



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS,
DEFENCE AND TRADE

TRADE SUBCOMMITTEE

**Reference: Review of the Australia-New Zealand Closer Economic Relations Trade
Agreement**

FRIDAY, 16 JUNE 2006

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**JOINT STANDING COMMITTEE ON
FOREIGN AFFAIRS, DEFENCE AND TRADE**

Trade Subcommittee

Friday, 16 June 2006

Members: Senator Ferguson (*Chair*), Mr Edwards (*Deputy Chair*), Senators Bartlett, Crossin, Eggleston, Hutchins, Johnston, Kirk, Moore, Payne, Scullion, Stott Despoja and Webber and Mr Baird, Mr Barresi, Mr Danby, Mrs Draper, Mrs Gash, Mr Gibbons, Mr Haase, Mr Hatton, Mr Jull, Mrs Moylan, Mr Prosser, Mr Bruce Scott, Mr Sercombe, Mr Snowden, Dr Southcott, Mr Cameron Thompson, Ms Vamvakinou, Mr Wakelin and Mr Wilkie

Trade Subcommittee members: Mr Baird (*Chair*), Mr Snowden (*Deputy Chair*), Senators Bartlett, Eggleston, Ferguson (*ex officio*), Johnston, Payne and Scullion and Mr Barresi, Mrs Draper, Mr Edwards (*ex officio*), Mr Haase, Mr Hatton, Mr Jull, Mrs Moylan, Mr Prosser, Mr Bruce Scott, Mr Sercombe, Dr Southcott, Mr Cameron Thompson, Ms Vamvakinou, Mr Wakelin and Mr Wilkie

Members in attendance: Senators Ferguson and Payne and Mr Baird, Mr Barresi, Mrs Draper, Mr Snowden, Mr Cameron Thompson and Mr Wakelin

Terms of reference for the inquiry:

To inquire into and report on:

Australia's trade and investment relations under the Australia and New Zealand Closer Economic Relations (CER) Trade Agreement with particular reference to:

- The nature of Australia's existing trade and investment relationships
- Likely future trends in these relationships
- The role of Government in identifying and assisting Australian companies to maximise opportunities under CER
- Complementary policy approaches by the two governments

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Subcommittee met at 11.53 am

CHAIR (Mr Baird)—I declare open this public hearing on the inquiry into Australia's trade and investment relations with New Zealand by the Trade Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade. On 2 March 2006, the Minister for Trade asked the Trade Subcommittee to inquire into Australia's trade and investment relations under the Australia-New Zealand Closer Economic Relations Agreement, CER, with particular reference to the nature of Australia's existing trade and investment relationships, likely future trends and these relationships, the role of government in identifying and assisting companies to maximise opportunities under CER, and complementary policy approaches by the two governments. The CER is a longstanding and successful free trade arrangement, which is continuing to evolve. It has been in operation since 1983 and has constantly been updated and refined. Aspects of it have been reviewed from time to time. The committee sees the need to take stock of the achievements thus far and discover where and how the arrangements can be expanded and improved.

Today, the committee will hear evidence from and the views of representatives from the Department of Transport and Regional Services; Qantas; Air New Zealand; the Department of Immigration and Multicultural Affairs; the Department of Health and Ageing; the Department of Agriculture, Fisheries and Forestry; and the New Zealand High Commission. We will be conducting the hearing in two sessions. The first session will be a roundtable discussion on trans-Tasman aviation. The committee is interested to hear about the principles as well as the immediate specifics. The second session will examine the broader aspects of the CER with individual witnesses.

[11.55 am]

OSBORNE, Mr Richard (Rick) Edward, General Manager, Government and International Relations, Air New Zealand

REED, Mr Michael, General Manager, Australia, Air New Zealand

BORTHWICK, Mr Stephen, General Manager, Aviation Markets, Aviation and Airports Division, Department of Transport and Regional Services

CHILVERS, Ms Merrilyn, General Manager, Aviation Operations, Aviation and Airports Division, Department of Transport and Regional Services

DOHERTY, Mr John, Executive Director, Aviation and Airports Division, Department of Transport and Regional Services

KELLY, Mr Wayne Ronald, Executive Level 1, Aviation and Airports Division, Department of Transport and Regional Services

HAWES, Mr David Charles, Group General Manager, Government and International Relations, Qantas Airways Ltd

LONG, Mr Trevor, Manager, Group Border Facilitation, Qantas Airways Ltd

CHAIR—In moving to the first session, I remind all witness that, although this session will take the form of a roundtable discussion, all questions should be directed through the chair. I welcome to this roundtable on trans-Tasman aviation representatives from the Department of Transport and Regional Services, which has provided submission No. 5, Qantas, which has provided submission No. 8, and Air New Zealand. The committee prefers that all evidence be given in public, but should you wish to give evidence in private you may ask to do so and the subcommittee will consider your request. Although the committee does not require you to give evidence under oath, the discussions today will have the same standing as proceedings of the parliament. The committee has received your individual submissions. Before proceeding to questions, does anyone wish to make a short opening statement to the committee?

Mr Doherty—We do not have an opening statement—I think the matters are set out in our submission—but I will make one correction to the submission to make sure we are entirely accurate. On page 5 of our submission, under the paragraph headed ‘Combined passenger/cargo’, there is an indication of the services operated by Emirates between Australia and New Zealand. In the third line, it says that there are ‘14 from Sydney and 7 from Brisbane’. That should actually read: ‘7 from Sydney, 7 from Melbourne and 7 from Brisbane’.

CHAIR—I noticed also, as I looked at the listing this morning, that there was nothing to indicate flights from Auckland to Brisbane under the Qantas listings. Do you not have those flights?

Mr Hawes—I will also correct an error. On the bottom of page 3 of the Qantas submission, it indicates that we operate ‘188 services per week ... of which 14 services operate beyond to Los Angeles.’ In fact, it would be correct to say that we operate 94 return services per week, of which seven operate to and from Los Angeles.

CHAIR—Okay. Can I refer you to page 15 of the Department of Transport and Regional Services information where, unless I am looking at this the wrong way, there is no indication of an Auckland-Brisbane flight. I notice that Air New Zealand shows substantial coverage, with the number of seats being 4,649—per year, is that, or per week? But there is no mention of Qantas.

Mr Hawes—Brisbane-Auckland? There are 10 services per week.

CHAIR—No, Auckland-Brisbane.

Mr Hawes—They are return services. It is under Brisbane, on the second line.

CHAIR—Thank you. If we could proceed.

Mr Reed—Thank you very much for the opportunity to present our submission. We do have some additional information that we would like to briefly go through, and we seek permission from the chair to actually hand out this additional information, if that is all right.

CHAIR—Sure.

Mr Reed—I will talk through it very briefly then. CER has been an undoubted success for both Australia and New Zealand. However, for us, securing full advantage of the CER requires an emphasis on minimising or removing barriers to travel between our two countries. The single aviation market should allow a common border which would also allow domestic-to-domestic links, which would be an ideal goal and a wonderful outcome of the CER. I have some brief information on the Tasman business, which I am sure the committee will be interested in. Tasman business, from an Air New Zealand perspective, represents 20 per cent of our revenue, so it is a significant investment by our company.

CHAIR—What is the comparison with Qantas, David?

Mr Hawes—It would be less than that, I believe. It would probably be around 10 per cent.

Mr Reed—Because of our exposure on the Tasman, we can neither afford to marginally price in the market nor sustain our level of current losses, which is significant. The liberal aviation policy has had a significant impact on the Tasman. It encourages a large number of fifth-freedom carriers and what that does is add associated excess capacity. Fifth-freedom carriers are able to price on marginal cost and dump capacity into that market. It is unrealistic for the Australasian based airlines to be able to meet the full cost of the Tasman.

CHAIR—What percentage of the market do fifth-freedom operators occupy? Is it mainly Emirates Airline and Thai Airways?

Mr Reed—That is a good question, Chair. It was 9.5 per cent and it has increased to 15.5 per cent. So, in the brief period since Emirates has come onto that market, we have seen an enormous lift in the full capacity, if you like.

CHAIR—What percentage is Emirates and what percentage is Thai—are they the two?

Mr Reed—No, there are eight carriers effectively plying for 5.4 million passengers across the—

CHAIR—But how many in terms of fifth-freedom carriers?

Mr Reed—Are there eight fifth-freedom carriers or eight in total, Rick?

Mr Osborne—There are six fifth-freedom carriers. Emirates hold by far the largest share of the fifth-freedom business.

CHAIR—Department of transport, do you have a breakdown of the percentages each has?

Mr Borthwick—Yes. Our figures indicate that Emirates currently has a share of 9.8 per cent and Thai has 1.4 per cent.

CHAIR—Who are the other fifth-freedom operators?

Mr Borthwick—They would be Royal Brunei Airlines, LAN Chile, Aerolineas Argentinas and Garuda.

CHAIR—They are carriers who are en route to South America, so that makes it a little different.

Mr Reed—But they have the rights to pick up and fly customers between the two.

CHAIR—But their market share is minuscule, is that right, across the Tasman?

Mr Borthwick—Yes. Those latter carriers probably have less than one per cent.

Mr Reed—Even though they may be deemed as having a small percentage, the reality is that their impact has been significant on our business across the Tasman, as yields and profits decline as capacity increases. Your load factors are—

CHAIR—So are they market loss leaders?

Mr Reed—Absolutely.

CHAIR—So the cheapest fares are with Emirates?

Mr Reed—Effectively they can price in marginally costed, so effectively they cost their aircraft from the destination it is originating, traditionally probably Dubai, through to Sydney or

Melbourne. Those aircraft traditionally sit on the ground. They are now using those aircraft to fly the Tasman.

CHAIR—I understand that, but are they offering the cheapest fares across the Tasman?

Mr Reed—You would probably have the value based carriers offering the lowest fare. Of the full service carriers there is no doubt that Emirates is leading that price.

CHAIR—Okay. Please continue.

Mr Reed—If you look at our capacity it has increased by 39 per cent yet passengers have only increased by 31 per cent. To put it into perspective, across the Tasman there are 6,300 empty seats per day. It is a little more than about 11 A320s running empty across that one market, which is significant. So why code share with Qantas is good for the airlines and good for customers? Very briefly, it allows Air New Zealand to reduce its substantial losses through cost reduction. It reduces our need for two A320 aircraft, which provides a cost base to maintain sustainable low airfares, and allows improved scheduling for customers and better utilisation to reduce our excess capacity. There is potential for new destinations in Australia and New Zealand. It provides a greater range of flights to earn and redeem air points on, which is a significant issue for the travelling public. And, of course, competition will keep a downward pressure on airfares.

CHAIR—This is a question to both you and Mr Hawes. Can I have an indication at this session whether you will be arguing that the ACCC should look again at the question of some closer relationship than the one you are talking about?

Mr Hawes—From our point of view we regard the process that we are now engaged in before the ACCC, having submitted to obtain authorisation for what we call the Tasman Network Agreement, as the only process that we are currently involved in with Air New Zealand. The previous arrangement contemplated, which involved an equity stake by Qantas in Air New Zealand and cooperation which also extended into domestic New Zealand and routes beyond New Zealand, has passed us by, it would appear. So our focus is very much on seeking authorisation for the TNA.

CHAIR—What is the combined market share of Qantas and Air New Zealand on the route?

Mr Hawes—It is over 70 per cent. If we takes the groups as a whole—counting Qantas, including Jetstar, and Air New Zealand with its value based offering together—it is about 75 per cent, from memory.

CHAIR—Mr Hawes, would you like to make an opening statement?

Mr Hawes—I think our submission is very straightforward. One thing I would like to place on the record here is that Qantas is very supportive of the closer economic relationship between Australia and New Zealand. We think stronger and greater trade, investment and economic exchanges between the two countries are clearly beneficial. The aviation dimension of that closer economic relations equation is making an effective contribution towards that. The fact that Qantas and Air New Zealand—who I assure you are very, very keen competitors in domestic

New Zealand and the international world generally—have come to the point of saying we would like to cooperate on the Tasman is in response to circumstances that have actually arisen because of the very liberal aviation policies that Australia and New Zealand have toward third countries.

CHAIR—Are you arguing against those liberal arrangements?

Mr Hawes—Not at all. I am just saying that when faced with the consequences of them one must look at some way of responding. If we are to have low fares and high competition we also want to have sustainable services.

CHAIR—I noticed an article in the paper today which talked about the department of transport saying that if we scheduled our flights more effectively and improved the taxiing times and times at the airport, we could significantly improve the impact on the environment by cutting our CO₂ emissions. It is not in either of your submissions that the closer relationship would actually do much to assist in that area. I am surprised you have not taken the opportunity to say something about it.

Mr Osborne—That is a very good point. We have calculated that, as a result of the Tasman Network Agreement, Air New Zealand's CO₂ emissions per annum will reduce by 7,300 tonnes per year.

CHAIR—I think that is a significant point. I appreciate you raising that. What are the department of transport's views in terms of the closer working relationship between the two carriers?

Mr Doherty—I think the article that you mentioned relates to comments by Airservices Australia about—

CHAIR—Airservices, I apologise.

Mr Doherty—improving the efficiency of tracking routes into airports. The concern about the level of emissions is an emerging one that we are very conscious of. In relation to the proposed network agreement, that is a matter for the ACCC to make a decision on. The department have put a submission to the ACCC, and we are happy to share that with the committee. The submission, I think it is fair to say, points out some of the issues that have been raised in discussion here already: the level of competition and service on the route, the empty seats being flown and the implications of that. I think our attitude to this is that the ACCC should look positively at the issues around competition and whether the low barriers that exist for entry and the emergence of strong competitors to Qantas and Air New Zealand should be taken into account in considering their response.

The ACCC should look at the way they define the market and the way they examine this approach, but it may also be that there are particular routes within the Trans-Tasman context which require special attention. Wellington is the one that we drew attention to in our submission. Flights into Wellington at the moment cannot accommodate the wide-bodied aircraft, which provide the competition from the fifth freedom carriers, so that may be something which requires special consideration.

CHAIR—In what way? How do you recommend that that can be solved?

Mr Doherty—The ACCC have a range of a mechanisms available to it in terms of undertakings that they can seek. Alternatively, they may look at the broader market and say: ‘That’s only one small part of a market. It’s not in itself going to have a dramatically different price structure.’ So they may decide that there is nothing they need to do about it at all, but we have highlighted that as an issue that warrants consideration.

CHAIR—The fares to Wellington are significantly more expensive than fares to Auckland.

Mr Doherty—Others are able to comment on that, but I understand they are essentially the same.

CHAIR—Are they?

Mr Hawes—Yes.

CHAIR—So what is the problem?

Mr Hawes—We argue that there is no problem. Of the two options put there by Mr Doherty, we would say that the latter will take care of it. The broader impact of the market—

CHAIR—They really need a new runway, don’t they, in Wellington.

Mr Hawes—is that low fares are readily available throughout the market.

CHAIR—Do you believe Emirates and Thai—Emirates in particular—are dumping capacity in terms of this route?

Mr Osborne—Again, I seek the leave of the committee to hand out a graph. It shows quite clearly the level of capacity that Emirates are putting onto the market since the introduction in 2003 which might illustrate the point that you have raised.

CHAIR—They do not operate direct services from Auckland to Dubai, do they?

Mr Osborne—No, not yet.

CHAIR—The aircraft has not got the capacity at the moment—is that right?

Mr Osborne—No, but we have an open skies with the UAE which pretty much allows them to do most things.

CHAIR—But if they were going to service New Zealand they would for technical reasons have to stop in Sydney anyway or Brisbane or wherever—isn’t that right?

