



**The Parliament of the
Commonwealth of Australia**

**Report of the Parliamentary Delegation to Vanuatu
and New Zealand by the Senate Foreign Affairs,
Defence and Trade References Committee**

30 April – 9 May 2014

June 2014

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Delegation members

Delegation Leader

Senator the Hon Ursula Stephens
Senator for New South Wales
Australian Labor Party

Delegation Member

Senator David Fawcett
Senator for South Australia
Liberal Party of Australia

Delegation Member

Senator Helen Kroger
Senator for Victoria
Liberal Party of Australia

Delegation Member

Senator Anne McEwen
Senator for South Australia
Australian Labor Party

Delegation Secretary

Mr David Sullivan
Department of the Senate

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Chapter 1

1.1 This report outlines the activities, observations and conclusions arising from the Australian Senate Standing Committee on Foreign Affairs, Defence and Trade References Committee exchange visit to Vanuatu and New Zealand between 30 April and 9 May 2014.

Annual Parliamentary Committee Exchange Program

1.2 The Australian and New Zealand national parliaments have for a number of years operated an annual parliamentary committee exchange program. The purpose is to enable Australian and New Zealand parliamentarians working on committees to explore issues of common interest that are the subject of consideration by their committees.

1.3 Each year one New Zealand parliamentary committee visits Australia and one Australian parliamentary committee visits New Zealand. As the Australian parliament has Senate, House of Representatives and joint committees (with joint committees comprising senators and members of the House of Representatives), the Australian parliament conducts the exchange program on a rotation basis over a three year period, with a Senate committee selected one year, a House committee the second year and a joint committee the third year.

1.4 Each visit is focused on the particular subject field of the committee selected for the visit. Meetings, roundtables and inspections are arranged that allow the committee members to exchange views and information with their parliamentary counterparts as well as public servants, senior private enterprise personnel, academics and experts working in the subject field of the committee.

1.5 For Australia, each year the Presiding Officers call for nominations from committees to participate in the program, with committees required to outline the reasons they wish to be considered in that particular year. The Presiding Officers select the committee they consider has put forward the most compelling reasons for undertaking the visit.

1.6 In 2014, the committee visit to New Zealand was adjusted to include a visit to one other Pacific region country. Another annual committee visit, the parliamentary committee visit to the Asia-Pacific, was adjusted at the same time to simply become a parliamentary committee visit to Asia.

1.7 The Senate Foreign Affairs, Defence and Trade References Committee was selected by the Presiding Officers to participate in the 2014 committee exchange program. The committee nominated Vanuatu as the Pacific country of its choice. The committee's proposal is included at Appendix 2.

The committee's work on Australia's development assistance

1.8 The committee's visit to Vanuatu and New Zealand was timely in light of the its inquiry into Australia's overseas development assistance (ODA) program, which was tabled in March 2014. The inquiry's terms of reference focused on the broad policy settings for the delivery of Australia's overseas aid including its international development priorities, and the integration of AusAID into the Department of Foreign Affairs and Trade (DFAT), including the freeze in international development assistance funding.

1.9 A number of aspects of the inquiry report are relevant to the committee's visit to Vanuatu and New Zealand. The report noted that:

- more than 80 per cent of Australia's ODA is directed to its nearest neighbours in the Asia Pacific region (Indonesia and Papua New Guinea are the two largest beneficiaries of Australian support);
- the allocation of development priorities in the Australian aid program for 2013-14 was education (22 per cent); economic development (20 per cent); health (19 per cent); humanitarian (16 per cent); governance (16 per cent); and general development support (7 per cent);
- Australian aid should be allocated to the most effective mechanism for delivery, including non-government organisations, private sector contractors, bilateral agreements, and multilateral organisations; and
- while integrating AusAid into DFAT has created opportunities to improve Australia's aid program, there are also risks associated with the merger including that DFAT may lose key skills, procedures and specialist staff needed to effectively administer Australia's aid program.

Aims and objectives of the visit

1.10 The main objective of the visit was for the committee to investigate three key issues within the committee's portfolio responsibility: defence partnerships, tourism and overseas aid. The committee was particularly interested in exploring:

- the priorities, effectiveness and delivery of Australian aid to Vanuatu;
- Australia's contribution to Vanuatu's tourism sector and infrastructure projects;
- reforms to New Zealand's aid program that parallel recent developments in Australia, including the reintegration of aid into the Ministry of Foreign Affairs and Trade in 2009;
- New Zealand's tourism sector and its contribution to the national economy, focusing on Queenstown as a national and international tourism hotspot;
- the reconstruction of Christchurch following the devastating 2010 and 2011 earthquakes including the city's economic and tourism prospects; and

-
- Australia's defence and security cooperation with Vanuatu and New Zealand, and the current and emerging security environment in the Asia Pacific region.

Acknowledgments

1.11 Many people assisted the committee's visit to Vanuatu and New Zealand. The committee expresses its appreciation to all those involved in making the visit a success. In particular, the committee would like to thank:

- the International and Community Relations Office (ICRO) which facilitated the committee's travel arrangements and development of the official visit programs;
- officers from the Department of Foreign Affairs and Trade and the Department of Defence who briefed the committee before and after the official visit;
- officers who met with the committee from the Australian High Commission in Vanuatu and New Zealand, and particularly Ms Tanya Parkin, Deputy High Commissioner and staff (Australian High Commission, Vanuatu) and Mr Remo Moretta, Deputy High Commissioner (Australian High Commission, New Zealand); and
- Ms Liz Kitto, Department of Internal Affairs (New Zealand), and Mr Darryl Stevens, Office of the Clerk of the House of Representatives (New Zealand) for facilitating all aspects of the New Zealand program.

1.12 The committee also records its appreciation to all of the people who took the time to discuss their work and for their hospitality and courtesy extended to the committee during its visit to Vanuatu and New Zealand. In particular, the committee would like to thank the Hon Philip Boedoro, Speaker of Parliament, Parliament of Vanuatu; the Hon Moana Carcasses Katokai Kalosil, former Prime Minister of Vanuatu and Leader of Opposition; and the Hon David Carter, Speaker of the House of Representatives, Parliament of New Zealand.

