ngā whakataunga take Tiriti. Ko te tūmanako ka hainatia ētahi atu whakaaetanga mātāpono me ētahi atu whakaaetanga whakataunga hei te tau e tū mai nei, ā, he mea whakatenatenata te ahunga whakamau ki te wā nei. E 85 ōrā o ngā whakataunga kua tutuki. Tino rika rawa atu Te Minita kia hainatia ngā whakaaetanga tuku mana me ngā ritenga whiriwhiringa mā te tau 2017.

Te hanganga ture me ngā whiriwhiringa

Ki te whakapono o Te Minita, e ai ki te hanganga ture mō te Take Tiriti, ka nui ngā mahi ā te tau e tū mai nei: ko Te Pire Whakataunga i ngā Kerēme a Hineuru tērā kua kōkuhua me te whai poto ake o Te Pire Whakataunga i ngā Kerēme a Te Ātiawa; ka wawata a ia ka whai ake Te Pire Whakataunga i ngā Kerēme a Ngāriwhine ā kō tonu ake i tērā, ā, ka wawata anō hoki a ia kāore te hanganga ture mō Te Awa o Whanganui River, ā, mō ngā iwi o Taranaki, Ngāti Ranginui, Ngāti Rangi, Ngāti Pūkenga i te tino tawhiti atu.

Ahakoa te pōturi haere, te kore neke haere rānei o ngā whiriwhiringa (nā tētahi hāmenetanga i ētahi wā), kei te pai tonu te anga whakamau a Te Tari Whakatau Take e pā ana ki Te Tiriti o Waitangi i te hanganga ture me ngā whiriwhiringa. Ahakoa te taea e ngā kerēme inaki te whakapōturi te whakatutukitanga o te whakataunga, ki te whakapono o Te Minita, ka taea noa he ārai te whakaturuki ka kaha ana, ka moata ana te kōkiri i te tīmatanga o te hātepe.

Te mahi kia tutuki ai te mono kōkiri

Ka whakaae mātou, ko tētahi wāhi uaua rawa atu pea o te hātepe whakataunga Take Tiriti, ko te ekenga ki te wāwāhanga hainatanga o te mana kōkiri ēngari i te mutunga, kua kite mātou e 82 ōrā ngā mana kōkiri kua oti kē te hainatia.

Ka whakaae Te Minita, ēhara te whakapaunga o tētahi $3 miriona, he whakapaunga pai o te moni a te hunga utu taake mō te mana kōkiri a Ngāpuhi ki te wā nei, ā, me tāna ki anō i te wā ki ia Te Mīnta, he whakapau kaha kē tāna ki te whakatenatenata rōpū kia whakawhitihiti kōrero, whakawhitihiti whakaaro rātou. Kua hainatia ngā ritenga whiriwhiringa e ia, ā, he wā anō ka noho ki te āta wherawhera i te pūrongo a Te Taraipiuhora a Waitangi. Ka haere tonu tāna whai kia tatū he whakataunga. Ka pātai mātou ki Te Mīnta mō te take i whakaae
ai a ia ki te mana kōkiri i te tuatahi. Ko tāna ki a mātou, nā runga i tōna whakapono he whānui te tautoko huri noa te rohe me te whakaae anō, he māharahara tonu kei reira, ā, nā runga i tērā ka whakanohoa he herenga ki te taha o te mana kōkiri: arā, me ngata Te Minita ka noho tuwhera ngā whitiwhitinga kūrōrō, whitiwhitinga whakaaro, ā, ko tētahi āhuatanga anō o taua herenga, kia āmīki rawa atu ngā kūrōrō i roto i te whakataunga mō te tohatoha pūtea āwhina ki te hapū.

Ngā Whakaaetanga i raro i Te Ture Wāhi Tata Takutai, Tata Moana (Takutai Moana) o te tau 2011

Nō mai te wā i mana ai Te Ture tae atu ki ērā e hoki whakamuri rā anō ki Te Ture Takutai Moana o te tau 2004 e 29 ngā tongo i nāianei mō ngā whakaaetanga aronga atu.

Ko tā Te Minita ki a mātou, e rika ana a ia ki te anga whakamua i te whakaaetanga e pā ana ki Te Pire Ngā Rohe Moana o Ngāti Porou mō Ngāti Porou nā te mea, no mai rā anō i te tau 2008 te pire nei ēngari, me hoki anō ki te whakatikatika i te hanganga ture nei kia ū ai ki Te Ture Wāhi Tata Takutai, Tata Moana (Takutai Moana) o te tau 2011.

Ko tōna wawata, taua rawa atu ki te whakapaunga o te tīnei wāhanga pāremate kua oti, kua hoatu e ia ngā whakaritenga hanganga ture mā Ngāti Porou me Ngāti Pāhauwera. Mō ētahi ētahi atu kaitono, e neke whakamua ana i ērā rātou whakaaetanga mō roto kōti, tērā rautaki ki whakamihia e Te Minita nā te mea, ēkene pea ko te whakataunga o ētahi rangirua te mutunga mai, heī taurā, te whakamāramatanga o ngā kāinga.

Ka pātai mātou, i pēhea te whakapaunga o te moni e $15.53 miriona, tērā i whakapaetia, i wāwāhungatia hei utunga whakaaetanga whakaritenga mo te takutai moana. Ka ki mai Te Minita. haere ai ngā pūtea āwhina nei ki te whakakau papa a Te Karua, a ngā mana whahuhuhue hau kāinga i ngā whakataunga.

Tīka o te kapenga tuatahi

Ka pātai mātou ki Te Minita mehemea ka pāngia te whakaurunga o te tīka o te kapenga tuatahi1 ki te pupūtanga moni i whakawhiwhia. Ka rongo mātou ka whirirhiriha tahitia te tīka o te kapenga tuatahi me the moni i whakawhiwhia heī wāhunga e te mōkō. He tino whānui rawa atu te hōkai o ngā tauira i te timatanga mō te tīka o te kapenga tuatahi; kua pai kē atu ngā mea hou o nāianei.

Ka whakahuatia ake e mātou he tauira o tētahi mana whakahaire hau kāinga e whakahē ana ki te whanaketanga o te whenua mehemea he tīka o te kapenga tuatahi tō te iwi; heoi, kihahei he mauhangahanga kūrōrō a te mana whakahaire mō te tīka rā, ā, nā runga i tērā ka pātai mātou, ka pēhea ngā tīka rā te whakahaere. E 7,385 ngā paihere ki aua tīka rā ērā kei Te Tari Whakatū o Waitangi tītahi rehita waenganui o ngā paihere kia mōhio ai ngā kaimahi katoa o Te Karua, o te mana whakahaire hau kāinga ki ngā herenga.

Ngā pito whenua a Kaporeihana Whare Aotearoa

Ka pātai mātou mehemea he haepapa anō hoki tō Te Tari Whakatū Te pā ana ki Te Tiriti o Waitangi mō te whakahaere pito whenua a Kaporeihana Whare Aotearoa kihiia i te whakamahia, ērā kua tohua kia tāpaea, kia whakahokia ki te iwi. Ka mahi Te Minita ki te kimi e ahata aana tēnei, ā, me te whakapūmau ka noho mōhio mātou. Ko tērā i

1 I roto i tēnei take, mā tētahi tīka o te kapenga tuatahi e riro ai e tētahi kohinga te kōwhiringa tuatahi ki te hoko whenua mai i Te Karua mehemea kei te hoko e Te Karua.
whakamōhiotia mai ki mātou, whai muri ati i te whakawātanga mō Ngā Whakapae, e toru ngā pito whenua a Kaporeihana Whare Aotearoa kua pēke whenuatia ēngari, kāore he hononga ka haere tonu i waenganui i Te Tari me Kaporeihana Whare Aotearoa.

**Ngā whakataunga whakatika hapa**

I ētahi wāhi tuawhenua, kāore he whenua Kāwanatanga e wātea ana mō ngā mōki whakatika hapa i te rahi rawa nō reira, ko te tauira o te whakapuna e pā āna ki a Ngāti Mutunga o Wharekauri, he moni pea. Ko tā Te Minita i kī, ēhara te kaupapa here o Te Tari Whakatau Take e pā ana ki Te Tiriti o Waitangi mō ngā whakatika hapa o muri mai, i te kaupapa here hoko pito whenua mai ēngari, kei te tuwhera āna taringa ki ētahi atu kōwhiringa pērā i te whakawatea pūtea atu ki te iwi kia kaha ai rātou ki te hoko whenua ki te tatū te whakataunga.

**Whakataunga-whai muri**

He tono anō kei reira kia whakatū hinonga whakahaere whakataunga-whai muri te iwi. Ki Te Minita, he mahi whakaparahako ki a ia te āta aro turuki i ngā mahi a te iwi ki te whakatūtū hinonga whakahaere whakataunga-whai muri ēngari, kei reira anō ngā whakaritenga kia whakatakoto pūrongo te hinonga kia tino kitea ka taea ngā whakataunga ki taua hunga e tika ana kia whai huanga.

Ka pātai mātou, pēhea ai te whiwhi pūtea āwhina a Te Wāhanga Paihere Whakataunga-whai muri, ā, pēhea ai te ine i tāna whakatutukinga mahi. I te wā nei, heke atu ai te pūtea āwhina mā rito i Te Tāhu o Te Ture; kīhāi anō kia tatū ki a wai te haepapa mō te pūtea āwhina ka oti katoa ana ngā whakataunga. Ėkene pea ka tū-motuhake te hinonga. Ka tuhia e te wāhanga ngā paihere mō te tika o te kapenga tuatahi ki rito i āna mauhanga kōrero, ā, ka kuhu haere ki rito i ngā tari Kāwanatanga ki te whakatutuki otinga. Ko te tikanga, ka maha kē atu ngā whakataunga ka tatū anā, ka rahi kē atu te wāhanga (ka pakupaku haere kē atu pea Te Tari Whakatau Take Tiriti), ā, tērā pea ka noho mai te haepapa mō te whānuitanga katoa o ngā herenga whakataunga-whai muri ki te wāhanga.
Tāpiritanga

Ara ki tēnei tirotirohanga
I hui mātou i te 17 me te 30 o Pipiri tau 2015 ki te whakaaroaro i Te Pōti Whiriwhiringa Take Tiriti. I rongo taunakitanga nō mai i Te Minita Whiriwhiringa Take Tiriti o Waitangi, a Hōnore Christopher Finlayson, nō mai hoki i Te Tari Whakatau Take e pā ana ki Te Tiriti o Waitangi, ā, me te whiwhi whakamaherehere nō mai i Te Tari o Te Tumuaki.

Ko ngā mema o te komiti, ko
Tūtehounuku Kōrako (Heamana)
Hōnore Chester Borrows
Mārama Fox
Joanne Hayes
Hōnore Nanaia Mahuta
Pita Paraone
Rino Tirikātene
Mētīria Tūrei

Taunakitanga me te whakamaherehere i whiwhi
Tua atu i ngā tuhinga mō Ngā Whakapae noa, ka whakaaroarahia e mātou ngā taunakitanga ka whai ake, ā, me te whakamaherehere i te wā o tēnei tirotirohanga, arā:

Te pepa whakatakotoranga tohutohu mō Ngā whakapae mō Te Pōti Whiriwhiringa Take Tiriti, nā ngā ringa whakatutuki mahi o te komiti i takatū i te 22 o Haratua tau 2015.

Te whakatakotoranga tohutohu mō Te Pōti Whiriwhiringa Take Tiriti a Te Tari o Te Tumuaki, i whiwhi i te 24 o Pipiri tau 2015.

Te urupare ki te rārangī pātau mō Ngā Whakapae noa a Te Minita mō Ngā Whiriwhiringa Take Tiriti o Waitangi.

Te urupare ki ngā pātau i tua atu i whiwhi i te 22 o Pipiri tau 2015, a Te Minita mō Ngā Whiriwhiringa Take Tiriti o Waitangi.
2015/16 Estimates for Vote Treaty Negotiations

Report of the Māori Affairs Committee

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Vote Treaty Negotiations

Recommendation

The Māori Affairs Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Treaty Negotiations as set out in Parliamentary Paper B.5, be accepted.

Introduction

The appropriations sought in 2015/16 increase substantially to $437.824 million from the estimated actual spending of $311.059 million in 2014/15. In addition to the appropriations sought for 2014/15, Vote Treaty Negotiations includes a multi-year appropriation of $1.4 billion for the five years from 2015 to 2019.

We heard from the Minister about the current progress of Treaty settlements. Further agreements in principle and deeds of settlement are expected to be signed in the year ahead and progress so far has been encouraging, with 85 percent of settlements to date complete. The Minister is particularly keen to have all deeds of mandate and terms of negotiation signed by 2017.

Legislation and negotiations

The Minister expects the next year to be a busy one in terms of Treaty legislation: the Hineuru Claims Settlement Bill has been introduced, and the Te Atiawa Claims Settlement Bill will follow shortly; he hopes the Ngāruahine Claims Settlement Bill will follow soon after. He is also hopeful that legislation for the Whanganui River, Taranaki iwi, Ngāti Ranginui, Ngāti Rangi, and Ngāti Pūkenga is imminent.

In spite of some slowing or stalling of negotiations (sometimes because of litigation), the Office of Treaty Settlements has continued to make good progress on legislation and negotiations. Overlapping claims can slow the achievement of settlement, but the Minister believes if they are addressed vigorously early in the process, any obstacles can be overcome.

Achieving mandate

We acknowledge that reaching the stage of signing mandates is possibly the most difficult part of the Treaty settlement process, but note that 82 percent of mandates have nevertheless already been signed.

The Minister agreed that the spending of $3 million so far on the Ngāpuhi mandate was not a good use of taxpayer money, and said that during his time as Minister he has been trying to get the parties communicating. He has signed terms of negotiation, will consider any Waitangi Tribunal report, and will continue to strive for a settlement. We asked the Minister on what the basis he accepted the mandate in this instance. He said he believes he has broad support around the rohe, but acknowledged that some concerns remain, and it is therefore a conditional mandate: conditional on the Minister being satisfied that communication remains open, and on the settlement being detailed enough in its plans for the distribution of funding to hapū.
Agreements under the Marine and Coastal Area (Takutai Moana) Act 2011

There have now been 29 applications for recognition agreements with the Crown since the Act came into force, including some that date from the Foreshore and Seabed Act 2004.

The Minister told us that he is keen to progress the Ngā Rohe Moana o Ngā Hapū o Ngāti Porou Bill agreement, as it dates from 2008, but this legislation will need to be re-worked to comply with the Marine and Coastal Area (Takutai Moana) Act 2011.

He hopes that by the end of this parliamentary term he will have concluded and provided for in legislation arrangements for Ngāti Porou, and Ngāti Pāhauwera. Some other applicants are progressing their agreements through the courts, which the Minister welcomes as it may lead to the resolution of some uncertainties, for example about definition of terms.

We asked how the estimated amount of $15.53 million appropriated for agreed payments for foreshore and seabed deeds of agreement is spent. The Minister said that these funds go towards the implementation of settlements by the Crown and local authorities.

**Right of first refusal**

We asked the Minister if the inclusion in a settlement of a right of first refusal affects the amount of money awarded. We heard that both the right of first refusal and money awarded are negotiated as part of a package. Early examples of rights of first refusal were very broad in scope; later ones have been more refined.

We cited an example of a local authority opposing development of land where the developing iwi had a right of first refusal; however the authority had no record of the right, and we asked how these rights are managed.

There are 7,385 commitments to such rights, and the Office of Treaty Settlements now has a central register of commitments, so that all Crown and local authority staff are aware of obligations.

**Housing New Zealand properties**

We asked whether the Office of Treaty Settlements also had responsibility for administering unused Housing New Zealand properties that are earmarked for offer back to iwi. The Minister undertook to find this out and ensure we are informed. We were told following the Estimates hearing that three Housing New Zealand properties have been land-banked, but there is no on-going relationship between the Office and Housing New Zealand.

**Redress settlements**

In some rural areas there is not much Government land available for redress packages so the settlement of Ngāti Mutunga o Wharekauri, in the Chatham Islands, for example, is likely to be in cash. The Minister said that the Office of Treaty Settlements’ policy is not to purchase properties for subsequent redress, but he is open to alternatives, such as making funds available to iwi so they can buy property in anticipation of settlement.

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2 A right of first refusal would allow a particular group the first option to buy, in this case land from the Crown if it is being sold.
Post-settlement

Iwi are required to set up post-settlement governance entities. The Minister said it would be patronising for him to monitor these closely, but there are reporting requirements to ensure settlements reach those whom they are intended to benefit.

We asked how the Post Settlements Commitment Unit is funded and its performance measured. It is funded at present through the Ministry of Justice; responsibility for funding once all settlements have been completed has yet to be decided. It is possible that it may become a stand-alone entity. The unit records commitments on right of first refusal, and liaises with Government departments to broker solutions. As more settlements are reached the unit is likely to grow (while the Office of Treaty Settlements becomes smaller), and will probably become responsible for the whole range of continuing post-settlement obligations.
Appendix

Committee procedure
We met on 17 and 30 June 2015 to consider Vote Treaty Negotiations. We heard evidence from the Minister for Treaty of Waitangi Negotiations, Hon Christopher Finlayson, and the Office of Treaty Settlements, and received advice from the Office of the Auditor-General.

Committee members
Tutehounuku Korako (Chairperson)
Hon Chester Borrows
Marama Fox
Joanne Hayes
Hon Nanaia Mahuta
Pita Paraone
Rino Tirikatene
Metiria Turei

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Treaty Negotiations, prepared by committee staff, dated 22 May 2015.

Office of the Auditor-General, Briefing on Vote Treaty Negotiations, received 24 June 2015.

Minister for Treaty of Waitangi Negotiations, Response to standard Estimates questionnaire.

Minister for Treaty of Waitangi Negotiations, Response to additional questions, received 22 June 2015.
The Government Administration Committee has examined the 2015/16 Estimates for Vote Internal Affairs, Vote Pacific Peoples, Vote Sport and Recreation, and Vote Statistics, and recommends that the appropriations in respect of these votes for the year ending 30 June 2016, as set out in Parliamentary Paper B.5, Vol. 8, be accepted.

Hon Ruth Dyson
Chairperson
2015/16 Estimates for Vote Women

Report of the Government Administration Committee

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Vote Women

Recommendation

The Government Administration Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Women, as set out in Parliamentary Paper B.5, vol. 8, be accepted.

Introduction

The appropriations sought for Vote Women decrease to $4.663 million in 2015/16 from estimated actual expenditure of $5.411 million for 2014/15. The 13.8 percent decrease is mostly due to the completion of the ministry’s relocation to new premises in the 2014/15 financial year. The ministry has identified no specific financial risks in relation to the vote. No changes were sought to the type and level of appropriation, and no budget bids were made. We note that the ministry has yet to finalise its 2015/16 output plan. We look forward to its release in the near future.

Nominations Service

The departmental output expense Nominations Service, which is for the provision of suitable women nominees for appointment to state-sector boards and committees, decreases to $300,000 in 2015/16 from an estimated actual expenditure of $460,000 in 2014/15. This accounts for 34 percent of the total decrease in the appropriation sought.

One of the ministry’s four priority outcomes is “encouraging and developing women leaders to achieve greater diversity in leadership roles”. We asked the Minister how this might be achieved with reduced funding for the Nominations Service. The Minister said that the number of women on boards has remained relatively steady over the past decade in the 40 to 45 percent range, and has only fluctuated by about 2 percent during that time. The Minister believes this indicates that the nominations system does not work and needs to change. The ministry is working with the Treasury and making use of its greater resources to seek improvement in the representation of women on boards.

Wage equality

In our consideration of the 2014/15 annual reviews of the ministry and the State Services Commission we discussed the issue of wage equality. We returned to this topic and asked why, of the four priority outcomes specified by the ministry, none concerns the gender pay gap. The Minister said she views addressing wage inequality as a priority and, indeed, a reason for the continued existence of a women’s ministry. The Minister discussed her desire to improve the position of women by encouraging them to train for industries where there is a need for workers and where women are under-represented. She also wishes to cultivate the potential of women in mid-career, but noted that this group has a wide range

2
of variables. In terms of the pay gap in the State sector—which is wider than that in the private sector—we heard that the ministry is assisting the State Services Commission which is looking at “vertical contributions”.

The Pay and Employment Equity Unit was established in the Department of Labour in 2004 to support the implementation of the Government’s Plan of Action on Pay and Employment Equity. The unit was disestablished in 2009 and further research and policy work programme was undertaken by the ministry. It has not been involved in any further work on the plan. Neither the Minister nor the ministry was able to tell us what had become of the recommendations from the comprehensive audits undertaken by the unit.

We were subsequently told by the Minister that the obligation for ensuring a response to any identified gender inequalities rests with public sector chief executives as part of good management practices.

**Violence against women**

One of the ministry’s four priority outcomes is “ensuring women and girls are free from violence”. On 26 February 2015 the ministry released the report *Wāhine Māori, Wāhine Ora, Wāhine Kaha: preventing violence against Māori women*. Following the report’s release the Minister held a number of hui to discuss it and gather feedback. We heard that there was general agreement on the factors needed to keep women safe. This in turn has fed into the ministerial group on violence, and work in various communities.

We asked about workplace protections for women. The Minister believes that changes in 2015 to the Employment Relations Act 2000 have helped, in that employers now have a statutory right to request flexible working arrangements at any time. This allows women seeking to escape violence, for example, to ask for flexibility much earlier from a new employer.
Appendix

Committee procedure
We met on 24 June and 1 July 2015 to consider Vote Women. We heard evidence from the Minister for Women, Hon Louise Upston, and the Ministry for Women (Ministry of Women’s Affairs), and received advice from the Office of the Auditor-General.

Committee members
Hon Ruth Dyson (Chairperson)
Sarah Dowie
Brett Hudson
Mojo Mathers
Mark Mitchell
Adrian Rurawhe

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Women, prepared by committee staff, dated 9 June 2015.
Office of the Auditor-General, Briefing on Vote Women, dated 24 June 2015.
Minister for Women, Response to standard Estimates questionnaire.
Minister for Women, Response to additional questions, received 23 and 30 June 2015.
# 2015/16 Estimates for Vote Arts, Culture and Heritage

Report of the Government Administration Committee

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**Vote Arts, Culture and Heritage**

**Recommendation**

The Government Administration Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Arts, Culture and Heritage, as set out in Parliamentary Paper B.5, vol. 8, be accepted.

**Introduction**

The appropriations sought for Vote Arts, Culture and Heritage increase to $309.271 million in 2015/16 from an estimated actual expenditure of $290.226 million for 2014/15.

**Creative New Zealand**

We asked about the situation faced by Creative NZ as lottery revenue declines. The Minister said that while it was positive that people are not gambling as much, the shortfall in Creative NZ's funding is expected to be significant. The Minister has been aware of the trend for several years, and has been briefed by the Department of Internal Affairs on the matter. The Minister does not believe that Creative NZ will cut any programmes of significance, or that the Royal New Zealand Ballet, the NZSO, or the Film Commission will be affected as yet. The Minister does not intend to seek additional funding for Creative NZ for the upcoming year. She is seeking to develop philanthropy and commercial revenue as alternative funding streams. Some of us believe the shortfall may be around 6 percent, and are concerned that programmes that are not considered to be “of significance” will be cut.

**National War Memorial Park**

We heard that the Pukeahu National War Memorial Park had exceeded expectations, with over 50,000 people attending Anzac Day dawn services. The Australian Prime Minister attended the opening of the first commemorative area in the park. Work on commemorative areas for half a dozen other countries is in progress. Agreements have been signed with Canada, the United States, and France, and discussions are taking place with Turkey. The Minister made particular note of a planting programme under way to encourage the dawn chorus. We were pleased to hear that visitor numbers continue to increase, and look forward to seeing the further development of the park.

**New Zealand Symphony Orchestra**

The New Zealand Symphony Orchestra has been advised that they will continue to receive about 70 percent of the funding it requires to operate. We were told that the NZSO is confident that long-term financial sustainability is attainable with supplementary funding from various sources. A source of funding with strong potential is sound scoring work. The Minister noted the intended establishment of a new centre for music at the Wellington Town Hall, which will have a permanent sound scoring stage, and will provide a permanent home for the orchestra. Back-office support will be shared with the Wellington Orchestra, and the Victoria University of Wellington School of Music. The orchestra has embraced and responded to the findings of a recent review of the orchestra sector.
The Minister believes the orchestra is in robust shape to continue to perform excellently as a fully-fledged symphonic orchestra, and is likely to continue to attract film scoring work. Some of us are concerned that the future of the orchestra largely depends on continuing to attract sound scoring work in an uncertain market, and on increased giving by patrons.

**Screen production grant**

The Minister is responsible for the New Zealand Screen Production Grant for New Zealand productions,\(^1\) a multi-year appropriation of $83.75 million over 5 years. $4.06 million is estimated to have been spent in the first year of the appropriation, 2014/15, while it is estimated in Budget 2015 that $41.69 million will be used in the second year, leaving $38 million for the final three years of the appropriation. A review of the first year of the grant was considered by the Cabinet on the day of our hearing, and was expected to be released within a fortnight. The Minister did not wish to speculate on the timing of Screen Production Grant funding and the closure of certain individual businesses.

**Museum services**

The Minister said she believes that the establishment of a Te Papa North facility in South Auckland would bring significant benefits to the area, allowing people in the north to see what Te Papa has to offer, and that it would be good for Te Papa to have many of their off-display collections stored in a less seismically-active region than Wellington.

We expressed concern that there was no specific funding for the project in 2015, despite its being announced three years ago. The Minister told us that work is being done on feasibility studies and business plans to ensure that such a facility would fit well into the country’s arts infrastructure, and provide the most benefit to the people of Auckland. The Minister expected the project would be sufficiently developed to attract funding in Budget 2016.

**Regional museums**

We heard about a regional museums policy fund of about $6.6 million per year, set up to ensure that there are strong cultural, arts, and heritage projects, exhibits, and entities all around the country. The criteria for applying to the fund are that the applicant’s collections are of national significance or high regional significance. Funding will generally be for capital construction projects, and applications will need a strong business case to proceed.

**Te Matatini National Kapa Haka Festival**

The Performing Arts Services appropriation in Budget 2015 includes $1.248 million for Te Matatini as a service provider. We heard that the Minister was one of 30,000 people who attended the festival in Christchurch. The festival is held every two years, and will next be held in Hawkes Bay. Te Matatini has taken part in the Edinburgh Military Tattoo.

**New Zealand books**

The Minister said that it is a great shame that New Zealand Book Month and the New Zealand Book Awards could not take place this year; these events could not be entirely publicly funded. Funding from Creative NZ and New Zealand Trade and Enterprise in previous years supplemented commercial sponsorship.

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1 The New Zealand Screen Production Grant – International appropriation is in Vote Business, Science and Innovation; the appropriation Minister is the Minister for Economic Development.
Committee procedure
We met on 24 June and 1 July 2015 to consider Vote Arts, Culture and Heritage. We heard
evidence from the Minister for Culture and Heritage, Hon Maggie Barry, and the Ministry
for Culture and Heritage, and received advice from the Office of the Auditor-General.

Committee members
Hon Ruth Dyson (Chairperson)
Sarah Dowie
Brett Hudson
Mojo Mathers
Mark Mitchell
Adrian Rurawhe

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence
and advice during this examination:

Estimates briefing paper for Vote Arts, Culture and Heritage, prepared by committee staff,
dated 9 June 2015.

Office of the Auditor-General, Briefing on Vote Arts, Culture and Heritage, dated 24 June
2015.

Minister for Culture and Heritage, Response to standard Estimates questionnaire.

Minister for Culture and Heritage, Response to supplementary standard Estimates
questions, received 22 June 2015.

Minister for Culture and Heritage, Response to additional supplementary Estimates
questions, received 30 June 2015.
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Vote Primary Industries and Food Safety

Recommendation

The Primary Production Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Primary Industries and Food Safety, as set out in Parliamentary Paper B.5 Vol. 9, be accepted.

Introduction

Two previous Votes—Vote Primary Industries and Vote Food Safety—have been merged to create Vote Primary Industries and Food Safety. The appropriations seek to maximise export opportunities, improve the sector’s sustainability, increase sustainable resource use, and protect against biological risk.

The Ministry for Primary Industries (MPI), the administering department, uses funding from the vote to help pursue the Government’s Business Growth Agenda objective of increasing exports to 40 percent of GDP by 2025.

The appropriations proposed for Vote Primary Industries and Food Safety for 2015/16 total $863.131 million, increasing over 20 percent from the 2014/15 estimated actual expenditure of $712.287 million.

Vote Primary Industries and Food Safety includes the following approximate appropriations:

- $100 million for development and implementation of policy advice
- $179 million for border and domestic biosecurity risk assessment
- $73 million for activities relating to fisheries, animal welfare, aquaculture, Crown forestry assets, and the administration of grants and programmes
- $103 million for food safety
- $96 million for activities relating to forest management, wood production, pest management, climate change research, and the operation of the NZ Walking Access Commission
- $174 million for capital expenditure, including a $100-million investment in Crown Irrigation Investments Limited

During our examination we heard from both responsible Ministers, the Minister for Primary Industries Hon Nathan Guy, and Hon Jo Goodhew, Minister for Food Safety.

Biosecurity

We were told that biosecurity is the Minister for Primary Industries’ top priority; additional funding of $24.9 million is sought to strengthen biosecurity at the border, with measures including more x-ray machines and detector dogs. We observed that whilst planned biosecurity spending is high, trade is also at record levels. The Minister said that resourcing
was adequate, and the numbers of quarantine staff and detector dog teams had increased significantly. The Minister said that the capital funding of at least $45 million for a new biocontainment facility in Wallaceville would be sourced from a separate appropriation.

Fruit flies were found in Auckland in February 2015 and the ministry’s response will continue until December. We asked what the recent Queensland Fruit Fly incursion was expected to cost. The Minister said that it was expected to cost around $17 million. We heard that fruit for export could be transported through the control zone, provided the transporter had a permit and complied with specific requirements.

A new border clearance levy will take effect from January 2016. Public consultation is in progress, but international passengers are expected to be charged about $22 per trip. We heard that the reason for the levy was due to increasing visitor volumes which require additional resourcing from the ministry and Customs for border protection. The Minister said that primary industry stakeholders support the move. The Minister said that a passenger levy would establish a user-pays system; taxpayer funding for border services would be reduced over the next three years whilst revenue generated from the levy increased.

**Animal welfare**

The ministry leads and facilitates the management of animal welfare policy and practice. We asked about its role in the recently established demonstration farm in Saudi Arabia. In New Zealand the export of live animals for slaughter is prohibited. When live animals are exported, an animal welfare export certification process takes place. The director-general of the ministry needs to be satisfied with the carrier and that the animals are travelling for breeding purposes. The director-general also has the right to request a report on the state of the animals after they arrive at their destination.

The Minister said that he was satisfied with how the ministry carried out its function in relation to the shipment to Saudi Arabia. We heard that the ministry had inspected the farm before the arrival of stock and was also satisfied with transport arrangements. Some of us expressed concern that a high percentage of the lambs born on the farm since arrival of the sheep had died; the Minister said that this would inform the director-general’s decisions on future live transports, but that the exact cause of the deaths remained unknown.

**Irrigation and water storage**

The increase in the vote is largely accounted for by increased capital investment in Crown Irrigation Investments Limited (CIIL). We asked the Minister about the benefits expected from investment in irrigation and water storage. The Minister said that environmental benefits included maintaining a marine environment for fish species; and in the case of the Central Plains Water scheme there will be an increasing flow to Lake Ellesmere / Te Waikorora, thus potentially improving water quality. Other benefits include strengthening regional economies and increasing exports. The Minister said that in consent processes for water projects, environmental impacts form a major consideration.

We asked whether the planned price per cubic meter of water was considered before the Crown invested in irrigation schemes. The Minister said that CIIL had been set up with conservative investment criteria and he had confidence in its decision-making process. We heard that ultimately it would be for farmers to decide what they are willing to pay for water, and the Crown was often the final investor in irrigation schemes.
Primary Growth Partnership

We drew attention to large adjustments made to the appropriation for the Primary Growth Partnership (PGP) between 2013/14 and 2014/15. We asked in particular about the Precision Seafood Harvesting programme (PSH), which has developed a net that allows larger fish to be landed live and in good condition, whilst releasing smaller fish unharmed. This promotes sustainability and the fresher product fetches a premium overseas. We were assured that live export of fin fish was not being considered.

We understand that other net trials on a relatively small scale are producing similar outcomes, and encouraged the Minister to demonstrate clearly the additional benefits of large-scale funding through the PGP. The Minister said he had been advised that the PSH programme could be transformative for the industry and its fleet.

We heard that a number of companies involved in the PGP are at least partly foreign-owned. The Minister considers that foreign capital investment has enabled primary industries to remain competitive. However, we were told that the investment advisory panel considers whether the programmes, and the intellectual property arising from them, will benefit New Zealand when making its recommendations. We discussed the recommendations of the Office of the Auditor-General on improving the accountability and transparency of the programmes and reporting; the Minister is comfortable that the necessary improvements have been implemented by the ministry.

Some of us remain concerned that the PGP programmes are not delivering the expected economic benefits. The Minister remains confident in the economic potential of the PGP, and cited a 2014 report of the New Zealand Institute of Economic Research, which estimated that these programmes will deliver $6.4 billion annually in economic growth by 2025.

Herbicide-tolerant crops

We asked about the deaths of cows in Southland, some of which had ingested herbicide-tolerant swedes. The Minister said the cause of deaths had not been reliably linked to any single feed product, and the ministry was continuing to work on developing a validated testing method. The Green Party member was not satisfied with the responses which were received after the hearing relating to this matter, and the continued availability of the product while the results of the deaths remain unknown.

Building capability

It is estimated that 50,000 additional people will be needed in the primary industries to realise the Government’s goal of increasing exports to 40 percent of GDP by 2025. We asked about initiatives to attract people into the sector. We heard that the ministry, with the Primary Industries Capability Alliance, meets with school principals to provide opportunities for school leavers and raise awareness among students. There has also been an effort to link tertiary agriculture students with career pathways in particular industries. The Government has also increased the subsidy for tuition fees to 20 percent, and is encouraged by higher enrolment rates in relevant courses at Lincoln and Canterbury Universities.

Investment in people

We were pleased to hear of $500,000 to support mental health initiatives for rural communities, funded jointly by the Ministry of Health and the Ministry for Primary Industries. We consider that mental health is an important, but sometimes under-acknowledged issue in rural communities. We look forward to hearing about the outcomes of programmes such as Farmstrong, a wellbeing initiative for farmers.

Organic regulation

We note that the Minister has no plans to progress the development of organic regulations this year for the domestic market, although the ministry has a system for assuring organic products for overseas markets where required by those markets. The Green Party member was disappointed that similar assurance does not exist for domestic consumers.

Food safety

We were told that promoting a food safety culture requires more than regulatory compliance. Systems that assure the safety of food, defence against deliberate contamination, and integrity, where consumers are confident that food is as labelled, are all equally important.

Food defence

We asked about the threat of 1080 contamination of infant formula which the Government announced in March 2015. The Minister said this was an example where defence of the supply chain was ensured through rigorous testing, cooperation by dairy processors and retailers, and raising public awareness of risk. Although retail stores generally present the area of highest risk for contamination, the Minister said that retailers assured the products’ safety by measures such as restricting public access to the product.

Official information relating to the 1080 threat has now been released; we asked why it was not clearly stated whether domestic or overseas consumers were most at risk. The Minister said that anyone who consumed infant formula or formula products was at risk. The Minister believes that the Government’s announcement of the threat was appropriate and did not cause unnecessary panic. We noted that the police investigation into this matter is continuing, and that the Minister is briefed regularly on progress.

Food integrity

We expressed interest in country-of-origin labelling, which is required for most foods in Australia. The Minister considers that this type of labelling does not assure the safety of the food for consumption; there is a testing regime to ensure that foods available to consumers in New Zealand are safe to eat. We observed that country-of-origin labelling allows consumers to exercise choice. The Minister asserted that her primary responsibility was to ensure that food is safe, and there is a voluntary origin labelling standard in New Zealand.

We asked whether the recently implemented Health Star Rating System, where packaged foods are given a star rating reflecting their nutritional value, was an expensive initiative. The Minister said that companies opted into the voluntary rating system, and incurred the costs for the analysis of their foods, as well as physical labelling costs.

Systems of assurance

We asked the Minister if she was aware of claims that traces of glyphosate, a herbicide, were present in milk products. The Minister assured us that rigorous testing was carried out
on raw milk and processed products, and the claims were unfounded. One of us expressed concern that the entirety of the data resulting from residue testing was not made publicly available. The Green Party member remains dissatisfied with the adequacy of the current testing regime, and reporting of results.

We heard that the ministry’s chemical and residue testing programmes are conducted to ensure that any residues found are below the acceptable daily limit as recommended by the World Health Organisation, and that the Ministry for Primary Industries was reliant on science undertaken overseas, but was keeping up to date with the latest testing methods. The ministry’s response to the 1080 contamination threat is an example where new testing methodologies were developed quickly and to good effect. The Minister was confident that the residue limits for chemicals in New Zealand foods were set well below the level that would present a risk.

**Cost recovery**

Changes to fees and levies take effect from 1 July, and the ministry is expecting a $6.9-million expenditure increase for cost-recovered food safety services in 2015/16. We asked how the changes had been received by the wine industry, which was previously classed as “fledgling”, and thus exempt from levies. However, it is now a billion-dollar industry and although levies had been initially unpopular, the Minister considers there was sufficient consultation with the industry.

**Legislative reform**

The Food Act 2014 will come into force on 1 March 2016. We asked about the potential effects of this legislation on fundraising events, such as barbeques. The Minister said that such activities would not be regulated under the Act, and extensive safety guidance would be made available. We were assured that the amount of regulation would be proportionate to the potential risk to consumers. We heard that the ministry is working with small producers of cheese, for example, to reduce food safety costs. Some of us remain concerned that these small producers may be subject to prohibitively high costs.
Appendix

Committee procedure
We met between 28 May and 2 July 2015 to consider Vote Primary Industries and Food Safety. We heard evidence from the Minister for Primary Industries, Hon Nathan Guy, and the Minister for Food Safety, Hon Jo Goodhew, and the Ministry for Primary Industries. We received advice from the Office of the Auditor-General.

Committee members
Ian McKelvie (Chairperson)
Todd Barclay
Hon Chester Borrows
Steffan Browning
Barbara Kuriger
Hon Damien O’Connor
Richard Prosser
Stuart Smith
Meka Whaitiri

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Primary Industries and Food Safety, prepared by committee staff, dated 12 June 2015.

Office of the Auditor-General, Briefing on Vote Primary Industries and Food Safety, received 15 June 2015.

Minister for Primary Industries, Responses to standard Estimates questionnaire.

Minister for Primary Industries and Minister for Food Safety, Responses to additional questions, received 15 and 30 June 2015.
2015/16 Estimates for Vote Lands

Report of the Primary Production Committee

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Vote Lands

Recommendation
The Primary Production Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Lands, as set out in Parliamentary Paper B.5 Vol 9, be accepted.

Introduction
The total appropriations sought this year for Vote Lands amount to $347.5 million, an increase of 7.7 percent from an estimated actual expenditure of $322.7 million in 2014/15. Hon Louise Upston, the Minister for Land Information, is responsible for the appropriations within the vote.

Appropriations totalling around $140 million (approximately 40 percent of the vote) are for multi-category expenses including the management of Land Information New Zealand location information, leadership of the location system, management of property rights, and management of Crown land.

Land Information New Zealand’s priorities
The Minister set out Land Information New Zealand’s (LINZ’s) priorities:

- Working with central and local government, private organisations and iwi to make sure location information is accurate, accessible, and increasingly utilised. LINZ is working on the collaborative Forward Works Spatial Coordination project, to improve the efficiency and coordination in the Canterbury rebuild.
- Speeding up decisions regarding property. LINZ is acting as the lead agency in the Better Property Services programme, which seeks to reduce the amount of time it takes to buy, sell, or develop property, thus reducing costs for property owners.
- Contributing to the review of the Te Ture Whenua Māori Act 1993.
- Continuing to run the Crown Property Centre of Expertise, managing Crown-owned property on behalf of other agencies and thus saving them time and money.

Foreign ownership
The Overseas Investment Office is responsible for evaluating all requests for foreign investment in sensitive land, business assets worth more than $100 million, and fishing quota in New Zealand. We asked about the process for determining how overseas investment applications are delegated between Ministers and Land Information New Zealand. The Minister said that cases involving sensitive land generally go to Ministers, while more straightforward cases are considered by LINZ. According to the Minister, there were three applications before the Ministers, and 73 before LINZ, of which 25 were to be passed to Ministers.

The Minister said that it is important to ensure that applications to the office deliver the benefits to New Zealand that they propose. The Minister clarified that “benefits” do not include the sale price or the monetary value of an asset, and that sale price is not a factor in considering applications. We asked how benefits to the country are monitored, and heard
that among the conditions that must be met is a requirement to provide an annual report to the office. The Minister also said that, while meeting these conditions is important, realistic adjustments to them are also possible if necessary.

We also heard that there are three timeframes for consideration of an application, depending on the complexity of the application. For example, category 3—for very complex applications—has a statutory processing timeframe of 70 days. The Minister said that 96 percent of applications are processed within the statutory timeframe.

We asked whether the Trans-Pacific Partnership and other free trade agreements would have any effect on how countries involved are treated under the Overseas Investment Act. The Minister said that similar agreements have not provided greater benefits for overseas investors than they routinely receive under the Act, and it is not expected that the Trans-Pacific Partnership will have an effect.

**QEII**

Queen Elizabeth II National Trust protects and preserves specific open spaces throughout New Zealand for aesthetic, cultural, recreational or other non-monetary reasons. We asked about the benefits of this scheme, and the Minister said that they are generally environmental, but that there are some indirect benefits such as job creation and technological development.

**Māori land**

Reforms proposed for Te Ture Whenua Māori Act 1993 seek to make it easier for Māori land-owners to use and develop their land, help people recognise the significance of such land, and ensure appropriate safeguards for their retention of this land. Some of us expressed concern about the reform, and asked whether it would work in the best interests of Māori. The Minister said that one of the aims of the reform is to improve the dissemination of information, and is intended to enable Māori land owners to make better decisions about land use using this information. The Minister reassured us that the unique relationship that Māori have with their land will continue to be considered.

**Online resources**

**Landonline**

Some of us expressed concern about the responsibilities of LINZ for land management. The Minister clarified that LINZ has direct responsibility for about eight percent of all New Zealand land, but that it also manages some other land on behalf of other agencies. The Minister said that there are incentives for departments to let LINZ take responsibility for their properties to speed up the selling. The Minister cited the Ministry of Education as an example of a department that successfully utilises this service.

We heard that while Landonline is a register of land ownership in New Zealand, it does not provide specific information about land owned by the Crown. Crown-owned land may be recorded as owned by Her Majesty the Queen, rather than a specific government agency, and its labelling may not allow its immediate ownership to be identifiable from its function; labels such as such as “school field” may not be available.

**Digitisation of photographs**

We asked how LINZ is preserving historical photographs, such as aerial images of reclaimed land in the Ports of Auckland and land involved in the Canterbury rebuild. The
2015/16 ESTIMATES FOR VOTE LANDS

Minister said that all of this imagery will be made available through the LINZ data service. However, the Minister said that the digitisation process could take up to eight years, as there are over half a million images to be processed.
Appendix

Committee procedure

We met on 18 June and 2 July 2015 to consider Vote Lands. We heard evidence from the Minister for Land Information, Hon Louise Upston, and Land Information New Zealand, and received advice from the Office of the Auditor-General.

Committee members

Ian McKelvie (Chairperson)
Todd Barclay
Hon Chester Borrows
Steffan Browning
Barbara Kuriger
Hon Damien O’Connor
Richard Prosser
Stuart Smith
Meka Whaitiri

Evidence and advice received

In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Lands, prepared by committee staff, dated 10 June 2015.
Office of the Auditor-General, Briefing on Vote Lands, received 12 June 2015.
Minister for Land Information, Response to standard Estimates questionnaire.
Minister for Land Information, responses to supplementary questions.
Minister for Land Information, responses to supplementary questions additional evidence appendix 7.
Minister for Land Information, responses to supplementary questions additional evidence appendix 7(a).
Minister for Land Information, responses to posthearing questions, received 29 June 2015.
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Appendix 8
Vote Social Development

Recommendation

The Social Services Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Social Development, as set out in Parliamentary Paper B.5, be accepted.

Introduction

Vote Social Development is the largest vote in Budget 2015, containing 27 percent of the total appropriations. A $790-million multi-year package which seeks to reduce hardship among children in the lowest-income households has been described as being “at the heart” of this year’s Budget; it is largely composed of appropriations within Vote Social Development.

Vote Social Development is administered by the Ministry for Social Development, and the Minister for Social Development has responsibility for most appropriations within the vote. Other appropriations in the vote are the responsibilities of the Ministers for Social Housing, Revenue, Senior Citizens, Youth, Veterans’ Affairs, Disability Issues, and State Services.

The appropriations sought for 2015/16 total $24.138 billion, a 3.6 percent increase on the estimated actual expenditure of $23.306 billion in 2014/15. We understand that this difference mostly reflects an increase in the projected demand for benefits and related expenses, particularly New Zealand Superannuation, which account for 81 percent (or $19.544 billion) of the total appropriations sought under the vote.

Changes to the vote’s structure in 2015/16 include the subsuming of what was previously Vote Senior Citizens, and the creation of a new multi-category appropriation, Social Housing Outcomes Support.

Child Hardship Package

The Government has announced funding of $790 million over four years for a package of initiatives to help children in some of the country’s poorest families. We understand there is increased funding of $27 million for the Sole Parent Support, $7.8 million for the Jobseeker Support and Emergency Benefit, and $7.75 million for the Childcare Assistance appropriations in 2015/16. The Minister told us that, once the package is fully implemented, it will cost about $240 million each year, but less funding is budgeted for 2015/16 as the changes will not come into effect until 1 April 2016.

The package will increase benefit payments to beneficiaries with children by $25 each week, increase Working for Families tax credits for low-income families that are not receiving a benefit, and increase the childcare assistance available to low-income families to make it more financially viable for them to work. Alongside these measures, work obligations for most sole parents receiving a benefit will be increased, requiring them to be available for up to 20 hours of work each week from the time their youngest child is three years old. At present those receiving the Sole Parent Support benefit are required to be available for up to 15 hours of work each week once their youngest child is five years old.
There are various ways to conceptualise, measure, and address child poverty, and we were interested in what led the Government to choose the initiatives in the package, particularly the increase in the benefits of those with children. We were told that the fiscal costs involved must be balanced against the funding available, the living standards of the people affected by the initiative, and the effect of the initiative on incentives to find employment. We heard that of the options the Government considered that came within the funding set aside for addressing child hardship, the $25 benefit increase was thought to strike the best balance between the three factors. Some of us were concerned that the Minister could not identify what percentage of families would access the full $25 increase, nor could she identify how many children would be lifted out of poverty as a result of this measure.

We understand that the package targets, and attempts to lessen, the material deprivation of children who live in households in severe poverty. While material deprivation is one way of measuring child poverty, and we accept that it will be reduced by the package, some of us find it worrying that the package is not expected to reduce the rate of child poverty as measured by household income. We asked why the Government did not choose to increase the Working for Families tax credit for beneficiaries, as this would have increased the household income of more low-income families. We were told that this would not have had the same impact on material deprivation as the $25 initiative is expected to. The Minister said that she believes the package strikes a good balance between providing needed support to low-income families with children, and preserving incentives for sole-parent beneficiaries to move into the workforce. She explained that moving to paid employment can result in a substantial increase in a household’s weekly income, which in turn can do more to lift families out of poverty.

We were pleased to hear that the Minister is confident the package will help ease the severity of hardship felt by families and children in the country’s lowest-income families. We intend to monitor the package’s progress in achieving this goal, and look forward to receiving submissions on the Support for Children in Hardship Bill, which has been referred to us.

**Benefits and employment**

The Government’s welfare reform programme seeks to reduce long-term welfare dependency. It is aligned with the Better Public Services target of a 25 percent reduction in the total number of people receiving main benefits and a $13 billion reduction in the long-term cost of benefit dependence by 2018. This target, set in February 2015, revised an earlier target of reducing by 30 percent the number of people who had been on a Jobseeker Support benefit for more than twelve months. The Minister acknowledged that the revised target is a “very ambitious” one and that it will be more difficult to achieve.

The ministry intends to maintain its investment approach to welfare, with the multi-category appropriation Improved Employment and Social Outcomes Support investing $680 million (2014/15 estimated actual: $648.5 million) in operating the benefit system and related interventions in 2015/16. This appropriation is intended to achieve “a reduction in long-term welfare dependency” by directing the most intensive services to clients with the greatest risk of long-term welfare dependency, who therefore attract the greatest projected liability for the benefit system.

The Minister told us that Budget 2015 allocates $34 million to initiatives to reduce welfare dependency, including $8.5 million to offer up to 10,000 more clients intensive case management, and an extension of the 3K to Christchurch scheme, which provides a $3000
incentive payment to clients who relocate to Christchurch to take up work, $15.4 million for 800 places per year in the Limited Service Volunteer programme, and $8.6 million to address growth in Out of School Care and Recreation (OSCAR) programmes. The initiatives under the Child Hardship Package also seek to reduce the dependency of sole parents receiving benefits; the Minister explained that a reduction in long-term welfare dependency not only decreases future liability for the taxpayer, but also the future liability of poor outcomes for children living in hardship.

The Minister said that, in the year to March 2015, the number of people receiving a working-age benefit decreased by 4 percent. This included a 4 percent reduction in the number of people receiving the Jobseeker Support benefit, a 6 percent reduction in those receiving the Youth Payment, and a 7 percent reduction in those receiving the Sole Parent Support benefit. We also heard that 73 percent of the sole parent group had not recommenced receipt of a benefit within three months of leaving the system, and 68.8 percent has not done so within 6 months.

While we commend the Minister on this achievement, some of us remain concerned that a large number of those no longer receiving a working-age benefit may not be in employment and may no longer have any income, or have lower income. The Minister suggested that the reasons people cease to receive benefits, apart from securing employment, include moving into study, changing their relationship status, going overseas, going to prison, or dying. We asked again at this year’s hearing whether the ministry is tracking the employment outcomes of those who cease to receive working-age benefits. We were told that the ministry does not collect information about why people cease to receive working-age benefits, as such people generally do not wish to continue to engage with the Ministry. The Minister said that the goal is to help beneficiaries achieve independence, not necessarily to help them into employment, as employment was not the only way to achieve financial independence. She assured us that people who cease to receive a benefit can, and do, reapply if they are subsequently unable to support themselves. Some of us remain concerned that this may not be the case.

Supporting vulnerable children

Child, Youth and Family

The appropriation Care and Protection Services funds the country’s child protection services, providing social work services to protect and help children and young people in need of care and protection. $391.831 million (estimated actual for 2014/15: $378.848 million) is sought for this appropriation in 2015/16. We were pleased to learn that this includes an additional $8 million sought to fund increased demand for Child, Youth and Family services. The Minister told us, however, that this additional funding is only being sought as a temporary measure while the structure, systems, and resources of Child, Youth and Family are reviewed and a new operating model is developed to better support children in need of statutory intervention. She said that funding of $5.8 million is also being sought to modernise the service once the expert panel completes its review and provides recommendations for change.

We asked about the possibility of the Government lifting the age to which statutory care and protection extends, one of the issues currently being considered by the expert panel. The Minister acknowledged that New Zealand was a long way behind Europe and the United Kingdom in this respect, and said she would be disappointed if the expert panel did not address the issue. She did not, however, feel it was appropriate to indicate whether the
Government would move to increase the age of statutory care and protection before the expert panel’s recommendations were published. While some of us were disappointed not to receive a concrete answer, we hope for a change to the age-span covered, and intend to monitor this issue with interest.

**Children’s Action Plan**

The Children’s Action Plan sets out 25 intended measures for supporting and protecting vulnerable children. This year’s Budget seeks $13.394 million for the appropriation *Children’s Action Plan*, dedicated solely to implementing the plan in 2015/16. We understand that some of this funding is allocated to the 10 Children’s Teams.

The Children’s Teams are one of the plan’s major initiatives. They are intended to provide wrap-around support to children recognised to be at risk of harm but falling below the threshold for formal intervention from Child, Youth and Family. We were told that four teams are operating currently and six others are being established.

We asked how the Children’s Team initiative would be evaluated, and were told that the initial stages of the Hamilton team are being evaluated. The Minister said that the goal is to have that team working at full capacity, in terms of the number of children receiving services, within the next two years. The team is trialling a number of components, such as a new information-sharing system. The minister said that she took responsibility for slowing down the roll-out of the initiative, while agencies learned to deliver services more collaboratively, and to ensure that the new components were working as intended.

We heard that the ministry is working with the Social Policy Evaluation and Research Unit to develop a framework for evaluating the impact and outcomes of the Children’s Teams over the next five years. We understand that a proposed performance measure for the *Children’s Action Plan* appropriation is “the ability to report on outcomes for children in Children’s Teams by 30 June 2016.” The Minister said the teams have target numbers of children to work with, based on estimates of the number of vulnerable children in the community. Some of us are concerned, however, that no target outcomes have been set for the 2015/16 year for measuring success in reducing the number of vulnerable children in the community.

**Contracting of social services**

We learnt that the ministry spends approximately $600 million each year purchasing services from third-party providers, while also delivering some in-house social services to its clients. The Minister told us that, of the $600 million spent, $330 million funds the purchase of services specifically to support vulnerable children, young people, and adults in the community. According to a Productivity Commission report the ministry had 3,700 contracts for social services in place with about 2,155 providers in 2014/15.

The ministry has recently published its Community Investment Strategy, which sets out a new approach for the ministry’s contracting of social services from third-party providers for the next three years. The Minister said the strategy seeks to correct issues with the current funding model, which has resulted in the number of funded community-based services “growing like Topsy” over the years, services receiving funding despite a lack of data to illustrate their effectiveness, and services that are not targeted and are not clearly linked to the achievement of the Government’s priorities. We heard that the strategy seeks to make social services more effective at making a difference to people’s lives, by setting a clear direction for funding and focusing more on results achieved, improving the quality of
data collection and building an evidence base for funded services, enhancing providers’
capability, and simplifying compliance requirements.

We are aware that the Productivity Commission has highlighted potential difficulties in
contracting social services effectively. There is concern, for example, about how services
will be integrated and how the ministry will ensure cross-agency collaboration. We expect
to be updated on how well the new contracting model is working, and how the ministry is
responding to the concerns raised by the Productivity Commission, at the next annual
review.

**Closure of Relationships Aotearoa**

We discussed the closure of Relationships Aotearoa at length with the Minister. The
Minister responded by outlining the Community Investment Strategy, which sets three
priorities for investment in social services over the next three years: supporting vulnerable
children, supporting vulnerable youth, and supporting vulnerable adult victims and
survivors. We were told that the ministry’s focus in the period following the closure has
been on supporting the clients of Relationships Aotearoa and ensuring that they are
transitioned to other providers to get the support they need. We heard that transitioning
clients has been “very difficult” but that an agreement has been reached with another
provider to employ temporarily any of the clinical staff from Relationships Aotearoa who
wish to continue working with their clients. We were told more than half of the staff who
previously worked for Relationships Aotearoa have taken up this offer and that continuity
of service was being retained for a number of clients affected by the closure as a result.

Some of us questioned how continuity of service could be retained when the new provider
does not yet have physical access to the client files of Relationships Aotearoa. We were also
concerned that the number of clients who received services from Relationships Aotearoa
has not been established. We were told, however, that all affected clients can access
services; there have been public announcements to advise clients of this. We were also
assured that replacement services are available in all areas previously serviced by
Relationships Aotearoa, and that the new provider has the capability to cater to the needs
of a variety of clients.

The Minister acknowledged that other service providers may face closure, and clients may
again be adversely affected, as the ministry adopts a new way of contracting services. The
Minister expressed concern about the ability of third-party providers to move to the new
model of contracting over the next three years. She said that it was important the ministry
worked with current providers to ensure they have good governance structures to respond
to the contracting changes. We intend to monitor this issue closely.

**Disability issues**

The Minister for Disability Issues told us that four priorities have been set regarding
disability issues in 2015/16: improving employment outcomes for disabled people,
transforming the disability support system, future-proofing and increasing physical
accessibility in the community, and enhancing the country’s international reputation for
responding to disability issues. We were pleased to learn that these priorities have been co-
designed with disabled people, via disabled people’s organisations, to ensure that the
Government is pursuing what disabled people actually want. We discussed the way that the
ministry has changed the way it funds supported employment agencies for people with
disabilities.
We are aware that some organisations are exempt from paying the minimum wage to disabled people whom they employ, and that some groups have been advocating the removal of this exemption. The Minister said it is not easy to resolve this issue as the amount of money paid to disabled people by social enterprises has a bearing on their entitlement on the Disability Allowance. She also said, however, that the Government is seeking a more acceptable alternative for disabled people who are paid less than the minimum wage for their work, which she expects to take three to six months. We look forward to an update on this issue.
Appendix

Committee procedure
We met on 17 June and 1 July 2015 to consider Vote Social Development. We heard evidence from the Minister for Social Development, Hon Anne Tolley; the Minister for Disability Issues, Hon Nicky Wagner; the Ministry for Social Development, and the Office for Disability Issues. We received advice from the Office of the Auditor-General.

Committee members
Alfred Ngaro (Chairperson)
Darroch Ball
Matt Doocey
Jan Logie
Todd Muller
Jono Naylor
Dr Parmjeet Parmar
Carmel Sepuloni
Stuart Smith
Poto Williams

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:
Office of the Auditor-General, Briefing on Vote Social Development, received 15 June 2015.
Minister for Disability Issues (Handout), received 17 June 2015.
Minister for Disability Issues, Response to additional questions, received 25 June 2015.
Minister for Social Development (Presentation), received 16 June 2015.
Minister for Social Development, Response to standard Estimates questionnaire.
Minister for Social Development, Responses to additional questions, received 16 and 29 June 2015.
Ministry of Social Development, Output Plan 2015/16, Vote Social Development.
2015/16 Estimates for Vote Building and Housing

Report of the Social Services Committee

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Vote Building and Housing

Recommendation

The Social Services Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Building and Housing, as set out in Parliamentary Paper B.5, Vol. 10, be accepted.

Introduction

The appropriation Ministers for Vote Building and Housing are Hon Dr Nick Smith, Minister for Building and Housing; Hon Paula Bennett, Minister for Social Housing; and Hon Bill English, Minister for Housing New Zealand Corporation. The Vote is administered by the Ministry of Business, Innovation and Employment, for which the responsible minister is Hon Steven Joyce, Minister for Economic Development.