Mr Osborne—At the moment, yes.

Mr Hawes—That would be if they chose a non-stop option. They could come via other intermediate points in Asia and reach New Zealand.

Mr SNOWDON—I want to ask about the ability of a New Zealand airline to operate within Australia in the domestic market. What sort of capacity would there be for that to happen?

Mr Reed—Whether we choose to fly domestically?

Mr SNOWDON—Yes.

Mr Reed—I do not think there is a lot of debate on that within Air New Zealand.

Mr SNOWDON—So what is the limiting factor? Explain it to us.

Mr Reed—We entered the Australian market through Ansett. The demise of Ansett was a painful experience for Air New Zealand. The domestic market seems to be well catered for by the existing carriers. Our study has not actually taken that into account.

Mr SNOWDON—Those of us who live in remote parts of Australia would argue it is not, because there is not a lot of competition. I live in Alice Springs. There is one airline and one airline only. I am happy to fly on them, because they are there, but we would welcome some competition.

Mr Reed—I am not sure how Wellington-Alice Springs would go on a daily service, but we will take that on board!

Mr SNOWDON—The submission from Qantas commented on priorities identified by the Australia-New Zealand Leadership Forum. What has happened at the most recent leadership forum in relation to the issues you address?

Mr Hawes—I cannot answer in relation to the details of the most recent forum. Was your question directed towards common border issues?

Mr SNOWDON—Yes.

Mr Hawes—Perhaps my colleague Trevor Long could give an update on the way that the company is approaching it, and the way we believe airlines and governments are approaching it.

Mr Long—Qantas are approaching the issue through participation in the leadership forum, primarily by our head of security. Prior to that, our chairman was one of the co-chairs of the group. We are also supporting the concept of a New Zealand-Australia facilitation working group, which is being chaired by the Ministry of Transport in New Zealand and the Department of Transport and Regional Services here in Australia, in order to try and move some of these issues forward. It is true to say that some of these issues have been moving extremely slowly on both sides, and we are pursuing those along with the facilitation task force that has been set up in Australia by the border agencies. In fact, we are raising with them next week the issue of how we can move some of these issues forward.

As you know, the history of facilitation trans-Tasman goes back a long way—back to 1901, in fact—and it is a bit disappointing that it is moving as slowly as it is. I make the analogy fairly frequently that if the group of European Schengen states can get to a stage where they permit movement between them it is a great pity that Australia and New Zealand cannot achieve that.

Mr SNOWDON—What do you identify as the priority issues which require addressing?

Mr Long—Let us take it through the three different levels—customs, immigration and quarantine. In my view, the quarantine issue is probably relatively minor because we have quarantine issues between states within Australia and I think we can overcome those particular issues. I think the major stumbling block is the different approaches taken by the two countries towards immigration. Australia has universal visa requirements. New Zealand gives the nationals of something like 63 countries access to its borders without visas. From my perspective and experience I think there is a solution. It is called the electronic travel authority. We make that point in our submission to the New Zealand Department of Labour, which is currently doing a review of the New Zealand immigration act. There are some customs differences, but I believe they could be ironed out with a lot of goodwill and a lot of hard work.

Mr SNOWDON—What sort of differences are we talking about?

Mr Long—If we are talking about passengers, there are different passenger allowances between the two countries. When the Australian passenger allowances were changed recently, it took an extraordinarily long time to effect that change after it had been announced. Because the GST revenue from goods that have been brought in by passengers flows back to the states you therefore have to get the states to agree to any change to that. I believe it is possible. Again, I think it just needs some goodwill and a fair amount of effort.

Mr SNOWDON—A hundred years?

Mr Long—That's the worrying part!

Mr SNOWDON—So do Air New Zealand have similar issues?

Mr Reed—We would see the single aviation market and opening the borders as a unique opportunity for increasing tourism flow between the two countries.

Mr SNOWDON—But do you share Qantas's view about the priority impediments that need to be overcome?

Mr Reed—I think they are very similar. They are probably shared equally between the two countries.

Senator PAYNE—I would like to get some idea from Air New Zealand and Qantas about where the sticking points are. Qantas have referred to announcements being made, and little progress. Air New Zealand in the handout today talk about 'backroom solutions and technology'. I am not sure what backroom solutions you have in mind; you might enlighten the committee on that.

Mr Osborne—I am not a technical expert on border control. Perhaps my colleagues from Qantas could answer that. In terms of facilitating passenger flows between the two countries, in essence it would be a domestic operation. I think it was 10 or 15 years ago Australians did not require passports to New Zealand. Building on that, seamless travel between the two countries would be, in essence, domestic travel.

Senator PAYNE—I am still not sure what a ‘backroom solution’ is. Being legislators, we do not do a lot of backroom solving; we do most of it in the middle of the public arena. You might, Mr Snowden—that might be the way your organisation works. But mine appears to be mostly on the front pages of the newspapers.

Mr Osborne—In terms of using technology a scheme was put forward previously with our premium passengers for iris recognition. Allowing technology to drive a lot of the advance passenger processing, advance passenger information—those types of solutions—we wish to explore to allow the facilitation of that domestic operation.

Mr Hawes—If we think of ‘back office’ it answers the question.

Senator PAYNE—As opposed to backroom.

Mr Hawes—Yes.

Senator PAYNE—Okay; that helps.

Mr Osborne—Perhaps it is an Auckland thing!

Senator PAYNE—I am not going to go there.

Mr BARRESI—On this one-page sheet from Air New Zealand on the CER, under ‘Impact of liberal aviation policy’ you mention the impact of, say, fifth freedom carriers and Emirates etcetera being able to offer services because Tasman passengers are ‘price-sensitive’. Is this price sensitivity specific to leisure and tourism passengers rather than business and, if so, how much of the Tasman traffic at the moment is made up of either group? What are the proportions at the moment?

Mr Reed—I guess it varies between countries. Out of New Zealand we probably get a larger share of the corporate traffic and probably out of Australia Qantas gets the larger share of the corporate. The issue is capacity. We have an advance purchase. So for the corporate market, effectively, if you know when you are travelling you can prepurchase a lower fare. The leisure market is very much about ‘see it now, buy it now’. So for us, with competition to fill the belly of the aircraft, you may always be able to guarantee the filling of your business class and a small number of your business corporate, but the rest of the aircraft is reliant on stimulation of the leisure market.

The concern about pricing will never be an issue because we are always going to have to drive the price-sensitive market to think: ‘Hey, New Zealand is on our shopping list. We want to buy. The price is right. I am going to buy it now.’ It is very important to ensure that sustainable airfares are what it is about. We changed our business model two years ago to deliver that to the

market and we have seen a significant increase in passengers between the two countries by stimulating that price exercise. But price fundamentally stimulates the leisure market and not the corporate market. The corporate market is pretty much set by its agenda as to when they have to travel and return.

Mr BARRESI—What proportion of the traffic is made up of corporate?

Mr Reed—It is a very difficult answer for us to be able to give you because you do not know whether the customer sitting in 4B is a corporate customer or a leisure customer.

Mr BARRESI—Don't they fill in immigration forms on the way in?

Mr Reed—The department of transport would have that split. We look at our seats. I am just wondering if one of our colleagues has that split.

Mr Hawes—In our submission, at the bottom of page 3, we provide some breakdown on both the destination flows and the purpose of travel. Holiday traffic accounts for 41 per cent of the market, visiting friends and relatives accounts for 28 per cent and business travel accounts for 22 per cent. That would be ABS data on purpose of travel. It would not indicate who sat in which class in the aircraft.

Mr Doherty—That is broadly consistent with the figures that we have given in our submission at the bottom of page 2—and I think these are for traffic originating in Australia. Holidays, at 39.5 per cent, was the most important reason, followed by visiting friends and relatives, 32.3 per cent, and business, 17.1 per cent.

Mrs DRAPER—Following on from Mr Barresi, I am interested in the graph on the impact of Emirates on the Tasman, which everybody has a copy of. It seems that in February 2004 there was a substantial downturn in numbers, with February 2005 and February 2006 matching the downturn in numbers for February 2004. Is that peculiar? Mr Barresi was asking about the corporate and leisure function of booking seats et cetera. I noticed that the solid black trend line is tending downwards to a small extent at this point in time, but the figures only go to February 2006. You have got February 2004, 2005 and 2006 that sort of match. Does the trend line come back up or is that continuing through to May and June?

Mr Reed—A lot of these trends are based on seasonality. The amount of capacity in the market may not change, but you have some carriers, United, for example, that have pulled out. I cannot recall the date that United exited from the market.

Mr Osborne—At one stage there were 13 carriers on the Tasman. That has now dropped back to eight as some carriers have chosen to fly direct routes—for instance, Malaysian and Thai—back up to their home countries rather than doing fifth freedom across the Tasman. So it fluctuates. Nonetheless, it clearly illustrates the amount of capacity that Emirates have put into the market since introduction.

Mrs DRAPER—You obviously do not have the figures for March, April or May, but would your figures suggest that the trend line is continuing?

Mr Reed—From the commercial side, there has been no reason to indicate that any capacity has come off that market in the last few months.

Mr CAMERON THOMPSON—I was trying to reconcile that graph with the figures we had from the department which had the Australian and New Zealand based carriers and which was overall seats. I just completely lost it there because we are out by a factor of 10, so obviously there is something wrong with my calculations. I am interested in the cheap operators and what is happening in the trend there. I notice that overall we had growth of 5.7 or something and the rate of growth has slacked off a little bit on the overall volume through the market. I could probably direct my question firstly to the department. What has been happening in relation to the trend to the budget carriers? Are they growing at a faster rate? What is happening?

Mr Borthwick—When you talk about trends into the market, I think we have to take into account that Virgin and the Pacific group are a relative newcomer to the market. In a relatively short period of time, they have generated a reasonable share of the market. The latest figures we have, which are to the end of December 2005, are that they have picked up about eight per cent of the market. I think it is probably a little early to talk about sustainable trends, as low-cost carriers continue to establish themselves in the market.

Mr CAMERON THOMPSON—Is that overall, adding them all up? Does that include Jetstar?

Mr Borthwick—The figure I quoted related to Virgin Blue. That is the most recognisable low-cost carrier that I am aware of.

Mr CAMERON THOMPSON—What about Freedom Air?

Mr Borthwick—There is Freedom Air as well. That would bring the total up to about 19 per cent of the market.

CHAIR—So the discount operators are growing at a faster rate than the conventional operators. Is that right?

Mr CAMERON THOMPSON—You are saying they are new. So Virgin and Pacific have eight per cent. Another 11 per cent was—

Mr Borthwick—It was for Freedom Air. Jetstar international is about 0.6 per cent.

Mr Hawes—The tax and fee share of the department's submission I note concludes with a seat-by-seat, route-by-route analysis. Jetstar have a total of 4,900 seats compared to Qantas's 19,000. In coming onto the route, they took over some of the Qantas flying but in addition they grew a new route, which was the Gold Coast to Christchurch one.

Mr CAMERON THOMPSON—I am interested in the overall development of the volume going through there. Somewhere in here I saw a figure that said that overall growth in the longer term was 5.7 but in the last period the total rate of growth had tailed off a bit. Do we have any reason as to why that might be? I would have thought that, with these new carriers—particularly the budget type ones—we would be looking at an acceleration of the rate of growth rather than a

deceleration, because we would be appealing to a broader travelling people who could not afford to travel in the past. Do we have any views about that?

Mr Hawes—Only to note that from the Qantas and Air New Zealand perspective the market has been oversupplied. We are not contributing to that level of growth. As I said, some of the Jetstar operation replaced certain Qantas flying on some routes. We know where the capacity increase has very largely come from.

Mr Doherty—To a certain extent it is speculating, but I guess the fuel price may be a significant factor. If a large proportion of the market is price sensitive—looking at the leisure or visiting family markets—then it is likely to be highly price sensitive. The implication of the dramatic increases in fuel prices over the last couple of years has probably mitigated the growth that otherwise would occur.

Mr BARRESI—On that, has there been an increase in the cost of travel? When was the last increase and what was the percentage increase?

Mr Doherty—I am not sure.

Mr BARRESI—You might have an increase in petrol prices, but has that been reflected in the increasing ticket prices?

Mr Reed—We promote or advertise a combined price. If you break it down by segment, you have an airfare and then you have taxes and surcharges. The airfare component has not changed dramatically, as it is already set at a low cost, but the surcharges are where there have been significant increases to try and offset the increasing cost of fuel. That whole demand-supply exercise is that you cannot recoup your full cost of fuel. If you tried to, you would soften demand. That is, hence, why you are competing with very low fares and you are not making a profit, in our case.

Mr CAMERON THOMPSON—But we have an increasing number of budget type carriers. Surely, if you took the average fare over that period, it would not be going up dramatically.

Mr Reed—If you took surcharges out of the average fare, you would say that probably the fare has not increased. But the total cost in some respects may have increased. With marketing and advertising, you are always making a percentage of your seats available to the consumer at a very low price. You might put out there in the marketplace a loss leader, depending on the carrier. Effectively, your surcharges have increased. You might keep your fare low.

Mr CAMERON THOMPSON—But really we have no real idea about this. The overall thing that really surprised me about it was that our rate of growth was not increasing; it was tailing off a little bit.

Mr Reed—Growth of capacity?

Mr CAMERON THOMPSON—Yes. It was 5.7 in the long term versus 5.5 or something in the later, shorter periods.

Mr Reed—I think that might be a result of the saturation of capacity already in the market.

CHAIR—All right. So I take it that the key message that we have is the agreement, the CER, with New Zealand is working well in the aviation sector, although there are some problems in terms of the extent of fifth freedom operators coming in and the increased market share they have, and that the major recommendation from Qantas and Air New Zealand would be support of the agreement that you are proposing. Is that the key message?

Mr Hawes—Clearly we are advocating before the ACCC and in process in New Zealand, which is somewhat different on this occasion, to have that agreement authorised. Any support that could be given to that would be appreciated. The other area we have flagged—and certainly from an airline perspective there is a bit of a sense of frustration on this—is in relation to the facilitation matters, which could probably do with a push at a political level. We will not be able to get the maximum of the closer economic relationship and the single aviation market open-skies dimension while we have these impediments to the freedom of movement of people, goods and processes around that single market. So the border facilitation questions are ones that stand in the way. Clearly, a common border would free up flexibility and capacity and make travel to New Zealand just like Sydney to Adelaide or Brisbane—it would bring it into that one dimension.

CHAIR—The problem with that—and we will explore this with the DIMA people—is the issue of people who may access New Zealand and then wish to come on to Australia. We would want some checks.

Mr Hawes—Which is why you need confidence in the integrity of that common border. We understand where the problem is, but I guess it is the addressing of the solutions that probably needs a bit of a push.

CHAIR—Thank you very much for coming today; we appreciate it. If there are any other things you wish to make a submission on, we plan to take a group to New Zealand in the last week of July. We welcome your further input.

Proceedings suspended from 12.38 pm to 1.19 pm

REES, Mr John, Acting Assistant Secretary, Entry Policy, Department of Immigration and Multicultural Affairs

SPELDEWINDE, Mr Peter, Director, Skilled Migration, Department of Immigration and Multicultural Affairs

CHAIR—We will move to session 2, where the committee will hear from individual witnesses. The committee has received your submission, No. 13. As you know, as with roundtable discussions, The committee prefers all evidence to be given in public, but, should you wish to give evidence in private, you may ask to do so and the committee will consider your request. As you are aware, I am sure, having appeared before these committees before, although you are not required to give evidence under oath, these proceedings have the same standing as proceedings of the parliament. I invite you to make an opening statement, and then we will proceed to questions.