Structure of the report

1.13 This report consists of two main chapters. Chapter 2 provides a brief introduction to Vanuatu followed by an outline of key issues canvassed by the committee during its two-day program.

1.14 Chapter 3 provides a brief introduction to New Zealand followed by an outline of key issues canvassed by the committee during its five-day program.

1.15 The committee's official program for Vanuatu and New Zealand and the successful delegation proposal are included in the appendices.

Chapter 2

Vanuatu

Country brief¹

2.1 Vanuatu is an archipelagic nation of 83 islands, extending over 1,000 kilometres in a north-south direction between the equator and the tropic of Capricorn. Vanuatu has a small, dispersed, predominantly rural and culturally diverse population of approximately 250,000 people. Around 70 per cent live in rural areas on 65 of the 83 islands. Formerly known as the New Hebrides, Vanuatu was governed jointly by British and French administrations, in an arrangement known as the Condominium, before attaining independence on 30 July 1980. The country has six provinces (Torba, Sanma, Penama, Malampa, Shefa and Tafea) with limited administrative authority.

Political system

2.2 Vanuatu has a unicameral 52-member parliament, elected to a four-year term. The President of the Republic is elected for a five-year term through secret ballot by an electoral college comprising the members of parliament and the presidents of the six provincial governments. The current President, Iolu Johnson Abbil, was elected in September 2009. The Prime Minister is elected by parliament from among its members by secret ballot.

2.3 Vanuatu is the only Pacific country with multi-member electorates. The proliferation of political parties is seen, by some, as one reason for persistent political instability. Until about 1991 the main political divide in Vanuatu was between Anglophones and Francophones, respectively represented by the Vanua'aku Pati (VP) and United Moderates Party (UMP). During the last decade, parties have been splintering over policy and, more often, personality differences, in a manner more typical of other Melanesian countries like Papua New Guinea and Solomon Islands. Recent efforts to try and reunify each of the two sides, ostensibly to encourage greater political stability, have yet to play out fully.

2.4 The most recent parliamentary elections were held on 30 October 2012. Sixteen political parties and four independents won seats. The largest party (VP) led by Edward Natapei won only eight of the 52 seats. At the first sitting of the new parliament, held on 19 November 2012, Meltek Sato Kilman Livtuvanu (People's Progressive Party) was re-elected prime minister to lead a coalition government. But Kilman resigned ahead of a parliamentary no-confidence motion and on 23 March 2013, Prime Minister Moana Carcasses Katokai Kalosil (Green Confederation), was elected. Carcasses held a small, unwieldy coalition majority but faced opposition over a number of decisions, including a US\$350 million airport concession agreement. Three unsuccessful no-confidence motions were lodged against the Prime Minister in 2013 and 2014. One was rejected by the Speaker in July 2013, one was withdrawn by

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

the Opposition in December 2013 and one was defeated by the Government in February 2014. However, a fourth no-confidence motion was successful in May 2014 when Prime Minister Carcasses was replaced by Joe Natuman as Prime Minister.

Australia's relationship with Vanuatu

2.5 Australia is Vanuatu's closest security partner, its largest aid donor and an important trade and investment partner. Australian investment in Vanuatu is estimated at \$147 million, primarily in banking and in services sectors, such as tourism. Australian business interests in Vanuatu include Westpac, ANZ and cruise-ship operator Carnival Australia. Vanuatu has an active off-shore finance centre in which a number of Australian lawyers and accountants participate, taking advantage of the country's status as a tax haven. Two-thirds of long-stay tourists to Vanuatu and almost all cruise ship passengers are Australian. Former Prime Minister Carcasses visited Sydney in July 2013 to witness the signing of a Memorandum of Understanding between Carnival Australia and the Australian Government to provide training and business development opportunities in Vanuatu (and PNG).

2.6 People-to-people links are strong: there is a large resident population of Australians (approximately 3000). According to the 2011 census, the number of people in Australia of ni-Vanuatu ancestry is 705. Australia has a high commission in Port Vila, and the Vanuatu Government established a high commission in Canberra in March 2012.

Issues discussed in detail

Development assistance: overview

2.7 The Government of Vanuatu relies heavily on Australia's development assistance. Australian aid (which is proposed at \$62.2 million in 2013-14) accounts for over 60 per cent of all grant aid flows to Vanuatu (excluding non-traditional donors such as China and Russia), and roughly 30 per cent of total public spending. Overall, Vanuatu's progress on achieving the Millennium Development Goals has been mixed. Vanuatu is on-track to achieve two of seven goals (reducing child mortality, and combatting HIV/AIDS, malaria and other diseases). Vanuatu is ranked 124 out of 187 on the UN's Human Development Index.

2.8 The committee is pleased to note that Australia's development assistance to Vanuatu is continuing to make a number of positive contributions, including:

- providing greater access to basic education in Vanuatu through contribution to school grants (boosting primary school enrolments by seven per cent between 2009 and 2011). In 2012, Australia trained 312 teachers and delivered 43,384 textbooks to primary schools;
- supporting Technical and Vocational Education and Training (TVET) to provide relevant skills for sustainable economic growth. Australia's TVET Program has been successful in raising incomes and stimulating economic development in sectors such as tourism, fisheries and agriculture. A 2012 evaluation of the program identified that, in participating communities, household incomes increased an average of

26 per cent relative to communities that did not participate. The TVET Program began in 2009, and the third phase started in March 2014;

- helping the Vanuatu Government to expand immunisation coverage, train health workers, improve health planning and eliminate malaria in some areas. With Australian support, malaria prevalence has dropped by around 80 per cent between 2007 and 2014;
- helping fix and maintain 137 kilometres of rural roads in Vanuatu, which has increased economic development and access to essential services in remote areas; and
- assisting the Vanuatu Government to improve its economic governance and public financial management. For example, Value-Added Tax collections exceeded the October 2012 target by 34 per cent, and major national procurement reforms are underway.

