



**THE TREASURY**

Kaitohutohu Kaupapa Rawa

Reference: 20150232

12 August 2015

A M C Smith  
andrew.smith@vuw.ac.nz

Dear A M C Smith

Thank you for your Official Information Act request, received on 17 June 2015. You requested the following:

*papers relating to the negotiation of the Agreement on Social Security between the Government of New Zealand and the Government of Australia done at Canberra on 28 March 2001. I am seeking information on the policy considerations and any estimates of the costs to each country in applying this agreement.*

Following discussion with a Treasury employee your request was refined to:

*Substantive advice on the policy considerations and any estimates of the costs to each country associated with negotiation of the Agreement on Social Security between the Government of New Zealand and the Government of Australia done at Canberra on 28 March 2001, from 1999-2001.*

On 15 July 2015 we sought an extension of 20 working days. A response to your request is now due by 12 August 2015.

### Information Being Released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	11 May 1999	Briefing for Cabinet Strategy Committee Meeting on 11 May 1999	Release in part
2.	21 May 1999	Negotiating parameters for joint Prime Ministerial Taskforce on CER	Release in part
3.	18 August 2000	Treasury Report: Negotiations Over Social Security Arrangements with Australia	Release in part
4.	21 August 2000	Framework for Calculating Impact on Provisions for Australian Social Security Arrangement (ASSA)	Release in full

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PO Box 3724  
Wellington 6140  
New Zealand  
tel. 64-4-472 2733  
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www.treasury.govt.nz

5.	21 August 2000	GM-Quick summary of costings-21Aug00	Release in full
6.	27 September 2000	Negotiations over Social Security arrangements with Australia	Release in full
7.	2 October 2000	Fiscal Implications of Negotiation of Social Security Arrangements with Australia	Release in full
8.	3 October 2000	Briefing for Cabinet Policy Committee 4 October 2000	Release in part
9.	7 November 2000	Briefing for Cabinet Policy Committee 8 November 2000	Release in part
10.	20 November 2000	KG-ASSA impact on provisions framework-21Aug2000	Release in full
11.	20 November 2000	Negotiation of Social Security Arrangements with Australia - Meeting with Group Ministers with Power to Act	Release in part
12.	12 December 2000	Briefing for Cabinet Policy Committee 13 December 2000	Release in part
13.	12 February 2001	MSP-final ASSA costings-28 Nov 2000	Release in full
14.	20 February 2001	Briefing for Cabinet Policy Committee 21 February 2001	Release in part
15.	10 April 2001	Trans-Tasman Migration: Evidence and Policy Implications	Release in part

I have decided to release the relevant parts of the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- under section 6(a) – to protect the security or defence of New Zealand or the international relations of the Government of New Zealand
- section 9(2)(a) – to protect the privacy of natural persons, including deceased people
- section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials
- section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions
- confidential information, under section 9(2)(j) – to enable the Crown to negotiate without disadvantage or prejudice.

### **Information Publicly Available**

The following information is covered by your request and is publicly available on the Treasury website.

Item	Date	Document Description	Website
1.	8 November 2001	Treasury Working Paper 01/07 "Go West, Young Man, Go West!?"	<a href="http://www.treasury.govt.nz/publications/research-policy/wp/2001/01-07/twp01-07.pdf">http://www.treasury.govt.nz/publications/research-policy/wp/2001/01-07/twp01-07.pdf</a>
2.	8 November 2001	Treasury Working Paper 01/22. Brain Drain or Brain Exchange?	<a href="http://www.treasury.govt.nz/publications/research-policy/wp/2001/01-22/twp01-22.pdf">http://www.treasury.govt.nz/publications/research-policy/wp/2001/01-22/twp01-22.pdf</a>

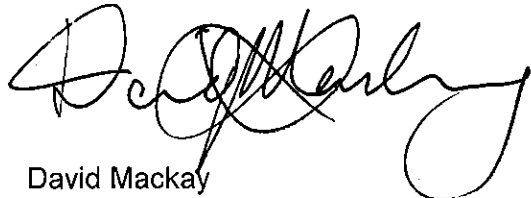
Accordingly, I have refused your request for the documents listed in the above table under section 18(d) of the Official Information Act 1982 – the information requested is or will soon be publicly available.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this information has been provided for your research interest, and we would appreciate your engagement prior to any public use of the material.

This fully covers the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely



David Mackay  
**Manager, Labour Market & Welfare**

Information Being Released  
TOIA 20150232

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## TREASURY REPORT COVER SHEET

**Report No:** T99C/965

**Date:** 11 May 1999

**Security Classification:** In Confidence

**Subject:** Briefing for Cabinet Strategy Committee Meeting  
on 11 May 1999

	Action Sought	Deadline
Treasurer	Read prior to STR	Tuesday, 11 May 1999 at 8.45 am
Minister of Finance	Read prior to STR	Tuesday, 11 May 1999 at 8.45 am
Associate Minister of Finance (Dr Hon Lockwood Smith)	Note	None
Associate Minister of Finance (Hon Tuariki John Delamere)	Note	None

**Contact for Telephone Discussion (if required):**

Name	Position	Telephone		Suggested First Contact
		Direct Line	After Hours	
Lesley Haines	Director, Policy Co-ordination and Development	4715 932	562 8644	✓
Alan Bollard	Secretary	4715 176	569 6058	

PC/1/1  
T99C/965

IN CONFIDENCE

11 May 1999

Treasurer  
Minister of Finance

cc: Associate Minister of Finance (Dr Hon Lockwood Smith)  
Associate Minister of Finance (Hon Tuariki John Delamere)

**BRIEFING FOR CABINET STRATEGY COMMITTEE MEETING ON  
11 MAY 1999**

(Information not relevant to Request)

8	Joint Prime Ministerial Taskforce on Australia-New Zealand Closer Economic Relations: Update	9
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(Information not relevant to Request)

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## Joint Prime Ministerial Taskforce on Australia-New Zealand Closer Economic Relations: Update

**Responsible Manager: John Wilson**

33. This paper summarise progress to date from the Prime Ministerial taskforce on Australia-New Zealand Closer Economic relations, established at the time of Mr Howard's visit to New Zealand earlier this year.

34. The paper indicates that there is no immediate prospect of moving to a borderless environment between Australia and New Zealand. The paper indicates directions for policy progress in a number of areas. Of these, the most difficult are the social security relationship, and investment restrictions.

35. On social security, the paper indicates that the existing relationship is unsatisfactory to both countries. In Australia, New Zealand is not perceived as paying its share of the costs, and for New Zealand, the costs are quite volatile, and Australian dissatisfaction with this area of the relationship has the potential to destabilise other elements of the relationship. The paper foreshadows a further Cabinet paper which will propose a more stable interim agreement with Australia on social security, while a longer term agreement is established. That interim agreement would also provide for Australia to implement the child support agreement which has been negotiated with Australia. It has become clear that Australia will not implement the agreement until it is satisfied that there is substantial and satisfactory progress on revising the Social Security agreement.

36. On investment, Australia has resisted any bilateral initiative to free up Trans-Tasman investment. Australia has, however, reiterated its willingness under APEC auspices to review certain aspects of its foreign investment policy, possibly including increasing notification thresholds.

37. The paper also indicates a number of areas for progress in strengthening economic integration.

### Recommendation

38. It is recommended that you support the recommendations in the paper.

[Information not relevant to Request]

**TREASURY REPORT COVER SHEET**

**Report No:** T99C/1057

**Date:** 21 May 1999

**Security Classification:** In Confidence

**Subject:** **Negotiating Parameters for Joint Prime Ministerial Taskforce on CER**

	Action Sought	Deadline
Treasurer	Read	Before Cabinet meeting on Monday, 24 May 1999
Minister of Finance	Note	None
Associate Minister of Finance (Dr Hon Lockwood Smith)	Note	None
Associate Minister of Finance (Hon Tuariki John Delamere)	Note	None

**Contact for Telephone Discussion (if required):**

Name	Position	Telephone		Suggested First Contact
		Direct Line	After Hours	
Ross Judge	Director, Welfare and Law Directorate	471 5279	478 4798	
Gerald Minnee	Manager, Welfare and Housing	471 5152	383 6535	✓



GD/39/0/14  
T99C/1057

IN CONFIDENCE

21 May 1999

Treasurer  
Minister of Finance

cc: Associate Minister of Finance (Dr Hon Lockwood Smith)  
Associate Minister of Finance (Hon Tuariki John Delamere)

**NEGOTIATING PARAMETERS FOR JOINT PRIME MINISTERIAL  
TASKFORCE ON CER**

**Background**

1. The Prime Minister is presenting the attached paper to Cabinet on 24 May 1999 asking for approval for officials to negotiate an interim social security arrangement with Australia over a three-year period. The paper proposes that officials be authorised to negotiate a solution totalling not more than \$33.6 million additional expenditure over 1999/00, 2000/01 and 2001/02. This additional expenditure is over and above the forecast reimbursement under the current agreement. The additional expenditure could be less than \$33.6 million, as this is proposed as a maximum limit for negotiations.

2. The paper proposes that the Prime Minister, the Treasurer, the Minister of Foreign Affairs and Trade, the Minister of International Trade, and the Minister of Social Services, Work and Income be delegated final approval of an interim solution.

**Treasury View**

3. Treasury supports the general approach outlined in the paper as it gives New Zealand and Australia time to develop a more durable, long-term social security arrangement.

4. Treasury sees the proposed negotiating limit as reasonable, given:
- a the strategic importance to the relationship between the two countries of resolving the social security arrangement;
  - b the volatility of forecasts over recent years. The interim arrangement would minimise the uncertainty in the costs to New Zealand over the next three years (other than that due to exchange rates); and
  - c [Withheld under s9(2)(g)(i)]



5. We support the recommendations of the paper because:
- a officials have made their best estimate of the likely risk of continuing with the existing arrangement and therefore the value of agreeing the reimbursement track in advance; and
  - b Ministers would have final approval over the level of costs negotiated.
6. However, if you are not comfortable with agreeing to the upper limit of negotiations, you may wish to propose that the Ministers listed in paragraph (2) determine the negotiating limit.

#### Recommendations

7. We recommend that at Cabinet you:
- either*
- a **agree** to the recommendations in the Cabinet paper,  
*agreed/declined*
- or*
- b i **propose**, as an alternative to recommendation (a), that Cabinet delegate authority to the Prime Minister, the Treasurer, the Minister of Foreign Affairs and Trade, the Minister of International Trade, and the Minister of Social Services, Work and Income to determine the negotiating limit for the additional expenditure over and above the forecast reimbursement under the current agreement; and

ii **agree** to the other recommendations in the Cabinet paper.

agreed/declined

Gerald Minnee  
for Secretary to the Treasury

Rt Hon W F Birch  
Treasurer

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# THE TREASURY

## Treasury Report: Negotiations Over Social Security Arrangements with Australia

Date:	18 August 2000	Treasury Priority:	High
Security Level:	In Confidence	Report No:	T2000/1721

### Action Sought

	Action Sought	Deadline
Treasurer/Minister of Finance	Signal need for officials to do more work before Ministers commit to more spending on the AS&A	Meeting of key Ministers scheduled for 4.30 pm, 21 August 2000
Associate Minister of Finance	Read	4.30 pm 21 August 2000

### Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
Gerald Minnee	Manager, Welfare and Housing	4715152 (wk)	3836535 (res)	✓
Ross Judge	Director, Welfare and Justice	4715279 (wk)	4784798 (res)	

In Confidence

18 August 2000

SH3/2/20/3

**Treasury Report: Negotiations Over Social Security Arrangements  
with Australia**

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**Executive Summary**

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We understand that a meeting has been scheduled for 4.30 pm on Monday 21 August 2000 to discuss the progress report prepared by the Ministry of Social Policy (MSP) attached as Annex A .

The report summarises work-to-date (including the key findings of the Joint Review of the Australian Social Security Agreement (ASSA)), and seeks a mandate to spend up to \$NZ30 million per annum above the cost of the existing ASSA commitments, to negotiate new arrangements. It also explores three plausible replacement options and negotiating strategies.

In our view, officials have not provided enough analysis to enable Ministers to make well-informed decisions on how much to spend on renegotiating the ASSA or the best alternative to the status quo. If you agree, you may wish to signal the need for further work along the lines set out in the recommendation below. Further background information on the issues is provided in the attached Treasury report.

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## Recommended Action

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We recommend that you:

- a **confirm** the need for officials to do further work on the following issues before Ministers formally decide on how much to spend on reaching agreement with Australia:
- i clarifying the nature and size of any "opportunity cost" on Australia imposed by the Trans-Tasman Travel Agreement (TTTA);
  - ii assessing the scope for addressing Australia's concerns without increasing New Zealand's current social security obligations to Australia;
  - iii updating the forecasts of New Zealand's existing ASSA commitments as a benchmark for costing alternative options; and
  - iv further refining, and evaluating alternative options, with more precise costings.
- b **agree** that Ministers should not commit to increasing the current value of its social security contribution to Australia by \$NZ30 million per annum, given:
- i Australia has not substantiated its case for receiving a larger contribution;
  - ii New Zealand migrants contribute to the Australian economy more than they cost; and
  - iii New Zealand and Australian representatives should first explore other ways of addressing Australian concerns about its social security costs before negotiating a higher contribution.
- c **confirm** with other key Ministers that additional spending on new arrangements would impact the provision for the 2001 Budget and that this may restrain how much New Zealand can contribute, given the Government's other spending priorities.

**Gerald Minnee**  
Manager Welfare and Housing  
for Secretary to the Treasury

**Hon Dr Michael Cullen**  
Treasurer/Minister of Finance

In Confidence

## Treasury Report: Negotiations Over Social Security Arrangements with Australia

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### Purpose of Report

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1. This report summarises the negotiating context, and identifies the areas requiring further work so that Ministers can make informed decisions on New Zealand's negotiating strategy.

### Key issues emerging from the MSP report

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2. Over recent years, Australia has strongly signalled that it expects a much bigger contribution from the New Zealand Government towards the social security cost of New Zealand migrants living in Australia. Australia estimates that cost to be around \$A930 million per annum. New Zealand will contribute \$A135 million (about 15%) in 2000/01 under our interim agreement with Australia.
3. The nub of the Australian position is that the Trans-Tasman Travel Agreement (TTTA) imposes extra social security costs on Australia, because it cannot screen migrants from New Zealand (including migrants from other countries who achieve New Zealand citizenship).
4. Australia has not, however, substantiated its position. Indeed the evidence collected during the review indicated that New Zealand migrants contribute substantially to the Australian economy. For example, New Zealanders living in Australia pay at least \$A2.5 billion in tax each year, more than offsetting their overall social security costs. The Australian response that it could do even better than this by screening migrants has not been validated.
5. On the other hand, ongoing failure to resolve perceived problems with the ASSA is likely to adversely affect our wider relationship with Australia. Australia could respond to a lack of progress on ASSA talks by unilaterally imposing standard immigration criteria on New Zealanders or further restricting the access of New Zealanders to its social security system. Such changes could erode the free flow of labour across the Tasman. [Withheld under s9(2)(g)(i)]  
[Withheld under s9(2)(g)(i)]
6. Consequently, officials are looking for a mandate to renegotiate the ASSA. The new arrangement could take one of three forms:
  - A "reimbursing" approach, under which New Zealand partially compensates Australia for the cost of social security for New Zealand migrants under some agreed formula (and vice versa). This would continue the existing approach, but in a simplified form.