Mr Rees—There is no statement at this stage.

CHAIR—I do not know whether or not you were here when the airlines were making their presentation this morning.

Mr Rees—No, we were not.

CHAIR—They talked about some of the issues that confront them in relation to a common border and to what extent this is feasible. They would like, of course, to see travel between Sydney and Auckland, Christchurch and Brisbane and Wellington and the Gold Coast be similar to travel around Australia. I think therefore the airlines are asking that we look at the degree to which it can be coordinated and whether there is an opportunity to return to the days when we did not need passports. I understand some of the issues that would be confronting you. Perhaps you would like to make your comments on how necessary or how feasible it is to continue as we are at the moment.

Mr Rees—I think the first issue in relation to a common border is that it is a concept which I do not think has been fully explored in the sense that New Zealand citizens can already travel to Australia without being required to apply for a visa before they arrive. The visa process occurs when they arrive at the border and they present their passport and their incoming passenger card. So New Zealand citizens now have freedom of movement across the Tasman.

The issue of a common border is more about the third-country nationals who are coming into Australia. For example, I have details here of a flight that arrived from New Zealand just last week. It was a flight that came out of Auckland to Sydney. The flight had 170 passengers and crew. Forty-four were Australians, 58 were New Zealanders and 68 were a range of other nationalities. Australia has a policy of requiring that all persons who are entering Australia hold visas. New Zealand has a policy where some nationalities can enter New Zealand visa free. They have a visa waiver process, which does not concur with our approach to entry into Australia. Of those 68 nationalities, if we were moving to a common border and almost a domestic type arrangement, which you were alluding to before, we would have a situation where those 68

people, who would require visas to enter Australia from anywhere else the world, would not require visas if they were coming through New Zealand.

CHAIR—I understand that. Under what circumstances could you see such a common border approach applying? For example, if the New Zealanders required visas for all of those different nationalities, would that address the issue or not?

Mr Rees—If New Zealand's immigration policies in terms of creating visas was the same as ours, that might go some way to addressing that issue.

CHAIR—Do they have the electronic travel authority approach or do they have the traditional paper visas?

Mr Rees—They have the traditional paper visas, plus a number of countries have a visa waiver approach. But they do not have an ETA approach to us, as we do at this stage.

CHAIR—Do you know if this, because of the visa waiver situation which applies in a number of countries, has created any problems for New Zealand? Are they aware of people that have slipped through the net because of the visa waiver and then presented security problems being in the country? Has that ever been identified, to your knowledge?

Mr Rees—I cannot speak to that, I am sorry. I believe the New Zealand government is appearing before the committee. They could possibly comment on that, but I am not aware of any detailed information in relation to that.

Mr WAKELIN—For the special category visa, the exceptions for granting such a visa are being convicted of a crime and sentenced to death or to imprisonment for at least 12 months.

Mr Rees—That is right.

Mr WAKELIN—I presume it is endeavoured to be policed or managed to that letter of the law. My question is about those who may have been in trouble at some point in the past with the authorities and sentenced to less than 12 months or for other offences. What degree of scrutiny is given to those?

Mr Rees—When a person arrives in Australia they are required to complete a passenger card and to answer a question as to whether they have any criminal convictions. If they answer yes to that question, we would then refer them to an immigration officer at the airport who would question them about their criminal history and ascertain the nature of the conviction, if there is a conviction, and the sentence that was imposed as a result of that conviction. Generally they are to be excluded from a special category visa. The requirement is that they are sentenced to imprisonment for more than 12 months. If it is a lesser offence, there is a provision under section 501 of the Migration Act that talks about persons who may be of interest to Australia in terms of their relationship with other organisations or for general criminal conduct, which is called the character test.

A person can be excluded from Australia for not passing the character test whether or not the conviction is for 12 months or more. If that were the case, those persons would be referred for

consideration under section 501. Following on from that, the information in relation to a person's criminal history and how that impacts on their right of entry into Australia is well published in New Zealand. We have a character assessment unit that is based at the immigration office in Brisbane. Where people from New Zealand are aware that they have a criminal conviction that may impact on them, they are able to write to the character assessment unit in Brisbane to get an assessment from them as to whether or not their convictions would impact on the character test.

Mr CAMERON THOMPSON—From time to time people come to see me in my electorate office with various conspiracy theories. This is one that I want to put by you because it has been a matter of some concern ever since it first popped up. For people who start out in Pacific island nations, the allegation is often that those people can have multiple names and that these multiple names can spawn multiple identities. From those nations they get a fairly easy right of entry into New Zealand and can wind up in Australia potentially with multiple identities, having originated in the Pacific islands. Can you tell me what kinds of safeguards we have against such a scenario and if there is any remote possibility that such a thing could occur? Is it a threat and concern in any way?

Mr Rees—If a person from the Pacific islands was in New Zealand seeking to enter Australia and they are still on a Pacific islands passport, from whatever country they are coming from, they would need to apply for a visa. They would need to be assessed as being a genuine visa applicant and to be assessed against our various alert lists. A decision would be made as to whether or not a visa should be granted.

If they enter New Zealand and go through the process of obtaining New Zealand citizenship, then in many respects there is a view that the New Zealand process of granting citizenship would pick up people of concern for New Zealand. But once granted a New Zealand passport they then have the right of entry, as any other New Zealand passport holder would have, irrespective of their original country. New Zealand citizens are still run against our alert lists prior to entering Australia. So if a name of a New Zealand citizen was of concern, and that was on our alert list, that person would be picked up in that process.

Mr CAMERON THOMPSON—Having gone through New Zealand and having obtained permanent residency or something in New Zealand—

Mr Rees—New Zealand citizenship.

Mr CAMERON THOMPSON—and then come on to Australia, if the person had a different identity could they go back and somehow access a passport from their original location? I understand that people are born with one name and can have a different name later on in life, and they can wind up being known by various names. This is the area of concern. People could wind up with a New Zealand passport in one name, a passport from a Pacific island in another name, and that is theoretically two different identities, both of which could manifest themselves later on back in the electorate of Blair or in any electorate in Australia.

Mr Rees—But we still go back to the point that the person with the non-New Zealand passport, in whatever name, would still need to go through a process of applying for and getting a visa. The issue in terms of New Zealand citizens is that they can travel on a New Zealand passport and get the visa granted when they arrive at the border. But if a person had a New

Zealand passport and another passport from another country, the passport from another country—if the person was using that passport to come to Australia—would still require a visa to be granted under that person's name.

Mr CAMERON THOMPSON—The negative side of this argument is that you do not necessarily need to have a visa to be seeking welfare payments or something—that this could result in welfare fraud, basically, because a person could have multiple identities to make claims on Centrelink and whatever in Australia.

Mr Rees—The person in that case would need to have come to Australia on a New Zealand passport and have been granted permanent residence. Mr Speldewinde can talk about that process better than I can. But then the person would also need to obtain a permanent residence visa to be eligible for Centrelink benefits or welfare benefits in another name on another passport. That other passport would still need to go through the normal immigration processing that any person from any other country would go through.

Mr CAMERON THOMPSON—Is that a scenario that has been considered or looked at in any great depth?

Mr Rees—Not that I can speak to, no. I think that what we would really need is some evidence and some examples of that happening. There are situations now where an Australian citizen can be a dual national. An Australian citizen can hold different passports. An Australian citizen could, for example, hold a British passport and an Australian passport. He could leave Australia on his Australian passport, travel throughout Europe on his British passport, and come back on his Australian passport. He could have two passports in his name in his possession at any one time. The issue that you are describing would not be unique to the Pacific and/or New Zealand. A similar situation could occur right now in Australia with people who have the ability to gain a whole range of passports because of previous nationality.

Mr CAMERON THOMPSON—Yes. I am not saying that I personally think this is a happening thing. I have these things put to me from time to time, and there is this issue about the multiple names and what kind of passport control there is and the control of documentation from out of those Pacific islands where these kinds of multiple names exist.

Mr Rees—That would go to the normal process of a person applying for a visa, which would require them to prove their identity. In many circumstances we would go back to the issuing authority who issued the passport to ensure that the passport has been issued to the correct person. But what you are saying is possible. From a conspiracy theory point of view, it would be possible for a person to have two different names and to be using those two names in different circumstances in Australia.

Mr CAMERON THOMPSON—Are you saying that it has not necessarily been explored or looked at from that perspective?

Mr Rees—Certainly not from an immigration perspective. It may well have been explored from a Centrelink or Department of Human Services perspective but not, as I am aware, from an immigration perspective. I could take that point on notice, if you wish, and we could come back to you on that.

Mr CAMERON THOMPSON—Thanks.

Mr BARRESI—This is related to what Mr Thompson has asked. What are the numbers of New Zealanders who are coming to Australia whose previous nationality was from elsewhere? We hear about New Zealand being used as a transit stop, but is that simply an incidental thing? What are the numbers we are looking at?

Mr CAMERON THOMPSON—Good point.

Mr Rees—I do not have those figures for you now, so I will take it on notice.

Mr SNOWDON—You could ask the same question of Australians.

CHAIR—The figures you provided on the flight that arrived last week, which you used, might be useful, because I think that our colleagues were just on their way to the meeting when you provided them.

Mr Rees—Yes, I made some comments previously. We were talking about the number of third-country nationals who travel to Australia from New Zealand. A flight out of Auckland to Sydney on 13 June had 170 passengers and crew. Of those, 44 were Australians, 58 were New Zealanders and 68 were a range of other nationalities.

Mr BARRESI—That is part of it. My question is more towards citizenship. We allow New Zealand citizens to lawfully remain in and work in Australia as long as they remain New Zealand citizens, and that is fine.

Mr Rees—Correct.

Mr BARRESI—My question is: how many of those New Zealand citizens who come to Australia held another citizenship prior to becoming New Zealand citizens?

Mr Rees—I will need to take that question on notice. I do not have the information at this stage.

Mr BARRESI—Yes, that is fine. I think the claim out there is probably absurd. I do not think it is anywhere near as high as people maintain; it would be nice to know.

CHAIR—Maybe this is true—I do not know—but, seeing as we are into conspiracy theories started by Mr Thompson, the claim is that people apply to New Zealand, because for migration purposes there is easier access, and, having qualified for their two years, they then travel with their New Zealand passport to Australia, where they do not need a visa. Is there any evidence of that? Are you aware of the extent of that? That leads on from Mr Barresi's question.

Mr Rees—I will take that on notice. What I can say at this stage is that about 1.3 million New Zealanders come to Australia every year.

Mr BARRESI—Both as visitors and—

Mr Rees—And permanent residents.

Mrs DRAPER—Can we get a breakdown of the figure, for visitors and for people who come over for permanent residency?

Mr Speldewinde—I may be able to assist you there. I have some stock data which is current as at 31 March this year. As at 31 March this year there were 458,634 New Zealand citizens in Australia. Of those people, some 64.7 per cent, or 296,736 people, said that they were Australian residents returning; 14.9 per cent, or 68,331 people, said that they were visiting or temporarily entering Australia; and 9.5 per cent, or 43,567 people, were permanently migrating.

CHAIR—That is interesting and quite useful. Do you also have a breakdown of the number of times, on average, that people visit? When you say that the total number of visitors is 1.3 million, you have about one-third of the New Zealand population in that and I am sure a lot of them come over for footy matches and other things on multiple visits. It is probably not broken down in that way. How many of those would be multiple visits? If you are able to provide that, we would be interested, but if you cannot that is okay. It is the way our stats are provided, I am sure.

Mr Rees—Chair, that would take a significant amount of data manipulation. We will happily take it on notice, and certainly attempt to see what we can get for you.

Mr SNOWDON—Can you do it the other way as well, for the Australians going to New Zealand? I think we need to have a picture of both. If I was a New Zealander sitting in this room now I would say there is a bit of a conspiracy theory going on here. Australian citizens for whom Australia is not their country of birth might be a higher proportion of the population here than is in fact the equivalent case in New Zealand. How do we know we do not have sleepers coming to Australia, becoming Australian citizens and migrating to New Zealand for the purpose of blowing up the Beehive?

Mr BARRESI—Sleepers? You really are into conspiracies!

Mr SNOWDON—It is the same sense of conspiracy coming the other way, and I think it is only reasonable to ask the question.

CHAIR—The figures of Australian tourism show the number of tourists we have each year from New Zealand, which puts them at the top of the tree. It is my suspicion that in reality they are not at the top, it is just we have a number of people who travel multiple times. That would apply for every country because they are so close. It may be a little fictitious to put them there. The total spend might be the more appropriate way of going, which is again probably impossible to quantify. I think there are two committees that will be looking at services and tourism—the economics committee and one of the other committees—so it might be interesting from that point of view.

Mr SNOWDON—The figures you gave us about the flight last week: do you have a return flight you can give us the same figures for?

Mr Rees—I do not have that with me, but I could give you that.

Mr SNOWDON—That would be great, because it will give us a comparison of how many people are passing through Australia to travel to New Zealand.

Mr Rees—We can find that quite easily.

Mr SNOWDON—I want to ask a couple of questions on a separate issue. Your submission says it is difficult to see a common border being achieved. Is that simply because of the migration issue?

Mr Rees—Yes; that was from our perspective. Until we get a more homogenous visa regime between the two countries we would see that being most difficult.

Mr SNOWDON—So what work is taking place to see if those two regimes can be integrated or harmonised in some way? Is there ongoing work, and how frequently is that work being undertaken?

Mr Rees—There are biannual meetings, which are called national facilitation meetings, which are held in Australia and New Zealand. Australian representatives go to New Zealand, and vice versa. There is a high-level leaders forum in relation to New Zealand and Australian relationships. Issues in relation to the common border have been discussed at those various fora. I think there is a long-term vision that a common border will be good for both countries but, in the meantime, there are a large number of issues that need to be addressed.

CHAIR—It is a fundamental impasse that if New Zealand has a policy of waiver of visas from a whole number of countries and we insist on visas from everybody except those with New Zealand passports, then it is not likely to be resolved in the short term, unless there is an aim to coordinate the two.

Mr Rees—That is the impasse, yes.

Mr SNOWDON—My question was leading to that. Is there any work currently under way trying to harmonise those two things, or are we going to meetings on a biannual basis and to the leaders meeting saying, ‘This is the dead cat that no-one wants to talk about’?

Mr Rees—That are no direct discussions happening that I am aware of in relation to either country changing its immigration processes.

CHAIR—Would it be solved, for example, if New Zealand moved to a similar system to ours, with electronic travel authorities? If they had that approach, basically we would be asking the same questions. Would that be a way to resolve it—if they were checking for the same data? Would sharing similar security information from ASIS and ASIO et cetera through their cross-Tasman liaison in this area be a way in which it could be coordinated?

Mr Rees—That could possibly be a way forward, yes.

CHAIR—Sorry, Mr Snowdon.

Mr SNOWDON—I am pleased you raised it. I think we ought to progress this discussion further with the other authorities, because it seems to me that there is a logjam and no-one is really that interested in getting rid of the logs. I have a question about the conclusion in your submission where you talk about your work with New Zealand on the establishment of the advanced passenger processing system. Can you explain what that is; and how does it compare to what we do in Australia?

Mr Rees—Yes. The advanced passenger processing system is where airlines at check-in interact with New Zealand's or Australia's immigration system. The person's passport details are put in and checked to ensure there are no alerts at that time and that the person has the right of entry into Australia. And New Zealand's system is similar to what we have.