The appropriations sought for 2015/16 total $264.47 million, which is $185.25 million or 41 percent less than the estimated actual amount spent for Vote Housing in 2014/15. The decrease is largely because the non-departmental capital expenditure Refinancing of Housing New Zealand Corporation and Housing New Zealand Limited Debt, which was $173.9 million in 2014/15, has been transferred to Vote Finance.

Social housing

The Government is implementing a major social housing reform programme, which seeks to increase housing supply (by the Government or third parties), match Government housing stock more closely to social housing needs, and improve the quality of Crown-owned housing. The programme is a cross-agency initiative involving the Ministries of Social Development and Business, Innovation and Employment, Housing New Zealand Corporation, the Treasury, and Te Puni Kōkiri.

The Social Housing Fund multi-year appropriation is for purchasing services (other than social housing tenancies) from, or supporting, third-party providers of social or affordable housing services. This year it receives $21.2 million. The Minister noted that various agencies will spend altogether approximately $64 million in contracts with community housing providers. Some of us consider that the dividends that Housing New Zealand Corporation receives—estimated at $88 million in 2015/16—should be diverted for this purpose, or to build more houses.

Rent subsidies

Under Vote Social Development, approximately 62,000 social housing places are funded by way of income-related rent subsidies, meaning tenants pay a percentage of their income towards their rent, and the Government pays the rest. The subsidies cost $700 million per year, and are expected to increase by $152 million per year by 2017/18 as the Government increases to 65,000 the number of tenants eligible for subsidies.

Although this appropriation falls under Vote Social Development, we asked the Minister for Social Housing why 3,000 additional rent subsidies are being funded, when the current waiting list has 5,000 people on it. The Minister said the waiting list changes every day. She pointed out that the 3,000 Housing New Zealand Corporation tenants who pay market
rent at the moment are expected to be moved out of social housing. Although there is no extra funding to allow the houses they vacate to attract the rent subsidy, she said she would request it in the next budget if the extra 3,000 subsidies did not prove to be enough.

We heard that approximately 5,000 houses are owned by community housing providers. The Minister for Social Housing said that tenants in 205 of these houses attract rent subsidies, and that this number is growing.

**Community organisations as social housing providers**

Over the next year, Housing New Zealand Corporation plans to sell 1,000 to 2,000 properties to community housing providers. The Minister for Social Housing said she would be surprised if so many were in fact sold in the time because the process is taking longer than expected. In total, the Government expects to sell “no more than” 8,000 houses by 2017; the Minister said it is too early in the process to estimate this more precisely.

The Minister expects the properties to sell at less than their “book value” because they are tenanted social houses; she said the specific discounts are still being negotiated. She assured us the Government has no intention of “giving away” these houses.

The Minister for Social Housing said some community providers can offer services that Housing New Zealand Corporation does not. For example, some can accommodate tenants with very specialised needs, such as people with mental health issues or disabilities. Community providers can get to know their tenants well, are genuinely interested in them, and can address their needs by, for example, modifying houses, or working with other agencies. Access to rent subsidies gives these providers financial certainty.

The Minister said an advantage of a community housing provider owning the asset is that they can work towards selling it to the tenant. Some of us consider that it would be better if the Government retained ownership of social housing, and contracted landlord services to community organisations.

**Emergency accommodation**

We heard that a $500,000 cash injection is funding emergency housing providers while the Government reviews emergency and short-term housing in New Zealand. We were told that the review is “well under way” and is looking at current funding arrangements, objectives, outcomes, and options for funding.

Initiatives such as supported teen flatting have been going on for several years. The Minister said tenants are sometimes allocated emergency housing, but because they also need other services, prove unable to sustain their tenancies. We heard that more work is needed on services involving multiple agencies. We are concerned at the duration of the emergency housing crisis, particularly in Auckland, and we intend to review the effect of efforts to address it, including increasing the supply of houses.

**Canterbury recovery**

The Minister for Social Housing noted that it was difficult to repair and rebuild houses while the earthquakes continued from 2010 to 2012.

She told us Housing New Zealand Corporation has now repaired 3,800 of its 5,000 damaged houses in Christchurch, and rebuilt and tenanted 191 of the 700 houses that were destroyed. The 509 houses left to be built have been consented, and are either being built...
2015/16 ESTIMATES FOR VOTE BUILDING AND HOUSING

or contracted to be built. We were pleased to hear that by the end of this calendar year,
most of them should be completed and tenanted; the rest are expected to be completed
early in 2016.

**Affordable homes**

The Minister for Building and Housing pointed out that houses destroyed in the
Christchurch earthquakes were older and generally of less value than the new houses that
are replacing them.

We heard that in New Zealand over the past three decades, the proportion of new homes
suitable for first home buyers has fallen from approximately 35 percent to just 5 percent
now. One way the Government is dealing with this is the KiwiSaver HomeStart grant of up
to $20,000 to help first home buyers. This appropriation totals $78.3 million—more than
double the $37.4 million appropriated in 2014/15 for the KiwiSaver first home deposit
subsidy. The Minister for Building and Housing expects these grants to encourage the
building of homes in Christchurch for under $450,000 and in Auckland for under
$550,000, the respective price caps under the KiwiSaver HomeStart scheme for those areas.

The Minister for Building and Housing noted that under the special housing areas
legislation, councils can make development approval conditional on a proportion of the
proposed homes being priced within the regional house price caps, and thus eligible for the
HomeStart grant. He also mentioned an initiative to develop new housing on surplus
public land. The Minister noted that these two programmes are too new for their effects to
be evident.

The Minister for Building and Housing said that land prices—a key factor in housing
affordability—are higher than they should be, because of the effects of the Resource
Management Act 1991. Some of us would like to hear what changes to the Act the
Government proposes.

We heard about Housing New Zealand Corporation’s First Home Ownership Scheme for
selling to its tenants the properties they occupy at a modest discount, in areas where there
is low demand and surplus stock. The corporation is on target to sell several hundred such
properties in this way.

**Auckland housing**

House price inflation in the last year was 18 percent in Auckland. The Minister for Building
and Housing said he would like more houses to be built to dampen this inflation. He
pointed out that during Christchurch’s housing shortage, rents and house prices rose, but
as supply increased, rents dropped and house price inflation fell to 2 percent per annum. In
Auckland, the Minister said the number of houses built has increased in the last two years
from 4,000 to 8,000 per year. The Minister did not accept the suggestion by some of us
that the housing shortage in Auckland is in fact growing by 5,000 dwellings per year.

The Minister thinks that property speculation is not a large contributor to house price
inflation; however, he is confident that requiring IRD numbers from house sellers and
buyers will make it easier to enforce the application of tax law to property traders.

**Development of Crown land in Auckland**

The Government plans to use surplus Crown land in Auckland for housing. The Minister
for Building and Housing told us there are about 500 hectares of Crown land in Auckland
with potential for residential development. The Budget commits $2 million for the Ministry
of Business, Innovation and Employment to manage the process, and a contingency of $52.2 million for the purchase of land. It was noted that the Crown must compensate the Government agencies that own the land.

The Minister for Building and Housing said there is no right of first refusal on the land in Ngāti Whātua’s Treaty of Waitangi settlement. However, the Tāmaki Collective does have such a right regarding a Weymouth development, in which the iwi is partnered with the Crown. Some of us consider that Ngāti Whātua may also be entitled to first refusal.

**Transport infrastructure in new developments**

The Minister for Building and Housing said the respective responsibilities of local and national governments for transport infrastructure are blurred. At the “cul-de-sac” level, it is the responsibility of local government or the developer; and at the state highway level, it is the clear responsibility of national Government. The line is somewhere in between, and the Minister expects responsibilities to be resolved case by case. We were pleased to hear that new housing areas are leading to better cooperation between Government and council. However, we encourage parties to work to improve the general relationship between Government and council and specifically the allocation of responsibilities. We look forward to the Minister’s signalled announcements in June or July regarding additional special housing areas, and hope any related infrastructure issues will have been resolved.
Appendix

Committee procedure

We met on 3 June and 1 July 2015 to consider Vote Building and Housing. We heard evidence from the Minister for Social Housing, Hon Paula Bennett; the Minister for Building and Housing, Hon Dr Nick Smith; Housing New Zealand Corporation, and the Ministries of Social Development and of Business, Innovation and Employment. We received advice from the Office of the Auditor-General.

Committee members

Alfred Ngaro (Chairperson)
Darroch Ball
Matt Doocey
Jan Logie
Todd Muller
Jono Naylor
Dr Parmjeet Parmar
Carmel Sepuloni
Stuart Smith
Poto Williams

Evidence and advice received

In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Office of the Auditor-General, Briefing on Vote Building and Housing, received 3 June 2015.

Minister for Building and Housing (Presentation), received 3 June 2015.

Minister for Building and Housing, Responses to additional questions, received 3 June and 29 June 2015.

Minister for Building and Housing, Response to standard Estimates questionnaire.

Minister for Housing New Zealand Corporation, Responses to additional questions, received 18 June 2015.

Minister for Social Housing (Presentation), received 3 June 2015.

Minister for Social Housing, Response to additional question, received 23 June 2015.
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* This report was not presented at the time this compendium was produced and will be available separately.
Introduction

This is a compendium of all the select committee reports presented as of 7 July 2016 on the 2016/17 Estimates. It has been structured to reflect the organisation of the Estimates of appropriations into 10 sectors, each of which covers one or more votes.

The report for Vote Māori Development was not presented at the time this compendium was produced and will be available separately.

Canterbury Earthquake Recovery

With the disestablishment of the Canterbury Earthquake Recovery Authority in April 2016, various central and local government agencies now have responsibility for recovery and regeneration matters. There is no longer a Vote Canterbury Earthquake Recovery. Instead, relevant appropriations are found in the following votes:

- Building and Housing
- Business, Science and Innovation
- Finance
- Health
- Lands
- Prime Minister and Cabinet.

Several Ministers have responsibility for the appropriations. The Greater Christchurch Group in the Department of the Prime Minister and Cabinet is responsible for policy, planning, legal, and monitoring support on a range of recovery and regeneration issues.

Other Budget-related reports

The Fiscal Strategy Report 2016 and the Budget Economic and Fiscal Update 2016 are included in the Finance and Expenditure Committee’s report on Vote Finance. The Finance and Expenditure Committee’s report on the 2015/16 Supplementary Estimates will be printed in the Appendix to the Journals – Select Committee Reports 2016.

Security and intelligence appropriations

The votes for the security agencies are examined by a statutory committee, rather than a select committee. The Intelligence and Security Committee was established by the Intelligence and Security Committee Act 1996. The committee’s report on the examinations of Vote Communications Security and Intelligence and Vote Security Intelligence is included in this compendium for ease of reference. Its report on the 2015/16 Supplementary Estimates for Vote Communications Security and Intelligence and Vote Security Intelligence will be printed in the Appendix to the Journals – Select Committee Reports 2016.
I. 19B
2016/17 Estimates for Vote Business, Science and Innovation (excluding Science and Innovation appropriations)

Report of the Commerce Committee

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2016/17 Estimates for Vote Business, Science and Innovation (excluding Science and Innovation appropriations)

Recommendation

The Commerce Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Business, Science and Innovation (excluding Science and Innovation appropriations) as set out in Parliamentary Paper B.5 Vol.1, be accepted.

Introduction

Vote Business, Science and Innovation is a result of a merger of votes, and includes Vote Commerce and Consumer Affairs, Vote Communications, Vote Economic Development, Vote Energy, and Vote Tourism.

This report excludes Science and Innovation appropriations, which are being examined by the Education and Science Committee.

The total appropriations sought for Vote Business, Science and Innovation in 2016/17 is $2.208 billion. Appropriations detailed in this report are: $156.909 million for Commerce and Consumer Affairs appropriations; $233.501 million for Communications appropriations; $448.898 million for Economic Development appropriations; $158.948 million for Energy appropriations; and $146.117 million for Tourism appropriations.
Commerce and Consumer Affairs appropriations

Introduction

The Commerce Commission

Enforcement of new legislation
The Commerce Commission will receive a 25.5 percent increase in funding in 2016/17 for “Enforcement of General Market Regulation”. This includes an additional $4.55 million in 2016/17 (and $3.55 million in each of the following three years) for a new initiative “General Markets Regulation–Implementing the Commerce, Fair Trading, and Credit Contracts and Consumer Finance Acts”. The Minister said that this additional funding is vital for the enforcement of legislation aimed at protecting consumers from unscrupulous business practices.

We asked whether the Commission is being sufficiently proactive with its powers. The Minister assured us that New Zealand is well served by the Commission and that this extra resource would result in more timely decision-making. The Minister highlighted the recent conviction of two truck shop operators and said that the Commission has engaged in substantial enforcement activity over the past year. Compared to the six enforcement cases investigated by the Commission in 2014/15, the Commission is estimating it will take on approximately 35 cases in 2015/16.

The Minister referenced a report released by the Commission in August 2015. The report detailed findings of a year-long project into compliance in the mobile trading and payday-lender industries. While the data in the report referred to South Auckland in particular, the Minister assured us that the Commission is a nationwide resource.

The New Zealand Labour Party members remain concerned that the Commission is not being as proactive as it could be when enforcing new legislation.

Review of section 36 of the Commerce Act 1986
Section 36 of the Commerce Act 1986 makes it illegal for any business with a substantial degree of market power to take advantage of that power and use it to deter or prevent competition from other businesses. The Commerce Commission strongly supports reform of section 36.

We asked the Minister whether section 36 will be amended. The Minister said that in November 2015 the Government released an issues paper seeking feedback on whether
aspects of the current law around anti-competitive behaviour are working well. A majority of the submissions were against amending section 36, as there was no guarantee that the amendment would benefit competition. The Minister is now seeking cross-submissions to address any points made in the original submissions and the information provided by the Commerce Commission.

We asked whether reform of section 36 would progress with urgency given the strong support of the Commerce Commission and the fact that Australia has decided to change its law. The Minister said that this was a highly disputed area of law and that the decision was ultimately a balancing exercise. The current section 36 is predictable, and the inevitable cost of changing the section would be a loss of that predictability. The Minister said that whether or not the loss of predictability outweighs the benefits requires careful consideration. He added that a decision as to the best way forward will be made before the 2017 election.

We were told that New Zealand is ranked 16th out of 142 countries for global competitiveness and that this is a significant improvement since the 2011/12 survey, when New Zealand ranked 25th.

We also asked the Minister whether he was proposing reform of section 47 of the Act, regarding the inability to challenge a merger that has been authorised by the Commerce Commission. The Minister clarified that only reform of section 36 was being considered and that he was not proposing to reform section 47 at this time.

The New Zealand Labour Party members support reform of section 36 of the Act, in accordance with the recommendations made by the Commerce Commission. We also expressed concern about the lack of action on reform of section 36 of the Act.

**Financial Markets Authority**

The funding level for the Financial Markets Authority (FMA) has remained unchanged since its establishment in 2011. Recently it has been drawing on surpluses built up during its initial three years.

We asked the Minister how long the FMA would be able to use its initial surpluses to cover any later deficits and continue its work. We were told that FMA’s remaining accumulated funds will be $2.44 million at the end of 2015/16 and are expected to be exhausted during 2016/17. The FMA and the Ministry of Business, Innovation and Employment propose to consult on options for FMA’s resourcing in July 2016, and this is likely to include proposals to increase funding in out-years.

**Update on the Creative Sector Study**

The Creative Sector Study was established to deepen understanding of the role of copyright and registered designs in the creative sector. We asked the Minister for an update on the study and how the constantly evolving digital economy is being regulated.

The Minister said that the study was providing insights into the trends and functions of creative industries. These industries are growing quickly and creating jobs and wealth for New Zealanders, and the study may lead to reform of copyright legislation in the future.
The Minister expects to release a series of reports regarding the creative sector in the next few months. We look forward to their release.

**National Strategy for Financial Capability**

The Retirement Commissioner, who leads the Commission for Financial Capability, receives a 15.6 percent increase in funding, which arises from a transfer of funding from another appropriation for the Māori financial capability programme. We invited the Minister to discuss the National Strategy for Financial Capability and what the strategy has achieved over the past year.

The Minister highlighted the relaunch of the Sorted website and the improved coordination between stakeholders in the government, community, and commercial sectors. The Minister acknowledged the additional $900,000 committed to improving financial capability outcomes for Māori, and informed us of particular schemes underway. In future, the focus will be on improving the connection between New Zealanders and the KiwiSaver scheme.
Communications appropriations

Introduction
The appropriations within Vote Business, Science and Innovation relating to communications decrease by 6.5 percent for 2016/17 to $233.501 million, from estimated actual spending of $249.752 million in 2015/16. The main reason for the decrease is the timing and completion of projects.

The appropriations include one new initiative for 2016/17: “Broadband Extension Programmes”. This provides for the “Mobile Blackspot Fund” (MBSF), the rural broadband initiative phase 2 (RBI2), and phase 2 of the ultra-fast broadband roll-out (UFB2).

Rural broadband initiative phase 2
Phase 2 of the rural broadband initiative will extend the coverage of broadband in rural areas. This initiative involves total expenditure of $100 million, with $10 million of this total planned for 2016/17.

Performance of the rural broadband initiative
The Minister for Communications told us that, under the first phase of the RBI, more than 300,000 rural households are now able to connect to fixed wireless broadband or improved copper broadband services. She said that 154 cell towers had been built. Testing revealed that the 4G service of the RBI is delivering speeds of up to 100 megabits per second in rural New Zealand, well in excess of the target speed. Furthermore, 1,237 rural cabinets and exchanges had been upgraded.

Some of us expressed concern about access and speed under the RBI. We asked the Minister to comment on feedback from certain district councils about the low performance of the RBI and its possible effect on regional economic development. The Minister disputed the assertion that there has been a “chorus of complaint” from councils and pointed to increased broadband speeds.

The Minister told the committee she had not surveyed rural communities to see if the experience had improved. She did say, however, that there is regular contracting and auditing reports that show actual speed obtainments of between 20 and 40 megabits per second at peak. The performance target for RBI was 5 megabits per second.

Opposition members of the committee expressed concern about the continued reports of poor connectivity in rural communities.

Rural broadband initiative phase 2 deployment
The Minister advised she has actively engaged with local bodies to identify the areas of most benefit. For example, we heard about the benefits for rural hospitals and integrated family health practices. There is potential for “e-Health”, with real-time, in-home
monitoring and consultation. We heard that this could allow the elderly and sick to stay in their homes and communities.

Use of rural broadband infrastructure
We asked whether the Minister had any plans to impose an obligation on network operators to share aerials as well as towers. The Minister told us that the RBI2 contracts are still to be worked through. Crown Fibre Holdings Limited (CFH) will lead these commercial negotiations. She said that the RBI is about reaching remote and rural communities, and this lessened its commercial viability. Because it would be difficult for every communications network provider to sustain its own physical infrastructure, she favours open access to any technology subsidised by the Government.

Extending coverage with the Mobile Blackspot Fund
The Mobile Blackspot Fund will extend mobile coverage into blackspot areas of main highways and tourist areas. The programme involves total spending of $50 million. Spending $5 million of this total is planned for 2016/17. The Minister said that, under the RBI, national mobile coverage had increased from 38 percent of New Zealand’s land mass to about 50 percent.

However, she acknowledged that areas in New Zealand are still without mobile coverage. She said that the Government is working with private sector network operators to increase services and coverage. The Minister told us that her overarching aim is to improve safety on roads and at popular tourism locations.

Implementation of phase 2 of the ultra-fast broadband roll-out
The first phase of the ultra-fast broadband roll-out aimed to provide UFB to 90 percent of businesses, schools, and health services in targeted areas of New Zealand by the end of 2015, and to 75 percent of New Zealanders by the end of 2019. Last year, the Government announced UFB2, which seeks to extend the availability of UFB from 75 percent to 80 percent of New Zealanders. A multi-year appropriation of $210 million in capital funding for this second phase is proposed, with $42 million of this during 2016/17.

The Minister told us that New Zealanders have a “hunger for connectivity” and use data on multiple devices. The average New Zealand household now uses as much data in a single month as the whole country did in 1999. We heard that, as a result of the first phase, 921,000 households, businesses, schools, and hospitals are now able to connect to ultra-fast broadband and that there are 1.5 connections every working minute. Some of us are concerned about connection time for UFB, as we heard that the average time to connect a stand-alone dwelling is 41 days, and significantly longer for multi-unit dwellings. The Minister concurred that this is far too long.

The Minister would like 99 percent of New Zealanders to have access to broadband at peak speeds of at least 50 megabits per second by 2025 and the remaining one percent to have access to 10 megabits per second. We understand that this compares very well internationally, with countries such as Australia, the United Kingdom, and the United States of America having lower targets for speed and coverage.
Investment in Crown Fibre Holdings Limited

Crown Fibre Holdings Limited (CFH) manages the Government’s investment in UFB infrastructure. There is a new appropriation “Communications: Broadband Investment (Crown Fibre Holdings Capital Costs) 2016–2021”. This appropriation is being funded by $417.5 million, with $150 million of this expected to be used in 2016/17.

CFH currently has four co-investment partners and will be progressively capitalised by the Government. We note an identified risk to the capital invested in CFH, because the recovery of the Crown’s investment may be affected by the number of connections made to the network.

The Office of the Auditor-General advised us that it has completed a performance audit of CFH’s management of the first phase of the UFB roll-out, looking at whether CFH has met the roll-out objectives for the first phase. We look forward to discussing these findings with the Office of the Auditor-General, and with CFH.

Migration from copper to fibre networks

We asked whether the Minister intends that some of the copper network be removed, given the roll-out of the fibre network. She told us that there is no intention to have some kind of “Government-subsidised forced migration strategy”, referencing the Australian experience, which was very costly.

We heard that she favours a move to the Building Block Model (BBM) pricing methodology as the most effective way to set pricing for copper and UFB services. In the Minister’s view, the BBM would not encourage old technology assets to be sustained longer than necessary. She said commercial incentives are in place for Chorus to move customers to fibre as far as practicable. She acknowledged that the treatment and valuation of this asset is a critical issue.

Update on the digital convergence programme

The Minister noted that a review of the Telecommunications Act 2001 is under way as part of the Government’s digital convergence programme to ensure that New Zealand has the right laws for the emerging and converging communications networks. We understand that “convergence” aims to reduce barriers between sectors, so that businesses have new opportunities and consumers benefit from greater choice and accessibility.

We asked why the digital convergence programme, launched in August 2015, has taken so long and whether it has been superseded by changing dynamics in the media and communication sectors. We pointed to the proposed merger of Sky and Vodafone and the speculated merger of APN News and Media, and Fairfax Media. The Minister said that, rather than being “superseded”, the review is in fact vindicated by tremendous change in the telecommunications, information technology, media, and entertainment sectors in New Zealand.

Opposition members expressed concern about the delays in the Government’s policy response to digital convergence, while significant media mergers were underway. We will follow this with interest.
Establishment of a new Computer Emergency Response Team

We note that the international cyber-crime market is now bigger than the international drugs trade. The Minister has announced $22.2 million to establish a new national Computer Emergency Response Team (CERT) to combat cyber-attacks and cyber-crime. We are pleased that the Minister is implementing this key component of the Government’s Cyber Security Action Plan, accompanied by a refreshed cyber-security strategy. We heard that the CERT will initially be set up as a separate unit in the Ministry of Business, Innovation and Employment. The Minister told us she expects it to be in operation in March 2017.

The CERT will be responsible for monitoring, tracking, and advising on cyber-security incidents or attacks affecting New Zealand. It will form part of a global network of CERTs developing cyber-resilience and capability. We heard that increasing New Zealand’s capacity to deal with cyber-threats is imperative for the economy. The Minister intends the CERT to evolve into a public–private model. There is a particular focus on supporting small and medium-sized enterprises to take advantage of the digital economy, by building the understanding of cyber-threats affecting the private sector.

Telephone services for the hearing impaired

The Minister is responsible for slightly more than $4 million of spending in 2016/17 for the purchase of deaf relay services, subsidised equipment for hearing- and speech-impaired people, and costs related to access to the telecommunications relay service. We understand that about 4,000 people use sign language as their primary way to communicate.

The ministry has recently signed a contract with CSD New Zealand for a new interpretation video service that links any deaf or hearing-impaired person with an interpreter, removing communication barriers. We were pleased to learn that, as of 1 July 2016, this service will be increased by four hours each weekday.
Economic Development appropriations

Introduction

Within Vote Business, Science and Innovation, the Economic Development appropriations for 2016/17 total $448.898 million. This includes estimated spending of $44.813 million for the 2016/17 portion of three multi-year appropriations. The total is $60.886 million (or 11.9 percent) less than estimated actual expenditure in 2015/16. The reduction is primarily explained by earlier-than-expected productions and qualifying expenditure in 2015/16 under the multi-year appropriation “New Zealand Screen Production Grant—International”.

Through the Economic Development appropriations, the Ministry of Business, Innovation and Employment (MBIE) supports the Government’s Business Growth Agenda and Regional Growth Programme, and leads the Procurement Reform Agenda.

Exports and performance against the Government’s target

As part of the Business Growth Agenda, the Government has set a target for exports to reach 40 percent of GDP by 2025. We noted that exports are currently around 30 percent of GDP.

Opposition members are concerned about the lack of measurable intermediate targets in the period leading up to 2025.

Given that there is about 12 percent less in the vote than last year, we asked the Minister to comment on how he thought this would affect the export target. The Minister told us that New Zealand’s exports reached $70 billion in the last year, despite low dairy prices. He highlighted the good performance of the tourism industry and noted that other strong sectors include the ICT, high-tech manufacturing, fruit, wine, and meat industries. He also said that changes in calculations used by Statistics New Zealand may have influenced the export numbers. The Minister considers that the aspirational target of 40 percent in the next 10 years remains a good one, and that New Zealand’s export performance is resilient.

Major Events Development Fund and the Seed Co-Investment Fund

We were interested in whether the funding appropriated will be adequate to accommodate growth in the major events and seed investment areas. We asked about funding brought forward in the Major Events Development Fund appropriation.

We note a reduction of almost $5.4 million in the funding sought in 2016/17 for the Seed Co-Investment Fund under a multi-category appropriation. We heard that some funding will come from the New Zealand Venture Investment Fund’s venture capital fund. The Minister also said that these funds are expected to become self-sustaining.

There is a 64 percent increase in the appropriation sought for the Major Events Development Fund compared to last year’s Budget. The Minister told us that he is
comfortable with the amount appropriated for major events, and that it ensures events are of high quality. We also heard that unspent portions can be transferred into current or future years.

NZTE and expansion of Focus500

New Zealand Trade and Enterprise (NZTE) helps New Zealand companies to grow internationally. It focuses particularly on companies that make up its high-intensity portfolio, known as Focus500. We noted that the focus group has increased from 500 to 700, and asked the Minister what the reason was for this, and whether it was providing the desired results. We heard that the increase from 500 to 700 was needed because the number of exporting companies is growing steadily. NZTE tracks and reports on companies’ export performance. The Minister acknowledged that it is sometimes difficult to attribute results to NZTE’s efforts, as distinct from results a company achieves itself, but he believes that NZTE is considered a valuable partner in export growth efforts.

Issues with the MBIE payroll

MBIE has been experiencing difficulties with its payroll system, particularly in relation to holiday pay and leave calculations. We asked how the review of the payroll system is progressing, and specifically whether there is a timeline in place and an estimated cost of fixing the problems. We understand that Advanced Management Systems Limited (AMS) is the provider of payroll software to MBIE. The Minister said that there is a plan for repairing the AMS system, but the cost will not be known until the timeline is pinned down. He told us that he agrees with the assessment that diverting activity in order to scope costs would delay the repairs.

Labour members expressed concern about paying workers, to ensure they receive their legally entitled pay as a first priority. Labour Party members of the committee remain concerned about a lack of transparency about the names of payroll providers with unpaid workers on their databases, and consider that arrangements should be made to ensure that a list of these providers is made publicly available. The Minister reiterated that it was first necessary to fix the system before payments could be made.

The chief executive of MBIE added that the Labour Inspectorate will monitor the situation until it is satisfied that the problems are corrected and a compliant system is implemented. We were assured that MBIE is acting with a high degree of urgency, and hopes to resolve the matter later this year. However, it was conceded that this is dependent on achieving compliance with the current provider. The chief executive said that if they cannot fix it they will have to appoint an alternative provider. The Minister said this would be “phenomenally expensive”.

Economic diversification and expanding markets

We are interested in the support available for innovative start-ups and early stage companies. The Minister told us there is a lot being done with business accelerators and incubators, but that this is primarily through the Science and Innovation portfolio. Directly relevant to MBIE is the Result 9 accelerator. This focuses on bringing together agencies from the public and private sectors to work on problems, and to make interactions with the Government easier and more efficient. The Minister said that the programme helps
agencies that previously focused on doing everything themselves to be open to new ways of doing things.

Research and development to improve innovation

We note the Minister’s reference to an “Innovative New Zealand package” of $761.4 million over four years. We asked how much business expenditure on research and development (R&D) has increased as a percentage of GDP. The Minister said that the percentage had dropped slightly in 2014 because Solid Energy had been a large investor in R&D. However, he added, based on more recent figures from a Business Operations Survey in 2015, business R&D spending had increased about 15 percent in that year. However, the Minister acknowledged that New Zealand is still low in R&D by world standards. He said this was the reason behind the programme of assistance underway through Callaghan Innovation. He believes this funding is having a positive effect but would continue to monitor the results.

New Zealand Business Number

The New Zealand Business Number (NZBN) is a unique identifier to be used by eligible New Zealand entities in their interactions with government; it aims to improve efficiency and reduce costs. We asked the Minister if he is satisfied with the progress being made towards the implementation of the NZBN. We heard that large organisations such as ACC and IRD are going through big technology change programmes, and they will give priority to implementing the NZBN as a part of this. The Minister stated that he did not want to impose compliance costs on smaller organisations who do not work with such a wide range of companies. He also noted that he is confident that this will be the single business number for New Zealand.

Opposition members are not satisfied with the progress on implementation of the New Zealand Business Number, and are worried that, until it is fully implemented, it will impose additional and unnecessary extra cost on businesses.

Initiatives in the Regional Growth Programme

A new $44-million multi-year appropriation, “Economic Development: Regional Growth Initiatives (2016-2021)”, will commence on 1 July 2016, with $11 million in annual funding over four years. This appropriation aims to contribute to economic development initiatives identified by the Regional Growth Programme. We are pleased with some of the reports commissioned on regional development, but asked whether the Minister thought this funding would be sufficient, and how it would affect growth in regions across New Zealand. The Minister highlighted the broadband programme (encompassing the Ultra-Fast Broadband Initiative and the Rural Broadband Initiative) as an example of a programme helping to achieve economic benefits and create business opportunities for New Zealanders. He considers that Stage One of the programme is delivering well.

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Labour members are concerned about the limited level of investment in the regions, noting the OECD’s advice that real opportunities for economic development for most Western countries lie in the regions.

We were told that additional programmes are funded by other means, and one of the objectives of the Rural Growth Programme is to ensure that the programmes are working together for the benefit of the region being focused on. Some of the other funding able to be accessed includes tourism grants, primary growth partnerships, and irrigation funding. The Minister said that the Regional Growth Programme helps regions to access those funds, but that additional money is available where those funds do not fit the programme. An example is funding in the Estimates for the Opotiki Harbour Development Project ($2.4 million in 2016/17) which seeks to support the commercial potential of that development.

**Hawkes Bay**

Some of us consider that there is under-investment in the Hawkes Bay region, and we discussed the per capita spending rate there. The Minister reiterated the role of the Regional Growth Programme in coordinating funding for the development of individual regions, such as through the New Zealand Transport Agency and Callaghan Innovation’s research. The Minister told us about the Hawkes Bay Expressway extension, and the Ruatanivha Scheme (a long-term sustainable water supply solution).

**Size of the SKYCITY Convention Centre**

Some of us are concerned that the size of the proposed SKYCITY convention centre in Auckland has been downscaled, because the ministry’s earlier commissioned analysis suggested this will reduce the economic development benefits. We asked whether the Minister had commissioned any additional impact report since the convention centre was downsized, to assess any possible commensurate economic development and job opportunity reductions as compared to the original analysis commissioned by the ministry. The Minister did not consider that the proposed convention centre had been substantially downscaled, and assured us that he is very confident that we will have an international-scale convention centre.
Energy and Resources appropriations

Introduction
The appropriations relating to Energy and Resources for 2016/17 increase by 1.3 percent from 2015/16 to $158.948 million (estimated actual spending in 2015/16 is $156.87 million). Most of the Energy and Resources appropriations fund the work of the Electricity Authority and the Energy Efficiency and Conservation Authority (EECA).

The Minister of Energy and Resources is also responsible for just less than $305 million of tax and non-tax revenue in 2016/17. This is made up of petroleum and other Crown mineral royalties, levies from the electricity industry, coal and gas energy resource levies, and the repayment of energy efficiency loans.

Market competition

Electricity industry governance
An appropriation of $76.037 million funds the work of the Electricity Authority, aimed at achieving competition in, reliable supply by, and the efficient operation of the electricity industry for the long-term benefit of consumers.

Electricity retail sales and pricing
We asked the Minister to comment on electricity prices. The Minister told us that residential electricity prices have decreased by 1.4 percent, which is the first time they have dropped in 15 years. However, we noted that the five major “generator-retailers” still account for about 90 percent of retail electricity sales in New Zealand.

We asked whether this undermined the Minister’s assertion that the market is the most competitive it has ever been. The Minister told us that several new retailers, such as Flick and Electric Kiwi, have entered the market. He said that this, combined with new technologies, consumer pricing campaigns, and increasing customer “savviness”, is influencing retail pricing.

Consumer switching and the “What’s My Number?” campaign
The Minister told us that the Electricity Authority’s “What’s My Number” campaign, coupled with Consumer Affairs’ Powerswitch website, has been hugely successful. He said that there has been an unprecedented consumer “churn”, with retailer deals and billing discounts as retailers respond to consumer behaviour. The Electricity Authority said that 417,000 customers had switched providers by the end of 2015. Some had switched multiple times.

Access to consumption data
New rules introduced by the Electricity Authority took effect in February 2016. These require electricity retailers to provide customers with electricity consumption data regularly. We heard that seven out of 10 households now have smart meters and that the Electricity Authority
Authority has made it easier than ever to access consumption data, facilitating greater choice for consumers.

**Fixed charges for low-use customers**

Electricity providers are required to offer customers who use a small amount of electricity, a low fixed-charge tariff option of no more than 30 cents a day. Current regulations put the onus on retailers to inform households whether this option would benefit them at least annually.

We asked the Minister whether any work had been done on possible unintended consequences of the fixed charge, which may allow people with renewable energy to receive subsidies. We noted that the fixed-charge option was intended to reduce costs for low-income households, rather than for the “well-heeled” who can afford to install solar or other renewable energy.

We observed that some customers, particularly those most in need, may find pricing schedules difficult to understand. The Minister said that he understood this issue and that the Electricity Authority and the Ministry of Business, Innovation and Employment are working to provide better guidance for lines companies and distributors on how to apply the regulations and how to better factor in the common costs of the grid to customers.

**Fuel importers’ margin**

The fuel importers’ margin is the difference between the cost of importing petrol and diesel, and the price retailers charge. The margin covers some domestic costs, including transportation and the retailer’s profits. We asked the Minister to comment on feedback from some petrol retailers disputing the figures provided by the ministry.

The Minister told us that he had met with retailers. Although he acknowledged that importers’ margins can fluctuate significantly, he is confident that the figures are accurate. He said that the ministry has an important role in making the margin understandable, transparent, and accessible.

We asked about possible coordination or anti-competitive behaviour of fuel retailers. The Minister referenced the Commerce Commission’s analysis of the acquisition of Chevron New Zealand, the owner of the Caltex and Challenge brands, by Z Energy Limited. The analysis said that the acquisition had not lessened competition in the fuel market.

The Minister told us that he was comfortable that there was workable competition, pointing to the effect of Gull stations on the market as an example. He does not consider government intervention desirable.

**Transmission Pricing Methodology**

The Electricity Authority has released a second working paper on how transmission charges are shared among customers and how the cost of electricity could be better shared between the regions of New Zealand. This is aimed at ensuring efficient investment in transmission. We asked the Minister about the review of the Transmission Pricing Methodology (TPM), and particularly whether EECA had been consulted on the possible
effect on business and residential investment in energy efficiency and demand-side management.

The Minister said that it was important to remember that the Electricity Authority is statutorily independent. The Electricity Authority told us that it had consulted a wide range of stakeholders. It could not recall a specific submission from EECA, although EECA had provided comment throughout the process.

One of the changes proposed in the TPM review is allocating the cost of grid investments to those that benefit from them. This is called the area-of-benefit charge. Some of us expressed concern that this charge would benefit bigger industry players, such as the aluminium smelter at Tiwai Point in the South Island.

We asked whether the proposal could also dissuade building electricity generation in areas where there is not a large population. The Electricity Authority said that a core element proposed in the TPM review is to remove artificial incentives for building and operating distributed generation in local networks. The Minister said that this would put costs at a regional level, rather than them being “smeared” across the country.

**Energy efficiency and conservation**

Energy efficiency and conservation represents a major component of the vote. An appropriation of $30.584 million is provided to encourage, promote, and support energy efficiency and conservation, and the use of renewable energy, including funding the work of EECA.

**Extension of the “Warm Up New Zealand: Healthy Homes” programme**

We asked the Minister about the extension to the “Warm Up New Zealand: Healthy Homes” programme in 2016/17. This provides for subsidised retrofits to 6,000 houses occupied by low-income households with high health needs. The Minister told us that the programme has delivered more than 290,000 insulation retrofits to date. He also told us that appropriations of $18 million during the next two years to continue the programme could see up to 20,000 rental properties insulated.

The Minister explained that there is an incentive for landlords to insulate their houses under the programme quickly, to take advantage of the programme during the next two years. He told us that extending this funding will allow for a transition from the existing programme to the obligations under the Residential Tenancies Amendment Act 2016 for ceiling and underfloor insulation in residential rental properties. The Minister added that, if demand rose, he may consider lowering the subsidy offered per household under the programme.

We asked the Minister about any correlation between homes that are not insulated and the admission of children to hospital with respiratory difficulties. The Minister explained that this is why the Government was pushing ahead with its programme to insulate another 180,000 homes by leveraging off partnerships with the private sector, community organisations, and landlords.
**Renewable energy**

We asked the Minister to comment on the use of renewable energy technologies, with particular reference to New Zealand’s undertakings at the 2015 Paris Conference of Parties to the United Nations Framework on Climate Change. The Minister told us that it is important to note that electricity makes up just 6 percent of total carbon emissions. In his view, New Zealand needs to capitalise on renewable energy more fully, including in industrial sectors.

The Minister said that he is committed to reducing carbon emissions in response to climate change, particularly by using smart technologies and a mixed energy model. The Minister pointed out that renewable energy has grown by 16 percent annually since 2008 and that, in 2015, renewable energy represented 81 percent of generation. He said that New Zealand is using more geothermal energy than ever and is now the fourth-largest geothermal generator in the world. We were pleased to hear that more than 95 percent of planned generation (consented but not yet built) is renewable.

We asked whether the Minister was looking at how renewable energy or off-grid power sources could be installed in low-income households, including the Government’s State housing stock. The Minister told us that it is not yet economical to do so. However, because technology is quickly improving, the best thing the Government can do is to ensure that the regulatory regime allows this. We were encouraged to hear that solar and battery technology could deliver gains to rural and remote communities.

**Electric Vehicles Programme**

The Minister pointed out that 99 percent of transport energy is based on oil and that these emissions contribute 17 percent of total emissions. We heard that the Electric Vehicles Programme to promote low-emission vehicles, announced in May 2016, could play an important role in reducing emissions.

We asked whether the Crown’s fleet of cars would move to electric vehicles. The Minister said that there are no current plans to do this, but that one of the most important aspects of the programme will be to improve the price and range of procurement options.

We asked about the infrastructure for the relatively low but rising number of electric cars in New Zealand. The Minister said that companies such as Unison and Vector are leading the development of infrastructure. Cabinet has mandated the New Zealand Transport Agency and EECA to support the programme, including acquiring land for charging infrastructure and signage.

**EECA funding levy**

EECA’s electricity efficiency work is funded through the Electricity Levy, which is a levy of all electricity users. We heard about work to refresh the energy efficiency and conservation strategy that underpins EECA’s work programme. This includes potential changes to levy funding that would provide EECA with more flexibility to promote efficiency beyond the electricity sector. We welcomed the possible expansion of the levy to the gas and transport sectors, and commended EECA on its work programme to date.
Non-renewable energy

We asked the Minister about the place of non-renewable energy in New Zealand. He told us that fossil fuels, including oil and gas, remain an important part of the economy. The petroleum and minerals industries contribute to taxes, provide highly-skilled jobs, and fund essential infrastructure and services. The Minister told us that natural gas is an essential fossil fuel in the transition to a lower-carbon economy.

We noted that oil remains a significant export earner for New Zealand, coming from one petroleum basin in Taranaki. Because the Crown revenue from petroleum royalties depends on the US dollar value per barrel and the exchange rate, movements up or down in either of these variables could result in a significant decrease or increase in revenue. We asked the Minister about the forecast drop-off in royalties with the change in the cost of oil. We were told there were no current projections but that variations could entail a change of $100 million in Crown revenues.
Tourism appropriations

Introduction
The total of the 2016/17 tourism appropriations in Vote Business, Science and Innovation is $146.117 million, an increase of 15.8 percent on estimated actual spending of $126.211 million in 2015/16. There are four new initiatives. One provides an additional $2 million in 2016/17 for marketing New Zealand as a visitor destination. The other three provide a total of $10.5 million in 2016/17 for tourism facilities.

The Prime Minister is the Minister of Tourism; our Estimates hearing was held with the Associate Minister of Tourism, and Tourism New Zealand.

Growth in overseas visitor markets
The proposed appropriation of $117.35 million for “Marketing New Zealand as a Visitor Destination” is designed to assist the promotion of New Zealand as a visitor destination in key overseas markets. This is a relatively small increase from estimated actual spending of $115.85 million last year. We were told that visitor arrivals increased 312,500 (11 percent) in the last year and are forecast to grow to 4.5 million by 2022.

Continued growth in the Indian market
Tourism New Zealand told us that the number of visitors from India has doubled in the last five years, now reaching 50,000 a year. We asked what was being done to continue this growth, and were told about several initiatives including digital marketing, leveraging celebrity involvement, capitalising on Indians travelling during the off-peak “shoulder” season, and focusing on upper-income professionals. The ease of air travel is also part of the picture; we were told that non-stop flights between India and New Zealand are unlikely in the near future, but that it might happen at some stage. Tourism New Zealand noted that there has been a strengthening and increase in the number of one-stop connections between the two countries, with connections in such cities as Dubai, Singapore, and Bangkok.

Enhancing the Chinese visitor experience
We were told that the number of Chinese visitors to New Zealand increased by 88,100 over the past year, more than from any other country (with Australian visitors a close second). It is expected that Chinese visitors will reach nearly one million by the end of 2022; they are currently at 356,000 a year.

The Ministry of Business, Innovation and Employment has done market research about what Chinese visitors want and expect, and has shared this data through workshops with regional tourism organisations and tourism operators. We were told that this has been well received. The Associate Minister was very enthusiastic about the growth in the Chinese market, which has seen more families coming, more uptake of adventure tourism, and more independent travellers not part of organised tours. We heard that independent travellers spend more, stay longer, and travel to more destinations.
Growth in the American markets

We asked about growth in the South American market. We were told that, while there is “undoubtedly” potential, a long-term view is important because the political and economic challenges are “substantial” in that part of the world. However, growth continues to be very strong in the United States, with direct flights set to begin from two major carriers, United Airlines and American Airlines. This should further increase tourist numbers, and it is hoped that Air New Zealand’s new stop in Houston, Texas will attract more East Coast tourists.

Continued labour market and infrastructure challenges

The Associate Minister highlighted an initiative called Project Palace, which is a 10-year supply and demand analysis regarding hotel accommodation, highlighting the opportunities for hotel investment in five key regions: Auckland, Queenstown, Christchurch, Wellington and Rotorua. In responses to post-hearing questions, the Minister told us that work on labour needs in the hospitality, accommodation, and retail sectors is being addressed with the new Sector Workforce Engagement Programme (SWEP). Three priorities for addressing the tourism sector’s labour and skills gaps have been identified:

- awareness and promotion of tourism as a career
- attracting labour and the supply of skills
- building and retaining capacity of tourism businesses.

The Associate Minister confirmed that New Zealand still needs 36,000 more full-time-equivalent employees in the tourism sector. However, this will need to be supplemented by overseas workers on working holiday visas. We asked what is being done to ensure that New Zealanders are given job opportunities first. The Associate Minister sought to assure us that tourism operators prefer to hire New Zealanders. Labour members remain concerned about this, and hope that more can be done to assist and ensure New Zealanders are doing these jobs. We were told that the newly opened Queenstown Resort College and more on-the-job training are two ways workforce capacity and training is being developed.

We also asked about the issue of housing in Queenstown, as the cost and availability of worker accommodation is an ongoing challenge there. The Associate Minister noted that, in the past, many businesses used to own their own accommodation for workers, but that is less common now. She noted that options include businesses providing rental properties for workers, or workers busing to outlying areas such as Cromwell. The Associate Minister said she had recently told the local business chamber that they themselves were the “best resource” to sort out the problem. She said that worker accommodation is not where the Government chooses to invest housing money right now.

New funding for mid-sized tourism facilities

The Associate Minister mentioned a proposed $12 million fund (with $3 million in 2016/17) for regional mid-sized tourism facilities. This is designed to help regions cope with some of the effects of tourism growth so they can continue to ensure a good visitor experience. She told us that the level of funding would vary by area, depending on each region’s ability to contribute.
We noted that local authorities already spend quite a lot of money on services to tourists, and asked how much extra investment would be needed to accommodate expected future growth. We were told there is no investment forecast at this stage, but this funding was a good start to help the mid-sized tourist areas. The Associate Minister said the Government will keep engaging with local government about their infrastructure investment needs, but does not see central government as having to fund it alone.

We recalled that a similar fund was disestablished in 2010, and asked whether this new funding was an acknowledgement that it should have been retained. The Associate Minister said that the country was in a much different situation six years ago, with higher unemployment and the effects of the Global Financial Crisis still being felt. She considered that it had been the right decision at the time, but that such a fund is now needed again.

**Further work on the New Zealand Cycle Trail**

Funding totalling $9.5 million in 2016/17 is proposed for three specific appropriations to help connect, extend, and maintain the New Zealand Cycle Trail. This is a significant increase over last year’s estimated actual combined appropriations of $2.685 million.

To date, 2,600 km of trails have been constructed, with less than 60 km left to build to complete the project. We were told that nearly one million people used the national cycleway in 2015, and that 60 new businesses have been created and 40 businesses expanded since it began. The Queenstown and central Otago trails are among those recently joined to the national cycleway. We were disappointed to learn that there is no information on the demographic breakdown of those using the cycleway. However, an evaluation of the project is underway, and we look forward to the results in the near future, including information on the demographic breakdown of those using the cycleway.
Committee procedure

The committee met on 16, 20, and 30 June 2016 to consider the 2016/17 Estimates for Vote Business, Science and Innovation (excluding Science and Innovation appropriations). We heard evidence from the Minister for Communications, Hon Amy Adams; the Minister of Commerce and Consumer Affairs, Hon Paul Goldsmith; the Minister for Economic Development, Hon Steven Joyce; the Minister of Energy and Resources, Hon Simon Bridges; and the Associate Minister for Tourism, Hon Paula Bennett. We also heard evidence from the Ministry of Business, Innovation and Employment, and received advice from the Office of the Auditor-General.

Transcripts of the hearings of evidence are available on the Parliament website www.parliament.nz.

Committee members

Melissa Lee (Chairperson)
Kanwaljit Singh Bakshi
Ria Bond
Dr David Clark
Hon David Cunliffe
Clare Curran
Brett Hudson
Gareth Hughes
Alfred Ngaro
Simon O’Connor

Evidence and Advice received

In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Business, Science and Innovation (excluding Science and Innovation appropriations); prepared by committee staff, dated 16 June 2016.


Office of the Auditor-General, Briefing on Tourism appropriations, dated 20 June 2016.

Office of the Auditor-General, Briefing on Communications appropriations, dated 16 June 2016.
Minister for Communications, Annex 1 communications portfolio.
Minister for Communications, Annex 2 Crown Fibre Holdings responses.
Minister for Communications, Land Access for Telecommunications.
Minister for Communications, responses to written questions 1 – 115.
Minister of Commerce and Consumer Affairs, Annex 2 Commerce Commission.
Minister of Commerce and Consumer Affairs, Annex 3 External Reporting Board.
Minister of Commerce and Consumer Affairs, Annex 4 FMA responses.
Minister of Commerce and Consumer Affairs, Annex 5 Retirement Commissioner responses.
Minister of Commerce and Consumer Affairs, Annex 6 Takeovers Panel responses.
Minister of Commerce and Consumer Affairs, Appendix 1.
Minister of Commerce and Consumer Affairs, FMA Contractors list.
Minister of Commerce and Consumer Affairs, responses to written questions 1-115.
Minister of Economic Development Supp 2, NZTE responses.
Minister of Economic Development Supp1, NZTE tables.
Minister of Economic Development Supp3, NZVIF responses.
Minister of Economic Development, responses to written questions 1-115.
Minister of Energy and Resources, Annex 1 EA responses.
Minister of Energy and Resources, Annex 2 EECA responses.
Minister of Energy and Resources, responses to written questions 1-115.
Minister of Tourism, presentation.
Minister of Tourism, responses to written Estimates questions 1-115.
Minister of Tourism, Tourism NZ responses.
Standard Estimates Questionnaire, Questions 1-22.
2016/17 Estimates for Vote Business, Science and Innovation (Science and Innovation appropriations only)

Report of the Education and Science Committee

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Vote Business, Science and Innovation (Science and Innovation appropriations only)

Recommendation
The Education and Science Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Business, Science and Innovation (Science and Innovation appropriations only), as set out in Parliamentary Paper B.5 Vol. 1, be accepted.

Introduction
The appropriations sought for Science and Innovation in Vote Business, Science and Innovation amount to $1,061.483 million in 2016/17, a 15.6 percent increase from an estimated actual expenditure of $918.369 million in 2015/16.

After the National Statement of Science Investment was released in October 2015, the science and innovation portfolio was restructured. Twenty-three previously separate appropriations are now in one of:

- the three research funds (Contestable Research Fund, Health Research Fund, or Partnered Research Fund)
- the four multi-category appropriations (MCAs) (“Callaghan Innovation Operations”, “Contract Management”, “Strategic Investment Fund”, or “Talent and Science Promotion”).

While we welcome the apparent streamlining of the Vote, we note that the scope of the funding changes and the broad use of multi-category appropriations has made it more complex to ascertain year-on-year comparisons.

The Minister of Science and Innovation, Hon Steven Joyce, is responsible for the Science and Innovation appropriations within Vote Business, Science and Innovation. We heard from the Minister of Science and Innovation, from the Ministry of Business, Innovation and Employment, and from Callaghan Innovation.

Innovative New Zealand package
The Minister told us that the Budget provides for an additional $410.5 million over four years in science and innovation through the Innovate New Zealand package, and that it was one of the largest single investments in science and innovation in New Zealand’s history. Funding provisions include the following:

- The MBIE Contestable Research Fund will be renamed the Endeavour Fund, to commemorate the 250th anniversary of Captain Cook’s landmark scientific voyage to New Zealand. The fund will receive an additional $114 million over four years for research that contributes to New Zealand’s economy, environment, and well-being.
- The Health Research Fund will receive an additional $97 million over four years for health research.
The Marsden Fund will receive an additional $66 million over four years to extend its ability to fund investigator-led research.

The Strategic Science Investment Fund brings together several funding programmes considered to be strategic investments. It includes research previously supported through Crown Research Institute (CRI) core funding and Independent Research Organisation capability funding. The Minister noted that this new fund will introduce stronger measures for evaluating the progress of these research programmes. The fund will receive new funding of $63 million over four years.

The Global Research Alliance on Agricultural Greenhouse Gases will receive $20 million over four years for research on global climate change mitigation.

The Te Pūnaha Hiringa/Māori Innovation Fund will be expanded by $4 million over four years, to help more Māori enterprises manage and grow their asset bases.

A further $40 million of contingency funding over four years is provided to fund regional research institutes. The ministry is currently considering three proposals, from the New Zealand Research Institute of Viticulture and Oenology in Marlborough, the Centre for Space Science Technology in Central Otago, and Earth+Vantage in Southland.

Some of us noted that funding for Vote Business, Science and Innovation is actually decreasing over the next two business years. The Minister said that the Vote appropriations are spread across several portfolios. Although funding in the total Vote is decreasing over the next two years, the Minister confirmed that the appropriations for Science and Innovation are increasing by 5.3 percent from $1,069.239 million in 2016/17 to an estimated $1,126.395 million in 2019/20. Some of us have concerns at the level of transparency arising from the extent of the output class funding changes and the broad use of multi-category appropriations.

The Endeavour Fund

The Contestable Research Fund will be renamed the Endeavour Fund. We asked whether the additional funding for the Contestable Fund (Endeavour Fund) would be new money, as the establishment appropriation of $172.330 million for 2016/17 was less than the $182.743 million of the 2015/16 appropriations that went into the Contestable Research Fund. The Minister responded that, before the renaming, the fund had been trending down, from $172.330 million in 2016/17 to a projected $155.428 million in 2019/20. However, after the renaming, the fund would increase up to $200.428 million in 2019/20. The Minister said that this funding increase resulted from new money.
**Static funding**

Some of us noted that some appropriations, such as Callaghan Innovation Operations MCA and the Strategic Investment Fund MCA remained static over the next four years,\(^5\) and said that this amounted to a real-terms cut because funding had not been adjusted for inflation. The Minister said that appropriations are not inflation-adjusted, and that, in nominal terms, there were no cuts to these appropriations.

**“Blue skies” funding**

We asked the Minister where “blue skies” funding sat within the new funding package and what value the Minister saw in this type of funding. The Minister described the following three broad horizons of funding:

- **business-led research**, which looks for market gains, typically takes up to three years; and is funded, for example, through Callaghan Innovation and Crown Research Institutes
- **mission-led research**, which takes between four and eight years and is the kind of research funded through the Endeavour Fund and National Science Challenges
- **investigator-led research**, which is where most blue skies funding sits, such as the Marsden Fund, parts of the Health Research Fund, and the Performance-Based Research Fund for tertiary institutes.

The Minister said that, in the past, more funding had been allocated for short-term market gains, but that recent Budgets had achieved a better balance in allocating funds for longer-term research opportunities.

The Minister told us that, under the Strategic Science Investment Fund, CRIs will still be able to allocate part of their operational funding for blue skies research, as long as the research aligns with their core purpose and is approved by their industry stakeholders.

**Showcasing New Zealand innovation**

We were interested in the model of the Taiwan Excellence Pavilion, which exhibits award-winning products that showcase Taiwan’s research and innovation developments. We asked the Minister whether this model could be developed in New Zealand to promote New Zealand’s innovation to the public and to the world.

Although the Minister said that there are no plans to open a physical centre to showcase New Zealand innovation, the Minister detailed several initiatives that engage the public with the sector’s science and innovation developments. Through education and engagement, programmes such as Curious Minds and Futureintech seek to create more interest in science, technology, engineering, and mathematics careers. Callaghan Innovation sponsors a column in the “New Zealand Herald” to promote the coverage of science and innovation. The Minister said that he encourages New Zealand companies to promote their innovation stories through media coverage.

**Collaboration in science and innovation**

The Minister described several initiatives where CRIs, tertiary institutions, private-sector research organisations, and start-up companies were working together to innovate in particular sectors. The Lincoln Hub aims to increase the productivity and performance of

the primary sector. The Christchurch Innovation Precinct and the Wynyard Quarter Innovation Precinct in Auckland are two of a number of innovation precincts around New Zealand that aim to create collaborative opportunities for technology-based innovative firms.

The Minister affirmed that it was important for these collaborative efforts to engage effectively with the public, and especially with schools in their regions, to foster and maintain interest in science and innovation.

**Callaghan Innovation**

**Research and Development Growth Grants**

We noted several cases where recipients of Callaghan Innovation Research and Development (R&D) growth grants did not appear to meet expectations for various reasons. We felt that the automatic nature of the growth grants, once qualifying criteria such as minimum spending on R&D are met, meant that grants were not targeted sufficiently at the highest-quality recipients. We asked whether Callaghan Innovation should be given more flexibility in determining the recipients of the grants.

The Minister said that Callaghan Innovation can reject applications for grants if it is unable to confirm that the grant will be used to conduct R&D. However, Callaghan Innovation is not able to accept or reject an application based on its judgement of the effectiveness of the R&D.

We asked whether a tax-credit approach might be more appropriate than a grant-giving approach, as the grant-giving approach could not assess the effectiveness of the R&D. Some of us also felt that the grant-giving approach was more unwieldy and costly than the tax-credit approach. The Minister said that the grant-giving approach is more suitable for several reasons: it provides more value, at 20 percent against a tax rebate of 15 percent; it requires Callaghan Innovation to have a closer relationship with the applicant; and it does not allow companies to simply reclassify their expenditure to gain the tax credit.

The Minister said that the effectiveness of the grant-giving approach will be tested during the next three to five years. We expressed interest in the outcomes of this assessment.

**Commercial revenue**

We noted that the expected commercial revenue from domestic customers in 2015/16 was $6 million but that in 2016/17 it was $3.3 million. We asked why expected domestic commercial revenue had decreased. Callaghan Innovation said that $3.3 million was the domestic commercial revenue expected from business customers only, and did not include other revenue from organisations such as CRIs and tertiary institutions. Callaghan Innovation projected that both domestic and overseas commercial revenue would increase from the last financial year.

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Committee procedure
We met on 29 June and 6 July 2016 to consider Vote Business, Science and Innovation (Science and Innovation appropriations only). We heard evidence from the Minister of Science and Innovation, Hon Steven Joyce, the Ministry of Business, Innovation and Employment, and Callaghan Innovation. We received advice from the Office of the Auditor-General.

Committee members
Dr Jian Yang (Chairperson)
Catherine Delahunty
Sarah Dowie
Chris Hipkins
Melissa Lee
Tracey Martin
Todd Muller
Adrian Rurawhe
Jenny Salesa
Stuart Smith
Hon Maurice Williamson

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Business, Science and Innovation (Science and Innovation appropriations only), prepared by committee staff, dated 20 June 2016.
Office of the Auditor-General, Briefing on Vote Business, Science and Innovation (Science and Innovation appropriations only), received 17 June 2016.
Minister of Science and Innovation, Response to standard Estimates questionnaire.
Minister of Science and Innovation, Response to additional questions, received 15 June 2016.
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Vote Labour Market

Recommendation
The Transport and Industrial Relations Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Labour Market, as set out in Parliamentary Paper B.5, Vol. 1, be accepted.