In Confidence

- *A cost-sharing approach*, under which each country pays social security to both New Zealand and Australian migrants depending on how long they have resided in that country. Under this arrangement, Australia would for example provide income support for New Zealanders who have worked in Australia but retired in New Zealand. Similarly, New Zealand would provide income support for Australians who have worked in New Zealand, but retired in Australia.
  - *A direct payment approach*, under which some forms of income support would be portable to the destination country, under terms and conditions set by the source country. For example, New Zealand migrants could receive some proportion of New Zealand superannuation if they chose to retire in Australia. The host country would set income support rules for migrants and not be compensated that cost.
7. Officials propose that any new approach should be restricted to superannuation and invalids benefit, and not applied to labour market payments (such as unemployment benefits) or support for low income families (such as family tax-credits).
  8. Officials also propose that agreed approaches could be combined with modifications to the current TTTA or Trans-Tasman migrants' access to social security.
  9. While further work is required on specifying the options and refining costings, officials believe that New Zealand would need to increase its current contribution to Australian social security by up to \$NZ30 per annum to achieve a settlement.
  10. Ministers are asked to support the preparation of a Cabinet paper to formalise the proposed mandate for negotiations and a possible communications strategy.

#### Comment

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11. MSP's proposed negotiating mandate has a significant impact on the provisions for the 2001 Budget. Ideally, this issue should be considered alongside the Government's other spending priorities during the next Budget. The agreed negotiating timetable with Australia means that Ministers will be asked to decide on a significant area of spending well before the Budget.
12. Treasury appreciates the desirability of preserving and, if possible, enhancing economic value of CER and TTTA to New Zealand, and the potential consequences of a breakdown in our upcoming talks over future social security arrangements with Australia.



In Confidence

13. Even so, officials have not yet done sufficient work to enable Ministers to make well informed decisions on how much to spend on reaching agreement, or on which particular approach to adopt. We would prefer officials to carry out more work on the following areas before Ministers approve a particular mandate:

- *Clarifying the nature and size of any "opportunity cost" on Australia imposed by the TTTA.* The current Australian perception that they face substantial opportunity costs influences their expectations of upcoming negotiations. Work to date tentatively suggests that any such effects are likely to be small compared to size of the economic contribution of New Zealanders living in Australia. But the Australian sense of unfairness seems to persist. New Zealand officials have commissioned work on sizing the opportunity cost to Australia, to put this concern in perspective. The results are due by mid September. Properly done, this work could lower Australian expectations.
- *Assessing the scope for addressing Australia's concerns without increasing the value of New Zealand's current social security obligations to Australia.* Such approaches are flagged in the MSP paper, but officials should analyse more fully the fiscal and economic consequences for both countries so we can better advise Ministers on the best approach.
- *Assessing more fully the fiscal and economic risks to New Zealand of Australia taking retaliatory action if a settlement is not reached.* The MSP paper lists these risks, but officials have not fully assessed their likelihood or impact. As it stands, some of the adverse consequences (such as Australia reducing the access of NZ migrants to Australian social security) are likely to occur within a new arrangement anyway. Further, the TTTA and the relatively free flow of labour across the Tasman have value to Australia as well as New Zealand, so it is not clear how far Australia would impose migration barriers in reality.
- *Updating our forecasts of New Zealand's existing ASSA commitments as a benchmark for costing the alternatives.* The MSP paper provides indicative total costings for the three options, without comparing those costing to the future cost of current policy. This is because the future cost of our existing commitments is not obvious. The 1994 ASSA agreement has not operated for the last 2 years, because the parties agreed to an interim deal instead. Under this deal, New Zealand agreed to pay Australia fixed amounts for 1999/2000 and 2000/2001, pending the negotiation of a new arrangement, and to extend the interim deal arrangement into future years (adjusted for agreed forecasting changes) if settlement was not reached within that timeframe. The current ASSA baseline simply rolls the nominal cost of the interim deal into outyears. The cost is adjusted for exchange rate fluctuations, but not other forecasting changes, because the methodology was still under discussion with Australia at the time. New Zealand officials are currently forecasting the full cost of continuing that interim arrangement

In Confidence

into outyears, in consultation with Australian officials. We would regard that as the most sensible proxy for New Zealand's existing commitments.

- *Further evaluating and refining the three approaches.* The three approaches suggested in the MSP paper are described in very general terms. The analysis is highly stylised and does not support any clear conclusion at this stage. Further work is required to specify and evaluate options and finalise costings before Ministers can make a well-informed decision. For example, the cost-sharing and direct payment approaches appear to increase the overall cost of income support for Trans-Tasman migrants, mainly because wealthy elderly New Zealanders living in Australia would receive more income support than at present (since the Australian age benefit is income- and asset-tested). Officials have not fully addressed the fiscal and equity consequences of this effect. We also have serious concerns about officials' ability to accurately estimate the impact of the cost-sharing agreement, given current information constraints about the patterns of Trans-Tasman migration. More generally, the current all-up costing of approaches provided in the papers need to be decomposed more clearly into policy and forecasting effects, so Ministers can ascertain the impact of the options on the provisions for future Budgets.

14. While the timeframes are tight, most of this work is already underway and could be incorporated into the draft Cabinet paper that officials are preparing.

#### Suggested Action

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15. If you agree with our analysis, you may wish to reinforce at your meeting on Monday the need for officials to do the further work outlined in paragraph 13 above before Ministers decide on their negotiating strategy.
16. In the meantime, it may be helpful for Ministers to consider what additional expenditure (if any) they would be willing to contemplate to reach a settlement with Australia, given its impact on provisions for the 2001 Budget. This would give New Zealand negotiators a better sense of Ministers' expectations.

SH/3/2/20/3

21 August 2000

### Framework for Calculating Impact on Provisions for Australian Social Security Arrangement (ASSA)

#### Introduction

There is a need to calculate what impacts and what does not on the Government's provisions from the final negotiation with Australia over the ASSA. Due to the limited amount of resources available in future budgets (\$550 million in 2001 Budget and \$575 million in 2002 Budget), and reimbursement costs of over \$100 million to Australia, it is important to have a transparent approach to separating forecasting changes from policy changes (and therefore impacts on the provisions) in the final negotiated amount.

#### The Interim Arrangement Approach

An interim agreement was approved for reimbursement to Australia for 1999/2000 and 2000/01 based on agreed forecast and negotiated add-on. The base forecast was based on the 1999 BEFU forecast done by MSP [Line 1 in Table 1]. Officials from Australia and New Zealand then came up with agreed forecast costs based on migration flows and new data [Line 2].

The next stage was to negotiate over costs in addition to the agreed forecast costs. Cabinet initially agreed that New Zealand would pay no more than \$33.6 million over 3 years in add-on costs [Line 4]. However, agreement could not be reached with Australian officials within that parameter.

Table 1: Interim Arrangement

		1999/2000 (\$NZm)	2000/01 (\$NZm)	2001/02 (\$NZm)
1	1999 BEFU forecast	\$ 126.5	\$ 142.8	\$ 154.6
2	Agreed forecast	\$ 129.5	\$ 145.8	Base forecast
3	Increase in forecast [2-1]	\$ 3.0	\$ 3.0	n/a
4	Authorised add-on	\$ 7.3	\$ 11.1	\$ 15.2
5	Negotiated add-on	\$ 15.1	\$ 14.8	\$ 17.8
6	Additional negotiated add-on	\$ 6.0	\$ -	\$ -
7	Increase in add-on [5+6-4]	\$ 13.8	\$ 3.7	\$ 2.6
8	Authorised total payment [1+4]	\$ 133.8	\$ 153.9	\$ 169.8
9	Negotiated total payment [2+5+6]	\$ 150.6	\$ 160.6	n/a
	Impact on provisions [9-1]	\$ 24.1	\$ 17.8	
	As in Cabinet Minute [CAB(99)M18/6]	\$ 24.1	\$ 17.9	

The negotiated amount came to \$30 million over 2 years [Line 5 for 1999/2000 and 2000/01], with an additional \$6 million to be paid for the arrangement in the first year of the interim arrangement [Line 6]. This interim arrangement will continue beyond 2000/01 if required on a rolling basis, based on a combination

of agreed forecast and an additional \$A15 million (\$NZ17.8 million) per year [Line 5 for 2001/02].

The total negotiated reimbursement payment to Australia was \$150.6 million in 1999/2000 and \$160.6 million in 2000/01 [Line 9]. This was made up of the agreed forecast [Line 2], negotiated add-on [Line 5] and the additional negotiated add-on [Line 6]. In terms of the impact on provisions, this was calculated as the final negotiated amount [Line 9] less the 1999 BEFU forecast [Line 1]. The reason was that the 1999 BEFU forecast was the base case scenario, and any additional payment on top of that amount was due to policy changes (even the agreed forecast).

#### Proposed Approach for 2000 ASSA Negotiations

A similar approach can be used for the 2000 ASSA negotiations. The base forecast will be the 2000 BEFU forecast (or some other updated forecast done by MSP) [Line 1]. There will then be some agreed forecast between New Zealand and Australian officials [Line 2].

Table 2: 2000 Negotiations

	2001/02 (\$NZm)	2002/03 (\$NZm)	2003/04 (\$NZm)
1 2000 BEFU forecast	\$ 163.7	\$ 163.7	\$ 163.7
2 Agreed forecast	after agreed forecast base		
3 Increase in forecast [2-1]	n/a	n/a	n/a
4 Authorised add-on	\$ 30.0	\$ 30.0	\$ 30.0
5 Negotiated add-on	after negotiated amount base		
6 Additional negotiated add-on	after negotiated amount base		
7 Increase in add-on [5+6-4]	n/a	n/a	n/a
8 Authorised total payment [1+4]	\$ 193.7	\$ 193.7	\$ 193.7
9 Negotiated total payment [2+5+6]	\$ -	\$ -	\$ -
Impact on provisions [9-1]	n/a	n/a	n/a

Next will be the negotiated add-on. The impact on provisions will be the final negotiated payment [Line 9] less the base forecast [Line 1].

Other approaches could also be incorporated, such as which base forecast to use, but this basic framework for calculating the impact on provisions allows for flexibility in coming at the final amounts.

ASSA Costs

	NZ\$M			
	2000/01	2001/02	2002/03	2003/04
Baseline	165	164	164	164
1994 update			170	186
SQ: 1994 plus \$Aus15m			190	206
Reimburse 1			190	206
Reimburse 2			?	?
Costshare min			213	246
Costshare max			233	268
Margin over SQ min			23	40
margin over SQ max			43	62
Direct min			210	242
Direct max			223	255
Margin over SQ min			20	36
margin over SQ max			33	49

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# THE TREASURY

**Treasury Report:** Negotiations Over Social Security Arrangements with Australia

<b>Date:</b>	27 September 2000	<b>Treasury Priority:</b>	High
<b>Security Level:</b>	In Confidence	<b>Report No:</b>	T2000/1962

## Action Sought

	Action Sought	Deadline
Treasurer/Minister of Finance	Send attached letter to the Minister of Foreign Affairs and Trade	Wednesday 27 September 2000
Associate Minister of Finance	Note contents	Before Cabinet Policy Committee Wednesday 27 September 2000

## Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
Gerald Minnee	Welfare and Housing	471 5152 (wk)	383 6535 (res)	✓
Ross Judge	Director Welfare and Justice	471 5279 (wk)	478 4798 (res) 021 665 281	

27 September 2000

SH-3-2-20-3

## **Treasury Report: Negotiations Over Social Security Arrangements with Australia**

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### **Executive Summary**

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The Minister of Foreign Affairs and Trade wrote to you last week seeking your comments on a draft Cabinet paper (Annex A) that he intends to sign out to the Cabinet Policy Committee on Thursday. We suggest that you write to the Minister:

- a reaffirming the importance of maintaining the essential features of the TTTA.
- b supporting the proposed initial negotiating mandate, viz: to replace the current ASSA with some form of portable superannuation scheme; to decline making other benefits portable (except, possibly JB); and to indicate that the Australians can address their concerns about the cost of social security for NZ migrants by curtailing their benefit access rights.
- c signalling your preference not to commit extra expenditure to ASSA in the 2001 Budget. Officials should seriously explore design choices that would keep the cost of any new scheme to replace the ASSA fiscally neutral.

A draft letter is attached for your signature if you agree.

### **Importance of TTTA**

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The key objective underlying NZ's approach to ASSA negotiations to date has been to maintain the economic benefits of our current bilateral relationships with Australia. These benefits have not been quantified but are assumed to be substantial. They include for example the free exchange of labour and skills across the Tasman; and the option value for New Zealanders of settling in Australia if they wish. Maintaining the TTTA in some form is essential for maintaining such benefits.

For its part, Australia argues that the flow of NZ migrants into Australia under the current TTTA imposes social security costs that it would avoid if it applied its normal migration policies to NZ. This argument has not been substantiated in previous discussions, but is likely to influence the Australian approach.

Hence, NZ faces a choice between: compensating Australia more; allowing Australia to curtail the access of NZ migrants to Australian social security; or risking the loss of current TTTA rights.

## Proposed Negotiating Mandate

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The Minister proposes an initial negotiating mandate under which officials would be authorised to:

- Establish the likely negotiability of New Zealand's preferred options;
- Indicate willingness to consider replacing the reimbursement arrangement with cost sharing or direct payments, under which New Zealand would partially cover (only) the age pensions of its citizens living in Australia, on the basis of their period of working life residency in New Zealand;
- Decline any Australian proposal to extend our obligations to labour market payments, but keep as a fall back option the inclusion of invalid benefits in exceptional circumstances; and
- Indicate that curtailment of benefit access rights for migrant New Zealanders is a policy matter for Australia, but secure an understanding that the integrity of the TTTA should be preserved and explore strengthening of trans-Tasman consultative processes on social security and immigration.

Officials would report back to key Ministers after the first round of talks (scheduled for 10 October) with more detailed assessments and costings of feasible options. Ministers would have the power to act during negotiations but would report back to Cabinet at the next available opportunity on instructions given to officials.

## Treasury Comment

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The proposed approach suggests a legitimate way for Australia to address its concerns, without necessarily increasing the policy cost of NZ's current obligations under ASSA. In effect the price of maintaining access to Australia under the current TTTA would be split between the New Zealand government (which would finance the cost of grandparenting current ASSA recipients and making NZ Super portable to Australia) and NZ migrants (who would receive less access to Australia social security than at present, and possibly less than migrants from other countries). Expecting NZ migrants to accept this change seems reasonable given the strong private benefits of TTTA rights for such individuals.

The main risk is that Australia could react badly to the proposed approach, with that frustration spilling over into other areas of our bilateral relationships. For example, Australia could decide to revisit the TTTA rather than simply restricting the access of NZ migrants to social security (as NZ is suggesting). Officials assume that this risk can be managed through the negotiating process, with the first round of talks exploring whether NZ's proposed approach is feasible.

## Fiscal Impact

The fiscal impact of the proposed approach is unclear at this stage.



- MSP is still finalising its **policy costings**, which remain highly sensitive to assumptions about the proportion of working life that TTTA migrants live in New Zealand and Australia respectively and to detailed design choices (about eligibility rules, the formula for working life residency, and whether the gross or net value of superannuation is used to calculate portable entitlements). We would expect least-cost variations of "cost-sharing" and "direct payment" to be fiscally neutral for the first 3 years of operation, but then rise as the new scheme mature relative to our current commitments. Hence getting agreement with Australia may involve a fiscal cost.
- In addition, New Zealand would face a **forecasting risk** from unilateral decisions made by the Australian government about NZ migrants access to Australian social security. Some of those who cease to be eligible in Australia would return and access benefits in NZ instead, increasing forecast expenditure. This effect would not impact on the provisions for the 2001 Budget, but may significantly affect NZ's operating balance (depending on what the Australians do and how New Zealanders respond).

The MFAT paper identifies the risk that the proposed negotiating approach could impact significantly on the 2001 Budget, without going into further detail.

Treasury is currently preparing advice on the 2001 Budget strategy, and a draft paper for the Budget Ministers meeting on 12 October (which we will discuss with you on your return from overseas).

We have had preliminary discussions with staff in your office, the Department of Prime Minister and Cabinet, and the Associate Minister of Finance on this.

Based on these discussions, the draft paper for Budget Ministers assumes **no funding is provided for the ASSA negotiations** from the \$550 million available for the 2001 Budget.

Once NZ negotiators ascertain Australia's response to our initial negotiating position, Ministers may wish to reconsider their approach and what expenditure (if any) would be warranted to achieve a negotiated settlement.