Mr SNOWDON—Could those two systems actually share information? Do they share information?

Mr Rees—They possibly could, but the issue is still that, because of New Zealand's visa waiver process, there is no assessment done.

Mr SNOWDON—No, I appreciate that. I am just trying to get a picture of what could be done electronically. What is the R-M-A-L?

Mr Rees—It is the RMAL, the regional migration alert list.

Mr SNOWDON—How does that work?

Mr Rees—That works, at this stage, through New Zealand, Australia and the United States interacting, where the RMAL checks against each country's lost, stolen or invalid passport database.

Mr SNOWDON—So it is security against—

Mr Rees—It is more about counter-terrorism issues than visa issues.

Mr SNOWDON—And so Australia is part is that?

Mr Rees—Yes. Australia is the lead in the RMAL initiative.

Mr SNOWDON—By the look of this, it is something which will be picked up by the whole of APEC?

Mr Rees—Yes, correct.

Mr SNOWDON—Thanks, Chair.

Mrs DRAPER—I have a question for you, Peter. You gave the following figures—roughly 296,000 Australian residents returning and 68,000-odd people visiting. I just wanted to clarify the figure of 43,567. Are they people who are applying for permanent residency?

Mr Speldewinde—No, that is actually stock data—that is, the number of people who have permanent residency in Australia as at 31 March.

Mrs DRAPER—Okay. Thank you. Permanent residents from New Zealand?

Mr Speldewinde—From New Zealand; that is correct.

CHAIR—By the way, do you have figures for people who have taken out Australian citizenship who previously had New Zealand citizenship? I imagine they can keep both.

Mr Rees—No, but we can take that question on notice for you.

CHAIR—It would be interesting to see the extent to which they provide a ready source of skilled labour. Mr Speldewinde, to what extent is New Zealand a source of skilled migrants?

Mr Speldewinde—At this stage, New Zealand is still a very small source of skilled migrants compared to countries that are traditionally sources of skilled migrants such as the UK or India. I could give you some numbers for permanent visa grants under the skilled migration program for the year to date, if you wish. Would you be interested in something like that?

CHAIR—Yes.

Mr Speldewinde—In the year to date to 31 May, 455 New Zealanders had been granted skilled migration visas.

CHAIR—How does that compare with the other key countries like the UK, Germany and the subcontinent?

Mr Speldewinde—Our migration program for this year is set in the range of 134,000 to 144,000, out of which 97½ thousand places have been set aside for skilled migration.

CHAIR—So New Zealand is small.

Mr Speldewinde—Very, very small.

Mr Rees—I think it is important to add, though, that New Zealand citizens who arrive on the special category visa can stay in Australia indefinitely. They can work in Australia. So there may be some of those who are skilled migrants but are not counted.

CHAIR—What is ‘special category’?

Mr Rees—A special category visa is a visa that we grant to New Zealanders on arrival in Australia.

CHAIR—‘Special category’ means they are a Kiwi. Is that right?

Mr Rees—It means they are a Kiwi. That is the only category of people.

CHAIR—That is a very special category!

Mr Rees—So some of those could well be in our categories of skilled migrants but not counted as that because they come under the special category visa arrangements rather than the skilled migration process.

CHAIR—Do they necessarily say that when they are arriving? When they arrive and they get the special category visa, they do not have to indicate whether they are coming over for work, a holiday or whatever, do they?

Mr Rees—They do on their passenger card. Those are some of the figures that Peter was referring to previously. They indicate on their card that they are coming to stay permanently or they are coming for a holiday.

CHAIR—So what is the total number again of those coming to stay permanently?

Mr Speldewinde—Two hundred and ninety-six thousand, seven hundred and thirty six declared that they were Australian residents returning, and 43,567 said that they had Australian permanent resident status.

CHAIR—What is the difference between the two figures? Two hundred and ninety-six thousand said they had Australian residency and the others, the 40,000, have got—

Mr Speldewinde—They are people who formerly migrated to Australia.

Mrs DRAPER—Over what time period?

Mr Speldewinde—That is stock data as at 31 March. I would have to go back and take that on notice.

Mrs DRAPER—Please take on notice whether it is over the last five years. That is the time period I mean.

Mr Speldewinde—I will need to take that on notice.

Mrs DRAPER—Thank you very much.

Mr Rees—I think it is a point in time count. As opposed to looking over a period of time, it is a point in time count on 31 March which is indicating how many New Zealand citizens are in Australia at that point in time.

Mr CAMERON THOMPSON—Are you clear on that, Bruce?

CHAIR—No, I am not clear. Could you run it up our flagpoles again?

Mr CAMERON THOMPSON—We have 296,000 that are Australian residents returning, so they would have permanent residency in Australia—

CHAIR—So these are people who have New Zealand backgrounds but now have Australian citizenship?

Mr Speldewinde—No, I am sorry; that is not—

CHAIR—They are permanent residents?

Mr Speldewinde—what that number represents. As Mr Rees was saying, under the special category visa regime, New Zealand citizens are allowed to come to Australia. They are allowed to live here; they are allowed to work. As part of that, though, since February 2001 they only have limited access to Australian social security.

Mr CAMERON THOMPSON—So that is the 296,000?

Mr Speldewinde—That is the 296,000.

Mr CAMERON THOMPSON—So they are New Zealand citizens resident in Australia—

Mr Speldewinde—Resident in Australia.

Mr CAMERON THOMPSON—but not with permanent Australian residency?

Mr Speldewinde—That is correct.

CHAIR—And the other ones have permanent residency?

Mr Speldewinde—They are people who have formerly migrated to Australia. They are people who then have access to the Australian safety net, and they are the potential group of people who could become Australian citizens if they so chose.

CHAIR—So that figure is per year?

Mr Speldewinde—No, that is at that point in time, as at 31 March.

CHAIR—So, of that 290,000-odd, we do not have how many of those are coming across each year? There must be a lot of those who are coming to take jobs in Australia. The skilled figure does not match the reality—they are lost in those figures somewhere.

Mr Speldewinde—That skilled figure is those people who have formally migrated to Australia—they have obtained an Australian migration visa under one of the special New Zealand categories in the skilled stream and they are entitled to the full range of benefits that would be available to any Australian.

CHAIR—It does not quite match up, though, if you have a relatively small number under the skilled migration program but you have a very large number that come under the other program. It is a snapshot.

Mr BARRESI—While you are searching for figures—and you are going to come back to us—can I ask you to get two other figures for us. One is the number of people coming to Australia who entered New Zealand originally from another nation under the humanitarian category—so they were accepted into New Zealand through the New Zealand humanitarian system, became New Zealand citizens and have now moved to Australia. What are the numbers involved there? Secondly, of the people coming to Australia as temporary entrants, how many are students coming across to study?

Mr Rees—We would need to seek advice from the New Zealand government as to whether they have those figures. Generally in the humanitarian stream information is not necessarily available, in consideration of the privacy of those people. We would not necessarily have direct records ourselves of a person's status in New Zealand before they came to Australia, if they are travelling here on a New Zealand passport.

Mr BARRESI—So, if I asked this question of you from the Australian perspective—how many Australian citizens have left Australia who originally came to Australia under the humanitarian category?—you could not tell me that?

Mr Rees—I could tell you that, but I am not sure whether I can tell you that figure from the New Zealand perspective. If a person goes to New Zealand under the humanitarian program and then obtains a New Zealand passport, all we know at the end of the day is that they are a New Zealand citizen.

Mr BARRESI—But you will ask the question?

Mr Rees—We can ask the question.

Mr BARRESI—Chair, are we going to be meeting with anyone from the department of education or the department of employment?

CHAIR—Not at this stage.

Mr BARRESI—Not today but at some stage? I would like to know more about that whole issue of skilled migration. For example, earlier on this year I was at a function in Melbourne, on behalf of the minister, where I found out that in the plumbing trade there is very strong cooperation between the Australian and New Zealand TAFE systems to create a one certificate level qualification. There has been some very strong cooperation in that regard and they have almost finalised it. I would certainly like to know whether that scenario has been replicated in other trades or for other qualifications. You will not be able to tell us that?

Mr Rees—Not here, no.

Mr BARRESI—Wrong portfolio.

Mr SNOWDON—Are you able to give us—again, if you cannot give us this information we can ask for it from New Zealand—the number of Australians who are going to New Zealand to work? It is a two-way flow—that is my point.

Mr Rees—It is, yes.

Mr SNOWDON—Do you have any data on the flow the other way?

Mr Rees—I do not have that data here, but we could provide it to you.

Mr SNOWDON—That would be terrific. My point is that we are a land of milk and honey and they believe that they are too.

CHAIR—Right. Thank you very much for coming today, Mr Rees and Mr Speldewinde. We look forward to your presenting to us some of the stats we requested.

Mr BARRESI—Can I ask one more question?

CHAIR—Yes.

Mr BARRESI—I think I read this in a newspaper not too long ago—

Mr SNOWDON—It would have to be right then!

Mr BARRESI—That is right. What is the weekly migration from New Zealand to Australia? I read that it was something like 500 New Zealanders moving to Australia per week. Is that right?

CHAIR—That comes back to the original figure, which you can divide by 52.

Mr Rees—It comes back to the issue of how many people cross the Tasman. As I said earlier—

Mr BARRESI—It might even be higher than that.

Mr Rees—there are 1.3 million people a year who come from New Zealand to Australia. Mr Speldewinde gave some figures of how many are here. There are 460,000-odd who are here.

Mr BARRESI—That was a snapshot at a particular month. How many per week are actually leaving New Zealand to come to Australia?

Mr Speldewinde—And indicating that they are coming here permanently?

Mr BARRESI—Yes.

Mr SNOWDON—And are not Australians.

Mr Rees—I am sorry, Mr Barresi, just so that I understand the question correctly—

Mr BARRESI—Permanent migration to Australia from New Zealand.

Mr Rees—Again, we would need to take that one on notice.

CHAIR—To enjoy our lower tax regime.

Mr BARRESI—When I saw it in the papers I was staggered by the figure. I thought: ‘Is anyone left in New Zealand? Who’s going to turn out the lights?’

CHAIR—That’s right.

Mr SNOWDON—My in-laws are New Zealanders; be careful!

Mr BARRESI—I know this is going to be read by New Zealand—that wasn’t recorded, was it!

CHAIR—We are very grateful that the New Zealand High Commission representative is sitting listening and observing our discussion.

Mr BARRESI—I have a lot of time for New Zealanders, a lot of time—great people! I am looking forward to seeing the hobbit village.

CHAIR—I move that the Trade Subcommittee receive as evidence and authorise for publication the submission from Air New Zealand to the inquiry into Australia’s trade and investment relations with New Zealand. There being no objection, it is so resolved.

Proceedings suspended from 2.02 pm to 2.13 pm

GORDON-SMITH, Ms Nicola Mary, General Manager, Bilateral Trade Branch, International Division, Department of Agriculture, Fisheries and Forestry

HEWITT, Ms Sian, Acting Manager, South-East Asia, New Zealand and Pacific Section, Bilateral Trade Branch, Department of Agriculture, Fisheries and Forestry

MACNAUGHTAN, Ms Gael Elizabeth, Policy Officer, South-East Asia, New Zealand and Pacific Section, Bilateral Trade Branch, International Division, Department of Agriculture, Fisheries and Forestry

CHAIR—Welcome. The committee has received your submission, which is No. 17. The committee prefers all evidence to be given in public, but should you wish to go in camera please let us know. Although the committee does not require you to give evidence under oath, you know that these hearings have the same standing as the proceedings before the House and the Senate. Would you like to make a brief opening statement? Then we can proceed to questions.

Ms Gordon-Smith—Thank you for the opportunity to appear before you in relation to this inquiry. Australia's bilateral relationship with New Zealand can be described as close, comprehensive and overwhelmingly positive. It is based amongst other things on strong people-to-people links and governments committed to cooperative, open dialogue and closer economic integration. The health of the bilateral relationship is reflected very much in the strength and vigour of the bilateral agricultural relationship. Despite the occasional emergence of a quarantine issue that could be described as a minor irritant in the relationship, Australia and New Zealand have many shared interests in the agriculture, food, fisheries and forestry sectors and they cooperate very successfully at a government and industry level.

The Australia-New Zealand Closer Economic Relations Trade Agreement, known as ANZCERTA or the CER, underpins the bilateral trade and economic relationship. I am sure you have already heard the CER described as one of the world's most successful, open and free trade agreements. In particular, it is an excellent example of the benefits that can be gained from concluding a truly comprehensive trade agreement. In relation to the Agriculture, Fisheries and Forestry portfolio industries, we would certainly agree with such an assessment of the CER.

The agriculture, food, fisheries and forestry sectors are economically important for both Australia and New Zealand, particularly because of their export focus and the benefits that successful primary industries can have for regional communities, including through the provision of employment. Despite both countries—Australia and New Zealand—being major agricultural producers, exporters and competitors in some areas, trans-Tasman trade in portfolio products has developed substantially as a result of trade liberalisation under CER. Since tariffs and quantitative restrictions on trade between the two countries were removed under CER in 1990, the value of trade in portfolio products has grown 10 per cent per annum on average. This growth in trade has resulted in two-way trade in portfolio products currently valued at around \$A3.4 billion per annum.

The CER has also facilitated strong growth in portfolio trans-Tasman investment, leading to greater integration. I would cite as an example the New Zealand dairy giant Fonterra, which is

the world's largest exporter of dairy products. Its operations in Australia generate revenues of about \$1.9 billion and it employs over 2,000 people. That is a New Zealand company operating here in Australia. Most members of the dairy industry see that trans-Tasman investment in the Australian industry as not only beneficial but necessary for the industry's development. In addition, there are several firms involved in the production and supply of food and beverage and forestry products which have been able successfully to merge and invest in both Australian and New Zealand markets. While trade and investment between Australia and New Zealand have shown strong growth over a range of products, there are also areas in which the two countries compete in third markets, particularly with respect to meat and dairy.

The first objective of CER, as is contained in article 1 of the treaty, is 'to strengthen the broader relationship between Australia and New Zealand'. In this area the Department of Agriculture, Fisheries and Forestry has played a particular role in the development of common policy approaches and joint regulatory arrangements. We consider that such arrangements contribute to and reinforce the strong cooperative bilateral relationship in portfolio areas. Examples include the joint food regulatory system, agreed by Australian and New Zealand governments in November 2000, which supports the closer economic integration of Australian and New Zealand markets, and also the trans-Tasman mutual recognition agreement, which gives effect to a scheme implementing mutual recognition principles in order to remove regulatory barriers relating to the sale of goods including food, consistent with the protection of public health and safety and the environment.

Australia and New Zealand have shared objectives and policy approaches and a close working relationship on agricultural trade issues. Farm sectors of both countries are largely unsubsidised and are highly dependent on exports; thus, both have much to gain from a freer, fairer, rules based world trading system. Australia and New Zealand share the objective of a successful outcome in the Doha Round of negotiations under the World Trade Organisation and in the development of international trade rules and standards which facilitate trade. While the WTO negotiations remain the top trade priority of both countries, both are also pursuing free trade agreements as a complement to the multilateral trade negotiations. There are many shared objectives in the ASEAN Australian-New Zealand free trade agreement negotiations, where there is a generally close and collaborative working relationship in areas of the negotiations relating to portfolio issues.