2.9 A key objective of the visit was for the committee to gain a greater understanding of how Australia's development assistance to Vanuatu is contributing to improved political governance, economic growth, education, health and infrastructure in Port Vila and its peri-urban environment and in the outer islands. During a two-day program the committee had an opportunity to discuss aid-related issues with a range of partners including members of the Vanuatu Government, civil society organisations and the private sector in Port Vila, and in Luganville and Port Olry on the island of Santo.



Senate committee with the Honourable Philip Boedoro, Speaker of Parliament, Parliament of Vanuatu

Technical and Vocational Education and Training

2.10 An important part of the committee's visit to Vanuatu was a day-long visit to the northern island of Santo where the committee was able to observe first-hand how Australia's aid is contributing to Vanuatu's Technical and Vocational Educational and Training (TVET) sector. Vanuatu's TVET sector provides education, training and learning activities in agribusiness, tourism, fisheries, forestry, manufacturing, trades and services. This training provides local communities with knowledge, skills and attitudes relevant for employment or self-employment.

2.11 There are currently three TVET centres in Vanuatu: in Sanma, Malampa and Torba provinces. They facilitate training accredited by the Vanuatu National Training Council and small business coaching services that are both flexible and accessible. A particular focus is ensuring the participation of women and people with disabilities. They are sometimes described as a 'one-stop-shop' providing a range of skill development services including accredited training, business development services, training provided support services and IT services. Since 2009 there have been in excess of 6000 trainees participating in TVET programs, including 2400 women, 150 trainers and 125 people with a disability. Approximately 90 per cent of self-employed trainees increase their profit as a result of their training.

2.12 The Sanma centre, established under the Australian-aid-funded TVET Program in 2008 in partnership with the Ministry of Education and Training, coordinates skill development services that respond to the demands of the productive sectors and local industry. The centre works with representatives from priority sectors and small business (tourism, agriculture, trades) to identify skill gaps. It liaises with local training providers and industry experts to provide an appropriate training and/or coaching response for target groups and individuals. The centre also supports these clients with follow-up and iterative training services.

2.13 The centre runs two types of program: an employment training fund and business development service. The committee was told that various types of training are provided to assist with capacity building to improve service delivery: fabric painting, basic literacy and numeracy, and business management and tourism to assist with the sale of local products.

2.14 The committee received briefings from the Centre Manager and other clients about their experiences and the benefits they have gained from participating in TVET programs. The committee was particularly encouraged to learn how the TVET programs are delivering real benefits for local communities. These include using role models and experience to coach and mentor, encouraging couples to attend training, and providing assistance to trainers to develop action plans and follow-up after three to six months.

2.15 The committee received an interesting briefing from a representative of one of Luganville's most popular and successful tourist attractions, the one-day *Millennium Cave Tour*, which has been a beneficiary of the TVET system. The tour offers participants a varied experience of rainforest walks, dark caves, a canyon swim and a climb out of the canyon on a 'rickety ladder'. A key to the company's success is the level of training provided to staff in areas as varied as tour guiding to book keeping.

Over the previous three years the company has become a licenced and certified operator, has opened a reservations office and has increased visitor numbers from under 1000 to nearly 4000 each year.

2.16 Based on the proven success of the TVET Centre model to raise incomes and productivity levels for its clients, the Ministry of Education has now formally integrated the provincial TVET Centres within its institutional structure.

Economic issues

Infrastructure and private sector engagement

2.17 The committee was advised that access to finance from the local banking sector is difficult due to high interest rates. The committee was interested in whether there were alternative models for micro and small business receiving assistance from local financial service providers. The committee was told that the local banks are extending their reach in Vanuatu and promoting financial products including in the remote areas and outer islands

2.18 Investment in infrastructure and roads are considered priorities of the Vanuatu Government. Australian aid contributes to Vanuatu's Roads for Development Program which is focusing on the restoration and maintenance of rural roads to increase economic development opportunities and access to essential services. Australia is also contributing \$31 million to the Port Vila Urban Development Project which will upgrade 22 kilometres of roads, fix stormwater drainage to prevent flooding, and improve pedestrian crossing and footpaths and sanitation and hygiene facilities.

2.19 In a briefing with former Deputy Prime Minister Natapei, a number of issues were discussed including infrastructure development, Australian nationals investing in Vanuatu, opportunities to partner with local business and export opportunities, and development of a new international airport in Port Vila. The committee also discussed how the traditional land-ownership system in Vanuatu assists and hinders commercial ventures involving overseas companies wanting to purchase or lease large tracts of land.

Seasonal Worker Program

2.20 Vanuatu's participation in the Seasonal Worker Program (SWP) and the importance of remittances was raised during the committee's visit. During 2012-13, 119 seasonal workers were recruited by Australian employers and 185 seasonal workers recruited to 31 March this year.

2.21 Vanuatu has the largest percentage of women participants under the seasonal workers program and the second-largest number of visa grants (after Tonga). There are currently 10 licensed agents operating in Vanuatu. Seasonal workers from Vanuatu to be recruited to work later this year in Koo Wee Rup, Victoria, to harvest asparagus will have the opportunity to participate in the Australian Government's add-on skills training program and may receive training in basic IT, first aid, and English numeracy and literacy.

2.22 The SWP commenced on 1 July 2012, building on the experience and findings of the Pacific Seasonal Worker Pilot Scheme. The objective of the SWP is to

contribute to the economic development of participating Pacific Island countries and Timor-Leste. Outcomes are driven by employer demand for seasonal labour, and workers' employment experience, skills/knowledge transfer and remittances. The findings of an evaluation conducted during the Pilot found that an average seasonal worker could earn \$12,000 and remit between \$5000 and \$6000 over a six month job placement. This far exceeds the per-capita income of most Pacific countries.