Introduction
The Ministry of Business, Innovation and Employment administers Vote Labour Market. The Ministers for Accident Compensation Corporation (ACC), Economic Development, Immigration, Tertiary Education, Skills and Employment, and Workplace Relations and Safety are responsible for the appropriations in this vote.

The overall appropriations sought in 2016/17 for Vote Labour Market increase by about 10 percent to $1.696 billion from estimated actual spending of $1.540 billion in 2015/16.

We heard from the Minister for ACC, Hon Nikki Kaye, and the Minister for Workplace Relations and Safety and Minister of Immigration, Hon Michael Woodhouse.

ACC appropriations
The ACC appropriations fund ACC’s non-earners account. This covers injuries, with the exception of motor vehicle injuries, to people not in the paid workforce. The total appropriations for ACC for 2016/17 are $1.232 billion, an increase of 12.8 percent over estimated actual expenditure in 2015/16. Most of the increase reflects the annual revaluation of ongoing liabilities, assets, and forecast costs based on updated historical performance and economic factors.

Vehicle risk ratings
Following the release of the vehicle risk ratings system in 2015, it was found that 65 models, less than 0.1 percent of the vehicle fleet, were incorrectly classified due to a technical error. This resulted in 20,065 customers receiving a refund. From 1 July 2016, 774,565 vehicles will move to a different vehicle levy band. The Minister for ACC told us that this change is part of business as usual, rather than a technical error. We heard that changes are expected in any risk rating system. This is because ratings are based on a vehicle’s safety relative to other vehicles, and vehicles will move between levy bands as safer vehicles come into the fleet. Some of us believe that vehicles regularly changing risk rating levy bands every year demonstrates a fundamentally flawed system. Others believe that it is an inevitability due to safety improvements.

When the vehicle ratings system was introduced, ACC did not have any New Zealand data on changes to safety features of vehicle models. In the past year, ACC has worked with the motor vehicle industry to create a database of this information. We asked why the Government had changed to a risk-rating model when it did not have all of the

1 Questions for written answer 6143 (2016).
information on risk levels of vehicles available to it, resulting in some people paying higher
levies than they should have. The Minister told us that the average annual motor vehicle
levy has reduced from $330 to $130. She said that the average cost for serious injury is
$3 million, so it is important to look at innovations to improve the scheme. The Minister
said that she had been clear from the outset that there would need to be refinements to the
system. We welcome any changes that will improve the scheme. Some of us believe that
ACC should refund those motorists who were overcharged in 2015/16 before ACC had
the New Zealand data.

**Injury prevention**

Investment in injury prevention has increased from $30 million in 2014/15 to $50 million
in 2016/17. ACC has 113 injury prevention initiatives through its partnership model,
compared with 56 at the same time last year, and is monitoring the return on injury
prevention investment. The partnership model involves working with key agencies and
non-governmental organisations to reach more people. Areas of work have focused on the
workplace, roads, falls, community, violence prevention, and treatment injuries. We were
pleased to hear that ACC is now seeing more engagement in injury prevention through the
partnership model, and will be interested to know what improvements there are over time
as a result of the investment in injury prevention.

We were interested in the current level of funding for injury prevention compared with the
model used in 2008. ACC’s expenditure on injury prevention in 2007/08 was $39.820
million and $39.492 million in 2008/09. We heard that the figures had reduced significantly
since 2008 but the ACC board has considerably increased investment in recent years.

**Treatment injuries**

Since 2012 there has been an increase in claims for treatment injuries. The Minister told us
that this is a complex area with a range of causes, such as clinicians not communicating
with each other in the operating theatre. ACC is investing in a range of new programmes,
for example, the surgical simulation programme launched in 2015. This provides world-
class training for medical professionals. We heard that a large number of treatment injuries
are wounds and infections. We were interested in whether the increase in treatment injuries
was because more surgery is taking place. However, ACC does not hold information on the
total number of surgeries performed across New Zealand, so is unable to provide this
information.

ACC is working with other agencies such as the Ministry of Health and the Health, Quality
& Safety Commission on wound prevention programmes and reducing birth injuries. We
hope that this work will lead to a reduction in treatment injuries. Some of us are concerned
that ACC still does not know what is driving the large increase in treatment injury claims.

**Shaping our Future transformation programme**

The Shaping our Future programme aims to achieve more timely decisions for the
90 percent of simple claims, and ensure access to better support for the 10 percent of
serious injury and complex claims. The six key benefits of the programme are to:

- improve trust and confidence in ACC
- increase productivity
- reduce productive days lost to injury
• ensure that staff are empowered and engaged to deliver services more effectively
• ensure that operational resilience is enhanced to reduce exposure from operational failure, such as privacy breaches
• improve levy collection.

We heard that ACC has traditionally spent $60–70 million annually on systems. The Shaping our Future programme will be funded from the operating budget. Less than one-third of the entire Shaping our Future budget will be spent on information technology. The ACC Board has approved a business case for the project. One of the first programmes will be an improved levy invoice system. This is targeted at the 500,000 business customers who pay business levies. We look forward to hearing about improvements as a result of the programme and the project as a whole.

**Motorcycle levies**

We asked if there were any plans to reduce motorcycle levies. The Minister told us that motorcyclists only pay about one-quarter of their liability. ACC would consider recommending to the Minister that levies be reduced if it saw a significant reduction in injuries. However, injuries have remained “pretty static”.

The Motorcycle Advisory Council provides advice and recommendations to the Minister on where best to spend the motorcycle safety levy to reduce injuries. Motorcyclists are a key priority area in the latest edition of the Safer Journeys action plan. This has a focus on technology improvements, protection equipment, education, and the Ride Forever training programme. The Government is also investing in the wider system, such as road infrastructure in areas where data shows there have been more accidents.

**Public Health Acute Services increase**

The appropriation to fund public health acute services for claims by non-earners on the ACC Treatment Injury Account has increased from $1.289 million in 2015/16 to $8.687 million in 2016/17. We heard that the appropriations for ACC are overly complex and that they increase each year to allow for population growth and inflation. The Minister suggested that ACC could provide us with a separate briefing to explain the complex technical issues involved. We would welcome such a briefing.
Immigration appropriations

The total appropriations sought for immigration for 2016/17 are $286.228 million, an increase of 2.8 percent from the estimated actual expenditure of $278.428 million in 2015/16.

Work visas

Some of us are concerned that immigrants are increasingly being used to fill low-skilled, low-wage occupations. The Minister of Immigration told us that this has always been recognised as a risk, but advice from the Ministry of Business, Innovation and Employment is that there is no clear evidence that this is suppressing wages. We heard that there is a process of ensuring that no New Zealander is available to do these jobs before an employer can approach Immigration New Zealand.

Essential skills shortage list

The essential skills shortage list is tailored towards regional shortages and is reviewed by Immigration New Zealand and the ministry every year. Occupations are removed from the list when there is no longer a shortage. The Minister believes that some industries and regions have relied too much on immigration policies to fill jobs. He is encouraging employers to do workforce planning and to invest in training and development.

Some of us are concerned that aged-care nurses are on the skills shortage list when graduate nurses are struggling to find jobs. We heard that there is a very high placement of nursing graduates in New Zealand, while others go to Australia for work. The Minister told us that the aged-care sector needs to encourage graduate nurses to see aged care and gerontology as a viable nursing option.

Dairy farm workers

We note that the industries most reliant on migrant labour are accommodation and food, administration and support, and agriculture, forestry and fishing. We asked if the Minister believes that these occupations will grow the New Zealand economy. The Minister told us that it can be difficult to recruit New Zealanders for seasonal or disruptive work, such as dairy farming, because it is not seen as an attractive employment option for young New Zealanders. He said that pay and conditions were two of several factors that people consider when deciding on a job.

We discussed reports of farming jobs being advertised below the minimum wage, noting that this might stop New Zealanders from applying. The Minister considered that such reports were based on anecdotes rather than evidence, noting that it is illegal to pay below the minimum wage.

We note that the Labour Inspectorate found several instances of non-compliance in the dairy industry, and asked what support is provided to ensure that immigrants are not exploited. We heard that temporary migrants make up about 10 percent of the dairy industry, with about half coming from the Philippines. Very few of these workers qualify for permanent residency because these jobs are not on the essential skills shortage list. Immigration New Zealand works closely with the Filipino community and the dairy sector to ensure compliance. We were pleased to hear about the work being done to eliminate the exploitation of migrant workers.
2016/17 ESTIMATES FOR VOTE LABOUR MARKET

Student visas

The Minister told us that the student visa market is now worth $3 billion to the New Zealand economy. Some of us are concerned that the international student market is now a “zero-sum gain” because those on student work visas are competing with New Zealanders for low-skilled jobs. The Minister said that student visas carry limited rights to work, that not all students get work rights, and that only about a quarter of those with work rights actually use them.

Investor visa category

We were interested in what monitoring occurs after people are accepted under the investor visa category. We were told that the ministry has a rigorous process to evaluate investor applications, including the type of investment proposed, the source and legitimacy of funds being transferred, and the monitoring of the outcomes. The ministry will publish research on this in August. We look forward to reading the report.

Visa processing times

We asked whether standards are published about the length of time allowed for processing each category of visa application. The ministry’s statement of objectives and service performance requires 90 percent of visitor visa applications to be decided within 25 days, 85 percent of work visa applications to be decided within 30 days, and 90 percent of student visa applications to be decided within 30 days.

Permanent residents’ programme

The Government’s residents’ programme has an annual cap of 45,000 to 50,000 people who can gain permanent residency. This comprises the skilled migrants programme (about 60 percent), partnership and family category (about 30 percent), and the humanitarian obligations, which include the refugee quota and commitments to the Pacific through the Samoan quota and the Pacific-access category (about 10 percent). The planning range of 45,000 to 50,000 has remained the same since the skilled migrant points system was introduced in 2003.

We asked whether this was more of a target than a cap, and whether people could come to New Zealand with fewer points when demand was low. The Minister told us that the range is not a target. He said that the points can be changed but they are not lowered to meet the range. The total for the programme which ends on 30 June 2016 is expected to be 94,000 permanent residents for the previous two years. We heard that the points may need to be increased because the total number is at the higher end of the planning range.

Denial of entry

We heard that about 1,700 people have been denied entry before boarding flights to New Zealand and about 900 on arrival. In the 2015 Budget, the Government invested $7 million into boosting capability for border and risk management. The approach is to manage risk as far away from New Zealand as possible. Smart passenger processing systems are used at global airports, and more offshore risk managers and airline liaison officers are being used at key embarkation points.

Immigration fraud

We asked if the Minister was aware of any companies involved in fraudulently obtaining visas for migrants by giving false marriage certificates or job qualifications. The Minister
said that there are some instances of immigration fraud, but people will be prosecuted if they are caught lying or misrepresenting their circumstances on a visa application. In 2015/16 there have been 22 decisions on prosecutions taken by Immigration New Zealand. In the 21 cases where a defendant was found guilty, the penalties ranged from $1,300 to $57,644 and/or home detention, to two years and two months’ imprisonment.

The Immigration Compliance team is working closely with the Labour Inspectorate on this issue. The Minister assured us that there is a high level of integrity in the visa application system.
**Workplace Relations and Safety appropriations**

The appropriations sought for workplace relations and safety in 2016/17 total $151.536 million, an increase of about 2.4 percent from estimated actual expenditure of $147.625 million in 2015/16.

**Health and safety reform**

The Health and Safety at Work Act 2015 came into force on 4 April 2016. We asked how WorkSafe New Zealand is ensuring that the new regime works effectively. WorkSafe said its website provides a lot of information about the changes. It has also arranged training for its staff and the regulators at Maritime New Zealand and the Civil Aviation Authority, so that they understand and can explain key concepts.

The Ministers for Workplace Relations and Safety and Economic Development commissioned a review of WorkSafe to make sure it was on target with its establishment and engagement with businesses. The Minister for Workplace Relations and Safety was satisfied with the review findings. A funding review, scheduled for the second half of 2016, will look at how resources are used and whether they are adequate. We look forward to seeing the results of the review.

WorkSafe is working closely with the Health and Safety Association of New Zealand, a collective of about 14 health and safety organisations, in seeking to raise the competency of the consultancy community. It is considering a register, so consultants would need to demonstrate that they meet certain criteria of training and experience, and agree to a code of ethics.

We asked why the appropriation for workplace health and safety had reduced by $371,000 for 2016/17. We were told that WorkSafe had several one-off establishment costs, such as recruitment, training, and development costs for new staff.

Some of us are concerned that one of the unintended consequences of the health and safety reform is that experienced, high-profile people are resigning from boards because of uncertainty about their responsibilities. The Minister told us that the Government is unlikely to consider indemnity insurance because other parts of commercial law make it unlawful to indemnify against the monetary fine element of a conviction. An officer can insure against the cost of a prosecution, but not against the consequences of it. WorkSafe has worked with directors to ensure that they understand their obligations and risks.

**High-risk industries**

We asked how many small businesses in high-risk industries have requested health and safety representatives. We were told that WorkSafe does not record this information because employees make the requests directly to the employer. WorkSafe collects data on health and safety representatives who have had training on the new law; about 10,000 people have been trained so far.

We were interested in how WorkSafe prioritises its advisory services. WorkSafe is developing a harm reduction programme with ACC. This looks at evidence to see where the most harm occurs and focuses on high-risk industries, such as construction, agriculture, forestry, and manufacturing. It also focuses on issues across sectors, such as workplace transport and workplace falls. This forms the basis of a 3–5 year harm reduction plan. WorkSafe has held roadshows to find out stakeholders’ views and is developing business cases with ACC to fund the work. We were pleased to hear that this is progressing well.
We asked why investigations on farms had reduced from 98 in 2014/15 to 62 in 2015/16. We heard that enforcement is based on criteria rather than targets. WorkSafe has no plans to introduce a target for prosecutions because it believes it would influence inspectors’ behaviour. Inspectors use a decision-making model which ensures a consistent approach.

We were interested in serious harm notifications, both globally and for agriculture. As at 3 April 2016, WorkSafe has received 114 serious harm notifications for the agriculture sector out of a total of 1,140 serious harm notifications for 2016. Information from 4 April 2016 onwards on notifiable injuries under the new Health and Safety at Work Act is not ready for publication. The Minister does not believe that notification numbers are a reliable source of trend data for injury rates. This is because reporting behaviour can change due to other factors, such as increased promotion of new legislation, because WorkSafe is not always notified, and because some notifications are made to other regulators.

Work with ethnic communities

We were interested in how WorkSafe engages with ethnic communities, particularly with Chinese developers and construction workers in Auckland. We heard that WorkSafe’s approach is to shift discussions about workplace safety from the workplace to the community. It is building relationships with the Chinese community to do this.

Incorrect holiday pay advice from the ministry

Some of us are concerned that incorrect advice from the ministry resulted in hundreds of thousands of New Zealand being underpaid holiday pay, and asked what the Labour Inspectorate would do to rectify it. The Minister considers the ministry premature in saying that up to 700,000 people are affected; he is awaiting information about how many people have been affected. He said that the Labour Inspectorate is working closely with the business community, unions, and payroll providers to understand what can be done to improve compliance with the Holidays Act 2003. It is also investigating complaints and auditing large employers. The Minister said he is satisfied that the response is proportionate and appropriate. We intend to follow up on the outcome of this process.
Appendix

Committee procedure
We met on 16 and 30 June 2016 to consider Vote Labour Market. We heard evidence from the Minister for ACC, Hon Nikki Kaye, the Minister of Immigration and Minister for Workplace Relations and Safety, Hon Michael Woodhouse, and the Ministry of Business, Innovation and Employment, and received advice from the Office of the Auditor-General.

Committee members
Jonathan Young (Chairperson)
Andrew Bayly
Peeni Henare
Iain Lees-Galloway
Clayton Mitchell
Sue Moroney
Dr Parmjeet Parmar
Denise Roche
Alastair Scott
Hon Maurice Williamson
Dr Jian Yang

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Briefing paper for Vote Labour Market, prepared by committee staff, dated 14 June 2016.
Minister for ACC, Responses to additional questions, received 14 June 2016.
Minister for ACC, Responses to post-hearing questions, received 27 June 2016.
Minister for Workplace Relations and Safety and Immigration, Responses to additional questions, received 14 June 2016.
Minister for Workplace Relations and Safety and Immigration, Responses to post-hearing questions, received 28 June 2016.
Office of the Auditor-General, Briefing on Vote Labour Market: ACC appropriations, received 14 June 2016.
Office of the Auditor-General, Briefing on Vote Labour Market: Immigration appropriations, received 14 June 2016.
Office of the Auditor-General, Briefing on Vote Labour Market: Workplace Relations and Safety appropriations, received 14 June 2016.
Standard Estimates Questionnaire response, received 27 May 2016.
2016/17 Estimates for Vote Transport

Report of the Transport and Industrial Relations Committee

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Vote Transport

Recommendation

The Transport and Industrial Relations Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Transport, as set out in Parliamentary Paper B.5, Vol. 1, be accepted.

Introduction

The appropriations sought in 2016/17 for Vote Transport increase by 4.1 percent to $4.265 billion from estimated actual spending of $4.096 billion in 2015/16. The Crown is forecast to collect road tax revenue of $3.422 billion in 2016/17, compared with $3.377 billion in 2015/16. This is an increase of 1.3 percent.

Funding for roads makes up 92 percent of the total vote. A large part of this ($3.079 billion or 72 percent of the vote) is for the National Land Transport programme, which is funded from road tax revenue collected by the Crown. Funding for rail makes up 5 percent of the vote. The balance is split between the Ministry of Transport, transport Crown entities, MetService, and SuperGold Card public transport concessions.

The Minister of Transport told us that the Government’s main priorities for transport are supporting economic growth and productivity, delivering greater value for money, improving safety, and improving choice to support healthier and environmentally friendly options.

Road toll

We are concerned that an increase in the road toll is expected for the third consecutive year. The Minister noted that there had been an overall decline in fatalities and injuries from 2000 to 2013. However, the road toll has increased in the past two years. He expressed disappointment at the increase, particularly during the Queen’s Birthday long weekend.

The Government’s strategy is based on safe systems and safe journeys. It has used speed campaigns, variable speed limit signage, raising the age requirement for child booster seats, changes to alcohol laws, and road improvements to improve road safety. Some of us are concerned that the road toll has increased despite these interventions.

We asked what specific investment to reduce the road toll is in this year’s Budget. We heard that the Safer Journeys road strategy looks at the whole system of the roads, roadside speed, road use, and vehicles. The third action plan of strategy has recently been introduced and focuses on technology improvements; motorcyclists, who are over-represented in fatality and serious injury statistics; high-risk roads; and improving vehicle safety.

We were interested in what effect driver behaviour, such as not wearing seatbelts or motorcyclists not wearing helmets, has on the road toll. The Minister told us that human behaviour is definitely a factor. He expressed disbelief that, in 2016, some drivers are still not wearing seatbelts or putting seatbelts on children. The Government has funded campaigns in an effort to change this behaviour.
Road maintenance

We asked whether cuts to the road maintenance budgets were contributing to the increased road toll. The Minister disagreed that there had been cuts and told us that funding for road maintenance, road improvements, and road policing had all increased in the three-yearly land transport programme funds. Some of us disputed this response, noting that the total budget for 2015/16 was $1.514 billion, while the budget for 2016/17 is $1.068 billion. The Minister told us that figures can vary from year to year. This is because regions find ways to work more efficiently, maintenance is deferred, or there are variations in how local governments fund maintenance programmes.

Auckland transport

Auckland Transport Alignment Project

The Auckland Transport Alignment Project (ATAP) is a joint project with the Auckland Council, the Ministry of Transport, the New Zealand Transport Agency (NZTA), the State Services Commission, and the Treasury. It will identify a preferred approach to developing Auckland’s transport system during the next 30 years.

A Foundation Report, published in February 2016, identified transport challenges and the developments needed to meet the region’s needs. The next stage is to improve the transport interventions that have been previously proposed. The Government will consider its preferred approach after receiving final recommendations later this year.

The Minister told us that a conclusion is expected at the end of August. He anticipates that this will provide clarity on projects and time frames for the next 30 years. He noted that the Auckland central business district is important, but that it is clear that there needs to be more focus on improving roads and public transport options in outlying areas of Auckland. In the medium to long term, technology will be important because it is not sustainable to keep constructing vehicle lanes.

The Minister told us that the Government will have to play a significant role in solving Auckland’s transport issues. We look forward to reading about the conclusion of the ATAP project’s process.

Congestion

The Minister told us that ATAP has three purposes—to reduce congestion, increase the use of public transport, and provide value for money. The Minister said that he does not have a specific target for reducing congestion but that the NZTA accurately measures this.

We asked why there was increasing congestion despite more money being invested. We heard that this was because Auckland’s growing population has led to more cars on the road and because significant construction, such as the western ring route, is creating blockages while it progresses.

Reeves Road Flyover

The National Party member for Pakuranga alerted the Minister to an issue that he believes that the NZTA should be aware of. In February 2015, Auckland Transport announced that the Reeves Road flyover project was “being canned” and that the money would be put into a public transport system.

In May 2016, Auckland Transport announced that the flyover project would now proceed. The proposal is to take two lanes for buses on Lagoon Drive and four lanes for buses in Pakuranga. The member for Pakuranga pointed out that he is unaware of any other area where the solution for congestion is to remove car lanes. This approach also does not take account of the lanes being unavailable while they are being built. The Minister agreed to closely monitor this situation.

**Public transport**

We were interested in what investments the Government has made to encourage people to switch from cars to public transport. We heard that the Government has invested $1.2 billion in the past three years. This does not include investment in rail.

The Minister told us that his preference is for building infrastructure because this is what makes a difference to improving public transport. In Auckland, the National Land Transport Fund has funded the construction of several bus interchanges and park and rides. Construction of bus lanes is also being increasingly funded, but the Minister acknowledged that there needs to be more work in this area.

The central Government and local governments subsidise bus fares and metropolitan line rail fares in Auckland and Wellington through the Land Transport Fund. We heard about the effectiveness of the Public Transport Operating Model, which has a goal of increasing public transport use while providing fewer subsidies.

**Rail**

The vote includes $190 million as a capital injection for KiwiRail. This is part of a two-year package of $400 million. The Minister told us that the Government is committed to KiwiRail and that he believes that rail has a good future.

The minister has mandated KiwiRail and NZTA to look at integrated decision-making. The two agencies are working together on several initiatives. These include developing a framework to understand the true value of rail and investigating possible urban cycleways within or next to rail corridors. The first phase of this work is expected to be completed shortly. We look forward to an update on how this work is progressing.

Some of us do not consider it a balanced approach to allocate only 5 percent of the vote to rail. We heard that the Government has spent $3.9 billion on rail since 2008. This compares with $4.5 billion for the roads of national significance during the same period. The Government has invested large amounts in electrifying metropolitan rail in Auckland and Wellington, upgrades and improvements to the rolling stock, and passenger subsidies.

We were interested in whether the Minister has had any discussions with local governments about alternative transport options, such as light rail and trams. The Minister told us that he is having regular conversations with local government. He believes that “rail does stack up” in bigger metropolitan areas.

**Electric vehicles**

In May 2016, the Minister announced a package aimed at doubling the number of electric vehicles in New Zealand every year to reach a total of about 64,000 in 2021. We heard that there are both supply and demand barriers to reaching this target.

Supply is the biggest barrier because the vehicles come from overseas and there is a wait of several months. There is also a demand barrier because of the price. The Minister believes
that the road user charges exemptions will help alleviate this barrier. He said that demand can be induced with government and corporate fleet-buying. We look forward to receiving updates on the uptake of electric vehicles.

**Carbon dioxide emissions**

The Government is investing between $30 billion and $40 billion in transport in the next 10 years. We asked what strategies the transport agencies will use to reduce CO₂ emissions, given that the Government has a goal to be carbon neutral by the middle of the century.

The Minister told us that the Ministry of Transport’s strategy documents have seen “a real elevation of the environmental piece”. This comes in the form of unprecedented funding for cycleways, public transport, and rail. The Minister believes that the Government’s electric vehicle programme will speed up the use of low-emissions vehicles in New Zealand. Some of us expressed concern that the Government meeting its targets for electric vehicle use will reduce emissions only by 0.02 percent.

**SuperGold Card**

In 2016/17, funding for the SuperGold Card scheme will increase from $17.9 million to $28.1 million. This is needed to maintain current services and funding. The 2016/17 appropriation is at the 2015/16 actual expense with an adjustment for the Consumers Price Index.

We noted that there will be a significant increase in SuperGold Card users because of an ageing population and asked how the scheme will be maintained. The Minister told us that the changes announced in July 2015, which provide bulk funding to local governments, provide greater certainty about what funding will be needed for the scheme during the next five years. The Minister told us that he is committed to the scheme remaining sustainable and that he is “certain that the entitlement will remain”. Some of us are concerned that the SuperGold Card funding cap will reduce transport services available for the SuperGold Card as the number of eligible users grows.

**Maritime New Zealand**

We note that the previous appropriation for a capital injection to Maritime New Zealand has been cut and that the maritime incident response budget has been reduced from $0.833 million to $0.764 million. The Minister told us that Maritime New Zealand’s mid-point funding review has resulted in more funding through levies and fees.

Maritime New Zealand is currently consulting on options for the oil pollution levy. The Minister believes that there will be more funding for oil pollution responses. We intend to monitor the results of this consultation.
Appendix

Committee procedure
We met on 9 and 30 June 2016 to consider Vote Transport. We heard evidence from the Minister of Transport and the Ministry of Transport, and received advice from the Office of the Auditor-General.

Committee members
Jonathan Young (Chairperson)
Andrew Bayly
Peeni Henare
Iain Lees-Galloway
Clayton Mitchell
Sue Moroney
Dr Parmjeet Parmar
Denise Roche
Alastair Scott
Hon Maurice Williamson
Dr Jian Yang

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Briefing paper for Vote Transport, prepared by committee staff, dated 7 June 2016.
Minister of Transport, Response to additional questions (1–115), received 8 June 2016.
Minister of Transport, Response to further supplementary questions (1–15), received 21 June 2016.
Minister of Transport, Response to post-hearing questions, received 27 June 2016.
Minister of Transport, Response to standard Estimates questionnaire.
Office of the Auditor-General, Briefing on Vote Transport, received 7 June 2016.
2016/17 Estimates for Vote Education and Vote Education Review Office

Report of the Education and Science Committee

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**Recommendation**

The Education and Science Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Education and Vote Education Review Office, as set out in Parliamentary Paper B.5, Vol. 2, be accepted.

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**Introduction**

Hon Hekia Parata, the Minister of Education, is responsible for the appropriations in both Votes. We heard evidence from the Minister, the Ministry of Education, and the Education Review Office.
**Vote Education**

In 2016/17, the appropriations for Vote Education increase by 2.4 percent to $11.045 billion from an estimated actual expenditure of $10.787 billion in 2015/16.

The current Secretary for Education, Peter Hughes, will leave to become the State Services Commissioner in July this year. We congratulated Peter Hughes on his new role and thanked him for his service as Secretary for Education.

Vote Education includes the following approximate appropriations:

- $7,429 million for educational services, including teacher salaries.
- $2,136 million for services from the Ministry of Education. (Depreciation and capital charge on school accommodation and special education services are the most significant costs.)
- $860 million for capital expenditure by the Ministry of Education, mainly related to school sector property.
- $541 million for education services from central education Crown entities and other non-departmental providers. (Professional development in schools and early childhood education sectors, and school transport services are the most the significant costs.)
- $42 million for allowances, bursaries, scholarships, and grants.
- $38 million for capital expenditure for Crown entities and schools.

Following a review of Vote Education appropriations, the appropriation structure has changed, which includes establishing the following two multi-category appropriations:

- The appropriations “Interventions for Target Student Groups”, “Service Academies”, “Curriculum Support”, and “Special Needs Support” have been combined into a multi-category appropriation called “Outcomes for Target Student Groups”, which has the overarching purpose of improving outcomes for targeted student groups.
- The appropriations “Support and Resources for Teachers”, “Professional Development and Support”, and the balance of “Curriculum Support” have been combined in a multi-category appropriation “Improved Quality Teaching and Learning”, which has the overarching purpose of improving the quality of teaching and learning for children and young people aged 0–18 years.

**Operational funding to target at-risk students**

We were interested in the Minister’s Budget announcement about operational funding to target at-risk students. We were told that this new social investment funding approach will distribute $43.2 million of funding over four years to schools for each student who has lived either 75 percent of the first five years of their life or 75 percent of the past five years in a benefit-dependent household. We are also aware that the Minister has proposed other criteria to identify at-risk students.

We were told that data-matching with the Ministry of Social Development has preliminarily identified about 150,000 students who meet this criteria, which will be confirmed when the July roll is returned. The Minister said that the money allocated through this targeted
funding is equivalent to a 1 percent universal increase in school operations grants, which
would have resulted in $16 for every student, but under this targeted funding will mean $80
for every student from a long-term welfare-dependent family, with the funding allocated to
the school where the student is enrolled.

**Anonymised data-matching**

The Minister told us that, just as schools are not notified which students contribute to a
particular aspect of their decile rating, schools will not be notified which students met the
criteria for this funding, to avoid any stigmatisation. The Minister trusts that schools and
school boards will use their discretion to fund the best and most appropriate interventions
for their school.

Some of us suggested that schools’ data collections could be improved to identify at-risk
students, to avoid having to share data with another government agency. The Minister said
that the ministry has a memorandum of understanding for sharing data with the Ministry of
Social Development for educational purposes. However, she said that schools’ data
collections could be considered as part of a longer-term funding review.

**Transience**

Some of us said that schools in some regions, such as South Auckland, report transience of
up to 60 percent, and are concerned that schools that enrol at-risk students during the year
will not receive the full support they need. After the hearing, the Minister reported that the
overall transience of students in New Zealand is 0.49 percent.

The Minister confirmed that the additional operational funding announced in the Budget
will stay in the school the at-risk student is enrolled in, and that additional support will be
provided to schools with greater transience issues.

**Measuring the success of the funding model**

The Minister told us that the success of the funding model will be measured by tracking the
learning and achievement data of the school. We will continue to monitor the success of
this new model.

**Investment in school property**

Budget 2016 provides additional funding for investing in school property, including a
school property growth package, investment in public-private partnerships, and funding for
the Christchurch Schools Rebuild programme. The funding package includes $270.6
million of capital funding and $80.3 million of operating funding over the next four years
to fund two new schools, 480 new classrooms, two school expansions, and the rebuild of a
kura kaupapa Māori.

To determine where to buy and invest in school property, we heard that the ministry
undertakes regular work on long term demographic projections to identify where demand
for schools is and where it is likely to grow.

We were pleased to hear that a detailed assessment of the condition of all school property
throughout the country has been completed. Rather than refreshing buildings based on
their age, the ministry has been able to develop a programme that prioritises buildings
based on their condition.
Curriculum development

Some of us suggested that the cost of delivering the curriculum has increased. For example, schools that traditionally delivered the visual arts component of the curriculum through such media as paint and paper are now having to invest in more expensive media, such as photography and 3D printers. We asked the Minister whether there was any planned review of the curriculum to re-evaluate the operational costs of delivering it.

The Minister said that the curriculum was regularly being reviewed for relevancy and cost, because this affected the ministry’s investments in developing teacher-training and professional learning and development. The Minister also indicated that there was a larger funding review under way that would likely consider the operational costs of delivering the curriculum.

We asked the Minister whether the Government should ensure that schools teach the history of New Zealand’s land wars. The Minister said that schools have discretion about how they deliver the curriculum. However, the ministry has developed resources to support the teaching of land war history, which are available on its website. The Minister also noted that the Budget provides for additional funding to support commemorations of the land wars.

Māori boarding schools

We asked about the future of Māori boarding schools in New Zealand. The Minister said that more than 280 providers of Te Reo Māori education now compete with Māori boarding schools.

The Government continues to support Māori boarding schools by funding all the teaching and learning entitlements available in those schools and by providing a significant number of boarding allowances, bursaries, and scholarships. The Minister said that the ministry’s work programme includes a review of scholarships, and that Puāwaitanga scholarships—scholarships to the Māori boarding schools—would be included as part of this review.

Kōhanga Reo

During the last Estimates hearing, the Minister said that she expected the Kōhanga Reo Trust Board to modernise its governance. We asked the Minister for an update on the trust board’s performance.

The Minister noted that the trust had significantly improved its management of the Kōhanga Reo. However, the Minister is still seeking improvement in its governance model, particularly in how it engages and consults with whānau.

Students with special education needs

Partnership schools/kura hourua

We asked how partnership schools were raising the achievement of students with special education needs. The Minister noted that priority students, such as Māori, Pasifika, students from low socio-economic backgrounds, and students with special education needs must constitute 75 percent of partnership schools’ rolls. However, the ministry does not specify which type of priority students make up that 75 percent. Although some of us suggested that the achievement data of students with special education needs should be tracked to determine the success of this model, the Minister said that schools should not be
told which type of students to take. The Minister said that partnership schools are monitored and that their results are publicly reported.

**Intensive Wraparound Service**

Some of us were concerned by anecdotal reports that the Intensive Wraparound Service relies too heavily on teacher aides to implement it. The Minister noted that teacher aides are required to support the trained professional—the teacher—in the classroom, and are not responsible for delivering education.

**Special education update**

The ministry is working on updating special education, seeking to improve inclusivity, make the best use of funds, improve the provision of learning support, and focus on the whole education pathway of the student rather than taking a sector approach.

We heard that 22 local improvement projects are currently under way to trial these new initiatives, focussing particularly on transitioning and on identifying support needs earlier.
Vote Education Review Office

The appropriations sought for Vote Education Review Office decrease by 5.7 percent to $28.808 million in 2016/17 from an estimated actual expenditure of $30.561 million in 2015/16.

Vote Education Review Office includes the following approximate appropriations:

- $24 million for evaluations of education service providers
- $3 million for education evaluations, policy services, and ministerial and contractual services
- $1 million in departmental capital expenditure.

Student well-being

We asked about the well-being of at-risk students, including LGBT students, and whether the office identifies and promotes schools that create safe environments for these students. The Minister said that the office is doing more to profile exemplars that they find during their routine business, with an emphasis on analysing the conditions or context in which best practice occurs.

Additionally, the office has released reports and school resources on student well-being, and often reports on issues of well-being as they relate to student engagement. The Minister said that the upcoming Positive Behaviour for Learning report will also detail how schools have made safer cultures for their students.

Cyber-bullying

We asked whether the ministry was progressing any initiatives to address the problem of cyber-bullying. The Minister told us that, in the last couple of years, an advisory group has been working to address bullying. Through consultation, including with students, the Police, and agencies such as NetSafe, the group has developed guidelines and resources for schools to prevent and address bullying. We heard that addressing cyber-bullying is a top priority for the group. We encouraged the ministry to support restorative justice practices to address cyber-bullying.

Special needs education

Although the office’s reports might not always reflect on the inclusive education of students with special needs within a school, we were assured that this formed part of the process of engagement with every school. However, the office noted that it reports on inclusion only if there is a problem, and that it relies on schools to disclose if they are having problems.

STEM subjects

The Minister told us of several initiatives designed to encourage student uptake of science, technology, engineering, and mathematics (STEM) subjects:

- The New Zealand Qualifications Authority is running several pilots designed to lift achievement in STEM subjects, particularly by Māori students.
- Professional learning and development contracts for 2017 will prioritise support for STEM subjects.
The ministry is working to address a teacher supply problem for STEM subjects.

Wider contextual investments, including Curious Minds, aim to enhance engagement between the public, and science and technology sectors.

Partnerships between tertiary providers, such as the Open Polytechnic, and primary schools make STEM subjects more engaging for students.

Achieving greater equity and excellence

With the education system continuing to be characterised by an increasing diversity of students and persistent disparities in the success of students, achieving outcomes of equity and excellence is a significant challenge for the office. The office said that it was progressing well in achieving “excellence”. However, achieving “equity” remains a struggle.

The office has changed one of its evaluative questions from a generic question about student achievement to a specific question about the acceleration of student achievement for Māori and for other children who need it. The office said that it has found that all students in the school benefit when the school focuses on progressing Māori achievement.

By targeting its questions and engaging in evaluative conversations, the office said that it hopes to improve equity outcomes for students. It will determine the success of these initiatives by monitoring student progress.

Early childhood education

Some of us were concerned that funding for early childhood education (ECE) was not sufficient to cover growing participation rates, and that this was affecting the quality of the education services provided. The office said that it has not noticed that any specific trend related to funding affects the quality of ECE delivery.

The office told us that it does not monitor the quality of home-based ECE delivery by reviewing the home-based provider. Instead, it monitors the licensee and believes that this is a more appropriate accountability system. The office said that the licensees are professional organisations that invest heavily to ensure the quality of their providers.

Although some of us suggested doing “spot checks” of home-based providers, the office said that it does not have access to people’s homes and that this would not give it greater confidence than it gets through its current evaluative approach.

Education Stewardship Forum

We heard about the Education Stewardship Forum, which is chaired by Peter Hughes, the Secretary for Education. The forum, made up of eight different educational agencies, aims to develop a more collaborative and strategic approach to the stewardship of the education system. The office told us that one of the forum’s key priorities is addressing the disparity of outcomes for Māori and Pasifika students.

We were pleased by the work that Mr Hughes has done in building relationships throughout the sector. We encouraged the office and the ministry to maintain its collaborative approach.
Appendix

Committee procedure
We met on 15 June and 6 July 2016 to consider Vote Education and Vote Education Review Office. We heard evidence from the Minister of Education, Hon Hekia Parata, the Ministry of Education, and the Education Review Office. We received advice from the Office of the Auditor-General.

Committee members
Dr Jian Yang (Chairperson)
Catherine Delahunty
Sarah Dowie
Chris Hipkins
Melissa Lee
Tracey Martin
Todd Muller
Adrian Rurawhe
Jenny Salesa
Stuart Smith
Hon Maurice Williamson

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Education, prepared by committee staff, dated 10 June 2016.

Estimates briefing paper for Vote Education Review Office, prepared by committee staff, dated 10 June 2016.

Office of the Auditor-General, Briefing on Vote Education, received 13 June 2016.

Office of the Auditor-General, Briefing on Vote Education Review Office, received 13 June 2016.

Minister of Education, Response to standard Estimates questionnaire.

Minister of Education, Responses to additional questions, received 10 June 2016.

Minister of Education, Responses to post-hearing questions, received 24 June 2016.
# 2016/17 Estimates for Vote Tertiary Education

Report of the Education and Science Committee

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Vote Tertiary Education

Recommendation

The Education and Science Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Tertiary Education, as set out in Parliamentary Paper B.5, Vol. 2, be accepted.

Introduction

The appropriations sought for Vote Tertiary Education decrease by $20 million to $3.018 billion in 2016/17 from estimated actual spending of $3.038 billion in 2015/16.

A new multi-category appropriation, “Tertiary Tuition and Training” allocates the bulk of non-departmental output expenses. This appropriation includes $2.1 billion of Student Achievement Component funding, which accounts for 70 percent of the total Vote.

Funding allocated in the Vote

Some of us were concerned by ongoing and cumulative funding pressures within Vote Tertiary Education, including that there appears to be a net funding decrease in Vote Tertiary Education, in real and nominal terms, during the next four years.

Analysis prepared by the Parliamentary Library for an Opposition member, from Budget documents (including deflators), indicated:

• a net real-terms reduction of $245 million since 2009
• a projected further net real-terms reduction of $205 million in the next four years
• that total tertiary funding as a percentage of GDP dropped from 1.53 percent in 2008 to 1.16 percent in Budget 2016, and is projected to drop further to 1.00 percent in 2019/20.

The Minister disputed this analysis and said that the total government funding received by universities in New Zealand has gone up 24 percent between 2008 and 2015. The Minister told us that the total funding for the wider tertiary sector has gone up 16.5 percent on an annual basis during the same period. Some members have difficulty reconciling these statements with the analysis set out above.

Mergers of institutes of technology

Those of us who were concerned about cumulative funding pressures asked whether they had affected the number of mergers in the polytechnic sector, including Christchurch Polytechnic Institute of Technology and Aoraki, and Eastern Institute of Technology and Tairawhiti.

The Minister told us that Aoraki was previously able to provide only very low-level education because of size constraints. As a result of the merger, the new entity is able to provide a higher level of educational courses to students.
Monitoring of tertiary education institutions

We are aware that the Tertiary Education Commission (TEC) currently considers that 19 Private Training Establishments are “high-risk”. We were interested in the amount of funding these institutions continue to receive while deemed “high-risk”.

The Minister told us that the point of the investigations by the TEC and the New Zealand Qualifications Authority is to avoid a situation where an institution may find itself in default. The Minister noted that the monitoring agencies do not disclose the “high-risk” rating to institutions, because the investigations can sometimes result in the institution passing its assessment. The Minister told us that there is a comprehensive system of assistance to transfer affected students to another institution if necessary.

Merger of Careers New Zealand and the Tertiary Education Commission

We are aware that Careers New Zealand is becoming part of the TEC. The Minister said that this merger would allow students to get better support when deciding about their future career.

The Minister told us that one of the reasons for the merger was that careers advice was not effective enough. The merger will allow careers advisers to draw on the relationship the TEC has with tertiary providers, and various industries. The Minister suggested that the merged entity may create efficiencies that can be reinvested into the careers advice system, and that there may be further funding increases. We heard that careers advisers may also work with the new communities of learning to improve the provision of careers advice across a number of schools. We will watch the provision of careers advice in this new way with interest.

Science, engineering, and agricultural funding

Budget 2016 includes a doubling of the “Targeted Tuition Increases for Science, Agriculture and Some Health Sciences” to $24.5 million. We were interested in what this funding would be used for, and whether the targeted funding was having the desired outcome.

The Minister said that some of this increase reflected the increased cost associated with providing these subjects, such as the capital expenditure of building laboratories. We heard that this funding increase will help the Government achieve its goal of filling an additional 500 engineering places annually by 2017. New Zealand has historically produced half the number of engineers each year than the OECD average, and this funding has helped address this anomaly.

Construction and infrastructure training

Some of us are concerned by the lack of qualified employees in construction and infrastructure. The Minister noted that since the Apprenticeship Reboot scheme was introduced, enrolments in apprenticeships have increased. Budget 2016 includes a $900,000 increase in funding for New Zealand apprenticeships.

Budget 2016 also includes an appropriation for “Māori and Pasifika Trades Training Contingency Funding Drawdown” of $2.4 million, and $6 million in an expansion of “Māori and Pasifika Trades Training”. Some of us were concerned that only a small number of the graduates of these trades-training courses had gone on to employment. The Minister advised us that it was too early to collect enough data on the number that graduate
into trades. He said that this data would start to be analysed from the end of this year. We are interested in the results of this information gathering.

**Support for international students**

We were interested to hear of the initiatives by Education New Zealand to support international students who study in New Zealand. We heard that Education New Zealand is partnering with different regions to establish target numbers for international students in regional tertiary education providers.

Education New Zealand works to promote regions with assistance from agents from overseas. We heard that some of the regions that have been most successful in hosting international students have focused on providing additional support to international students, such as the learning hub for international students in Invercargill.

**English for Speakers of Other Languages funding**

The budgeted amount for “English for Speakers of Other Languages” is $14.058 million in 2016/17, up 4 percent from 2015/16. We are aware that there is $21 million of unspent pre-purchased English Language Certificate funding from previous years. This is money that has been collected by Immigration New Zealand and allocated to the TEC for lessons that migrants have not taken up.

The TEC is trying to better understand why migrants are not taking these lessons and has found that many migrants have forgotten to take the lessons they have paid for, or have considered it to be a levy. The TEC is working with affected migrants to determine when is best to follow up on these lessons.
Committee procedure
We met on 29 June and 6 July 2016 to consider Vote Tertiary Education. We heard evidence from the Minister of Tertiary Education, Skills and Employment, Hon Steven Joyce, the Ministry of Education, and the Tertiary Education Commission. We received advice from the Office of the Auditor-General.

Committee members
Dr Jian Yang (Chairperson)
Catherine Delahunty
Sarah Dowie
Chris Hipkins
Melissa Lee
Tracey Martin
Todd Muller
Adrian Rurawhe
Jenny Salesa
Stuart Smith
Hon Maurice Williamson

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:


Office of the Auditor-General, Briefing on Vote Tertiary Education, received 27 June 2016.

Minister of Tertiary Education, Skills and Employment, Response to standard Estimates questionnaire.

Minister of Tertiary Education, Skills and Employment, Responses to additional questions, received 15 June and 4 July 2016.
2016/17 Estimates for Vote Conservation

Report of the Local Government and Environment Committee

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Recommendation

The Local Government and Environment Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Conservation, as set out in Parliamentary Paper B.5 Vol. 3, be accepted.

Introduction

The Minister responsible for Vote Conservation is the Minister of Conservation, Hon Maggie Barry. The Minister for Treaty Negotiations is responsible for less than 1 percent of the appropriations under this vote. The Department of Conservation is the administering department.

The total appropriations sought for Vote Conservation for 2016/17 are $430.190 million (estimated actual spending for 2015/16 is $428.677 million). The total budgeted appropriations for 2015/16 were $471.932 million.

For 2016/17, Crown revenue in Vote Conservation is estimated to be $18.450 million (excluding capital receipts). The estimated actual Crown revenue for 2015/16 is $18.996 million.

Vote Conservation includes two new proposals. The first is a new initiative to provide funding to construct the Pike29 Memorial Track and associated memorial and visitor assets. The new track is planned to open at the end of 2018. The second new initiative is for the Game Animal Council to establish a sustainable game trophy levy.

Specific funding for the Battle for Our Birds 2016 initiative was provided in 2015/16, but most of the work will be done in 2016/17.

Protecting native bird species

The Minister told us of several successes in breeding threatened and endangered birds, including takahē, āko, and kakapō. The number of threatened species targeted by protection work has grown because the department has transitioned from measures focused on individual species to “holistic” ecosystem-protection projects.

Communities and corporate partners also play a role in these initiatives. Currently, about 320 of about 2,000 threatened and endangered species are being actively targeted. The Minister acknowledged that at least 14 species are in decline.

New funding of $20.7 million has been allocated to Battle for Our Birds. Previously, this work was funded from baseline funding. More than 800,000 hectares of land will be covered by 1080. The Minister told us that the proportion of land being targeted by the Battle for our Birds initiative is generally determined seasonally, mostly by the beech mast.

The department is doing modelling work to help better predict the beech mast. This is happening more frequently than in the past, largely because of climate change. The department acknowledges that some previous 1080 operations were hampered by inadequate maps of target areas. However, it believes that successful operations have had “phenomenal results” in many parts of the South Island.
The Minister told us that a 10-year strategy aims to reverse the 2 percent annual decline in kiwi numbers. Part of this involves working with the charitable organisation Kiwis for Kiwi, which helps deliver funding to community groups that work on kiwi recovery all around New Zealand.

The use of traps also supports pest-control efforts. The Minister told us that the department tests new pest-control tools before making successful ones available to the public. It has had particular success with Vespex, a targeted wasp bait.

We asked whether new technology could target poison drops better. Drones are not currently on the cards, but better maps and combining the use of poison with traps are showing positive results.

**Biodiversity**

Some of us questioned the Government’s commitment to protecting biodiversity, because it is not mentioned as a key goal for the natural resources sector. The Minister told us that biodiversity was part of the department’s work. The Minister told us of the work addressing the “Dirty Dozen” weeds that are invasive in many parts of the country. This work includes using biological controls, such as the tradescantia beetle.

The Minister acknowledged the major challenge posed by wilding pines and the risk that costs related to these pests may grow exponentially. She said that the department is cooperating with the Ministry for Primary Industries and regional councils, and that this work will benefit greatly from additional funding allocated in this Budget. A governance group has been set up to identify areas of greatest need. We heard that some of the main focuses will be several inland basins, Mount Tarawera, and Molesworth Station.

**Making the most of conservation land**

The Minister told us that 2.7 million Kiwis visited conservation land in the last year. The department is working to encourage visits to less well-known sites. The Minister also acknowledged the health benefits that can be generated by Kiwis regularly exploring the great outdoors. International tourists also visit in large numbers, and tourism is one of the biggest sectors of the New Zealand economy. The department plays a big role in tourism activities.

The Minister told us that the department is working with other ministries to avoid undue pressure on the conservation estate, particularly from international tourism. A border levy is not currently on the table, but we heard that several measures are being considered.

**Carbon and the conservation estate**

We asked whether the department had considered including indigenous forests in carbon accounting. We heard that it is currently looking into this. The department is investigating whether there are increases in carbon stored on the conservation estate which could be accounted for. The department is investigating whether the conservation estate is gaining or losing carbon. A major factor in this is the continued high numbers of possums. The department provided us with some information from Landcare Research showing that, at least in some parts of the conservation estate, over two measurement periods carbon stored was increasing.
Conservation partnerships

The Minister told us that, for every dollar the Government invests in conservation initiatives, the return is about two to three dollars. New innovations include multi-party cooperatives, including iwi, community groups, and councils, which are helping to eliminate game and other pests at iconic New Zealand nature sites.

The department has also signed a memorandum of understanding with the Department of Corrections called “Good to Grow”. This will involve offenders sentenced to community work assisting with War on Weeds projects. The Department of Corrections also helped to build a venue in Invercargill for visitors to interact with kakapō.

Some of us were concerned that relying on partnerships with private groups could be risky because the partnerships may end unexpectedly. We heard that private partners tend to fund high-profile projects, allowing the department to fund “less popular” work. The Minister told us that partners generally give a year’s notice of their intention to exit a project and that, at the current time, there is no shortage of partners wanting to join forces with the department.

The department is partnering with several organisations to develop new technology for pest management. Universities as well as commercial groups are trying a range of new measures, including new traps and noise deterrents. The Minister told us that there should be traps that can be monitored from a smartphone in the near future.

The Department of Conservation as a Treaty partner

As more Treaty settlements come into force, partnerships with iwi will grow in importance, particularly for sites of cultural significance. The department sees Treaty relationships as an important part of its work.

We heard about the unique state of Te Urewera and the positive relationship between its board and the department. The department has had to adapt some of its practices to fit with the practices and culture of Tūhoe. As an example, Tuhoe have made clear that they do not wish 1080 to be used in Te Urewera at this time. We will watch the outcome of this approach with interest.

Staffing levels at the Department of Conservation

The department currently has more than 200 full-time equivalent vacancies. We asked what, if any, recruitment the department is doing. We heard that, because much of the department’s work is seasonal, it expects to carry a relatively high number of vacancies, particularly in winter. Staff also move around the country in response to changing workloads quite a bit, particularly for tourism or major projects.

Tenure review

Some of us were concerned about the increasing amount of land being freeholded. The department wishes to avoid taking on any new land that could create significant work in terms of pest and weed control. The department does not wish to take on land it cannot afford to manage. However, it has not declined land with significant inherent values because of a lack of funding.
Fish farm applications

We asked the Minister what factors the department considers when it assesses applications to establish fish farms. She told us that the department applies robust scientific consideration and risk analysis to these proposals. However, she acknowledged that the department should consult local iwi more about some applications.
Appendix

Committee procedure
We met on 16 and 30 June 2016 to consider Vote Conservation. We heard evidence from the Minister of Conservation, Hon Maggie Barry, and the Department of Conservation, and received advice from the Office of the Auditor-General.

Committee members
Scott Simpson (Chairperson)
Matt Dooccy
Sarah Dowie
Paul Foster-Bell
Joanne Hayes
Tutehounuku Korako
Ron Mark
Hon David Parker
Eugenie Sage
James Shaw
Meka Whaitiri

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Conservation, prepared by committee staff, dated 16 June 2016.
Office of the Auditor-General, Briefing on Vote Conservation, received 16 June 2016.
Four Year Plan of the Department of Conservation, received 27 May 2016.
Minister of Conservation, Standard Estimates Questionnaire response, received 27 May 2016.
Minister of Conservation, Responses to additional questions 1–115, received 13 June 2016.
Vote Conservation, (Questions 67–69 Total permanent staff by location and role by gender), received 13 June 2016.
Minister of Conservation, Responses to additional questions 116–207, received 15 June 2016.
Vote Conservation (Question 189–private sector funded programmes 2016/17), received 15 June 2016.
Vote Conservation (DOC Output Plan 2015/16), received 15 June 2016.
Vote Conservation presentation, received 16 June 2016.
Response to Post Hearing Questions 208–220, received 27 June 2016.
Responses to Oral Questions, received 29 June 2016.
2016/17 Estimates for Vote Environment

Report of the Local Government and Environment Committee

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Vote Environment

Recommendation

The Local Government and Environment Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Environment, as set out in Parliamentary Paper B.5 Vol. 3, be accepted.

Introduction

Vote Environment provides funding to support New Zealand’s environmental and resource management systems and to further the goal of achieving a low-carbon nation resilient to climate change. The vote also provides funding for the Environmental Protection Authority (EPA).

The total appropriations sought for the vote in 2016/17 are $400.381 million (an increase of 18 percent from 2015/16 estimated actual expenditure of $338.588 million). Total final budgeted appropriations for 2015/16 were $442.600 million.

Significant appropriations sought under the vote are as follows:

- $225 million for allocating New Zealand emission units to the New Zealand economy
- $21 million for water management
- $21 million for improving the resource management framework
- $20 million for funding and grants to third parties for water initiatives
- $19 million for funding for the EPA
- $19 million for administering the Emissions Trading Scheme (ETS), including the impairment of debt
- $18 million for payments to local authorities from the Waste Disposal Levy.

The vote includes three new policy initiatives for allocating New Zealand emission units related to decisions from an ETS review ($14.352 million allocated for 2016/17), Exclusive Economic Zone regulation under the EPA ($4 million allocated for 2016/17), and the Freshwater Improvement Fund ($2.5 million allocated for 2016/17).

The Ministry for the Environment administers the vote. The Minister for the Environment, Hon Dr Nick Smith, and the Minister for Climate Change Issues, Hon Paula Bennett, are responsible for the appropriations within the vote.

Resource management system

The Minister for the Environment told us that the Government’s principal priority is to reform the Resource Management Act 1991 (RMA). Reforms have been included in the Resource Legislation Amendment Bill that we are currently considering.
The Minister reaffirmed the importance of balancing environmental and economic growth objectives, and we were told that the ministry is also pursuing a more collaborative approach to resolving environmental issues.

**Resource Legislation Amendment Bill**

The Minister said that the ministry’s newly released National Monitoring System data for 2014/15 justifies the need to reform the RMA.\(^1\) In particular, he highlighted the statistics about the time involved in, and costs of, gaining resource consents. The Minister also noted that the data allows the differing local authority resource management processes to be compared.

The Minister highlighted a provision in the Resource Legislation Amendment Bill that would amend the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012, to require companies to prepare to decommission structures (for example, oil platforms) once they reach the end of their productive life. We were told that this provision would mitigate the risk that the Government would need to pay for decommissioning instead of limited liability companies.

We were told that, after our report is presented to the House of Representatives, the Minister hopes to obtain cross-parliamentary support to progress the bill through its next stages.

The ministry would need to provide assistance to local authorities to implement any changes from the legislation. The Minister noted that this would be a challenge for the ministry.

**National direction**

The Minister told us that “the Government needs to step up in a number of key areas” to provide stronger national direction to achieve better environmental outcomes. The Minister considers that there is broad cross-party support for more national policy statements and national environmental standards to ensure that the RMA framework works better.

The Minister said that the National Policy Statement for Freshwater Management 2011 (NPS-FM) is being updated, and that it will be a challenging task for the ministry to convert the broad proposals into specific changes. The Minister pointed out that a project on freshwater resource allocation is also under way. We look forward to seeing the outcome of these pieces of work.

We were told that the top priorities for future national policy statements are biodiversity and natural hazard management. Priority areas for new and updated national environmental standards are plantation forestry, pest control, telecommunications facilities, air quality, and soil contaminants.

The Resource Legislation Amendment Bill contains amendments that would provide for regulations to give national direction about excluding stock from waterways, as well as for aquaculture.

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**Biodiversity management**

Some of us wanted to know why protecting more than 2,000 species threatened with extinction is not a stated focus area for the natural resources sector. The Minister acknowledged that protecting biodiversity is very important for New Zealand’s reputation. Although the ministry would investigate a national policy statement on biodiversity, biodiversity management sits with the Department of Conservation, funded under Vote Conservation.

We asked why the Minister believed that a national policy statement on biodiversity would succeed, considering that this initiative has been attempted twice before. The Minister is confident that collaboration with the main stakeholders will be the key to success. We will monitor the development of this national policy statement with interest.

**Urban housing supply**

We asked the Minister about the proposed National Policy Statement on Urban Development Capacity, which was released in June 2016 for public consultation. The Minister said that this national policy statement will be “crucial” and aims to address Auckland’s housing issues.

The Minister said that the national policy statement would set a clear framework requiring local authorities to manage housing supply issues. The Minister noted that it would not interfere with local decision-making processes about the way in which housing is supplied (for example, by building upwards or outwards). We will observe the progress of this consultation with interest.

**Freshwater management**

**New freshwater fund**

In May 2016, the Minister announced a 10-year contestable fund of $100 million to help communities improve water quality standards. The 2016/17 budget would appropriate the first $2.5 million of this fund. We were told that work on the criteria for allocating the fund’s money is under way.

The Minister noted that contracts would not be awarded for single-year projects. Instead, the first competitive funding round is intended to be completed for $24.5 million (four years’ worth of appropriations) of the $100 million fund sometime next year.

The Minister said that the 10-year fund would provide additional funding to improve freshwater quality on top of initiatives such as the Te Mana o Te Wai Fund and the Next Steps for Freshwater Improvement Fund.

Some of us support the additional funding to help improve water quality. Some of us believe polluters should not be paid to stop polluting. Opposition members of the committee note that by July 2017 only $2.5 million of the $100 million fund promised over 10 years at the 2014 election would have been spent.

**Nitrogen levels in waterways**

Some of us are concerned about the levels of nitrogen leaching into waterways. The Minister told us that the purpose of the current freshwater management programme is to set limits for nutrients. The Minister also noted that limits around nutrient leaching apply in around 20 catchments across New Zealand.
In 2014, the NPS-FM was amended to include the National Objectives Framework, which established freshwater objectives. The Minister stressed that the National Objectives Framework inserted a minimum toxicity bottom line into the NPS-FM. For periphyton growth, framework requires specific river conditions to be considered. However, the Minister said he has asked for advice on whether stricter conditions can be placed on different types of rivers.

Some of us wanted to know why the Land and Water Forum’s recommendations to the Government have not all been accepted and implemented. The Minister responded that approximately 75 percent of the recommendations have been implemented or are in the process of being implemented. However, the Minister does not agree with the remaining recommendations, which are not being pursued.

**Swimmable standard**

Some of us support a “swimmable” standard for freshwater instead of the “wadeable” standard included in the NPS-FM. The Minister considers this to be only one aspect of the policy and noted the requirement for councils to identify specific swimming areas in their region.

The Minister is aware that some submitters on the Next Steps for Freshwater consultation have advocated a “swimmable” standard. The Minister has asked his officials to consider these submissions and to assess whether changes would be preferable.