In conclusion, I would like to re-emphasise the success, as far as my portfolio is concerned, of the CER in facilitating increased trade and investment. DAFF's contribution to strengthening the broader relationship between Australia and New Zealand, through development of common policy approaches and joint regulatory arrangements, is an example of CER being more than a free trade agreement. We see the future direction of portfolio related cooperation under CER being increasingly influenced by our respective regional and global priorities, including through multilateral regional and bilateral trade negotiations and through access to third country markets where we share interests. DAFF looks forward to continuing to work to further strengthen the already overwhelmingly positive bilateral relationship related to the Agriculture, Fisheries and Forestry portfolio.

CHAIR—It would appear we have a very happy civil union arrangement between the countries, but yet only about two weeks ago I heard the Minister of Agriculture in New Zealand on the radio thundering on about how he was going to take Australia to the WTO to complain

about our treatment of New Zealand apples. Could you take us through the apple issue. Is it likely to be resolved and does it demonstrate the difficulties of developing a strong relationship with New Zealand?

Ms Gordon-Smith—Biosecurity Australia released a draft import risk analysis report on apples from New Zealand in December 2005. There followed a period for stakeholders to make comments. That period expired on 30 March 2006. Biosecurity Australia received about 40 submissions and is presently in the process of working its way through those, considering all of those submissions. There was, as you would have expected, a submission from New Zealand. The Australian government is committed to finalising the IRA for New Zealand apples as quickly as is possible and ensuring that the outcome is based entirely on science. As I mentioned, Biosecurity Australia is currently going through all of the submissions and preparing a final IRA report. The final report will be reviewed by an independent group of eminent scientists to ensure that Biosecurity Australia has properly taken stakeholders' comments into account. The final report will then be published and that report itself is open to appeal. Following any appeal process that might arise, a final report and recommendations will be provided to the Director of Animal and Plant Quarantine, who will make a quarantine determination. Biosecurity Australia intends to complete this process in a timely fashion and our latest advice is that the process should be concluded towards the end of 2006.

CHAIR—You expect that to be resolved. Is that right?

Ms Gordon-Smith—We do, that is right. In terms of your comment, Chair, that New Zealand has threatened to raise this in the WTO context, it is certainly the case that New Zealand has mentioned the apple IRA in the WTO's sanitary and phytosanitary SPS committee.

CHAIR—Is that the most thorny issue that we have between the two? What are the others where we have—

Ms Gordon-Smith—I think that is probably the thorniest.

CHAIR—Fine. I will come back to questions if my colleagues run out, but we do have our deputy chair and the Chair of the Main Committee here who, I am sure, would like to ask questions.

Mr SNOWDON—From your perspective, who is responsible for driving CER committees within the Australian government?

Ms Gordon-Smith—I think it would be reasonable to say that the Department of Foreign Affairs and Trade has overriding responsibility, given that it is a bilateral relationship that we are concerned about, but CER has grown to be such a very large entity, if I can call it that—and one that involves so many if not all of the government agencies, departments and bodies—that it is probably too big for any one department to manage on its own. But there can be no question that the Department of Foreign Affairs and Trade has prime carriage of Australia's bilateral relationships.

Mr SNOWDON—I appreciate that. You have explained how big the whole process is. Who determines what priorities are going to be given to particular issues within your area? Is it yourselves or is it something that evolves from a discussion with Foreign Affairs and Trade?

Ms Gordon-Smith—We work collaboratively with the Department of Foreign Affairs and Trade. There are a number of ministerial councils which involve New Zealand. As far as our own portfolio is concerned, there are at least three ministerial councils—the Primary Industries Ministerial Council, the Natural Resource Management Council and the Australia New Zealand Food Regulation Ministerial Council—in which New Zealand participates as a full member, so I would have to draw your attention to those as driving bodies of the relationship, particularly insofar as my own portfolio is concerned.

Mr SNOWDON—The reason I am asking is that we have asked this of the Department of Foreign Affairs and Trade and they were not very clear in their answer. We asked them who was managing what and it was very fuzzy. We all know about the bilaterals and the ministerial councils but, in terms of managing the CER process itself, we are keen to know who drives it and on what basis it is driven. If it is being driven by DFAT and they do not know about it, it would be handy for them to know, I guess. You can understand where we are coming from here. We understand that you have regular bilaterals with your counterpart—

Ms Gordon-Smith—We do, yes.

Mr SNOWDON—in New Zealand. Where do they fit within the framework of the CER? Where is it in the hierarchy of CER priorities? Who determines where they are in the hierarchy and what the priorities ought to be?

Ms Gordon-Smith—I would have to say that, from my perspective, the relationship is sufficiently comprehensive to cover the full range of government. I think that the prime minister himself has an active dialogue with his New Zealand counterpart, so the leadership is provided in terms of the relationship with New Zealand. The leadership is provided from the top. It is the case that it is a very comprehensive relationship, and it might be the case that it has gained a certain momentum and a certain program of activity. I would not say that it drives itself, but it goes along with understood roles played by the various government agencies' portfolios. Certainly we as a portfolio work very closely with DFAT. I am not sure what else I can add.

Mr SNOWDON—That is alright. What about the mutual interest we have in the Doha Round? How does the interplay work with the New Zealanders as far as you are concerned?

Ms Gordon-Smith—I think it works extremely constructively. New Zealand and Australia have very similar approaches to agricultural trade policy. They are both very open and largely unsupported agriculture sectors in so far as agriculture is an element of the trade negotiations. We work very cooperatively, including through the Cairns Group, which I think is a very important body for both of us. It is through that group that we both drive agricultural trade priorities for the Doha and WTO rounds of negotiations.

Mr SNOWDON—Thank you.

Senator FERGUSON—This is a personal question that I am going to ask. Some years ago in New Zealand I became very fond of a certain honey they produce over there, so much so that one of my friends over there gave me a jar to bring home, which I was relieved of when I came through customs. What is it in honey that breaches our quarantine regulations?

Ms Gordon-Smith—I can give you a general answer, but I might need to refer to some of my colleagues.

Senator FERGUSON—I hope it was not that the Customs officer liked honey too.

Ms Gordon-Smith—No. I think it was probably a matter of there being pests and diseases.

Senator FERGUSON—I assumed that, but I have no idea of what that could be.

Ms MacNaughtan—I cannot tell you the certain pests and diseases that New Zealand may have, but they are concerned about a particular disease that Australia has in eastern Australia, which is European foul brood disease. So I guess there are bee pests and diseases that can still be transmitted through honey. I would add that perhaps your trip to New Zealand and back through Australian quarantine might have been prior to 1991, because Australia has enabled trans-Tasman trade in honey from New Zealand to Australia. It is just that New Zealand is yet to reciprocate. We hope we will have access to the honey market in New Zealand soon.

Senator FERGUSON—To be honest, I cannot remember. I know it was in November, but I cannot remember whether it was 1990 or 1991. So does that mean that there are now no impediments to the trade in honey between Australia and New Zealand?

Ms MacNaughtan—I believe there are quarantine measures in place that New Zealand can meet so that New Zealand honey can be exported to Australia. We are just waiting for Australian access to New Zealand.

Mr SNOWDON—What other products are we seeking access for in New Zealand? You have mentioned tropical fruits, mushrooms and bananas. What are the impediments to that access? What are the hold-ups to getting market access for those particular commodities?

Ms Gordon-Smith—We are waiting for New Zealand to complete its equivalent of our import risk analysis process. We are seeking market access for seven tropical fruits: custard apple, papaya, longan, lychee, mango, mangosteen and rambutan. We submitted market access requests to New Zealand for those seven fruits in March 2002. Biosecurity New Zealand issued their equivalent of IRAs for mango on 31 March 2004 and for papaya in January 2006, with irradiation as a risk mitigation measure. My briefing tells me that the necessary operational arrangements for papaya were put in place on 20 January this year, allowing trade to commence. The New Zealanders have told us that an import health standard study for lychee is currently under way. We are seeking access for Australian bananas, which was suspended in 1995.

Mr BAIRD—Surely that does not apply now for access to bananas.

Ms Gordon-Smith—I beg your pardon, Biosecurity New Zealand has released the draft IHS for consideration on bananas just this month, on 2 June.

Ms MacNaughtan—It was the final import health standard so, subject to meeting those quarantine measures in that import health standard, Australia can export bananas to New Zealand as of 2 June once the necessary arrangements are in place. Obviously that is not terribly helpful for our banana industry, given the devastation wreaked by Cyclone Larry, but perhaps New Zealand will become a niche market in future once production is at full capacity again.

Mr SNOWDON—On the other side of the coin, we have talked about apples. What about the stone fruit imports into Western Australia, and lettuce?

Ms Gordon-Smith—Stone fruits—apricots, nectarines, peaches and plums—into Western Australia are what you are referring to, I think.

Mr SNOWDON—Yes.

Ms Gordon-Smith—A draft report for the extension of an existing policy on stone fruits was released on 9 August for the stakeholder comment period. Comments were received from four stakeholders including from New Zealand, and Biosecurity Australia is finalising its report and recommendations to our director of quarantine.

Mr SNOWDON—What are the issues there? If you do not have that, let us know later.

Ms Gordon-Smith—It is probably best if I take that on notice to give you a specific list in relation to each of those.

Mr BARRESI—I note that since 1990 the growth in trade between Australia and New Zealand has averaged 10 per cent per annum. There is a net advantage to New Zealand at the moment of somewhere around \$0.8 million. Of that 10 per cent growth during that period, how much has actually been New Zealand's way versus ours? In other words, has that differential in terms of the trade between us been maintained all the way through that or are we making gains in the 10 per cent growth?

Ms Gordon-Smith—It is pretty standard. From my interpretation of the figures that I have there has been a fairly consistent differential across the period of time. If I refer you to page 7 of our submission—

Mr BARRESI—That is no good to me because our pages are all over the place.

Ms Gordon-Smith—Under our chapter 1—1.1 and 1.1.1 'Portfolio trade'—there is a chart, chart 1.1, which shows total portfolio exports to New Zealand and imports from New Zealand, which indicates, I think it is reasonable to say, a consistent differential.

Mr BARRESI—Okay. Somewhere in here there is a comment that there is a moratorium that New Zealanders have placed on some imports. Just explain to me the difference between a moratorium and a trade barrier. Is that just simply a fancier way of stopping trade taking place? Does a moratorium breach WTO guidelines?

Ms Gordon-Smith—I hesitate because I am not feeling entirely confident that I can give you a precise and entirely accurate answer. In general terms, a moratorium could, and probably

would in some circumstances, be described as a trade barrier, but I think that I should probably take your question on notice or perhaps refer it, in terms of its WTO consistency, to our colleagues in the Department of Foreign Affairs and Trade to give you an answer.

Mr BARRESI—That is fine; I am happy to receive that at a later date. I just noticed the term ‘moratorium’; it stood out to me. The other issue is that there was a lot of talk earlier on by other witnesses about border security, mainly in terms of people and migration. What kind of border security does New Zealand have that is consistent with our own AQIS arrangements, from the point of view of products that are going into New Zealand? Do we have dialogue to ensure that imports—perhaps value-added imports—to New Zealand, which then come across to Australia, meet our guidelines?

Ms Gordon-Smith—I think it is safe to say that we have very extensive dialogue with our New Zealand counterparts on matters such as this, with our quarantine officials engaging with their quarantine officials. That is aimed at precisely such eventualities so that there are systems in place. We have confidence in New Zealand’s border security and quarantine arrangements. And we have a close and comprehensive dialogue with our New Zealand counterparts to ensure that Australia has sufficient protection from just such possibilities.

Mr CAMERON THOMPSON—I would like to draw your attention to the chart on page 89 of our briefing papers that Phil was interested in, chart 1.1, and to the graph below it titled ‘Trade relevant to the Department of Agriculture, Fisheries and Forestry portfolio’. If you look at the boxed section you see that it has fruit and vegetable, dairy products, wine, fisheries, processed meats, raw sugar, and total fruit and beverage. Then it shows forestry products, broadacre crops and wool; and then it shows a total. Looking at those figures of Australian exports to New Zealand and New Zealand exports to Australia, given the differences in the size of the markets and in climate in each country, do any of those particular figures stand out as showing that Australia’s agricultural industries are performing particularly badly or particularly well?

Ms Gordon-Smith—There are certainly some differences. There are some commodities that we export to New Zealand that they also export to us. There are some commodities that we export to them that they do not export to us—wheat, for example. But I do not think that from that chart I would point to particular portfolio industries doing outstandingly well or outstandingly badly. I think there is a consistent high level of performance across the industries of relevance to my portfolio. The area in which there has been some significant recent growth has been in processed foods.

Mr CAMERON THOMPSON—Under which section is processed foods listed? It is not listed there. From that graph, I wanted to ask you about dairy, fisheries and wool. It strikes me that we have one-sixth of the dairy exports to New Zealand that they have to us. In fisheries we have \$19.5 million worth and they have \$159 million coming to us. That is an awful lot of trout. For wool it is \$44 million to \$1 million, which surprises me somewhat.

Ms Gordon-Smith—If I might say so, you have probably answered your own question by pointing out the comparative advantages and relative differences which come into play here. I think this is where the chief explanation lies both in terms of the relative difference of the populations and also the comparative advantages. New Zealand has, in some cases, larger, more

efficient farm size and lower labour costs, enabling it to be very competitive in Australia's domestic market—for example, in potatoes. We have a comparative advantage over New Zealand in feed-grain production. We produce a very fine quality wool, which is used for clothing and apparel. New Zealand produces wool almost as a by-product of its sheep meat production. The sort of wool it produces is generally used for carpets and rugs and those sorts of things. In terms of an explanation I can offer, I think that is probably what you are seeing.

Mr CAMERON THOMPSON—Take that wool question. You are saying that their wool is basically a lower value product, given a constant size of product. Yet in terms of the value of the product the difference is \$44 million to \$1 million in their favour. I would have thought, given that, that it should be the other way round. What I am driving at is whether this is an indicator that in dairy, fisheries and wool, products which I would have thought that we basically specialise in, our industries really need to perform an awfully lot better.

Mr BARRESI—Is it just a matter of market size?

Mr CAMERON THOMPSON—I excluded that. I am saying that the differentiation for wool is 44 to one. That is not the ratio of the markets.

Mr SNOWDON—You recall that some years ago there was a rationalisation of the dairy industry because of the high cost of production.

Mr CAMERON THOMPSON—I am very familiar with that, Warren. I am driving at that, to some extent.

Mr SNOWDON—But we have free trade between our two countries. As a result, the comparative advantage, which has been talked about, and the size of the Australian market is an attraction. Is it true that New Zealanders own about 30 per cent of the Australian dairy industry?

Ms Gordon-Smith—I think it might be 20, but it is in that vicinity.

Mr BARRESI—In your submission you mention I think Fonterra that has 20 per cent of the world dairy product market. Is that right?

Ms Gordon-Smith—Yes.

Mr BARRESI—That is a fair size. On a wool basis, that is going to give them a considerable advantage just for cross-Tasman trade if they have that.

Mr CAMERON THOMPSON—Phil, I was not asking you; I was asking them.

Mr BARRESI—I know, but that is because I have read the submission.

CHAIR—We will return to our appropriate respondees.

Ms Gordon-Smith—Also in terms of an explanation of some of the figures you can see that, for example, the major buyer of our wool is China. We are not going to sell a lot of our sort of wool to New Zealand if New Zealand has limited capacity to process that wool or the desire to

buy wool for processing or consumption within New Zealand. Our wool goes to other markets. Rather than interpreting the figure as reflecting a poor performance of Australian wool exporters, it might simply be that you will see bigger figures for Australian wool going to other markets.

Mr CAMERON THOMPSON—What is your comment, then, on the dairy situation. My colleague from the Northern Territory said—

Mr SNOWDON—There are very few dairy cattle.