2.23 The SWP includes a program in horticulture and a small scale three year trial (to 30 June 2015) in the accommodation, aquaculture, cane and cotton sectors. From 1 July 2012 to 30 June 2016, up to 12,000 places are available to employers who may recruit seasonal workers from nine partner countries (Timor-Leste, Nauru, Kiribati, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu). The SWP allows workers from participating countries to undertake between 14 weeks' and six months' work with Australian employers who can demonstrate an unmet demand for low-skilled labour. Take-up of the SWP is demand-driven by Australian employers who are able to choose the participating countries from which they wish to recruit.

2.24 The SWP progressed well in its first year to 30 June 2013, and 1454 (90 per cent) of the 1600 places available to horticulture employers were filled. All 2000 places available to horticulture employers this year (2013-14) are likely to be utilised. Take up in the trial sectors has been low, particularly in the cane, cotton and aquaculture sectors. The accommodation sector trial is building with businesses in Western Australia, the Northern Territory and Far North Queensland and the Whitsundays region taking part.

Social Issues

Gender and social issues

2.25 The committee's Vanuatu program began with a briefing by the High Commission's Development Cooperation Counsellor on the main social, economic and political challenges facing Vanuatu. It was revealed that:

- 40 per cent of the population is under 15 years of age (high youth unemployment and development of a large peri-urban fringe, especially in Port Vila);
- low education levels (only six percent tertiary and seven per cent secondary); not a large pool of experience and talent to draw from; and
- health issues include low rates of child immunisation; limited access to health facilities such as doctors, nurses and dentists; and underage mortality.

2.26 The committee was alarmed by published statistics on domestic violence and violence against women and children. These are major social problems in Vanuatu. A 2011 study on violence against women in Vanuatu conducted by the Vanuatu Women's Centre in partnership with the National Statistics Office, found that 60 per

cent of women experience physical and/or sexual violence in their lifetime by husbands and partners.² The study also found that:

- 90 per cent of the women experienced severe physical violence;
- one in four women experienced physical violence by non-partners over a fifteen year period;
- one in three women experienced child sexual abuse under the age of 15, and sexual violence over the age of 15;
- violence caused injuries for many women with approximately 20 per cent experiencing a permanent disability;
- physical and sexual violence caused mental health problems, including attempted suicide, and disrupted women's work and daily living.

2.27 The issues of domestic violence and violence against women in Vanuatu, including measures to reduce the level of violence, were discussed in a briefing provided to the committee by officers from New Zealand's Ministry of Foreign Affairs and Trade in Wellington on 8 May. The discussion acknowledged that domestic violence in Vanuatu is a multi-faceted social problem and raised a number of issues, including:

- domestic violence against women is the number one crime across the Pacific region and should therefore be integrated in to police programs;
- up to 50 per cent of detainees in Vanuatu jails have been convicted of so-called 'moral crimes', usually involving violence and/or sexual offences against women and children;
- ways to engage the local churches and church leaders;
- the importance of education, economic opportunity and independence, and political mobilisation as factors to address violence against women; and
- traditional cultures are prone to domestic violence when exposed to rapid urbanisation, land acquisition and resource development projects, often resulting in social dislocation.

2.28 These gender issues are not confined to Vanuatu but represent a significant challenge across the Pacific region. Women comprise less than four per cent of parliamentarians compared with the global average of approximately 20 per cent. Women occupy a third of formal sector jobs and men earn 20 to 50 per cent more than women.

2.29 The committee notes that the Australian Government is supporting an ambitious ten-year \$320 million program, Pacific Women Shaping Pacific

2 *Women's Lives and Family Relationships*, Vanuatu Women's Centre in partnership with the National Statistics Office, October 2011

development, which aims to improve political, economic and social opportunities for Pacific women in 14 countries

2.30 One specific area of concern for the committee is the absence of female women representation in the Vanuatu parliament, and the lack of women in leadership positions more generally. From 1980 to 2012, only six women, or 1.4 per cent of members, have been elected to the Vanuatu parliament. In 2012, 17 women candidates contested the 52 seats but none was elected. Of the 91 municipal-level councillors elected since 1993, eight women have been elected. Following an initiative of the Carcasses government, the Vanuatu parliament recently gave approval for Port Vila Municipal Council to reserve 30 per cent women's representation at its Port Vila elections in January 2014. Five women were elected.

2.31 The committee notes that Australia continues to support women's empowerment through a number of practical measures including:

- the Pacific Leadership Program—helping the Department of Women's Affairs to develop and implement a three-year plan on reserved seats for women at municipal elections;
- supporting TVET Centres to target the skills development needs of rural women; and
- support of around \$1 million annually for the Vanuatu Women's Centre (VWC) to provide counselling, community education and legal services for victims of gender-based violence. The VWC is the only national provider of services to women experiencing (or at risk of) violence.

Vanuatu College of Nursing Education and Vila Central Hospital

2.32 The committee was fortunate to have an opportunity to inspect the Vanuatu College of Nursing Education (VCNE), completed in 2009, and Port Vila's Central Hospital (VCH) and related facilities. The main aim of the visit was for the committee to experience first-hand the level of health services currently provided to the Vanuatu community, how Australian aid is contributing to patient care at VCH and Vanuatu's health sector, and ongoing challenges of health service delivery in Vanuatu. The committee inspected a new facility to accommodate the College on the grounds of Vila central Hospital. The facility was jointly funded by the Australian and French Governments and has classrooms, demonstration/practice rooms, a library and office space.

2.33 In recent years, Australia has worked closely with Vanuatu's Ministry of Health and the VCNE to improve the quality of nurse training in Vanuatu. The VCNE currently enrolls up to 105 students in a Diploma of Nursing with nearly 40 new students enrolling each year. Currently, 25 students each year graduate as registered nurses from the three year nursing program. A new curriculum for training nurses was developed in 2012 combining basic midwifery and nursing skills. The new curriculum was developed in response to the need for multi-skilled specialist nurses in rural and remote health centres. Students are required to pay the equivalent of \$A200 each year with approximately 30 students receiving performance-based scholarships which are supported by Australia. There is a 70 to 80 per cent completion rate.

