
The Parliament of the Commonwealth of Australia

Report of the 2007 New Zealand Parliamentary Committee Exchange

15—19 July 2007

House of Representatives
Standing Committee on Economics, Finance and Public Administration

September 2007
Canberra

© Commonwealth of Australia 2007

ISBN 978-0-642-79000-2 (printed version)

ISBN 978-0-642-79001-9 (HTML version)



Chair's foreword

Australia and New Zealand share a close and longstanding relationship. The countries, being geographically near, have diverse ties, ranging from defence and trade to sporting and cultural links. Trade between the two countries has exponentially expanded under the Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) since it came into effect in 1983. New Zealand is Australia's sixth most prominent trading partner while Australia is New Zealand's largest trading partner.

The similarities of the countries provide a platform to discuss many issues common to both; while their unique features allow the sharing of new ideas. The Australian and New Zealand parliaments tap into this co-operative spirit through an annual trans-Tasman parliamentary committee exchange program.

The House of Representatives Standing Committee on Economics, Finance and Public Administration visited New Zealand between 15-19 July 2007 as part of the program. The visit program, which was organised and hosted by the New Zealand parliament, was thorough and rewarding.

The committee endeavoured to build upon the robust relationships already forged between the two parliaments and to discuss a variety of economic and policy issues with government and non-government organisations. These objectives were fulfilled.

The committee held formal meetings with the Speaker of the New Zealand parliament, the Hon Margaret Wilson MP, the Deputy Leader of the Opposition and Spokesperson on Finance, the Hon Bill English MP, the Opposition Spokesperson on Housing, Mr Phil Heatley MP, and members of both the Finance and Expenditure Committee and the Commerce Committee. The delegation also met with other New Zealand parliamentarians during the visit, including the Minister for Finance, Dr the Hon Michael Cullen MP, the Minister for Commerce, the Hon Lianne Dalziel MP, the Minister for Revenue, the Hon Peter Dunne MP, and the Leader of the Green Party, Ms Jeanette Fitzsimons MP.

Both the New Zealand and the Australian parliamentary committee systems have a role in scrutinising the conduct of monetary policy by their respective central banks. Meetings with the Reserve Bank of New Zealand provided the committee with an overview of the Bank's current monetary policy mechanisms and of the parliamentary scrutiny the Bank is subject to.

From a banking and financial sector perspective the delegation also met with officials from the New Zealand Stock Exchange and from Kiwi Bank, the New Zealand Post Group's subsidiary banking entity. Independent meetings were also held with market economists who gave their views on the New Zealand economy and its economic relationship with Australia.

The delegation contributed to discussions on topics which were the subject of House Economics Committee inquiries in the 41st parliament.

The committee discussed the New Zealand retirement savings system with representatives from the New Zealand Treasury, the Department of Inland Revenue, the Ministry of Economic Development and the Ministry of Social Development. Much of this meeting focused on the KiwiSaver national savings scheme which was introduced on 1 July 2007, only weeks prior to the delegation visit. This issue related to recommendations made by the committee in its 2006 report on *Improving the superannuation savings of people under 40*.

The New Zealand Government's industry policy, in particular its manufacturing strategy, was discussed with officials from the Ministry of Economic Development and New Zealand Trade and Enterprise. These discussions were relevant to both the committee's inquiry into Australia's services industry – the report *Servicing our future* had been tabled in June 2007 – and the inquiry into the current state and future directions of Australia's manufacturing sector – the report of which, *Australian Manufacturing – today and tomorrow*, was tabled soon after the visit.

On behalf of the committee and myself I would like to thank all of the organisations, departments and individuals in New Zealand who participated in the visit meetings and activities. We were made to feel very welcome. People generously gave their time to discuss issues of economic policy relevance and we experienced many cultural aspects of New Zealand including a traditional Maori welcome at the Te Papa Tongarewa museum. The support and enthusiasm of all involved ensured the visit was productive and memorable.