Mr CAMERON THOMPSON—Only in Katherine. Are we in the middle of a restructuring? Are we anticipating a greater performance from our dairy industry in the future?

Ms Gordon-Smith—I think that our dairy industry is performing very strongly in exports, but it might be the case that you do not see those exports reflected in exports to New Zealand, and that might be particularly the case given New Zealand's own strength as a dairy producer.

Mr SNOWDON—And the types of dairy products that we actually export.

Ms Gordon-Smith—Indeed.

Mr SNOWDON—The high-value cheeses.

CHAIR—I think time has caught up with us, so thank you. We appreciate your coming and we especially appreciate your filling in for the Department of Health and Ageing, who were a little more tardy in their arrival.

[2.51 pm]

GRAHAM, Dr David, National Manager, Therapeutic Goods Administration, Department of Health and Ageing

McDONALD, Ms Jennifer Lynne, Assistant Secretary, Food and Healthy Living Branch, Department of Health and Ageing

STUART, Mr Andrew, First Assistant Secretary, Population Health Division, Department of Health and Ageing

CHAIR—The committee has received your submission, No. 10. As with the roundtable discussions, the committee prefers that all evidence be given in public, but if you would like to go in camera then obviously please request to do so. Do you have any comments to make on the capacity in which you appear?

Mr Stuart—I am principally here to answer any questions you may have about food policy. And may I apologise for being late. We were held up by a late incoming aircraft. We were actually in Sydney today discussing food policy with our New Zealand colleagues and were held up for that reason.

CHAIR—You can give us first-hand information then. Can we ask what has happened to Mr Richard Eccles. He was meant to be with us.

Mr Stuart—He sends his apologies today.

CHAIR—As you know, your appearance before us today has the same standing as proceedings before the parliament. I would now like to invite you to make an opening statement before we proceed to questions.

Mr Stuart—This statement will go to food policy and food regulation issues. Both Australia and New Zealand are strongly committed to a closer integration of our markets for food. The regulation of food through a joint food standards system is part of meeting this objective. This started in 1995 with the signing of the agreement between the two governments for the development of food standards, otherwise known as the treaty. The treaty came into force in July 1996 to facilitate the implementation of joint food standards for both countries. The treaty aims to reduce unnecessary trade barriers by having a trans-Tasman system for the development and implementation of food standards.

The first review of this treaty occurred in 1999, and there were some amendments to the treaty made at that time, which resulted in a joint food standards code and in a joint food regulatory system between the two countries which came into full force in December 2002. An important feature of that arrangement is that the body better known as FSANZ, Food Standards Australia New Zealand, now administers a joint food standards code, with 57 of the 70 food standards now applying to both countries equally. Most foods are covered in the joint code and, while there are

a small number of standards that contain separate provisions for either country, these are the exception rather than the rule.

Further improvements to finetune this system are currently being considered through a second review of the treaty. It was in fact a discussion on that review of the treaty that we were conducting with New Zealand in Sydney this morning. It is expected that the report of the treaty review will be ready for consideration by both national governments later in 2006. An indication of the effectiveness of this treaty in food exports and imports is that Australia's number one source of imports for food is New Zealand. There has been a 70 per cent growth since 1999.

CHAIR—Is that in dollar value?

Mr Stuart—Yes, in dollar value.

CHAIR—Is that present value terms or actual?

Mr Stuart—I will come back to that. New Zealand is number five as a market for Australia's food exports. They are number five in growth and number six in volume. There has been a 43 per cent growth in our sales of food to New Zealand since 1999. Sales to New Zealand are greater than for all but four other countries, including China, Indonesia, the US and the UK. I am unaware if that is a net present value. I think it is not but, because we are comparing the total sales to countries, I am not sure that matters all that much.

CHAIR—No, but it kind of makes a difference to the quantum of your percentage increase.

Mr Stuart—The growth.

CHAIR—It probably halves it. You might want to look at the NPV back at the office and send it through.

Mr Stuart—I am very happy to do that.

CHAIR—Dr Graham, did you want say anything?

Dr Graham—Thank you. I might add that, building in part on the experience with foods, we are now in the midst of developing a joint regulator and also a joint regulatory scheme for therapeutic products between the two countries. That is progressing very strongly and you may want to ask some further questions on that later.

CHAIR—Ms McDonald, did you wish to add anything?

Ms McDonald—No.

CHAIR—I have an example of distortions that occur. I am aware that there is a natural health product that is brought into Australia in substantial amounts by a New Zealand importer. It is brought from the United States into New Zealand and then brought into Australia. To bring it in directly from the US apparently caused problems. Does that happen much?

Mr Stuart—Are we talking about a food?

CHAIR—It is a natural health product.

Dr Graham—Yes. I think it is always an unclear boundary in these cases about what is a food and what is a therapeutic good. If it was a therapeutic good and they wished to bring it into Australia under the current Therapeutic Goods Act, there would need to be a sponsor in this country and they would need to register it on the Australian Register of Therapeutic Goods. It is unlikely that, if it is regarded as a therapeutic good, it could come through that route into the Australian market without that degree of regulation.

CHAIR—Doesn't it seem ironic that you need to go through that procedure to bring it in from the United States but you just pick up the phone and ring New Zealand and ask them to send another few bottles without any check to pick up at the post office.

Dr Graham—Under the Therapeutic Goods Act, there is provision for personal imports if a person is using a therapeutic good in small quantities and it is not a prescription product. They are quite entitled to do that. I think we need to differentiate between those goods that are for commercial supply and those goods that are for individual use. We do have various provisions under the Therapeutic Goods Act for that individual use, whether they be a special access scheme to unregistered products that might be for fairly serious diseases, clinical trials or, in some cases, personal imports. But in those cases the person uses it on the understanding that it is an unregistered drug; we do not stand by its quality or safety. That is the difference.

Mr Stuart—The issue you are referring to may be a food type dietary supplement, which is treated differently in New Zealand than in Australia. Are you able to name the product?

CHAIR—Yes, it's called Primal Defense. It is a natural health product.

Mr Stuart—I am uncertain as to the exact classification of that product.

CHAIR—I am able to provide more details to you later if you like. It has been brought to my attention through one of my constituents who brings in a lot but says, 'It's a nonsense that I have got to go via someone in New Zealand to import this product by a phone call and yet when I try to do it myself, I can't.'

Mr Stuart—There are a number of products that do come in from New Zealand in the food type dietary supplement area which are able to be sold in Australia because they come from New Zealand. The primary power in this area is the Trans-Tasman Mutual Recognition Arrangement which allows all food which is made in New Zealand and available for sale in New Zealand to also be sold in Australia, and vice versa I should say. There are no actual examples of the vice versa currently because we entered into the food treaty with more liberal food laws in New Zealand than there are in Australia. The resolution of those cases really lies in the development of appropriate food standards in Australia which cover those kinds of food. Then they would be able to be sold here or, in a small number of cases, New Zealand would need to reconsider their classification of the goods as to whether they should be a medicine or a food. There might then be a small number of things that are no longer sold either in New Zealand or in Australia. For the moment, because we have entered these arrangements with different historical backgrounds,

some anomalies remain which are very small in number but cause quite a lot of friction and annoyance as you can imagine.

CHAIR—What do you regard as the principal challenges in your area? In the dialogue that you have twice a year—you are participants I presume—where do the challenges lie? Where are the friction points? Is it quarantine for agricultural products? Is it wine? In reviewing our CER with New Zealand where do we need to be looking at doing some further work?

Mr Stuart—In this area what has actually occurred is that New Zealand has joined the Australian food standards setting system. The constitutional power for food regulation in Australia lies with the states and territories. So what we have in the food area is a ministerial council which includes all the states and territories represented both by health and agriculture, the Commonwealth of Australia represented by health and agriculture and New Zealand represented by health and agriculture. If there is a tension in the relationship, it is that New Zealand is, on the one hand, a sovereign nation in partnership with the Australian nation and, on the other hand, one member of a ministerial council which has 10 voting members. That can sometimes lead to some discomfort on the part of New Zealand where they are capable of being outvoted on issues by Australian states and territories.

Dr Graham—A somewhat different model is used for therapeutic products. One of the barriers at the moment is to free trade. One of the reasons that therapeutic products were excluded from the TTMRA, until an agreement was set up, is that there are different areas of regulation in both countries. We were just talking about complementary health foods. Complementary medicines in New Zealand are very lowly regulated at the moment, as are medical devices. What we are moving towards is a regulatory scheme that will be equal in scope in both countries and an equal standard which will allow much more free trade between the two countries. In fact, it will be a common marketplace. One of the barriers was also what we call scheduling where products are grouped according to the intervention that is needed for them to be placed onto the market. Some are restricted to just medical practitioners; some are restricted to pharmacies. What we are doing is smoothing out those arrangements across the Tasman so one product will be consistent in both countries.

Mr SNOWDON—Can you explain to us what the New Zealand position is on country of origin labelling?

Mr Stuart—New Zealand has decided to opt out of Australia's country of origin labelling standard on the grounds of third-country trade. It is satisfied with its own country of origin labelling arrangements, which are largely voluntary.

Mr SNOWDON—Does that have any impact on the trans-Tasman market?

Mr Stuart—I think the exact operation of that is still a little uncertain and will depend a bit on the interpretation of the new standard that Australia has just put in place. The implication is that there may be opportunities for goods to be sold in Australia, or at least brought into Australia, which do not comply with what Australian ministers have agreed they want to see in terms of country of origin labelling for the Australian market. There is still some discussion of whether those goods will be able to be retailed in Australia, depending on how that is interpreted and implemented. I think that is still a live discussion.

Mr SNOWDON—Is this an issue of re-export of products brought into New Zealand or is it an issue of products manufactured in New Zealand?

Mr Stuart—I think it would be both.

Mr SNOWDON—I will also ask the New Zealand high commission this: what has led the New Zealanders to the position of not using country of origin labelling the way we have?

Ms McDonald—The main difference between Australia and New Zealand is not to do with traceability, which is one of the issues that was raised. The issue is primarily around the requirements on third countries around country of origin labelling and reciprocal arrangements with third countries. In Australia, we have decided that the information needs of consumers in Australia and the demands of that market warrant the labelling requirement. In New Zealand, that has not been considered to be as important as the third-party trade issue.

Mr SNOWDON—So the pressure is not on Australia but really on New Zealand. If there is an issue here, it is about New Zealand exporters potentially getting into the Australian market.

Ms McDonald—At the moment, with the TTMRA, that pressure on exporters from New Zealand would not be there because of the ability to continue to trade. The issue will be resale within Australia and whether relabelling is required within the Australian market.

Mr SNOWDON—That is what I meant. Thank you.

Mr CAMERON THOMPSON—I was reading about the doctor registration issue. What is the flow of doctors between the countries? We have heard today that there are an awful lot of ordinary New Zealanders moving to Australia. Are there a lot of New Zealand doctors coming to Australia or is it the other way around?

Mr Stuart—I have to confess that this is not something that any of us here have a very close understanding of. I have some background in primary care but certainly do not have that kind of number at my fingertips.

Mr CAMERON THOMPSON—Okay. I was interested in the question of their registration and the requirement for them to pass the Australian Medical Council examinations. Are you able to deal with that?

Mr Stuart—Only to the extent of what is in the submission, which you no doubt have in front of you. It explains that, while we are very happy to accept GPs into Australia that meet New Zealand standards for New Zealand trained doctors, we are not currently happy to accept into Australia doctors from elsewhere who come into New Zealand and are recognised by New Zealand but do not necessarily meet New Zealand training standards.

Mr CAMERON THOMPSON—We can read the submission. I am not going to push that any further.

Mr BARRESI—I was going to ask a similar question. It is a bit confusing. If they are trained or educated in New Zealand we will accept them; if they have migrated to New Zealand from

somewhere else as doctors and have been registered we will not accept them unless they meet our qualifications. But wouldn't they have to go through a qualification process in New Zealand as well to be registered?

Mr Stuart—They need to go through a registering process in New Zealand, yes, but we want those doctors to go through an examination and registration process in Australia if they come here, whereas we are happy to accept doctors who have qualified in New Zealand without additional examination.

Mr BARRESI—I understand that. I am asking why. Wouldn't New Zealand's processes be sufficiently stringent? Or is that our statement of no confidence in their registration process?

Mr Stuart—There is just no guarantee that their training meets the standards of the Australian Medical Council.

CHAIR—Is it a closed-shop arrangement for the Australian medical profession?

Mr Stuart—I am sorry: I cannot really go much further into that. I do not think I can help you very much further. We are happy to take any questions on notice if you would like.

CHAIR—What is the difference? In your perception, is there very little or substantive difference between two training regimes?

Mr Stuart—I really do not have the expertise to comment on that.

Mr SNOWDON—The submission makes it clear that doctors trained in New Zealand are treated as if they were trained in Australia for the purposes of accreditation in Australia. The issue is overseas trained doctors who get entry to New Zealand, and they will be treated in much the same way as Australia treats its overseas trained doctors, except they will have to go through an Australian accreditation process. I think that is about it, isn't it?

Mr Stuart—I think that is a very good summary.

Mr BARRESI—I have some more accreditation questions. With the current shortage of doctors and nurses we are experiencing in Australia, we have obviously made some decisions at a government level to address that gap. Is part of our solution also to actively source doctors and nurses from New Zealand? Is there a strategy to do that, or is it just simply that, with whoever comes, that is great, but there is nothing proactive taking place?

Mr Stuart—Again, I cannot directly answer that question. I do not think that the Australian government has particular schemes to source doctors from elsewhere. I think that is more something that is done at the jurisdictional level or by private sources. That is my understanding of it, but I think you are scratching a little bit below my expertise on this issue.

CHAIR—I was going to ask about chemical safety. The submission says that a five-year work program to resolve the special exemption for industrial chemicals began in 2004. I am interested in the current status of and some of the problems in that.

Mr Graham—I have not got the exact detail but, yes, it was like therapeutic products—they were exempted under the TTMRA and now that process has started. Part of it is around harmonising the assessment standards between the two countries and also such things as the labelling of products across two countries. My understanding is that that is progressing well, but it is fairly early in the five-year process in this point in time.

CHAIR—Do you expect it to be resolved within that time period?

Mr Graham—I would think so. Then there is the provision that, if it is not resolved in the period of time, special exemption can be made to extend it. If that is the case, good documentation or justification has to be given for why it should be extended. But I would think, with the degree of international harmonisation of chemical assessments now, it is quite feasible to achieve that time frame.

CHAIR—In your portfolio what would you regard as the major challenges in the CER with New Zealand?

Dr Graham—I think the therapeutic products process has been an interesting one in that it is recognising that there is a global market very rapidly developing. If you are looking at the regulation of not just therapeutic products but also of other areas, regulators have to operate in a global sense as well. The setting up of the joint agency for therapeutic products has been an interesting exercise. With foods it is really about looking at the mutual recognition of standards, whereas with therapeutic products it is extending far past that and looking at setting up a joint scheme, right down into the depths of regulation, with a joint regulator. That has opened up a lot of issues that will act as a template for future cooperation between the two countries—for instance, how you bring together two governments to work through a joint regulator, how you set up two legal systems to perhaps enforce penalties and sanctions under that legislation, and how in fact you set up the governance structure for a joint regulator. So I think what we learn out of this exercise, and it has been hard work to get to this stage, will have a lot of applicability elsewhere within arrangements between the two countries.