2.34 In addition to nurse training, the committee inspected the Vila Central Hospital to gain a deeper understanding of how Australia has been supporting Vanuatu's health sector over the previous 10 to 15 years. Currently there are eight Australian Government funded specialists employed at VCH supporting local doctors in key areas including surgery, anaesthesiology and paediatrics. Australia's support to paediatrics is currently providing the only fully-qualified paediatrician for Vanuatu's 165,000 children.

2.35 The committee also briefly visited the Neonatal Intensive Care Unit within the hospital's maternity ward, which was established in 2012 with funding support from the Australian Government. Australia's support enabled the purchase of four high-quality incubators and the renovation of a hygienic working space.

2.36 The committee notes two additional recent developments within the hospital precinct which have benefited from Australian aid funding: development of new oxygen plants and refurbishment of the Central Medical Stores. In 2013, Australia funded two new oxygen plants for the main referral hospitals in the northern and southern provinces—one in the capital Port Vila, and the other in Luganville, Santo. Each plant will have a design life of 20 years without the need for major refurbishment. Australia also provided technical assistance to the Vanuatu Ministry of Health to procure and install two oxygen plants and train personnel in their use. The new oxygen plants will ensure self-sufficiency in the production of quality medical gases in the event of a natural disaster.

2.37 The committee is very pleased to learn that although each oxygen facility will cost approximately AU\$40,000 each year to operate, budget savings for the Ministry of Health will be in the order of \$240,000, a very significant overall saving relative to the ministry's total budget.

2.38 As recently as 2013, the Australian Government funded the refurbishment of the Central Medical Stores at VCH and four provincial pharmacies to increase the total pharmaceutical and medical supply storage capacity. A satellite medical store has also been co-located with the Northern District Hospital in Luganville, Santo, to separate pharmaceutical supplies to ensure a timely response to orders from the Northern provinces.

2.39 The Australian Government, through the Department of Foreign Affairs and Trade, supports the Central Medical Stores in a number of other ways. Financial support is provided for an electronic inventory and stock control module linking provincial hospital pharmacies, and for testing services for pharmaceuticals in Australia to ensure receipt of quality product. It is expected that A\$300,000 will be available in 2014 for infrastructure projects and support arrangements relating to the Central Medical Stores

2.40 The committee appreciates the importance and timeliness of these measures to ensure that pre-positioned medical supplies are available to authorities to provide good medical care, especially to victims of natural disasters.

Tourism

2.41 Vanuatu is Australia's 43rd largest inbound market by arrivals. In 2012-13, there were 10,200 visitors to Australia from Vanuatu, a decrease of 1.9 per cent on the previous year. Over the last five years, the average annual growth rate in arrivals from Vanuatu was 3.8 per cent. In 2012-13, there were 66,300 short-term resident departures from Australia to Vanuatu, an increase of 10.1 per cent on the previous year. Over the last five years, the average annual growth rate in departures from Australia to Vanuatu was two per cent.

Air Services Arrangements

2.42 Air services talks with Vanuatu were last held in Port Vila in December 2010. The arrangements include the Regional Package (unrestricted capacity and frequency for direct flights to and from Australia's regional gateways) and access into Australia's major gateway airports (Brisbane, Melbourne, Sydney and Perth) as follows: 1,900 seats per week for Vanuatu carriers and 2,800 seats per week for Australian carriers.

2.43 Virgin Australia currently operates services to Port Vila. Qantas code-shares on Air Vanuatu services to Port Vila.

Sanma Information Centre, Luganville

2.44 Following the briefing on TVET at the Sanma Centre, the committee visited the Sanma Information Centre to discuss with centre staff the centre's role and function since opening in early 2014. The centre was established through collaboration between the Vanuatu Department of Tourism, TVL (a telecommunications company), and the Australian and New Zealand governments. It is based on a similar centre in Malampa, which is also supported by Australia, and generated \$200,000 in bookings for Ni-Vanuatu tourism businesses in 2013—a 30 per cent increase on the previous year.

2.45 The Centre supports tourism in Sanma province by providing information to visitors on the region's attractions, reserving accommodation and taking payments via an eftpos terminal. Australian tourists account for 65 per cent of its business and New Zealand tourists 15 per cent. By 2017 it is expected that 70 per cent of total bookings will be made by smart phones. The Centre operates three levels of membership for local tourist operators—providing access to its website only, access to the website and handling inquiries, and full membership which includes managing bookings and taking payments.

2.46 Australia's support to the centre is complementary to Australia's TVET Program in Vanuatu, which has been working with local partners since 2009 on skills development for economic growth. The TVET Program facilitates access to quality skills-training and small-business support in a range of areas — including tourism and agriculture. TVET also promotes environmental sustainability through using exclusively local materials in construction and local food in restaurants.

2.47 During its visit to Santo, the committee travelled to Port Olry, met with community representatives and was welcomed by Chief Gratien Alguet. The committee was fortunate to have an opportunity to inspect a series of newly

constructed tourist bungalows owned and operated by beneficiaries of the TVET Program. The committee also briefly visited Champagne Beach, which is a key highlight and location on Carnival Australia's cruise itineraries to Vanuatu. It is also the location of a regular market involving surrounding villages. The committee was able to gain a better understanding of the impact of tourism in the area, including local business development and income-earning opportunities flowing from the Australian Government's partnership with Carnival.

Security, policing and defence

2.48 The committee received a valuable briefing on the Defence Cooperation Program from the Maritime Surveillance Adviser, Lieutenant Commander Robert Lewis. The committee was told that the Defence Cooperation Program (DCP) focuses on developing longer-term capacity within the Vanuatu Police Force, which has a key role in addressing domestic security concerns in Vanuatu. The committee notes that Vanuatu does not have a separate national defence force. The Vanuatu Police Force (VPF) and the Vanuatu Mobile Force (VMF) operate a single unified entity, which the Australian Government continues to support.