Some of us wanted to know the extent to which scientists are involved in evaluating water quality standards. The Minister said that the Government will continue to liaise with the Land and Water Forum, as well as the National Objectives Framework Reference Group. He told us that the latter is “well connected to the science expertise”. We were assured that the ministry will engage extensively with scientists about further proposed amendments to the NPS-FM.

We were told that, as well as a “swimmable” standard, a range of options are being analysed for potential inclusion into the NPS-FM. The Minister mentioned the macroinvertebrate community index, which measures the variety of insects and other creatures present in a stream or river, and dissolved inorganic nitrogen, which is the amount of nitrogen available for plant growth. However, we were told there is a range of scientific opinion about the appropriateness of using these measures.

**Marine protected areas**

We were informed that there has been much international support for the proposed new Kermadec Ocean Sanctuary, as proposed by the Kermadec Ocean Sanctuary Bill that we are considering. The Minister believes that the sanctuary would be a global contribution to marine conservation from New Zealand.

The Minister signalled that the bill is set to be the precursor to another piece of legislation on marine protected areas, due to be introduced in Parliament during 2016/17. We were told that the legislation will “effectively replace” the Marine Reserves Act 1971. We look forward to considering this legislation should it be referred to us for examination.
Waste management

Recycling

We were told that the Soft Plastics Recycling Programme launched in July 2015 by the Packaging Forum in Auckland is in the process of being rolled out to other parts of New Zealand. Consumers will be able to dispose of soft plastics in special bins that will be made available at shops and supermarkets.

The Minister informed us that responsibility for waste management under the Litter Act 1979 will be transferred from local authorities to the ministry.

Hazardous substances

We were told that the EPA and Worksafe New Zealand are working together on a complex project about hazardous substances. The Minister indicated that managing hazardous substances will be a challenge for the ministry and its agencies in 2016/17.

The Minister said that he was unsuccessful in obtaining a budget bid focusing on the recollection of toxic chemicals; funding for this came from the Waste Minimisation Fund instead. The Minister said that the EPA has also worked with Housing New Zealand to advance a child safety programme. Some of us remain concerned about the EPA’s financial capacity for managing hazardous substances, particularly in light of the potential transfer of the management of hazardous substances from local to central government agencies, as proposed in the Resource Legislation Amendment Bill.

The Minister reiterated that contaminated site clean-ups are difficult and unpredictable projects. The Minister believes that the Contaminated Sites Remediation Fund will need to be used for a clean-up project linked to Concours Electroplating Limited in Timaru.

Environmental reporting

The Minister noted that the first marine domain report produced under the Environmental Reporting Act 2015 is due in October and that the first freshwater domain report is expected to be released in March 2017.

We note the recent presentation of the related Environmental Reporting (Topics for Environmental Reports) Regulations 2016 to Parliament. These regulations set out the topics to be covered by the environmental domain and synthesis reports.

Environment and Conservation Science Roadmap

The Minister stressed that having good science available is “critical to our decision-making”. In March 2016, the Ministers for the Environment and for Conservation announced a new Environment and Conservation Science Roadmap. It will be a 20-year plan setting out environmental and conservation research targets. We support the creation of this roadmap, which should help assess progress towards environmental goals. We are interested in seeing this document once it is completed.

Environment centres

We are interested in the progress of environment centres. These provide projects, activities, and services for communities to participate in environmental initiatives. Part of the $3.105 million budgeted for 2016/17 under the Community Environment Fund appropriation would help to support these centres.
The Minister said that six of the eight centres have had their contracts renewed for a further three years. The Minister hopes that the performance of the remaining two centres will improve, but in the meantime their contracts have been renewed for only one year.

**Climate change**

The Minister for Climate Change Issues stressed the importance of making people aware of the costs and benefits of mitigating and adapting to climate change. The Minister believes that changes could benefit the New Zealand economy.

The Minister told us that New Zealand needs to contribute to the global response to climate change. New Zealand has set a target to reduce emissions by 30 percent below 2005 levels by 2030, which the Minister considers to be “ambitious but achievable”. Some of us believe that a more ambitious target is needed.

Until now, the Government’s position has been that the 2015 Paris Agreement will not be ratified by New Zealand until after the international carbon accounting protocols have been agreed. However, the Minister is awaiting advice about the ratification of the 2015 Paris Agreement, noting that there are advantages and disadvantages to ratifying before the protocols have been agreed.

The Minister informed us that, once New Zealand ratifies, we would not be able to reduce our stated 30 percent target. We will watch as this develops.

**Adaptation measures in the Pacific**

We asked what New Zealand has been doing to help its Pacific neighbours to mitigate the effects of climate change. The Minister said that New Zealand has been involved in several projects, such as increasing the landmass of Tuvalu by filling up toxic borrow pits with sand.

**Sea-level rise**

Some of us wanted to know why a national policy statement on sea-level rise is not being considered. The Minister said that the updated coastal hazards guidance manual, scheduled to be released in late 2016, will be enough and that local authorities are engaging with the ministry on this work.

The Minister for the Environment added that the Resource Legislation Amendment Bill proposes to include natural hazards as a new matter of national significance, and that a national policy statement on natural hazards would incorporate the effects of sea-level rise.

**Emissions Trading Scheme**

The ETS is the Government’s main policy response to climate change. A review of the ETS began in 2015, receiving 171 public submissions. We look forward to learning about the outcome of this review.

The Minister for Climate Change Issues said she would like New Zealand to be included in meaningful international discussions to develop a global set of rules and accounting measures for the ETS. In saying this, she notes that other tools will likely make a significant difference.

Some of us wanted to know whether the set pricing cap of $25 for emission units may be lifted. Some research suggests that behavioural change is more likely with a higher cap of between $50 and $100. The Minister did not discount the possibility of the cap being lifted.
but indicated that it was not something she was considering, and that it would not be lifted in the foreseeable future.

The Minister told us that New Zealand emitters have better practices and emit less carbon than emitters in some other countries. Therefore, the Minister considers it important not to shut down domestic emitters only to then have to rely on worse polluters overseas.

Some of us were interested to know whether border adjustments were being considered, which could essentially apply a tariff on targeted overseas imports such as steel. The Minister is wary of the unintended consequences of such actions (for example, the flow-on effect of increased building costs) and said that this policy is not being adopted.

Some of us wanted to know whether any of the fraudulent credits New Zealand claimed from Russia and the Ukraine are going to be paid back with surplus emission credits. The Minister said that she is looking into this and has sought advice from officials. However, she indicated that it is unlikely to occur because of the ambitious 2030 target New Zealand is aiming to achieve.

**Including agriculture in the Emissions Trading Scheme**

Some of us support including agricultural emissions in the ETS. The Minister said that more work needs to be done on this, particularly to understand how these emissions would be accounted for if they were included. Some of us encourage the Minister to develop and publicly release a cost–benefit analysis of including agricultural emissions in the ETS.
Appendix

Committee procedure
We met on 15 and 30 June 2016 to consider Vote Environment.

We heard evidence from the Minister for the Environment, Hon Dr Nick Smith, the Minister for Climate Change Issues, Hon Paula Bennett, and the Ministry for the Environment. We received advice from the Office of the Auditor-General.

Committee members
Scott Simpson (Chairperson)
Matt Doocy
Sarah Dowie
Paul Foster-Bell
Joanne Hayes
Tutehounuku Korako
Ron Mark
Hon David Parker
Eugenie Sage
James Shaw
Meka Whaitiri

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Environment, prepared by committee staff, dated 15 June 2016.

Office of the Auditor-General, Briefing on Vote Environment, dated 15 June 2016.

Minister for the Environment, Response to standard Estimates questionnaire, received 27 May 2016.

Four Year Plan of the Ministry for the Environment, received 27 May 2016.

Minister for the Environment, Response to supplementary questions 1–115, received 14 June 2016.

Minister for the Environment, Response to supplementary questions 116–202, received 14 June 2016.

Vote Environment (Question 112–MfE contractors 2015/16), received 14 June 2016.

Vote Environment (Question 72–MfE contractors 2015/16), received 14 June 2016.

Vote Environment Ministry for the Environment gift register, received 14 June 2016.

Vote Environment 2016/17 powerpoint presentation, received 15 June 2016.

Vote Environment 2016/17 (Climate Change) powerpoint presentation, received 15 June 2016.

The Local Government and Environment Committee has examined the 2016/17 Estimates for Vote Parliamentary Commissioner for the Environment and recommends that the appropriations under this vote for the year ending 30 June 2016, as set out in Parliamentary Paper B.5, Vol. 3, be accepted.

Scott Simpson
Chairperson
2016/17 Estimates for Vote Customs

Report of the Foreign Affairs, Defence and Trade Committee

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Vote Customs

Recommendation

The Foreign Affairs, Defence and Trade Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Customs, as set out in Parliamentary Paper B.5 Vol. 4, be accepted.

Introduction

The Minister of Customs is responsible for the appropriations in Vote Customs, which is administered by the New Zealand Customs Service. The service’s main purpose is to stop any possible dangers, hazards, and threats from entering New Zealand. Its core functions are to protect New Zealand’s borders, to promote and facilitate secure and efficient trade and travel, and to collect Crown revenue.

The total appropriations sought for Vote Customs increase by $7.42 million (4 percent) to $214.024 million in 2016/17, from an estimated actual expenditure of $206.606 million in 2015/16. This increase is mainly due to:

- the policy initiative “Improving the efficiency and effectiveness of the border sector”
- further increases for the initiative “Modernising and transforming Customs’ workforce”
- expanding the use of SmartGate.

Large allocations are sought for clearance and enforcement services related to goods ($75.156 million) and to passengers and crew ($68.164 million); for information and intelligence services ($13.143 million); and for revenue collection services ($11.001 million).

SmartGate

SmartGate—also known as eGate—enables New Zealand, Australian, United Kingdom, United States and Canadian ePassport holders who are aged over 12 years to process themselves automatically through passport control. The gates—located at Auckland, Wellington, Christchurch, and Queenstown airports—are considered to improve visitors’ airport experience.

The Minister explained that a record number of people (11 million) crossed New Zealand’s border in the first 11 months of 2015/16. She explained that SmartGates are an effective way to manage the increasing number of customers travelling through New Zealand airports. The use of SmartGates is increasing, and over four million travellers have used the gates this year. The Minister told us that a new generation of SmartGates has been installed at Auckland and Queenstown airports. A total of 50 SmartGates will be installed nationwide once the programme is finished.

We commended the Minister on the roll-out of SmartGates and asked whether any cross-agency initiatives are planned to process low-risk travellers faster, such as through a dedicated green lane, to minimise queues and further enhance their experience.
We heard that the Trusted Travellers programme has commenced. The programme will identify travellers for whom there is adequate information to assure Customs that they are suitable to be processed in a more streamlined way. A project team will be established in the next few weeks, and will work closely with industry to progress the programme. The Minister emphasised that if these travellers are processed faster, it means the progress of other travellers through the airport will also be faster. We note that there had been some concerns that Customs or other border protection agencies had reportedly been unfairly targeting some New Zealand citizen travellers and encourage the relevant departments to be sensitive to those issues. The Minister said that passengers are not profiled according to ethnicity, rather by the country where they have travelled from.

We asked whether new technologies and opportunities are being considered to identify levels of risk and speed up the processing of travellers. We were told that, although New Zealand is at the leading edge of border facilitation with the new generation of SmartGates, developments in border facilitation will continue to be considered to ensure Customs keeps abreast of new technology. The Ministry for Primary Industries and the Customs Research and Development group specifically focus on new and emerging technologies.

We asked whether savings have been calculated from the use of SmartGate—and the consequent faster processing of travellers—compared with manual processing of these travellers. We were told that the new generation of SmartGate is more efficient than the previous version, processing about half as many people again. The greater efficiency also provides additional flexibility in managing staff. The original business case indicated that SmartGates would allow 10 Customs officers to be redeployed to enforcement work, and that over four years this would increase to 53 officers.

We asked whether additional risk profiling is completed for passengers using SmartGate. We were told that exactly the same profile suite applies for travellers using SmartGate as for travellers processed manually.

**Joint Border Management System**

The Joint Border Management System (JBMS) is being developed by the New Zealand Customs Service and the Ministry for Primary Industries (MPI). It intends to modernise the border systems of these agencies and provide for the sharing of processes, data, and technology, to enable improved processing of goods, people, and craft. It will provide a single customs and biosecurity system.

We note that the Treasury’s Major Projects Performance Report highlights risks in the JBMS project, shifting its assessment of the JBMS project from amber to amber/red. It notes that its successful delivery will require a significant change to the schedule. We asked the Minister about the delays in implementing the JBMS, and whether CusMod—the old border management system used by Customs—is still functioning. The Minister explained that about 70–80 percent of the JBMS has been completed and is operating now, with the remainder still being tested. The Minister acknowledged that testing is taking longer than originally expected, which will affect the timing of delivery.

Customs is working with MPI and IBM to adjust the delivery plan. The Minister explained that the real-time risk assessment functions are being separated from the new release. This will enable the Trade Single Window functionality to be given priority. The Minister expects that testing will be completed in September.
We were told that CusMod is considered a core border system, and has been partially integrated with the JBMS. CusMod is currently being used, and continually being upgraded and improved.

Some of us are concerned that CusMod is not being phased out and replaced with the JBMS, as intended. We were told that the original business case envisaged two tranches, and that the second tranche will not be completed as one project. Rather it would be upgraded continually with a number of smaller projects as needed.

We asked the Minister to clarify the budget of the JBMS. We were told that it has cost $99 million to date. Total capital costs when the system is completed will be $104 million. Some of us were concerned that the cost of the JBMS has increased.

We asked the Minister when the analytical component of the JBMS will be delivered, and about the frequency of meetings between Customs and IBM. The Minister said that Customs staff meet with IBM on a regular, often daily, basis. She added that the current analytic functionality of the JBMS is in line with that of Canada, the United States, Australia, and the United Kingdom.

**Importation of ivory**

We asked whether the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) is adequate to ensure there is no illegal importation and trade of ivory into New Zealand. We also asked whether New Zealand’s standards on the importation and trade of ivory should be strengthened.

The Minister said that New Zealand has higher standards for domestic imports than other countries, and that very little ivory enters New Zealand.

**Illicit drugs trade**

The Minister told us that more drugs are being intercepted at New Zealand’s border. A record level of methamphetamine—also known as “P”—was intercepted between July 2015 and May 2016. New Zealand is considered an attractive market for international organised crime as the price of methamphetamine is amongst the highest in the world. The Minister noted that the price remains stable and high because methamphetamine is prevented from entering the market.

We asked about the recent record haul of methamphetamine in Kaitaia. Customs noted that it was a significant interception of drugs and that investigations are continuing. People have been charged and the case is currently before the courts.

**Border initiatives to support trade with China**

We asked the Minister about border initiatives that support trade with China. In particular, we are interested in how Customs supports traders to export their goods into China, and to get them processed through Chinese Customs more quickly.

The Minister outlined several current initiatives that will support trade between New Zealand and China, highlighting the importance of Free Trade Agreements (FTAs). The Minister explained that an outreach programme with small, medium-sized, and some large businesses is helping exporters to maximise their use of FTAs and enhance the competitiveness of their goods overseas.

A Joint Electronic Verification System (JEVS) was launched in April 2016 with China. The JEVS simplifies document verification by allowing exporters to enter their unique
certificate-of-origin reference number on their electronic export documents. This number is matched automatically in the system, which will make it easier to do business with China.

We were also told that Customs has two officers located in the New Zealand Embassy in Beijing, who work with MPI when necessary to help traders who are experiencing problems having goods cleared at the border.

We asked how Customs supports manufacturers and exporters to understand tariff rules and maximise opportunities presented by the FTA. The Minister explained that Customs was involved in the negotiations of the FTA and works to simplify and streamline rules as much as possible.

The Minister said that Customs examines data to identify whether particular provisions of the FTA are underutilised. It visits organisations that appear not to be taking advantage of a relevant FTA provision. It discusses any issues they may be facing, and brings to their attention relevant provisions that they may be unaware of.

**Inspection and release of container goods**

We noted that goods arriving in containers are required to be released within 48 hours of their arrival, and expressed concern about reports indicating that up to 90–95 percent of these goods are not physically inspected or X-rayed. We asked whether Customs is able to release goods within 48 hours while ensuring that they have met safety and compliance inspection requirements.

We were told that inspection rates in New Zealand are not dissimilar to those in Canada, the United States, Australia, and the United Kingdom. Random inspections are undertaken of goods that are considered low risk. This will result in an additional 12,500 items being inspected. The results of these inspections will establish the effectiveness of Customs at the border.

**Taxation of goods purchased online**

Some of us expressed concern that some New Zealand businesses may be disadvantaged by current GST provisions. In some cases, overseas companies do not have to pay GST on certain goods imported into New Zealand as they cannot be physically inspected for GST compliance.

The chief executive said that this is an issue internationally that many jurisdictions are attempting to resolve. Customs works continually to assess whether goods are undervalued, and what revenue should be collected. It considers the current GST threshold appropriate.

**Staff morale**

We reported in 2015/16 on the low morale identified among Customs staff. We asked the Minister what further action is planned to address this issue.

The Minister outlined that the main reasons Customs officers resign are lack of career development and remuneration. The Customs Operations Transformation programme is currently being developed. It aims to improve operational effectiveness and efficiency through more flexible management of staff, demands, and emerging risks.

The programme will work closely with front-line leaders to contextualise relevant initiatives, and will also consider other career development programmes. For example, an extensive learning management system has been built, which allows officers to learn online at their own pace.
2016/17 ESTIMATES FOR VOTE CUSTOMS

We were told that staff turnover is higher than in 2014, but it has slowed and sits below public sector minimum.

Proposed legislative changes

Budget 2016 proposes $8.2 million in funding to support significant changes to the Customs and Excise Act 1996 so that it better reflects modern Customs operations. For example, proposed amendments to the Act, which are currently being drafted, would incorporate advances in technology, trade, travel, and revenue collection. The amendments would reduce red tape, ambiguity, and costs for industry.

Assistant Customs Officer role

We asked whether proposed changes to the Act would provide for additional Assistant Customs Officers at the border who were not fully trained or warranted. We were told there is a proposal currently being considered by Customs staff—as it would result in a contractual variation—that would introduce an Assistant Customs Officer role. Certain functions in Customs, such as marshalling and assisting people to use SmartGate, do not require the extent of Customs trade-craft needed for other enforcement activities. These functions do not include passenger screening.
Appendix

Committee procedure
We met on 30 June and 5 July 2016 to consider Vote Customs. We heard evidence from the Minister of Customs and the New Zealand Customs Service, and received advice from the Office of the Auditor-General.

Committee members
Mark Mitchell (Chairperson)
Dr Shane Reti
David Bennett
Dr Kennedy Graham
Todd Muller
Jami-Lee Ross
David Shearer
Fletcher Tabuteau
Lindsay Tisch
Dr Megan Woods

Rino Tirikatene replaced Dr Megan Woods for this item of business.

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Customs, prepared by committee staff, dated 27 June 2016.

Minister of Customs, Response to standard Estimates questionnaire, received 27 May 2016.

Minister of Customs, Hearing presentation, received 30 June 2016.

Minister of Customs, Response to additional questions, received 27 June 2016.

Office of the Auditor-General, Briefing on Vote Customs, received 28 June 2016.
2016/17 Estimates for Vote Defence and Vote Defence Force

Report of the Foreign Affairs, Defence and Trade Committee

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2016/17 Estimates for Vote Defence and Vote Defence Force

Vote Defence and Vote Defence Force

Recommendation

The Foreign Affairs, Defence and Trade Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Defence and Vote Defence Force, as set out in Parliamentary Paper B.5 Vol. 4, be accepted.

Introduction

The Minister of Defence is responsible for all of the appropriations in Vote Defence and most of the appropriations in Vote Defence Force. The Minister of Veterans’ Affairs is responsible for slightly less than $137 million of the total vote.

The appropriations sought for Vote Defence in 2016/17 increase by 19 percent to $278.9 million, from estimated actual spending of $233.99 million in 2015/16. The rise is mainly because of an increase in non-departmental expenditure on capital equipment, which the ministry purchases for, and on behalf of, the New Zealand Defence Force.

The total appropriations sought for Vote Defence Force increase by 19 percent to $3.417 billion in 2016/17, from estimated actual spending of $2.882 billion in 2015/16. This rise is mainly for building Defence Force capability.

Frigate systems upgrade

We asked about the ongoing frigate systems upgrade, noting that the Treasury’s latest Major Projects Performance Report identified cost pressures and an eight-month slippage on the project’s timetable.1 Some of us expressed concern about the forecast cost increase of about $100 million. The Minister highlighted the Government’s commitment to increasing the capabilities of the New Zealand Defence Force.

We heard that the first part of the project has gone extremely well and that the capability of the frigates has been lifted. The Minister conceded that the delay would mean that one ship would be out of operation for longer than anticipated. The systems upgrade will increase the capability of the frigates for the planned final 10 years of their life. Further, we were assured of the project’s value for money. Although the Treasury raised the risk of the systems upgrade to high, the cost of this project is about one-third of the cost of a new frigate.

Cyber-security

We asked the Minister about the Defence Force’s capacity-building for cyber-security and whether it has integrated cyber-security measures with other ministries. We heard that the threat of cyber-attacks is growing and that the Defence Force is committed to working with New Zealand intelligence agencies to protect cyber-systems throughout the country.

Some of us noted the looseness of the term “cyber-security” and expressed some concern about how appropriated funds will be used toward this end. The Minister explained that it

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is a catch-all title to describe preventing a range of activities in which cyber tools can be used to the detriment of New Zealand’s military or civil society.

**Defence Estate**

The Defence Estate includes about 81,000 hectares of land and 5,000 buildings, with an estimated value of $2.8 billion. We have some concern about the current state of the Defence Estate. Deferred maintenance has led to potential problems with efficiency, and health and safety.

We heard that the Defence Force intends to bring the facilities of the estate up to a standard it considers acceptable. The Defence Force advised us that it will soon complete a programme addressing health and safety concerns, including earthquake safety. The Minister understands that a work programme for the estate will be reported on later in 2016.

**Special operations battle training facility**

We visited the new battle training facility at Ardmore in May 2016. We were impressed at the high quality of the new facility, built at a cost of $45 million. We asked whether agencies other than the Defence Force are likely to use the facility, as we understood from our visit.

The Defence Force indicated that, because the facility is multi-purpose, it will be offered to agencies such as the New Zealand Customs Service and the New Zealand Police to use. This is consistent with the Defence Force’s stated intent to extend use of the Defence Estate to other organisations.

**Peacekeeping**

Some of us suggested an increased contribution to United Nations peacekeeping missions alongside traditional allies such as Australia and Canada. We heard that, although the Defence Force functions with a high level of inter-operability with New Zealand’s allies, no formal arrangements have been made for peacekeeping missions. The Minister told us that the value of Defence Force officers currently serving in UN missions should not be underestimated.

**Support for external agencies**

We asked whether, in light of the recent seizure of almost $500 million of methamphetamine in Northland, the Defence Force requires any new capabilities to combat such large-scale criminal activity. We heard that, because New Zealand has no coastguard, a multi-agency response alongside the Police and Customs is necessary to respond to such cases. The Defence Force provides high-end capabilities that other agencies do not have.

Some of us were concerned to learn that the Defence Force has not been able to provide assets to the Police and Customs when requested. The Defence Force informed us that it does not have the capacity to fulfil all requests for assets from external agencies. It told us that it achieved its goal of meeting 85 percent of requests from all agencies this year.

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Personnel risks

We are concerned by the Controller and Auditor-General’s assessment that a limited availability of personnel poses a significant risk to Defence projects. The Minister informed us that investments are being made to increase the number of project directors, managers, and project support staff in the ministry to reduce the dependence on Defence Force personnel to fill project roles. This will ensure the use of Defence Force personnel as military subject-matter experts, rather than project managers and directors.

Deployment to Iraq

We asked how the Defence Force deployment to Iraq helps protect New Zealand’s wider strategic interests. The Minister emphasised that the terrorist organisation known as Daesh, or ISIL, has perpetrated acts of violence all around the world. New Zealand is not completely isolated from such actions and so must play a part in helping to ensure that Iraq has a security force capable of dealing with Daesh.

Some of us expressed concern, based on a United States Department of Defense report, about poor living conditions for Iraqi recruits at the Taji camp. Some of us believe that these conditions may affect the training and morale of the new recruits.

The Minister said that he did not observe any lack of nutrition, water, or facilities during his two visits to Taji. However, he acknowledged that some investment has been put into the camp after the report in question. We look forward to hearing how conditions have improved since the report was released.

After our hearing, the Prime Minister announced that New Zealand’s deployment to Iraq would be extended for a further 18 months.

South China Sea

The International Court of Arbitration will soon report on conflicting claims between the Philippines and China in the South China Sea. We asked about New Zealand’s position on the matter.

The Minister emphasised New Zealand’s commitment to international law, under which freedom of navigation must be maintained in the area. Given the increasing size of the Chinese Navy, New Zealand will continue to encourage dialogue between all parties involved.

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Appendix

Committee procedure

We met on 16 June and 5 July 2016 to consider Vote Defence and Vote Defence Force. We heard evidence from the Minister of Defence, Hon Gerry Brownlee; the Ministry of Defence; and the New Zealand Defence Force. We received advice from the Office of the Auditor-General.

Committee members

Mark Mitchell (Chairperson)
David Bennett
Dr Kennedy Graham
Todd Muller
Dr Shane Reti
Jami-Lee Ross
David Shearer
Fletcher Tabuteau
Lindsay Tisch
Dr Megan Woods
Hon Phil Goff replaced Dr Megan Woods for these items of business

Evidence and advice received

In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:


Office of the Auditor-General, Briefing on Vote Defence and Vote Defence Force, received 14 June 2016.

Minister of Defence, Response to standard Estimates questionnaire, received 27 May 2016,

Minister of Defence, Responses to additional questions, received 14 and 15 June and 4 July 2016.
2016/17 Estimates for Vote Foreign Affairs and Trade, and Vote Official Development Assistance

Report of the Foreign Affairs, Defence and Trade Committee

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Recommendation

The Foreign Affairs, Defence and Trade Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Foreign Affairs and Trade, and Vote Official Development Assistance, as set out in Parliamentary Paper B.5 Vol.4, be accepted.

Introduction

The Minister of Foreign Affairs is responsible for the appropriations in Vote Foreign Affairs and Trade. The total appropriations sought for the vote in 2016/17 are $522.25 million, an increase of 20.7 percent from estimated actual spending of $432.66 million in 2015/16. The rise is mainly due to an increase in departmental capital expenditure, and in policy advice and overseas representation.

The Minister of Foreign Affairs is also responsible for Vote Official Development Assistance. The total appropriations sought for this vote in 2016/17 increase by 11.9 percent to $659.42 million, from estimated actual spending of $589.33 million in 2015/16.

United Nations Security Council

We asked if the Ministry of Foreign Affairs and Trade had made progress toward discussing the Israel–Palestine conflict at the United Nations Security Council. We heard that New Zealand promotes the idea of a Security Council resolution urging a restart of the peace process; however, so far this has not occurred due to the reluctance of other parties. We asked if any resolution was likely before New Zealand steps down from the Security Council at the end of 2016. The Minister indicated that he will be extremely disappointed if the Security Council has not shown leadership on this issue by the end of New Zealand’s term.

Some of us are concerned that New Zealand’s influence at the United Nations will dissipate after its term on the Security Council ends. We asked whether the ministry has a plan for maintaining New Zealand’s influence. We heard that, while on the Security Council, New Zealand is an advocate for issues on which it believes it can remain influential in the long term. The ministry assured us that it intends to maintain New Zealand’s presence in New York beyond 2016, and will be making future budget bids in order to do so.

Some of us are concerned that not much is heard in public about New Zealand’s work at the Security Council. Some of us would like to see better communication of this.

Humanitarian assistance to the Middle East

We asked whether further humanitarian aid to Iraq is being considered. The Minister brought our attention to recently-announced funding of $2.5 million to assist NGOs working in conflict areas such as Iraq, Syria, Turkey, and Jordan. New Zealand has also pledged over $1 million to the UN’s Funding Facility for Immediate Stabilization which will contribute to the stabilisation of territory previously held by ISIL.
The security situation on the ground in Iraq has made delivering humanitarian assistance extremely difficult and dangerous. The Ministry is working with larger partners, such as Germany, to create more secure methods of delivering aid to where it is needed.

**European relations**

**Withdrawal of the United Kingdom from the European Union**

In the wake of the “Leave” result in the United Kingdom’s referendum on European Union (EU) membership, we asked how long it is likely to take the United Kingdom to renegotiate its entry into the World Trade Organisation. The Minister informed us that this will be a part of the broader process of withdrawal from Europe. The UK must invoke Article 50 of the Lisbon Treaty to begin a 2-year negotiation of its withdrawal from the EU.

We asked how this might affect New Zealand’s interests in the UK and the EU. Given the uncertainty of the situation, the ministry indicated that New Zealand should increase its interactions with the UK and the EU in both the public and private spheres. This will place New Zealand in a more stable position when the UK’s exit process officially begins.

**European Union free trade agreement**

We asked for further information about the Partnership Agreement on Relations and Cooperation (PARC). The Minister informed us that PARC is a political agreement between New Zealand and the European Union, which is intended to pave the way for negotiations to begin for a free trade agreement in 2017. We heard that it is unlikely that the UK’s exit from the EU will affect this process.

**Trade with Russia**

Some of us are concerned that negotiations for a free trade agreement with the Eurasian Customs Union have been put on hold. Some of us asked if the expected benefit from halting these negotiations is worth hindering New Zealand’s economic growth. The Minister explained that the decision to halt negotiations was not solely a trade one. Many States across Europe have applied sanctions against Russia, and the Minister considers that New Zealand should show solidarity with them by putting free trade talks on hold. No Russian counter-sanctions have been applied to New Zealand.

**Assistance to deal with climate change**

At the United Nations Climate Change Conference in Paris in 2015, the Prime Minister announced $200 million in aid to help combat climate change. Some of us asked if this money would be contributed directly as bilateral assistance, rather than through the multilateral Green Climate Fund. The ministry explained that, if put into the Green Fund, this money could prove difficult to access for small Pacific Island states. We heard that New Zealand made a small contribution to the Green Fund, but the majority of its climate aid has been contributed directly to Pacific Island nations.

A 2015 Caritas report claimed that about half of New Zealand’s climate aid is not being spent for mitigation of, or adaptation to, the effects of climate change. Some of us are

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1. The Green Climate Fund (GCF) is a fund within the United Nations Framework Convention on Climate Change designed to help developing countries in adapting to and mitigating the effects of climate change.
concerned that New Zealand’s aid budget is not being monitored closely enough. The Minister highlighted a project in Tuvalu which is shifting most of the country to 100 percent renewable energy. The ministry also emphasised its efforts in Tuvalu and Kiribati to provide long-term protection against sea-level rise.

**Nuclear disarmament**

2016 marks the 75th anniversary of the establishment of the Royal New Zealand Navy. The ministry has invited several countries, including the United States, to participate in celebrations to be held later this year.

Some of us asked what information the Prime Minister would receive about potentially nuclear-powered or -armed US Navy ships were they to visit New Zealand. We heard that this Government has received around 40 entry applications from naval vessels, of which half have come from nuclear-armed nations. The Prime Minister’s decision to accept or reject these applications is based on the advice of the Ministry of Foreign Affairs and Trade. Any potential US Navy vessel visit would be assessed by the same process.

Some of us asked what resourcing the ministry devotes to disarmament. The ministry did not have figures at hand but will provide this information to us in writing at a later date. The Minister assured us that the Government has not abandoned the significant diplomatic and financial investment made over the last several decades toward nuclear disarmament.

**Ombudsman’s inquiry**

Some of us asked whether the ministry would apologise to its former employees Derek Leask and Nigel Fyfe, given that they were exonerated under the Ombudsman’s June 2016 inquiry “Investigation into SSC conduct of MFAT leaks”. Both were long-serving diplomats with distinguished careers who deserve to have their allegations addressed by the ministry.
Appendix

Committee procedure
We met on 30 June and 5 July 2016 to consider Vote Foreign Affairs and Trade, and Vote Official Development Assistance. We heard evidence from the Minister of Foreign Affairs, Hon Murray McCully, and the Ministry of Foreign Affairs and Trade, and received advice from the Office of the Auditor-General.

Committee members
Mark Mitchell (Chairperson)
David Bennett
Dr Kennedy Graham
Todd Muller
Dr Shane Reti
Jami-Lee Ross
David Shearer
Fletcher Tabuteau
Lindsay Tisch
Dr Megan Woods
Hon David Cunliffe

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:


Office of the Auditor-General, Briefing on Vote Foreign Affairs and Trade, and Vote Official Development Assistance, received 28 June 2016.

Minister of Foreign Affairs, Response to standard Estimates questionnaire, received 27 May 2016.

Minister of Foreign Affairs, Responses to additional questions, received 27 June 2016.
The Finance and Expenditure Committee has examined the 2016/17 Estimates for Vote Audit and recommends that the appropriations in respect of Vote Audit for the year ending 30 June 2017, as set out in Parliamentary Paper B.5, Vol. 5, be accepted.

David Bennett
Chairperson
The Intelligence and Security Committee has examined the Estimates of Appropriations for Vote Communications Security and Intelligence and for Vote Security Intelligence for the year ending 30 June 2017. We heard from the Government Communications Security Bureau and the New Zealand Security Intelligence Service and received advice from the Office of the Auditor-General.

We recommend that the estimates of appropriations in respect of these Votes for the year ending 30 June 2017, as set out in Parliamentary Paper B.5 Vol 5, be accepted.

Rt Hon John Key
Chairperson
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Recommendation

The Finance and Expenditure Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Finance, as set out in Parliamentary Paper B.5 Vol. 5, be accepted.

We also recommend that the House take note of the matters we considered in our examination of the Fiscal Strategy Report 2016 and the Budget Economic and Fiscal Update 2016.

Introduction

As well as examining the appropriations sought for Vote Finance in 2016/17, we considered the Minister of Finance’s strategy behind the Budget, as outlined in his fiscal strategy report, and the Treasury’s economic and fiscal update on which the Budget forecasts are based. We met with the Minister of Finance and the Treasury to discuss these matters.

Overview of Vote Finance

The annual, permanent, and multi-year appropriations sought for Vote Finance in 2016/17 total $4,983 million. This is a 31 percent reduction on the estimated actual expenditure for 2015/16 ($7,208 million). The difference between years is mainly because of the high level of one-off or non-recurring expenditure items incurred in 2015/16. The largest appropriations type in the vote is non-departmental borrowing costs. This accounts for 69.2 percent of the vote and funds the costs of servicing Crown debt.

Vote Finance this year includes significant costs associated with the Christchurch earthquake regeneration programmes. It provides for the establishment and operation of the new Crown company, Otākaro Limited, which is tasked with managing the continued development of the anchor projects.

Other significant items include funding for the liabilities of the Government Superannuation Fund and the National Provident Fund, refinancing of Housing New Zealand Corporation debt, and funding New Zealand’s contributions to international financial institutions.

The amount sought under Vote Finance for the cost of services delivered by the Treasury is $90.878 million (less than 2 percent of the vote). This is 3 percent higher than the estimated actual expenditure for 2015/16.

The Minister of Finance is responsible for most of the appropriations in the vote. The Minister supporting Greater Christchurch Regeneration is responsible for four

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1 These include the transfer of Housing New Zealand Corporation’s Tamaki housing stock, the expense incurred from impairing the Crown’s investment in Southern Response Limited, the write-off of the Crown’s investment in Solid Energy and a large payment to international financial institutions.
appropriations, while the Minister for State Owned Enterprises and the Minister of Science and Innovation are each responsible for one.

**Economic and fiscal outlook**

The Treasury’s Budget Economic and Fiscal Update (BEFU) provides forecasts for the economy and the Government’s finances for the period to March 2020. We note that there are differences between these forecasts and what had been forecast by the Treasury in December 2015 in the Half Year Economic and Fiscal Update (HYEFU).

**Growth in GDP**

The Fiscal Strategy Report notes that the pace of real GDP growth over the second half of 2015 contributed to a significantly higher level of nominal GDP and tax revenue than was expected in the HYEFU. The Secretary to the Treasury told us that it now appears that the New Zealand economy hit a flat patch in early- to mid-2015, and by the end of that calendar year it was beginning to pick up. The associated rise in real and nominal GDP has been sustained in 2016, and the Treasury has therefore revised upwards its predictions for the economy. Growth in production GDP for 2015/16 is now forecast to be 2.6 percent (compared with a forecast of 2.1 percent in the HYEFU); and the forecast growth for nominal GDP is now 3.5 percent (compared with 1.8 percent in the HYEFU). The Treasury told us that this higher base for real and nominal GDP is expected to carry through the remainder of the forecast period (until 2020).

We were told that the more positive outlook, which now has real GDP growth averaging 2.9 percent, has arisen from a number of factors including lower oil prices, increases in tourism and the education of overseas students, higher net migration flows, accommodative monetary policies, and construction activity driven by strong housing demand.

However, we note that annual average per capita growth is expected to remain low, at 0.5 percent in June 2016 and 0.9 percent in June 2017. The Minister said that he considers the per capita measure to be more useful in the long-term rather than the short-term. He believes the surge in population growth accounts for the relatively low figure at present, and he agreed it would be desirable to see it higher in the long run.

**The outlook for exports and inflation**

Demand from New Zealand’s trading partners was subdued in 2015. The slowdown in China flowed on to other Asian trading partners and also affected Australia. We note that global dairy prices fell by more than 50 percent over 2014/15 and although they rose slightly in late 2015, the price gains were reversed again by early this year. The Treasury is forecasting dairy prices to increase in 2016/17 as excess global supply is absorbed by the market. There is an assumption underlying the Treasury forecasts that the New Zealand dollar may depreciate over 2016, which would support exports from the middle of 2017.

We were told that low inflation is now a global phenomenon, and the Secretary to the Treasury described the current situation in Europe, where there are negative interest rates, as unique. The forecast is for a slow pick-up in New Zealand’s inflation, to around 2 percent by 2018, with the rise based on factors such as the flow-through from higher oil prices.
Risks to the forecasts

The Treasury has identified a number of risks to its forecasts. The world outlook remains uncertain, with low inflation in major economies, and questions remaining about the US economy’s growth path, the possibility of the United Kingdom leaving the Eurozone, and the impact of monetary policy normalisation by the Federal Reserve on the economies of developing countries. While the Treasury’s forecasts are broadly in line with those made by the Reserve Bank of New Zealand and the OECD, we note that the IMF’s forecasts are lower than those in the BEFU, and the World Bank has revised down the prospect of global growth this year by half a percentage point to 2.4 percent.

Given such a high level of international uncertainty, and with some important economies still not having recovered from the financial crisis, we asked both the Minister and the Treasury how much confidence could realistically be placed in its predictions. The Minister agreed that some of the assessments and forecasts will turn out to be wrong, and both he and the Secretary to the Treasury acknowledged that a lot can change within the space of a few years. For this reason, the economic and fiscal updates contain alternative scenarios, along with the central one, to illustrate how projections could be affected if circumstances change the validity of the assumptions on which the forecasts are based. The Treasury assured us however, that its forecasts are as good as they can make them at this point in time, and the Minister told us that he has confidence in the Treasury’s professional expertise, based on its track record.

Fiscal strategy

The Minister’s fiscal strategy report states that the Crown’s books are in good shape and the outlook for the economy is positive. Adjustments have been made to operating and capital allowances so that the Government can remain on track to achieve its debt objective. Long-term fiscal priorities are to have government debt between 0 and 20 percent of GDP, core Crown expenses below 30 percent of GDP, and operating balances sufficient to meet net capital requirements, including the New Zealand Superannuation Fund.

The amount allowed for new spending in Budget 2016 has been raised to $1.6 billion, a sum which the Minister described to us as relatively small by historical standards. A portion of spending for Budget 2017 has been brought forward from later years, in part to recognise that higher-than-expected population growth is putting pressure on health, education, and other budgets. Some will also be used to reduce net debt to help reach the 2020 target.

The Government’s short-term fiscal priorities include the intention to begin to reduce income taxes if economic and fiscal conditions allow, and to use any further fiscal headroom to reduce net debt faster. The Minister told us that he is expecting a small surplus this year with surpluses rising reasonably significantly after that, and debt falling. Net debt is expected to peak at 25.6 percent of GDP next year, and to fall to 19.3 percent of GDP by 2020/21.

Possible challenges to achieving surpluses

We referred the Minister to the recently released Defence White Paper. This signals substantial expenditure on upgrading defence capability, involving investment worth close to $20 billion over the next 15 years. The Minister said that current Budget planning covers a four-year forecast period only. Beyond that, the focus for the defence upgrade is more on
strategic planning and establishing correct procurement processes than on the accuracy of capital projections.

Higher-than-anticipated immigration numbers have been a factor driving economic growth, so we questioned the Minister about the assumptions relating to immigration that underlie some of the forecasts. The BEFU states that annual net migration inflow is expected to peak at 70,700 in the middle of 2016, and then fall back towards the long-run average, although at a slower rate than had previously been predicted. The BEFU also notes that the strength and timing of these effects are difficult to gauge, and could be influenced by factors such as an improved Australian labour market, or an unexpectedly higher number of overseas students remaining in New Zealand. The Minister told us that immigration is cyclical and at some stage will revert to the long-run average. However he told us that ongoing growth in New Zealand is not dependent on net immigration flows remaining at the present rate.

We note that the BEFU includes as a specific fiscal risk the recognition of new funding arrangements for tertiary education institutions in light of the recent transition to Public Benefit Entity accounting standards.\(^2\) We understand that the amount is unknown but could be between $200 million and $400 million. Such a sum could eat substantially into the small OBEGAL\(^3\) surplus that is forecast for the current financial year. We expressed some concern about the size of this risk and sought further information. We were told by the Treasury that it has been working closely with the Tertiary Education Commission, the Ministry of Education, and Audit New Zealand to resolve the matter and quantify any impact. The Treasury’s assessment is that any impact is most likely to affect the balance sheet, increasing both assets and liabilities, and that any OBEGAL impact would be below $100 million.

Should the small surpluses forecast not be achieved, we asked the Minister what the implications would be for the Government’s objective of reducing taxes. The Minister acknowledged that the situation could change if some international risks were to eventuate, but considered that the Government would still have options available to it.

**Asset investment and management**

The most recent year-end results show that the Crown currently owns $279 billion of assets (up from $223 billion five years ago) and has $186 billion of liabilities. Total assets are forecast to increase by $70.2 billion (a net increase of $32 billion after depreciation) between 2015/16 and 2019/20, with the largest growth being in the social assets portfolio.

Capital expenditure for 2016/17 is expected to increase significantly, to $6.1 billion, compared with expenditure in 2015/16 of $4.2 billion. Some of this will be funded through reprioritisation in the Crown’s balance sheet, and $1.4 billion in new money will be allocated. The total of new capital expenditure in Budget 2016 will be $2.6 billion. The new investment will be focused on core public infrastructure such as schools and transport.

We note the Minister’s comment in the Fiscal Strategy Report that the Government has been taking a more consistent and deliberate approach to balance sheet management. We note also that the Treasury has developed a new model for approving and monitoring investment across the public sector. This considers not only investment in the form of capital expenditure, but also the associated operating costs over the life cycle of the asset,

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\(^2\) Budget Economic and Fiscal Update, pp. 71 and 75.

\(^3\) Operating Balance Before Gains and Losses (total Crown revenue less total Crown expenses).
and investment in resourcing arrangements. We asked the Minister if he is satisfied with progress to date in the Treasury’s investment management and asset performance work programme, associated with implementing Cabinet Office Circular CO(15)5 for asset-intensive agencies. We were told that good progress is being made, and the programme is already showing results. Chief executives and Ministers are taking it seriously with the incentives working to improve their focus on asset management and asset performance.

**Social investment**

We heard that $652 million has been made available for a social investment package across a range of programmes. The fiscal strategy report describes this package as using analysis and commercial tools such as actuarial valuations to understand long-term needs of the most vulnerable in society, and the cost of meeting those needs. We asked the Minister about the process undertaken in the lead-up to the Budget to assess where social investment would be most effective. He described the sort of tools being developed and used to analyse spending proposals. He also noted that these do not apply only to likely new spending but can also be used to review the effectiveness of all spending.

We heard that the social investment programme is based on getting better information, connecting better with complex households, and better organising the way that government agencies interact with each other. One instance was described to us where the tools were applied to a study of risk factors associated with underachievement at school. We were interested to hear that the results indicated that the decile system does not appear to be a good predictor of educational underachievement. We asked whether this indicated a possible move away from the decile funding system and were told that this would be dependent on identifying an alternative approach that could target educational needs more precisely.

The Treasury is working to support agencies to obtain and then use information to deliver results that can have significant impacts. We were told that this is part of a larger work programme within the Treasury, looking at an investment approach to all government investment, including capital equipment as well as the work of agencies.

**Divestment of social housing**

The Government’s social housing portfolio is worth around $22 billion, based on the sum of the assessed value of each individual house being sold in the local market at its best price. Now that the divestment of social housing has begun, we asked the Minister how the success or otherwise of the sale process could affect the overall economic picture.

The Minister said it has become clear over the past 18 months or so that the community housing portfolio is likely to be valued at cash-flow level, which is lower than its speculative or development value. Apart from one transaction within Government at book value (the 2,800 houses in the Tāmaki redevelopment area) only one other, relatively small, transaction (1,200 houses in Tauranga) is going ahead. Another sale (in Invercargill) has been cancelled.

We asked the Minister what effect a lower-than-anticipated realisation from the sales could have on the other assumptions underlying the Government’s fiscal strategy. We were told that a downward revaluation of the portfolio is possible, but that this will not happen without accumulated evidence that such a move is appropriate. The Minister assured us that there is a large revaluation reserve, so the operating balance would not be affected should there be a write-down.
Christchurch regeneration

With the disestablishment of the Canterbury Earthquake Recovery Authority (CERA) in April 2016, funding for Christchurch regeneration spending is now authorised in several votes. The relevant appropriations within Vote Finance are:

- Management of anchor projects by Otākaro Limited (non-departmental output expense)
- Otākaro Limited Equity Injection (non-departmental other expense)
- Greater Christchurch Anchor Projects (multi-category appropriation)
- Transfer of Anchor Project assets to Otākaro Limited (multi-year appropriation).

Otākaro Limited is a Crown-owned company, established to deliver key anchor projects and precincts in Christchurch. It was set up with funding through the 2015/16 Supplementary Estimates, with an initial equity injection of $6.1 million. Its shareholding ministers, the Minister of Finance and the Minister supporting Greater Christchurch Regeneration, have set expectations for Otākaro Limited that focus on ensuring that the company is successfully established, that there is continuity in the construction programmes inherited from CERA, and that it appropriately balances commercial and regeneration objectives.

We asked the Minister how he and the company will determine what an appropriate balance is and how that will be struck. We were told that this will be determined on a project-by-project basis, after consultation with key stakeholders.

Anchor projects

The Budget allocates $203.9 million for anchor project development in 2016/17. The multi-year appropriation set up for the transfer of existing anchor project assets to Otākaro Limited allocates $300 million for 2015/16 and $200 million for 2016/17. These are large sums of money, and, just as importantly, the successful delivery of these programmes is very significant to the people of Christchurch.

We note that the Treasury’s latest Major Projects Performance Report, covering the period November 2015 to February 2016, has upgraded its confidence rating for the Crown-led anchor projects from “red” to “amber/red”. The Convention Centre Precinct project, however, is currently rated “red”.

We asked the Minister how much has been spent to date on this project and how comfortable he was with the absence of a business case underpinning the expenditure. We heard that around $24.9 million has been spent. No business case was prepared before the expenditure was approved because the decision to undertake this work was a policy one made by the Government. However, the Minister assured us there had been detailed consideration of available options, and that specifications have been developed for the centre, including what it is to look like, the costs involved, and the most appropriate commercial structure.

We raised the possibility that the lengthy time involved in developing the project to its current stage may already have resulted in capital investors looking elsewhere. The Minister was asked if he saw further capital flight as a risk to the success of the project. He agreed

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that time is an issue with this project, and assured us that all involved are keen to get clarity on the remaining issues over the next few months, so that construction can begin on the centre as soon as possible. We will monitor progress on this very important anchor project over the coming year.
Appendix A

Committee procedure

We met on 16 and 29 June 2016 to consider Vote Finance, the Fiscal Strategy Report 2016, and the Budget Economic and Fiscal Update 2016. We heard evidence from the Minister of Finance, Hon Bill English, and the Treasury, and received advice from the Office of the Auditor-General.

Committee members

David Bennett (Chairperson)
Andrew Bayly
Chris Bishop
Hon Clayton Cosgrove
Julie Ann Genter
Stuart Nash
Rt Hon Winston Peters
Grant Robertson
Jami-Lee Ross
Alastair Scott
David Seymour

Evidence and advice received

In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Office of the Auditor-General, Briefing on Vote Finance, dated 16 June 2016.
Vote briefing paper, prepared by committee staff, dated 1 June 2016.
Minister of Finance, Response to standard Estimates questionnaire, dated 24 June 2016.
Minister of Finance, Response to additional questions, received 7 June 2016 and 24 June 2016.
Transcript of hearing on 16 June 2016

Members
David Bennett (Chairperson)
Andrew Bayly
Chris Bishop
Hon Clayton Cosgrove
Rt Hon Winston Peters
Grant Robertson
Jami-Lee Ross
Alastair Scott
David Seymour
James Shaw
Meka Whaitiri

Witnesses
Hon Bill English, Minister of Finance
Treasury
Gabriel Makhlouf, Secretary to the Treasury
Brendon Doyle, Deputy Secretary, Financial and Commercial Operations
Tim Ng, Director, Economic System

Bennett OK, good morning and welcome everybody. Special welcome to the Minister of Finance—thank you for coming at such an early hour, and we have till 9.45, so if you want to give an introduction first and then we'll open up for questions. Thank you.

English Thank you, Mr Chairman, and thanks for the forbearance of the committee. I couldn't appear at the previous scheduled time because of a friend's funeral. I'll just make a few introductory remarks, and happy to take questions. Budget 2016 was delivered against a backdrop of sustained, solid growth, moderately rising wages, more jobs, continued—unexpectedly continued—low inflation, and, also, a longer period of lower interest rates. The Budget focused on new funding around innovation, infrastructure, the health sector, and the most vulnerable New Zealanders while still managing finances tightly.

So the outlook is reasonably positive. We are seeing a satisfactory rate of business investment, job growth continues, and wages are rising faster than inflation. Treasury is forecasting real GDP growth of around 2.9 percent over the coming year and 2.8 percent on average over the 5 years to June. Those forecasts, of course, are subject to a whole range of risks.

We're seeing an increasingly diversified economy, which means that despite low dairy prices, New Zealand exports increased by $2 billion last year. We have the non-dairy export sector in reasonable shape—tourism in particular
growing well, also strong and consistent growth in construction, ICT, wine, much of the manufacturing sector are performing well. The number of people in work is around 200,000 higher than 3 years ago with a further 170,000 jobs expected by 2020. Over that period the unemployment rate is expected to drop to 4.6 percent. While the economy is creating a significant number of jobs, there's a lot of people showing up in the labour market for those jobs, so we have a high participation rate by international standards. The average wage is forecast to rise to $63,000 a year.

The Budget continues the Government’s approach to responsible fiscal management. The net operating allowance is $1.6 billion per year on average—that is, the new discretionary spend. This remains relatively small by historical standards—that is, compared to the period from roughly 1997 through to 2007, where the net average operating allowance was significantly higher than that. The total capital spend in the Budget is around $2.6 billion, and that’s funded by $1.4 billion of additional capital, which this year will be debt funded, and about $1.2 billion of capital recycling on the balance sheet. The outlook shows a small surplus for this next financial year of $0.7 billion and surpluses rising reasonably significantly after that, and debt falling.

So surpluses are expected in 2015-16, the current financial year ending in a few weeks, and in 2016-17, rising to $2.5 billion the following year and $6.7 billion in 2019-20. Net debt is expected to peak at 25.6 percent of GDP next year and to fall to around 20 percent of GDP by 2020-21. So this gives us a range of options that we haven’t had, really, in the last 7 or 8 years.

So the Budget makes a number of positive, long-term choices with investment in four main packages: $761 million in science, skills, and regional development to help grow and diversify the economy; $2.1 billion for public infrastructure focused on transport, schools, and digitalisation of government; $652 million in a social investment package across a range of programmes, which we believe will achieve results for vulnerable New Zealanders; and the health sector with a $2.2 billion increase over 4 years, around $550 million a year, which is significantly more than in recent years.

We measure the success of this spending by results, not just by the quantum of spending. In fact, we’ve found that when we focus on results for New Zealanders that we know who are in our system—there’s certainly about 20 percent of the population in our system for a long time, or very regularly—we’ve found that by focusing on results, what’s often required is better information, better connection with complex households, and better reorganisation of the way Government agencies interact, rather than new money. But we are getting in place a social investment system related to our social spending so that we can make better decisions based on investment criteria, and we also continue to upgrade the criteria and oversight of capital investment.

As the Budget indicated, there’s around $6 billion of capital investment programmed for next year, about twice what it was in 2013. So we’re keen to use these tools out over the next 3 to 5 years to really do two things: one
is to continue to underpin the confidence that is being shown across the economy with reasonable business investment and job creation, and to drive the Government machine to achieve better results, because in the long run we believe that fiscal control is dependent on Government doing its job properly, and that is reducing demand for its services. Happy to take questions, Mr Chairman.

Bennett: Thank you, Minister, and we’d also like to welcome Treasury.

Robertson: Thanks, Minister. Westpac has described your Budget as a fiscal mirage and makes a number of points about some of the heroic assumptions that underpin forecasts of future growth and surpluses. Do you buy into the assumption, for instance, that net immigration is going to slip back to the long-run model within a couple of years? You’ve got the dairy price, where Treasury are forecasting it getting up to about US$3,400 a metric tonne by 2018, but the Reserve Bank think that’s a whole other year on from there. How confident are you in that, and how do you respond to the Westpac “fiscal mirage” comment?

English: Well, you know, they, like other bank economists, have a skill in the turn of phrase that ensures people read their commentary. So I don’t agree with the idea that it’s a mirage. I would agree that some of those assumptions and forecasts are going to turn out to be wrong. That’s always the case. I mean, you mention the immigration assumption—it’s not a forecast; it’s just an assumption that it goes back to the long-run average, which, if you look at previous cycles, it will. It’s just a matter of how long it takes. It’s hard to imagine that it would happen that quickly, but I think the point relevant to that assumption is that the continued growth isn’t dependent on continued net inflow of 70,000 people.

So we’ll see whether that happens. I mean, if immigration drops more slowly than that, then you would expect to see—maybe growth could be a bit higher, maybe a bit more pressure on the housing market for a bit longer, perhaps. There’s plausible assumptions here where people can disagree.

Robertson: Yeah, I mean, I guess, the point being that the level of that and the concern, regardless of the colourful language, does have an impact on your confidence about what you can plan to do or think about with those fiscal surpluses. And what I’m trying to get at is whether or not you’ve got confidence at the level of those surpluses and what that means for your Prime Minister’s ideas around tax cuts, for instance.

English: Well, we have confidence in Treasury’s professional expertise to roughly get it right, and their track record is not too bad on that. In fact, you go back 2 or 3 years, despite fluctuations—the slowdown in 2015, and so on—their fiscal forecasting has turned out to be fairly good. So, you know, of course you have to keep in mind that it could be quite different, particularly if some of the international risks are realised, but I don’t think that should stop anyone, particularly a Government, from looking at the range of options when you’ve got some choices, because we’re fortunate to be in that position.
Robertson: Just before we move to some of those risks, is it your intention that the 2017 Budget will contain a commitment to tax cuts, and, if not, would you foresee putting those forward in the 2017 calendar year for any reason?

English: Oh look, those are issues that the Government will have to consider and make decisions about.

Robertson: No intention, then?

English: We wouldn’t want to get ahead of ourselves here, would we?

Robertson: No, no. Can I just turn to some of the fiscal risks in the Budget which do impact on both this year and next year? I want to particularly look at the one around social housing where you say in the BEFU that proceeds from the social housing transfers may differ from book value. We’ve sought from you in the supplementary questions to find out what that means and you’ve returned to us to tell us that the risk is unquantifiable. That seems to be quite a difficult statement to understand. I mean are we to believe from that that the entire book value is at risk—which is about $20 billion? What’s going on there?

English: OK, so what’s going on there has been a long-running discussion where I, on the basis of my primitive understandings of accounting, have debated with the Treasury, who’ve debated with the Auditor-General the basis of the valuation of the Government’s houses, which is one in every 16 houses in New Zealand, so it’s material. I think where it’s up to now is that the $22 billion—I think’s the current number—is based on the sort of correct accounting position. That is that the value of the whole portfolio is the sum of valuing each individual house as if you can sell it in its local market for the best price on the day—selling one house. Now that, ironically enough, values the State housing portfolio as if we are New Zealand’s largest developer—right, that we would sell and they’re valued as if we can realise the full development value of every individual house.

Now, that’s how it’s been done. It just we’re not New Zealand’s largest developer. Housing New Zealand is New Zealand’s largest community housing provider but the experts stick to the accounting standard. We’re doing some transactions—Tauranga in particular. So over the last 18 months I think there’s been a lot of learning about what it means to value a group of houses as social housing, and it’s different because it’s going to be much more approximate to the cash flow related value rather than the speculative or development value, and that’s a lot lower—that’s become pretty apparent.

I think there’s a sort of reasonable expectation that you can’t really shift the valuation until or unless there’s a demonstration in the market that social housing valuation is lower. So as transactions occur it’s possible that the portfolio will be revalued at a lower value. Now, it has a large revaluation reserve there, so it doesn’t affect our operating balance if that happens. But in the first handful of transactions, because they’re on the books the house in Tauranga is valued as if you get the best price on the day for one house and we’re selling 1,200 of them, then there’ll probably be some write-down.
Robertson Yeah, and that’s a useful part of the explanation. But presumably you have some idea of the scale of the housing that you’re going to sell off and so that can be written in and understood. Otherwise we’re left with a giant unidentifiable risk in the books, which puts at risk all of the assumptions. I mean, my question to you is: what is the scale of the sale? And presumably that can give you the scale of the risk.

English Well, at the moment there’s only one transaction in process and there’ll be a decision shortly about what the second tranche might look like. But they’re going to be relatively small compared to the total of 68,000. We suspect that in some places these houses have almost no value. If you try and sell more than one house in some of our provincial markets—one of these sorts of houses—you’re going to have an effect on the market, particularly if you sell dozens of them, even if they’re of no particular value to Housing New Zealand.

So I think the Government machine works on fairly conservative assumptions, as it should. So it’s not going to change the basis of valuation until there’s accumulated evidence that there should be a different number. Frankly, we don’t get to decide that. That’s, essentially, decided by the accountants and the Auditor-General.