Senator PAYNE—I want to pursue some of the issues in your submission about drugs of dependence and the engagement between the two countries on them. I am particularly interested in relation to the use of our research centres of excellence. From what I understand from the submission, that perhaps constitutes some exchange arrangements for, I think, the National Centre for Education and Training on Addiction. In fact I want to clarify what the centre is doing. When the submission says, ‘Makes workforce development, research and resources for the drug and alcohol sector available to New Zealand,’ what does that mean the centre is actually doing?

Mr Stuart—I think what that is going to is that New Zealand is able to benefit from the investment Australia makes in resources for drug and alcohol workers, for treatment centres, for workforce development packages—

Senator PAYNE—So does that mean that we help them with the training of their workers?

Mr Stuart—It means that we make available the kinds of training and information resources that we develop. So I think that would be documentation and processes rather than going over to New Zealand and doing training.

Senator PAYNE—In terms of the New Zealand illicit drug monitoring system, which your submission indicates the National Drug and Alcohol Research Centre has been involved with, how has that evaluation been carried out? What is the result of the evaluation? Have they made changes to the way they run their system?

Mr Stuart—I would like to take that question on notice, if I can.

Senator PAYNE—Yes, that is fine. Thank you.

CHAIR—That being all, we appreciate your input and we recognise the difficulties you had in getting here today. If there are any further issues you wish to raise, I am sure you know the procedure. Thank you very much for coming today.

[3.27 pm]

LACKEY, Her Excellency Mrs Kate, High Commissioner, New Zealand High Commission

WILSON, Ms Paula, Counsellor, New Zealand High Commission

CHAIR—Welcome. Your Excellency, it is with regret that I hear you are shortly returning to New Zealand. I commend you on the outstanding job you have done as high commissioner here. There are few foreign representatives with as high a profile as you have in Canberra, so I want to commend you.

We have received your submission, which we have numbered 9, and the New Zealand Foreign Affairs, Defence and Trade committee's report on CER and your government's response to it. The committee, as you know, prefer all evidence to be given in public, but should you wish to go in camera at any time please ask the committee. These proceedings of the committee have the same status as proceedings of the parliament, but we do not require you to give evidence under oath. We invite you to make an opening statement and then we can proceed to questions.

High Commissioner Lackey—I am delighted to be here and thank you for those warm words of welcome. We welcome this opportunity to brief the committee. We think the trans-Tasman trade and economic relationship is an incredibly important subject. I know that committee members have received a copy of the New Zealand government's submission, which gives a comprehensive overview of the CER. Today I will briefly highlight what we think are the key points made in that submission.

First and foremost, CER has been an overwhelming success for both our countries. It continues to facilitate one of the world's closest trade and economic relationships. The level of economic integration is reflected in our trade, investment and people flows, in the depth of regulatory coordination under the Trans-Tasman Mutual Recognition Arrangement and the MOU on business law, and in a whole array of intergovernmental trans-Tasman agreements and arrangements.

Having achieved free trade in goods and services, the focus is now very much on taking CER to the next level. In this context, the two governments' shared goal is a seamless business environment, or what we call the single economic market. It already has an acronym: we refer to it as the SEM. The objectives of the single economic market are to further reduce compliance costs for businesses operating in both our economies, to promote the competitiveness of the trans-Tasman economy and ultimately to improve productivity and growth in both countries.

As the New Zealand government's submission makes clear, we have made significant progress on the CER SEM agenda, including in the areas of business law coordination, more liberal rules of origin, the mutual recognition of securities offerings, prudential regulation of banking, industry policy coordination, implementing the recommendations of the review of the Trans-Tasman Mutual Recognition Arrangement and ongoing work towards common border and accounting standards.

Importantly from our point of view, as well as deepening the trans-Tasman integration, a single economic market will enhance New Zealand's and Australia's competitiveness and influence internationally. New Zealand and Australia already cooperate extensively globally and regionally and in third markets to advance our shared interests. Complementing our joint efforts in the WTO, we are currently negotiating jointly with ASEAN on an ASEAN-Australia-New Zealand free trade agreement. This is the first time the CER partners have collaborated on an FTA with third countries.

The CER agreement also needs to be considered in the context of our countries' very strong bilateral relationship. There is no doubt that Australia is New Zealand's most important economic, diplomatic and security partner. This relationship is underpinned by a unique nexus of strong historical, cultural, geographical and political ties and by our shared values and interests. It is also underpinned by significant high-level political activity between our two countries which is perhaps unique. Our Prime Ministers meet annually, our foreign ministers meet every six months and the ministers of defence, customs and finance and the Treasurers meet at least annually. In 2003, which was the 20th anniversary of the CER agreement, our annual meeting of trade ministers was expanded to a full CER ministerial forum, which, apart from trade ministers, includes our ministers with responsibilities in agriculture and other domestic industries.

Complementing these formal prime ministerial and ministerial encounters, senior business, community, media, public service and political leaders have met annually since 2004 in the context of the Australia-New Zealand Leadership Forum. This is very much modelled on the very successful Australia-United States leadership dialogue model that we saw fit to follow.

In addition to these more formalised arrangements, there is an increasing network of links and cooperation throughout government agencies, business and industry associations, professional organisations and cultural and sporting groups. As you will know, New Zealand ministers also participate in many of Australia's federal-state ministerial councils and there are joint ministerial councils in areas where we have or have agreed to implement joint agencies. Key among those is the therapeutic products interim ministerial council. We feel strongly that it is important that both countries continue to give the ongoing development of the trans-Tasman trade and economic relationship the commitment it warrants to ensure that it continues to bring benefit to both sides. It is not a relationship we should take for granted, and that adds all the more to the welcome we give to the committee's interest.

As the committee heard on 12 May, there are some sectors where stakeholders might like to see more progress, but we think these should not obscure the fundamental success of CER or the fact that the development of the single economic market is a dynamic process. I would be happy to provide New Zealand's perspective on those issues. To touch on just a couple here, in particular in relation to taxation, we are currently reviewing our policies on non-resident withholding tax. While that is ongoing, there are other SEM issues where we can make progress, and we are pursuing them as higher priorities.

On telecommunications—and I know this is an issue that other people before the committee have spoken about—New Zealand, like Australia, is currently reviewing its regulatory settings against the background of the recent announcement of a package of regulatory change in New Zealand and, of course, the much-publicised sale of Telstra by the Australian government. In our view, both governments need to complete these reviews and then determine which regulatory

settings are in the best interests of their respective economies and consumers before engaging further on more harmonisation of telecommunications regulation.

We are particularly delighted, Mr Chair, that you and the committee members may be looking at visiting New Zealand. We stand ready to do everything we can to ensure that you have the fullest possible program. Having made those few remarks, we are very happy to answer any questions. Thank you.

CHAIR—Thank you very much. I can confirm that we will be deciding this week as to whether we are going, but it looks highly likely that we will go in the last week in July in order to coincide with your sittings. To start with the general question first, what do you regard as the biggest challenge right now in terms of the CER between our two countries?

High Commissioner Lackey—I think it is probably not so much the biggest challenge between our countries. I think the challenge that we are all focusing on is that which comes from beyond our borders: the need to make both Australia and New Zealand more competitive to take on the huge challenges we are facing in the region and beyond. Most notably, I guess, there is the phenomenal economic growth of China, India and other majors. We see the need to work more closely together, and that is what underpins the idea of the single economic market: to make us together stronger to take on external challenges.

CHAIR—On the question of the common border principle, which has been put up by quite a number of the representatives that have appeared, we had an open forum this morning with the airlines and the department of transport. There were some suggestions as to what we could do. The airlines—Air New Zealand and Qantas—both expressed the view that they would like to see the travel between our two countries as similar to domestic travel. In moving to that arrangement, part of the impediment is, of course, the need for passports to be used and stamped. For New Zealand residents and for those who have come to New Zealand from elsewhere, visas are required. One of the impediments would appear to be that New Zealand has visa waiver arrangements with some countries; Australia, while it exempts travel from New Zealand, almost in every other case provides electronic travel authority or a paper visa. We have been questioning DIMA this morning and it seems there is nobody actually driving a model of trying to coordinate the visa arrangements. I am interested to what degree, from the New Zealand side, there is an impetus to try to see how that could be coordinated so that we do have a common border arrangement.

High Commissioner Lackey—I can assure the committee that both the New Zealand and Australian governments are looking at ways of facilitating the movement of people and goods across the border. I mentioned the Australia-New Zealand Leadership Forum; under the auspices of that process we have a common-border working group. The leadership forum does not set the agenda for governments, but it does and can provide very helpful pointers of the ways ahead.

There are some positives on the common border—firstly, that we regard it as enormously symbolic. Just a few months ago Australia introduced single Australia-New Zealand passport queues at Australian airports on the east coast. For some years, Australians and New Zealanders arriving in New Zealand have gone through the same queue. That has now been reciprocated in Australia. As I said, it has very significant symbolic value. We have annual meetings of our Customs ministers and Customs CEOs, and there is a high-level Customs working group looking

at these issues. One of the hindrances relating to a common border is that Australia and New Zealand have different biosecurity risk profiles. You have crawlies that we do not have and vice versa.

Visa arrangements are an issue. New Zealand has for some years negotiated visa waiver arrangements. That is not a path that Australia has followed. I cannot speak for the Australian government but, given the heightened security threat that we face post 9-11, I think that moving towards visa abolition arrangements is not something that your government is looking at. But within those constraints there has been real progress, which has allowed us to move people more quickly. About a year or so ago Australia and New Zealand implemented what is called an advance passenger information and name record, which allows pre-arrival risk assessments on both sides of the Tasman. For somebody getting on a plane in New Zealand and coming here, information about that person will arrive in Australia ahead of the plane that they are on. There is a pilot scheme between Australia and New Zealand in terms of checking passports. Obviously, passport fraud is an issue for both of us. While there are no huge breakthroughs, I think some very practical work is under way to make it easier for New Zealanders and Australians to travel to each other's country.

One thing we would very much welcome, Mr Chairman, involves parliamentary travel. We have long thought, and I know some members of the Australian parliament agree, that if parliamentary travel from Australia to New Zealand were regarded as domestic travel it would greatly enhance the number of parliamentary visitors we would be able to welcome to New Zealand.

CHAIR—I am sure the members of the committee would all agree.

Senator FERGUSON—I don't think we need further discussion on that.

CHAIR—That is right. So moved! High Commissioner, I have two further questions about visa waivers. Of the countries where the visa waiver has applied, have you found any evidence that people who have come into your country have exploited that means and then have been found to present a security risk?

High Commissioner Lackey—Yes. There have been a couple of occasions—I am not quite sure if I know which countries—where we have had to either review or suspend the visa waiver because we felt it was being abused, not only on security grounds. I think that at one stage with Thailand, where we had a visa waiver arrangement, we were concerned at the number of young women coming into the country supposedly with employment arranged but who ended up being exploited. That was an issue for us.

Ms Wilson—Previously we introduced a visa waiver scheme for the Czech Republic only to have a few people who were Roma—the Gypsy minority—enter visa free and then overstay. I think the visa waiver scheme is kept under fairly constant review. Where there are problems like that then the restrictions are reimposed. I know that was the case with the Czech Republic.

CHAIR—There is the common perception that New Zealand is softer in its treatment of asylum seekers. Do you have evidence of people coming to New Zealand seeking asylum, being accepted and then moving on to Australia on the basis of their New Zealand citizenship?

Ms Wilson—In terms of numbers we only take a quota of 750 people as refugees each year, whereas Australia takes 13,000. Just on the gross number basis I would not have thought there were that many. I doubt, though, that we actually have the information on that.

CHAIR—Does that figure include unauthorised arrivals?

High Commissioner Lackey—No, those are the UNHCR mandated refugees. Beyond that, in terms of asylum seekers, we obviously must have had some. There are the people who arrive on the plane and their passports do not arrive with them.

Ms Wilson—There is a small number every year. Some of them end up lodging protection applications and some of them are deported directly from where they arrive.

CHAIR—Do you also have figures on the number of skilled migrants to Australia that leave New Zealand?

Ms Wilson—We do have some figures on New Zealanders moving permanently to Australia. In the year to March 2006 about 70,000 people departed New Zealand either on a permanent or long-term basis and of those just under half came to Australia. But there is an offsetting figure in that, also in the year to March 2006, 80,000 people overall moved to New Zealand, of whom 13,000 came to New Zealand from Australia. It is hard to say the extent to which they have all got particular qualifications. We can take it on notice though, because I know there are some Australian Bureau of Statistics figures about the New Zealand community in Australia and their qualifications.

High Commissioner Lackey—Those sorts of movements of people going from Australia to New Zealand—again, looking at the year to March 2006—saw that New Zealand had a net loss of over 20,000 people to Australia. So there are people going and people coming back. Certainly both of our countries are facing labour shortages. I would imagine that the number of skilled New Zealanders that come to Australia would be regarded as an asset to your economy. We would be very happy if some of them came home.

Senator FERGUSON—I know we are talking about a common economic relationship really but, if we are talking migration and other issues, can you tell me—and it is probably something that I ought to know but I do not—what the relationship is between your intelligence agencies and Australia's intelligence agencies?

High Commissioner Lackey—I can say that they are close. That includes not only regular meetings but a very close exchange of information.

Senator FERGUSON—Do you have a domestic intelligence agency like ASIO, and an agency like our ASIS? You have the two different agencies?

High Commissioner Lackey—Yes, we do. We have partner agencies reflecting the arrangements here in Australia. Without going into the detail, I can assure the committee that that collaboration is very close.

Ms Wilson—In terms of trans-Tasman people flows, there is quite a close relationship between our two customs authorities in profiling people and identifying people who may be security threats.

Senator FERGUSON—The other issue is one that Mrs Draper raised earlier when we were discussing the two-way relationship, and that is the number of short-term visitors that we have from New Zealand to Australia. It seems as though one in every four New Zealanders comes to Australia every year, or else some people are coming lots of times. I am not quite sure what the arrangement is but it says that there are a million visitors from New Zealand to Australia—

High Commissioner Lackey—As you know, Australians and New Zealanders have free right of entry into each other's country. There is an enormous amount of tourism and, yes, people do make multiple visits because of the increasingly close family links. So there is a lot of tourism. Australia is the obvious place for New Zealanders wanting a break to travel to and if you pick the time right there are good fares across the Tasman. I do not have the breakdown between tourism and longer term arrivals but it is very significant. Also, Australia is the largest source of tourism to New Zealand.

Senator FERGUSON—But more of your people come here than Australians go to New Zealand, and that surprised me.

High Commissioner Lackey—I guess it is partly a matter of geography. We can either go to the Antarctic or come to Australia. You guys have Asia at your north and there are some wonderful destinations there. But Australia is also seen as a beautiful place to go. New Zealanders feel enormously comfortable here. Families feel quite relaxed about their young people coming here for a holiday. It is seen, in a sense, as our best friend and closest neighbour and the place to visit. So, yes, we will continue coming to Australia.

Senator FERGUSON—Does the movement between the countries fluctuate much with any fluctuation of your currency against the Australian dollar? It was a \$1.04 or \$1.05 a few months ago. It is now \$1.20.

High Commissioner Lackey—Yes, we assume that would be the case. More generally, there is the state of the New Zealand economy, when people feel a bit more confident and feel they have a bit more disposable income. But travelling to Australia is not expensive and a lot of people are easily able to find work given that there are labour shortages in parts of Australia. Again, I do not think economic circumstances would have a significant impact on the mass of New Zealanders coming here for a holiday, to catch up with friends or family or whatever.

Senator FERGUSON—I guess that the strength of an economic relationship is generally cemented by a common currency. Do you think that there is a likelihood in the short- to medium-term future of a common currency?