The risk with this approach is that if significant expenditure (greater than \$10 million per annum) needs to be committed to the ASSA, **allocations for other expenditure in the 2001 Budget will need to be reduced.**

Given that the amount of funding available in the 2001 is likely to be very tight, this effectively means reducing the allocations for Health and Education. This may prove to be difficult to achieve, particularly if expectations have been set as a result of the Budget Ministers meeting on 12 October 2000.

## Cost Sharing Versus Direct Payment

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Ministers are not asked to decide which approach to support, but they may wish to discuss their initial preferences.

A **Cost Sharing** approach means having a bilateral, symmetrical, negotiated agreement that cannot be changed unilaterally. Under this approach:

- a both countries would pay trans-Tasman migrants age pension (e.g., Australia would pay for both New Zealanders and Australians living in New Zealand with working life residency in Australia and vice versa);
- b the destination country would pay the full rate, including supplements, but it would take the pension paid by the originating country into account (as an abatement or directly deduct it dollar by dollar); and
- c the originating country would pay portable pensions based on the defined core rate and length of residence in the originating country.

A **Direct Payment** approach means that portability and access rules would not be negotiated. Each country would be free to set its own policies in this regard, and to change them over time. This approach would be unilateral (except for agreement how to exit from the existing arrangement) and likely to result in New Zealand and Australia operating quite different policies over time.

A negotiated "cost-sharing" agreement could offer some advantages over "direct payment":

- Ongoing concerns about social security costs may prove easier to manage within the context of a formal agreement.
- Australia would contribute to the retirement costs of New Zealanders who had worked in Australia, making the approach conceptually fairer than direct payment.
- An explicit cost-sharing agreement could mitigate the forecasting risk (discussed above), since Australia would have more certainty about NZ's future commitments than under direct payments (which could be changed at any point). The rhetoric of direct payment (which encourages unilateral action) could invite Australia to curtail benefit access rights more aggressively than it would with a cost sharing agreement.
- Cost sharing would allow officials to explore the idea of linking the eligibility of NZ migrants to NZ Super to the Australian age pension (i.e. NZ retirees in Australia who do not receive age pension because their incomes and assets are too high would not be eligible for receiving NZ Super). This idea would lower the cost of the cost-sharing concept to New Zealand without disadvantaging Australia. It would also avoid giving a windfall gain to wealthy retirees living in Australia.

Conversely, the Australians may press for design features that would increase the cost of any cost-sharing agreement to the NZ government. The main advantage of the direct payment approach is that it offers NZ most control over its direct fiscal commitments (for example, by adjusting eligibility rules or the formula on which payments are calculated).

Consequently, it would be helpful for you to reinforce the need for officials to seriously explore least-cost options for designing both the cost-sharing or direct payment approaches, and to advise Ministers about the costs of varying these design choices.

### Recommended Action

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That you sign the attached letter to your colleague the Minister of MEAT.

**Gerald Minnee**  
Manager, Welfare and Housing  
for Secretary to the Treasury

**Hon Trevor Mallard**  
Acting Treasurer/Minister of Finance

Hon Phil Goff  
Minister of Foreign Affairs and Trade  
Parliament Buildings  
WELLINGTON

Dear Mr Goff

**NEGOTIATIONS OVER SOCIAL SECURITY ARRANGEMENTS WITH AUSTRALIA**

I am responding to your invitation to comment on the draft Cabinet paper proposing New Zealand's approach to upcoming negotiations about the Australian Social Security Agreement (ASSA).

As I see it, our key negotiating objective is to preserve the visa-free access of New Zealanders to Australia.

I am broadly comfortable with the approach you suggest, given that it offers a reasonable way for Australia to address its concerns about the cost of providing social security to New Zealand migrants, without necessarily increasing the cost of New Zealand's current commitments.

I note that the draft paper does not have costings or financial recommendations, but signals that the cost-sharing and direct payment approaches are likely to impact significantly on the 2001 Budget (paragraph 11). While acknowledging the obvious risk, Ministers should reiterate that New Zealand would not expect the replacement scheme to increase the policy cost of our current commitments under the ASSA.

This means that New Zealand officials should seriously explore least-cost design options that would keep the overall cost of the replacement scheme fiscally neutral. These could include for example using a 45 year denominator for calculating working life residency and basing portable payments on net rather than gross rates of superannuation. In modelling the cost-sharing

approach, officials should explore the idea of restricting superannuation to New Zealand migrants who qualify for the Australian age pension.

I appreciate the advantages of having an explicit social security agreement with Australia; and that achieving settlement this may require New Zealand to explore more costly design options than those signalled above. It would be helpful for officials to specify the incremental costs of changing the least-cost design options.

In the mean time, it is imperative that negotiators do not commit the New Zealand Government to any additional expenditure impacting on the provisions for the 2001 Budget without explicit Cabinet approval.

I look forward to discussing your paper at the Cabinet Policy Committee next week.

Yours sincerely

Hon Trevor Mallard  
Acting Treasurer/Minister of Finance

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## **Fiscal Implications of Negotiation of Social Security Arrangements with Australia**

### **Introduction**

This note sets out the indicative costings of the two approaches to be negotiated with Australia on revised bilateral social security arrangements. The costings presented are based on the best case and worst case scenario from New Zealand's fiscal perspective.

### **Background**

The cost-sharing and direct payment approaches may impact on the 2001 Budget. The size of that impact will depend on the policy design choices, and key parameter assumptions (this includes assumptions about the size of the eligible population, proportions of working lives spent in New Zealand and Australia respectively, and migration and exchange rate assumptions).

Officials have modelled the likely cost of each approach, based on all available information. The cost of a continuation of the current interim agreement was also modelled to provide a benchmark from which to cost the approaches against [refer to Annex 1]. It is the difference in cost between each approach against this benchmark which impacts on the Government's provisions. This is because in the absence of any new arrangements, the cost of the current interim agreement would have to be incurred.

The costings at this stage do not include administrative costs of any new system, or the cost of higher benefit expenditure in New Zealand resulting from Australia restricting access of New Zealand migrants to social security. The cost to New Zealand of an additional unemployment beneficiary is around \$7,700 per annum.

While the costings are sensitive to data integrity and the parameter assumptions used, changes to these would be treated as forecasting changes (and therefore not impact on the Government's provisions)<sup>1</sup>. Fiscal implications for both the cost-sharing and direct payment approaches, and therefore their impact on the 2001 Budget, will depend on the mix of policy design choices. Table 1 below lists the four design choices available for each approach.

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<sup>1</sup> These costings are also subject to other caveats such as lack of robust data for certain variables and uncertainties surrounding the behavioural effects as a response to any new policy.

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**Table 1: Policy Design Choices for Each Approach**

Cost-sharing approach	Direct Payment Approach
1. Types of benefit payment covered	1. Types of benefit payment covered
2. Formula used to calculate individual payments (what WLR denominator to use for calculating payments)	2. Formula used to calculate individual payments (whether to calculate payments based on WLR or the full rate, and what WLR denominator to use)
3. Choice of payment made at the net or gross rates	3. Choice of payment made at the net or gross rates
4. Whether to restrict eligibility for NZS only to those who qualify for Australian Age Pension (which is income and asset tested)	4. Whether to restrict eligibility only to those with less than 10 year's WLR in Australia

Note: WLR – working life residency NZS – New Zealand Superannuation

### The Costs

Table 2 presents indicative costings for each approach under a best and worst case scenario from New Zealand's fiscal perspective, set against the benchmark (cost of continuing the current interim agreement). Table 3 presents the policy design choices underpinning each of the scenarios.

The costings suggest that it is possible to arrive at a better than fiscally neutral scenario over 3 years<sup>2</sup> for both approaches, by adopting very strict policy design choices. The strict policy design choices will likely be unacceptable to Australia, but nevertheless sets out a possible starting position from which to start the negotiations.

Under a best case scenario (restricting arrangements to NZS only, basing payments on the fraction of a 45 year's WLR, paying at the net rate, restricting eligibility only to those who qualify for Australian Age Pension for cost-sharing, and restricting eligibility only to those with less than 10 year's WLR in Australia for direct payment), it is possible to arrive at a saving of \$80 million over 3 years under cost-sharing, and a \$54 million saving over 3 years under direct payment.

For the worst case scenario (extending arrangements to Invalids<sup>3</sup>, basing payments on the fraction of a 35 year's WLR for NZS and 25 for Invalids for cost-sharing, basing payments on the full rate for direct payment, paying at the gross rate, no Australian Age Pension qualification restrictions for NZS under cost-sharing, and no WLR in Australia restrictions for direct payment), the impact on the Government's provisions ranges from \$15 million over 3 years for cost-sharing to \$123 million over 3 years for direct payment.

<sup>2</sup> These costings cover the period from 2002/03 to 2004/05, but there is a risk that expenditure will increase significantly in the outyears as the stock of eligible population increases.

<sup>3</sup> Australian Disability Support Pension.

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**Table 2: Indicative Costings for Each Approach  
(Best and Worst Case Scenarios)**

	2002/03 (NZ\$m)	2003/04 (NZ\$m)	2004/05 (NZ\$m)	Total over 3 years
<b>Benchmark *</b> (assuming current agreement continues)	193.6	210.4	227.8	631.8
<b>Cost-sharing Approach</b>				
Best case scenario	171.3	183.6	196.6	551.5
Impact on provisions ^	(22.4)	(26.7)	(31.2)	(80.3)
Worst case scenario	186.8	215.2	244.6	646.5
Impact on provisions ^	(6.8)	4.8	16.7	14.7
<b>Direct Payment Approach</b>				
Best case scenario	175.6	192.4	209.9	577.8
Impact on provisions ^	(18.1)	(18.0)	(17.9)	(53.9)
Worst case scenario	204.6	251.1	298.8	754.6
Impact on provisions ^	11.0	40.8	71.0	122.8

Notes: New arrangements are expected to commence from 1 July 2002. Most of the scenario costs will be payments to Australia, with some costs incurred for paying income support to New Zealanders who return to New Zealand because they no longer qualify in Australia.

\* The benchmark estimate assumes that the current interim agreement, which covers aged pension, disability and sole parent payments, continues beyond 2000/01, based on a combination of increasing agreed forecasts and an additional A\$15 million per year [CAB(99) M18/6 refers]. This figure differs from the published 2000 BEFU forecast because the BEFU assumed no change to agreed forecasts.

^ Calculated as the cost of the scenario against the benchmark.

**Table 3: Policy Design Choices for Best Case and Worst Case Scenarios  
for Each Approach**

	Cost-sharing Approach		Direct Payment Approach	
	Best case	Worst case	Best case	Worst case
2002/03	171.3	186.8	175.6	204.6
2003/04	183.6	215.2	192.4	251.1
2004/05	196.6	244.6	209.9	298.8
<b>Total 3 years</b>	<b>551.5</b>	<b>646.5</b>	<b>577.8</b>	<b>754.6</b>
Benefits covered	NZS only	NZS and Invalids	NZS only	NZS and Invalids
Payment formula	45 year's WLR denominator for NZS	35 year's WLR denominator for NZS, 25 year's WLR for IB	Payment based on working life residency with 45 year's WLR denominator	Payment based on full rate
Payment rate	Net	Gross	Net	Gross
Eligibility	Restrict eligibility only to those who qualify for Australian Age Pension	No Australian Age Pension qualifying restriction	Restrict eligibility only to those with less than 10 year's working life residency in Australia	No restriction for working life residency in Australia



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**Concluding Remarks**

From a fiscal perspective, the cost-sharing approach is more attractive because some of the cost is offset by payments from Australia for Australian or New Zealand residents living in New Zealand with working life residency in Australia. But New Zealand would have more control over the design of direct payment policy.

Even so, the costs show that there is some negotiating room, and depending on the final policy design choices and the outcome of the negotiations, it is possible to arrive at a fiscally neutral arrangement.

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**Annex 1**

**Cost of Continuation of the Current Interim Arrangement**

The current interim agreement runs out in 2000/01. If the interim agreement was to continue beyond 2000/01, it is to be based on a combination of agreed forecast and an additional \$A15 million per year. In the 2000 BEFU forecast, it was assumed that the agreed forecast would remain at the 2000/01 level of A\$122.5 million, plus the A\$15 million add-on from 2001/02 onwards, even though in reality any agreed forecast would be higher due to growth in population numbers. No revised forecast was used because officials did not want to reveal New Zealand's costing assumptions prior to any negotiations over new forecasts. Table 4 shows how the 2000 BEFU forecast was derived.

**Table 4: 2000 BEFU forecast for Current Interim Arrangement**

	2001/02	2002/03	2003/04	2004/05
Agreed forecast from interim agreement (A\$m)	\$ 122.5	\$ 122.5	\$ 122.5	\$ 122.5
Negotiated add-on from [CAB(99)M18/6] (A\$m)	\$ 15.0	\$ 15.0	\$ 15.0	\$ 15.0
2000 BEFU forecast (A\$m)	\$ 137.5	\$ 137.5	\$ 137.5	\$ 137.5
2000 BEFU forecast (NZ\$m)	\$ 163.7	\$ 163.7	\$ 163.7	\$ 163.7

*Note: The 2000 BEFU forecasts runs to 2003/04. The above table assumes that the forecast would remain constant in 2004/05.*

The true cost of continuing the current interim arrangement, based on official's best estimate of population and migration flows, is presented in Table A5.

**Table 5: Estimated True Cost of Current Interim Arrangement**

	2001/02	2002/03	2003/04	2004/05
Best forecast assuming population and migration flows (A\$m)	\$ 127.3	\$ 139.9	\$ 153.3	\$ 167.2
Negotiated add-on from [CAB(99)M18/6] (A\$m)	\$ 15.0	\$ 15.0	\$ 15.0	\$ 15.0
Benchmark (A\$m)	\$ 142.3	\$ 154.9	\$ 168.3	\$ 182.2
Benchmark (NZ\$m)	\$ 177.9	\$ 193.6	\$ 210.4	\$ 227.8

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Annex 2

**Background Information on how the Current Interim Arrangement was Negotiated**

On 26 July 1999, Cabinet approved an interim arrangement for reimbursement to Australia for 1999/2000 and 2000/01. The reimbursement amount was based on a combination of agreed forecast and negotiated add-on [CAB(99) M18/6 refer]. The base forecast was based on the 1999 BEFU forecast done by the Ministry of Social Policy [Line 1 in Table 6]. Officials from Australia and New Zealand then came up with agreed forecast costs based on migration flows and new data [Line 2].

The next stage was to negotiate over costs in addition to the agreed forecast costs. Cabinet initially agreed that New Zealand would pay no more than NZ\$33.6 million over 3 years in add-on costs [Line 4]. However, agreement could not be reached with Australian officials within that parameter.

The negotiated amount came to A\$25 million over 2 years [Line 5 for 1999/2000 and 2000/01], with an additional A\$5 million to be paid for the arrangement in the first year of the interim arrangement [Line 6]. This interim arrangement will continue beyond 2000/01 if required on a rolling basis, based on a combination of agreed forecast and an additional A\$15 million (\$NZ17.8 million) per year [Line 5 for 2001/02].