Robertson So at the moment Tauranga is the only “transaction” that we’re talking about now that Invercargill’s dead, so to speak?

English Yeah, and the fact that the Invercargill one isn’t proceeding on the basis that we set out is partly to do with the fact that the valuations are probably quite a lot lower than all of us might have expected. So there’s been one other transaction but it’s been within Government and that has been the setting up of Tamaki Redevelopment Company, and so the 2,800 houses there were on the books at $1.5 billion and transferred across at that value. Now, what the market value of what those is hasn’t been tested.

Robertson Just on one other fiscal risk before I move to a different question, under tertiary education in terms of a range of new funding arrangements, there’s a risk of somewhere between $200 million and $400 million that I understand would come into play this year. You just told us before you were talking about an OBEGAL surplus of around $600 million to $700 million. Is that $400 million likely to come out this year?

English I’m not familiar with the details of that, actually. We could find out.

Robertson Secretary, are you familiar with the details?

Makhlouf I mean, this is an accounting issue and I think the best thing we could do for the whole committee is to put something in writing to you.

Robertson That would be useful. I mean, with respect, it is actually a little bit more than just an accounting—I mean the cause of it is an accounting issue, I acknowledge that. But when you’ve got a slim surplus of $600 million and $400 million of it appears to be about to go down, it is relevant to that.

English I mean, as the committee knows, these issues arise across—because the Government’s got $280 billion worth of assets and a lot of liabilities, these
numbers move around. And so you could have that one being realised and then you might find the valuation of our liability relevant to Christchurch insurance claims drops by $200 million or $300 million, and it might offset, which often happens. You know, pluses and minuses.

Robertson If we could have a bit more info on that, that would be useful. My last set of questions before the chair interrupts me is around GDP per capita. You’ve got forecast for 2016-17 where GDP per capita stays under 1 percent. You’ve talked a lot about modest and sustainable growth. That can’t meet your definition of modest growth—if it’s below 1 percent.

English Well, this has been discussed a bit in the House. I mean, GDP per capita is in the long run a useful measure—a bit like productivity; in the long run that’s what determines people’s incomes. At the moment you would expect it to be down a bit because we’ve had a surge in people, in population growth. That’s been more rapid than expected relative to GDP and so GDP per capita’s down. If migration followed the track that Treasury assume, then you’d see GDP per capita shift up. In fact, it’s almost certain that through the cycle it will lift if only for that sort of statistical-type reason.

But in the long run, you’d want to see it higher. I mean one of the economic policy puzzles for everybody is that, on the one hand, you see all this—what look like big efficiency gains, or potential for them, in an economy with digitalisation and all the technological change that’s going on there. On the other hand, you don’t see shifts in productivity. So there’s either something wrong with the measure, which I think is probably the issue—it’s just a personal view—or these things aren’t having the impact on labour productivity that we might have expected.

There’s other things going on that push it around. So we’ve got tourism growing, tourism and construction, which in New Zealand happen to be relatively low productivity parts of our economy.

Ross Minister, good morning. I’d like to ask you about economic growth as well. Our economic growth options in New Zealand see us at a rate that’s much faster than many of our trading partners in countries we compare ourselves with, like the US, the UK, the eurozone, Japan, and you’re projecting around 3 percent economic growth. What are some of the main factors that you’d suggest are leading to that stronger economic growth in New Zealand compared to our trading partners and those other countries, which seem to have a bit of a prolonged hangover from the global financial crisis?

English Well, I don’t know. Treasury might be in a better position to talk about the comparisons that you’re after. We seem to have had a bit less of a hangover than, particularly, Europe. We’re growing a similar rate to Australia, maybe for similar reasons, and the US is, you know, gradually picking up. So you can—I mean, if you speculate about the sort of major sort of macro trends that are having an impact, there’s two, I think, which differentiate, not because we’re not subject to them; they’ve just had a bit less impact here.
One is demographic change—so the ageing population is happening, obviously in Japan, it’s starting in Europe, and we’re still trying to understand the longer-term impact on growth, just because you can know things in your head but it’s not until you see them in reality that you really try and understand them. And the other is this very low interest rate environment. Somehow those factors, plus others, are creating this low-growth trap for some of these very large economies, like Europe and Japan, in particular.

So sometimes it feels like we’re sitting a bit on the edge of a whirlpool here, and that is—those forces are having some impact on the New Zealand economy. Our interest rates are the lowest in 50 years and we’ve seen the Governor of the Reserve Bank articulate the dilemma that that creates in this economy. And we’ve got an ageing population, but the cost of it is relatively low compared to those countries.

We’ve had a few localised factors that are fairly unique. Probably, in 2009-10, when it was important to have something dragging us up out of recession, we had, ironically enough, the Christchurch earthquake, but also the dairy milk price, and both of those helped a lot sort of get us out of the really low growth zone. And that’s, you know, then been followed on by other drivers of growth, some of which we expected, some of which we didn’t. But it’d be hard put to explain with crystal clarity why we’re growing a bit faster than those other countries.

Ross When you consider those other countries and their growth rates, do you—what are some of the risks that you can see? If there was, say, a major correction in one of our major trading partners, if there was a considerable turn of economic fortunes for one of those countries, how would you see that affecting us, and what are some of the risks that you look at and plan for?

English Well, I think the risks are fairly well known. They shift around a bit, but the ones there that are nearer the top of the list are the Chinese credit bubble—it’s very difficult to manage a credit bubble down. The Chinese have been able to manage other big shifts in their economy in a way that’s benefited the global economy, and so I suppose we’re relying on them continuing with that capacity, that they’ve grown their credit in a couple of surges, we’ve all benefited from that, and we hope that they can manage it down in a way that’s not going to be destabilising for them, because if it was it would be destabilising for us.

A risk that would have a big impact would be something going wrong with the management of that credit bubble in China alongside a negative impact in Australia because of the close connection of our three economies. So, you know, things going wrong there could have a big enough impact to really slow growth in New Zealand. I mean, there’s plenty of others going on—whether Britain will exit the EU. Probably the risk there is as much the uncertainty it creates as any direct economic impact. And then there may be some lost opportunities, so whatever happens in the US election may determine what happens with the TPP. We hope that would get through,
because it provides opportunities, particularly for some of our smaller,
faster growing export sectors, which are part of the diversification of the
economy that’s going on.

Ross Looking at risks here closer to home, do you consider deflation to be a
potential risk on the horizon? I mean, we’re growing fast, but we’ve got very
low inflation rates. How does that impact on households and the
Government, and are there any risks around deflation that you see on the
horizon?

English Well, look, in this world of weird economic phenomena you should never
say never. We’ve got, you know, 10-year Government bond rates and more
of them, more Government debt in the world by the day on negative
interest rates, which is not something that you would’ve contemplated as
possible even 7 or 8 years ago. So I wouldn’t say “never” to any suggestion,
however crazy it is. But it doesn’t look like we’re at a risk of deflation.

I mean, I think the Reserve Bank’s description of the inflation trap looks
reasonably credible to me. Others in other markets will make its guesses
about that, but it’s hard to believe that you’ve got too many further
deflationary effects coming along. So we’ve had a big one with the oil price
drop. What’s a $50 a barrel now, or something like that, could it end up
going back to $30, which is where it used to be? Well, that’s possible, but
it’s still nothing like the drop from $100 to $50.

So another domestic effect is the drop in ACC levies. So they’re $2 billion a
year lower than they were 3 or 4 years ago. Well, they’re not going to drop
another $2 billion. So that’s just a couple of examples. Another factor is the
exchange rate. I noted the Reserve Bank, I think in a polite way, indicating
its frustrating that they’ve cut interest rates by 125 basis points and the
exchange rate hadn’t moved in the last 12 months or so. You know, if the
US continues on a reasonable growth path, then you might get the exchange
rate dropping, which would, again, put a bit more price pressure back into
the economy. So I think—inflation got down to, what, annual 0.4. It’s hard
to see it going lower than that, and it looks like it’s going to rise.

Shaw Thank you, Minister. I wanted to just wind back to 2010 and some of the
things that were said about the tax cuts at the time, which is that they would
encourage work, savings, and investment and discourage excessive
borrowing and housing speculation. So, you know, we’re now a few years
on from that, and in the Auckland market 46 percent of house sales are
going to speculators and investors, so that’s a new record. I guess, I mean,
the questions is: what’s gone wrong?

English Well, I’d stand by the statements. I mean, in that package we removed the
ability to charge depreciation against investor-owned property and the
estimates for revenue from that were, I think, by now $800 to $900 million.
So it’s the same answer you’d get with a lot of policy, and that is that that
measure has probably had some impact in dampening to a small extent the
demand side.
But in Auckland, I think what’s gone wrong’s not related to the tax package; it’s related to the poor quality of the regulation of our biggest asset market. The planning system is just economic regulation of an asset market, and it has been misdirected in Auckland for quite a long time, and we’re reaping the consequences, as other cities with similar planning approaches have reaped the same consequences.

Shaw So related to that, of course, we’ve seen over the course of the last week headlines about the enormous private debt that New Zealand is in, which is obviously related to the house price bubble. I mean, you mentioned in a previous question concerns about the Chinese credit bubble as well. Do you think that we have something similar here, recognising that scale is, obviously, completely different?

English No, I don’t, simply because in China, at least to the extent that, you know, I understand it, and that’s, you know, less than most people who are expert on it—or everyone who’s expert on it—it’s essentially seen as underwritten by Government, and a lot of it is corporate and business related debt. In New Zealand, the debt levels you have, which are high, are the result of individual households making their own decisions about debt with the full knowledge that they will have to deal with all the consequences of those decisions. There’s no suggestion that the Government is underwriting their decisions.

The household debt levels—they ran up through the whole kind of financialisation of the economy. They reached a peak about 2008, dropped, and now they’ve picked up again and they’re similar, or slightly higher, than where they were just pre-GFC. And I think part of that is—well, and the quantum of it is, you know, the providers of it are more regulated than they were. You know, the banking regulation is more demanding than it was. And it’s hard. You know, it’s partly a product of the sort of perfect storm of demand—that is, high migration, confidence that incomes are rising, and, at least in the shorter term, the belief that house prices are keep going up, so it’s worth taking the risk.

Now, that will certainly change, and the question is not so much whether the level’s right, at the right level; it’s whether those people are able to deal with the risks that will arise if interest rates increase, migration slows down, and the housing market drops back. Some of them will be, and some of them won’t be. But they need to think pretty carefully about that set of risks, because as the months go by they’re more likely to occur.

Shaw We’ve obviously talked a lot about the supply side, and you just mentioned that some of the demand-side measures—if I understand you, you’re saying that actually if the limited demand-side measures that have been introduced in the last few years hadn’t been introduced then, it would be even greater than it already is. Are you looking at further demand-side measures?

English Well, to the extent that you think they can have—look, demand-side measures may have some impact, and, you know, you’ve seen, for instance, the Reserve Bank bring in macro-prudential measures. We brought in some tax-related measures which probably do have some impact at the margin.
But the reason you need them is because of the restriction on supply—that's what feeds the interests in the market.

So the next few months are pretty important, that the unitary plan shows there’s going to be sufficient supply to meet demand, even if it continued at relatively high levels. There’s a whole set of related issues around the national policy statement, and so on, and the Resource Management Act amendments. So over the next 6 months I think it’s going to become a bit clearer to the market about the extent to which the parameters of supply are changing. That will include the Government as a supplier, and probably one that’s not going to be as worried about prices as your average commercial developer—that is, if prices soften, we’ll still keep supplying. So that environment’s likely to shift a bit, and prices will tell us how far it’s shifted.

Seymour: I just wondered if the Government, in this Budget, is relying on any forecasts for labour participation rates in the age bracket of 65 to 70.

English: Well, we’ve got fairly high labour participation rates relative to other countries, and one of the trends is higher participation by older people. Treasury can comment on the detail, but I’m assuming that they’re assuming those rates will at least hold up, and possibly grow.

Seymour: So if they grow, what sort of fiscal impact will they have?

English: Well, it has fiscal impact in the—well, you’d have to just work it through, wouldn’t you. So it doesn’t reduce the burden of the cost of national super, because there’s no offset of the superannuation against their working income. In so far as they’re out in the market doing productive work, then it will benefit us; benefit the Government’s books.

Cosgrove: Could I ask you some questions around Christchurch? How much has been spent to date on the work in respect of the convention centre?

English: Oh, I couldn’t tell you the amount, but it’s been a reasonably long process. I’d have to get you an actual number. Wee bit hard to disaggregate because it would have started out as part of the general spend on CERA.

Cosgrove: I’m advised, as per your Budget documents, it’s $24 million. Does it surprise you that there has been no business case presented to date—you’re right it’s been a very long process, but with the $24 million worth of expenditure, there hasn’t even been a business case review. Does that concern you?

English: Well, there’s certainly been plenty of detailed specification about what the convention centre’s meant to look like and what that’ll cost, but there isn’t a business case designed to say whether you do it or not, right? The decision was made very early on, like a lot of decisions in Christchurch, to get on with it rather than wait round trying to prove a point. So, in that sense, it hasn’t followed the process. Like a lot of projects in Christchurch, doesn’t follow the process that every capital spend does, but there’s plenty of—in fact, a lot of the work has been dealing with the range of opinions about what it should cost and what the right commercial structure is so that it’s got some sustainability.
I’m sure you’re aware it mystifies not only politicians but also people in Christchurch as to why a convention centre—we’re not talking about, you know, building Stonehenge—a convention centre has taken years to get to this point, with no business case produced; with a couple of public utterances that say—I’m glad you’ve confirmed it—that it will happen. But we’ve actually got nothing to show for it in terms of both time and expenditure. Hotel money, as you’d be aware, is hinging on this. Where’s it at?

Well, I wouldn’t agree there’s nothing to show for it. I wouldn’t agree with that at all. You’re best to talk to, about exactly where it’s up to, talk to the Minister, Mr Brownlee, who’s involved with it, who would probably express a number of the same frustrations as yourself. From my point of view, where it’s at is getting the deal closed around the usual kind of issues you’d expect, and that is some people saying it should cost more, some people saying it should cost less, and around the ongoing arrangements that mean it can have some sustainability. So I think there’s a general understanding—there’s no lack of effort in trying to get to completion of the arrangements so they can get on with building it.

Are you aware it’s been reported to me from one bank that—and this would be 3 months old, to be fair—within an 8-week time period, $80 million of hotel capital left town. This is capital that was sitting around waiting for a decision, for a time frame, and the fear is that there is a large amount of capital sitting there which just won’t hang around much longer because of the uncertainty. Do you see that as a risk?

Getting it resolved is pretty important so that those decisions can get made, and I think everyone who’s participating would probably agree it’s taken a bit longer than’s ideal. The important thing is to actually get clarity over the next few months.

I just want to turn the topic slightly to the social side of the Budget—the social investment side of it. I think you’ve stated publicly this was really the first Budget that’s starting to embed the social investment approach with $652 million in the next 4 years for that. I think you also said publicly that you went through quite a rigorous process in the lead-up to the Budget parsing through the various proposals from the departments. I just wonder if you could tell the committee and us a bit more about how that process worked, and in particular what tools you and the teams used to analyse some of those proposals and how that’s come out into the Budget that we’ve got before us?

The first point I’d make is that the importance of the tool kit is fundamentally that it doesn’t just apply to the Budget. So, by way of example, some of the analysis that’s been applied, say, in education to the marginal spend on the operations grant—which is a pretty small spend compared to the total Budget—is actually the analysis that’s used to look at the other $10 billion, and that’s a pretty important point to make. So it’s not just a tool kit for deciding what new spend; it’s the tool kit for looking at all spending.
But with respect to the Budget, social investment’s a sort of generic term. It covers a range of different methods. In this Budget, for instance, departments were required to use the published cost-benefit analysis tool called CBAX, and the way they did that was scrutinised by the science panel, so it’s, sort of, an independent assessment done within the public service, and it was—actually, what impressed me was the feedback was how well departments did that, and not because the cost-benefit analysis framework is perfect, but because it gets them talking about the right things.

So that’s one tool. The other is, say, in the case of MSD, using their liability model to look at smaller groups of welfare recipients and try to work out—using investment analysis to work out just where you would apply the next 10, or 15, or $20 million dollars to get a change in the long-term propensity to stay on welfare. That’s turning out to be pretty challenging because you can get significant gains, as they have, from doing what they already do better.

But for instance, as you get into the group of customers who are on what used to be called sickness and invalids benefit, the information that’s relevant about them all sits in the health system, and health and welfare have always struggled a bit to communicate effectively. Now they have to, and learn how to use what health knows about this population—you know, 50,000 of whom have an average length of stay on benefit for 20 years, so a lot of them are on for 30 or 40 years. So we should be able to use more of the information in the health system to be more proactive, particularly for younger people going on to what’s now the supported living payment and job search health condition—HCID it is; can’t remember what that stands for. Those are the two categories. So they’ve used that.

Education; the example I used about schools is just applying the risk factors, which are another part of the social investment tool kit. So the operations grant’s being allocated according to one of the risk factors associated with underachievement, and that is 75 percent of the first 5 years or the last 5 years on benefit, and it out that children from those households are spread right through the education system. They’re not all in decile 1 to 3 schools. What it tells us is that the decile system is not a good predictor of the risks around underachievement, and you start to wonder what it does tell us.

Robertson Are you going to get rid of it, then—the decile funding system?

English Well, the Minister’s indicated that we want to move away from it. Now, getting rid of it is, I think, dependent on people seeing an alternative approach that targets educational need more precisely.

Peters Would you agree with Treasury’s 6-month-old, now, analysis of the quality, or lack of it, of immigration into this country?

English Well, there’s been quite a bit of discussion about the validity of the analysis. That’s probably as far as I’d take it.

Peters Why would Treasury be predicting a post 2017 significant slow-down in immigration?
Well, as I understand it, they’re not predicting it; they’re making an assumption. And I know that sounds like, you know, splitting hairs, but we list their assumptions in the Budget, and one of them is that immigration will drop back to the long-run average. My understanding is they just assume that’s what will happen over the forecast period.

Did you ask them why they made that assumption?

Because they always assume wherever you are, you’ll drop back to the long-run average, when they make assumptions.

Well, what’s the current share of GDP growth ascribed to immigration, in your mind?

I don’t think I’ve seen that disaggregated. I mean, it contributes, but you’d need to ask them about the current share. The point I made—

I mean the percentage that’s ascribed to it. You surely should have got a commentary on that—and even from Treasury.

Well, there’s a lot of commentary that it’s a component, and, actually, you know, they may have a number. You’d have to ask them. But I think the point I was making was that the ongoing growth isn’t dependent on ongoing high migration.

How much money’s left in the Future Investment Fund*?

It’s gone.

Well, you know, you campaigned in 2011 on schools, hospitals, and roads. Tell me, how did the Mighty River share loyalty bonus scheme of $41 million fit that description?

Well, we—I mean, what we said is that’s where it would go—on those things—and other capital needs of the Government. So there were a range of others, which have been pointed out, like the, you know, paying for our shares in the Asian Infrastructure—or, the uplift in the World Bank contribution, or the Asian Infrastructure Investment Bank. I can’t recall the detail.

So the statement that that’s where it would go wasn’t true?

Well, it didn’t all go to schools, hospitals, and prisons.

Well, why didn’t you say so at the time, so that people would be informed as to what was going on? I mean, transparency is meant to be the byword for your administration. Why didn’t you tell people at the time what you intended to do?

We’re the most transparent in Government in a long time.

I’ve got four pages here that say it’s not, Minister.

And it’s got your name on it.

That’s how you know it’s accurate. Can I ask this question? You talked about the social spending and what have you. Now, the Government’s been talking about, prior to the white paper on defence, expenditure of $11
billion that’s needed for the upgrade. Where’s that in the detailed forward planning for the next 10 years—in projections in your Budget?

English

The structure we have with defence arises out of 2 or 3 years of pretty intensive work they did to, I think, do a number of things: understand all the componentry of their business; make a lot of savings, which they’ve done and deserve credit for; and form a better basis of understanding, at least with this Government, about the long-term view and both the kind of strategic stability and the decision-making stability they need to make good decisions, because Governments and defence forces have a history in New Zealand of quite a lot of tension over particularly large capital investments. They’ve been fairly political decisions in the past, probably because it wasn’t always clear to people where they fitted in the long-term strategy. So—

Peters

But my question is where in the Budget have you got provisioning over the next 10 years. Or is the answer: “We haven’t?”

English

We wouldn’t be expecting to provision over the next 10 years. I mean, you do the forecast period, which is actual forecasts for what will actually be spent. So the defence procurement that fits in that time frame* is in there, and then—

Peters

But not at that figure.

English

It’s called projections, after that, and you’d need to talk to Treasury about how the projections work, but they generally just extrapolate from the forecast. So they’ll include projections of the total capital needs of the Government, but they won’t be, as far as I understand, disaggregated into individual departments.

But I don’t think there’s any doubt in the minds of the defence forces that the Government’s committed to meeting the capital requirements that they will have. We’ve talked about it for 4 or 5 years now. The fact that there’s a big capital lump out there in front of us, with the air transport capacities and frigates and so on—and part of what we’re doing is making sure the system is geared up well to make sound decisions about those things, because they’re such large decisions.

Peters

That’s an extraordinarily long answer. I’m asking you whether you’ve got forward projections provisioned in your Budget, because, frankly, you’re telling our international allies—supposedly—on the stage one thing. You’re telling the public one thing. The white paper comes out. It’s $9 billion more than what was out in the public arena, yet if you go into the Budget, how do you account for that and even dream of talking about tax cuts in 2017, like your leader is?

English

Because we’ve—well, I think part of the point here is we’re a bit less concerned about—well, I mean, Treasury will answer your questions about exactly what’s in the projections, OK? The work that’s being done has been a bit less focused on the accuracy of the numbers 9 or 10 years out, particularly the capital numbers, and more focused on getting the right kind of strategic process and the right kind of procurement process in place, so
that we can make sound decisions about capability as we go—because that keeps shifting; you know, this white paper’s different than the last white paper already—and that there’s sufficient predictability about how that’s going to work.

But the defence forces can gear themselves up knowing that if it’s consistent with the capability and the role the Government of the day wants for them, then it’s likely that if they put up a good case, it’s going to be able to be funded.

Peters Just one last question here. I still gather, from today’s answers and recent statements by the Government, including that from the Prime Minister, that though the super-city in Auckland is your child, it is all their fault that they haven’t handled, for example, the natural rural-urban shift in New Zealand, the population increase in Auckland laterally, and then the population of New Plymouth coming there every year—it’s all the super-city’s fault, right?

English No, I wouldn’t agree with that. I think the super-city had several parents. The previous Labour Government set up the royal commission out of their frustration, I think, at the time.

Peters No, John Key made a speech about it, and these clowns took it up.

English Yeah, and that’s right, and then ACT was the other parent. But, I have to say, at the time there was pretty broad consensus.

Seymour The ACT Party actually achieved something for New Zealand.

English A pretty broad consensus that that was what was going to work—that it was going to work better.

Scott Supplementary to Jami-Lee’s questions around inflation—so let’s assume that we have continually low inflation and in fact deflation kicks in, because we’ve got a persistently high currency and we import this deflation. What role do you see Government in increasing fiscal stimulus, if you see any role in Government increasing fiscal stimulus—or are you focused more on reducing Government’s role as a percentage of GDP?

English Well, of course, you’d take advice from the Treasury. My own view is that there—in fairly extreme circumstances, you may set out to deliberately use fiscal stimulus. Having listened to policy makers for a long time, I’m yet to be convinced they’re smart enough—and I include politicians among that; policy makers—smart enough to be able to calibrate fiscal cycles around business cycles. They’ll almost always get it wrong.

But, as happened in 2008-09, we ran with the automatic stabilisers. So Government revenue dropped, so we borrowed a lot of money. And we had, unexpectedly, the fiscal stimulus of the Christchurch earthquake. You know, hopefully, someone will write a PhD about whether it was the same as some massive Government spending programme designed to offset the effects of recession and pull the economy back into recovery.

So in those circumstances you can argue it, and the Australians believe they’re, you know, one of the few countries in the world that actually knows
how to do that stuff. You can argue about whether that’s what actually happened or not. So the real challenge with this deflationary world, or low-inflation world, is you just don’t know whether it’s cyclical or permanent. So you would have expected, even 2 years ago, that first mortgage rates in New Zealand would now be 6 percent; inflation would be over 3 percent, probably.

That would have been the normal expectation of what went on with the cycle, and we keep thinking that’s what’s going to happen, and if you go back and look at the forecasts for inflation, they just, for the last 2 or 3 years, they keep saying it’s going up, and it doesn’t. So I don’t think we know any more than anyone else the extent to which it’s a, you know, it’s going to be there for a long time. There’s some people who say it will be.

Whaitiri

My question is in relation to the social investment strategy. The question is: are you concerned, as you described it this morning, that it’s an internal funding tool—just trying to paraphrase—and it doesn’t have, as a real success indicator, like, reducing child poverty.

English

No, I’m not concerned about that. I think an important part of this whole approach is, first, that everyone can see the information, so it’s fully transparent. We’re having very useful, constructive discussions with various groups of providers about how they can know as much as the Government about any of this, right? And that’s a bit challenging, because Government agencies define themselves by how they control information. Actually, data about people, under the Privacy Act, belongs to the person, not to the Government agency. And so we need to be able to convert Government information from what’s been a large warehouse with a little door—that if you find it, you might find an official behind it who helps you, or you might not—turn it from a warehouse into a supermarket. So that’s one aspect of it.

The other aspect of it is about results—what does reduction in child poverty mean? So we’ve put out some results, and we’ve been pretty clear cut that what we’re trying to get at is that alongside the income drivers—which we accept that’s part of that scene—trying to get at the non-income drivers of persistent deprivation. So on 1 April all families on the benefit with children got $25 a week extra, which was a recognition that there’s a, sort of, generalised level of hardship there. That’s a tool for helping to alleviate it—by no means the only way.

And what all this focus on the customers is telling us—and the data analytics and the predictive analytics and all that stuff—is that within groups of lower income people, there’s a hard core where their persistent deprivation is a product of social dysfunction, as well as, or alongside, low income. So the cycling—you know, small groups who persistently cycle between sickness benefit, the corrections system, and often with a mental illness overlay, and the Government’s sort of watched over that, rather than been sufficiently proactive about it to try and break those cycles. So I wouldn’t—I don’t think that these are exclusive.
Robertson: Why did you reduce the new spending on infrastructure from $1.7 billion in the HYEFU to $1.4 billion when you’ve got the Reserve Bank governor and others telling you you do need to spend more on infrastructure?

English: Well, it actually went up—

Robertson: No, it’s a specific question about the difference between the HYEFU and now, and new spending.

English: Well, we didn’t.

Robertson: We did.

English: The gross spend actually went up, which is $2.6 billion. The difference between—at the half-year update, didn’t incorporate any capital recycling. So where we’ve ended up is a bit different than the half-year update, and that is a gross capital spend—a capital spend of about $2.6 billion—about a billion of which is recycled capital, or $1.2 billion and $1.4 billion of new spending, whereas at the half-year update we probably had in mind a total of $1.7 billion, rather than $2.6 billion. So, actually, between December and May, it went up $900 million.

Bennett: Thank you very much, Minister. Appreciate your time this morning.

English: Thank you. Thank you select committee.

* * *

Bennett: Thank you, secretary. If you want to give a brief introduction, and then we can have any questions members may have.

Makhlouf: Good morning. Let me introduce my team: To my left, Brendon Doyle, who’s deputy secretary for financial and commercial operations, and to my right, Tim Ng, who’s the director responsible for our economic systems directorate.

Let me just open up with a short statement. The Budget was released 3 weeks ago today, and our economic and fiscal update was finalised more than a month before that, so I’d like to take just a moment to update you on key economic developments since those releases. To set the scene, the December 2015 half-yearly update had revised the near-term outlook from Budget 2015 downward, and that was due to weak domestic demand, low dairy prices, and an uncertain world outlook. However, with a rise in real and nominal GDP in late 2015, and tax revenues also up, the New Zealand economy’s been stronger than expected—GDP up 0.9 percent in the December quarter, and sustained momentum in the first two quarters of 2016.

It now appears that our economy had hit a flat patch in early to mid-2015, and was, in fact, picking up in late 2015 and early 2016 due to low oil prices, increases in tourism, the education of overseas students, higher net migration flows, monetary conditions continuing to remain accommodative, and construction activity driven by continuing strong housing demand. So, broadly speaking, the positive factors have been stronger, and the negative factors weaker than expected.
Inflation is a bit stronger than expected, but still low at 0.4 percent in the year to March quarter, and employment is up, although that rise has been matched by a growth in the labour force. So we've revised our forecast upward, for the current year to June; production GDP growth up from 2.1 percent to 2.6 percent per year, and nominal GDP up from 1.8 percent to 3.5 percent per year. And the higher base of real and nominal GDP growth carries through to the rest of our forecast period, to June 2020. So the real GDP growth average is 2.9 percent, up from 2 percent in HYEFU, supported by faster population growth, due, as we know, chiefly to migration, and nominal GDP is forecast to be $17 billion higher over the period than it was in HYEFU.

So the OECD has released a forecast which is similar to ours, and the Reserve Bank’s monetary policy statement last week also generally lines up with our forecasts. The IMF’s are lower than our BEFU forecast, and the World Bank, in its latest outlook, revised down the prospects for global growth this year by half a percentage point, to 2.4 percent—the same pace as last year.

So, in that context, current risks to the forecast include ongoing low inflation in major economies, the uncertainty in Europe about the UK’s referendum on membership in the EU, the growth path in the US economy, and the impact of monetary policy normalisation by the Federal Reserve on developing country economies. And overnight, the Fed has announced no change in its funds rate, and finally, also overnight, prices at the Global Dairy Trade auction were unchanged from the previous auction 2 weeks ago, although whole milk powder prices eased slightly. This result has made a material impact on our forecasts.

Robertson Just on that last point, I mean, whole milk powder is what you use as your proxy for the dairy market, so it dropping by 4.7 percent is something, isn’t it?

Makhlouf Well, obviously, it is something. I mean, we anchor our forecasts around the FAO’s—the food and agricultural organisation’s—forecast, so in that context, the slight fall doesn’t make a material difference, and that’s the key point.

Bennett OK, Andrew Bayly.

Robertson No, hang on, hang on. I’m not finished yet. The—unless we’re hearing supps, Mr Chair, in which we could operate like a normal committee does. Can I ask you, then, to look more broadly at your economic forecast assumptions, because—well, I’ll ask a different question. How close did we get to the downside scenario from the last Budget?

Makhlouf How close did we get to the downside scenario?

Robertson To the downside scenario. So you put three scenarios to us at the last Budget; how close did we get to the downside scenario?

Makhlouf Well, I think, in our view we didn’t get that close to the downside scenario, because the economy actually picked up, was picking up. The point I made
in my statement, the positive factors in the end outweighed the negative ones.

Robertson: Because I think when we look at the assumptions that do underlie all of your fiscal outlook, you’ve got a heroic increase in the dairy price; you’ve got the migration numbers that we discussed earlier, which I understand are about returning to the long-run average. I think the point I’m trying to make is that beyond a year to 18 months figure everything here is based on models that are under question at the moment because of the changing nature of the global economy. How much real confidence can we have in those?

Makhlouf: I’ll invite Tim to comment on that. I mean, you’re right to say that there’s a lot happening in the global economy, and we’re paying a lot of attention to it. I mean, the reality is that the world is still coming out of the global financial crisis, and that’s certainly the case. The forecasts we make are the best that we can make, in our professional judgment. I mean, you quoted Westpac views earlier. Well, Westpac was a bit of an outlier in terms of all the comments from other commentators on our forecasts. I am confident that our track record in forecasting the New Zealand economy’s pretty good—probably better than most people—so I’m confident that the latest forecasts continue that trend. But I’ll invite Tim to comment on that.

Ng: Thank you, and thanks for the question. I think on the dairy price outlook, as the secretary said, we’re reliant on global expert organisation in commodity markets—-the Food and Agriculture Organization. And so if we are talking 2 years out—which I think is the basis of the question—they haven’t changed their medium-term outlook, which is based on long-run marginal costs of production, and so on. So we wouldn’t be in a position to question that. And thinking about it, the sort of 4 percent movement we’ve just had in the GDT—that auction is every 2 weeks, or something like that; it does bounce around a lot—so we wouldn’t want to have that sort of volatility come through in our forecasts, just as a matter of providing a signal of where things are going.

The other point I’d make is that the question of confidence in the central projection is exactly why we put the scenarios into the document—so that we can, you know, illustrate how things could be different based on how they’ve surprised us in the past. So we produce a central forecast, which, admittedly, does look like it’s converging to some kind of medium-term average. In the space of 2 years anything can happen, of course, and so we try to illustrate those sorts of things that we have in mind as plausible on either side.

Robertson: Can I just ask one last question? The Reserve Bank and you use different forecasting for the dairy price, so they have got a return to $3,400 an entire year after you do in the Budget. Why is that?

Makhlouf: Well, the easy answer to that is that you’d have to ask them. I think we make—the main point is that we rely on the Food and Agriculture Organization and that’s the sort of consistency that we adopt, and they have
a particular forecast to a particular year. Now, why does the Reserve Bank do something different to that? I don’t actually know.

Ng Just to add that, you know, they would, just like we do, read the short-term conditions around, you know, things like the Russian import ban, and, you know, European quota machinations. And so it’s just a call about how quickly those demand and supply conditions will converge back to the longer-term average, and that’s a judgment call.

Bayly I’m just interested in your comments around inflation, particularly in the context of the recent announcements in World Bank projections, lowering world growth. Everything seems fairly subdued. So with inflation expected to stay low, what I find quite interesting—and obviously we have the pleasure of the Reserve Bank governor coming in here regularly and they are projecting that inflation will be over the 1 percent band by later this year.

I was just keen to get your view on inflation and whether you see it being the same. Because that tradables sector that you’d say was going to be subdued—I take the point that the Minister said before; he can’t see it reducing. But those perennial problems that we’ve always understood, in terms of meeting an inflation target—I’m just interested in what your view is around inflation.

Makhlouf Well, our BEFU does forecast inflation reaching 2 percent by 2018, so that is an important point to bear in mind. I mean, I think it is a global phenomenon. The practical reality is that the change in, for example, oil prices will almost certainly start to feed though—sorry the increase in oil prices will almost certainly feed through later this year. As the Minister said earlier, the likelihood is that we will see a pick up. But developments around the world on—the old days of price stability being about trying to reduce inflation; you know, we’re in a completely new paradigm and obviously the phenomenon of negative interest rates in Europe and in Japan is sort of unique, really.

The other day someone told me a story—this is completely apocryphal, but I think makes the point about how extraordinary the world appears to be—that some banks are looking to store cash in warehouses rather than pay negative rates at central banks. I don’t know if that’s true or not, but I think it gives you a sense that we are in remarkable times. But I do think that in New Zealand we will see a return of inflation, it’s just been much slower than expected. But on what we know right now, the signs are that there will be a pick up.

Bayly Its so low it’s actually not assisting our growth rates.

Makhlouf Well, it’s certainly having an impact on the Government’s finances, but, on the other hand, it is helping businesses make decisions on investment. I mean, the fact is that when interest rates are what they are people are much more likely to make investment decisions than if they were much, much higher.
Shaw This is actually related to that. About the inflation figures—and you mentioned inflation in other countries, as did the Minister. One of the possibilities here is that you may end up with both deflation and GDP growth, which would be unusual, because, you know, price of labour, commodities, productivity, all of those things, have now gotten to a point where those costs are actually falling. But at the same time you’re actually getting greater output, which is so unusual, economically. But no one actually really has—that I’ve seen—been able to say what would then happen if you had that scenario. Have you factored in that scenario, given where things are at right now—that possibility?

Makhlouf The fact is that we’re not forecasting deflation. So we’re not really looking at that very unusual scenario that you just described.

Shaw OK.

Whaitiri Thank you very much. I’m interested in picking up on a question I asked the Minister around the social investment strategy. Will Treasury, this year, be working on some outcome measures?

Makhlouf Our work programme on social investment is part of a much bigger work programme that looks at adopting what we’re calling an “investment approach” to the Government’s investments—whether they’re in agencies, whether they’re in capital equipment, or whatever. We’re certainly, in the context of social investment, using—our main focus is on making sure the tools are developed and making sure there is capability in agencies to be able to use the information. So the focus right now in social investment is to support the delivery of results, to actually start to get information to help us understand some of the examples the Minister gave, and to then look at whether we should be changing some of those results.

I mean, the Treasury would, if we felt the information was pointing in a particular direction, we would recommend a greater focus on results. We think the results approach has actually made a big difference to the effectiveness of the Public Service. So this is a long answer to your question because this is a very big issue.

Whaitiri Sure. I want to make a distinction between outputs. So agencies are looking at how they invest and where they get value for money, for example. But I’m looking at the back-end, because that’s where the rubber hits the road; the indicators that say that this policy is actually addressing the issues that it’s been promoted to address, which is social investment, and that’s the bit that I really want to get a handle on.

Makhlouf Yeah, and we are very much focused on making sure that investments turn into real impacts.

Bennett Thank you very much, I appreciate your time.

**conclusion of evidence**
2016/17 Estimates for Vote Office of the Clerk, Vote Ombudsmen, and Vote Parliamentary Service

Report of the Government Administration Committee

The Government Administration Committee has examined the 2016/17 Estimates for Vote Office of the Clerk, Vote Ombudsmen, and Vote Parliamentary Service and recommends that the appropriations in respect of these Votes for the year ending 30 June 2017, as set out in Parliamentary Paper B.5, Vol. 5, be accepted.

Hon Ruth Dyson
Chairperson
2016/17 Estimates for Vote Prime Minister and Cabinet

Report of the Government Administration Committee

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Vote Prime Minister and Cabinet

Recommendation

The Government Administration Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Prime Minister and Cabinet, as set out in Parliamentary Paper B.5, Vol.5, be accepted.

Introduction

In 2016/17 the appropriations sought for Vote Prime Minister and Cabinet total $77.442 million, an increase of 18 percent from the 2015/16 estimated actual expenditure of $65.71 million. This increase is predominantly due to the transfer of funding from Vote Canterbury Earthquake Recovery following the transfer of functions from the Canterbury Earthquake Recovery Authority (CERA) to the Department of the Prime Minister and Cabinet (DPMC) in April 2016.

The Prime Minister is responsible for most of the appropriations within the vote. The Minister of Civil Defence and the Minister supporting Greater Christchurch Regeneration are each responsible for three appropriations, and the Minister for Communications is responsible for one.

We heard evidence from the Department of the Prime Minister and Cabinet, which administers the appropriations.

Recent structural changes

The department has undergone substantial change in the past three years. In April 2014 it took in the Ministry of Civil Defence and Emergency Management, which is now fully integrated as a business unit within the department. From March 2016 it inherited some of the functions of CERA, to be carried out within a new business unit, the Greater Christchurch Group (GCG). The GCG’s role is to lead and coordinate central government’s role in greater Christchurch’s regeneration, and to monitor and report on progress.

The GCG has responsibility for monitoring Regenerate Christchurch, a body corporate, established by the Greater Christchurch Regeneration Act 2016, which is jointly controlled by the Crown and the Christchurch City Council. The GCG also shares responsibility with the Treasury for monitoring Ōtākaro Limited, which is a Crown-owned company set up to manage delivery of the anchor projects.

Funding of $20.741 million is sought for 2016/17 (and $8.922 million for 2015/16 through the Supplementary Estimates) for the activities of the GCG unit.

Monitoring progress on the Christchurch anchor projects

We note that the Treasury assesses the risks entailed in government investment projects and reports on them in its Major Projects Performance Report. The reports have highlighted the risks entailed in the Christchurch anchor projects, particularly with the Christchurch convention centre and the horizontal infrastructure programme, which is

restoring roads and essential underground services. The department agreed that the warnings from Treasury needed to be taken seriously.

Christchurch convention centre

As the department shares responsibility for monitoring Ōtākaro Limited, which was set up to manage delivery of the anchor projects, we asked about progress on the convention centre, and the cost of work to date. We heard that a lot of design work is under way, with spending to date totalling $19.5 million. We expressed concern about the delays with the project. The department agreed that the delays are frustrating, but assured us that Ōtākaro Limited, which is leading the work and negotiations, is acting with due urgency.

We also asked about possible contractors for the delivery of the project. The department said it could not discuss details because negotiations with Plenary New Zealand are ongoing. We were pleased to hear that the convention centre will be going ahead and the Government is committed to the project, but some of us believe more detail should be provided about the process.

Some of us sought clarification about the department’s role in “scrapping” existing plans and developing new ways of looking at the convention centre. The department did not agree that plans had been “scrapped”, but acknowledged that the original scope was being assessed to evaluate and balance affordability, value, and utility.

We asked about the nature of the engagement and involvement of Te Rūnanga o Ngāi Tahu in the negotiations. The department told us that the approach taken to engaging with Ngāi Tahu as one of the strategic partners has been constructive, and discussions have been positive.

Key risks for anchor projects

One of the key risks identified for each of the anchor projects is the potential for delays in the development and approval of business cases, due to complexities in the projects. We were interested in how this has affected the progress of the anchor projects. The department acknowledged that several factors have caused delays, including the development of business cases. Other issues have included questions of scope, the cost of repairs, geological conditions, and arrangements between parties. However, it said that these issues are being worked through and there is good progress on some of the projects, but all of these factors present elements of risk to the timeframes.

Horizontal Infrastructure Programme

The Office of the Auditor General has reported that the Stronger Christchurch Infrastructure Rebuild Team (SCIRT)\(^2\) has made good progress with the rebuilding of horizontal infrastructure in Christchurch.\(^3\) However, the Treasury’s report on major projects highlights commercial risks as the SCIRT alliance winds up and the Christchurch City Council takes over. We asked what the Greater Christchurch Group is doing to mitigate the risk of incurring unnecessary costs during the alliance’s close-out.

The department agreed that there is a risk, but distinguished that, in its opinion, the key issue is about ensuring a smooth transition from a project or programme led through a

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\(^2\) An alliance of CERA, the Christchurch City Council, the New Zealand Transport Agency, and five private contracting companies.

\(^3\) See the report of the Finance and Expenditure Committee on the Report from the Controller and Auditor-General, Effectiveness and efficiency of arrangements to repair pipes and roads in Christchurch (13 March 2014).
complex governance structure strongly involving the Crown, to local leadership. The department said it is working on this risk with the Council to ensure that it is managed.

**Greater Christchurch Regeneration Bill**

We were interested in hearing more about broader issues around the transition, noting that some progress has been made in this area since the passing of recent legislation.

The department said it is confident that is has mitigated transition risks, noting that the Greater Christchurch Regeneration Bill, which received cross-party support in the House, recognised the shift in focus from recovery to regeneration. We heard that this legislation will provide a platform for addressing the transition risks, and that the Greater Christchurch Group has a role in coordinating and supporting agencies working together in the initial 12 months.

**Oversight of Ōtākaro Limited**

The department and the Treasury have responsibility for monitoring Ōtākaro Limited. We heard that the Treasury focuses primarily on its financial performance, while DPMC takes the lead on assessing the company’s contribution to Christchurch’s regeneration.

We note that the company’s constitution has recently changed, and some of us are concerned that this might allow the company to deliver anchor projects that are inconsistent with a recovery plan or a regeneration plan.

We heard that the department is confident that the intentions of the Board and the shareholding Ministers would be to act consistently with regeneration and recovery plans. The department said it would seek legal advice to clarify whether the company can deliver anchor projects inconsistent with recovery or regeneration plans. We will be interested in receiving information about the technical understanding of the new constitution, particularly constitutional requirements regarding commercial and non-commercial outcomes, specifically, whether non-commercial outcomes were possible under the previous constitution.

**Monitoring the recovery arrangements**

We consider it important that we remain informed as the processes between the Greater Christchurch Group, Regenerate Christchurch, and Ōtākaro Limited evolve. We will take a close interest in how well the various parts are working together, and in issues such as consultation about the residential red zone. We look forward to receiving updates on progress, and will monitor future work with interest.

**Learning from the earthquake experience**

The Canterbury Earthquake Recovery Learning and Legacy Programme aims to compile lessons from the earthquake recovery experiences of different sectors so that people in New Zealand and internationally can learn and benefit. We were told that $1.9 million has been budgeted over the 2015/16 and 2016/17 financial years.

We asked whether independent input would be sought on this programme, and whether the budget provides for this. The department told us that the group working on this is mindful of the need for an independent view, and that there will be independent pieces of work done; for example, the Office of the Auditor General has already reviewed aspects of the recovery work. The department said there was money in the budget to provide for
seeking independent views. The committee supports a position of a wider independent analysis than was indicated.

We asked about the timing of this work, and how it would be structured. We heard that the timeframe is still being developed, and the project includes harvesting work already undertaken by CERA. A website will be launched later this year encompassing tools, lessons, and case studies, with a focus on lessons from work at both the whole-of-government and agency level.

**Staff numbers and travel**

Greater Christchurch Group staff are located in both Wellington and Christchurch. We were told that the team is about 40 members in total, with 12 working in Wellington. The rest of the staff are based in Christchurch, and includes solicitors, and members of the communications and ministerial teams.

We asked how much of DPMC’s output expenses had been designated for travel. The department undertook to provide this information, but commented that it is a smaller group than CERA, and regular travel for some staff members will still be necessary.

We heard that Ōtākaro Limited has about 90 staff, and that Regenerate Christchurch is a much smaller organisation with about eight staff currently employed.

We were also interested in DPMC’s overall breakdown, and a breakdown of the Ōtākaro staff. We requested this breakdown by role and by gender. The department said it would provide more detailed statistics of the gender breakdown of staff, but indicated that the balance was reasonable, and that it is involved in diversity work programmes.

**Security and intelligence**

Following a review of the strategic capability and resourcing of New Zealand’s intelligence community, an additional $8.7 million is proposed in new operational funding for the intelligence and security group, plus $600,000 in capital funding over four years. The bulk of this funding will go toward new staff for the National Assessments Bureau. We asked about the effect this funding would have on the bureau’s capacity, and heard that the number of analysts is expected to double over the next four years, providing about 16 extra staff.
Committee procedure

We met on 15 June 2016 and 29 June 2016 to consider Vote Prime Minister and Cabinet. We heard evidence from the Department of the Prime Minister and Cabinet and received advice from the Office of the Auditor General.

Committee members

Hon Ruth Dyson (Chairperson)
Kris Fa’afoi
Paul Foster-Bell
Brett Hudson
Mojo Mathers
Mark Mitchell
Dr Megan Woods replaced Kris Fa’afoi for this item of business

Evidence and advice received

In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Office of the Auditor-General, Briefing on Vote Prime Minister and Cabinet, received 15 June 2016.

Department of the Prime Minister and Cabinet, Response to standard Estimates questionnaire, received 1 June 2016.

Department of the Prime Minister and Cabinet, Response to pre-hearing written questions, received 15 June 2016.
2016/17 Estimates for Vote Revenue

Report of the Finance and Expenditure Committee

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2016/17 ESTIMATES FOR VOTE REVENUE

Vote Revenue

**Recommendation**

The Finance and Expenditure Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Revenue, as set out in Parliamentary Paper B.5 Vol.5, be accepted.

**Introduction**

The appropriations sought for Vote Revenue in 2016/17 total $6,752 million, an increase of 10 percent over estimated actual spending in 2015/16 of $6,132 million. Almost all new funding is for the Inland Revenue Department’s Business Transformation programme. The other increases are for benefits and related expenses and for debt impairment and write-offs.

Over half of the appropriations (55.7 percent) are for benefits or related expenses, mainly for Working for Families tax credits, Kiwisaver payments, and benefit payments such as child support and paid parental leave. The total of $3,763 million for these items in 2016/17 represents an increase of 4 percent from estimated actual benefits or related expenses in 2015/16 of $3,614 million.

Twenty-eight percent of the appropriation is for non-departmental other expenses ($1,887 million) which includes the write-off, write-down, and impairment of debt. This is an increase over the estimated actual expenditure in 2015/16.

Appropriations sought for 2016/17 departmental output expenses are $679 million, an increase of 1 percent on 2015/16 estimated actual expenditure. Within this appropriation there has been a gradual decline in the reported cost of providing services to process obligations and entitlements. This appropriation covers the processing of tax payments, tax credit claims, and refunds and other entitlements by the Inland Revenue Department (IRD). It has decreased by 24 percent over the past four years from $145 million in 2013/14 to $110 million in 2016/17.

**Business Transformation programme**

Funding for this programme is in two appropriations within the vote: departmental other expenses (which increase by $157.6 million, or 198 percent); and departmental capital expenditure (which increases by $102 million or 142 percent). Our committee was last briefed in March 2016 on this programme, which aims to change the IRD’s business processes, policies, and customer services. The Minister described recent developments to us.

We note that the IRD says it is on track and within budget to successfully implement Stage 1 of the programme by the end of April 2017. This involves extending the digital filing submission service, the opening of a new data centre, some testing of the new START software, and engaging with stakeholder groups.

There are significant risks associated with the programme, which is expected to cost over $1 billion; one of these is running two tax ICT systems at the same time. The IRD is currently operating the older FIRST system beside the new system called START. We
understand the IRD is aware of the risks and taking steps to reduce them. The Minister told us that, throughout the roll-out of the programme, it will be important for the IRD to maintain a high level of trust and confidence by the taxpayer. We heard that there was high customer satisfaction with the department’s performance during the first stage of the programme on measures relating to face-to-face, phone, and online contact.

We are taking a close interest in the programme given its importance to the New Zealand taxpayer and the very significant costs involved in developing it and bringing it into operation. We have noted previously that the governance of the programme seems sound, and we will continue to monitor progress closely.

Online filing of GST returns

The first phase of the Business Transformation programme, online filing of GST returns, will be launched in early 2017. We understand that a pilot project with Xero and MYOB customers has been completed, and is currently being rolled out to their remaining customers. Over 2,000 businesses are using the new service. We heard that the new system has dramatically decreased the time it takes to file a GST return.

Small business tax package

In April 2016 a tax package was announced, expected to cost $187 million over four years. The new measures are intended to reduce compliance costs and make tax simpler for small businesses. They include a new pay-as-you-go option for provisional tax, and eliminating or reducing the use-of-money interest. While this package is a significant cost, we heard that it will return benefits and revenue of between $3 billion and $6 billion. We also note that the Minister expects that businesses and taxpayers will have compliance and efficiency savings of between $1.2 billion and $2 billion.

Opportunities for New Zealand businesses

We asked about opportunities for New Zealand businesses to be involved in contracts awarded under the programme. The Minister told us that nearly 80 percent of the investment so far in this project is being spent with New Zealand suppliers and vendors. We also heard that the IRD consults a number of groups, such as a small business tax group and a corporate tax group, so it can receive feedback on the technical elements of the programme.

Redundancies

The Business Transformation Programme is going to change the nature of work at the IRD. We asked how many redundancies are likely to result. We heard that the best estimate is that the workforce will decrease by 25 percent over the next four years. The IRD has several strategies to help deal with the reduction. Many long-serving staff will retire in the next 3 to 5 years, but there will also be an increased use of fixed-term staff, programmes for staff to upskill, and redeployment opportunities.

1 Supplementary questions: 2014/15 Annual Review of the Inland Revenue Department.
### Student loan debt

We understand that the carrying value of student loans as at 30 June 2015 was $8.864 billion. It is forecast to rise to $9.26 billion by the end of 2016/17. In Budget 2016, the Minister is seeking $689 million for the initial write-down in the nominal value of student loans to arrive at their present value, and a further $100 million for the impairment of the value of student loan debt to arrive at the recoverable value.

The proportion of student loans that is repaid is currently just on 50 cents in the dollar. We note that, following a recent law change, there have been some instances of student loan defaulters being arrested at the border and sought the Minister’s comment on this. We heard that three-quarters of the loan book is with overseas-based borrowers and about 90 percent of that is in default. The people arrested at the border have been “belligerently non-compliant with their obligations”. We were assured that the IRD is open to helping borrowers to manage their debt if they contact the department.

We note that much of the overdue payments represent interest on the original debt, which is charged to student borrowers who move overseas. We asked about the possibility of making loans interest-free for these students. The Minister said that this would be highly unlikely.

### Multi-national tax compliance issues

We strongly support measures to ensure that people pay their fair share of tax. We therefore questioned why funding for compliance investigations is projected to reduce from 2017. The IRD explained that previous Budgets provided time-limited funding for specific compliance initiatives, which are due to end. The IRD expects to have discussions in the lead-up to Budget 2017 about what funding might be needed for future compliance activities.

We asked, should foreign companies doing business in New Zealand be required to pay more income tax, whether New Zealand companies doing business overseas would be likely to have to pay more income tax to foreign governments. The Minister acknowledged that this was a risk, but said he is confident that it is mitigated through double tax agreements and other multinational arrangements that New Zealand has with the majority of its trade partners.

### Base erosion and profit shifting (BEPS)

We heard that the IRD continues to work with the OECD to implement the 15-point BEPS action plan that New Zealand has signed up to. The work covers complex issues arising from globalisation, including appropriate ways of taxing large multinational corporations. We asked if the IRD is ready to implement any changes that may come out of the OECD’s ongoing work on this issue. The Minister considers that both the IRD and the OECD are making quite rapid progress. He will release a Cabinet paper soon which summarises the 15 separate initiatives that the IRD is working on with the OECD.

The Minister said that estimates of the extent of the tax problem (somewhere between $1 billion and $7 billion) are unhelpful. He believes that global organisations will always work to reduce their tax obligations. The challenge is to create a tax policy and legal framework that enables the highest levels of compliance, which the IRD is able to monitor. We heard that increased funding for compliance activities in Budget 2015 had enabled the IRD to
individually case-manage the top 50 companies, by turnover, to ensure they are complying with New Zealand tax law.

We asked the Minister for an estimate of the tax which is being foregone as a result of base erosion and profit shifting. We were told that the IRD does not have data which would enable it to make an accurate estimate of the tax lost in New Zealand as a result of BEPS. The IRD expects the tax forgone would be at the lower end of the scale, but there is no hard evidence of this.

The Minister told us about several initiatives which are underway. New Zealand has signed up to the Foreign Account Tax Compliance Act (FATCA) with the United States. This is an information-sharing requirement for US tax citizens. New Zealand has also signed up to the Standard for Automatic Exchange of Financial Account Information in Tax Matters (AEOI). This standard, which requires financial transaction information to be shared globally, will come into effect in the middle of 2017. New Zealand also recently signed up to the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports (CbC MCAA), which 39 other countries have signed up to. These initiatives will aid transparency on the issue of tax avoidance.

We asked the Minister whether there are plans to introduce a diverted profits tax, or “Google tax”, as in the United Kingdom and Australia. We heard that, under our current tax law, there is already the ability to do part of what the diverted profits tax does. The Minister also noted that Australia has a different problem from New Zealand in that it has large organisations domiciled in Australia which structure their affairs to make it look like they are not permanently based there. He said that New Zealand does not have this problem.

**Tax avoidance by foreign trusts**

We asked the Minister about the issue of tax avoidance through the use of foreign trusts. The Government has appointed tax expert John Shewan to review the disclosure regime for foreign trusts. We were told that the Ministers of Revenue and Finance regularly meet with Mr Shewan to ensure he is addressing the right issues and that he is on track to meet the end of June report deadline.

We raised with the Minister an issue relating to information about foreign trusts which was provided to the committee during the Estimates process in 2015. We understood the then Minister to have said that reports he had received did not draw any conclusions about foreign trusts. Since then, information has indicated that the IRD did raise concerns about the foreign trust tax regime and that the topic was on their work programme. The Minister clarified the situation. He told us that the then Minister had spoken with the IRD about where work on a change to the trustee tax point would sit in their busy and complex work programme, and what they would recommend dropping to review the disclosure regime. The IRD did not wish to drop other work to focus on this.

Some members of the committee challenged this version of events, referring to briefing papers released by the IRD. The Minister said that there have been a number of recent revelations bearing on the issue since then, and he feels that the Government’s response of appointing Mr Shewan to do a review is appropriate. We will read with interest Mr Shewan’s report when it is presented.
Property taxes

Over the past year we have considered pieces of legislation which have introduced new requirements for property purchases: the brightline test and the non-resident withholding tax framework. We asked if there is an updated estimate on the costs of implementing the brightline test and how much revenue it would generate. We heard that an update is not available, as the legislation applies to properties purchased since October 2015 and it will take some time before information based on sales becomes available.

We were also interested in whether the requirement for overseas purchasers to provide a tax identification number has helped with tax compliance. We heard that this is a joint initiative between the IRD and Land Information New Zealand (LINZ), with the information held by LINZ. The best estimate, based on the 6 months of available data, is that the non-tax-resident purchases of land are low, at about 3 percent. That does not account for land sales by non-tax-residents or transactions where the purchase and the sale are between two non-tax-residents.

We asked if the IRD is working on a land tax that would be charged on everything other than the family home. We heard that it is currently revising its work programme, but it is not working specifically on a land tax.
Appendix A

Committee procedure
We met on 15 June and 29 June 2016 to consider Vote Revenue. We heard evidence from the Minister of Revenue, Hon Michael Woodhouse, and the Inland Revenue Department, and received advice from the Office of the Auditor-General.

Committee members
David Bennett (Chairperson)
Andrew Bayly
Chris Bishop
Hon Clayton Cosgrove
Julie Anne Genter
Stuart Nash
Rt Hon Winston Peters
Grant Robertson
Jami-Lee Ross
Alastair Scott
David Seymour

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Revenue, prepared by committee staff, 15 June 2016.
Office of the Auditor-General, Briefing on Vote Revenue, received 15 June 2016.
Minister of Revenue, Response to Standard Estimates Questionnaire, received 15 June 2016.

Minister of Revenue, Response to additional questions, received 22 June 2016.
Mr Chair, fellow members, firstly can I introduce the team, who I am sure you’re familiar with, but Naomi Ferguson, Commissioner of Inland Revenue, and Deputy Commissioner Struan Little, who's Deputy Commissioner of Policy and Strategy. There are another couple of very intelligent folk across my shoulder who will come off the bench and help with the hard questions if necessary.

I’ve been Minister of Revenue for about 7 or 8 months now, and it’s fair to say there’s probably been a little bit more scrutiny on the matters relating to tax and tax administration than would traditionally be the case. I think that reflects a couple of things. One is the very significant programme of work that Inland Revenue are embarking on—the Business Transformation project—but also some scrutiny around issues around, for example, multinational tax compliance and avoidance, which I’ll touch on.

But, firstly, in respect of the reason we’re here, the estimates and Budget 2016, clearly there is a significant appropriation for Vote Revenue in order to be able to achieve the goals of the business transformation—$857 million, in a mix of operational and capital funding, to deliver what is, essentially, a $1.5 billion technical project, but of course it is also a significant change in the way Inland Revenue interacts with the millions of taxpayers across the country, both business and personal. I think that reflects a very strong cultural and operational shift where, rather than require taxpayers to fit in with IRD’s systems, we’re challenging IRD to fit
in with business and with taxpayers. And I think they’re responding to that extremely well.