2.49 Another major goal of the DCP over the next three years is to advise and assist in re-establishing an efficient and self-sustaining Police Maritime Wing working collaboratively with government departments and other stakeholders to ensure the sovereignty of Vanuatu's exclusive economic zone.

2.50 The DCP budget for Vanuatu in financial year 2013-14 is \$745,000, with a focus on developing longer-term capacity within the VPF by providing support to the Pacific Patrol Boat (PPB) Program, small-scale infrastructure projects and strategic dialogue. These activities are supported in-country by a Royal Australian Navy Maritime Surveillance Adviser and a Technical Adviser.

2.51 Australia's primary engagement activity with the VMF, Exercise Vanuatu Alliance, provides training in conducting joint police patrols, community engagement and enhancing the VMF's capability to respond to humanitarian and disaster relief contingencies. This approach seeks to support a useful role for the VMF and promote cooperation between VMF and VPF elements.

Vanuatu Australia Police Project

2.52 The committee was also briefed on the Vanuatu Australia Police Project (VAPP) by Mr Peter Kuhnke, Adviser to VDF Commissioner and Commander VAPP. The current VAPP commenced in February 2011 having replaced the former Vanuatu Police Force Capacity Building Project which commenced in February 2006.

2.53 The Vanuatu Police Force (VPF) plays a key role in addressing domestic security concerns in Vanuatu. The VPF is made up of three elements; the General Duties VPF, the paramilitary Vanuatu Mobile Force (VMF) and the Police Maritime Wing. A key objective of the DCP is to foster greater levels of cooperation between the various VPF elements and to provide opportunities for the VMF to contribute to Vanuatu's security. Since the VPF is a law enforcement organisation, Defence closely coordinates its assistance with the AFP.

2.54 Australia has been the lead donor in the policing sector for over a decade. Under VAPP, the Australian Federal Police has two advisers in Vanuatu. The VAPP and broader law-and-justice programs will end on 30 June 2014. The nature and scale of support beyond this date is currently under discussion with the Vanuatu Government. VAPP is funded by DFAT and jointly implemented by the VPF and AFP.

2.55 Key achievements under the police project over the last year include: establishing and equipping a fingerprint forensic laboratory at Port Vila Police Station; opening of remote police posts in Ambae and Ambrym (central Vanuatu islands); retirement of 11 police officers to free salary for a new round of police recruitment with reserved places for female officers; training for Provincial Firearms Licensing Officers; putting the *RVS Turoroa* police vessel into operation with increased visibility of police in the northern islands; and a new professional standards policy to tackle lack of internal discipline in the force.

RVS Tukoro and the Police Maritime Wing

2.56 The centrepiece of Australia's security engagement in the Pacific region is the Pacific Patrol Boat (PPB) program. Between 1987 and 1997, Australia built and gifted 22 patrol boats to 12 Pacific Island countries. The boats are operated by local defence forces and/or police service maritime elements. They provide countries with a sovereign capability to conduct maritime surveillance and enforcement in their extensive Exclusive Economic Zones. They also play a key role in other national tasking, including search and rescue, disaster relief, election support, immigration and customs and official government transport.

2.57 In addition to the provision of the patrol boats, Australia provides participating states with enduring advisory, training, and maintenance support. A network of 24 Royal Australian Navy advisers (and two associated Royal New Zealand Navy personnel) is attached to the various Pacific Island countries to provide operational and technical advice to the operating elements. Australia also funds patrols that involve engagement between two or more countries.

2.58 Australia gifted Vanuatu's Pacific patrol boat, *RVS Tukoro*, in 1987 as part of the Program. The *Tukoro* participates in a number of regional exercises and provides critical maritime surveillance and emergency response assistance. Australia currently provides ongoing funding for maritime training for *Tukoro's* crew and operational fuel to conduct surveillance patrols of Vanuatu's Exclusive Economic Zone (EEZ). *Tukoro* spent much of 2013 undergoing its third refit in Cairns at a cost of approximately \$8 million, which was funded through the Program. This refit will see the *Tukoro* remain in operation until its scheduled end-of-life in 2019.

2.59 In addition to support to *Tukoro*, the Defence Cooperation Program funds on-shore infrastructure projects to upgrade and maintain the Police Maritime Wing's Headquarters, RVS Mala (located in Port Vila). These infrastructure projects are undertaken by local contractors and the VMF Engineering Platoon under the supervision of the senior ADF and NZDF officer in country.

2.60 The committee had an opportunity to inspect the *Tukoro* and ask questions of Robert Lewis, Maritime Surveillance Adviser, about the boat's capabilities and scheduled operations. The committee notes the difficulty faced by participants in the PPB Program to achieve effective policing of their EEZ due to the lack of a persistent capability to detect targets and cue the patrol boats to intercept illegal vessels. The follow on program for PPB should include consideration of a persistent cueing capability, the operation of which engages Pacific Island nations in the collection and dissemination of intelligence.



Senate committee inspecting Vanuatu's Pacific patrol boat, *RVS Tukoro*.

Chapter 3

New Zealand

Country brief¹

Political system

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

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

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

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

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

Australia's relationship with New Zealand

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

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

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

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

Issues discussed in detail

Tourism

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

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

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

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

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

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

Queenstown tourism

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

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

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

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

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

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

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

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

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

Queenstown Resort College

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

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

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

Christchurch rebuild

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

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

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

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

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

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



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

New Zealanders living in Australia

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Defence and security issues

Australia-New Zealand strategic dialogue and defence cooperation

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

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

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

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

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

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

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

Bilateral engagement in the Pacific

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

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

FRANZ Agreement on Disaster Response in the Pacific

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

Australia-New Zealand defence capability and acquisition cooperation

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

Centre for Strategic Studies, Victoria University of Wellington

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

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

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

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

Overseas aid

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

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

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

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

New Zealand aid spending and focus

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

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

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

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

Integration of aid into Ministry of Foreign Affairs and Trade

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

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

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

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

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

Non-government sector

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

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

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

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

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

Aviation sector and regulatory issues

Civil Aviation Act Review

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

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

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

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

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

Senator the Hon Ursula Stephens
Delegation Leader

Appendix 1

Vanuatu program

Wednesday 30 April 2014

11.30 pm Arrive Port Vila

Thursday 1 May 2014

9:00 am Chartered flight to Luganville, Santo. Greeted by Mr Malon Willion, President, Sanma Provincial Council, and Mr Zachariah Daniel, Secretary-General, Sanma Provincial Council