**Table 6: Interim Arrangement**

	1999/2000 (\$NZm)	2000/01 (\$NZm)	2001/02 (\$NZm)	1999/00 (\$Am)	2000/01 (\$Am)	2001/02 (\$Am)
1 1999 BEFU forecast	\$ 126.5	\$ 142.8	\$ 154.6	\$ 104.8	\$ 119.9	\$ 129.9
2 Agreed forecast	\$ 129.5	\$ 145.8	Base forecast	\$ 107.5	\$ 122.5	Base forecast
3 Increase in forecast [2-1]	\$ 3.0	\$ 3.0	n/a	\$ 2.7	\$ 2.6	n/a
4 Authorised add-on	\$ 7.3	\$ 11.1	\$ 15.2	\$ 6.1	\$ 9.3	\$ 12.8
5 Negotiated add-on	\$ 15.1	\$ 14.8	\$ 17.8	\$ 12.5	\$ 12.5	\$ 15.0
6 Additional negotiated add-on	\$ 6.0	\$ -	\$ -	\$ 5.0	\$ -	\$ -
7 Increase in add-on [5+6-4]	\$ 13.8	\$ 3.7	\$ 2.6	\$ 11.4	\$ 3.2	\$ 2.2
8 Authorised total payment [1+4]	\$ 133.8	\$ 153.9	\$ 169.8	\$ 110.9	\$ 129.2	\$ 142.7
9 Negotiated total payment [2+5+6]	\$ 150.6	\$ 160.6	n/a	\$ 125.0	\$ 135.0	n/a
Impact on provisions as in [CAB(99)M18/6] [9-1]	\$ 24.1	\$ 17.9		\$ 20.2	\$ 15.1	

The total negotiated reimbursement payment to Australia was NZ\$150.6 million in 1999/2000 and NZ\$160.6 million in 2000/01 [Line 9]. This was made up of the agreed forecast [Line 2], negotiated add-on [Line 5] and the additional negotiated add-on [Line 6]. In terms of the impact on provisions, this was calculated as the final negotiated amount [Line 9] less the 1999 BEFU forecast [Line 1].



# THE TREASURY

## Treasury Report: Briefing for Cabinet Policy Committee 4 October 2000

Date:	3 October 2000	Treasury Priority:	Medium
Security Level:	In Confidence	Report No:	T2000/2003

### Action Sought

	Action Sought	Deadline
Treasurer/Minister of Finance	Read prior to POL meeting	9.45am Wednesday 4 October 2000
Associate Minister of Finance	Read prior to POL meeting	9.45am Wednesday 4 October 2000

### Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Geoff Dangerfield	Acting Secretary to the Treasury	471 5044 (wk)	[Withheld under s9(2)(a)] ✓
Lesley Haines	Director - Policy, Coordination and Development	471 5932 (wk)	[Withheld under s9(2)(a)]



# THE TREASURY

3 October 2000

PC/1/1

**Treasury Report:** Briefing for Cabinet Policy Committee  
4 October 2000

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## Executive Summary

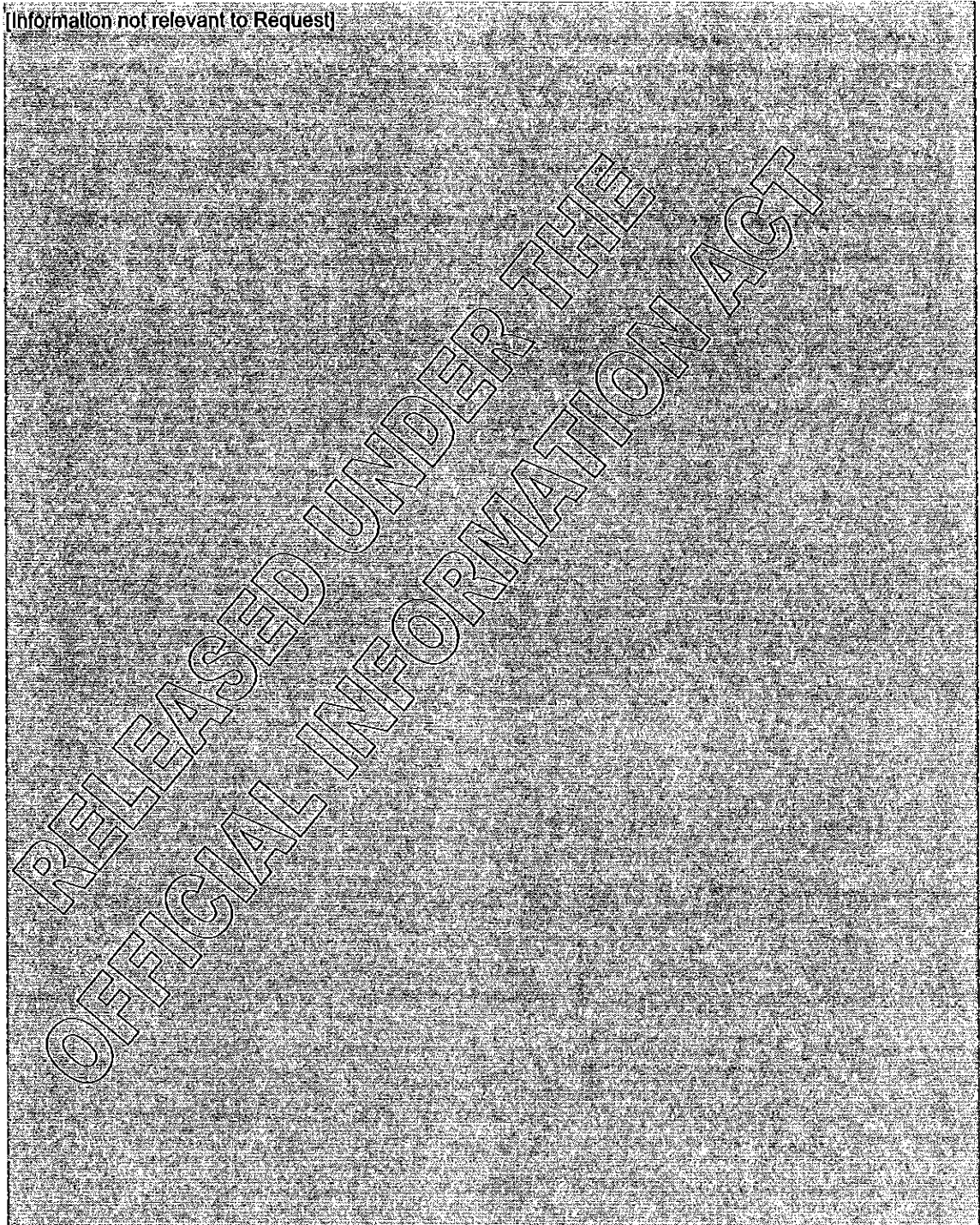
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The following papers are on the Cabinet Committee agenda for Wednesday 4 October 2000.

AGENDA ITEM	PAGE No.	TREASURY RECOMMENDATION	COMMENT
Negotiation of Social Security Arrangements with Australia	4	Support	Please refer to T2000/1962 for comment on paper. Costing information has been sent separately by Minister of Foreign Affairs and Trade. Possible fiscal implications depending on policy design choices.

(Information not relevant to Request)

(Information not relevant to Request)



[Information not relevant to Request]



### Recommended Action

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We recommend that you read this report prior to the Cabinet Policy Committee meeting on Wednesday 4 October 2000 at 9.45am.

**Lesley Haines**  
Director – Policy, Coordination and Development  
for Secretary to the Treasury

**Hon Dr Michael Cullen**  
Treasurer/Minister of Finance

**Treasury Report: Briefing for Cabinet Policy Committee**  
4 October 2000

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**Negotiation of Social Security Arrangements with Australia**

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**Responsible Manager: Gerald Minnee**

**Summary**

1. We have provided you with a detailed briefing on 27 September 2000 [T2000/1962 refers].
2. We understand that the Minister of Foreign Affairs and Trade will be circulating a separate paper on the fiscal implications of the social security arrangements to relevant Ministers before Cabinet Policy Committee.
3. The costing paper shows that under very strict policy options [Withheld under s6(a)] [Withheld under s6(a)] it is possible to arrive at a better than fiscally neutral scenario over 3 years for both the cost-sharing and direct payment approaches. The impact on provisions could be up to \$123 million over 3 years, if more generous policy options are agreed (such as allowing all NZ citizens with 10 years' residence in NZ to be eligible for NZ Superannuation in Australia, paying them the full gross rate of superannuation rather than a fraction of the net rate based on working life residency and making the Invalids benefit portable to Australia as well as superannuation).
4. From a fiscal perspective, the cost-sharing approach appears more attractive because some of the cost is offset by payments from Australia for Australian or New Zealand residents living in New Zealand with working life residency in Australia. But New Zealand would have more control over the design of direct payment policy.
5. Even so, the costing paper shows that there is some negotiating room for New Zealand, and depending on the final policy design choices and the outcome of the negotiations, it is possible to arrive at a fiscally neutral arrangement.

**Recommended Action**

6. We recommend you **support** the paper.

[Redacted]





**Treasury Report: Briefing for Cabinet Policy Committee 8 November 2000**

<b>Date:</b>	7 November 2000	<b>Treasury Priority:</b>	Medium
<b>Security Level:</b>	In Confidence	<b>Report No:</b>	T2000/2233

**Action Sought**

	<b>Action Sought</b>	<b>Deadline</b>
Treasurer/Minister of Finance	Read Prior to POL Meeting	9.30am Wednesday 8 November 2000
Associate Minister of Finance	Read Prior to POL Meeting	9.30am Wednesday 8 November 2000

**Contact for Telephone Discussion (if required)**

<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>
Lesley Haines	Director, Policy Co-ordination and Development	471 5932 (wk)	Withheld under s9(2)(a) ✓
Alan Bollard	Secretary to the Treasury	471 5043 (wk)	

*In Confidence*

7 November 2000

PC1/1

**Treasury Report: Briefing for Cabinet Policy Committee 8 November 2000**

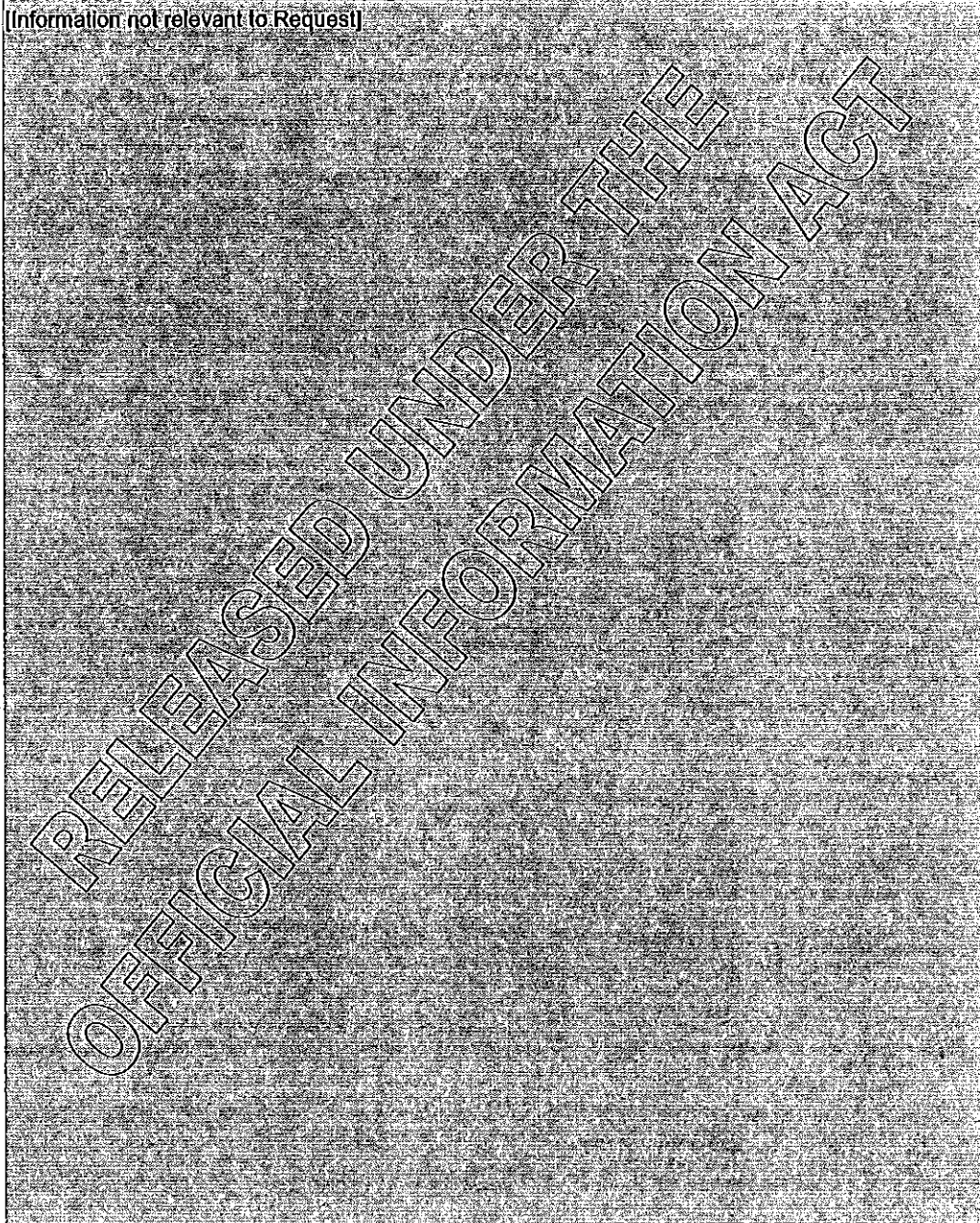
**Executive Summary**

The following papers are on the Cabinet Committee agenda for Wednesday 8 November 2000.

AGENDA ITEM	PAGE NO	TREASURY RECOMMENDATION	COMMENT
[Withheld under s9(2)(g)(i)]			
Australia New Zealand Social Security Negotiations	6	Support	Paper notes progress in social security negotiations with Australia: outlines outstanding issues requiring consideration by Ministers; and directs officials to provide more detailed information on certain issues
[Withheld under s9(2)(g)(i)]			

*In Confidence*

[Information not relevant to Request]



*In Confidence*

**Recommended Action**

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We recommend that you read this report prior to the Cabinet Policy Committee meeting on Wednesday 8 November 2000 at 9.30am.

**Lesley Haines**  
Director – Policy, Coordination and Development

**Hon Dr Michael Cullen**  
Treasurer and Minister of Finance

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**Treasury Report: Briefing for Cabinet Policy Committee 8 November 2000**

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(Information not relevant to Request)



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## Australia New Zealand Social Security Negotiations

**Responsible Manager: Gerald Minnee**

### **Summary**

2. This paper provides a progress report on negotiations on revised bilateral social security arrangements with Australia.
3. Two rounds of meeting between New Zealand and Australian officials to date have confirmed the negotiability of the fresh approach to bilateral social security as envisaged by New Zealand Ministers, by replacing the current reimbursement arrangement with a new cost-sharing agreement covering only superannuation/age pensions, not increasing the value of New Zealand's fiscal contribution to Australia, and allowing Australia to manage its social security costs via domestic policy.
4. Australia's proposed method of managing its social security costs is by requiring New Zealand migrants to apply for Permanent Residence on the same basis as other migrants before becoming eligible for the full range of benefits and citizenship rights. This method would affect New Zealand migrants' access to a range of government assistance including income support, family tax credits, public housing, employment services, some health services, and possibly schooling.
5. The paper also raises two issues that Ministers will need to decide on before settlement is reached. The first is whether New Zealand should replicate Australia's proposed migration-based measures. The second is whether invalid benefits should be covered in the new cost-sharing agreement.