The evidence of that will be evident in the first phase of business transformation, when the GST roll-out occurs early next year. In advance of that we’re also already seeing significant achievements with, for example, accounting software providers who are gearing up their systems for their clients to ensure that they are able to take advantage of the new technical framework.

Phase two, of course, is the meat and drink, in my view, of the income tax compliance part. And the Government, through its Budget 2016, has announced a small business tax package, which significantly changes the way small businesses will be able to meet their compliance obligations, and it’ll, effectively, dispense with—if that is their choice—the clunky and punitive provisional tax regime that we’ve had in New Zealand for many years, which simply does not fit with the cycle of business. So using the accounting income method that most small businesses have in their accounting software, they will be able to meet their provisional tax compliance and, effectively, pay as they go.

The announcement also included the significant reduction—and removal in many cases—of the punitive penalties in use-of-money interest that goes along with often innocent underestimations of profit. Now, it’s a significant direct cost, and that’s been appropriated for in this year’s Budget, and we are confident that we’re able to reap benefits to the Crown, both in efficiencies and in extra Crown revenue, of between $3 billion and $6 billion. But I think the committee will also be interested to know that by the best estimates—and they’re fairly conservative—that business and taxpayers themselves will have compliance efficiency savings of between $1.2 billion and $2 billion. So, without sounding euphemistic, this is very much a win-win situation for both IRD, the Government, and the taxpayers.

It’s been a very busy year, and will continue to be, on the policy front. We, with your help, have introduced the brightline test, the non-resident withholding tax framework for the brightline test for non-residents. We’re also working hard on the 15-point base erosion and profit shifting, or BEPS, action plan that New Zealand has signed up to. And there’s a number of other workstreams in the international arena.

Of course, there’s been quite a bit of focus on the issue of foreign trusts in the wake of the revelations that are known as the Panama Papers, and in response to that the Government has asked tax expert John Shewan to report to it, review the disclosure regime for foreign trusts, and Bill English and I are expecting a report on that at the end of June. The terms of reference for that inquiry included Bill and I checking in with Mr Shewan from time to time. We have done so, we’re confident that he’s addressing the right issues and that he’ll be able to meet that time—that rather challenging deadline.

Other matters on the policy front—obviously last night I commenced the first reading of a bill in the House, which will make some small but quite
important changes to give effect to business transformation, and address some remedial matters, of course, as well as setting the tax rates for this year. There are a number of business-friendly measures in that to create greater certainty and fairness in our tax rules.

I just want to turn for a moment to the performance of IRD, because what will be very important through this business transformation is that IRD maintains a high level of trust and confidence by the taxpayer in it; that it continues to discharge its responsibilities fairly and effectively. And I’m pleased to note that, through at least the first stage of BT, confidence and customer satisfaction with IRD’s performance remains high at around the performance measures set for it at 85 percent for face-to-face and phone contact, and 90 or 95 percent for online contact. That’s going to be a really important monitoring measure for me, that the technical changes need to go well, but also that the customer satisfaction remains high.

So, too, is going to be the engagement and support of the staff, who, it is fair to say, are going to go through a dramatic change, not only in the way they do their job but in how many staff are deployed. And the 4-year estimates have a significant reduction in the number, and change in the way in which staff do their jobs. So I’ve been tuning in around the network to see how they’re feeling about that. And you would understand there’s quite a bit of nervousness, but I think an understanding about the strategic direction, which the senior management team, I think, have done a very good job of articulating, and also being as open as they can be with the information they’ve got about what this is going to mean for them, so that they can prepare for the future as well. There’s a number of responses, as you can imagine, but I’m satisfied that that is being sensitively and clearly communicated to the staff.

At the other end of the customer support function, of course, is the matter of collections and non-compliance. And of course we have a number of areas of risk, a black economy that, as the economy more broadly grows, does have risks attached to it—issues of property development and non-compliance with the current tax rules—and I’m very satisfied, actually, with the way in which all of those matters are going. So, with that, Mr Chairman, I think I’ll pause there and I’d be very happy to take your questions.

Nash If I could just make a general point and that is, I didn’t feel some of the questions were answered in a way that was particularly helpful. I know you’ve got, Commissioner, 13.7 fulltime-equivalent staff working on this. And the classic one for me, I think, was question seven. You know, it’s always problematic—well, not problematic—but it takes longer when you say: “We’re not going to answer this question but refer to this document.” There were a number of those, and certainly in the standard estimates questionnaire, which, you know, these are the questions that we ask every single year. You know they’re coming, and so. And another one which would have been more helpful is question 109, the table on page 87—you know how to break these down, because you’ve done it in question 104 on page 86. The table in 109 is just meaningless, so just a little bit more clarity would make it a bit easier.
Minister, I would like to talk a little bit about the base erosion and profit shifting. You mentioned on page 12—so that is question 11. All it says is changes to address the increasing concern that some multinationals pay little or no tax anywhere in the world, policy and legislative change will also reflect the agreement reached on international cooperation. I suppose what I would like to know—and if I could ask you, sort of, three or four questions, feel free to answer them in any order. I’ve read that the problem is anywhere from $1 billion to $7 billion and that, obviously, it’s out there. But what I would like to know is what the IR is doing about this. Are our systems ready to implement stuff that—the OECD at the moment is working at a great rate of knots; it’s putting out regular papers; it’s making regular recommendations. Are the IR systems ready to implement stuff as and when it comes out of the OECD? And what sort of legislative changes or new legislative, well, changes actually, are you looking at doing in this area?

Woodhouse Let me just make a couple of comments about the $1 billion to $7 billion, and I’m on the record as saying that I think estimates of this nature are most unhelpful. They’re essentially fingers in the air, based on gross revenue, and I have been critical of people who talk about gross revenue and extrapolate a tax obligation from that.

The simple fact is, large organisations with a global reach will work to reduce their tax obligations. I think that is pretty rational behaviour. The challenge then is to make sure that we have a tax policy framework and legal framework which enables the highest levels of compliance and that the Government deploys resources to IRD to be able to monitor that.

When a recent exposé of the top 20 multinationals and their gross revenue was reported, I would respectfully point out that there was a pretty significant part of that story that wasn’t. IRD are prevented, by section 81 of the Tax Administration Act, from giving even me much detail about the way in which they deploy those resources to specific taxpayers. I don’t think anybody will disagree with that, in principle. But in last year’s Budget we did beef up the compliance resource in order to effectively case manage a significant proportion; Naomi, you may need to tell me exactly the number.

Ferguson Fifty.

Woodhouse The top 50 companies by turnover, including many of those, are one-on-one case-managed to ensure they’re complying with New Zealand tax law. So then the question goes to: what’s the issue with the OECD’s response? What are we actually doing in order to be able to, sort of, close the walls in around multinational tax avoidance? Now, I’ll be releasing a paper that I took to Cabinet very recently, which summarised the 15 separate initiatives that are going on by IRD with the OECD as part of that action plan. My view is, my sense is, that whereas the OECD may sometimes work at a reasonably slow and measured pace, they are moving very, very quickly, by their standards, and actually by the standards of a global response, to close those loopholes.
So the things that we have seen, I guess, occur in two different places. The legal framework for the allowance or disallowance of certain deductions against revenue, including thin cap rules, transfer pricing rules, hybrid mismatch, interest limitation—all of those things are being either implemented or actively worked on for implementation.

The second is in tax transparency. So we have signed up to FATCA with the United States, which is an information-sharing requirement for US tax citizens. We have signed up to the automatic exchange of information, which will come in—I think the legislation is before your committee, actually, that will give effect to that. That will come into place from the middle of next year, and that will require the financial transaction information to be shared globally. We’re also signing up to the Convention on—can you remind me what that’s called? The Multinational Convention on Financial Reporting, which we are now one of 39 countries that are signed up to that.

I think those sorts of initiatives are going to be material to the transparency, the shining a light on what’s actually going on.

Nash If I may, Minister. The figures aren’t about gross revenue. What they are is estimates of tax we’re missing out on, and I suppose the point I would make—

Woodhouse Yes, but I would reiterate that those estimates are not based on any robust analysis and they’re, frankly, unhelpful.

Nash But what it does do is it shines a light on the scale of this problem, and I suppose the point I’m making is that this is seen by the international community as probably the major tax problem around the world. The other thing is what these companies are doing is not illegal, and that is the point. I suppose my question is, first of all, are we on top of this? Secondly, when the OECD says “This is what we need to do.”, or “This is what you need to do in order to comply.”, are our systems in place and are they robust enough to be able to meet the requirements of the OECD recommendations in a timely manner?

Woodhouse I will make two quick points. Firstly, if it’s illegal, then it underscores my point about the estimates of $1 billion to $7 billion in—what?—avoided/evaded/unpaid tax.

The second thing I would also point out is that it’s absolutely crucial that countries that are affected by this, work in harmony.

The third thing I’d say is that we need to be very careful what we wish for, because these are companies that the key to the degree to which they are required to comply with New Zealand tax law will depend on whether they have a permanent establishment here in New Zealand. We need to be a bit careful what we wish for when we have very large companies trading with the rest of the world that don’t have a permanent establishment in those countries and repatriate their profits back into New Zealand to pay tax on them here. We can think of a number of them.
The last thing I would say is when we think about a pipeline of goods being moved internationally into New Zealand, the pipeline doesn’t end often with the supplier; it ends with the retailer. So while gross revenue might be earned by a good supplier into New Zealand—let’s say it’s an electronic good the like of which you’re working on now—the profit on that transaction may not be paid by the intermediary, but it will be being paid by the retailer in the high street.

Nash I will make one more statement. When you say be careful what we wish for, I think all we wish for is that people pay their fair share of tax, like the vast majority of middle New Zealanders. That’s all we want: assurances that the IR is in a position to deliver on the legislative changes that the IRD has said we need to do, in conjunction with everyone else, so we can hit the ground running and we’re not laggards or seen as a haven or anything along those lines.

Woodhouse And to that degree, Mr Nash, I absolutely agree with you. It doesn’t feel fair that reported gross income in a country like New Zealand does not have a commensurate tax obligation in that country. But IRD—and I’ve quizzed them on this very strongly—they do go very hard to ensure that domestic law is followed by those companies. Where there are loopholes and multi-country responses that we can take, we are very much at the table in that discussion and that action.

Bishop Thank you very much, Minister. I just want to ask about student loan debt. Obviously we’ve had the recent high-profile arrests at the border, and I know that the department’s done a lot of work over the last few years on recovering this debt that’s overseas. I just want to know where you see that going. I note in the estimates that on the tax policy work programme there’s a series of work that’s going to go on about legacy debt. So where do you see that going over the next few years?

Woodhouse So look, in the same context of fairness I think the New Zealand public have, I think they also think that it’s fair that people should—when they are having interest-free student loans extended to them by the taxpayer, many of them haven’t had the opportunity to go to university—that they should have those debts repaid.

Now, what we know is that the loan book sits at just over a billion dollars, but three-quarters of that is with overseas-based borrowers and about 90 percent of that is in default. So we do have, and we have recognised, a significant hard-core debt-management issue there.

The perception of people getting arrested at the airport I think needs to be challenged, because IRD are very, very clear with every single borrower—overseas or domestic—that all they need to do is pick up the phone and have a chat. Arrangements can be made. The commissioner does have discretion to manage that debt in a way that is appropriate for IRD, the New Zealand taxpayer, and the borrower.

But the people we see being arrested at the airport are those who have been belligerently non-compliant with their obligations and who think they can
come and go into New Zealand with impunity. Now I don’t agree with NZUSA when they say this is bad for borrowers. Actually this is bad for the New Zealand taxpayer if we don’t follow that path. I think everybody would agree it’s appropriate to treat people fairly, but they need to treat the New Zealand taxpayer fairly as well.

Shaw I just wanted to pick up on some of the questions that Stuart was raising around multinational tax avoidance and base erosion. It looks like, from Budget 2016, that there are no new measures to address multinational tax avoidance and that, in fact, it looks like there’s a slight increase in the IRD investigations and auditing this year, from somewhere around $170 million to about $180 million, but that after that you’re expecting the budget for that to drop off quite substantially over the course of subsequent years. Given the increased attention on that, why is the investigations and auditing function being run down?

Woodhouse I will leave Naomi to talk about the trends in the scheme—that’s a level of detail I don’t quite have. But I would say this: if we are waiting for a Budget to do something about international tax avoidance, then we’re failing in our duty. This is actually a continuous body of work that started some time ago, was invested in heavily last year, both financially and in terms of strategy through the OECD, and will continue through. We’ve done a number of things around information sharing, around thin cap rule changes—a number of initiatives. I can go through them here. I have them if you want me to bore the committee to death. Controlled foreign company rules are all being knocked off one at a time, and we’re looking at the hybrid mismatch and the interest limitation right now. That’s within the context of that 15-step plan the OECD has. I think if there was a big tarantara announcement in Budget 16, we’d be equally criticised for being asleep at the wheel prior to that. I don’t believe that’s the case at all.

Shaw It’s a question about the funding of the investigations and auditing function.

Ferguson Perhaps if I could take it back, as well, to the question about Inland Revenue readiness. Obviously this is a work programme that we’ve been working on for the past couple of years. One of the things that, when I’m speaking with my international colleagues, I feel very grateful for is that, actually, our policy and operations work very closely together, and so it isn’t a matter of policy appearing one day and the operations not being ready for it. In this year’s appropriations, for example, we have sought funding to implement the system changes we will need to bring EOI into force and to be able to ensure that we can exchange information at the volume and level that we expect there, and learning from our experience of FACTA, which we’re already exchanging information through and under.

In terms of the investigators, the figures in the forward plan are a reflection of the fact that in Budget 12, Budget 14, Budget 15 the Government provided us with time-limited funding for a range of compliance activities: property, hidden economy, and complex investigatory work. All of those have been showing excellent rates of return, but they are time-limited and, normally, what we would do is work with the Government at the point
when those are starting to come to an end and considering whether or not there is still tax risk there that the Government wants us to continue to work on.

So that’s the reason for the downfall—it’s simply that those funding allocations that were made previously are time-limited. I think that’s appropriate, and if our compliance activity is effective, then, actually, the amount of compliance risk in certain areas should decrease over time. It’s appropriate for us to come back to the Government of the day as that is coming to an end with an updated picture of compliance risk and a conversation then about the appropriate level of resourcing of that risk.

Shaw When’s that likely to happen?

Ferguson It starts to taper down from ‘17.

Shaw Yes. But, sorry, the projection is a fairly steep drop-off from 2017—so, from the end of the next financial year. When does the conversation with Government—

Ferguson We would expect to do that as part of next year’s Budget.

Seymour Well, Minister, how can you assure the New Zealand public that foreign companies doing business in New Zealand will pay more income tax, but New Zealand companies doing business overseas will not end up paying more income tax to foreign Governments? For instance, Fonterra paying income tax to the Chinese Government, Weta Workshop’s paying tax to the American Government—are we not entering into a very dangerous game?

Woodhouse The answer is a qualified yes, and that’s why I said in my introduction that we do need to be a little bit careful what we wish for around this. But, to the degree—and I’ll quote the Minister of Finance here because he said this on a number of occasions: “To the degree that there is multinational tax avoidance, it’s not a question of the fact that it’s not being paid here; it’s tax that’s not being paid anywhere.” There are a number of tax haven jurisdictions around the world with very low or no tax. If you take a macro view of that dilemma that you’ve described in your question, my sense is that when the noose is tightened around these companies, we will probably be net beneficiaries of the tax base. But we need to be cautious to make sure that those companies that export our product, which don’t have a permanent established base in those markets, don’t then end up paying more tax.

Seymour How can we be confident that we’ll be likely to be net beneficiaries when the OECD tells us we have one of the highest all-in taxes on capital amongst the group of developed nations?

Woodhouse I think we can be confident because we have a comprehensive suite of double tax agreements and other multinational arrangements with those mature tax jurisdictions, the majority of whom are the markets that we trade with. We tend to have a high level of correlation between the markets we trade with and the markets we have tax arrangements with, so for that reason I am confident. I think you’ve identified a risk. It is real, but we need to take, I think, a more agnostic view of the challenge, which is to make
sure that in the 21st Century—we do have a tax collection framework that is pretty much modelled on a bricks and mortar merchant model that is very domestically focused, and global commerce has changed dramatically in the last 15 or 20 years. So that’s a challenge for all nations.

Seymour Thank you, Minister. In your introduction, you mentioned some very significant sounding improvements in compliance costs for business. I missed the figures; could you just run through those, but also just talk about what the cost of administering these new systems will be? In other words, what’s the net benefit?

Woodhouse They’re good questions, of course. In terms of the Crown’s efficiency gains, and they’re in the forward projections, and for revenue gain, between $3 billion and $6 billion. For businesses themselves, we’re conservatively estimating that at $1.2 billion to $2 billion. The first phase of the BT rollout is GST, and I’ll just give you an example of the sorts of efficiencies that that will occur. We’ve had anecdotes from people who’ve had the system tested with them—small businesses that are saying: “Look, this GST stuff, even when it’s really, really efficient and easy to do, will take me 20 to 25 minutes. This will take me 2 or 3 minutes.” Hit a button, push it through, it’s gone. I’ve been at the other end of that, where the GST module has been in the beta system. They came and tested it on me, a lapsed accountant that hasn’t done an inquiry into a GST as a tax agent in nearly 20 years, and I was incredibly surprised and pleased to see how efficiently a mismatched payment from a couple of months earlier could be remedied; it took me 7 minutes. Staff challenged me to guess how long that would take under the current system; it would be 11 days end to end, and probably several hours of staff time. These are significant and tangible issues.

Robertson Minister, your counterparts in Australia and the UK have introduced diverted profits or “Google taxes”; why haven’t you?

Woodhouse For a couple of reasons. Under current tax law, we already have the ability to do some of the stuff that the diverted profits tax does. Let me start with Australia, because that was a Budget announcement with a big number but not a lot of detail. Our best estimate of the response to that is that Australia has a different problem. Australia has a set of very large organisations that are, in substance, domiciled in Australia, but are structuring their affairs to give the impression that they don’t have a permanent establishment in Australia. Therefore, a diverted profits tax is going to look through that and identify the substance of their structures. We don’t have the same problem.

Robertson On what basis do you make that statement, that we don’t have the same problem? What work have you done to establish whether or not we do or don’t have the same problem?

Woodhouse Well, I’m advised that IRD’s and tax experts’ best estimates is that the environment in which those Australian companies are doing business is simply not the same as ours. We don’t have Fonterra pretending to be in Singapore, and Australia does have some of their large companies that are doing that. So they’re solving a problem that we don’t have.
To the degree that the diverted profits tax in the UK was called a Google tax, it's actually interesting to reflect on whether Google themselves would be considered to have a permanent establishment in the United Kingdom, where they have 3,000 staff in the UK and about 300 staff in the United Kingdom. But, nevertheless, that does go back to the question that we have and the challenge that we have of identifying the substance of economic transactions and whether they should be taxable in those countries, and that's what the OECD work is doing. One thing the OECD does say is that, in order for this to be effective globally, is that we need to work in harmony. There are some commentators that believe that a diverted profits tax, in the way that some countries have announced it, gets out ahead of that and may not be effective because of it.

Robertson: OK, I’m not going to have much time, so a few rapid-fire ones for you. Is anyone in IRD doing any work on a land tax at the moment?

Woodhouse: How would you describe a land tax in that question?

Robertson: How about the way the Prime Minister described it?

Woodhouse: And how did the Prime Minister describe it in your estimation?

Robertson: Ha! I thought you hung off his every word.

Woodhouse: Well, be more specific, and I’ll give you an answer.

Robertson: Ah, I don’t know that I can be a lot more specific than that. Is anyone at IRD doing work on a land tax—

Woodhouse: Well, land isn’t taxed; income is.

Robertson: —a comprehensive land tax charged on everything other than the family home?

Woodhouse: So you’re talking about a comprehensive capital gains tax?

Robertson: No, I’m talking about a land tax, as your Prime Minister noted he was considering.

Woodhouse: Well, I need to defer on that.

Cosgrove: He might’ve answered your question.

Woodhouse: I don’t believe so. We’ll be releasing the work programme in the next couple of months, so stand by.

Robertson: You don’t believe so? Perhaps, we could refer to the commissioner on this, then.

Cosgrove: There either is or there isn’t.

Robertson: I mean, you’re the Minister, so I thought you might know, but if not we’ll go to the commissioner.

Ferguson: As the Minister has said, we are revising our current work programme. We will release that in the next few months. I think it’s fair to say that we are always looking at the tax system and base as a whole. I genuinely find it a difficult question. I do not have a team of people working specifically on something called a land tax. Are we constantly thinking about are there
different ways in which the tax system can be improved, are there different tax risks? Yes.

Robertson Minister, have you received any advice on the prospect of a land tax from IRD?

Woodhouse No.

Robertson OK. On the brightline test, have we got an updated estimate on the costs of implementation and how much you expect to gain in revenue from the brightline test? We did have some figures from the commissioner the last time she was here.

Woodhouse Not to my recollection.

Ferguson No. We haven’t updated those figures. Obviously the legislation changed recently. It will apply to transactions that have occurred since October of last year, and it will be some time before those work into the tax system.

Ross Minister, in your introduction you raised the brightline test, as Grant Robertson just did there. At the same time as the brightline test came in there was no requirement for overseas purchasers to provide a foreign tax identification number.

Can you give us the flavour as to the information that IRD is picking up from that new requirement to provide that tax identification number? It’s been about 8 months now—8 full months—since that requirement came in, and how that is aiding IRD with tax compliance?

Woodhouse The implementation of the brightline test and the requirements for all purchasers to have an IRD number or a TIN tax identification number is a joint initiative between Land Information New Zealand and IRD. The information is in the custody of LINZ. The best information that I have is that now that we’ve washed through the first 6 months of data we are able to say with a little bit more certainty about what the extent of non-tax resident purchases of land are. They’re very low.

By the best estimates, the gross number in that period is around 3 percent and that doesn’t account for land sales by non-tax residents, nor does it account for transactions where the purchase and the sale are between two non-tax residents. But I think it does start to—it’s early days—but it does start to paint a slightly clearer and more objective picture of property ownership in New Zealand.

Ross How is the requirement to provide that foreign tax identification number going to aid IRD in formulating policy in the future?

Woodhouse Well, quite simply we will know who these people are and where they are. It will certainly make compliance with the new brightline test much, much better. Of course the non-resident withholding tax framework that was recently passed into law will also be a significant source deduction in compliance with that new tax. So I’m very confident we’ve got it in the right place.
Shaw  Minister, last year in this committee your predecessor told my colleague Russel Norman that reports that he’d received drew no conclusions about foreign trusts. But since then those reports have come to light from Inland Revenue, and it appears that they actually did raise serious questions about the foreign trust regime. So I’m just concerned that the committee last year was misinformed or misled in relation to that, and I wonder if you’ve got any new information?

Woodhouse  Or misunderstood, but given that Dr Norman’s not here we certainly can’t fact check that. Let me tell you what I think occurred during that period. It’s pretty well documented now. When IRD raised the possibility that a review of the foreign trust regime should be put on the work programme, there was no suggestion—even by IRD—that there would be a move away from the convention put in place by the fourth Labour Government that the tax point for a trust should be the settlor and the distribution to the beneficiary.

It’s well on record now that that significantly closed a loophole in the New Zealand tax base, but that there were questions about whether the transparency of the disclosure regime under the IR607 was sufficient to provide necessary transparency.

When Mr McClay was asked by the foreign trust industry what the facts were, they believed that there was going to be a change to the trustee tax point. He reassured them that that wasn’t the case and asked officials where this would sit in a very complex and busy work programme. Effectively, what would they drop in order to do a review of the disclosure regime? They said they weren’t really prepared to drop anything. The train was on the track with BT, and he said well, that’s your answer.

Now there have been a number of revelations since then that have, I think, gone to the confidence in the New Zealand tax system—not the least of which is a number of politicians that continue to claim that we’re a tax haven when we’re not. I think the response to that is appropriate. Mr Shewan will be reporting back to Government, and I look forward to his findings.

Scott  Yeah, I had one around the student loans. Minister, there’s a number—9 billion, shall we say—and that number’s derived through a set of assumptions you’ve made, or the department’s made. How confident are you that that number is right? I mean, are you 90 percent confident the number could be between, say, 6 and 10, or 3 and 12? Because there’s a whole lot of scenario analysis that you would do to get to that number. You know—for example, the assumption that—

Ferguson  Mr Chair, which number does he mean?

Scott  I’m looking at the carrying value of student loans.

Ferguson  Ah. So the valuation is an actuarial and carried out for the Ministry of Education?

Scott  Yeah. So there’s a bunch of assumptions in there like, as you say, actuarial. So if interest rates rose by 3 percent, that number would change. If more
students went overseas than you assume, that number would change. If the economy grew faster or slower, that number would change. So I’m trying to work out, statistically, what is the variability you could expect around that number with a reasonable level of confidence?

Ferguson: As I say, I think we’ll have to come back to you with a response. It’s actually a valuation that’s carried out by the Ministry of Education as much as us, so I’m not up with the detail of that.

Scott: So I don’t need to know the assumptions that you made. I just want to know—because you will run scenarios, right? The variability of that number—how bad or how good?

Woodhouse: Is that a Ministry of Education role though? Are they doing it?

Ferguson: Yes.

Scott: OK. Thank you.

Seymour: For every dollar loaned under the student loan scheme, how much is Inland Revenue currently recollecting?

Woodhouse: Ah! Gosh. The Minister of Tertiary Education reports on that, and I think it’s gone from about 45 cents in the dollar to about 53 or 54 cents in the dollar—

Ferguson: Yes.

Woodhouse: —please don’t quote me on that. We will get—

Ferguson: It’s just on 50—

Woodhouse: Just on 50. OK. So it’s gone up about 10 percent in the last few years.

Nash: Couple of questions. First of all, 70 percent of overseas student loan borrowers are in default. Are you looking at any changes to the system to bring that into line?

Woodhouse: Well, we’ve already made significant changes to the way in which we engage with them. Obviously we’ve got information-sharing arrangements with Australia where a significant number of them reside. We’re also having a look at a couple of other—

Nash: For example, interest-free for overseas borrowers—anything like that?

Woodhouse: That’s not on the work programme. I would suggest that’s highly unlikely.

Nash: OK. One other one. Number of redundancies going forward—you talked about the fact that business transformation’s going to change the nature of the work.

Woodhouse: Yep.

Nash: You got a figure? I don’t have to have a number, but 10 percent, 20 percent, 5 percent?

Woodhouse: No. It’s more than that. It’s about 25 percent is the best estimate right now, and it goes along in a reasonable level of small reductions until 2019-20
when it will drop rather significantly. So IRD have got a number of strategies to deal with that.

Firstly, I think the country benefits from a huge amount of loyalty and longevity in the Inland Revenue Department and there are many people who over the next 3 to 5 years are going to be contemplating retirement.

There’s also a significant skill change programme to upskill, particularly in the areas of administration and IT, but that’s probably where there will be a number of redundancies. During this period there has been a greater use of fixed-term staff, so the impact on that is mitigated. Then, of course, there’s redeployment options that are going to be swung into place.

Robertson I just want to take you back to James Shaw’s questions to just—now, this is Appendix A of a paper dated 14 November 2014. On it, it includes, under section 2, review taxation of foreign trusts with a report-back date to the Minister. You just told us before it wasn’t on the IRD’s work programme, or that—

Woodhouse No, I didn’t. What I said was—

Robertson It was there. They’d already decided to do it, Minister.

Bennett Let him answer the question.

Woodhouse I’ll clarify my understanding of that, and I’ll need—checked on that, you can chime in. The question was not whether the taxation point of a foreign trust should be reviewed. There were a number of issues around the disclosure regime and taxation more generally, but it didn’t go the fundamental question of whether the trustees should be taxed, because that caused a flight of trusts to be set up in places like the Cook Islands until 1988, and the previous Labour Government—the fourth Labour Government—did exactly the right thing in closing that loophole.

Robertson Minister, there’s an email dated 3 December 2014 from, I presume the Minister of Revenue’s office—it’s redacted—to some of the staff at IRD that expresses concern from the Minister that one of the options that will be presented to him in the report before the end of the year would be a removal of the foreign trust regime. They were talking about that.

Woodhouse The foreign trust industry believed that to be the case, that was—

Robertson No, no, no. This was an email from a person with a parliamentary email address. Sorry, I want an answer, Mr Chair. They were talking about—

Woodhouse I haven’t got the email in front of me. I’m very clear about—

Robertson Well you’ve been telling us that they weren’t. And this is an email from someone in a ministerial office saying the Minister’s concerned that removing the foreign trust regime was—

Woodhouse Yes, that’s quite right. He would have been concerned—

Robertson Well, that’s right, but they were looking at—that’s my point. But my point, Minister, is they were looking at removing it, and you keep telling us they weren’t.
Woodhouse    Well, what I understand is that that was subsequently clarified between the Minister and IRD, and I stand by everything I’ve said in that regard.

Robertson   I don’t think the papers back you up, Minister.

Bayly       I just want to continue around the business transformation, given the scale of that project. So obviously you’re rolling out GST next year?

Woodhouse   Yep.

Bayly       I just want to get a feel for what the next priority after that, and also to get a sense of New Zealand firms that could get involved in that process. Obviously MYOB and Xero have been involved in it, but what other opportunities are there?

Woodhouse   New Zealand firms are very much involved in that process in a number of ways. So, firstly, Inland Revenue has a number of consultancy groups with whom they interact—there’s a small business tax group, there’s the corporate tax group, there’s a number of others—and they are all very much engaged in the technical elements of what this might constitute. I think the small business tax package that we announced in this Budget is a very good example of the fruits of that ethic.

There was also, you may recall there was—when the question of who would be the vendor, singular, of this IT project would come up, that it was going to go to an overseas vendor, to the neglect or the overlooking of New Zealand-based IT providers. Well, nothing could be further from the case at this stage. Nearly 80 percent of the investment so far in this project is being spent with New Zealand suppliers and vendors, and even those that are overseas have brought in experts here who are now tax residents and are churning money through the New Zealand tax system. So I’m very confident the significant investment that we are making in this project is actually being spent in New Zealand.

Bennett    Well, thank you very much Minister and Commissioner and your team. Appreciate your time.

conclusion of evidence
2016/17 Estimates for Vote State Services

Report of the Government Administration Committee

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Vote State Services

Recommendation
The Government Administration Committee recommends that the appropriations for the year ending 30 June 2017 for Vote State Services, as set out in Parliamentary Paper B.5 Vol 5, be accepted.

Introduction
The Minister of State Services is responsible for the appropriations in Vote State Services, which is administered by the State Services Commission. The State Services Commissioner’s core roles and responsibilities relate to public service departments, public service chief executives, and employment relations.

The appropriations sought for Vote State Services decrease by $1.329 million (3.1 percent) to $41.589 million in 2016/17 from an estimated actual expenditure of $42.918 million in 2015/16. Of this, funding sought for capital expenditure totals $245,000.

Most of the funding sought for the vote is for “Policy Advice and Management of the Public Management System” ($27.197 million) and “Remuneration and Related Employment Costs of Chief Executives” ($13.9 million).

State sector leadership
The departmental output expense “Management of the Public Management System” is to ensure the Public Management System has the design, capability and performance to deliver public services. The appropriation sought decreases by just over five percent to $21.665 million in 2016/17 from an estimated actual of $22.887 million in 2015/16.

The Estimates explain that the decrease is primarily due to:

- the reduced level of funding required for the Leadership Capability Deployment and Development Programme
- the effect of timing on funding for the Development and Facilitation of Continuous Improvement Across the State Sector policy initiative.

The Minister told us that a key focus during the past year has been on leadership changes. During this time, a large number of staff have moved between agencies. A high number of people have also entered senior roles from outside the public service.

Data and service delivery
We asked the Minister how data is being used to drive better decision-making and service delivery. The Minister cited a traveller’s journey through Auckland Airport as an example of cross-agency work that has resulted in improved job satisfaction for airport staff and an improved customer experience.

Data was used to review customer interactions with government at different points at the international airport. Analysis of the data considered how the interactions could be improved and resulted in faster, fewer, and more efficient interactions.
The Minister explained that the Social Investment Unit has been set up to consider the use of data. The Social Investment Unit collects data and checks its integrity. It also examines who money is spent on, when it is spent, and the duration of the spending. The intention is to use the data to make changes at the system level so that government systems can better respond to the needs of people who use government services.

**Transparency International Corruption Perceptions Index**

We observed that New Zealand slipped two places—from second to fourth—in the 2015 Transparency International Corruption Perceptions Index rating. We noted the absence of performance measures in the Estimates against the Open Government Partnership and asked how standards of integrity and conduct will be maintained. The Minister told us that the Open Government Partnership is taken very seriously and that more whole-of-government information is now accessible and available online.

We expressed concern that New Zealand’s second national action plan for the Open Government Partnership, covering 2016–18, will not be completed by the end of June 2016, when it is normally due. The commission explained that the timing of the first action plan in October 2014 had affected its ability to finalise the second plan. The commission is engaging with professionals, research organisations, and focus groups throughout New Zealand to help complete the second action plan.

The 2016–18 action plan will be finalised by the end of October 2016, which the commission told us is acceptable timing.

**Code of conduct for public servants**

Some of us were concerned about the recent conduct of a ministerial staff member in releasing sensitive information to the media about a current police investigation. We asked the Minister how this type of behaviour aligns with expectations of integrity and with the code of conduct of the State Services.

The Minister reiterated her publicly stated position that she was not aware that the staff member was going to release the information and that its release is not acceptable. We were told there was no adverse intention in the staff member’s action; that the staff member was not under instruction to release the information, and that the staff member has taken full responsibility for the inappropriate release.

The commission told us that it will continue to focus on integrity expectations and code of conduct issues as part of its core business. It also described the process available when people consider that a state servant has breached the code of conduct. The commission observed that trust in the public service and public servants has been consistently increasing since 2007. Trust in the public sector has also exceeded that in the private sector for the last four years.

**Leadership Insight and gender diversity**

A programme of “Leadership Insight” assessments, led by the commission, aims to provide baseline information on leadership capability in the State sector and identify where performance needs to be improved. The assessments measure the capabilities of Tier 2 and 3 leaders against standards. They seek to produce leaders who both lead agencies well and

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1 The Open Government Partnership is an international forum where countries work together to ensure that member governments are more open, accountable and responsive to citizens. The New Zealand Government joined the Open Government Partnership in 2013.
influence the system as a whole. The assessments include psychometric testing, one-on-one interviews, peer reviews, and reviews by managers.

The Minister told us that 243 out of 480 senior leaders have been assessed. Results indicate gender capability differences between female and male leaders, with each gender showing areas of strength and areas needing improvement. We asked the Minister how the different gender skill sets will achieve greater inter-agency integration.

The Acting Government Chief Talent Officer, who led the assessment programme, provided us with an overview of initial assessment results. Women leaders were found to be strong in achieving ambitious goals and enhancing people’s performance. On the other hand, leading strategically and at the political interface were identified as areas needing improvement. The Acting Government Chief Talent Officer suggested that some of these results may be explained by the differences in the roles more typically carried out by women.

The Minister said that 35 percent of public service chief executives and 44.2 percent of senior leaders are women. It is projected that 50 percent of senior leaders will be women in five years. We congratulated the commission on the gender equity of its organisation, where over half of the senior managers are women.

**Pay equity**

The Joint Working Group on Pay Equity Principles was established to recommend principles to the Government. These principles will guide the implementation of pay equity for both public and private sector employers, employees, and unions. They will also provide practical and specific guidance on:

- how and in what circumstances matters of pay equity may be raised
- the processes for progressing pay equity matters, including how jobs can be valued
- the kind and nature of evidence that may assist the process
- possible outcomes of pay equity matters.

We were told that pay equity principles have been drafted and that the Government is currently considering them. We asked the Minister why there was no appropriation or performance measure in the Budget to enable the commission to carry out the work needed to progress pay equity.

The Minister told us that the Government is committed to addressing issues of pay equity, which is considered to be core business within agencies. Work is being completed to identify what the principles would mean in practice, should the Government accept them. The commissioner told us that pay equity is a high priority and advised that a significant amount of resources have been directed towards it during the past 12 months.

**State Services leadership changes**

We acknowledged the outgoing State Services Commissioner and Head of State Services, Mr Iain Rennie, who has held the position since 2008 and will end his term on 30 June 2016. We thanked Mr Rennie for appearing before us and wished him all the best for his future.

We also welcomed Ms Debbie Power to the role of Deputy State Services Commissioner.
Appendix

Approach to this examination

We met on 15 and 29 June 2016 to consider Vote State Services. We heard evidence from the Minister of State Services and the State Services Commission, and received advice from the Office of the Auditor-General.

Committee members

Hon Ruth Dyson (Chairperson)
Paul Foster-Bell
Kris Fa’afoi
Brett Hudson
Mojo Mathers
Mark Mitchell

Evidence and advice received

In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Office of the Auditor-General, Briefing on Vote State Services, dated 15 June 2016.
Minister of State Services, Response to standard Estimates questionnaire.
Minister of State Services, Response to additional questions, received 24 June 2016.
Hearing Presentation, 16 June 2016.
State Services Commission, Leadership Insight Findings, May 2016.
2016/17 Estimates for Vote Health

Report of the Health Committee

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Recommendation

The Health Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Health, as set out in Parliamentary Paper B.5, Vol. 6, be accepted.

Introduction

The appropriations sought for Vote Health increase by 4.8 percent to $16.142 billion in 2016/17 from estimated actual spending of $15.407 billion in 2015/16. About three-quarters of the appropriations sought are for population-based funding provided to the 20 district health boards (DHBs).

Vote Health is the second largest vote after Social Development, making up 17.9 percent of the total 2016/17 appropriations in Budget 2016. It is the largest vote by output expenses, accounting for 49.6 percent of the total Estimates appropriations for output expenses in Budget 2016.

The Budget proposes a total of $568.088 million for new operating initiatives for Vote Health in 2016/17, and $2.222 billion over the forecast period.

Mental health services

Canterbury psycho-social recovery

Responsibility for Christchurch’s post-earthquake psycho-social recovery has been transferred from the Canterbury Earthquake Recovery Authority to the Ministry of Health and Canterbury DHB. In March 2016, following the 14 February earthquake, the Government provided a further $20 million over three years for mental health support services in Canterbury. This funding is for 27 more primary care and community-based mental health workers and existing programmes, such as telehealth and workforce wellbeing.

The Minister and ministry monitor mental health services in Canterbury closely. We heard that those involved in the psycho-social recovery in Christchurch were increasingly concerned about the mental health of young people. The advice from the DHB and primary health organisation was that this group needs a lot more support.

Some of us are concerned about the time it took for this increased funding, given that the Government had been told for several years about the pressure on Canterbury’s mental health services, and we remain concerned that it is insufficient to meet the demand. The Minister told us that the Government has been focused on Canterbury since the earthquakes. He said that people have had access to services but the issue had been how they were funded. In November 2015, the Government provided $16 million in deficit funding so that the focus could shift to ongoing service provision. The Minister said that the Government remains committed to supporting Canterbury in its psycho-social recovery.
Waikato DHB

We were concerned to hear about the death of Nicky Stevens while in inpatient care in the Waikato DHB. The Director of Mental Health at the ministry used his statutory powers under section 99 of the Mental Health (Compulsory Assessment and Treatment) Act 1992 to inspect mental health services at Waikato DHB. The inquiry, although not specifically into Mr Stevens’ death, identified a number of systemic issues at the DHB. These included low staff morale, understaffing, not filling vacancies, paying under the national price for services, and incorrect staff-to-patient ratios. We asked if the Minister considered it acceptable that the DHB still has not initiated an inquiry more than a year after Mr Stevens’ death. The Minister told us that a set of other inquiries had to take place and he believed the more important task was to ensure that this situation did not happen again.

The director told us that the Police legal team had been clear that its criminal inquiry took precedence over the ministry’s inquiry. The police needed to interview staff and it would have been difficult for the ministry to conduct interviews without prejudicing the police investigation. The director told us that the DHB is ready and willing to conduct an inquiry when the police investigation has been finalised. We will monitor this issue closely.

National inquiry

Some of us are concerned about the state of mental health services in New Zealand. This follows several suicides in inpatient care, recent media coverage of the inappropriate use of seclusion, an inquiry into mental health services in the Wellington region, and issues at Southern DHB. We asked what it would take for the Minister to initiate a national inquiry into the adequacy and quality of mental health services in New Zealand. The Minister told us that overall mental health services in New Zealand are good but there are parts which need attention. He acknowledged that there have been several recent high-profile cases and that lessons need to be learnt from them. The Minister disagreed that there has been inappropriate use of seclusion because seclusion hours have decreased nationally over time and he has received advice that it has been used appropriately.

The Mental Health Commission, which monitored the whole system, was disestablished by the previous health minister. Some of us are concerned that this entity has been replaced by a single person with a complaints focus, and that there has not been a corresponding increase in the ministry’s mental health capacity. This means that there is no one with the capacity to look at the adequacy of the mental health system. The Minister told us that there is a well-established process for those who have complaints about the system. He believes that the decision to disestablish the Mental Health Commission was the correct one. Some of us believe that the Mental Health Commission should be re-established.

Community capacity

In a Budget statement on 16 May, the Minister indicated that demand for mental health services had increased by 21 percent in the past five years. We note that the capacity of inpatient beds has decreased slightly over this time, and asked if it is because the increased demand is at the community, rather than hospital, level. The ministry has encouraged DHBs to provide more mental health and addiction services in the community as an alternative to inpatient specialist beds.

The Government has invested about $35 million annually in primary mental health services to improve access to talking therapies and other psycho-social responses. Other recent investments include about $15 million over four years to provide 40 new full-time
equivalent staff in regional Youth and Forensic Community Services, and $18.2 million over four years for specialist and community services for new mothers with mental health or addiction issues.

**Disability support services**

The Budget includes new funding of $42.296 million in 2016/17 and out-years for disability support services. We heard that in June 2015 a shortfall of $45 million was forecast for disability support services. We were told that the final shortfall was not as high as forecast because the uptake of the Funded Family Care policy was lower than projected.

A response to supplementary Estimates questions states that the expected shortfall of $45 million for disability support services has been significantly reduced because of careful demand management by the Needs Assessment and Service Coordination (NASC) services. We asked whether any policy changes lay behind this management of demand. We heard that the sleepover and funded family carer settlements and the new model for disability support services had changed client and provider behaviour, resulting in cost increases. However, NASC services have saved $8.2 million by examining what services are delivered and to whom; also, some of the cost pressures were less than expected.

We subsequently heard that disability support services are not forecast to be overspent at year end. Some of us are not satisfied with the ministry’s explanation as to what the shortfall was and where the money came from to fill the shortfall.

**National Bowel Screening Programme**

The Budget includes $11.901 million across three appropriations in 2016/17 for the establishment of a national bowel screening programme. This is an extension of the pilot programme run at Waitemata DHB. Hutt Valley DHB and Wairarapa DHB are the first two DHBs to be involved in the programme at this stage. We asked about the concerns raised in the Treasury’s assessment of the National Bowel Screening Programme. We were told that the ministry does not support the Treasury’s performance assessment. The Minister has received assurances from the ministry that the programme can be delivered within the agreed timeframe and budget.

We asked why Southland was not considered in the initial roll-out given its ageing population and high death rate from bowel cancer. The Minister told us that the decision was based on which DHBs were able to implement the service immediately. We heard that there will be a phased roll-out in the other DHBs over the next three years. We intend to monitor the progress of the roll-out.

**Burwood Hospital Birthing Unit**

In 2008, the Government made a commitment to provide more birthing units. We asked why the Burwood Birthing Unit is closing in Christchurch East. The Minister understands that the unit is not structurally safe, and that the DHB is looking for a new, central location in Christchurch.

**Cost pressures**

In 2013, the Treasury provided advice to the ministry that using the labour cost index (LCI) and the consumer price index (CPI) did not reflect the actual cost pressures in health. We asked what work the ministry has done on developing a more detailed depiction of the cost pressures on health. The ministry believes that the LCI and CPI are useful when
considering the likely scale of whole-of-system costs. It also considers the DHB’s overall financial position and the general performance of the health system.

The ministry told us that the largest cost pressure on DHBs is increases in service demand, which is modelled using service and population data. Wages are also a major pressure for DHBs. The DHBs consult with the ministry as part of the bargaining process for the various Multi Employer Collective Agreements. Some of us were not satisfied with the response that we received on what work the ministry is doing to develop a more detailed depiction of the cost pressures on health.

**Primary health care**

The appropriation for “Implementing the Primary Health Care Strategy” has increased from $180 million to $186 million in the Budget. We note a recent article in a local doctors’ magazine in which the PHO Alliance and the Chair of the General Practitioners (GPs) stated that they expected an increase of $20 million to $26 million to cover their funding shortfall. The Minister told us that there are always people in the sector who would like more funding. He considers that primary health care is an important part of the Government’s health strategy. Spending in the past eight years has increased from $650 million to $850 million, and free GP visits have been provided to children under the age of 13.

**Ageing population**

New Zealand’s population is ageing as people increasingly tend to live longer. We were interested in future workforce planning in aged care because demand for these services will grow. The Minister agreed that the models of care and how aged care services are delivered need to change. The updated New Zealand Health Strategy, and forthcoming update of the Health of Older People Strategy, both focus on keeping people better for longer in their own homes. We look forward to reading the updated Health of Older People Strategy.

We were interested in the Government’s and ministry’s future plans for addressing the ageing population. We heard that the New Zealand Health Strategy encourages people to take control of their own health. An example of this is people using electronic data and information to monitor their own glucose levels.

The mobility action team, which launched last year, is a $16 million programme aimed at postponing the need for joint surgery. A multidisciplinary team including nurses, GPs, rheumatologists, and dietitians, identifies if a person is suffering from joint problems. The team then provides a range of measures in the community to improve the person’s joint health. Some of us remain concerned that these measures will be insufficient to meet the need.

**Role of technology**

We asked about the role of technology in removing the need to travel long distances for healthcare. The Minster said this is already happening, noting that West Coasters go to Grey Base Hospital and have real time, face-to-face consultations with clinicians in Christchurch, reducing the need for travel. He anticipates that in the future people will visit local facilities and link to a specialist in a larger centre via camera and broadband. In Waikato, developers are working on a range of applications that will enable people to talk to clinicians from their homes, using hand-held devices. The Minister believes that this type
of technology will make the system more efficient and sustainable. We look forward to hearing updates about these applications.

**National Health IT Plan**

Action 26 of the updated New Zealand Health Strategy is to develop a national electronic health plan. This was identified as a priority in the National Health IT Plan five-year update, which the Minister launched in November 2015. We heard that the ministry is working on an electronic health record that will capture information from all of the DHBs. The Minister told us that the strategy and vision have been established, and now business cases have to be completed. He said that this work is on schedule.

**Structural changes at the ministry**

The Director-General of Health told us about changes to the structure of the executive leadership team at the ministry, which will help to guide the direction of the New Zealand Health Strategy. Several new roles have been created to allow the ministry to work better with other government agencies to improve health outcomes, and to recognise the opportunities for healthcare presented by improvements in technology. These new roles allow greater emphasis on strategy over policy, and on advances in genomics and robotics.
Appendix

Committee procedure
We met on 15 and 29 June 2016 to consider Vote Health. We heard evidence from the
Minister of Health, and the Ministry of Health, and received advice from the Office of the
Auditor-General.

Committee members
Simon O’Connor (Chairperson)
Jacqui Dean
Kevin Hague
Hon Annette King
Barbara Kuriger
Dr Shane Reti
Scott Simpson
Barbara Stewart
Poto Williams

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence
and advice during this examination:

Briefing paper for Vote Health, prepared by committee staff, dated 13 June 2016.
Minister of Health, Response to additional questions (1 – 178), received 13 June 2016.
Minister of Health, Response to post-hearing questions (179 – 194), received 27 June 2016.
Minister of Health, Response to standard Estimates questionnaire.
Office of the Auditor-General, Briefing on Vote Health, received 13 June 2016.
2016/17 Estimates for Vote Attorney-General and Vote Parliamentary Counsel

Report of the Justice and Electoral Committee

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2016/17 ESTIMATES FOR VOTE ATTORNEY-GENERAL AND VOTE PARLIAMENTARY COUNSEL

Vote Attorney-General and Vote Parliamentary Counsel

Recommendation

The Justice and Electoral Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Attorney-General and Vote Parliamentary Counsel, as set out in Parliamentary Paper B.5 Vol.7, be accepted.

Vote Attorney-General

Introduction

The Crown Law Office administers Vote Attorney-General. The Attorney-General is responsible for the appropriations within the vote. Total annual and permanent appropriations sought in 2016/17 are $71.104 million, up $9.643 million (15.7 percent) on estimated actual expenditure of $61.461 million in 2015/16.

This increase reflects the following:

- The provision for the Crown Law Office to carry out, and recover the costs of, legal advice up to the value of $22.365 million. The actual amount billed and spent each year depends on the demand from government agencies for legal representation. In 2015/16, estimated actual expenditure was $18.015 million.
- There is an increase of $4.865 million for providing public prosecution services.
- There is a new appropriation of $985,000 to fund the Government Legal Network.

Crown prosecutions

The Attorney-General has constitutional responsibility for the Government’s role in administering criminal law but is not involved in individual prosecutions. Under the Criminal Procedure Act 2011, the Solicitor-General is responsible for the general oversight and conduct of prosecutions. This includes providing prosecution guidelines that all Crown Solicitors are expected to adhere to.

We asked whether the Attorney-General is satisfied that the prosecution guidelines are used appropriately and whether reviews are carried out to ensure that they are correctly applied. We heard that the Solicitor-General’s supervisory function has been “greatly enhanced” and that a prosecutions unit has been set up to monitor the guidelines and help Crown Solicitors understand how to apply them.

The Attorney-General said that public interest does not affect the resourcing of individual cases. However, resourcing the whole justice system efficiently is clearly in the public interest. When questioned, he accepted that, although murder and manslaughter convictions can attract similar penalties, there is a public interest in the nature of the conviction and not just the penalty awarded.

We noted the public comments made about the decision to charge the defendants in the Moko Rangitoheriri case with manslaughter instead of murder. The Attorney-General said
that he would not comment on the specifics of the case until after sentencing, at which
time he would make substantive comment on the case.\footnote{Sentencing took place on Monday, 27 June 2016. The Attorney-General’s comments can be found at https://www.beehive.govt.nz/release/statement-moko-case.}

**Crown Solicitor Network**

An increase of $4.865 million per year for the next four years is sought for the national
Crown prosecution service and oversight of public prosecutions. The Attorney-General
explained that this increase would alleviate concerns voiced by Crown Solicitors, the Police,
and the judiciary about the long-term sustainability of the bulk-funding model.\footnote{The bulk-funding model was introduced in 2012/13 to support a 25 percent reduction in fees for Crown prosecutions. It replaced the previous invoice-based regime.}

He said that the workloads of Crown Solicitors have increased by about 10 percent, with
higher numbers of jury trials, and more jury trials where the lead charge was a violence
category offence. The additional funding should mitigate potential risks to the sustainability
of the Crown Solicitor Network.

**Crown Solicitor warrants for Auckland and Manukau**

Seventeen Crown Solicitors hold warrants to prosecute the most serious crimes in New
Zealand. In 2015/16, the Auckland warrant was divided into two separate warrants:
Auckland and Manukau. Previously, one warrant covered all of Auckland, which provides
one-third of all Crown prosecution services.

The Attorney-General said that he was satisfied with the reorganisation and how the new
warrant is working. When we noted that the Manukau warrant appeared to have twice the
number of junior staff than senior staff, the Attorney-General emphasised the strong talent
and high quality of the junior staff employed.

**Government Legal Network**

This year’s Budget provides for the permanent establishment of the Government Legal
Network. The Attorney-General updated us on the network, which aims to increase legal
capability throughout government departments. It focuses on improving resource and
knowledge-sharing, workforce flexibility from secondments, and legal risk reporting.

**Vote Parliamentary Counsel**

**Introduction**

Vote Parliamentary Counsel is administered by the Parliamentary Counsel Office (PCO),
and the Attorney-General is responsible for the appropriations in the vote. Total
appropriations sought in 2016/17 are $23.555 million, about 19.8 percent more than an
estimated actual expenditure of $19.657 million in 2015/16.

Two factors contribute to the increase in 2016/17. An increase in capital expenditure in
2016/17 reflects a delay in the PCO’s office refurbishment project. Output expenditure in
2015/16 will be lower than budgeted, with estimated expenditure of $18.957 million.
Subordinate instruments will be made available on the New Zealand Legislation website. This project has the following three components:

- legal and legislative processes that need modification and can be simplified
- an authoring tool and workspace where departments and agencies draft their instruments and then lodge them for publication
- modifications to the PCO’s publishing system and the New Zealand Legislation website to simplify and improve access.

We heard that a project team has progressed high-level design work and intends to develop a business case. This is a large project, with wide-reaching implications for New Zealand’s legislative framework. It is expected to increase drafting transparency and to give the PCO a more external focus as it works with drafting agencies. The PCO expects the project to be completed in 2020.

We asked whether the authoring tool would be able to draft legislation in te reo Māori. The current system does not have anything that specifically caters to te reo Māori, but it has the capability to do so. The Attorney-General emphasised that the initial aim is to keep the authoring tool simple so that other agencies can have direct input.

Work is ongoing to increase the usability of the current New Zealand Legislation website, so that third parties, such as the Police, will be able to create their own applications to improve accessibility for the public.

Cyber-security is also a consideration, and the website is monitored to ensure its safety.

**Consolidation of statutes**

The Legislation Act 2012 sets out a triennial revision programme for each new Parliament. We asked about the continued resourcing for consolidating statutes and heard that it was a priority.

We expressed interest in contributing to the revision process as a committee, and the Attorney-General agreed that this would be useful. We look forward to discussing the new revision programme with the Attorney-General at the beginning of the 52nd Parliament.

**Drafting support and training for Pacific Islands**

The PCO provides legislative drafting assistance, training, and mentoring to officials responsible for drafting in Pacific Island nations. This work occurs in the Cook Islands, Niue, and Tokelau, but it also covers other areas when resources permit.

The Attorney-General said that this is an extremely valuable form of foreign aid, and it is especially beneficial because it promotes consistency in law-making throughout the Pacific. The PCO and the Ministry of Foreign Affairs and Trade are currently negotiating future funding arrangements, and interim funding has been secured until 30 December 2016.

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3 Subordinate instruments are laws (that are not Legislative Instruments) enacted under delegated authority.
Appendix

**Committee procedure**

We met on 9 June and 30 June to consider Vote Attorney-General and Vote Parliamentary Counsel. We heard evidence from the Attorney-General, Hon Christopher Finlayson, the Crown Law Office, and the Parliamentary Counsel Office, and received advice from the Office of the Auditor-General.

**Committee members**

Jacqui Dean (Chairperson)
Jacinda Ardern
Christopher Bishop
Marama Fox
Jono Naylor
Denis O’Rourke
Maureen Pugh
Metiria Turei
Hon Louise Upston
Louisa Wall

David Clendon replaced Metiria Turei for this item of business.

**Evidence and advice received**

In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Office of the Auditor-General, Briefing on Vote Attorney-General, received 9 June 2016.

Office of the Auditor-General, Briefing on Vote Parliamentary Counsel, received 9 June 2016.


Crown Law Office, Response to additional questions, received 27 June 2016.


Parliamentary Counsel Office, Response to standard Estimates questionnaire.

Parliamentary Counsel Office, Response to additional questions, received 27 June 2016.

Parliamentary Counsel Office, Four-year plan.
2016/17 Estimates for Vote Corrections

Report of the Law and Order Committee

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Vote Corrections

Recommendation
The Law and Order Committee recommends that the appropriations for the year ending 30 June 2016 for Vote Corrections, as set out in Parliamentary Paper B.5, Vol 7, be accepted.

Introduction
Vote Corrections is administered by the Department of Corrections. The Minister of Corrections, Hon Judith Collins, is responsible for the appropriations within the Vote. Its annual and permanent appropriations for 2016/17 total $1.765 billion, an increase of $145 million, or 8.9 percent, from estimated actual expenditure of $1.620 billion in 2015/16.

Departmental output expenditure is budgeted to increase by slightly more than $40 million to $1.353 billion, an increase of 3 percent from estimated actual expenditure of $1.312 billion in 2015/16. Capital spending of $412.195 million in 2016/17 is an increase of $104.550 million from the estimated actual of $307.645 million in 2015/16.

The increase in funding is largely focused on responding to the growth in the prison population, which is forecast to peak in September 2025 at 10,088 inmates.

Investigation of complaint
Some members raised concerns that the department was not adequately investigating their complaint to the Police about alleged serious criminal offences by prison guards and that CCTV footage of the alleged incidents was not saved.

The Minister replied that her only knowledge of the complaint was through a post on the MP’s Facebook page. The Minister, who is also the Minister of Police, told us that, if the complaint was laid directly with the Police, they would deal with the matter. She had not received any information from the Police about the complaint and did not expect to because police investigations are operational matters.

We were told that CCTV footage is deleted after 14 days if no complaint has been made. This is because of the large volumes of storage needed to retain footage from hundreds of cameras. It is not possible to constantly monitor every camera. When the department receives a complaint, the footage is looked at and saved to help in the investigation.

Inmates have a range of avenues to make complaints through. However, sometimes complaints are received after the footage has been deleted, so prompt reporting of complaints is important.

We would like to see the department retaining all relevant CCTV footage in instances where there is clear evidence of an incident having occurred.
Community locating of violent sexual offenders

We raised concerns that a released child sex offender was permitted to reside in close proximity to a school without its knowledge despite the offender being assessed as having a “very high risk of imminent violent offending”.

The department told us that it first requested that the Court grant a Public Protection Order to keep the offender in prison. The court turned this down, although it imposed an Extended Supervision Order allowing intensive 24/7 monitoring of the offender with two staff in constant attendance. For the first week, the offender was kept in a provider’s house located in close proximity to a school.

The Minister expressed her disappointment at the department and the department accepted that it was a mistake to place the offender in this location and that the department should have told the school about the offender’s presence. The offender has since been moved to another location nearby another school, which has been notified.

We raised concerns that it is only “preferable” that the department inform schools about serious sexual offenders who are located nearby. However, depending on factors such as the nature of the offender and the level of risk posed, it is not mandatory to do so.

Some of us believe that the Minister should institute policy making it a mandatory requirement for schools to be informed about the presence of high-risk offenders who are residing in their vicinity.

Out of Gate Navigation Services

Budget 2016 appropriates $20 million over four years to the Out of Gate service, which helps prisoners serving short sentences readjust to life after prison and steer them away from reoffending. We asked for an update on the programme.