High Commissioner Lackey—At this stage the New Zealand government is not considering a single currency. It obviously has been on the table. There have been many studies undertaken. To put it briefly, the case for a common currency raises a whole lot of very complex issues, and ministers on both sides of the Tasman have made it clear that it is not currently on the agenda and that perhaps there are more pressing matters to be dealt with. As for the future, who knows?

Senator FERGUSON—I only raised the issue because one of your contemporaries—who was ambassador to the UN some time ago—and I had lunch together at one stage. He said he thought he would see it in his lifetime, but we are both getting rather old!

High Commissioner Lackey—We do talk about it, there have been a number of academic studies and the discussion will continue. It does come up as an item at the Australia-New Zealand Leadership Forum but, as I say, both governments have made it clear that it is not something they are contemplating at this time.

Mr SNOWDON—My wife is a New Zealander and my kids all barrack for the All Blacks, which is a pain in the backside, to be truthful. We make regular visits to New Zealand, so we multiply the traffic the other way. I want to explore further the idea of the single economic market. What do you anticipate this might look like? When do you think it could actually eventuate?

High Commissioner Lackey—I think the best answer to that is to say that there is at this point no defined end stage. Essentially the single economic market represents a political commitment by both our governments to systematically identify and move forward on initiatives that will reduce barriers to trade in goods, services, labour, capital, whatever. Neither government has felt it is in a position to clearly articulate what this thing is going to look like because, by its very nature, this is going to be a dynamic and ongoing process. No, we do not have an end point, but there is a huge amount of work going on. I could outline that but I am sure you probably already have information on that.

Mr SNOWDON—The CER did not take that long to bed down in the scheme of things. Are we talking 10, 15 or 20 years? There must be a general view of what we are looking at here. Is it short or medium term, or is it long or extra long term?

High Commissioner Lackey—I think we are looking long term, simply because as we move together and move through the agenda and harmonise, from time to time, inevitably, there are divergences. Both our sovereign parliaments legislate. I think also the nature of the external economic challenges we face will change over time. Neither government wants to commit to saying they are going to knock this off in 10 years time—although, having attended the annual meetings over the last few years between our finance minister and your Treasurer, I can say there is a very clear commitment to move ahead on this, endorsed by both prime ministers. But I suppose we are not dealing with a static situation.

I am not sure whether we will quite know when we have got to a single economic market. There will remain some of these issues around the border because of biosecurity issues. Also, the idea of a single economic market is something that the leadership forum is very much engaged on. But we are doing something that is unique. Already the economic relationship between our two countries is closer than perhaps between any other two countries. You could argue that this is not just a one-off project, it is almost a state of mind. Every time we look at modifying our own regulation or legislation, ministers on the New Zealand side have said that the public service must look at the implications for our relationship with Australia. Should we be adopting the Australian regulation or is there are a best practice middle path? Just as our regulations never remain static and our legislation moves on, I think we see a fairly long-term effort to make sure we are in sync and that we are harmonised as much as possible.

Mr SNOWDON—One of the issues which has interested us is the degree to which the process of CER, and ultimately a single economic market, is being driven by our Department of Foreign Affairs and Trade. With the plethora of other agencies that are now engaged in bilaterals which come under the framework of the CER, I am interested to know how much influence your Minister for Trade Negotiations has over how the other portfolios within the framework of the CER go about setting their own priorities within the context of the CER. How is it driven?

High Commissioner Lackey—One thing to say is that the system of government in New Zealand is unicameral, just the single house, and we do not have states, so coordination is perhaps simpler than it might be on this side of the ditch. The trade economic relationship is something which, because the prime ministers meet each year, is very much at the forefront of both national agendas. Certainly, our minister for trade has primary responsibility for activities under CER. At this stage, in fact, it is our finance minister and Treasurer who are most in the driving seat for the single economic market, but there is enormously close coordination both at ministerial levels and certainly at departmental levels in Wellington. There is an array of interdepartmental arrangements which ensure that that we do swap notes. A lot of the issues hitherto might have been regarded as issues for the Ministry of Foreign Affairs and Trade or whatever, but now that we are moving behind the border our Treasury is involved as are our Ministry of Economic Development, our Ministry of Research, Science and Technology and New Zealand Trade and Enterprise. There are mechanisms in Wellington to ensure that we are all working off pretty much the same page.

Mr BARRESI—High Commissioner, perhaps I missed it but I do not see anything in your submission regarding employment or education links between the two countries. I raised this with one of the earlier witnesses—it might have been the immigration department, but it was the wrong department—and I am wondering if there is synchronisation for the curriculum between New Zealand and Australia in certain trade areas. I know that there is a move in one specific area—I think the master plumbers association and the New Zealand group have come together in that area and that is very positive. Is that simply a one-off which was industry led? It is not a recognition issue; it is bringing together of curricula and standards on both sides of the Tasman.

High Commissioner Lackey—I do not have a lot of information about that. One example where we have harmonised standards, and that therefore flows back into curricula, is joint accounting standards, so they—I was going to say bean counters, but there might be some accountants in the room—are working under similar rules.

Mr SNOWDON—They are still bean counters, whether they are here or not!

Ms Wilson—We would have to take on notice the question of whether there is specific work going on for a trans-Tasman curriculum in particular occupations. The broader point is that, because there is mutual recognition of qualifications which are considered equivalent—and I know that registered qualifications for plumbers are part of that—that kind of acts as an impetus, basically, to bring the two curricula together, because if you are going to accept that a New Zealand plumber can work in Australia then you have to have faith that they have been trained sufficiently to do a similar kind of job, and vice versa.

Mr BARRESI—The reason I ask is that, as you know, there is a skills shortage here in Australia. Are you experiencing the same thing in New Zealand? Obviously, we are competing for the same labour in that regard.

High Commissioner Lackey—Yes, we do have a skills shortage in New Zealand, something which the government is seeking to address. The curriculum issue is of interest, and we will certainly undertake to reply to that subsequently.

Mr BARRESI—Is your skills shortage in complementary occupations to ours? Have you had a chance to look at that?

High Commissioner Lackey—I am sorry, we do not have that information. I am sure it would be available.

Ms Wilson—We will ask. I am not sure if we have the same list. I know that Australia has a list of identified occupations which are considered to be in high demand from a migration point of view. I do not know that we take quite the same approach, but we can ask and, generally, take on notice that question of where they lie.

Mr BARRESI—There is a comment in your submission about the opening up of government procurement. What is the status of that at the moment? What kind of two-way growth are we seeing in government procurement programs?

Ms Wilson—Under the CER agreement—so this has been in place since 1983; I hope that date is right—New Zealand suppliers are treated just the same as Australian suppliers for the purposes of Australian government procurement and vice versa. So they can both bid equally.

Mr BARRESI—I understand that. What is the net result? What are we seeing in terms of growth in contracts and dollars? It is one thing to allow it to happen, but is it actually happening?

High Commissioner Lackey—Yes, I think so. But I can take that on notice.

Ms Wilson—It must be happening, because I had to go to the Defence Materiel Organisation this morning to ask them about one particular New Zealand company that was already supplying to the Australian Defence Force in a range of products and wanted to talk to them about other products as well. They had obviously concluded some contracts

High Commissioner Lackey—Certainly, in terms of the Anzac frigates—the Tenix project—New Zealand companies won significant levels of contract there. But I would like to be able to give you a more quantified answer, so we will take that on notice.

Mr BARRESI—Thank you.

Mrs DRAPER—High Commissioner, welcome. I just want to follow and pick up on, if I may, some of Mr Barresi's questions; I know that you are going to come back to us on the issue of skills shortages. As a former nurse, I am very interested as to how, with your skills shortages, you cope with nursing on the ground. Is that a huge problem as it is here or are you somewhat buffered in New Zealand?

High Commissioner Lackey—No. I think we have a nursing shortage and a shortage of trained medical staff generally. We seek to fill the gaps where we can with skilled immigrants, but that remains a continuing pressure point in New Zealand.

Mr WAKELIN—This next subject is like watching grass grow, but, having been in Hong Kong with Mr Snowden and Mr Baird last year with the WTO and able to listen to the discussions in the Cairns Group and that sort of thing with the New Zealand and Australian ministers, I just wondered—although obviously your submission makes some very good points—whether anything of interest has come out over the last six months. Is there a perspective that you may be able to bring to the committee from the WTO and the various processes lining up these things?

High Commissioner Lackey—We all have our fingers crossed very much that the current round will be able to reach agreement. I think the general sense is that the five or six weeks—by the end of July—will be a critical period for the United States, Europe and the G20—the developing countries led by Brazil and India—to reach agreement.

As you know, there is a time frame, because next year the US trade promotion authority runs out, so unless the WTO is able to negotiate a package within the next several weeks then there is real doubt that America would be able to take any agreement through congress. We remain confident. We work enormously closely with Australia. Australia is the leader of the Cairns Group of agricultural free-trading countries, which has been a hugely effective lobby and negotiating group. The Cairns Group will be meeting in September back in Cairns for further discussions. There are potentially enormous benefits to New Zealand and Australia from a successful round. We think, as the crunch point comes, there may be a need for some tough decisions to be made, but we remain confident that, because of what is at stake, leaders will make the concessions necessary to bring us all together. As I say, it is essentially the United States, Europe and the G20 where some compromises may need to be made, but we are not contemplating failure. We remain hopeful.

Mr BARRESI—In the submission from the Department of Agriculture, Fisheries and Forestry, one of the things that stood out was the high level of imports from New Zealand in the forestry sector—something in the order of \$766 million worth of wood and paper products, mainly pulp, newsprint, wood, plywood et cetera. Australia has an abundance of forests and we have our own pulp mills. I am just wondering why imports from New Zealand are so large. One of my thoughts is that maybe the quality is much better in New Zealand or it is a niche product. Or is it easier to set up a pulp mill in New Zealand than it is in Australia? Are your environmental controls on setting up those sorts of processing facilities much simpler than in Australia?

High Commissioner Lackey—Let me have a go at that one. In terms of New Zealand exports to Australia in this field, we have very significant plantation forests of *Pinus radiata*, which in New Zealand miraculously grow and mature within the space of about 20 years. As we cut the wood, we replant, and in 20 years there is another forest. It is a unique advantage we have in terms of our climate and our soil. So we churn out an endless stream of *Pinus radiata* that will just continue onwards. We are certainly trying—

Mr BARRESI—We do not have a shortage of that either.

High Commissioner Lackey—Quality. What am I to say? I do think that our forestry exports are of very high quality. As a general principle, we are trying in New Zealand to add value to our raw materials before we export them, but I think we are probably growing more wood than we can readily process at this time.

Mr BARRESI—So it would not be an issue of the ease of setting up mills in New Zealand compared with Australia. There are very strong environmental considerations here in Australia. Every time a company decides to set up a pulp mill, there are huge community protests about location, size and process.

Mr SNOWDON—You have that about wind farms too.

High Commissioner Lackey—We have the same issues. We have a bit of legislation called the Resource Management Act, which has been very controversial from time to time because it imposes pretty tough environmental and other standards. It is probably the same in Australia. We have forest areas of New Zealand where forestry towns have been for 60, 70 or 100 years, and there are populations whose livelihood revolves around paper mills and factories. That is just what they do.

CHAIR—We have just a few minutes left. I am interested in pursuing the issue of tourism. First of all, how many international tourists do you get each year in New Zealand?

High Commissioner Lackey—I am ashamed to say that I do not have that figure at my fingertips. It is one of New Zealand's most significant foreign exchange earnings.

CHAIR—I thought it was comparable to ours, but I do not have the figures either.

High Commissioner Lackey—We think there are perhaps three million, but—

CHAIR—We have had 5½ million over the past 12 months. I am interested in the complementary nature of the two tourism sectors because a lot of international travellers would come to both countries. I know, for example, the New Zealand tourism office is located alongside the Australian tourism office in LA. I am not sure whether this is happening elsewhere. Have you seen other examples of the relationship being strengthened? It seems to be to our mutual benefit to market jointly.

High Commissioner Lackey—I know that Tourism New Zealand has a fairly close relationship with its counterpart here. For many years the idea of joint marketing has had some currency, based on the premise that if people are coming from a long way away there are great things they can do in our respective countries without doubling up. I am not sure at this stage what the current state of any joint promotion might be. I have always thought it was a good idea and it has been implemented in the past. I suppose there is an element of competition as well. We know, for example, that our United States friends have the most appallingly stingy holiday provisions. A lot of Americans have 10 days a year, which we would find pretty appalling. There are those sorts of constraints. We might be competing for Americans because to cover Australia and New Zealand in several days is probably a big ask. I am very happy to take on notice—

CHAIR—It might be worth while to do that for when we visit Wellington. I understand at the last ITB Berlin—the big tourism show—they were co-located. I think it is an interesting development. It is a major industry for New Zealand and Australia, and a major employer. The final question from me is on the apple issue. I heard your New Zealand agriculture minister on the air, thundering on about how he was going to take us to the WTO. I did not know whether our civil union was going to end in the divorce courts!

High Commissioner Lackey—No, this has been an 85-year process of trying to get our apples into Australia. We are encouraged that Biosecurity Australia have said that they are looking for a final determination on the issue by the end of this year, and that is very much welcomed. We would obviously be concerned if there were any slippage in that timing. Of course we would prefer to resolve this issue bilaterally on the basis of established science. We have always left open the option, were that not to happen, of going to the WTO. At this stage we are confident that science will prevail and that, when Biosecurity Australia completes its processes, New Zealand apples will enter Australia.

CHAIR—Are there any other pressing issues?

Mr BARRESI—You asked about apples. The submission talks about New Zealand imposing a moratorium on trouts. I asked the agriculture department and they could not give me an answer; perhaps you can: what is the difference between a moratorium imposed by New Zealand and a trade barrier?

High Commissioner Lackey—Good question. I was going to wing it, but perhaps I had better not.

Mr BARRESI—You do not have to answer if you would not like to. They are going to go away and get the official answer for me.

High Commissioner Lackey—Yes. For us, there is this sort of prohibition against trout from overseas. As was said, it is very much as a conservation measure, not a trade barrier. We are looking at ways we can get round that—looking at alternative ways of maintaining what is, for us, the unique and non-commercial status of trout in New Zealand. It is the prime game fish in New Zealand and it is a source of significant tourism, and there was concern that, were we to bring in trout commercially, there would be the risk of some contamination of the trout stock. But we are working on it. We know that it is an issue for Australia, Canada and a number of other countries.

Ms Wilson—But we should say it applies equally. New Zealanders cannot sell trout commercially in New Zealand anymore than we can import commercial volumes of it. So you just do not see it on the supermarket shelves in New Zealand. You have to wade into a river and catch it yourself if you want to eat it.

Mr BARRESI—I look forward to doing that when I go across then.

High Commissioner Lackey—Attaboy! We will make sure you get a big one.

CHAIR—Thank you very much, High Commissioner. We really appreciate you coming today. We look forward to liaising with the High Commission regarding our visit. At this stage it is intended that we will be in Auckland on the Monday of the last week of July, then we will be in Wellington on the Wednesday and Thursday, and we will return to Australia on the Friday.

High Commissioner Lackey—That is splendid. We can flag that with the authorities in New Zealand so some preliminary thought can be given to your program.

CHAIR—We hope to finalise everything this week. Thank you very much for coming.

Resolved (on motion by **Mr Snowden**):

That this committee authorises publication of the transcript of the evidence given before it at public hearing this day.

Committee adjourned at 4.16 pm