### **Recommended Action**

6. We recommend you support the paper.



	2001/02 (NZ\$m)	2002/03 (NZ\$m)	2003/04 (NZ\$m)	2004/05 (NZ\$m)	2001/02 (NZ\$m)	2002/03 (NZ\$m)	2003/04 (NZ\$m)	2004/05 (NZ\$m)
<b>Status Quo Reimbursement Cost</b>								
Status Quo Reimbursement Cost for New Zealand	129.53	141.07	154.44	160.38	180.55	176.34	193.04	210.48
Status Quo Reimbursement Cost for Australia	1.19	1.18	1.17	1.39	1.49	1.48	1.46	1.43
Add-on as per (CAB)(99) M18/05	15.00	-	-	-	18.75	-	-	-
<b>NZ's Reimbursement to Australia - Base Comparison</b>	<b>142.34</b>	<b>139.89</b>	<b>153.27</b>	<b>167.25</b>	<b>177.32</b>	<b>174.66</b>	<b>191.59</b>	<b>209.05</b>
<b>Grandparenting Cost of Interim Agreement</b>								
Cost of reimbursement cases to Australia	128.53	124.69	120.14	115.81	160.65	156.10	150.18	144.51
Cost of reimbursement cases to New Zealand	1.19	1.15	1.10	1.05	1.49	1.44	1.38	1.31
Add-on as per (CAB)(99) M18/05	15.00	-	-	-	18.75	-	-	-
<b>Grandparenting Payment to Australia</b>	<b>142.34</b>	<b>123.73</b>	<b>118.04</b>	<b>114.59</b>	<b>177.32</b>	<b>154.66</b>	<b>148.30</b>	<b>143.20</b>
<b>Cost of New Cost Sharing Agreement</b>								
Payment for new Age Pension cases in Australia	-	15.39	30.86	49.73	-	19.28	38.71	59.41
Payment for new Disability Support Pension cases in Australia	-	1.86	3.99	6.01	-	2.45	4.99	7.51
less receipts for new NZS cases in New Zealand	-	5.43	10.99	16.52	-	6.79	13.73	20.77
less receipts for IB cases in New Zealand	-	1.05	2.13	3.22	-	1.31	2.85	4.02
<b>Total Cost to NZ of Cost Sharing Agreement</b>	<b>-</b>	<b>10.87</b>	<b>21.94</b>	<b>32.91</b>	<b>-</b>	<b>13.58</b>	<b>27.30</b>	<b>41.03</b>
<b>Total Cost of Grandparenting and new Cost Sharing Agreement</b>	<b>142.34</b>	<b>134.50</b>	<b>140.88</b>	<b>147.47</b>	<b>177.82</b>	<b>168.25</b>	<b>176.10</b>	<b>184.33</b>
<b>Change from Base Comparison</b>	<b>-</b>	<b>(5.29)</b>	<b>(12.19)</b>	<b>(19.73)</b>	<b>(16.94)</b>	<b>(15.46)</b>	<b>(16.82)</b>	<b>(46.82)</b>

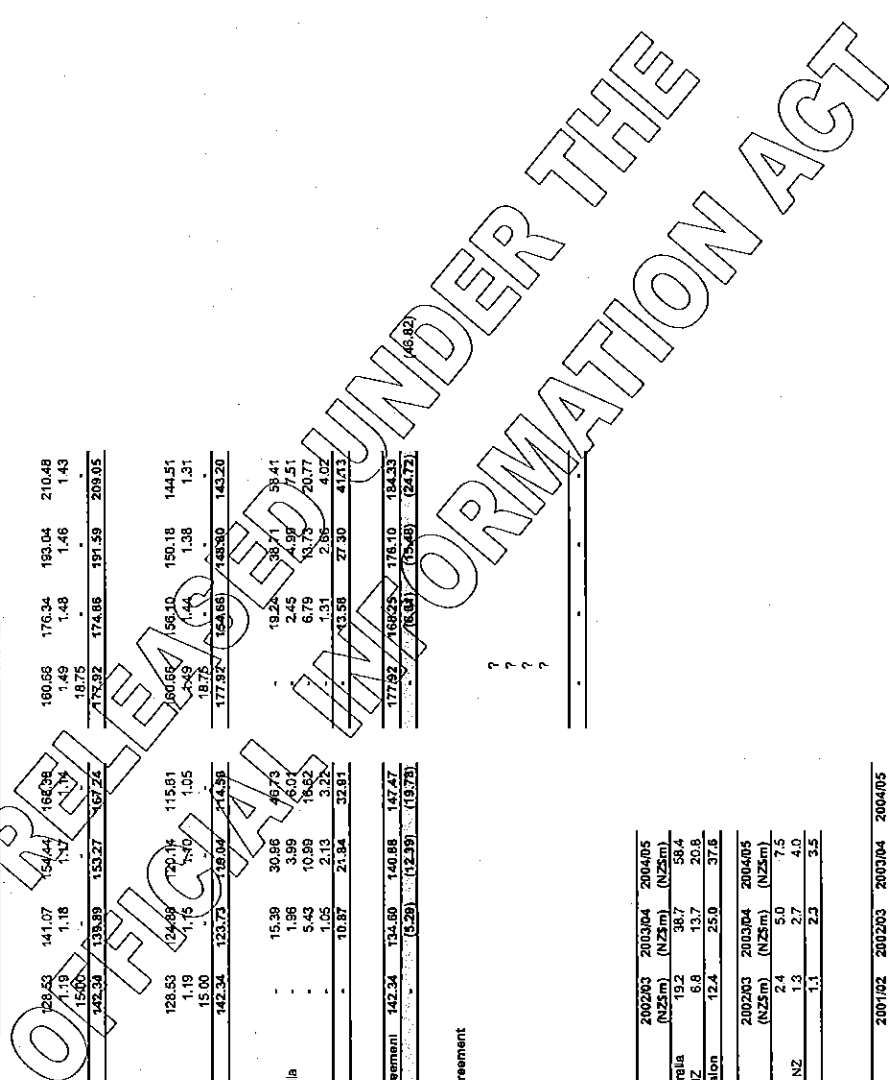
Operating Costs for Implementing New Cost Sharing Agreement

- Vote Immigration
- Vote Customs
- Vote Work and Income
- Vote Foreign Affairs
- Other

Total Operating Costs to Implement New Agreement

	2002/03 (NZ\$m)	2003/04 (NZ\$m)	2004/05 (NZ\$m)
Cost of payment for cost-sharing Age Pension cases in Australia	19.2	38.7	58.4
less Receipts from Australia for cost-sharing NZS cases in NZ	6.8	13.7	20.8
<b>Total Cost to NZ of cost-sharing agreement for Age Pension</b>	<b>12.4</b>	<b>25.0</b>	<b>37.6</b>
<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	
Cost of payment for cost-sharing invalid cases in Australia	2.4	5.0	7.5
less Receipts from Australia for cost-sharing invalid cases in NZ	1.3	2.7	4.0
<b>Total Cost to NZ of including Invalid Benefits</b>	<b>1.1</b>	<b>2.3</b>	<b>3.5</b>

	2001/02 (NZ\$m)	2002/03 (NZ\$m)	2003/04 (NZ\$m)	2004/05 (NZ\$m)
Cost of grandparented reimbursement cases to Australia	180.7	155.1	150.2	144.5
Cost of grandparented reimbursement cases to New Zealand	1.5	1.4	1.4	1.3
Net total add-on as per (CAB)(99) M18/05	18.8	-	-	-
<b>Grandparenting Payment to Australia</b>	<b>177.9</b>	<b>154.7</b>	<b>148.8</b>	<b>143.2</b>





COST OF ASSA OPTIONS VERSUS BASE COMPARISON

	COST TO NEW ZEALAND GOVERNMENT			COST TO NEW ZEALAND GOVERNMENT		
	2007/08 (\$4m)	2008/09 (\$4m)	2009/10 (\$4m)	2007/08 (NZ\$m)	2008/09 (NZ\$m)	2009/10 (NZ\$m)
2000 BEFU forecast	137.5	137.5	137.5	171.9	171.9	171.9
Status Quo for Cost for New Zealand	128.5	141.1	154.4	160.7	176.3	193.0
Status Quo for Cost for Australia	1.2	1.2	1.1	1.5	1.5	1.4
Adopt as per (CAB) (M18)9	15.0	16.0	15.0	16.8	18.8	18.8
NZ's Reimbursement to Australia - Base Comparison	142.3	154.0	163.3	177.8	193.8	210.3
Differences from 2000 BEFU	4.84	47.39	35.77	6.03	21.74	38.46

Cost Sharing Option	
Cost of reimbursement cases to Australia	128.5
Grandparented to old cases	130.1
1 Payment for new Disability Support Pension cases	10.9
0 Payment for new Parenting Payment Single cases	3.2
Total Payment to Australia	142.3
Cost of non-eligible cases returning to NZ	141.1
Less net payment received from Australia under Cost Sharing	12.2
Total Cost to NZ of Cost Sharing Option	128.9
Change from 2000 BEFU	1.4
Change from Base Comparison	1.4

Direct Payment Option (with NZ in AUSTRALIA RATES)	
Cost of reimbursement cases to Australia	128.5
Grandparented to old cases	130.1
1 Payment for new Disability Support Pension cases	10.9
0 Payment for new Parenting Payment Single cases	3.2
Total Payment to Australia	142.3
Cost of non-eligible cases returning to NZ (NZ\$m)	141.1
Grandparented payments from Australia	12.2
Total Cost to NZ of Direct Payment Option	128.9
Change from 2000 BEFU	1.4
Change from Base Comparison	1.4

Direct Payment Option (with NZ in AUSTRALIA RATES)	
Cost of reimbursement cases to Australia	128.5
Grandparented to old cases	130.1
1 Payment for new Disability Support Pension cases	10.9
0 Payment for new Parenting Payment Single cases	3.2
Total Payment to Australia	142.3
Cost of non-eligible cases returning to NZ (NZ\$m)	141.1
Grandparented payments from Australia	12.2
Total Cost to NZ of Direct Payment Option	128.9
Change from 2000 BEFU	1.4
Change from Base Comparison	1.4

Direct Payment Option (with NZ in AUSTRALIA RATES)	
Cost of reimbursement cases to Australia	128.5
Grandparented to old cases	130.1
1 Payment for new Disability Support Pension cases	10.9
0 Payment for new Parenting Payment Single cases	3.2
Total Payment to Australia	142.3
Cost of non-eligible cases returning to NZ (NZ\$m)	141.1
Grandparented payments from Australia	12.2
Total Cost to NZ of Direct Payment Option	128.9
Change from 2000 BEFU	1.4
Change from Base Comparison	1.4

Direct Payment Option (with NZ in AUSTRALIA RATES)	
Cost of reimbursement cases to Australia	128.5
Grandparented to old cases	130.1
1 Payment for new Disability Support Pension cases	10.9
0 Payment for new Parenting Payment Single cases	3.2
Total Payment to Australia	142.3
Cost of non-eligible cases returning to NZ (NZ\$m)	141.1
Grandparented payments from Australia	12.2
Total Cost to NZ of Direct Payment Option	128.9
Change from 2000 BEFU	1.4
Change from Base Comparison	1.4

**POLICY DESIGN CHOICES**

WLR denominator assumption: **4**

Age Pension: **25**

Disability Support Pension: **25**

Parenting Payment Single: **25**

Benefit type to be covered in new arrangement: **1**

Age Pension: **1**

Disability Support Pension: **0**

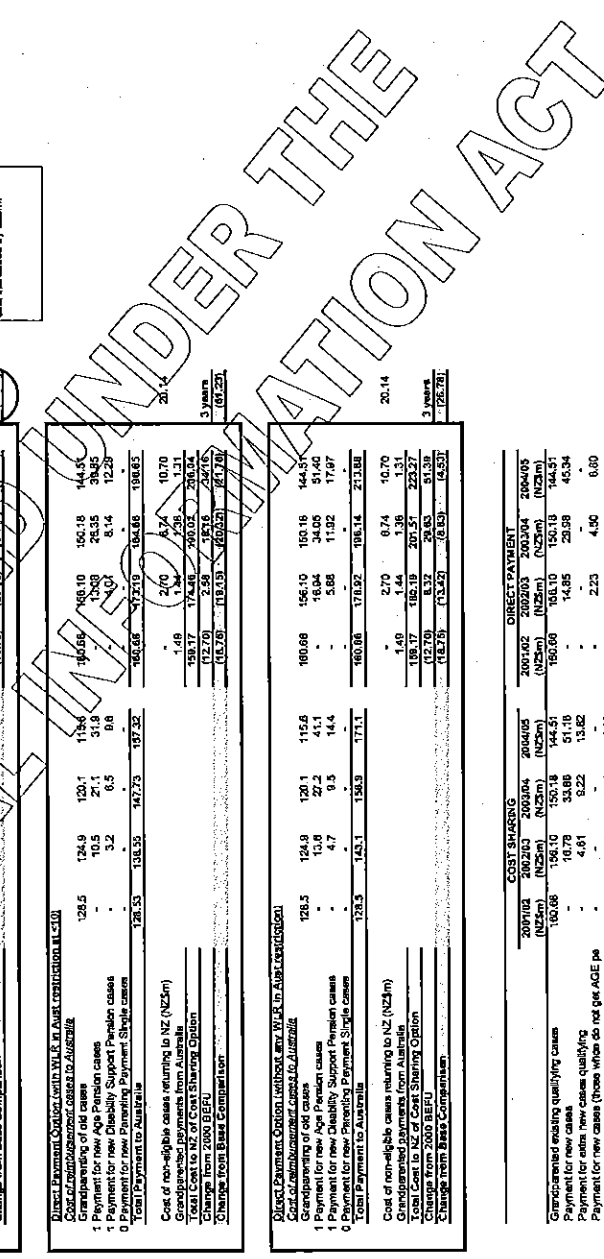
Parenting Payment Single: **0**

For Age Pension, allow (Natal) Gaters: **0**

For Orphan payment, use WLR or full rate: **WLR**

Payment Rules: **NZ**

But if worst case for Australia, the cost increases by \$25m.



TOTAL COST	
2007/08	171.9
2008/09	193.0
2009/10	195.47

TOTAL COST	
2007/08	171.9
2008/09	193.0
2009/10	195.47

TOTAL COST	
2007/08	171.9
2008/09	193.0
2009/10	195.47

**KEY POLICY DESIGN CHOICES**

Year of Grandparenting	2001/02	2002/03	2003/04	2004/05
Put a "V" under the year		V		

<b>WLR denominator assumption</b>	
Age Pension	45
Disability Support Pension	25
Parenting Payment Single	25

<b>Benefit type to be covered in new arrangement</b>	
Age Pension	1
Disability Support Pension	1
Parenting Payment Single	0

For Age Pension, allow Windfall Gainers (rich)?	0
---	---

For Direct payment, use WLR or full rate	X	WLR
		Full Rate

Average Core NZ payment rates for NZS (NZ\$)	X		1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
		Net	10,102	10,428	10,739	10,965	11,204	11,450
		Gross	12,053	12,468	12,867	13,150	13,448	13,762
		Tax rate	16.2%	16.4%	16.5%	16.6%	16.7%	16.8%

Average Core NZ payment rates for IB (NZ\$)	X		1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
		Net	9,714	10,027	10,327	10,544	10,774	10,927
		Gross	11,571	11,968	12,349	12,624	12,912	13,108
		Tax rate	16.0%	16.2%	16.4%	16.5%	16.6%	16.6%

Average Core NZ payment rates for DPB (NZ\$)	X		1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
		Net	11,230	11,283	11,629	11,914	12,152	12,313
		Gross	13,283	13,555	13,989	14,348	14,649	14,843
		Tax rate	16.7%	16.8%	16.9%	17.0%	17.0%	17.0%

**KEY PARAMETER ASSUMPTIONS**

AUD/NZD exchange rate assumption	2000/01	2001/02	2002/03	2003/04	2004/05
	0.77	0.8	0.8	0.8	0.8
Australian CPI assumption	4.7%	3.7%	2.3%	2.5%	2.5%

Based on NZIER September Quarterly Predictions  
Based on NZIER September Quarterly Predictions

Proportion of <10 WLR in Aust new cases becoming eligible	Under Cost Sharing:		Under Direct Payment:	
	Existing Stock	Migrants	Existing Stock	Migrants
Age Pension	100%	100%	90%	90%
Disability Support Pension	40%	40%	90%	90%
Parenting Payment Single	0%	0%	0%	0%

Proportion of non-eligible new cases returning to NZ	Under Cost Sharing:		Under Direct Payment:	
	Existing Stock	Migrants	Existing Stock	Migrants
Age Pension	20%	100%	20%	100%
Disability Support Pension	25%	100%	35%	100%
Parenting Payment Single	0%	100%	0%	100%

Big question mark over this

	Age Pension	Disability Support Pension	Parenting Payment Single
Windfall Gainers* (ie rich) who are not eligible for Age Pension but become eligible for NZS under Cost Sharing	0%		
% of extra new cases under Direct Payment due to more qualifying from existing NZ population in Aust	15%	15%	15%
Australians who are now eligible under Cost Sharing	10%	10%	10%