Under the optional programme, newly released prisoners are met by their navigator on release and helped to find accommodation and access support services. They are helped to reconnect with their families and communities. They are also helped to access agencies that provide education and employment services. The first two weeks after release are the most important for providing intensive support to released prisoners.

The department told us that the programme has been a great success. The programme’s five providers have provided services to about 6,500 people in the three years it has been operating. The reduction in the reimprisonment rate for those in the programme is about 6.8 percent, which compares favourably with reimprisonment rates internationally. The programme’s providers are paid according to the results they deliver, and 15 percent of the payment is dependent on a person not returning to prison within 12 months of release.

Supported accommodation and employment

The department has increased the number of supported accommodation places from 240 to about 960 to help newly released prisoners with complex needs transition to community life. The department has contracts with six supported accommodation providers to assist released prisoners for up to 13 weeks.

During this time, released prisoners are supported according to their needs. This support includes meeting the terms of their release, finding employment or accessing training, and learning basic living skills to do with personal finance, shopping, and home organisation.
To support employment for released prisoners, the department has 42 agreements in place with employers to guarantee employment. The department noted the willingness of employers to give released prisoners an opportunity.

**Participation in rehabilitation programmes**

We asked the Minister why some rehabilitation programmes were continuing when the number of prisoners participating in them appeared to be small given their rehabilitation quotients were below levels of statistical significance.

The department did not want to stop programmes because small numbers of prisoners are successful compared to the control group, otherwise those participating in them would get nothing. The department said the gains were small but a small gain was better than nothing. The department said it was one of the few agencies to evaluate its programmes annually in New Zealand and reports publicly on their relative effectiveness, making it one of the few public agencies to provide such levels of detail. We were told that the programmes have been peer-reviewed internationally and independently endorsed by the Auditor-General. The Chief Executive stressed the difficulty of making progress with prisoners, given that most have not completed secondary school.

The department’s programmes start by providing prisoners with basic literacy skills to provide a base for subsequent drug and alcohol or behaviour therapy programmes. Prisoners can then progress to gaining trade certificates to help with employment when they are released.

**Help for offenders with mental health issues**

The Minister recently announced that nearly $14 million from the Justice Sector Fund would be made available for purchasing mental health services for offenders in prison and in the community during the next two years. This is a new initiative for the department, and we asked how this would assist rehabilitation.

The funding would allow the department to contract between 50 and 60 mental health practitioners to work with offenders experiencing mental health issues in prisons and in the community. A study conducted by the department indicated that 62 percent of prisoners had some form of mental health or substance abuse disorder in the last 12 months and that 20 percent had both, making rehabilitation extremely difficult.

Prisoners who have mental health workers supporting them to cope better with prison life are easier for custodial staff to work with, and have an increased chance of entering drug and alcohol rehabilitation programmes and enrolling in educational courses. A trial in four districts will involve mental health workers maintaining ongoing contact with prisoners after their release to help maintain their progress.

The department’s research has also shown that women in prison have often experienced abuse throughout their lives and generally suffer worse mental health than male prisoners. The department employs counsellors and social support staff to work with female prisoners and help them engage with mental health services.

**Ongoing funding security**

We noted that multiple studies during the past 20 years have identified the need to address prisoners’ mental health problems. We asked whether the $14 million in funding was adequate and why the funding was only being committed for two years with no ongoing commitment.
The Minister replied that she expected future Budgets to allocate long-term funding for prisoners’ mental health and that she would be very surprised if they did not. She noted the effort that had been put into other rehabilitation areas in recent years, such as drug and alcohol treatment and literacy programmes. With these programmes in place, it was now possible to focus on mental health.

We asked whether the mental health sector has the capacity to deal with about 6,000 prisoners who require services. The department told us that it has no concerns about contracting enough services to cope with demand. It noted there had also been questions about whether there was enough capacity when it began its drug and alcohol programmes. In those instances, the market was able to provide the capacity to fulfil the service that the department specified that it needed.

Asked about the willingness of community and voluntary sector organisations to commit to providing services when there was no long-term funding security, the department pointed to the Out of Gate programme. That programme was set up with funding from the Justice Sector Fund for the first three years. After being evaluated, it received long-term funding through the Budget.

**Growth in the prison population**

We asked the Minister about comments she made in 2011, when the prison population was at 8,800, about how it “could not continue to keep locking up people at the rate they have been over the previous decade”, in light of forecasts that there will be 9,800 prisoners by September 2016.

The Minister responded that fewer people were going to prison. However, an increase in remand prisoners caused by changes to sentencing laws and a greater emphasis on remanding perpetrators of family violence in custody has driven the increase. The Minister was very pleased with the changes to remand prisoners, pointing to fewer incidences of violence committed by remand prisoners while on bail. The Minister noted that the Budget allocated $335 million over four years to ensure that the department can cope with a rising prison population and to build more capacity.
Committee procedure

We met on 15 and 29 June 2016 to consider Vote Corrections. We heard evidence from the Minister of Corrections, Hon Judith Collins, and the Department of Corrections, and received advice from the Office of the Auditor-General.

Committee members

Kanwaljit Singh Bakshi (Chairperson)
Todd Barclay
Mahesh Bindra
David Clendon
Hon Phil Goff
Ian McKelvie
Lindsay Tisch
Jonathan Young

Su’a William Sio was replaced by Kelvin Davis for much of this item of business.

Evidence and advice received

In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Office of the Auditor-General, Briefing on Vote Corrections, dated 15 June 2016.

Minister of Corrections, Response to standard Estimates questionnaire.

Minister of Corrections, Responses to additional questions.
2016/17 Estimates for Vote Justice and Vote Courts

Report of the Justice and Electoral Committee

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Vote Justice and Vote Courts

**Recommendation**

The Justice and Electoral Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Justice and Vote Courts, as set out in Parliamentary Paper B.5 Vol.7, be accepted.

**Introduction**

The Minister of Justice and Minister for Courts, Hon Amy Adams, is responsible for the appropriations in Vote Justice and Vote Courts. The Ministry of Justice administers both votes. The ministry is part of the wider justice sector, which has five strategic priorities in its four-year plan. These are reducing harm, reducing volume, improving services, maintaining institutions, and managing investment.

**Vote Justice**

The total annual and permanent appropriations sought for Vote Justice in 2016/17 are $554.475 million, up 0.1 percent on estimated actual expenditure in 2015/16. The vote includes the following funding changes:

- Departmental capital expenditure is down $31.273 million because the Christchurch Justice and Emergency Service Precinct is expected to be completed in mid-2016/17.
- A new appropriation of $22.930 million has been established to provide for property and shared services to other justice and emergency agencies in Christchurch.
- Additional funding of $2.488 million is sought for the Public Defence Service.
- Funding sought for legal aid decreases $1.585 million from the estimated actual expenditure in 2015/16. However, this appropriation was supplemented by $29.550 million in the previous year to address legal aid cost pressures.
- An additional $2.219 million is sought for Family Dispute Resolution Services.

**Vote Courts**

In 2016/17, the total annual and permanent appropriations sought for Vote Courts are $700.488 million, a 2.5 percent increase from estimated actual expenditure in 2015/16. Most of the increase in the vote can be explained by funding sought to meet the operating costs of the Christchurch Justice and Emergency Service Precinct and increases in the “Impairment of Fines Receivable” and “Court and Coroner Related Costs” appropriations.

**Family violence**

We are very interested in ongoing work to reduce family violence. The Minister said that it remains her top priority. She recognises that progress requires a long-term, integrated approach from several government agencies. We heard that an important part of this

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2 A ministerial working group comprising 16 portfolios is led by the Minister of Justice and the Minister for Social Development.
approach is changing the focus of justice and social agencies to be more proactive in stopping violence and to manage the behaviour of perpetrators rather than remove victims from their homes.

We asked about access to protection orders. The Minister acknowledged the importance of the issue, and noted that family violence issues are central to her work. The Minister told us of a number of protective measures being undertaken. We note our ongoing interest.

The Minister discussed the development of a risk assessment framework and referral pathway to train frontline staff to identify and help potential victims to access services. A new disclosure scheme has been set up with the Police so that people can request information about whether their partner has a violent past.

In 2016/17, $1.309 million is sought for the National Home Safety Service through Vote Justice. This initiative helps victims of family violence stay safe in their homes to minimise disruption to them. It involves safety planning and physically securing homes.

We heard that the pilot was extremely successful. All participants reported that they had not experienced any further physical violence. The service is being rolled out nationally and, at full capacity, should be able to secure 400 homes each year.

When asked about initiatives to support children who experience or witness violence, the Minister said that developing a new children’s entity through the review of Child, Youth and Family would be critical.

Compensation claims

Cabinet announced compensation for Teina Pora of slightly more than $2.52 million for wrongful conviction and imprisonment. We heard that this is funded through a general fund and does not affect funding sought through these votes. The standard compensation amount in New Zealand is $100,000 per year of wrongful imprisonment. Additional compensation has been granted for Mr Pora for other factors, such as income loss and emotional harm.

We asked why the compensation was not adjusted for inflation. The Minister said that the guidelines do not provide for inflation adjustment and that Cabinet was comfortable with the amount it agreed on. The Minister said that, even without adjusting for inflation, $100,000 per year of wrongful imprisonment still compares well internationally.

Some of us noted that the Cabinet guidelines do not prohibit adjusting compensation for inflation and that the report on Teina Pora’s compensation claim recommended that it be adjusted. The Minister accepted that Cabinet has discretion but said that the guidelines work best when applied consistently.

Access to justice

The funding for legal aid is driven by demand. This means that, although a budgeted amount is sought through Vote Justice, this will be topped up as required. We asked whether people have reasonable access to legal aid for civil matters, considering the low threshold for eligibility. In 2015, a single applicant was eligible if their maximum income

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level before tax did not exceed $22,366.\textsuperscript{5} The Minister said that the income thresholds for accessing legal aid increase by 6.5 percent with additional funding in the vote, which would allow more people to access the service.

Some of us are concerned that the new thresholds will still exclude people working full-time on the minimum wage. The Minister noted that community law centres are an alternative option for people to get legal assistance.

**Community Law Centre Funding**

We questioned the Minister about Community Law Centre funding and the cost pressures they face. The Minister noted that Community Law Centre funding remained at $10.9 million, but that an appropriation was available if the network’s funding dipped below this threshold as a result of its reliance on the “special fund”.

**Specialist Courts**

**Rangatahi and Youth Courts**

Rangatahi courts are marae-based youth courts that focus on young Māori but are open to all youth offenders. The Minister said that the courts are successful, with those who participated 11 percent less likely to commit new offences than other youth offenders.

The Minister acknowledged that, although the number of Māori youth offenders is reducing significantly, Māori are still overrepresented in the criminal justice system. We heard that initiatives such as the iwi justice panels (for lower-level offending) are working to address this.

The Youth Court does not deal with offenders over the age of 17. We note that work is being done to determine whether the age of jurisdiction should be increased. The Minister said that she is mindful that a number of people in the community would not support raising the age. However, she assured us that she is focused on achieving the best outcomes for both victims and young offenders.

**Alcohol and Other Drug Treatment Court**

We are pleased with the effectiveness of the Alcohol and Other Drug Treatment Court pilot in the Auckland and Waitakere District Courts. The programme is intensive, with a court intervention taking up to two years to complete.

The pilot runs for five years, which the Minister explained was needed to get enough people using the court to compile enough data on its effects. We asked whether the pilot could be extended to a court in a rural location. The Minister said that this would be difficult because at least one District Court judge in the area must make it their focus and there also needs to be supporting infrastructure.

**Family Court law reform**

We were concerned that, in February 2016, more than 80 percent of applications made under the Care of Children Act 2004 were filed as “without notice” applications. We wondered whether this indicated that there are delays within the Family Court. The Minister said that a judge determines whether an application is appropriate and that not all would be heard without notice. She also said that the reforms have resulted in several improvements. For example, more cases are able to be resolved through dispute resolution,
which allows families to contribute to successful outcomes and frees up court time for serious cases.

We asked when the Family Court law reforms were scheduled to be reviewed, and conveyed the urgency of this work. The Minister said that initial planning is under way and that the review is scheduled to begin in 2017. We look forward to the findings of the review with interest.

**Coroners**

We asked about resource levels for the coronial service. It is important that coroners have enough time to engage with the communities they work with. The ministry uses the average age of cases as an indicator of resourcing pressures, and we were told that this had reduced by 20 percent. The Minister said that further efficiencies would be introduced once the Coroners Amendment Bill had been enacted.

**Restorative justice**

We are interested in restorative justice. This is a process where victims and offenders meet to discuss the effect of the offender’s actions and to acknowledge harm. The Minister said that restorative justice is becoming more widely used, with victims giving positive feedback and offenders reducing their offending.

**Operational change**

We asked the ministry about the home agents pilot and its effect on staff. The pilot involved collections staff working from home. We heard that the pilot was successful, with those staff working from home being more engaged and making more transactions.

The ministry believes that this is because staff have greater flexibility in their working hours. This allows them to fit work in with their personal lifestyle and to make calls when people are more likely to be available, such as between 5pm and 7pm. Implementing home agents nationally will result in 57 redundancies, with $44 million in net benefits expected over 10 years.
Committee procedure
We met on 16 and 30 June 2016 to consider Vote Justice and Vote Courts. We heard evidence from the Minister of Justice and Minister for Courts, Hon Amy Adams, and the Ministry of Justice. We received advice from the Office of the Auditor-General.

Committee members
Jacqui Dean (Chairperson)
Jacinda Ardern
Christopher Bishop
Marama Fox
Jono Naylor
Denis O’Rourke
Maureen Pugh
Metiria Turei
Hon Louise Upston
Louisa Wall

David Clendon replaced Metiria Turei for this item of business.

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Office of the Auditor-General, Briefing on Vote Justice, received 14 June 2016.
Office of the Auditor-General, Briefing on Vote Courts, received 14 June 2016.
Minister for Courts, Response to standard Estimates questionnaire.
Minister for Courts, Responses to additional questions, received 14 and 27 June.
Minister of Justice, Response to standard Estimates questionnaire.
Minister of Justice, Responses to additional questions, received 14, 15 and 27 June.
2016/17 Estimates for
Vote Police and Vote
Serious Fraud

Report of the Law and Order Committee

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Vote Police and Vote Serious Fraud

Recommendation
The Law and Order Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Police and Vote Serious Fraud, as set out in Parliamentary Paper B.5, Vol 7, be accepted.

Introduction
The Minister of Police is responsible for the appropriations in Vote Police, which is administered by the New Zealand Police, and Vote Serious Fraud, which is administered by the Serious Fraud Office.

The total appropriations sought for Vote Police in 2016/17 are $1.691 billion. This is a 2.8 percent increase from the estimated actual expenditure in 2015/16 of $1.645 billion. Significant allocations include $402 million (24 percent of the vote) for investigation, nearly $399 million (24 percent of the vote) for police primary response management, and $323 million (19 percent of the vote) for the road safety programme.

The total appropriations sought for Vote Serious Fraud in 2016/17 are $9.440 million, a 3.4 percent decrease from the estimated actual expenditure in 2015/16 of $9.773 million. Of the total appropriations, $9.340 million is allocated for investigating and prosecuting serious financial crime. The remaining $100,000 is allocated for capital expenditure on purchasing or developing assets by, and for the use of, the Serious Fraud Office.

Vote Police
We expressed our thanks to the Police for the valuable and demanding role that they have in keeping our communities safe.

Police resourcing
Some of us noted the Minister’s response to our questions that stated Budget 2016 did not provide for any changes to the numbers of sworn and non-sworn Police officers, numbers of general duties constables had decreased by 342 in four years, and that newly released Police statistics showed a significant increase in crime. The Minister responded that general duties constables are not the only staff who support frontline work and that the public satisfaction was measured currently at 78 percent against a goal of 80 percent. The Commissioner told us that, even though overall numbers have remained stable, the number of deployed Police officers has increased.

We asked how the Police would address the increase in crime given their relatively static funding during the last several years and Police forecasts indicating that staff numbers will remain at existing levels for at least four years. Improvements in technology have made officers far more productive, and better deployments provide more officers to frontline duties than used to be the case.

To illustrate this, we were told that, compared to four years ago, Police now conduct 150,000 more vehicle stops and between 82,000 and 84,000 more foot patrols each year. The Commissioner noted that the recent increase in crime, which he described as minor,
would be a focus for the Police’s leadership, who will examine the causes behind the increase.

We asked how the Police can be expected to deal with increasing crime rates, especially violent crimes and crimes against the Police, with no planned increase in constabulary staff. The Minister told us that future staff numbers could not be presumed and that the Police now have access to tasers and firearms to respond to unexpected situations better. The Minister also noted that better Police reporting and following up of family violence and drug offences was responsible for some of the increase in crimes.

The Commissioner told us that he was confident he had enough staff at this point in time. From what he knew, this would continue until 2020. However, neither he nor the Minister could forecast unexpected future demands on Police resources.

**Auckland resourcing**

The Police told us that, in the last five years, the number of constabulary employees has increased by a total of five. At the same time, Auckland’s population has grown by about 160,000. We asked whether the increase in constabulary employees was enough.

The Minister said that decisions about Police resources were a matter for the Commissioner and that a population increase did not necessarily result in a corresponding increase in crime. We were told that nearly 3,000 non-sworn staff are involved in a range of roles, such as conducting intelligence work, crime scene investigations, and forensic work, that were once done by sworn officers.

**Focus on burglary resolution**

Police resolution rates of burglary in Auckland are currently between 6.2 and 8 percent, which are the lowest in a decade. We noted the announcement that the Police will now put more resources into solving burglaries. The Police now expect their staff to attend every burgled house. We asked where resources would be diverted from to achieve this.

District Commanders were confident that a staff-deployment model used by district command centres would achieve this without affecting other areas. The Police told us that the declining rate of burglary resolutions has been addressed and that prioritising burglaries would be a permanent strategy.

**Mobile policing**

The Commissioner told us that mobile technology had created huge productivity gains. When the mobile technology was first introduced, it had resulted in productivity gains for frontline Police of 30 minutes per shift. Mobile technology has grown immeasurably since then and will continue to be rolled out.

Police are now trialling the use of video devices to record victim and witness statements. This has also resulted in substantial productivity savings for the Police. It means that the statements are more accurate and the experience is less stressful for victims and witnesses. The Police also intend to use video as primary evidence in future to cut down the length of court proceedings. Witnesses and victims are more likely to give evidence and less likely to retract their statement due to intimidation by the perpetrator of the domestic violence, thereby potentially achieving a higher rate of conviction.
Rural policing
We raised concerns about the increase in rural areas not covered by technology. Alongside a drop in the rural crime rate and static rural populations, this is a major challenge faced by rural New Zealand. We asked the Minister whether the Police also face this challenge and what they are doing to overcome it.

We were told that the Police are aware of the challenges rural New Zealand faces and that they are currently working with their partners to increase cellular coverage throughout the country. In addition, the Police have invested heavily in mobile technology and have deployed five mobile police stations. These mobile stations give better access to rural communities and mean that officers are visible in the community, instead of confined to a desk.

We were told that, although the country’s geography challenges the Police, they continue to work to overcome these challenges.

Some of us raised concerns about reports of rural Police not being able to take their leave entitlement. The Commissioner responded that this was being managed.

Road policing
We noted that there has been a slight increase in the number of road accidents since 2012/13 and asked the Minister what the Police are doing to increase road safety. We were told that the Police, alongside the New Zealand Transport Agency and the Ministry of Transport, are dedicated to improving many aspects of road safety.

Their work includes making roads safer, campaigning, and increasing vehicle stops and Police visibility on the roads. We were told that, in future, the focus needs to be on increasing education about road safety to improve decision-making.

We note that there is going to be a decrease in 111 dedicated road policing staff.

Safety of business owners in Counties Manukau
We were pleased to hear about the increase in Māori and Pacific members of the Police force and asked the Minister whether there were any initiatives to ensure that business owners in Counties Manukau feel safe.

We were told that the Police have been very successful in holding people to account for serious crimes such as robbery. In addition, the Māori Pacific Ethnic Services Group holds regular forums with business owners and other members of the community to ensure that the Police are listening to their concerns and responding appropriately. The Police are focused on preventing and responding to crimes, and on engaging with members of the community to give them a better sense of reassurance.

Closure of Police stations
In response to questions about Police station closures, the Commissioner told us that very few stations have closed in the past five years and that there are no confirmed plans to reduce the opening hours of any Police stations in this financial year.

The Commissioner is still working on a policy to ensure staff and volunteers working in stations are protected from harm. Under the Health and Safety Act 2015, he is obligated to keep all staff safe and intends to put measures in place in Police stations and kiosks.
Approximately 100 Police kiosks staffed by volunteers have closed to the public due to health and safety concerns and considerations. The Commissioner said it was too early to tell if they would be reopened, but his preference was that they would reopen.

The Commissioner noted that constabulary staff are required to work in their communities, not remain in their stations. The Minister also told us that many people no longer come into Police stations. They phone or contact the Police station online.

**Vote Serious Fraud**

We asked about the steps and investment the Serious Fraud Office is taking to beat complex financial fraud and whether there is a technological war going on between enforcement and investigative agencies, and fraudsters who have sophisticated electronic financial tools at their disposal.

The office has recently been putting some focus on this and trying to understand the skills it needs. To date, it has primarily relied on specialists such as forensic accountants, investigators, and lawyers. For some time, the office has had an electronic forensic unit. However, as a consequence of recent considerations, it will increase its expertise and strength in that part of its office.
Appendix

Committee procedure

We met on 29 and 30 June 2016 to consider Vote Police and Vote Serious Fraud. We heard evidence from the Minister of Police, Hon Judith Collins, the New Zealand Police, and Serious Fraud Office. We received advice from the Office of the Auditor-General.

Committee members

Kanwaljit Singh Bakshi (Chairperson)
Todd Barclay
Mahesh Bindra
David Clendon
Hon Phil Goff
Ian McKelvie
Su’a William Sio
Lindsay Tisch
Jonathan Young

Stuart Nash replaced Su’a William Sio for this Estimates examination.
Scott Simpson replaced Todd Barclay for this Estimates examination.

Evidence and advice received

In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Office of the Auditor-General, Briefing on Vote Police.
Office of the Auditor-General, Briefing on Vote Serious Fraud.
Minister of Police, Response to standard Estimates questionnaire for Vote Police.
Minister of Police, Responses to additional questions for Vote Police.
Minister of Police, Response to standard Estimates questionnaire for Vote Serious Fraud.
Minister of Police, Response to additional questions for Vote Serious Fraud.
2016/17 Estimates for Vote Arts, Culture and Heritage

Report of the Government Administration Committee

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Vote Arts, Culture and Heritage

Recommendation

The Government Administration Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Arts, Culture and Heritage, as set out in Parliamentary Paper B.5, Vol. 8, be accepted.

Introduction

The total of appropriations proposed for Vote Arts, Culture and Heritage is $296.252 million. This is 7.3 percent more than estimated actual expenditure in 2015/16 of $276.084 million. The increase is mainly because of higher spending under the New Zealand Screen Production Fund multi-year appropriation because of the timing of production of some films ($23.1 million in 2016/17, compared with $15.619 million estimated actual expenditure in 2015/16).

The vote is administered by the Ministry for Culture and Heritage. The Minister for Arts, Culture and Heritage, and the Minister of Broadcasting are the responsible ministers.

The vote provides funds to a wide range of Crown entities and non-government organisations in the arts, culture, and heritage sector, including the Museum of New Zealand Te Papa Tongarewa (Te Papa), the New Zealand Symphony Orchestra (NZSO), and the Royal New Zealand Ballet. There is increased funding in 2016/17 for the NZSO, the ballet, and Māori performing arts.

The vote also provides funds to funding agencies: the Arts Council of New Zealand Toi Aotearoa (Creative New Zealand), the New Zealand Broadcasting Commission (NZ On Air), and the New Zealand Film Commission.

Funding fluctuations

We heard that funding levels for this vote can vary due to inconsistent income from the Lottery Grants Board. Creative New Zealand and the Film Commission have in recent years used cash reserves as a buffer against fluctuating funding, but this is not sustainable long term. The Minister for Arts, Culture and Heritage is aware of this situation and told us she is in regular discussions with Creative New Zealand. She was unable to tell us if a Budget bid had been made for more funds for Creative New Zealand. We understand that Creative New Zealand is being encouraged by the Minister to investigate sourcing funding from partnerships with the philanthropic sector. However, some of us believe this might result in Creative New Zealand competing for funds with the creative sector it is meant to support. Crown funding for Creative New Zealand has been steady for the last 5 years and is expected to remain so, while the Minister told us that Lottery Grants Board profit projections look positive.

Accessibility

We asked the Minister for Arts, Culture and Heritage why films funded by the Film Commission are not captioned, as this limits the options for the hearing-impaired community to access local content. She told us she would discuss the Film Commission’s
policy on this with the commission. We look forward to hearing more on this topic as part of our inquiry into captioning in New Zealand.

We also noted the importance of accessibility to landmarks of national importance. The Minister told us of the use of signage and audio tools, as well as apps, to allow more New Zealanders to engage with heritage sites.

We asked the Minister for Broadcasting why the majority of on-demand digital content was not captioned. She told us that she was not considering regulation in this area but believed that providers will respond to market demand as user numbers grow. The Minister also told us that, with rapid developments in technology, she would expect easier and more affordable captioning options to be available in the near future. Some of us believe that, without regulation, the use of captioning will remain insufficient, and encouraged the Minister to look at overseas jurisdictions.

**Te Papa and the museum sector**

Te Papa is currently reviewing a number of its permanent exhibitions, which are getting quite dated. The “Gallipoli: The scale of our war” exhibit has had high numbers of visitors, but the Minister for Arts, Culture and Heritage told us that the museum is in a renewal phase to ensure its popularity in future. Te Papa is looking to develop digital platforms and other innovations to improve New Zealanders’ access to its collections. Te Papa is still considering opening a site in Manukau. This will bring its collection to a wider audience and offer protection from the earthquake risks in Wellington.

The Regional Culture and Heritage Fund has replaced the Regional Museums Policy for Capital Construction Projects. The Minister told us that the ministry is working closely with the sector to adapt to the new model.

**Changes in the broadcasting sector**

We heard that broadcasting is undergoing rapid change and it is a challenge for government bodies to keep pace. The Minister of Broadcasting told us that the Government should not be a change leader but it does need to ensure that regulation does not get in the way of innovation. Growth in online platforms has created some challenges in terms of film classification, and public consultation is underway to ensure an appropriate system.

Government-funded broadcasters TVNZ and RNZ are growing their online presences and have seen high growth in on-demand offerings. The Minister told us that that the proportion of local content on free-to-air television is growing. Some of us challenged this, as first-run local content has dropped. The Minister told us she was happy with NZ On Air’s effective use of limited funds to produce local content. She also told us that NZ On Air’s funding patterns are changing in response to moves towards more digital content. TVNZ OnDemand has been growing 27 percent year on year, but there has not been a significant drop in traditional television viewing.

The Minister told us that NZ On Air and RNZ are sustainable under current funding. She believes that it is important for NZ On Air to focus on quality, not quantity, when funding local content, balancing the need to produce attractive content with that targeted at minority demographics.
Convergence review

Consultation on a green paper to consider the impact of convergence between the telecommunications, information technology, media, and entertainment sectors in New Zealand has recently closed. The Minister told us that early indications are that the Government is on the right track and there is broad support for contestable funding. She also said there is high public interest in getting the right balance on film classification and aligning digital and broadcast rules. She said that election advertising rules were also part of the review.

We asked the Minister if she was concerned about potential monopolies in the news and television media sector due to proposed mergers, but she was unwilling to comment on this issue, as it is outside her portfolio.

Heritage

Heritage New Zealand is currently without a chief executive, but the Minister for Arts, Culture and Heritage told us that she expects to announce a new appointee in the next fortnight. We asked if funding for heritage buildings could help the St James Theatre, but we were told that, as it is privately owned, the funding may not be available.
Appendix

Committee procedure
We met on 29 June and 5 July 2016 to consider Vote Arts, Culture and Heritage. We heard evidence from the Minister for Arts, Culture and Heritage, Hon Maggie Barry, the Minister of Broadcasting, Hon Amy Adams, and the Ministry for Culture and Heritage, and received advice from the Office of the Auditor-General.

Committee members
Hon Ruth Dyson (Chairperson)
Kris Faafoi
Paul Foster-Bell
Brett Hudson
Mojo Mathers
Mark Mitchell

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:
Office of the Auditor-General, Briefing on Vote Arts, Culture and Heritage, received 29 June 2016.
Minister for Arts, Culture and Heritage, Response to standard Estimates questionnaire.
Minister for Arts, Culture and Heritage, Response to supplementary questions, received 29 June 2016.
2016/17 Estimates for Vote Internal Affairs
Report of the Government Administration Committee

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Vote Internal Affairs

Recommendation

The Government Administration Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Internal Affairs, as set out in Parliamentary Paper B.5 Vol.8, be accepted.

Introduction

The appropriations sought for Vote Internal Affairs in 2016/17 amount to $593.323 million. This is 5.6 percent more than the 2015/16 estimated actual spending of $560.389 million. This increase largely reflects a change in proposed capital expenditure for the vote, which increases by $31 million.

Of the appropriations, the largest by far is Civic Information Services, which accounts for $234.07 million. The appropriation contributes to the collection, management, and provision of access to New Zealand’s civic, government, identity, and heritage information.

The vote includes several new policy initiatives. The most significant of these is an initiative to unify the NZ Fire Services. This is planned to commence in 2017/18, with funding of $30 million over a three-year period.

The Department of Internal Affairs administers the vote and the Minister of Internal Affairs is responsible for most of the spending. Five other Ministers have responsibility for some appropriations: the Minister of Local Government, the Ministers for the Community and Voluntary Sector, Ethnic Communities, and Racing, and the Minister Responsible for Ministerial Services.

Unifying the Fire Services

The department has been very active in the last twelve months preparing to transition the NZ Fire Service into Fire and Emergency New Zealand. The new organisation will combine approximately 62 disparate rural, volunteer, and professional firefighting organisations. We heard that this will improve the allocation of resources throughout New Zealand’s firefighting units, particularly the volunteer brigades.

The Minister expects the necessary legislation to be referred to this committee. We look forward to receiving and scrutinising it in the near future.

RealMe

We remain interested in the RealMe identity verification system, which is budgeted to receive $17.239 million in 2016/17 under the multi-category appropriation Civic Information Services. The program was launched in July 2013, and allows members of the public to conduct government business online, such as enrolling to vote, applying for a student loan, or ordering a birth certificate. The Minister added that the vision for the system is to use technology so that the public can “interact with government in the same way as we… interact with every other agency in society”.

We asked what factors are inhibiting the uptake of RealMe, since the estimated actual number of verified identities issued was only about 45 percent of what was budgeted for in
2015/16. The department attributes this slow uptake to low levels of product awareness and understanding, and to the difficulties of the enrolment process. However, it noted that events such as the connection of Studylink and RealMe created “big boosts in numbers” and that demand for verifications has increased from 10,000 over 30 weeks to 10,000 over seven weeks. The department says it is focusing on adding more services like Studylink, with plans to add five more such services by the end of 2016.

Gambling Regulation

The department has $40.564 million budgeted for regulatory services in 2016/17. These services include the inspection, auditing, and licensing of gambling venues.

We asked about the department’s follow-up to its 2014 Mystery Shopper Campaign. This campaign tested whether staff at gambling venues dealt adequately with patrons displaying signs of problem gambling. The department told us that the campaign had been followed up, and that furthermore it is looking at re-evaluating the regulation of the entire gambling sector.

We are particularly concerned about issues related to the regulation of Class 4 gambling venues. Class 4 venues are corporate societies, typically pubs and clubs, that are only allowed to gamble to raise money for authorised purposes. The purposes should be community-based and non-commercial, such as buying computers for a local school or donating to charities.

We asked what action the department is taking to address the increasingly high rate of non-compliance among Class 4 venues. The Minister told us that although the Gambling Act 2003 is a relatively new piece of legislation, changes in technology and society are taking the gambling sector in new directions. Therefore, the Act may no longer be fit for purpose; this is being investigated. The investigation is also considering how different stakeholders might best participate in regulating gambling. The department reassured us that it has been active in visiting venues and monitoring compliance with the regulations. It expects to see this produce good results over time.

We also asked the department to explain why it was indicated that an increased proportion of Class 4 funds would be returned to communities, when the rate was subsequently frozen at 40 percent. The Minister explained that this resulted from concerns raised by licensees that it was not feasible to increase both community returns and licensing fees at the same time. We heard that the licensing fees had taken a steep jump—over 50 percent in some cases—and that a more graduated approach would have been preferable in retrospect.

The Minister assured us that announcements will shortly be made addressing the issues we raised. We await these with interest and would hope to see improvement in this area.

D5 Global Network

We were curious to know the practical benefits of New Zealand being a part of the “D5” or “Digital Five” global network. D5 was established in late 2014 and comprises “some of the most digitally advanced governments in the world”. As the name suggests, D5 is made up of five nations: New Zealand, Estonia, South Korea, Israel, and the United Kingdom.

We heard that New Zealand is being very active within the group to encourage positive action following the annual D5 ministerial meetings. The Minister added that he was very interested in opportunities not only to exchange knowledge, but also to encourage cooperation between IT industries in the United Kingdom and New Zealand.
National Library Services to Schools

The National Library’s Services to Schools initiative falls under the “Managing and Accessing Knowledge Information” category of the Civic Information Services appropriation. In 2016/17 “Managing and Accessing Knowledge Information” is budgeted to receive $90.583 million.

We have heard that the National Library’s Services to Schools initiative, which was overhauled in 2015, has been successful despite initial concerns. We asked how this success was measured by the department.

The National Librarian told us that the feedback from teachers and principals is now largely supportive of the programme. The National Library has a working team of principals from around New Zealand assisting it in evaluating and fine-tuning the services offered.

We were told that Services to Schools responded to requests from the school community for more equal services for rural schools. Previously, the shipping costs involved in receiving National Library books were prohibitive for schools in these locations. Some schools were paying as much as $70 for each box of books. We heard that the National Library, with support from the department, has negotiated a new courier contract. This contract enables boxes of books to be delivered to and from every school in the country at a much more affordable rate.

The National Librarian also told us that the online services team has been strengthened considerably. As a result of this, the National Library now provides digital resources to schools across the country. These resources are selected and moderated with help from teachers, and are designed to reflect topical subjects on display at the National Library—such as Gallipoli and the Treaty of Waitangi.

We are pleased that the Services to Schools initiative will continue to offer high quality resources to all New Zealand school students.

State Occasions

We asked if it would be possible to restore the use of State trumpets and the Royal New Zealand Airforce Band for ceremonial occasions. Some of us consider that these formalities were missed at recent ceremonies. The Minister indicated that he would look into the matter.
Appendix

Committee procedure
We met on 15 and 29 June 2016 to consider Vote Internal Affairs. We heard evidence from the Minister of Internal Affairs, Hon Peter Dunne, and the Department of Internal Affairs, and received advice from the Office of the Auditor-General.

Committee members
Ruth Dyson (Chairperson)
Paul Foster-Bell
Kris Faafoi
Brett Hudson
Mojo Mathers
Mark Mitchell

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Office of the Auditor-General, Briefing on Vote Internal Affairs, received 13 June 2016.
Minister of Internal Affairs, Response to standard Estimates questionnaire.
Minister of Internal Affairs, Responses to additional questions, received 13 and 27 June 2016.
2016/17 Estimates for Vote Pacific Peoples

Report of the Government Administration Committee

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**Vote Pacific Peoples**

**Recommendation**

The Government Administration Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Pacific Peoples, as set out in Parliamentary Paper B.5 Vol.8, be accepted.

**Introduction**

Funding sought for Vote Pacific Peoples totals $9.921 million for 2016/17. This is about a 7 percent increase on the estimated actual expenditure in 2015/16.

The bulk of the vote is assigned to Policy Advice and Ministerial Servicing. Another $2.459 million is dedicated to non-departmental output expenses, which purchase services to provide Pacific peoples with the information and skills they need to succeed in business, and services to provide education, employment, and skill development programmes for Pacific peoples.

Four new initiatives are included in this year’s vote:

- Project Tatupu, with funding of $250,000, will investigate regional housing and employment opportunities for Pacific people.
- A study on the viability of creating a Pacific cultural centre in Auckland will also receive $250,000.
- The continuation and expansion of the Toloa Scholarships programme, with $300,000 budgeted for 2016/17, will encourage Pacific students to study STEM subjects (science, technology, engineering, and mathematics).
- The Pacific Employment Support Service Programme, which aims to improve training and employment outcomes for Pacific youth, will receive $1.150 million in 2016/17.

Vote Pacific Peoples is administered by the Ministry for Pacific Peoples, and the Minister for Pacific Peoples has responsibility for all the appropriations sought in the vote.

**Auckland Pacific Cultural Centre**

This year, the ministry is proposing a new initiative to investigate the viability of building a Pacific Cultural Centre in Auckland. This initiative calls for a one-off appropriation of $250,000 in 2016/17. The Minister told us that the centre would not only share Pacific culture, but would also create jobs for Pacific people. We asked why, when building a centre was previously found to be unviable, the ministry is now investigating the issue again.

The Minister said that enough time had passed to make another investigation worthwhile. He added that feedback from Pacific leaders indicates that the building would give Pacific people a focal point in the biggest Pacific city in the world, and that it would drive a celebration of Pacific culture, language, arts, and craft, and employment opportunities.
The Minister emphasised that local government and the private sector would both be involved in the initiative as well as the Government. We heard that the Minister has already spoken to the Mayor of Auckland and various councillors about the project. We also heard that there is “an appetite” among the arts and creative sectors for a project of this nature, and that the Minister believes the centre could have value as a tourist destination.

We await the results of the ministry’s investigation with interest.

**Employment**

We are concerned about the unemployment rate among Pacific people. Although Pacific people now make up 5.1 percent of New Zealand’s total labour force, they have an unemployment rate of 11.8 percent. This unemployment rate is more than double the national rate of 5.2 percent. We asked the Minister why the rate of unemployed Pacific people has been increasing over the last nine years.

The Minister attributed the increasing unemployment rate, in part, to the global financial crisis. The Minister also indicated that improving education among Pacific youth was one of the “building blocks” to lead to better employment rates for Pacific people in the future.

Some of us are concerned that jobs created for Pacific people through initiatives such as the Pacific Cultural Centre were low-value because they focus on the tourism and hospitality industries. Other members of the committee consider that these industries are multi-tiered and offer good employment and development opportunities.

The Minister disagreed with such concerns, and told us that there are many jobs available for entrepreneurs in the auxiliary industries supporting tourism. He gave the examples of motel ownership and airport work.

**Pacific Business Trust**

The Pacific Business Trust is a charitable organisation that has been providing economic development services to Pacific businesses and people in New Zealand for more than 30 years. The Ministry has awarded the Trust a $1.264 million contract annually for the past six years. The two parties have recently established new contractual arrangements. We enquired how the Trust is engaging with industries such as tourism and hospitality.

We heard that the Trust is moving its focus towards growing existing businesses and creating job opportunities through this growth. It also continues to host networking events around the country. The Minister added that only a tiny proportion of Pacific people are self-employed, and he is keen to see that number grow. It is the Minister’s belief that the Trust can help nurture new Pacific-led businesses, as well as continue to grow existing ones.

We look forward to hearing more about cooperation between the ministry and the Trust in the coming year.

**Home ownership**

Some of us expressed concern that the median weekly income of Pacific people fell to $450 last year, and that Pacific people’s net worth is on average far lower than other ethnic groups. We asked how the ministry plans to improve the home ownership rate of Pacific people, bearing these figures in mind.

The Minister told us that the total number of houses owned by Pacific people has increased from 72,744 in 2006 to 74,736. While the Minister highlighted figures around
Pacific home ownership, some of us also highlighted figures in the Statistics New Zealand Census table supplied by the Minister that showed the number of Pacific people renting their home has risen from 136,719 in 2006 to 171,969 in 2013. Some of us believe that this problem needs further attention because the overall proportion of Pacific people in home ownership situations has been decreasing.
Appendix

Committee procedure
We met on 29 June and 5 July 2016 to consider Vote Pacific Peoples. We heard evidence from the Minister for Pacific Peoples, Hon Peseta Sam Lotu-Iiga, and the Ministry for Pacific Peoples, and received advice from the Office of the Auditor-General.

Committee members
Ruth Dyson (Chairperson)
Paul Foster-Bell
Kris Faafoi
Brett Hudson
Mojo Mathers
Mark Mitchell

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Office of the Auditor-General, Briefing on Vote Pacific Peoples, received 27 June 2016.
Minister for Pacific Peoples, Response to standard Estimates questionnaire.
Minister for Pacific Peoples, Responses to additional questions, received 24 June 2016.
2016/17 Estimates for Vote Sport and Recreation

Report of the Government Administration Committee

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2016/17 ESTIMATES FOR VOTE SPORT AND RECREATION

**Vote Sport and Recreation**

**Recommendation**

The Government Administration Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Sport and Recreation, as set out in Parliamentary Paper B.5 Vol.8, be accepted.

**Introduction**

The appropriations sought for Vote Sport and Recreation in 2016/17 amount to $89.195 million. This is 5.9 percent more than the 2015/16 estimated actual spending of $84.239 million.

The Ministry for Culture and Heritage administers the vote and the Minister for Sport and Recreation is responsible for the appropriations. The vote funds the Sport New Zealand Group (a Crown entity made up of Sport New Zealand as the lead agency, High Performance Sport New Zealand, and Community Sport and Group Strategic Support), and Drug Free Sport New Zealand.

**Rio 2016 Olympics**

Of the appropriations, the largest is High Performance Sport, which is $62.192 million for 2016/17, a $4 million increase from estimated actual spending in 2015/16. The appropriation contributes to the delivery of initiatives aimed at improving elite-level sports performance.

The official target is for 14 or more medals for New Zealand at the Rio 2016 Olympics, but Sport New Zealand said it hopes for 16 or more. It is confident that New Zealand athletes could win medals in at least nine sports. This follows on from the London 2012 Olympics where 13 medals were won by athletes representing New Zealand.

The ministry is currently considering what other measures, apart from a medal tally, can be used to measure the return on investment for this appropriation. We will follow this with interest.

**Risk from Zika virus**

We asked what had been done to prepare for the risk that the Zika virus poses to athletes at the Rio Olympics. Sport New Zealand told us that significant planning has gone into addressing this threat. New Zealand has a first-class medical team which has visited Rio; it is providing advice to the athletes and ensuring that all possible steps are taken to minimise the risk.

**Participation of women in sport**

We asked what is being done to encourage women to participate in sport. Adult women have higher overall participation rates than men in sport, but their participation is not evenly reflected in all aspects of sport. One focus is on increasing the participation rates of teenage women, as this is when many women give up playing sport. Another focus is on increasing the number of women coaches in sport.
Female participation in sport is not reflected on sporting boards. Sport New Zealand told us that representation has increased from 27 percent to 35 percent, and that it is working towards a target of 40 percent representation by women.

We find it disappointing that although women’s sports teams often perform well, they do not receive the same media coverage or recognition as men’s sports. We were told that the reasons for this are unclear; however, it appears that demand is increasing for media coverage of women’s sports.

**Risk of doping**

The vote includes $1 million of additional funding for the Sports Anti-Doping appropriation, which increases by nearly 45 percent to $3.239 million. This appropriation aims to reduce illegal drug use in sports, and purchases testing and education services from Drug Free Sport New Zealand.

We were interested in recent media reports on the view of the Director-General of the World Anti-Doping Agency, who said that doping could be taking place in New Zealand amateur sport, particularly rugby.

The Minister told us that the Government is very concerned about any illegal drug use in amateur sport, but it has no specific evidence of this taking place in New Zealand. Drug Free Sport is focusing on working with high schools to educate young people about doping. It appears that testing often catches people who did not know the rules, which confirms the need for more education. Some testing of young athletes is planned to demonstrate the seriousness of doping.

Drug Free Sport New Zealand told us that it is concerned about the use of supplements that could contain illegal ingredients. It said that supplements are poorly regulated and are readily available to young athletes. It has supplements tested to reduce the risk to athletes of using ones that contain illegal ingredients. Supplements that contain no illegal ingredients and that pass quality control measures are then recommended to athletes.

**Hosting future major events**

Hosting of major events is important for New Zealand’s economy and sporting profile. In recent years New Zealand has taken part in hosting both the Cricket World Cup and the Rugby World Cup. We are interested in what events are being targeted for the next 10 years.

We were told that New Zealand cannot rely on hosting such major events as the cricket and rugby world cups. Some exploration is going into the possibility of hosting the FIFA Women’s World Cup and the Commonwealth Games. A focus is to get more New Zealanders onto international sporting boards to help get events hosted in New Zealand.
Appendix

Committee procedure
We met on 29 June and 5 July 2016 to consider Vote Sport and Recreation. We heard evidence from the Minister for Sport and Recreation, Hon Dr Jonathan Coleman, the Ministry for Culture and Heritage, Sport New Zealand, and Drug Free Sport New Zealand. We also received advice from the Office of the Auditor-General.

Committee members
Ruth Dyson (Chairperson)
Paul Foster-Bell
Kris Faafoi
Brett Hudson
Mojo Mathers
Mark Mitchell

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:
Office of the Auditor-General, Briefing on Vote Sport and Recreation, received 27 June 2016.
Minister for Sport and Recreation, Response to standard Estimates questionnaire.
Minister for Sport and Recreation, Response to written questions, received 24 June 2016.
The Government Administration Committee has examined the 2016/17 Estimates for Vote Statistics and Vote Women and recommends that the appropriations in respect of these Votes for the year ending 30 June 2017, as set out in Parliamentary Paper B.5, Vol. 8, be accepted.

Hon Ruth Dyson
Chairperson
Ngā whakapae mō Te Pōti
Whiriwhiringa Take Tiriti o te tau 2016/17

Te pūrongo a Te Komiti Whiriwhiri Take Māori

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Tapiritanga 5
Te Pōti Whiriwhiringa Take Tiriti

Tūtohutanga

Ka tūtohu Te Komiti Whiriwhiri Take Māori, kia whakaetia ngā wāwāhanga moni mō te tau ka mutu hei te 30 o Pipiri tau 2017, mō Te Pōti Whiriwhiringa Take Tiriti e ai ki tērā kua whakataktorua roto i Te Pepa Pāremata B.5.

Kupu Whakataki

Hoatu pūtea āwhina a Te Pōti Whiriwhiringa Take Tiriti, mō te whakataunga i ngā kerēme Tiriti o Waitangi hītori, ā, hoatu wāhi ai mō te whakatika hapa kia utua mā te whakawhiti hua (moni, rawa), mai i Te Karauna ki ngā kohinga kerēme. E $407.503 miriona te wāwāhanga moni i rapua i Te Pōti Whiriwhiringa Take Tiriti, i te tau 2016/17, ā, he hekenga mai tēnei i te tino whakapāpae ake e $529.027 miriona o te tau 2015/16. Tua ati i ngā wāwāhanga moni i rapua mō te tau 2016/17, he wāwāhanga tau tinimaha e $1.4 piriona ka purua ki roto i Te Pōti Whiriwhiringa Take Tiriti mō ngā tau e rima, atu i te tau 2015 ki te tau 2019.

E 85 ōrau tata atu pea o ngā āwhina, kei te whiriwhiri rānei i tētahi whakataunga i te taha o Te Karauna. Ko te whakapāhia Te Tāhu o Te Ture tērā pea e 62 ngā whakataunga ka hiahiatia1. Ka noho te whika nei i runga i te āhua o te whakaritenga whakamutunga a ngā kohinga kerēme mō ngā whiriwhiringa.

Te hanganga ture me ngā whiriwhiringa

Ki Te Minita mō ngā Whiriwhiringa Take Tiriti o Waitangi, he tau nui ngā mahi te tau tū mai me te maha o ngā kerēme whakataunga Take Tiriti ka waitohungia. I ki Te Minita ko tana tūmanako kia haria mai e ia a Ngāti Kahungunu ki Heretaunga-Tamatea ki te komiti a kō tonu ake nei nā ngā taha kia waitohungia te whakatauāanga whakataunga i te taha o te hāpū o Ahuriri.

Kua tīmata te tuhi haehae a Te Karauna i ngā whakaaetanga whakataunga i te taha o Rangitāne ki Wairarapa me te Tira Whakaei o Te Wairoa. Ko te wawata o Te Minita kia tae te hanganga ture mō ēnei ki te komiti mā te mutunga o te tau. Kua kī Te Minita no ngā kohinga tētahi Whakaaetanga Mātāpono ki tuhi, i kī te whakaritinga ia ō rātou iwi i te wāhia ki ngā hauaitia i ngā tūtohutanga mō te mana kōkiri e tū nei. Ko tērā e tūmanakohia rā e Te Minita, ko te whakapu pūrongo whakamutunga a kō tonu ake nei. Ko tā Te Minita ki tērā, “he wā tenei e kītei a te pono i Te Nota,” nā te mea,

1 Te Tauākī Whāinga a Te Tāhu o Te Ture o te tau 2015-2019, whārangi 18.
kātahi anō ka penei rawa te kaha mai o te tautoko, kia neke whakamua ki tetahi whakataunga.

Ka pātai mātou, ka pēhea pēnā ka kore ana te hātepe mana kōkiri whiriwhiringa a Ngāpuhi e oti pai ana. Ka uia anōtia hoki e mātou Te Minita mehemea ki a ia anō, ka haere a ia ki Te Rōpū Whakamana i Te Tiriti o Waitangi, kia whakakopoua he kaitakawaenga tū wehe kē ka hīhiaiatia ana tētahi. Ka kī mai a ia, ka noho tūrunga tonu a roto i a ia, inā, ka haere whakamua tonu ngā mahi whiriwhiringa. Ko tā Te Minita kua kite, e whai haere tonu ana Te Karauna i ngā tūtohutanga a Te Rōpū Whakamana i Te Tiriti o Waitangi, ā, ka tono kia āwhina mai ngā Mema Pāremata o Te Nota me te haere mai ki ngā whiriwhiringa e tū mai ana. Ka whakaae mātou he wāhanga nui pēnā ka mahi ngātahi ngā rōpū tōrāngapū i roto i ngā whiriwhiringa mō te whakataunga Take Tiriti.

Te Wāhanga Paiherenga Whakataunga Whai Muri

I whakatūria e Te Tāhu o Te Ture i te tau 2013 tētahi Wāhanga Wāhanga Paiherenga Whakataunga Whai Muri, ā, ko tāna e whai ai kia mahi i te taha pokapū kē atu, i te taha kāwanatanga hau kainga, ā, i te taha āwi ki te tiaki paiherenga i whakatakotoria ki roto ngā whakataunga, ā, me te tāpīrī atu ki ngā wā whai wahi ka puta a ke i nga whakataunga.

I rongo mātou e 6,000 nga paiherenga kua whaihia ake e Te Karauna, ā, ko ētahi o ēnei nā he mea ka haere tonu. Ko tā Te Minita ki a mātou, e haere huri rauna ana a ia i te motu ki te kimia e pēhea ana te haere o ngā paiherenga, ā, pēnā e rite ana te whiwhi tuhituhi a te wāhanga mo ngā paiherenga.

Ka matapakia e mātou te tūranga pai rawa mā TWPWM, pēnā ka whakaaarotia ake ana, ka riro māna anō e arorurū a te kaitiaki o ngā hiriwhiringa hau kāwanatanga, ērā ka whakamana whakataunga Take Tiriti ai. Ka tohu mai Te Minita, e whakaaaroarahia ana te āhua nei mō ngā rā kei mua i te araroaro.

Ngā whakaaetanga i raro i Te Ture Takutai Moana tau 2011

Tukua ai e Te Ture Takutai Moana o te tau 2011, ngā whānau, hapū me ngā iwi kia mihia mai, kia tiaki i ngā pānga ahurea. I rongo mātou, e 46 nga puka tono kua whiwhi i te wā, nei; ā, e 11 o ēnei kei te Kōti Teitei. E titiro wā ana Te Minita ā kō ake nei ki te whakatakoto whakataunga e pā ana ki a Ngāti Pāhauwera. Ko te tikanga, ka noho mai tēnei he kē kē i tēnei atu, ā, hei hōmai ake nei ki te whakataunga ake ana ki a Ngāti Porou, tērā takutai roa ake, ā, whiwhiwhi rawa atu hoki. Te tikanga, ā kō tonu ake nei e whiwhi ai i tēnei.

I whakapuaki kāwhiwhi mātou mō ngā whiriwhiringa kōrero mai i Te Tāhu o Te Ture, tērā pea, kihai anō kia tae ki ia tangata a hiahia ana ki te tuku kerēme i raro i te Ture, ā, kei te ara mai ake o te rā whakatututukitanga (i te 3 o Paenga-whāwhā tau 2017). Kua kite mātou e $35,000 noa iho o te wāwāhanga e $14 miriona i whakapua i te tau kua hipa. Ka whakatūtūrū mai Te Minita, e ngāna ana ki te whakaputa i te hia kē o te pārongo e taea ana; ā; tua atu i tērā, me tere tonu te tangata ki te whakapā atu ki a ia mehemea he raruraru ā rātou mō ngā whiriwhiringa. I rongo anō hoki mātou, e whakatūtūrūhia pakau ana nei Te Tāhu i te puka tāpātanga kia mārama kē atu ai te kite, ko wai o taua hunga e tono ana mō ngā whakaaetanga kia arotia.

Ka whakatūtūrūhia mātia mātou e Te Minita, mā tana mea mai, ka nawi noa te rēhita i te pānga o tētahi kaitono i roto Te Takutai Moana, mā te tuku noa i tētahi rea ki tana tari.
Te tika o te kapenga tuatahi

Ka tutuki ana e Te Karauna tētahi whakataunga Take Tiriti i te taha o tētahi kohinga kerēme ā-īwi, tērā pea ka herea te whenua ki te tika o te kapenga tuatahi, he painga tērā mō taua īwi i te mea, ki te hokoa te whenua kei te īwi te kōwhiringa tuatahi ki te mea, āe, kei te hiahia hoko rātou. Ki te kore e hiahia kua tukua ki ētahi atu e hiahia ana. Ko te tikanga ia, ka whakatakotoria he Tika o Te Kapenga Tuatahi ki roto i ngā whakataunga hei rārangi ingoa whenua.

Ka pātai mātou ki Te Minita, mehemea he wā anō kei Te Tari Whakatau Take e pā ana ki te Tiriti o Waitangi, ki te here i tētahi wāhi ki raro i te mana o Te Tika ki Te Kapenga Tuatahi, kāpā ki raro i te tikanga rārangi ingoa tukunga iho. I rongo mātou he huhua ngā whakataunga whakamahi tahi mahere whenua aia, ā, rārangi ingoa ai mō ngā Tika o Te Kapenga Tuatahi ēngari, mārama kē atu ai te whakaatu a ngā rārangi ingoa, ko ēhea whenua kei roto, ko ehea kāre i roto. Ko te kōrero ki a mātou, ēhara te mahi whakarārangi i ngā Tika o Te Kapenga Tuatahi te hātepe pai rawa atu, nā reira, ka ākī mātou i Te Tari Whakatau Take e pā ana ki Te Tiriti o Waitangi, kia arotakengia te mauritau o ngā rārangi ingoa nei.

Whakawhitinga o te whakahaeinga pito whenua, kawenga mahi ki a Toitū Te Whenua

Neke ai te haepapa hoko, whakahae, whakawhiti, whakawātea pito whenua nā Te Karauna, mō ngā take whakataunga Take Tiriti, ki a Toitū Te Whenua ā te 1 o Hōngongoi, tau 2016.

Ka pātai mātou, mehemea ka noho tonu te whakatau mō te hoko whenua mai mō ngā whakataunga Take Tiriti, ki a wai? Ki Te Tari Whakatau Take e pā ana ki Te Tiriti o Waitangi, ki a Toitū Te Whenua rānei? Ko tā mātou i rongo, ka whakatau ana Te Tari Whakatau Take e pā ana ki Te Tiriti o Waitangi, ki te hoko whenua mai, ā, ka whakae mai ana Te Minita mō ngā Take Whiriwhiringa Take Tiriti o Waitangi me Te Minita Whanaketanga Māori, nā, kua huri a Toitū Te Whenua ki te hoko mai i te whenua. Pai ana mātou ki te rongo, kīhai te huarahi whakahūra e rerekē, ā, ka noho tonu te haepapa ki Te Tari Whakatau Take e pā ana ki Te Tiriti o Waitangi.

I whakaputaina ō mātou māharahara i te mea, kua kore mātou e kaha ki te uiui i te hokonga whenua mai, pēnā ka neke te tohanga mō te hokonga whenua mai ki a Toitū Te Whenua. Nā runga i tērā, ka taka kē ngā mahi hoko whenua mō ngā whakataunga Take Tiriti, ki raro i Te Pōti mō ngā Whenua. Ko te kōrero ki a mātou, e tuhi haehae ana Te Tari Whakatau Take e pā ana ki Te Tiriti o Waitangi, me Toitū Te Whenua, i tētahi Whakaaturanga Arotau, ā, nā runga i tērā, ko te tikanga, ka taea tonu te whakatu pātai e pā ana ki tēnei i ngā whakawātanga whakapae kei mua a tōna wā. Ka whakatūturu mai Te Minita māna e rapu he whakamaherehere, mehemea he tirohanga whānui kei a rātou i ngā rā kei mua. Ka titiro atu rā mātou ki te wā e whiwi urupare tōrunga ana.
Tapiritanga

Te huarahi i whāia e te komiti

I hui mātou i te 15 ā i te 29 o Pipiri tau 2016 ki te whakaarorotia te Whiriwhiringa Take Tiriti. I rongo tuahau ki te hui mai mātou i ngā Whakapae noa, ki te whaihao te whakamaherehere mai i Te Tari o Te Tumuaki, ki te whaihao i Te Minita mō Ngā Whiriwhiringa Take Tiriti o Waitangi, a Hōnore Christopher Finlayson, ā, mai i Te Tari Whakatau Take e pā ana ki Te Tiriti o Waitangi me te whiwhi whakamaherehere mai i Te Tari o Te Tumuaki.

Ko ngā mema o te komiti, ko

Tūtehounuku Kōrako (Heamana)
Hōnore Chester Borrows
Mārama Davidson
Kelvin Davis
Mārama Fox
Joanne Hayes
Hōnore Nanaia Mahuta
Pita Paraone

Te taunakitanga me te whakamaherehere i whiwhi

Tua atu i ngā tuhinga mō ngā Whakapae noa, ka whakaroarohia e mātou i roto i tēnei tirohunga, ēnei taunakitanga me ēnei whakamaherehere ka whai ake:

He whakatakotoranga tohurohu mō Te Pōti Whiriwhiringa Take Tiriti a Te Tari o Te Tumuaki o Te Mana Arotake, i whiwhi i te 13 o Pipiri tau 2016.

Te urupare a Te Minita mō ngā Whiriwhiringa Take Tiriti, ki te rārangi pātai mō ngā Whakapae noa.