The Hon Bruce Baird, MP

Chair



Contents

Chair's foreword	iii
Membership of the Committee	viii
Membership of the delegation	ix
Visit objectives.....	x
Acknowledgements	xi

REPORT

1 Introduction	1
New Zealand parliamentary committee exchange program	2
History and objectives	2
Aims of the 2007 visit	3
Meetings with New Zealand parliamentarians	3
New Zealand counterpart committees of the House Economics Committee.....	4
Official visit program	5
2 The trans-Tasman relationship	7
Closer economic relations	7
Single trans-Tasman economic market.....	8
New Zealand economy	9
General	9
The 'white gold' boom	11
Inflation and interest rates.....	12
Reserve Bank intervention in the foreign exchange market	13

Labour market.....	14
Productivity	14
Fiscal policy and future fund.....	16
Capital market and infrastructure	16
Household demand and housing affordability	17
New Zealand securities market.....	19
3 Central bank roles, operations and accountability.....	21
The Reserve Bank of New Zealand—regulatory powers	21
Independence	21
Role of the Reserve Bank of New Zealand	22
Primary role—monetary policy	22
Foreign exchange intervention as an additional monetary policy tool	23
Accountability and transparency	25
Parliamentary oversight of monetary policy.....	26
Parliamentary scrutiny.....	26
Reviews—inquiry into the future monetary policy framework.....	26
4 Matters of mutual economic and policy interest.....	29
Retirement savings	29
New Zealand superannuation	29
KiwiSaver	30
The New Zealand manufacturing sector	32
Current state	32
Future directions	34
Government industry policy.....	35
Housing affordability	36
House of Representatives Commerce Committee—inquiry into housing affordability.....	37
Kiwi Bank.....	38
APPENDIX	
Appendix A: Program	41

LIST OF FIGURES

Figure 1.1	Delegation members at the Parliament House Buildings, Wellington	2
Figure 1.2	Delegation members meeting with the Chair and members of the Finance and Expenditure Select Committee	4
Figure 1.3	Delegation members meeting with the Chair and members of the Commerce Select Committee	5
Figure 2.1	Real Gross Domestic Product New Zealand 1990—2007	11
Figure 2.2	Measured sector productivity indexes year ended March 2006: base 1996 = 1000	15
Figure 2.3	Median selling prices of dwellings in New Zealand between July 2002—July 2007	18

TABLE

Table 4.1	New Zealand exports—Top 15 commodities year ended May 2007.....	34
-----------	---	----



Membership of the Committee

Chair The Hon Bruce Baird MP

Deputy Chair Ms Sharon Bird MP

Members Dr Craig Emerson MP
 Mr Steven Ciobo MP
 Ms Sharon Grierson MP
 Mr Michael Keenan MP
 Mr Stewart McArthur MP
 Mr Patrick Secker MP
 The Hon Alex Somlyay MP
 Mr Lindsay Tanner MP



Membership of the delegation

Leader The Hon Bruce Baird MP

Deputy Leader Ms Sharon Bird MP

Members Ms Sharon Grierson MP
 Mr Stewart McArthur MP
 Mr Patrick Secker MP

Delegation Secretary Ms Sharon Bryant



Visit objectives

The delegation's aims and objectives included:

- Renew dialogue with the New Zealand parliament - including meeting with the Speaker and attendance at question time.
- Review New Zealand's approaches to parliamentary oversight of monetary policy.
- Meet with the Reserve Bank of New Zealand and discuss current economic conditions and extent of regulatory functions.
- Meet with market economists to gain additional perspective on market conditions eg housing affordability and growth in private equity funds.
- Assess the state of and approaches taken to maximise New Zealand's manufacturing and service industry base.
- Review recent developments in relation to retirement savings – 'Kiwi Saver' which commenced on 1 July 2007 – the scheme allows eligible contributors to access their superannuation contributions before preservation age to provide for a first home deposit.
- Meet with the New Zealand parliament's Commerce Committee, and the New Zealand parliament's Finance and Expenditure Committee.



Acknowledgements

During the visit to New Zealand between 15 and 19 July 2007, the delegation was provided with excellent support and service. Ms Lynne Gallie of the New Zealand Department of Internal Affairs and Ms Kate Thornton of the Inter-Parliamentary Branch, Department of the House of Representatives organised a thorough and relevant program of meetings and ensured the delegation was kept well-informed.

The delegation also acknowledges the support provided by His Excellency Mr John Dauth LVO, Australian High Commissioner to New Zealand and his staff, in particular Mr Frank Ingruber, Deputy High Commissioner.

Prior to the Committee's visit to New Zealand the New Zealand High Commissioner to Australia, His Excellency Dr John Larkindale, briefed the delegation. The delegation was grateful for the opportunity to meet with Dr Larkindale and staff of the New Zealand embassy to discuss the delegation's planned program of meetings.