Number of WLR in NZ if ----->	<10 WLR in Australia	>=10 WLR in Australia	Windfall Gainers	Australians under Cost Sharing
Age Pension	30.10	17.50	22.50	5.90
Disability Support Pension	18.40	9.20		5.90
Parenting Payment Single	18.40	9.20		5.90

45.00

Attrition rate of stock due to:	Age Pension	Disability Support Pension	Parenting Payment Single
Attrition of current stock (death or no longer eligible)	6.1%	4.5%	8.0%
Current stock passing 10 years in Aust	0.0%	0.0%	0.0%
Outward migration of current stock	0.0%	0.0%	0.0%

REIMBURSEMENT CASES (New Zealanders with exp NZR in Australia, but not in New Zealand)

Category	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	Total
Age Pension	1,247	1,563	1,709	2,230	2,679	3,067	3,584	4,251	4,478	4,873	5,344	39,106
Disability Support Pension	2,051	2,048	2,031	1,803	1,708	1,638	1,565	1,483	1,401	1,319	1,237	18,816
Parenting Payment (Single)	228	242	252	262	272	282	292	302	312	322	332	3,412
Wife Pension (Disability)	286	1,150	805	550	400	250	100	50	25	12	6	3,077
Widow Pension (Age)	-	-	-	-	-	-	-	-	-	-	-	-
Widow Pension (Disability)	-	-	-	-	-	-	-	-	-	-	-	-
Parenting Payment (Age)	-	-	-	-	-	-	-	-	-	-	-	-
Partner Allowance (Age)	-	-	-	-	-	-	-	-	-	-	-	-
Partner Allowance (Disability)	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>3,752</b>	<b>5,003</b>	<b>5,397</b>	<b>6,095</b>	<b>6,667</b>	<b>7,205</b>	<b>7,809</b>	<b>8,419</b>	<b>8,916</b>	<b>9,532</b>	<b>10,222</b>	<b>79,626</b>

TOTAL NEW ZEALANDERS ON BENEFIT IN AUSTRALIA

Category	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	Total
Age Pension	14,415	16,371	17,106	22,320	26,791	30,791	35,420	40,679	42,541	45,126	48,147	444,106
Disability Support Pension	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	13,560
Wife Pension (Age)	450	206	206	206	206	206	206	206	206	206	206	2,454
Wife Pension (Disability)	791	443	443	443	443	443	443	443	443	443	443	5,315
Parenting Payment (Age)	20	24	24	24	24	24	24	24	24	24	24	288
Parenting Payment (Disability)	172	279	279	279	279	279	279	279	279	279	279	3,348
Partner Allowance (Age)	41	41	41	41	41	41	41	41	41	41	41	500
Partner Allowance (Disability)	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>17,079</b>	<b>19,494</b>	<b>20,229</b>	<b>26,742</b>	<b>32,274</b>	<b>36,874</b>	<b>42,873</b>	<b>49,383</b>	<b>50,685</b>	<b>53,232</b>	<b>56,216</b>	<b>521,326</b>

ALL CASES CATEGORIZED UNDER AGREEMENT BY LENGTH OF STAY IN AUSTRALIA (from detailed data supplied by Australia)

Category	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	Total
Age Pension	3,017	3,272	3,283	3,313	3,343	3,373	3,403	3,433	3,463	3,493	3,523	42,343
Disability Support Pension	1,028	1,028	1,028	1,028	1,028	1,028	1,028	1,028	1,028	1,028	1,028	12,336
Wife Pension (Age)	150	70	70	70	70	70	70	70	70	70	70	840
Wife Pension (Disability)	391	213	213	213	213	213	213	213	213	213	213	2,556
Parenting Payment (Age)	20	24	24	24	24	24	24	24	24	24	24	288
Parenting Payment (Disability)	172	279	279	279	279	279	279	279	279	279	279	3,348
Partner Allowance (Age)	41	41	41	41	41	41	41	41	41	41	41	500
Partner Allowance (Disability)	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>6,628</b>	<b>7,257</b>	<b>7,268</b>	<b>7,368</b>	<b>7,474</b>	<b>7,580</b>	<b>7,686</b>	<b>7,792</b>	<b>7,898</b>	<b>8,004</b>	<b>8,110</b>	<b>97,484</b>

ALL NEW ZEALANDERS ON BENEFIT IN AUSTRALIA BY LENGTH OF STAY IN AUSTRALIA (from detailed data supplied by Australia)

Category	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	Total
Age Pension	3,017	3,272	3,283	3,313	3,343	3,373	3,403	3,433	3,463	3,493	3,523	42,343
Disability Support Pension	1,028	1,028	1,028	1,028	1,028	1,028	1,028	1,028	1,028	1,028	1,028	12,336
Wife Pension (Age)	150	70	70	70	70	70	70	70	70	70	70	840
Wife Pension (Disability)	391	213	213	213	213	213	213	213	213	213	213	2,556
Parenting Payment (Age)	20	24	24	24	24	24	24	24	24	24	24	288
Parenting Payment (Disability)	172	279	279	279	279	279	279	279	279	279	279	3,348
Partner Allowance (Age)	41	41	41	41	41	41	41	41	41	41	41	500
Partner Allowance (Disability)	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>6,628</b>	<b>7,257</b>	<b>7,268</b>	<b>7,368</b>	<b>7,474</b>	<b>7,580</b>	<b>7,686</b>	<b>7,792</b>	<b>7,898</b>	<b>8,004</b>	<b>8,110</b>	<b>97,484</b>

Linear regression  
slope 0.02  
intercept 0.12  
currently unempowered  
currently participated  
currently disempowered

1997/98 1998/99 1999/00 2000/01 2001/02 2002/03 2003/04 2004/05 2005/06 2006/07 2007/08

1997/98 1998/99 1999/00 2000/01 2001/02 2002/03 2003/04 2004/05 2005/06 2006/07 2007/08

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1997/98 1998/99 1999/00 2000/01 2001/02 2002/03 2003/04 2004/05 2005/06 2006/07 2007/08

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1997/98 1998/99 1999/00 2000/01 2001/02 2002/03 2003/04 2004/05 2005/06 2006/07 2007/08



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2015-16 Budget  
City of Vancouver

Category	2015-16	2016-17	2017-18	2018-19	2019-20
Operating Expenses	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567
Capital Expenses	123,456	123,456	123,456	123,456	123,456
Total	1,358,023	1,358,023	1,358,023	1,358,023	1,358,023

2015-16 Budget  
City of Vancouver

Category	2015-16	2016-17	2017-18	2018-19	2019-20
Operating Expenses	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567
Capital Expenses	123,456	123,456	123,456	123,456	123,456
Total	1,358,023	1,358,023	1,358,023	1,358,023	1,358,023

2015-16 Budget  
City of Vancouver

Category	2015-16	2016-17	2017-18	2018-19	2019-20
Operating Expenses	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567
Capital Expenses	123,456	123,456	123,456	123,456	123,456
Total	1,358,023	1,358,023	1,358,023	1,358,023	1,358,023

2015-16 Budget  
City of Vancouver

Category	2015-16	2016-17	2017-18	2018-19	2019-20
Operating Expenses	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567
Capital Expenses	123,456	123,456	123,456	123,456	123,456
Total	1,358,023	1,358,023	1,358,023	1,358,023	1,358,023

2015-16 Budget  
City of Vancouver

Category	2015-16	2016-17	2017-18	2018-19	2019-20
Operating Expenses	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567
Capital Expenses	123,456	123,456	123,456	123,456	123,456
Total	1,358,023	1,358,023	1,358,023	1,358,023	1,358,023

2015-16 Budget  
City of Vancouver

Category	2015-16	2016-17	2017-18	2018-19	2019-20
Operating Expenses	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567
Capital Expenses	123,456	123,456	123,456	123,456	123,456
Total	1,358,023	1,358,023	1,358,023	1,358,023	1,358,023

2015-16 Budget  
City of Vancouver

Category	2015-16	2016-17	2017-18	2018-19	2019-20
Operating Expenses	1,234,567	1,234,567	1,234,567	1,234,567	1,234,567
Capital Expenses	123,456	123,456	123,456	123,456	123,456
Total	1,358,023	1,358,023	1,358,023	1,358,023	1,358,023

The image shows a vertical strip of five highly degraded, low-resolution images, possibly representing a document page. The images are extremely blurry and contain illegible text and graphics. The content is obscured by heavy noise and low resolution, making it impossible to discern any specific information.

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FORECAST OF REIMBURSEMENT CASES IN ABSENCE OF AGREEMENT ("STATUS QUO")

	1998/99	1999/2000	2000/01	Projections			
				2001/02	2002/03	2003/04	2004/05
<b>Age Pension</b>							
Total NZers on Age Pension	20,575	21,735	22,695	24,055	25,215	26,375	27,535
Average payment rates to Age Pension (A\$)	7,224	7,332	7,677	7,961	8,144	8,347	8,556
Total Cost of NZers on Age Pension (A\$m)	148.6	159.4	175.8	191.5	205.3	220.2	235.6
<b>Total NZers on Age Pension with &lt;10 WLR in Aust</b>							
Total NZers on Age Pension with <10 WLR in Aust	10,356	11,257	12,181	13,105	14,028	14,952	15,876
Average reimbursement rates paid by NZ (A\$)	8,288	8,382	8,682	8,930	9,089	9,266	9,448
Total Cost paid by NZ Government (A\$m)	85.1	94.8	105.4	117.2	127.4	138.6	149.8
Total Cost borne by Aust Government (A\$m)	9.7	10.7	12.1	13.5	14.8	16.2	17.6
<b>Total NZers on Age Pension with &gt;=10 WLR in Aust</b>							
Total NZers on Age Pension with >=10 WLR in Aust	10,219	10,478	10,714	10,950	11,187	11,423	11,659
Average payment rates to Age Pension (A\$)	7,224	7,332	7,677	7,961	8,144	8,347	8,556
Total Cost borne by Aust Government (A\$m)	73.8	75.6	82.2	87.2	91.1	95.4	99.8
Total Cost paid by NZ Government (A\$m)	65.1	71.8	81.4	90.8	99.4	108.6	118.2
Total Cost borne by Aust Government (A\$m)	83.5	87.5	94.4	100.7	105.9	111.5	117.3
Total Cost of NZers on Age Pension (A\$m)	148.6	159.4	175.8	191.5	205.3	220.2	235.6

check of cost paid by NZ  
check of total cost of NZers

	1998/99	1999/2000	2000/01	Projections			
				2001/02	2002/03	2003/04	2004/05
<b>Disability Support Pension</b>							
Total NZers on Disability Support Pension	7,599	8,259	8,819	9,379	9,939	10,499	11,059
Average payment rates to Disability Support Pension (A\$)	7,159	7,267	7,608	7,890	8,071	8,273	8,480
Total Cost of NZers on Disability Support Pension (A\$m)	55.1	60.0	67.1	74.0	80.2	86.9	93.8
<b>Total NZers on Disability Support Pension with &lt;10 WLR in Aust</b>							
Total NZers on Disability Support Pension with <10 WLR in Aust	2,320	2,933	3,270	3,607	3,944	4,281	4,618
Average reimbursement rates paid by NZ (A\$)	4,487	4,554	4,768	4,945	5,059	5,185	5,315
Total Cost paid by NZ Government (A\$m)	10.4	13.4	15.6	17.8	20.0	22.2	24.5
Total Cost borne by Aust Government (A\$m)	6.2	8.0	9.3	10.6	11.9	13.2	14.6
<b>Total NZers on Disability Support Pension with &gt;=10 WLR in Aust</b>							
Total NZers on Disability Support Pension with >=10 WLR in Aust	5,379	5,326	5,549	5,772	5,995	6,218	6,441
Average payment rates to Disability Support Pension (A\$)	7,159	7,267	7,608	7,890	8,071	8,273	8,480
Total Cost borne by Aust Government (A\$m)	38.5	38.7	42.2	45.5	48.4	51.4	54.6
Total Cost paid by NZ Government (A\$m)	10.4	13.4	15.6	17.8	20.0	22.2	24.5
Total Cost borne by Aust Government (A\$m)	44.7	46.7	51.5	55.2	60.3	64.7	69.2
Total Cost of NZers on Disability Support Pension (A\$m)	55.1	60.0	67.1	74.0	80.2	86.9	93.8

check of cost paid by NZ  
check of total cost of NZers

	1998/99	1999/2000	2000/01	Projections			
				2001/02	2002/03	2003/04	2004/05
<b>Parenting Payment Single</b>							
Total NZers on Parenting Payment Single	12,250	13,080	13,910	14,740	15,570	16,400	17,230
Average payment rates to Parenting Payment Single (A\$)	9,068	9,204	9,636	9,993	10,223	10,478	10,740
Total Cost of NZers on Parenting Payment Single (A\$m)	111.1	120.4	134.0	147.3	159.2	171.8	185.1
<b>Total NZers on Parenting Payment Single with &lt;10 WLR in Aust</b>							
Total NZers on Parenting Payment Single with <10 WLR in Aust	3,603	4,366	4,796	5,225	5,655	6,085	6,514
Average reimbursement rates paid by NZ (A\$)	2,968	3,013	3,154	3,271	3,346	3,430	3,516
Total Cost paid by NZ Government (A\$m)	10.7	13.2	15.1	17.1	18.9	20.9	22.9
Total Cost borne by Aust Government (A\$m)	22.0	27.0	31.1	35.1	38.9	42.9	47.1
<b>Total NZers on Parenting Payment Single with &gt;=10 WLR in Aust</b>							
Total NZers on Parenting Payment Single with >=10 WLR in Aust	8,647	8,714	9,114	9,515	9,915	10,315	10,716
Average payment rates to Parenting Payment Single (A\$)	9,068	9,204	9,636	9,993	10,223	10,478	10,740
Total Cost borne by Aust Government (A\$m)	78.4	80.2	87.8	95.1	101.4	108.1	115.1
Total Cost paid by NZ Government (A\$m)	10.7	13.2	15.1	17.1	18.9	20.9	22.9
Total Cost borne by Aust Government (A\$m)	100.4	107.2	118.9	130.2	140.2	151.0	162.2
Total Cost of NZers on Parenting Payment Single (A\$m)	111.1	120.4	134.0	147.3	159.2	171.8	185.1

check of cost paid by NZ  
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PERCENT OF NEW CASES BY NUMBER OF ADMITS (BY MONTH)

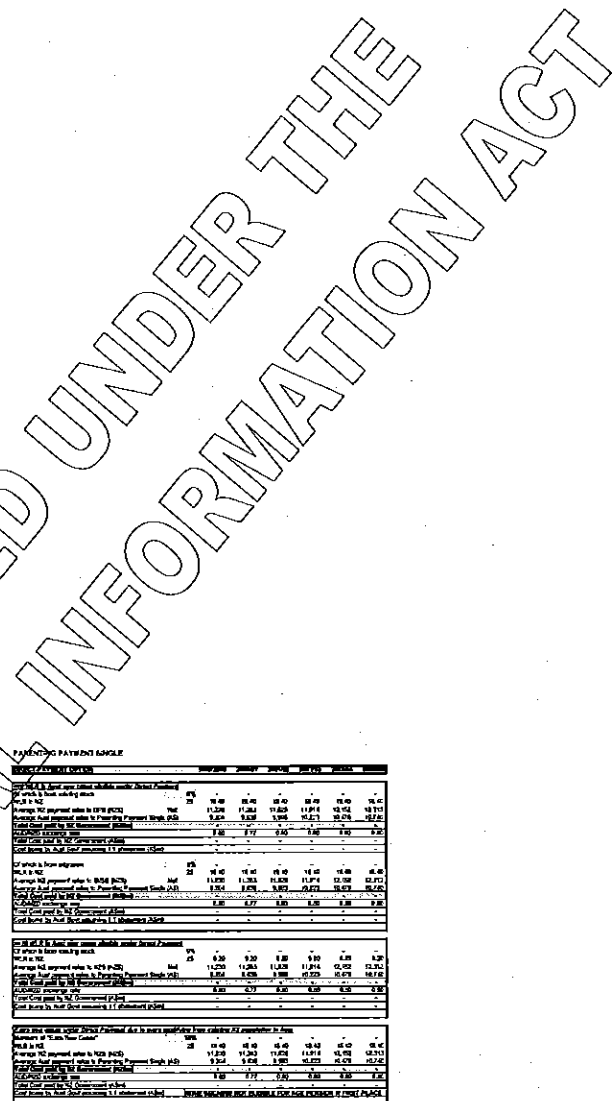
Month	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total Cases	1,511	1,384	1,251	1,119	979	829	703	578	451
Admitted	1,251	1,119	1,000	880	750	600	500	400	300
Discharge	260	265	251	239	229	229	203	178	151

