

7 November 2012

Trans-Tasman Review

New Zealand and Australian Productivity Commissions

I am making this submission (apologies for its lateness) in response to the joint discussion draft *Strengthening trans-Tasman economic relations* of September 2012. I am an economic consultant (at ACIL Tasman) who moved from New Zealand to Australia in 1995, and am a citizen of both countries. In New Zealand I worked in the Treasury (with a secondment to the OECD Trade Directorate); in Australia I have worked in the Industries Assistance (Productivity) Commission and the Victorian Department of Treasury and Finance.

I found the Discussion Draft interesting and well written. My broad comments are:

- In practice there is a lot of integration outside the policy domain simply because there are now so many New Zealanders in Australia, which means virtually any mid or large size Australian company will have a coterie of New Zealanders on its staff, who when needed act as internal consultants on doing business in New Zealand.
- Trade diversion is a useful concept when considering general policies of trade preference in a context of high frontier protection, such as the old British Preference scheme. It is far less useful when frontier protection is low, as in Australia and NZ, and when opportunities for further liberalisation (whether trans-Tasman or wider) are of diverse types – e.g. the measures proposed in the discussion draft, various “free” trade agreements, and moves towards regional or sectoral liberalisation as opposed to world-wide. It is a comparative static concept lost in a world of complex and dynamic developments, and in my view is overplayed in the draft report (it deserves footnote status).
- Large-scale net emigration from New Zealand to Australia means that New Zealand is spending billions to educate people who become part of the Australian workforce and to pay their taxes in Australia.
- Further integration will proceed faster if there are politicians and senior public servants and/or business people who champion it, a bit like Hugh Templeton did in NZ to get CER going.

Some more detailed comments:

p54 & 79 Free people movement is really from pre-colonial (rather than colonial) times, e.g. early whalers

p62 Avoid implying FTAs are necessarily good – some are debatable, e.g. the one between Australia and the US which added to patent protection (against Australia's interests) and added substantial complication to rules of origin

p83 (box) The types of non-integration I find pose the greatest transaction costs at a personal level are phone roaming and airport procedures. Roaming is very expensive, and the alternative

(besides just talking faster), of looking for wi-fi spots and changing network settings, is cumbersome. At the airport one queues four times (checkin – not available online, security, emigration, gate); the time needed is 90 minutes rather than 30. A trip from Melbourne to Perth is much easier than the shorter one from Melbourne to Wellington.

p92 Another example of challenging harmonisation (which ACIL Tasman and LECG looked at a few years ago), is building and construction regulations, many of which apply at the local level – Australia-New Zealand harmonisation is not possible when intra-Australian harmonisation does not exist. However the developers are used to it

p112-3 Listing of some of the restrictive practices at ports – e.g. some from NZ PC report on freight transport – would add spice to this section

p117 Although roaming charges are under review, it would help if the PCs gave this a push with a strong recommendation

p131 Clarify that visas for foreign visitors are largely an Australian problem – there are many countries for which New Zealand does not require visas and Australia does.

Yours sincerely

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