Te urupare a Te Minita mō ngā Whiriwhiringa Take Tiriti ki ngā pātai i tua atu, i whiwhi i te 13 o Pipiri tau 2015.
2016/17 Estimates for Vote Treaty Negotiations

Report of the Māori Affairs Committee

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Appendix 10
Vote Treaty Negotiations

**Recommendation**

The Māori Affairs Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Treaty Negotiations, as set out in Parliamentary Paper B.5, be accepted.

**Introduction**

Vote Treaty Negotiations funds the settlement of historical Treaty of Waitangi claims and provides for redress to be paid by transferring assets (cash and property) from the Crown to claimant groups. The appropriations sought for Vote Treaty Negotiations in 2016/17 are $407.503 million, a decrease from the estimated actual in 2015/16 of $529.027 million. As well as the appropriations sought for 2016/17, Vote Treaty Negotiations includes a multi-year appropriation of $1.4 billion for the five years from 2015 to 2019.

About 85 percent of iwi have settled or are negotiating a settlement with the Crown. The Ministry of Justice estimates that a further 62 settlements will likely be required. This figure depends on the final configuration of claimant groups for negotiations.

**Legislation and negotiations**

The Minister for Treaty of Waitangi Negotiations expects the next year to be busy, with many Treaty settlement claims to be signed. The Minister said he hopes to get the Ngāti Kahungunu ki Heretaunga-Tamatea to the committee soon, because this settlement is only awaiting the signing of the deed of settlement with Ahuriri hapū.

The Crown has started drafting deeds of settlement with Rangitāne o Wairarapa and Te Tira Whakaemi o Te Wairoa. The Minister hopes to get the legislation for these to the committee by the end of the year. The Minister also noted that the Crown has recently signed an Agreement in Principle with Ngāti Kahungunu ki Wairarapa, Ngāti Rehua, and Ngāti Tamaoho. The Minister is also looking to sign an Agreement in Principle with Tuwharetoa, Ngati Maru, and Te Akitai.

**Ngāpuhi mandate**

We spoke with the Minister last year about the Ngāpuhi mandate and were pleased to hear that the Office of Treaty Settlements has been working extensively with all groups involved in the Ngāpuhi settlement. The engagement group is drafting recommendations on the existing mandate, and the Minister expects the final report to be published shortly. The Minister said that this was “a moment of truth in the North”, because there has never been greater support for moving towards settlement as there has been in recent times.

We asked what would happen if the mandate process in the Ngāpuhi negotiations did not work out. We also asked the Minister whether he would consider approaching the Waitangi Tribunal to appoint an independent mediator if required. The Minister said that he remained positive that negotiations would keep going ahead. The Minister noted that the Crown has followed the recommendations of the Waitangi Tribunal. The Minister

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requested the help of northern members of Parliament in coming negotiations. We agree that cross-party collaboration is an important part of Treaty settlement negotiations.

**Post Settlements Commitment Unit**

The Ministry of Justice established a Post Settlements Commitment Unit in 2013, which aims to work with other agencies, local government, and iwi to look after the commitments made in settlements and to build on the opportunities settlements create.

We heard the Crown has undertaken 6,000 commitments, some of which are ongoing. The Minister told us that he is travelling around the country to find out how the commitments are going, and that the unit gets regular correspondence about the commitments.

We discussed the best position for the PSCU, given that it needs to monitor whole-of-government obligations to give effect to Treaty settlements. The Minister indicated that he was considering this future state.

**Agreements under the Marine and Coastal Area (Takutai Moana) Act 2011**

The Marine and Coastal Area (Takutai Moana) Act 2011 allows whānau, hapū, and iwi to seek recognition and protection of customary interests. We heard that 46 applications have been received so far and that 11 of these are at the High Court. The Minister is looking to make a decision on Ngāti Pāhauwera soon, which would be the first case to be completed and so provide guidance for future recognition agreements. The Minister is also awaiting a report on the Ngati Porou shore, which is a longer and more complex coastline, and expects to receive this shortly.

We expressed concern that communications from the Ministry of Justice may not have reached everyone who may want to submit a claim under the Act, and that the deadline date of 13 April 2017 is looming. We noted that only $35,000 was spent last year out of the appropriation of $14 million. The Minister assured us that he is trying to get as much information out as possible and that people should contact him in the first instance if they have issues with the negotiations. We also heard that the ministry was tweaking the submission form so that it was clearer for those wanting to apply for recognition agreements.

The Minister assured us that a letter to his office will be sufficient to register an applicant’s interest in Te Takutai Moana.

**Right of First Refusal**

When the Crown reaches a Treaty settlement with an iwi claimant group, the land may become subject to a Right of First Refusal in favour of that iwi. The Right of First Refusal gives the iwi the option to buy the land before it is offered to other potential buyers. Rights of First Refusal are traditionally set out in settlements as lists of land.

We asked the Minister whether there was an opportunity for the Office of Treaty Settlements to make an area subject to Right of First Refusal instead of the traditional lists. We heard that several settlements use both maps and lists for Right of First Refusal, but lists show more clearly what land is in and what is not. We were told that listing Rights of First Refusal is not a perfect process, so we urge the Office of Treaty Settlements to review the effectiveness of these lists.
Responsibility for purchasing, managing, transferring, and disposing of Crown-owned property for Treaty settlement purposes moves to Land Information New Zealand on 1 July 2016.

We asked whether the Office of Treaty Settlements or Land Information New Zealand will retain the decision to purchase the land for Treaty settlements. We heard that, once the Office of Treaty Settlements decides to purchase the land, and the Minister for Treaty of Waitangi Negotiations and the Minister for Māori Development agree on the purchase, Land Information New Zealand will then purchase the land. We were reassured to hear that the valuation mechanism will not change and will still be the responsibility of the Office of Treaty Settlements.

We expressed concern that, once the allocation for purchasing the land is moved to Land Information New Zealand, we will be unable to question it because land purchases for Treaty settlements will fall under Vote Lands. We were told that the Office of Treaty Settlements was drafting a Memorandum of Understanding with Land Information New Zealand, so it should still be able to answer questions on this during future Estimates hearings. The Minister assured us that he would find out whether we will have oversight in the future, and we look forward to receiving a positive response.
Appendix

Committee procedure
We met on 15 and 29 June 2016 to consider Vote Treaty Negotiations. We heard evidence from the Minister for Treaty of Waitangi Negotiations, Hon Christopher Finlayson, and the Office of Treaty Settlements. We received advice from the Office of the Auditor-General.

Committee members
Tutehounuku Korako (Chairperson)
Hon Chester Borrows
Marama Davidson
Kelvin Davis
Marama Fox
Joanne Hayes
Hon Nanaia Mahuta
Pita Paraone

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Office of the Auditor-General, Briefing on Vote Treaty Negotiations, received 13 June 2016.

Minister for Treaty of Waitangi Negotiations, Response to standard Estimates questionnaire.

Minister for Treaty of Waitangi Negotiations, Response to additional questions, received 13 June 2015.
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**Recommendation**

The Primary Production Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Lands, as set out in Parliamentary Paper B.5 Vol.9, be accepted.

**Introduction**

The total appropriations sought this year for Vote Lands amount to $458.252 million, an increase of 71.3 percent from an estimated actual spending of $267.552 million in 2015/16. The Minster for Land Information is responsible for the appropriations within the vote. They are administered by Land Information New Zealand (LINZ).

The main reason for the increase in the vote is the multi-year appropriation “Land Tenure Reform Acquisition”, which funds acquisition of the lessees’ interest in pastoral lease land. This increases from estimated actual spending of $51.3 million in 2015/16 to $131.2 million in 2016/17. Other increases include additional funding for “Canterbury Earthquake Recovery Land Ownership and Management” ($59.005 million in 2016/17, compared to $38.123 million in 2015/16) and the transfer of functions from the Office of Treaty Settlements ($22.486 million).

**Land Information New Zealand’s priorities**

The Minister told us that LINZ’s priorities are the following:

- promoting the cross-government strategy for open data and key data sets of national interest, particularly geographic and property information
- working with regions and cities to contribute to the Government’s Business Growth Agenda and creating opportunities for businesses and communities
- implementing the Overseas Investment Office (OIO) fees review and increasing the office’s resources for processing and monitoring investment applications
- helping to improve the management of Crown property and maximising the value of Crown assets
- managing red-zone land and property in the Port Hills (this responsibility was transferred to LINZ from the Canterbury Earthquake Recovery Authority in April 2016).

**Overseas Investment Office**

**Foreign ownership**

The OIO is responsible for evaluating all requests for foreign investment in sensitive land, business assets worth more than $100 million, and fishing quotas in New Zealand. The Minister told us that the office collects some data about property transfers and tax residency for the Inland Revenue Department.
This data is aggregated, broken down into groups, and made available online. Data about individuals, even if they are foreign buyers, is not made available in order to maintain privacy. Data released for the first two quarters of 2016 show that 3 percent of all property transfers involve people with overseas tax residency.

**Financial legitimacy**

We were concerned about what checks the office performs to ensure that the funds used by foreign investors are legitimate. The Minister confirmed that the office uses various anti-money-laundering laws and powers when processing applications.

We enquired whether, in applying the good character test, the OIO or Ministers had regard to major current ongoing investigations or prosecutions into consent seekers or their related parties. For example, major investigations into bribery, fraud and corruption or the like. We further asked whether any consents had been issued to parties in those circumstances. We were told that it was not possible to respond to a hypothetical situation, and that witnesses did not know whether any such consents had been approved.

The Minister also told us that two applications had already been identified as possibly using illegitimate funds since the release of the “Panama papers”, but the office is still investigating these tentative connections. We will watch the outcomes of these investigations with interest.

**Resourcing**

LINZ’s external staff contracting budget increases to $9.9 million in 2016/17 from $4.9 million in 2015/16. Some of us were concerned that this amount has increased significantly and asked the Minister to explain why this was the case. We were told that LINZ has a clear policy to use employees where possible, but it will contract external staff if it does not need the capability on an ongoing basis, does not have the in-house capability to complete the work, has difficulty recruiting staff with the required skills, or encounters a situation where transparency is required in its decision-making.

Some of us consider the rapid escalation of consultant numbers and expenditure in 2014/15 to 2016/17 is of concern as it raises questions as to whether the best value for money has been obtained, and whether baseline activities are being too frequently outsourced. We will continue to monitor LINZ’s expenditure on consulting services.

We heard that contracting services can be quite expensive and that standard rates often range between $150 and $200 an hour. They can be up to $400 an hour for a Queen’s Counsel. Much of the increased spending on contractors was attributed to a 2012 court case. This determined that investment applicants are required to provide details of the counter-factual case in their application. An application must now assess the benefits to New Zealand against the benefits that would arise, or would be likely to arise, from continued New Zealand ownership or sale to a New Zealand purchaser.

LINZ is required to consider all of these cases. Although some of this work can be done internally, contractors are often needed to provide expert knowledge of a sector or industry, such as the proposed purchase of Lochinvar Station in 2015. The Minister said that some spending is being used to improve the delivery of OIO applications and that no core business was being outsourced.
Tenure review

Tenure review is a voluntary process that gives pastoral lessees an opportunity to buy some of their leasehold land. The rest of the land, some of it with “significant inherent values”, is restored to full Crown ownership and protection as conservation land. Budget 2016 includes a multi-year appropriation for “Land Tenure Reform Acquisition”. This appropriation, which increases from $51.3 million to $131.2 million, will be used to fund the acquisition of the lessees’ interest in pastoral lease land.

Some of us were interested to know what progress has been made in implementing the Mackenzie Agreement using tenure review. LINZ advised that the Commissioner of Crown Lands runs the tenure review process. The Commissioner is not bound by the Mackenzie Agreement but must adhere to the principles outlined in the Pastoral Land Act 1988. LINZ therefore has no role in implementing the recommendations of the Mackenzie Agreement.

Online resources (Advanced Survey and Title Services)

Landonline is the online register LINZ uses to administer the survey and title database of land ownership in New Zealand. LINZ has been planning to redevelop the Landonline system for some years and is currently seeking expressions of interest to develop the new system. The vendor will incur the up-front build costs, and LINZ will purchase the service using funds allocated to future output expenses.

We asked what checks and balances are in place to minimise the risks associated with information being transferred to a system created by a private entity. The Minister informed us that the system would be built by an external contractor to LINZ’s specifications. However, LINZ would provide all of the business processes, data, and staff operating the system. Under this model, LINZ would rent the space, but activity within it would remain exactly as it is now.

Breaches of the Overseas Investment Act

We were concerned that aggregate data about breaches of the Overseas Investment Act 2005 is not being compiled and asked the Minister why this is the case. The Minister said that each application is monitored and checked against the Act and that the records of breaches of an applicant’s legal obligations are kept on individual applications.

We note that, without compiling individual case data, the OIO and its individual stakeholders are not able to monitor trends in applicants meeting the requirements of its Act, for example, sections 43, 45, and 46. Some of us note that the Minister has refused to answer written parliamentary questions on such data on the grounds that it has not been compiled. Some of us consider this not to assist the House in upholding proper accountability of the agency.

We recommend that the Minister consider collating the number of breaches of the Act, so that adherence to the law can be properly monitored.
Appendix

**Committee procedure**
We met on 16 and 30 June 2016 to consider Vote Lands. We heard evidence from the Minister for Land Information, Hon Louise Upston, and Land Information New Zealand, and received advice from the Office of the Auditor-General.

**Committee members**
Ian McKelvie (Chairperson)
Todd Barclay
Steffan Browning
Hon Chester Borrows
Damien O’Connor
Barbara Kuriger
Richard Prosser
Rino Tirikatene
Stuart Smith

**Evidence and advice received**
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:
Estimates briefing paper for Vote Lands, prepared by committee staff, dated 14 June 2016.
Office of the Auditor-General, Briefing on Vote Lands, received 3 June 2016.
Minister for Land Information, Response to standard Estimates questionnaire.
Minister for Land Information, Responses to additional questions, received 13 June 2016.
Minister for Land Information, Output plan, received 13 June 2016
Minister for Land Information, Four-year plan, received 13 June 2016
2016/17 Estimates for Vote Primary Industries and Food Safety

Report of the Primary Production Committee

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Appendix 7
Vote Primary Industries and Food Safety

**Recommendation**

The Primary Production Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Primary Industries and Food Safety, as set out in Parliamentary Paper B.5 Vol. 9, be accepted.

**Introduction**

Food safety appropriations were added to Vote Primary Industries to create Vote Primary Industries and Food Safety in 2015. The Minister for Food Safety, Hon Jo Goodhew, and the Minister for Primary Industries, Hon Nathan Guy, are responsible for the appropriations within the Vote. The administering department is the Ministry for Primary Industries.

**Vote outcomes**

Core outcomes sought from the Vote are to:

- maximise export opportunities
- improve sector sustainability
- increase sustainable resource use
- protect New Zealand from biological risk.

**Significant appropriations**

The appropriations sought in 2016/17 increase by 15.8 percent to $893.023 million from estimated actual spending of $770.973 million in 2015/16.

Vote Primary Industries and Food Safety includes the following approximate appropriations:

- $190 million for border and domestic biosecurity risk assessment
- $106 million for developing and implementing policy advice
- $70 million for activities relating to fisheries, animal welfare, aquaculture, Crown forestry assets, and administering grants and programmes
- $92 million for activities relating to forest management, wood production, bovine tuberculosis management, climate change research, and operating the New Zealand Walking Access Commission
- $163 million for the Primary Growth Partnership and for claims settlements under the Māori Commercial Aquaculture Claims Settlement Act 2004
- $159 million for capital expenditure, including a $102 million investment in Crown Irrigation Investments Limited
- $112 million for food safety.
The ministry expects to collect nearly $124 million of Crown revenue and capital receipts in 2016/17, including just over $81 million for the sale of logs from Crown forests and just over $36 million in cost recoveries from the fishing industry.

Primary Industries appropriations

Primary Growth Partnership

In October 2015, Silver Fern Farms’ shareholders approved a proposal to grant Shanghai Maling, China’s leading meat processor, a 50 percent stake in the cooperative. The proposal had not been confirmed by the Overseas Investment Office at the time of our deliberation.

Recognising that Silver Fern Farms has received government investment through the Primary Growth Partnership (PGP) and red meat sector strategy, we asked the Minister for Primary Industries how he could ensure that New Zealand taxpayer investment would benefit New Zealand. The Minister asserted that benefits from taxpayer investment should be maximised to New Zealand and not to foreign investors. The Minister told us that the company controls the intellectual property for an exclusivity period of approximately two to five years, before it is then made available to the wider industry.

The Minister also noted that a New Zealand Institute of Economic Research report calculated the cost–benefit ratio from government investment in PGP as being a net benefit of $32 for every dollar invested by the Government.1

The Minister considers that foreign capital investment has enabled primary industries to remain competitive as well as support land values during periods of economic downturn.

Supporting the organics industry

The Minister and officials have been discussing the development of organics regulations with the organics sector. The ministry has also been working on equivalency standards with the organics sectors in the United States of America, Korea, and China, to help New Zealand producers get their products into these markets.

Observing the rise in organics exports from about $70 million in 2002 to about $240 million in the last year, the Minister recognises the significance of this growth sector. We are aware that the organics sector has previously made successful bids for funding from the Sustainable Farming Fund.

The Minister said he would welcome an application from the organics sector to become a PGP programme recipient in the future, but he noted that the sector would have to meet the application criteria. We will continue to monitor the growth of the organics sector with interest and urge the sector to build unity.

Biosecurity

Border clearance levy

A new border clearance levy, built into ticket prices, took effect from January 2016. International airline passengers are charged about $22 and cruise-line passengers $26. We were told that, with a forecast 9 percent growth in tourism this year, this increased revenue


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can be invested directly into frontline biosecurity services. Gains from this investment include more biosecurity staff and detector dogs. A new video has also been developed to be played on international aircraft arriving in New Zealand. The video reminds foreign travellers of their biosecurity obligations in New Zealand.

We were told that there had been no measurable negative feedback on the introduction of the levy, and asked whether it could be increased to fund local councils in developing infrastructure for tourists. The Minister believed that the levy was set appropriately and that any further rise could deter tourists from choosing New Zealand as their destination. However, the Minister observed that more funding had been made available for tourism infrastructure in this year’s Budget.

**Velvetleaf**

We were concerned that velvetleaf seed has been found in some fodder beet crops on several properties throughout New Zealand. We asked how contaminated seed lines had been able to get through biosecurity screening.

The Minister noted that the contaminated seed lines were certified as meeting our biosecurity requirements by the exporting country. However, in response to this specific biosecurity threat, the ministry has implemented more rigorous testing at the border, with any coated seeds requiring sign-off by a technical officer. The Minister said that the ministry has worked quickly with farmers to identify and help eradicate velvetleaf contamination.

We were curious to know why the importing company was not under process of prosecution, to send a clear message of the implications of importing contaminated products or unwanted pests into New Zealand. We were told that an inquiry is under way, and that the company and some individuals are being investigated.

**Fisheries monitoring**

We are aware of recent public concern about fisheries monitoring, including unreported catch and the reliability of data for fisheries management. The Minister informed us of a range of initiatives to address these concerns.

From May 2016, all foreign charter vessels are required to be reflagged in order to fully comply with New Zealand legislation. Observers have been placed on all these vessels. The number of observers on fishing vessels has doubled, and coverage of commercial fishing is improving through the increased use of cameras and vessel monitoring systems.

Recreational fishing is monitored through boat-ramp and telephone surveys, surveillance through fly-overs, and through consultation when the fish stocks are assessed twice per year.

On average per year, the ministry serves 3,000 infringement notices, conducts 1,000 audits, and undertakes 300 commercial and recreational prosecutions. We were told that the ministry was not able to prosecute a recent case of commercial fish-dumping because the video evidence taken from the fishing boats’ cameras was not admissible in court.

The Minister noted that future work will include continued reviewing and monitoring of total allowable commercial catch settings, assessing whether current regulations and penalty regimes are fit for purpose, and reviewing the Fisheries Act 1996. The Minister told us he intends to propose legislative amendments to enable on-board cameras to be used for enforcement and compliance purposes, although no time frame was given.
Animal welfare regulations

The animal advocacy groups, SAFE and Farmwatch, published footage in late 2015 that showed farmers and slaughterhouse workers in the Waikato mistreating bobby calves. The Minister told us that the ministry was running a working group on bobby calf management, which has operated with greater urgency since the release of the footage.

The ministry has been consulting on regulations relating to the Animal Welfare Amendment Act 2015, which amended the Animal Welfare Act 1999. The bobby calf regulations are being fast tracked where practicable. The Minister expects those regulations to be in place by August this year, but acknowledged that there will be a transition period as farmers manage the cost of complying with the regulations. The regulations cover the care, feeding, and shelter of bobby calves, as well as their transport requirements.

Mental health in rural communities

We acknowledged the stressors faced by farmers and sharemilkers who are saddled with debt or who are struggling because of the recent dairy downturn. We were pleased to hear of $500,000 to support mental health initiatives for rural communities, funded jointly by the ministry and the Ministry of Health. Mental health helpline staff are also being trained about rural communities and culture, to better help farmers who call the helpline.

The Minister predicted that the medium- to long-term outlook for the dairy industry was strengthening. However, the next six to 12 months would continue to be volatile for dairy farmers. The Minister believed that banks were working well to support these farmers as their land value decreased. As well as strengthening mental health provisioning, the Minister said that the ministry would work with the industry to support dairy farmers through education in farm management to better maximise their returns.

Food Safety appropriations

Campylobacter risk management strategy

The ministry’s campylobacter risk management strategy aims to maintain the 50 percent reduction in reported annual incidence of food-borne campylobacteriosis achieved between 2010 and 2013, with a further 10 percent reduction by 2020. To help achieve this goal, the Minister for Food Safety said that the ministry was progressing several initiatives, including introducing raw milk regulations, educating about raw-milk health risks, and developing a national case-control study that will look at identifying the sources of campylobacter contamination. We were told that 50 percent of reported campylobacter cases are coming from poultry and 40 percent from ruminants, including non-food contact.

Raw milk regulations

In December 2015, new regulations governing the sale of raw milk were introduced. The regulations aim to better manage the risks of raw milk to public health while recognising the growing consumer demand for this product. Although some countries, such as Australia, ban the sale of raw milk for human consumption because of its high risk, the Minister said that New Zealand is educating consumers about its risks, minimising risk through regulation, and keeping the relationship between the seller and consumer close.

The Minister noted that the legislation and regulations would be reviewed after two years to ensure that they are working adequately and are fit for purpose. One of us believes that
raw milk regulations are too onerous and will drive some very good raw milk farmers out of the sector.

We were concerned about reports that a cow belonging to a farmer who sold raw milk in Otago had tested positive for tuberculosis. The Minister told us that the ministry issued a notice of direction to the farmer to cease supplying and selling raw milk, while supporting the farmer in having the herd tested and the milk pasteurised for sale.

**Health Star Rating system**

The Minister advised that more than 1,200 products have been marked with the Health Star Rating system. We were pleased to hear that the home brands for two supermarket chains have also rated their products with this system. Based on projections from the Australian market, the Minister was confident that more companies would adopt the system. The Minister was encouraged that targeted demographics in New Zealand had demonstrated a good understanding of the system.

We were also pleased by the Minister’s reports that the system was encouraging companies to reformulate their products to healthier recipes, although the companies do not always advertise these changes in case consumers are put off from purchasing the product.

We told the Minister that we would be interested in data that showed what sort of long-term effect the Health Star Rating system has on consumer choices.

**Country-of-origin labelling**

We expressed interest in country-of-origin labelling and felt that it allowed consumers to exercise choice based on their understanding of the country of origin’s standards of food safety. Although the Minister acknowledged that consumers are more actively seeking out product information, she considers that this type of labelling does not assure the safety of the food for consumption. The Minister asserted that a testing regime determines food safety and not consumers’ perceptions about which countries have safer food standards.

**Food Safety Science and Research Centre**

The New Zealand Food Safety Science and Research Centre was launched in May 2016 as a partnership between the Government, industry organisations, and research institutions. It aims to promote, coordinate, and deliver food safety science and research for New Zealand. We expressed interest in being updated on the Centre’s projects and work.
Committee procedure

We met on 9 and 30 June 2016 to consider Vote Primary Industries and Food Safety. We heard evidence from the Minister for Primary Industries, Hon Nathan Guy, and the Minister for Food Safety, Hon Jo Goodhew. We received advice from the Office of the Auditor-General.

Committee members

Ian McKelvie (Chairperson)
Todd Barclay
Hon Chester Borrows
Steffan Browning
Barbara Kuriger
Damien O’Connor
Richard Prosser
Stuart Smith
Rino Tirikatene

Evidence and advice received

In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Primary Industries and Food Safety, prepared by committee staff, dated 3 June 2016.

Office of the Auditor-General, Briefing on Vote Primary Industries and Food Safety, received 3 June 2016.

Minister for Primary Industries and Minister for Food Safety, Responses to standard Estimates questionnaire.

Minister for Primary Industries and Minister for Food Safety, Responses to additional questions, received 7 June 2016.
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Appendix 9
Vote Building and Housing

Recommendation

The Social Services Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Building and Housing, as set out in Parliamentary Paper B.5, Vol.10, be accepted.

Introduction

The appropriations sought for Vote Building and Housing increase in 2016/17 by 16 percent to $346.768 million, from estimated actual spending of $298.673 million in 2015/16.

In recent years, several appropriations have moved from Vote Building and Housing. In 2016/17, “Tāmaki Regeneration” transfers to Vote Finance.

The appropriation “Greater Christchurch Recovery” was established in 2015/16 to transfer functions from the Canterbury Earthquake Recovery Authority to the Ministry of Business, Innovation and Employment. That appropriation transfers to Vote Building and Housing in 2016/17. At $2.474 million for 2016/17, it is 12 percent higher than the $2.197 million in 2015/16.

Vote Social Development contains four appropriations related to social housing, valued at a total of $2.03 billion. These are “Accommodation Assistance” ($1,149 million); “Social Housing Purchasing” ($840 million), which mainly covers the income-related rent subsidy; “Social Housing Outcomes Support” ($33 million), intended for services to support people to access accommodation, including operating the social housing register; and “Emergency Housing Response” ($8 million). We have also heard evidence on the Estimates for Vote Social Development. We will report on that examination separately.

Vote Building and Housing is administered by the Ministry of Business, Innovation and Employment. The Ministers for Building and Housing, Social Housing, and HNZC are responsible for the appropriations in the vote. We heard from the Ministers for Building and Housing, and Social Housing.

Freeing up Crown land for housing

One of the Government’s aims is to increase the number of homes available, especially in Auckland. The main increase in Vote Building and Housing is from removing and replacing the 2015/16 non-departmental capital expenditure of $48.6 million for “Auckland Housing Developments”. That appropriation was established for 2015/16 only.

In 2016/17, there is a new appropriation of $100 million for the non-departmental capital expenditure “Auckland Vacant or Underutilised Crown Land Programme”. The new appropriation starts on 1 July 2016 and expires on 30 June 2021. It is for the Crown’s contribution to housing development in Auckland, and it aims to increase the supply of land available for housing.1

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1 B.5 Vol. 10, pp. 9, 10, 11, and 37.
The Minister for Building and Housing said that, although this appropriation is intended mainly for Auckland, it could involve other areas facing housing shortages, such as Queenstown.

The Minister assured us that fair market value only is paid for the surplus Crown land.

We heard that the number of building consents in Auckland has risen at least 20 percent each year since the Auckland Housing Accord was signed in late 2013. \(^2\) In the year to March 2016, 9,566 building consents were issued in Auckland. The Minister said that the number of consents is a reliable indication of the number of houses that are built. Data from census to census showing the change in the number of dwellings aligns closely with the number of building consents issued.

The “Auckland Housing Developments” appropriation in 2015/16 enabled the Government to secure 13 hectares of land for 980 homes. We asked the Minister how many hectares he expected to acquire with the new appropriation. He said that it was more important to look at the number of homes that would be built, rather than the area of land. For example, the land area at Manukau Station Road near central Auckland measures only 0.4 hectares, but is likely to provide 600 homes. The land at suburban Moire Road, Massey, is much bigger in area, but will provide only 200 homes.

The Minister told us that the Crown land programme delivers about one home per $70,000 of raw land value. For apartment complexes, the figure is more like one home per $30,000–40,000 of raw land value.

Some of us are disappointed that the Government did not free up more land for housing with the “Auckland Housing Developments” appropriation. We hope the “Auckland Vacant or Underutilised Crown Land Programme” frees up proportionately more land for homes.

The Minister expects the new appropriation for “Auckland Vacant or Underutilised Crown Land Programme” to help provide 1,000 to 2,000 homes. We heard that, in total, the overall Crown land programme is providing 12,000 homes. The Minister clarified that this includes all developments on underutilised Crown land, such as those that have been completed in Christchurch and in Tāmaki in recent years.

**Discouraging property speculators**

We asked what the Government is doing to discourage people from buying and selling houses just for the profit they can make on the purchase price. The Minister mentioned the following five measures:

- Since 2009, property investors have not been able to claim depreciation against their tax.
- There have been two increases in appropriations for Inland Revenue to ensure that property investors pay the appropriate tax.
- In 2015, the Government introduced the “bright-line” test to ensure that sellers pay tax on their profit if they sell within two years of purchasing a property.
- Property buyers are required to provide their tax numbers.

\(^2\) A housing accord is an agreement between the Minister for Building and Housing and a council to work together to address housing supply and affordability issues in a city or district.
From 1 July 2016, lawyers will have to take a withholding tax on behalf of their overseas clients.

Some of us think that the Government should do more to exclude investors from new developments, especially new developments on Crown land.

The Housing Act 1955 empowers the Government to use surplus Crown land for State housing purposes. The Minister is satisfied that the current process complies with that Act, because the Government requires a proportion of the homes built under the programme to be for social housing. The Government has said that 20 percent of the dwellings from the Crown land programme will be made available to community housing providers. Another 20 percent will have to meet housing affordability criteria.

Some of us consider that these conditions should also apply to Special Housing Areas, which are locations identified for “fast-track” development. However, the Minister said that, when the private sector rather than the Crown provides the land under development, it is not appropriate for the Government to put conditions on the development. Doing so would create a risk that the land would not be built on at all.

**Making it easier for first home buyers**

We heard that another of the Government’s key objectives is to skew the market in favour of first home buyers.

The HomeStart grant scheme provides up to $10,000 for eligible individuals, and up to $20,000 for eligible couples, to help build or buy their first home. Of the 2015/16 appropriation, $67 million, or 86 percent, will be spent. The Minister said that it is important that this appropriation is over- rather than under-estimated, so that applicants do not miss out because the scheme has run out of funds.

The appropriation for HomeStart increases in 2016/17 to $85.863 million. This is $18.8 million more than the estimated actual spending in 2015/16. The increase reflects an anticipated increase in grants as the scheme matures. The Minister confirmed his 2014 expectation that, during the five years to 30 June 2020, 106,000 applicants will receive HomeStart grants to a total value of $468 million.

Only 9 percent of HomeStart grants have been to Auckland home buyers. The Minister said that this is because it is easier for first home buyers to buy outside Auckland. He also commented that there can be a significant delay between when the Government intervenes and when that intervention takes effect.

**Encouraging developers to build affordable housing**

A third key Government objective is to encourage more affordable and innovative housing types.

We were interested in information on housing affordability. We heard that, based on average weekly earnings, median house prices, and mortgage interest rates, houses in New Zealand are 34 percent more affordable now than they were in 2008. However, in Auckland, they are only 12 percent more affordable.

The Minister told us that, since 1990, the average price of a section in Auckland has risen from $100,000 to $450,000: an increase of 350 percent. In comparison, we heard that, during the same period, the Consumers Price Index has risen by 71 percent and the cost of building work has gone up 78 percent.
We heard that 60 percent of the price of a new house is now made up of the land value, compared with about 40 percent in the past. The Minister identified several current initiatives that may help fix this distortion: Special Housing Areas, unitary plan changes, reform of the Resource Management Act 1991, and the national policy statement on urban development capacity.

The Government does not keep track of houses that are built in Special Housing Areas, so the Minister was unable to tell us how many such houses have been purchased by investors rather than owner-occupiers. Some of us think it would be valuable to record who buys these houses, to help to measure the success of the Special Housing Areas.

**How many buyers live overseas?**

The Minister told us that a survey by Land Information New Zealand found that, in a six-month period, there were 1,692 purchases by persons whose tax residency was overseas. This was around 2 percent of the more than 70,000 property transactions.

Some of us contend that this information is not useful because the survey was poorly designed: it excluded 45 percent of respondents, including companies, trusts, people on work visas, and students. Also, it could not tell the Government where the buyers intended to live. The Minister said that some of these issues will be improved by the next survey.

**Social housing in Auckland**

More than half of the Government’s social housing stock is in Auckland.

The Minister for Social Housing said that Housing New Zealand Corporation is building 589 new houses in Auckland. Another 509 homes will become available through community housing providers. We heard that the corporation is planning to build another 2,650 new homes during the next five years.

The Minister recently announced a scheme to encourage households to move away from Auckland. It offers $5,000 to assist in relocation. Applicants have to be eligible for social housing. We learnt that 130 households have expressed interest in taking up this offer. The Minister did not know where these tenants are looking at moving to.

**Accommodation supplement and income-related rent**

In 2016/17, the Government expects to provide 346,500 people with financial assistance for housing. This is made up of 286,000 people who receive the accommodation supplement and 60,500 tenants who pay income-related rent. Income-related rent is when tenants pay a percentage of their income towards their rent. The Government pays the rest. These tenants pay, on average, $120 per week towards their rent.

A significant area of spending during the next four years will be $200 million for the income-related rent subsidy. That figure comprises the following:

- $120.1 million to provide an extra 750 places in Auckland and other high-demand areas
- $41.5 million to cover rent increases
- $38.4 million to support the rent increases expected once homes in the Tāmaki redevelopment project are made warmer, drier, and bigger. When the redevelopment is finished, there will be 2,800 homes.
We asked about the barriers people have to getting into the private rental market. The Minister explained that the income-related rent subsidy decreases as income increases. So, as their income increases, tenants pay more towards their rent. The Minister commented that this hardly seems like an incentive for people to move towards independence.

The Minister considers that the main barrier to entering the private housing market is cost. Rents are increasing. Also, some social housing tenants who pay market rent do not have the savings to pay for associated costs, such as the bond, the letting fee, and the expense of moving their belongings to the new home. The Minister said that “housing support” products can help overcome these barriers.

Some of us point out that some families, even when two adults are working, cannot afford market rent and end up homeless or on the social housing waiting list. The Minister suggested that some of these tenants could be entitled to the accommodation supplement. We urge the Government to continue raising awareness that people in the paid workforce may be eligible for accommodation assistance.

Social housing tenancy reviews

We were pleased to hear that, since the Government started reviewing social housing tenancies, 71 former Housing New Zealand Corporation tenants have moved into homes they purchased.

Long-term tenants

The Minister said that a social housing evaluation has just been completed. At the date of our hearing, it was being analysed. The evaluation is expected to help the Government decide who to guarantee long-term tenancies to.

The Minister suspects that the evaluation could find that disabled tenants should be given the security of long-term tenancies. In contrast, other tenants may be “stuck” in long-term social housing tenancies. The Government will seek to provide incentives to encourage these tenants into better work opportunities and home ownership.

Houses damaged by methamphetamine

We heard that about 730, or 1 percent, of the corporation’s houses are “short-term” vacant at any time. They are either under repair or to be let shortly. About 100 of them are ready to be let immediately.

The corporation “demands” that tenants respect properties, and it evicts tenants for serious breaches. During the 9 months to March 2016, the corporation ended 184 tenancies because of anti-social behaviour, fraud, or illegal activity.

We heard that, as well as the vacant houses mentioned above, 463 homes were “longer-term” vacant at the date of our hearing because they were contaminated by methamphetamine. In the week before our hearing, corporation staff requested that 40 properties be tested for methamphetamine. It costs an average of $10,000 to decontaminate each property.

We heard that the corporation makes sure it correctly identifies whether it was the current tenant or a previous tenant who contaminated a house with methamphetamine.

Tenants who are evicted for reasons relating to methamphetamine are not allowed to return to social housing for 12 months. We were told that, if they present for rehousing after 12 months, the corporation finds out whether their circumstances have changed or
whether they have been working with other agencies. The corporation will house them if it
determines that they are no longer methamphetamine users. We were told that very few
State housing tenants who were evicted because of methamphetamine contamination have
reapplied for social housing after the 12-month stand-down period.

Some of us believe that the corporation should regularly test the properties of tenants who
have been previously involved with methamphetamine.

**Homelessness**

The Minister has been concerned about homelessness for about the last two years. We
agree with her that it is unacceptable for people to sleep in cars and for hospital patients to
have no home to go to after they are discharged. We appreciate the Minister’s agreement to
send us copies of any reports or correspondence that she receives on homelessness.

We are aware of research that says 42,000 people in New Zealand are homeless, including
4,000 “rough sleepers”. The Minister commented that there are differing definitions of
homelessness. For example, she recalled that the Auckland City Mission recently said the
number of rough sleepers in central Auckland has increased to more than 200. She said
that fewer than 1,000 people on her waiting list have “insecure” housing. Although this is
less than 42,000, the Minister is still concerned about insecure housing.

Addiction problems and mental health issues contribute to long-term homelessness. The
Minister told us about a project working with 182 long-term homeless people in Hamilton.
Some non-governmental organisations there, working in collaboration with the city council
and with government agencies, were able to house 82 percent of these people in private
rental homes.

The Minister said that the key to success was that the agencies worked with the clients for
long periods of time. She is working with some organisations in Auckland to try to
introduce a similar project there.

**Visit to homeless people**

The Minister gave the Prime Minister information that he interpreted to mean that people
from the Ministry of Social Development and the Salvation Army had gone together to an
Auckland park and spoken to people who were living in their cars. However, only the
Salvation Army made that visit. The ministry’s staff remained at its office, ready to take
calls about the issue as needed.

The Minister acknowledged that her communication to the Prime Minister on this matter
should have been clearer.

**Emergency housing**

The Minister said that another significant area of spending in the next four years will be
$41 million for emergency housing. This will include about 3,000 emergency housing places
for individuals and families. About half of these will be in Auckland.

The Minister could not tell us how many new emergency places would be funded by the
appropriation, because the Government is currently requesting proposals from providers.
However, we were pleased to hear that about 800 places are being fast-tracked and will be
ready from 1 July 2016.
Renting motels for emergency accommodation

Some people needing emergency accommodation are put into motels if they cannot get into a contracted emergency housing place. We heard that people needing emergency accommodation in a motel stay there for an average of about seven days.

The Minister said that it would be difficult to establish how many people owe money to the Government for motel rooms and how much they owe. This is because people often owe money to Work and Income for a variety of reasons, and the data does not identify which loans were made for motel accommodation. However, the Minister estimates that, in 2016/17, about $7 million will be spent on Special Needs Grants for emergency housing in motels.

To date, the Special Needs Grant for motels has been a loan, to be paid back to the Government. The $41 million for emergency housing will include changing the Special Needs Grant to a donation rather than a loan. It will cover up to seven days in a motel; longer if there are exceptional circumstances. The Minister is working on defining the grant's conditions. Although we are pleased with this change, some of us consider that the grant should not be limited to seven days. We are aware of people staying in motels for much longer.

Most of us were pleased to hear that the Minister is also looking to “pre-purchase” about 100 motel places. She expects that buying the places in bulk will save money. We heard that, in Christchurch, the Government has successfully contracted with two motels for emergency or transitional housing.
Committee procedure

We met on 8, 29, and 30 June 2016 to consider Vote Building and Housing. We heard evidence from the Minister for Building and Housing, Hon Dr Nick Smith; the Minister for Social Housing, Hon Paula Bennett; the Ministry of Social Development; Housing New Zealand Corporation; and the Ministry of Business, Innovation and Employment. We received advice from the Office of the Auditor-General.

Committee members

Alfred Ngaro (Chairperson)
Darroch Ball
Matt Doocey
Hon Paul Goldsmith
Jan Logie
Jono Naylor
Dr Parmjeet Parmar
Maureen Pugh
Carmel Sepuloni
Phil Twyford

Evidence and advice received

In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Office of the Auditor-General, Briefing on Vote Building and Housing, received 8 June 2016.

Vote briefing paper, prepared by committee staff, dated 6 June 2016.

Minister for Building and Housing, Presentation to committee, dated 8 June 2016.

Minister for Building and Housing, Response to standard Estimates questionnaire, received 27 May 2016.

Minister for Building and Housing, Responses to additional questions, received 28 June 2016.

Minister for Social Housing, Presentation to committee, dated 8 June 2016.

Minister for Social Housing, Responses to additional questions, received 8 and 29 June 2016.
2016/17 Estimates for Vote Social Development

Report of the Social Services Committee

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Recommendation

The Social Services Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Social Development, as set out in Parliamentary Paper B.5, Vol.10, be accepted.

Introduction

At $24.942 billion, Vote Social Development is the largest vote in the Budget. It appropriates about a third of the total value of Budget 2016/17. The 2016/17 appropriations increase by $800 million (3.3 percent) from estimated actual spending of $24.141 billion in 2015/16.

Demand-driven “benefits or related expenses” make up 81 percent of the vote. These include:

- $12.912 billion (slightly more than half the vote) for New Zealand Superannuation payments
- $4.391 billion for the three main working-age benefits—Jobseeker Support and Emergency Benefit, Sole Parent Support, and Supported Living Payment
- $1.149 billion for accommodation assistance.

The other large appropriation in the vote, worth $1.682 billion, is payments for student loans.

The Minister for Social Development is responsible for most of the appropriations in the vote. Seven other ministers are also responsible. They are the Ministers for Seniors, Disability Issues, Youth, and Social Housing, and the Ministers of Finance, Revenue, and Veterans’ Affairs.

Reducing benefit dependency

By June 2018, the Government aims that 25 percent fewer people receive main benefits than in 2014 and that the estimated long-term cost of benefit dependence (measured by an accumulated actuarial release) is $13 billion less.

The Minister for Social Development told us that, as at March 2016, there were 279,891 working-age beneficiaries. This is 51,000 people fewer than at the height of the global financial crisis in March 2011.

The Minister is concerned about 20- to 29-year-olds. Before the financial crisis, these young people were in education and training. After the financial crisis, there were fewer jobs available when they finished their education or training, so many of them went on to benefits. Since then, many capable workers in this age group have not stayed constantly in work. Instead, they have cycled between being employed and receiving a benefit. The Minister is commissioning research to identify the issues and see whether there are better ways to help this group.
The Minister told us that, in 2016/17, $111.5 million is allocated for supporting New Zealanders into employment. This includes extending the Youth Service, maintaining targeted case management, trialling a pilot to support people with complex health conditions, and supporting a trial aimed at increasing the employment prospects of released prisoners.

We heard that $9 million will be spent on the pilot for jobseekers with complex health conditions. This will look at the effects of physical illness or disability on mental health and will pilot different ideas for supporting people with complex health needs into work. It will be developed with district health boards.

Overhauling the care and protection system

The appropriation of $406 million for “Care and Protection Services”, which covers services provided by Child, Youth and Family (CYF), includes $46 million for a set of new initiatives in 2016/17. The largest initiative is $35 million for “Increased Support for Child, Youth and Family”. However, several one-off appropriations in 2015/16 are ending. The net result is that “Care and Protection Services” in 2016/17 is $10 million higher than it was in 2015/16.

An expert panel recently recommended overhauling CYF so that it works better for children. The Minister for Social Development has accepted the recommendations and aims to have a new system in place by 1 April 2017. We heard that CYF will move from a crisis-intervention model to a child-centred model that works with families from early on to reduce the chances of them needing intensive or statutory care.

The Minister expects that it will take four to five years to build CYF’s credibility, change its culture to become fully child-centred, and work with other agencies to ensure a cross-agency, cross-professional focus on improving lives for children and their families.

Given that six out of 10 children who come into contact with CYF are Māori, we were pleased that the new system will be designed to work first with Māori. The Minister told us that, if it works for Māori, it will work for everyone else.

We heard that CYF will have a new operating system as part of the change.

A change manager has been appointed to lead the transition.

Child-centred legislation

Under the existing legislation—enacted in 1989—the welfare and interests of the child or young person are paramount in all matters relating to the administration or application of that legislation. This paramountcy seems to have become lost. The Minister said that it will be her challenge to ensure that the new model is truly child-centred. She is focused on making sure that the organisation assesses and provides for children’s needs first.

The Minister said that one strategy is for the reporting system to contain advice from chief executives as well as from a youth advocacy group. She also said that she intends to build on existing projects that have confirmed that CYF’s role must be to focus on the needs of children.

The Minister does not consider it necessary to include a principle in the Social Security Legislation Rewrite Bill (which we are currently considering) about children being the...

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centre of policy, because that bill encompasses a different range of people. She said that a clear statement about the centrality of children’s needs will be in other legislation.

**Child, Youth and Family’s current performance**

The Minister said that it is important to make sure that CYF runs well until its overhaul is completed. She is aware of the need for service continuity during the transition to the new model. She considers that continuity will be achieved because the appropriations allow for more children and extra social workers within the existing system.

The Minister confirmed that CYF is expecting a deficit of between $28 million and $38 million in 2016/17. Some of us were disappointed to learn that the $35 million initiative “Increased Support for Child, Youth and Family” is simply to fund that deficit.

We understand that, since 2011, the Government has removed $52 million from CYF in “efficiency savings”. CYF’s actions to achieve these savings included holding vacancies, managing annual leave balances, and postponing programmed spending. Some of us consider that this $52 million should have gone back into the area that needed it most—children, young people, and their families.

We heard that 83 new social workers were employed in 2014 as a result of a review. The Minister wants to provide social workers with a wider range of support from professions such as child psychologists and criminologists.

We were concerned to hear that social workers spend less than 25 percent of their time with families and children, and more than 50 percent of their time on administration. We hope that administration time can be reduced to allow social workers to spend more time with families.

**Children’s Teams**

Children’s Teams are being established to work with at-risk children and young people whose needs are (just) below the threshold of requiring statutory care and protection or youth justice.

So far, 10 Children’s Teams operate in New Zealand. The long-term intention is to increase this to 20 teams—one per district health board. In 2016/17, some of the existing teams will be expanded so that they cover their full district health board area.

The Minister expects to keep to 10 teams during the overhaul of CYF. New teams will be created after the overhaul is completed.

**Children’s Commissioner**

The Children’s Commissioner monitors and investigates CYF residences, and advocates for individual children as well as for children generally. In 2016/17, $2.157 million is allocated for the Office of the Children’s Commissioner. The office’s Crown revenue has been at this level since 2009/10.

We heard that the commissioner had not asked for an increase in funding. Even though two independent reports suggested that the office’s funding is inadequate, the Minister said that he assured her that his office could continue on the same funding.

The commissioner has reduced the frequency of his office’s visits to residences from every 12 months to every 18 months. Even so, the Minister said that the commissioner was
confident that his office has improved its monitoring of residences: the monitoring is now more in-depth and is more helpful to managers than in the past.

Some of us consider that the commissioner should have been allocated more funding. This is especially important as CYF goes into a transition period that could increase risk. Further, in our February 2016 hearing on the annual review of the Children’s Commissioner, the commissioner told us that he no longer thought that 18 months between visits was enough. He told us that the Minister was aware of his concerns.

The Minister commented that the commissioner must first fulfil his statutory role, then—if resources allow—carry out other projects as he sees fit. Some of us reiterate that the commissioner’s non-statutory work is funded by sponsors, including the JR MacKenzie Trust.

The Minister responded that she is focused on the new system. She said that residences are more for remand. She is not confident that residences can provide sufficient rehabilitation to children and young people, and she is not sure that this model will remain after the CYF overhaul.

Social Workers In Schools

At $21 million, funding for the “Social Workers In Schools” initiative is the same in 2016/17 as in 2015/16. This allocation allows decile 1 to 3 schools to access social workers.

We understand that 183 primary schools cannot access social workers because of underfunding. The Minister was concerned to hear that. She said that some schools not accessing these social workers get assistance through the Whānau Ora scheme.

The Minister is considering changing the way that social workers in schools are provided. Decile 4 to 10 schools may also have families that could benefit from social workers. We were pleased to hear that the Government is considering making social workers available to whole Communities of Learning (groups of schools working together).

Homelessness

In 2016/17, the appropriation for “Emergency Housing Response” increases by $5 million to $7.945 million. In 2015/16, it was $2.738 million. The new funding is for contracted emergency housing places in areas of high demand.

We heard that, at the date of our hearing, 428 people were assessed as being homeless. There is also another category, “insecure housing”, which includes those with “temporary accommodation”.

We note that these categories relate only to those who ask Work and Income New Zealand for help.

We were pleased to hear that the ministry is reviewing the assessment criteria for homelessness. As part of the review, definitions will be improved.

Emergency housing in motels

The Minister is responsible for Special Needs Grants which are advanced to beneficiaries for various reasons, including paying for emergency accommodation in motels. Until the end of June 2016, the Special Needs Grant for motels has been a loan.
The Minister said that the Government realised that it was unfair for people to have to repay the grant, when they would not have the debt if they had entered another type of emergency housing. From 1 July 2016, the grant will be non-recoverable rather than a loan, for up to seven days’ motel accommodation. The Minister explained that the seven-day limit is because, if people stay for longer, there may not be enough room for the next people who may need it.

Some of us understand that the average length of stay in emergency accommodation is 10 days. We are concerned that the Minister for Social Housing told us (in evidence to us on Vote Building and Housing2) that it is seven days. No matter what the length of stay, some of us contend that the grant for emergency accommodation in motels should be non-recoverable rather than a loan for the entire duration of the stay.

We were pleased to hear that, in 2016/17, the Government will collect better information on the amounts paid for, and times spent at, emergency accommodation in motels. This will assist it to be more effective in helping with emergency housing.

Currently, it is hard to separate out how much of a beneficiary’s debt is from staying in motels. We heard that the Government is not interested in knowing: it is looking forward, not back.

Although we agree with the Minister that it is better for people to get this loan from the Government than from loan sharks, some of us believe that it is unfair to keep people in debt for emergency accommodation. Even if these beneficiaries do find work, their debt is so high that it will be hard to ever improve their financial position.

**Debt caused by overpayments**

We heard that the total debt owed to Work and Income is $1.3 billion. Of this, $696.5 million relates to overpayments made when people did not inform Work and Income of a change in their circumstances. About $432 million is owed for advances or Special Needs Grants for items including emergency accommodation, whiteware, and funerals. Another $194 million of the debt relates to benefit fraud.

The Minister said that the Government is introducing ways to help people stop accumulating debt from overpayments.

One way is using the internet to update their details. We heard that 64 percent of clients have smartphones and can use these to tell Work and Income when their circumstances change. We heard that 100,000 clients are now registered for “MyMSD” and that 23 percent of applications are made online. Staff have successfully helped reluctant users to get comfortable with this technology. User feedback has been that it is easier to book an appointment, view their details, and tell Work and Income about changes.

Work and Income is also matching its data with Inland Revenue data. This allows Work and Income to see a change in income very quickly and to alter any benefit payment accordingly.

In addition, a new client management system makes it easier for staff to have prompted conversations with clients, to update details, and to have information on a single screen without having to scroll through several systems.

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2 The hearing for Vote Building and Housing was held on 8 June 2016.
Housing needs assessments

Instead of Housing New Zealand Corporation, people now apply to the ministry for social housing assessments. One of the original advantages of this change was that applicants would have to provide information only once.

However, the Minister acknowledged that there have been instances where agencies have not shared information. She said that these cases are the exception rather than the rule. We look forward to receiving an update on this matter in our annual reviews of the ministry and Housing New Zealand Corporation.

Sexual violence services

We were pleased to hear that work to improve the delivery of sexual violence services is progressing well.

In 2016/17, $6.28 million is allocated for specialist sexual violence services. This compares with past funding (in Vote Health) of $5.2 million per year for the specialist sexual violence sector in 2014/15 and 2015/16.

The Government has not increased funding for first (crisis) response services, because it is redesigning services nationally. That work is expected to result in the engagement of professional advocates to help survivors go through the health and police processes. The Minister expects the redesign to take about six months. She said that family violence coordinators will continue to help in areas of overlap.

The Minister said that first response services are a higher priority than services for historical abuse. We are aware that 80 percent of community providers’ cases are for historical abuse. We were told that funding through the ministry will build up over four years “to meet known demand and some latent demand”.

We heard that funding for those showing harmful sexual behaviour will be expanded to cover adults as well as children. We also heard that the Minister of Justice is looking at ways to help victims going through the court process.

Some of us are concerned that the prioritising of first response services over historical abuse services does not reflect the evidence presented to our Inquiry into the Funding of Specialist Sexual Violence Social Services about the need to develop a whole-of-system response.

Family violence

The number of women using women’s refuges is increasing. The Minister explained that funding has not increased for refuges because the Government wants more information on their effectiveness. She has decided to put a better system in place for 2017/18.

The Minister told us about an alternative idea of taking perpetrators out of the family home, rather than women and children. With protection orders and supports in place, women could be left in their home environment. Children would be able to continue at the same schools.

Some of us would encourage the Minister to continue this work alongside building capacity within survivor support services such as women’s refuges.

In Christchurch, the New Zealand Police are leading a project on family violence. Its priority is to have all agencies working together to ensure that the correct information is
shared and that the right people do the right things at the right time. The Minister hopes that the trial can be replicated in the Waikato.

Seniors

The Minister for Seniors is responsible for an appropriation in 2016/17 of $1.01 million. This amount is intended to achieve positive outcomes for seniors by providing support and advice to the Minister.

The Minister told us that 700,000 New Zealanders are over the age of 65. In 20 years’ time, that population is projected to be 1.25 million. The population over age 95 is expected to increase even more dramatically—from 5,600 at present to 45,000 in 40 years’ time. We agree with the Minister that it is important to plan for these increases.

The Minister wants to ensure that older people can live meaningful lives with social participation and community involvement. She pointed out that seniors make a large contribution to the economy through unpaid and voluntary work. Seniors are also a fast-growing consumer group.

We heard that two current issues for seniors are elder abuse and social isolation. A priority for the Minister is supporting people to stay in their own home for longer.

The Minister said that, in 2015, she initiated “Community Connects”, an umbrella group for all the various entities that represent older people in New Zealand. The group is working towards “age-friendly communities”. This is a New Zealand version of the United Nations’ “age-friendly cities”. There are a number of key indicators to measure whether a place is age-friendly. A positive side-effect of age-friendly communities is that they will also be good for others, such as disabled people and families with young children.

The Minister is trying to ensure that all communities are aware of issues about seniors. Information sheets, including ones on elder abuse and enduring powers of attorney, have been translated into various languages.

SuperGold Card

The SuperGold Card is a discount and concession card for seniors. Among other things, cardholders receive government-funded off-peak public transport. This contributes to keeping their lives meaningful by encouraging them to get out during the day.

We heard that the Government has increased the number of businesses offering discounts on essential services by about 2,000. This includes services for eyes, ears, teeth, law, and funerals. Some discounts have also been obtained for cardholders in Australia.

The Minister puts out a newsletter every two months that often includes details of SuperGold Card entitlements.

Auckland Transport is introducing a prepay smartcard (called AT HOP) for all its public transport. Although off-peak transport in Auckland will remain free for seniors, they will have to purchase an AT HOP card at a one-off cost of $15. Some of us consider that this is unfair. We encourage the Government and Auckland Transport to make it free, or less expensive, for seniors to get an AT HOP card.

Social security legislation rewrite

As mentioned earlier, we currently have a bill before us that would rewrite the existing social security legislation. We asked the Minister what the implications of its policy changes
are for those over 65, particularly in regard to the Emergency Benefit and the Unsupported Child’s Benefit. We heard that she has been advised to support the proposals because there are no significant implications for seniors. We would be interested to find out more detail.

Disability issues

The Minister for Disability Issues is responsible for an appropriation of $4.045 million for promoting positive outcomes for disabled people. The appropriation is intended to enable disabled people to increase their participation in and contribution to society, by providing advice and support to the Minister for Disability Issues and by co-ordinating and monitoring against the United Nations Convention on the Rights of Persons with Disabilities, the New Zealand Disability Strategy, and the Disability Action Plan.

The appropriation is 30 percent less than the $5.779 million budgeted and spent in 2015/16 because time-limited funding is ending for three initiatives: “Promoting Lifetime Design in Housing”, “Enabling Good Lives Work Programme”, and “Christchurch Enabling Good Lives”.

We were pleased to hear that New Zealander Robert Martin, an advocate for disabled people, has been elected to the United Nations’ Committee on the Rights of Persons with Disabilities. He is the first person with a learning disability to be voted on to that committee. We congratulate him.

The Minister told us about the revision of the New Zealand Disability Strategy and successful demonstrations of the “Enabling Good Lives” model.

We are pleased that 505 people have been supported into full-time jobs as part of “Project 300”. In addition, 79 people have been helped into part-time jobs and 36 have been helped into study. After a further three-month test in the Bay of Plenty, the project is to be extended nationwide under the name “EmployAbility”. The Minister said that working with employers is the key to success.

Some of us were disappointed that the project statistics do not differentiate between people with disabilities and those with health conditions. This meant that we were unable to know how many disabled people had been helped, compared with how many people with health conditions had been helped. We encourage the EmployAbility initiative to collect this information.

The Minister said the project did not distinguish between those with disabilities and those with health conditions because it was meant to be inclusive: to assist into employment anybody who could not work for either or both of those reasons. The Minister also said that all those who have been assisted into work have been very pleased.

We heard that within the disability sector, the term “disability” usually includes long-term conditions that last for longer than 6 months, including mental health conditions and health conditions that affect people’s ability to work. As part of the Disability Action Plan, work is being done to define disability.
Appendix

Committee procedure
We met on 15, 29, and 30 June 2016 to consider Vote Social Development. We heard evidence from the Minister for Social Development, Hon Anne Tolley; the Minister for Senior Citizens, Hon Maggie Barry; the Minister for Disability Issues, Hon Nicky Wagner; and the Ministry of Social Development. We received advice from the Office of the Auditor-General.

Committee members
Alfred Ngaro (Chairperson)
Darroch Ball
Matt Doocey
Hon Paul Goldsmith
Jan Logie
Jono Naylor
Dr Parmjeet Parmar
Maureen Pugh
Carmel Sepuloni
Phil Twyford

Evidence and advice received
In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Office of the Auditor-General, Briefing on Vote Social Development, received 15 June 2016.

Vote briefing paper, prepared by committee staff, dated 13 June 2016.

Minister for Disability Issues, Response to pre-hearing question, received 28 June 2016.

Minister for Seniors, Response to additional question, received 23 June 2016.

Minister for Social Development, Presentation to committee, dated 15 June 2016.

Minister for Social Development, Response to standard Estimates questionnaire, received 27 May 2016.

Minister for Social Development, Responses to additional questions, received 15 and 24 June 2016.

Minister for Social Development, Correction to oral evidence, received 30 June 2016.