Category	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total Cases on Pending Payment Single	12,380	12,380	14,740	15,270	14,420	14,420	12,720	11,270	10,270
Admitted	1,251	1,119	1,000	880	750	600	500	400	300
Discharge	1,126	1,113	1,178	1,341	1,391	1,391	1,220	1,172	1,170

Category	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total Cases on Pending Payment Single with 0-9 M, 10-19 M, 20-29 M, 30-39 M, 40-49 M, 50-59 M, 60-69 M, 70-79 M, 80-89 M, 90-99 M	1,251	1,119	1,000	880	750	600	500	400	300
Admitted	1,251	1,119	1,000	880	750	600	500	400	300
Discharge	1,126	1,113	1,178	1,341	1,391	1,391	1,220	1,172	1,170

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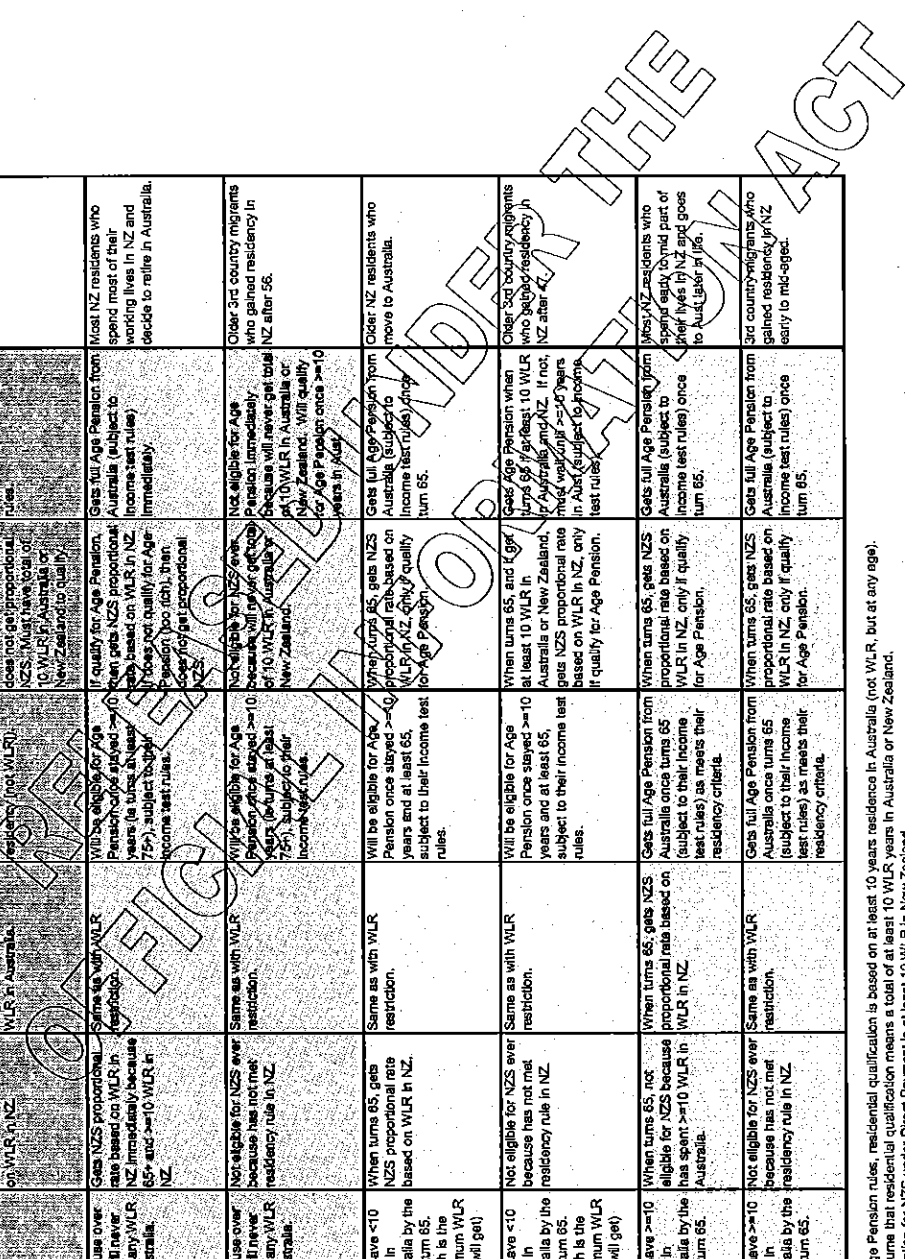
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Version: 7-Aug-15

Features at time of migration	WLR in NZ			WLR in Aust		Direct Payment		Cost Sharing		Types of people
	WLR in NZ	WLR in Aust	WLR in Aust (with WLR in Aust restriction at <10)	NZ Super (with WLR in Aust restriction)	Aust Age Pension	NZ Super	Aust Age Pension	Share of type In stock	Direct Payment	
Age 65+ goes to Australia	>=10 years WLR in NZ	Because over 65, will never have any WLR in Australia.	Gets NZS proportional rate based on WLR in NZ. Immediately because >=10 WLR in NZ.	Same as with WLR restriction.	Gets full Age Pension from Australia (subject to income test rules). If does not qualify for Age Pension (too rich), then does not get proportional NZS. Must have total of 10 WLR in Australia or New Zealand to qualify.	Gets full Age Pension from Australia (subject to income test rules). Immediately.	Most NZ residents who spend most of their working lives in NZ and decide to retire in Australia.	yes	yes	yes
Age 65+ goes to Australia	<10 years WLR in NZ	Because over 65, will never have any WLR in Australia.	Not eligible for NZS ever because has not met residency rule in NZ.	Same as with WLR restriction.	Will be eligible for Age Pension once stayed >=10 years (but not at least 75% subject to their income test rules).	Not eligible for Age Pension immediately because will never get total of 10 WLR in Australia or New Zealand. Will qualify for Age Pension once >=10 years in Aust.	Older 3rd country migrants who gained residency in NZ after 65.	no	no	no
<10 years before reaching 65 (ie between 55 and 64)	>=10 years WLR in NZ	Will have <10 WLR in Australia by the time turn 65, (which is the maximum WLR they will get)	When turns 65, gets NZS proportional rate based on WLR in NZ.	Same as with WLR restriction.	Will be eligible for Age Pension once stayed >=10 years and at least 65, subject to their income test rules.	Gets full Age Pension from Australia (subject to income test rules) once turn 65.	Older NZ residents who move to Australia.	maybe	yes	yes
<10 years before reaching 65 (ie between 55 and 64)	<10 years WLR in NZ	Will have <10 WLR in Australia by the time turn 65, (which is the maximum WLR they will get)	Not eligible for NZS ever because has not met residency rule in NZ.	Same as with WLR restriction.	Will be eligible for Age Pension once stayed >=10 years and at least 65, subject to their income test rules.	Gets Age Pension when turns 65 if great 10 WLR in Australia or New Zealand, based on WLR in NZ, only if qualify for Age Pension.	Older 3rd country migrants who gained residency in NZ after 47.	no	no	yes
>=10 years to 65 (ie <55)	>=10 years WLR in NZ	Will have >=10 WLR in Australia by the time turn 65.	When turns 65, not eligible for NZS because has spent >=10 WLR in Australia.	When turns 65, gets NZS proportional rate based on WLR in NZ.	Gets full Age Pension from Australia (subject to income test rules) once turn 65.	Gets full Age Pension from Australia (subject to income test rules) once turn 65.	Most NZ residents who spend early to mid part of their lives in NZ and goes to Aust later in life.	no/yes	no/yes	yes
>=10 years to 65 (ie <55)	<10 years WLR in NZ	Will have >=10 WLR in Australia by the time turn 65.	Not eligible for NZS ever because has not met residency rule in NZ.	Same as with WLR restriction.	Gets full Age Pension from Australia (subject to income test rules) once turn 65.	Gets full Age Pension from Australia (subject to income test rules) once turn 65.	Old country migrants who gained residency in NZ early to mid-aged.	no	no	yes

Notes: Under current Australian Age Pension rules, residential qualification is based on at least 10 years residence in Australia (not W.R. but at any age). In the Cost Sharing Option, we assume that residential qualification means a total of at least 10 WLR years in Australia or New Zealand. We assume that residential qualification for NZS under Direct Payment is at least 10 WLR in New Zealand.







**Treasury Report:** Negotiation of Social Security Arrangements with Australia - Meeting with Group of Ministers with Power to Act

<b>Date:</b>	20 November 2000	<b>Treasury Priority:</b>	High
<b>Security Level:</b>	In Confidence	<b>Report Nos:</b>	T2000/2327

**Action Sought**

	Action Sought	Deadline
Treasurer/Minister of Finance	Read prior to meeting with group of Ministers with Power to Act	4 pm Tuesday 21 November 2000
Associate Minister of Finance	Note the contents	As soon as possible

**Contact for Telephone Discussion (if required)**

Name	Position	Telephone	1st Contact
Gerald Minnee	Manager, Welfare and Housing	471 5152 (wk)	✓
Ross Judge	Director, Welfare and Law	471 5279 (wk)	



20 November 2000

SH/3/2/20/3

**Treasury Report:** Negotiation of Social Security Arrangements  
with Australia - Meeting with Group of Ministers  
with Power to Act

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**Executive Summary**

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The group of Ministers with Power to Act are meeting from 4 pm to 4.30 pm on Tuesday 21 November 2000 to discuss and consider the main outstanding issues in the negotiation of social security arrangements with Australia. A copy of the paper prepared for the meeting, which was referred to you by the Minister of Foreign Affairs and Trade, is attached.

This report updates you on progress in the negotiation of a new social security arrangement with Australia, and briefs you on the outstanding issues to be considered by the group of Ministers with Power to Act at the meeting.

**Recommended Action**

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We recommend that you:

**Negotiation of new arrangement**

- a **support** the negotiated agreement covering superannuation/age pension on a cost-sharing basis, where the *host* country would ensure retirees receive the core pension normally paid in the *host* country, less any portable pension received from the *other* country [refer to paragraph 4];
- b **support** the principle that New Zealand residents retiring in Australia should not be entitled to higher pensions than Australian residents, and vice versa [refer to paragraph 5];
- c **note** that the fiscal impact of the new agreement is broadly neutral over 2001/02 - 2004/05 [refer to paragraph 7];

[Withheld under s9(2)(g)(i)]

#### Australia's immigration measures

- e note that the introduction of the immigration measures would create two 'classes' of New Zealand citizens in Australia with different access rights to government services [refer to paragraph 13];
- f note that the economic and social impacts of the immigration measures are extremely difficult to quantify credibly prior to the event, but are likely to be dwarfed by macroeconomic factors in the long-term [refer to paragraphs 22 - 24];
- g do not support replication of Australian immigration measures;
- or
- h direct officials to do further work on the costs and risks of replication before committing to a decision [refer to paragraphs 25 - 26].

#### Communication strategy

- i signal the importance of endorsing the overall arrangement, but not Australia's immigration measures which are a matter of domestic policy [refer to paragraphs 27 - 28]; and

#### Resource and operational implications

- j note that additional resources are likely to be required for implementation of the new agreement, and provision of information to the public on Australia's immigration measures [refer to paragraphs 29 - 31].

Gerald Minnee  
Manager, Welfare and Housing  
for Secretary to the Treasury

Hon Dr Michael Cullen  
Treasurer/Minister of Finance

**Treasury Report: Negotiation of Social Security Arrangements  
with Australia – Meeting with Group of Ministers  
with Power to Act**

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**Purpose of Report**

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1. The purpose of this report is to:
  - a update you on progress in the negotiation of a new social security arrangement with Australia; and
  - b brief you on the outstanding issues to be considered by the group of Ministers with Power to Act at their meeting on Tuesday 21 November 2000.

**Analysis**

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**Negotiation of new arrangements**

2. Negotiations with Australia have progressed well. After three rounds of talks between New Zealand and Australian officials, tentative agreement has been reached on the broad outline of the new social security arrangement. Officials have also reached agreement on the scope and technical details of how the new cost-sharing agreement would operate, subject to Ministers' approval of the whole package.
3. The new agreement would cover superannuation/age pensions on a cost-sharing basis. This will allow New Zealanders and Australians<sup>1</sup> to claim pensions in each other's country once they have reached the age of 65, provided they had a total of 10 years' working life residence in Australia and/or New Zealand. Working life residence (WLR) is defined as between the ages of 20-65.
4. Each host country would ensure individuals covered under the agreement receive the core pension paid in that country, less the portable pension being received from the other country.<sup>2</sup> The portable pension received from the other country is based on the fraction of that individual's WLR in the other country. This effectively means that the individual will receive two payments, which added together, will total the pension entitlement in the host country. For example, a New Zealand resident with 35 years' WLR in New Zealand and 10 years' WLR in Australia who retires in Australia would receive a payment from New Zealand equivalent to 35/45<sup>th</sup> of the net New Zealand Superannuation rate, and another payment from Australia equal to the difference between the full Age Pension and the New Zealand Superannuation received.

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<sup>1</sup> The agreement would cover citizens, permanent residents and holders of Australian Special Category Visas (SCVs).

<sup>2</sup> Host country refers to the country the person retires/resides in. Other country refers to the other country party to the agreement.

5. Because means testing applies in Australia, officials have agreed to adopt the principle that individuals covered under the agreement should not reap so called "windfall gains". That is, future New Zealand pensioners in Australia would not be entitled to receive more than other Australian residents, and vice versa. This principle, which is inherent in the current reimbursement system, means that the portable amount of New Zealand Superannuation would be capped at the appropriate rate of Australian Age Pension, and vice versa.
6. An example of how the cost-sharing model operates is shown in Annex A.

***Fiscal implications of new arrangements***

7. We regard the fiscal impact of the new arrangements to be broadly neutral over 2001/02 – 2004/05, given that: the cost of the current reimbursement agreement (status quo) was expected to grow; the information constraints in modelling the cost of the new agreement and grand parented reimbursement payments; and the estimated effect of Australia's proposed immigration measures on New Zealand benefit expenditure.

**Table 1: Fiscal Impact of New Arrangements**

	2001/02 (NZ\$m)	2002/03 (NZ\$m)	2003/04 (NZ\$m)	2004/05 (NZ\$m)
Status quo cost	177.9	174.9	191.6	209.0
Cost of grandparenting reimbursements	177.9	154.7	148.8	143.2
Cost of new agreement	-	13.1	26.3	39.4
<b>Total Cost</b>	<b>177.9</b>	<b>167.8</b>	<b>175.1</b>	<b>182.6</b>
<b>Difference from status quo</b>	<b>-</b>	<b>(7.1)</b>	<b>(16.5)</b>	<b>(26.4)</b>
<i>Estimated impact of immigration measures</i>	7	12	18	24

*Note: Does not include the operational cost of administering the new agreement.*

8. Ministers should be aware of two key risks. The first is the long-term cost of the new agreement, which would rise each year as the stock of cases covered in the new agreement increases. Modelling the long-term liability of the new agreement is difficult because of information constraints, and uncertainty about how future labour market mobility and retirement migration patterns might develop under the new agreement. We suggest you direct officials to monitor the long-term cost of the new agreement, and develop a long-term cost model.
9. The second risk is the opportunity for individuals to arbitrage between Australia and New Zealand, taking advantage of the different policies with regards to means testing and the different pension entitlements. As this incentive already exists in the current arrangement, the new agreement would leave this situation neutral.