11:00 – 11:30 am Visit Sanma Technical and Vocational Education and Training (TVET) Centre, Luganville

11:40 am – 12:15 pm Visit Sanma Information Centre

1:15 pm Lunch with community representatives at Port Olry

2:15 pm Inspect bungalows owned and operated by beneficiaries of the TVET Program and speak to community representatives

3:45 – 4:15 pm Visit Luganville Main Wharf and tour the Australian Government funded patrol boat, *RVS Tukoro*

6:45 pm Return to Port Vila

Friday 2 May 2014

8:00 am Meeting with Mr Philip Boedoro, Speaker of Parliament, Parliament House

8:30 am Observe Parliament

9:45 – 10:50 am Meeting with the Commissioner of Police

11:00 am – 12:00 pm Meeting with the Hon Moana Carcasses Katokai Kalosil, Prime Minister

12:00 pm Lunch hosted by the Australian High Commission

1:00 – 1:55 pm Meeting with the Hon Edward Nipake Natapei, Deputy Prime Minister and Minister for Foreign Affairs, International Cooperation and External Trade

2:00 – 2:55 pm Visit College of Nursing Education and Vila Central Hospital

3:00 – 4:30 pm Visit Seaside communities of Paama and Tongoa and speak to community leaders

6:00 – 8:00 pm Reception hosted by Ms Tanya Parkin, Acting High Commissioner, Australian High Commission

New Zealand Program

Saturday 3 May 2014

Sunday 4 May 2014

Morning Own arrangements

2:00 pm Meeting with Southern Ngai Tahu Tourism

Monday 5 May 2014

10:00 – 10:50 am Meeting with Queenstown Lakes District Council

11:00 am – 12:00 pm Meeting with Destination Queenstown

12:05 – 2:00 pm Briefing and lunch at Queenstown Resort College

3:15 pm Transfer to Christchurch and tour of Central Business District

Tuesday 6 May 2014

8:30 – 10:30 am Briefing on the Christchurch rebuild hosted by the Canterbury Employers Chamber of Commerce

12:00 pm Meeting with CEO, Christchurch International Airport

12:35 pm Transfer to Wellington

2:00 – 2:45 pm Meeting with Tourism New Zealand

3:15 – 4:20 pm Briefing by Mr Remo Moretta, Acting High Commissioner, Australian High Commission

4:30 pm Meeting with Ministry of Business Innovation and Employment

Wednesday 7 May 2014

9:00 – 9:45 am Meeting with Right Honourable David Carter, Speaker of the House of Representatives

10:00 – 10:30 am Meeting with Ms Jacqui Dean MP, Parliamentary Private Secretary for Tourism

10:30 – 12:00 pm	Meeting with the Hon Jonathan Coleman, Minister for Defence
12:00 – 1:35 pm	Lunch hosted by the New Zealand/Australia Parliamentary Friendship Group
2:00 – 3:00 pm	Observe House of Representatives Question Time
3:00 – 4:00 pm	Tour of Parliament House
4:00 – 4:45 pm	Meeting with John Harper MP, the Hon Maryan Street MP, and Andrew Williams MP to discuss Overseas Development Assistance
7:00 – 9:00 pm	Dinner hosted by The Right Honourable David Carter, Speaker of the House of Representatives

Thursday 8 May 2014

9:30 – 10:15 am	Meeting with the Commerce Select Committee
10:15 – 11:00 am	Meeting with the Foreign Affairs, Defence and Trade Select Committee
11:00 am – 12:00 pm	Meeting with the Ministry of Transport
1:00 – 3:30 pm	Roundtable with the Ministry of Foreign Affairs and Trade and Ministry of Defence
4:00 – 5:00 pm	Meeting with Council for International Development and Save the Children
6:00 – 7:00 pm	Guided tour of Te Papa Tongarewa – Museum of New Zealand

Friday 9 May 2014 –Wellington

9:00 – 11:00 am	Meeting with Centre for Strategic Studies, Victoria University of Wellington
12:00 – 1:00 pm	Lunch hosted by Mr Remo Moretta, Acting High Commissioner, Australian High Commission
3:30 pm	Depart Wellington for Melbourne and Sydney

Appendix 2



THE SENATE

STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

20 February 2014

Senator the Hon John Hogg
President of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

The Hon Bronwyn Bishop MP
Speaker of the House of Representatives
PO Box 6022
Parliament House
CANBERRA ACT 2600

(through Mr Brien Hallett, Clerk Assistant, Committees)

Dear Mr President and Madam Speaker

Parliamentary committee visit to New Zealand and the Pacific region

We write to nominate the Senate Foreign Affairs, Defence and Trade References Committee for participation in the 2014 committee exchange visit to New Zealand and the South Pacific. The committee proposes to visit New Zealand and the Republic of Vanuatu to investigate three key areas within the committee's portfolio responsibility—defence partnerships, tourism and overseas aid.

Defence partnerships

An important area of shared interest between Australia and New Zealand is strengthening military-civilian cooperation among nations and organisations with a common interest in maintaining a stable and secure Pacific. New Zealand has long ranked Australia as its key strategic partner and both countries share common interests in maintaining peace and security in the Pacific region and providing military and humanitarian assistance to Pacific neighbours.

Both Australia and New Zealand are long-standing participants in the annual US-sponsored Pacific Partnerships program which delivers humanitarian and civic assistance to partner and host nations in the Asia-Pacific region. The program was conceived in 2004 following the Indian Ocean earthquake and tsunami as a way to improve cooperation between the region's military forces, governments, and humanitarian organisations during disaster relief operations. It is widely recognised as the largest disaster-response preparedness mission in the Indo-Asia-Pacific region.



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The 2013 program involved Australia, New Zealand, the United States, Japan, Canada, France and Malaysia. Its focus was to establish opportunities for multinational crisis response capabilities supporting humanitarian and civic actions. Specifically, the program delivered medical, dental and veterinary assistance and explosives disposal and engineering aid to Papua New Guinea, Samoa, Tonga, the Marshall Islands, Kiribati and the Solomon Islands.

The proposed visit to New Zealand would enable the committee to explore ways of strengthening Australia's military and civilian ties with New Zealand and other regional neighbours, including Vanuatu. The committee would also have an opportunity to examine how future participation in the US-sponsored Pacific Partnerships program can support the provision of development assistance in the Pacific region, lift the effectiveness of aid programs and contribute to the achievement of the Millennium Development Goals in the Pacific.

Tourism

Following the machinery of government changes in 2013, the committee is now responsible for the portfolio area of 'tourism industry'. Australians form a large part of the New Zealand tourist market (1.2 million of 2.7 million total overseas visitors in 2013). Similarly 1.2 million New Zealand visitors came to Australia in 2012 (generating \$2.3 billion in total expenditure). The Australian tourism industry has faced a number of recent challenges in relation to currency movements and promoting Australia as a tourist destination. The effect of government regulation in relation to tourism has also been highlighted in public debate, in particular working holiday visas and the appropriate level of the passenger movement charge.

The committee will have the opportunity to investigate a number of aspects of the tourism industry in New Zealand, which is recognised as a vital component of the economy. These include:

- the funding, governance and activities of Tourism New Zealand;
- the development and outcomes of the 'New Zealand Tourism Strategy 2015';
- government support for tourism operators in New Zealand;
- New Zealand's approach to international marketing (particularly to emerging Asia markets); and
- the regulatory approach to tourism in New Zealand (fees, charges and visas).

Tourism also forms a significant part of the economy of Vanuatu, with the majority of tourists coming from Australia. A component of Australian aid to Vanuatu has included



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support which has assisted Vanuatu to lift its tourist visitor numbers from 238,000 in 2010 to 327,000 in 2012. Australia has recently announced a \$37 million roads upgrade project in Vanuatu to take advantage of the increasing number of overseas visitors.

The proposed visit to Vanuatu would enable the committee to review the Australian contribution to Vanuatu's tourism and road infrastructure. Specifically, the committee would have an opportunity to explore how the Australian aid program and expertise can further support the development of tourist markets in developing Asia Pacific nations and promote private enterprise and job creation.

Overseas aid

Australia and New Zealand have a large number of shared interests in relation to the provision of development assistance in the Pacific region. This situation is illustrated by the 'Australia-New Zealand Partnership for Development Cooperation in the Pacific' endorsed in 2009. The Partnership pledges efforts by Australia and New Zealand to integrate development assistance activities in order to lift the effectiveness of aid programs and make improved progress towards the achievement of the Millennium Development Goals (MDGs) in the Pacific.

Reforms to New Zealand's aid policy have many parallels with Australia. Previously a semi-autonomous body, the New Zealand International Aid and Development Agency was reintegrated back into the Ministry of Foreign Affairs and Trade (as the International Development Group) following a restructure in 2009. This reflects the current process of reintegration of the Australian Agency for International Development into the Department of Foreign Affairs and Trade.

Participation in the proposed visit will enable the committee to benefit from insights and lessons learned in relation to bringing a national aid agency 'in-house' to a mainstream diplomatic department. In particular, the proposed visit will allow the committee to investigate how New Zealand balances and complements its aid and development priorities with diplomatic, security and trade objectives. In this context, the committee will have an opportunity to discuss the findings and recommendations of its current inquiry into Australia's overseas aid and development program (due to report on 20 March 2014).

The proposed visit will also allow the committee to examine a range of issues of interest, including:

- parliamentary oversight of overseas aid funding in New Zealand;
- mechanisms in New Zealand to ensure and maintain the effectiveness of aid;



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- New Zealand's development collaboration with China in the Cook Islands (the first time China has partnered with a developed country to deliver aid); and
- Australia–New Zealand aid priorities in the context of the Millennium Development Goals and the current consideration of the post-2015 development agenda at the United Nations.

Both Australia and New Zealand have provided development assistance to Vanuatu as part of their respective Pacific aid programs. Australia is the largest donor of overseas aid to Vanuatu and in 2012-13 provided \$61.4 million in official development assistance. A number of Australian charitable aid organisations, including Care Australia, also operate in Vanuatu. This aid has contributed to Vanuatu meeting a number of the MDGs early and to be 'on track' to meet others by the 2015 deadline. However, progress reports have indicated Vanuatu is still 'off track' to meet some MDG targets including in relation to employment, underweight children, access to reproductive health services and slum dwelling.

In May 2009, Australia and Vanuatu agreed on a new 'Partnership for Development' to reduce poverty and achieve the MDGs. The Partnership guides Australia's aid to Vanuatu and focuses on the priority areas of education, health, infrastructure, economic governance and law and justice. It also provides support for land management and for civil society organisations.

A visit to Vanuatu will enable the committee to examine the deployment of Australian aid and receive feedback from the people of Vanuatu and aid organisations on aid priorities, effectiveness and delivery. The committee will also have an invaluable opportunity to meet with authorities in Vanuatu to discuss Australia's aid program and the post-2015 development agenda in the Pacific region.

Summary

The proposed visit to New Zealand and Vanuatu provides an opportunity for the committee to enhance regional cooperation on military-civilian partnerships, tourism and foreign aid related issues. Furthermore, the visits will enable the committee to see Australian regional aid outcomes first-hand and to further strengthen Australian parliamentary ties with the Republic of Vanuatu.

Please do not hesitate to contact us if you require further information about this proposal. Thank you for the opportunity to nominate.



THE SENATE

STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Yours sincerely

Senator the Hon Ursula Stephens
Chair

Senator Alan Eggleston
Deputy Chair