[Withheld under s9(2)(f)(iv)]

#### Australia's immigration measures

12. During the talks, officials have clarified the immigration measures Australia proposes to introduce next year. Australia's intention of requiring that, in future, New Zealand citizens need to apply and be granted Permanent Residence (PR) on the same basis as other migrants before becoming eligible for social security and citizenship, is twofold:
  - a to allow the Australian government to reduce its social security costs; and
  - b to address the Australian public's concerns over the so-called 'back-door' immigration perception from New Zealand.<sup>3</sup>
13. The immigration measures, once introduced, would effectively create two 'classes' of New Zealand citizens – those who hold Australian PR, and those who hold Special Category Visas (SCVs). The former would continue to have access to health, education and social security in Australia, while the latter would no longer be able to access social security and may have reduced access to health and education.
14. The SCV class would be relatively small at the start because New Zealand citizens ordinarily resident in Australia at the introduction of the measures will be deemed to have PR status. But, over time, the SCV class of New Zealand citizens would grow as net inflows add to the existing stock.

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<sup>3</sup> The proportion of non-New Zealand born migrants travelling to Australia under the TTTA has increased from 15% in the 1980s to around 24% in recent years. Of these, around 8% were born in the Pacific Islands and around 6% were born in Asia.

15. According to Australian officials, there was no original intention of creating any 'knock-on' effects for New Zealand citizens' access to other government services apart from social security. But access rules, which are tied to eligibility for social security, such as health cards, would be consequently affected. Eligibility for family tax benefit would not be affected because Australia is making changes to preserve SCV holders' access to the family tax benefit and related entitlements.
16. Access to education remains an outstanding issue. Access to primary and secondary education in Australia is the responsibility of the state governments. Currently, all states except for New South Wales and Queensland treat New Zealand citizens on a similar basis to Australian PRs, although they could choose to do otherwise. Some states may understandably view the immigration measures introduced by the Commonwealth Government as a signal to charge SCV holders full fees for primary and secondary education. Australian officials argue that the Commonwealth Government has limited influence on states to ensure the rights of New Zealand citizens to education are preserved.
17. New Zealand officials have also expressed concern at the fact that there would be SCV holders who have lived in Australia for a long period of time and contributed to Australian society, but would not be able to access social security should it be needed or acquire Australian citizenship. Australian officials have indicated that they will consider making some limited form of emergency benefit available to long-term SCV holders, but indicate that access to Australian citizenship for this group is unlikely apart from the normal channels.

*Implications of immigration measures*

18. Australia's immigration measures would have a direct impact on trans-Tasman migration flows. It will influence both the decision to migrate to Australia, and the length of stay once in Australia.
19. Currently, New Zealand citizens migrating to Australia have full access to health, education and social security. With the implementation of the immigration measures, potential future migrants would need to weigh up the costs of applying for PR (around A\$1,600 per application) against the benefits of full access to social security and other services in Australia. In effect, obtaining PR prior to migrating to Australia in future could be viewed as an 'insurance policy', with the premium being the one-off application fee and the cover being full access to social security and other services in case of adverse events.
20. Because PR grants in Australia are targeted towards young, healthy and highly skilled individuals, New Zealand citizens obtaining PR would be those less likely to require social security. Those unable to obtain PR would have, on average, a higher likelihood of requiring social security and other services at some point. Those not qualifying for PR would need to privately insure themselves against adverse events if they feel the benefits of such protection outweighs the cost of insurance premiums.

21. The immigration measures are likely to reduce future migration flows to Australia, but the magnitude of the effect is uncertain. Risk adverse New Zealand citizens who find either the cost of the PR application or private insurance premiums too excessive would decide against migrating or settling in Australia long-term. Others would discount the added risks and migrate anyway. Age structure, family composition and reason for migration would have significant bearing on the individual's risk profile.
22. The Ministry of Social Policy has estimated that benefit take-up in New Zealand will increase from NZ\$7 million in 2001/02, the year the immigration measures are introduced, rising to NZ\$24 million in 2004/05. This estimate is based on assumptions about the proportion of people who would have migrated, but decided against it because of the immigration measures, ending up on the New Zealand benefit system.
23. The estimate does not include potential positive effects for New Zealand. Not everyone who decides against migrating, or who returns earlier, would end up as a beneficiary. Many would contribute positively to New Zealand, rather than to Australia.
24. The economic and social impacts of the Australian immigration measures are extremely difficult to credibly quantify prior to the event. However, it is likely that the longer-term impacts, if any, are dwarfed by macroeconomic factors. For example, a 1% increase in inflation would increase benefit expenditure by around NZ\$110 million.

***Outstanding issue on immigration measures***

25. A further outstanding issue for Ministers to decide is whether to replicate the Australian immigration measures. Given the similarities between the two countries, and the favourable labour market participation of Australians in New Zealand, replicating the immigration measures could do more damage by restricting the number to Australia citizens coming to New Zealand. There is no evidence that New Zealand's current immigration system would deliver a better outcome if applied to Australian citizens. Also, New Zealand does not have the same level of concern with Australians' social security costs in New Zealand, or 'back-door' migration from Australia.
26. If Ministers still want to pursue replication on other grounds, then we suggest Ministers direct officials to do further work on the costs and risks of replication before committing to a decision.

**Communication strategy**

27. The proposed communication strategy requires further work, and needs to be dealt with carefully. It is important for the new agreement to be endorsed by both governments as a fresh approach to social security arrangements between both countries that is fresh and durable, and consistent with the principles underlying the Trans-Tasman Travel Arrangements (TTTA) and Closer Economic Relations (CER).



28. However, we suggest that Ministers make it clear that the Australian immigration measures are not part of the negotiated bilateral arrangements, but rather a matter of Australian domestic policy. New Zealand should not be seen in any way as endorsing or having any involvement in the immigration measures.

**Resource and operational implications**

29. New resources are likely to be required to:

- a provide technical, administrative and communication support to implement the new social security agreement; and
- b provide information and assistance to the public on the implications of the Australian immigration measures.

30. The Department of Work and Income, Ministry of Social Policy, New Zealand Immigration Service, New Zealand Customs Service, and the Ministry of Foreign Affairs and Trade have signalled they may require additional resources. More detailed information on resource and operational impacts will be provided for Cabinet's consideration of the final package.

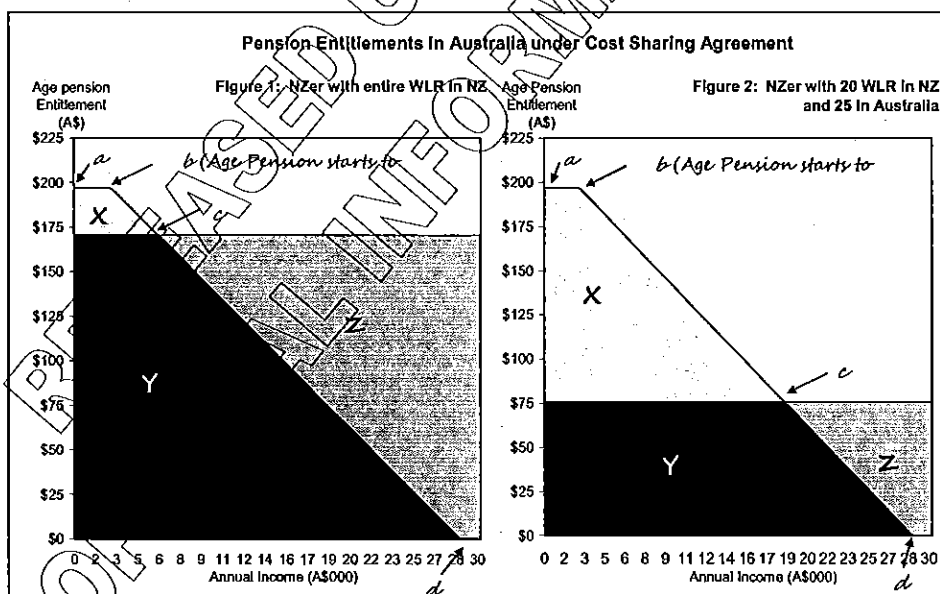
31. We see the main risk as being the operational costs for the Department of Work and Income in administering the new agreement. This risk can be managed by ensuring a robust business case is put forward for the most efficient delivery system.

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Annex A

The cost-sharing model – Australian example

32. Figures 1 and 2 below shows how the cost-sharing model adopted under the new agreement would operate in Australia. In both figures, the shaded areas X and Y are the Age Pension entitlement in Australia for a range of income.
33. Under Figure 1, a New Zealander covered under the agreement who retires in Australia (*host country*) would be entitled to the full net New Zealand Superannuation (NZS) rate from New Zealand (*other country*), because he/she has spent his/her entire working life in New Zealand. As long as that person's annual income is between point a and point c, he/she will receive the full NZS amount from New Zealand (shaded area Y). The Australian government would pay some Australian Age Pension (shaded area X) to 'top up' to the amount other Australian pensioners would get.

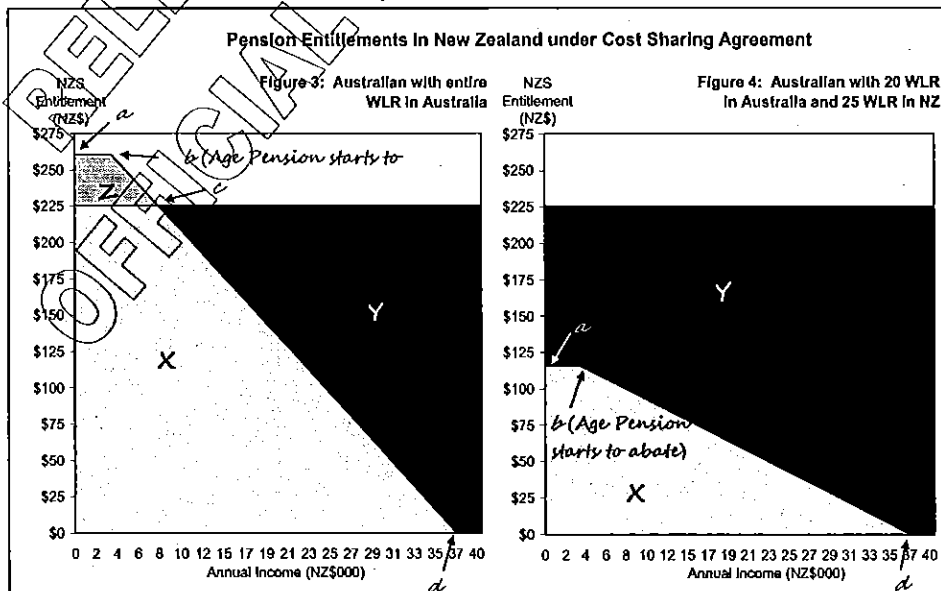


34. At point c, the amount of NZS payment equals the Age Pension entitlement; therefore the person would no longer receive any additional Age Pension from Australia. After point c, the NZS amount exceeds the core Age Pension entitlement. From this point onwards, the NZS amount would be adjusted down to the Age Pension entitlement, until point d where the person no longer receives any pension from either country. The shaded area Z shows the savings from capping the portable NZS amount.
35. Figure 2 shows the situation for a New Zealander retired in Australia with 20 years' working life residence (WLR) in New Zealand and 25 years' WLR in Australia. The only difference between Figure 2 from Figure 1 is the amount of NZS contribution from New Zealand (due to a lower WLR in New Zealand

fraction). Note that from point *b* (where the Age Pension starts to abate), Australia pays a diminishing share of the total combined pension cost. From point *c* to *d*, Australia pays zero Age Pension, even though the person has 25 years' WLR in Australia. We estimate that up to 25% of New Zealanders could be between point *b* and point *d*, and another 25% beyond point *d*.

**The cost-sharing model – New Zealand example**

36. Figures 3 and 4 below shows how the cost-sharing model adopted under the new agreement would operate in New Zealand. In both figures, the shaded areas X and Y are the NZS entitlement in New Zealand for a range of income. Because means testing does not apply in New Zealand, the area Y stretches out to infinity to the right.
37. Under Figure 3, an Australian resident covered under the agreement who retires in New Zealand (*host country*) would be entitled to the full Age Pension rate from Australia (*other country*), because he/she has spent his/her entire working life in Australia. Areas Z and X represents the full Age Pension rate the person is entitled to. Because of the principle that Australian pensioners in New Zealand would not be entitled to receive more than other New Zealand residents, the portable Age Pension would be capped to area X.
38. Between points *a* and *c*, the person would receive only Age Pension payments from Australia (shaded area X only). Between points *c* and *d*, the person will start receiving two payments, the Age Pension payments from Australia, and a 'top up' payment from New Zealand so that he/she is no worse off than other New Zealand pensioners. After point *d*, the person would receive one payment from New Zealand only.



39. Figure 4 shows the situation for an Australian retired in New Zealand with 20 years' WLR in Australian and 25 in New Zealand. Between points *a* and *d*, the person

will receive two payments – one from Australia equivalent to 20/45<sup>th</sup> of the equivalent Age Pension (shaded area X), and a 'top up' payment from New Zealand (shaded area Y). After point *d*, the person would only receive one payment from New Zealand.

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**Treasury Report: Briefing for Cabinet Policy Committee 13 December 2000**

<b>Date:</b>	12 December 2000	<b>Treasury Priority:</b>	Medium
<b>Security Level:</b>	In Confidence	<b>Report No.:</b>	T2000/2500

**Action Sought**

	<b>Action Sought</b>	<b>Deadline</b>
Treasurer/Minister of Finance	Read Prior to POL meeting	9:30am Wednesday 13 December 2000
Associate Minister of Finance	Read Prior to POL meeting	9:30am Wednesday 13 December 2000

**Contact for Telephone Discussion (if required)**

<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>
Lesley Haines	Director-Policy, Coordination and Development	471 5932 (wk)	Withheld under s9(2)(a)
Dr Alan Bollard	Secretary to the Treasury	471 5040 (wk)	✓

*In Confidence*

12 December 2000

PC/1/1

**Treasury Report:** Briefing for Cabinet Policy Committee 13 December 2000

**Executive Summary**

The following papers are on the Cabinet Committee agenda for Wednesday 13 December 2000.

AGENDA ITEM	PAGE NO	TREASURY RECOMMENDATION	COMMENT
[Information not relevant to Request]			
Australia-New Zealand Social Security Negotiations	9	Support	Paper seeks agreement on proposed new social security agreement with Australia, 2001/02 reimbursement amount to Australia, and decision not to replicate Australian immigration measures. Fiscal savings expected from overall arrangement
[Information not relevant to Request]			



*In Confidence*

## Australia-New Zealand Social Security Negotiations

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**Responsible Manager: Gerald Minnee**

### Summary

13. This paper seeks agreement on the proposed elements of the new social security agreement with Australia. The new agreement will cover superannuation and core benefits for the severely disabled on a cost sharing basis, to be implemented from 1 July 2002.
14. Agreement is also sought on two related issues: the reimbursement amount to be paid to Australia for 2001/02, and the decision not to replicate the Australian immigration measures.
15. The proposed new social security agreement with Australia is substantially the same to the one contained in the MFAT paper, provided to the group of Ministers with Power to Act in November (T2000/2327 refers).
16. Officials have managed to negotiate a new agreement which addresses Australia's social security concerns, is enduring, reasonably fair to both countries, and preserves the freedom of movement under the trans-Tasman Travel Arrangements. The overall arrangement is also expected to result in an overall saving to the Crown, which is a better outcome than the fiscally neutral starting negotiating position.

### Recommended Action

17. We recommend you **support** the paper.







Overall forecast

	6	7	8	9	10	11
99/00	00/01	01/02	02/03	03/04	04/05	
AGE	10808	11243	11682	12121	12560	12999
DSP	2784	3081	3377	3673	3970	4267
PPS	4482	4944	5405	5866	6328	6789
AGW	137	129	121	114	107	100
DSW	94	90	86	82	78	75
WID P	34	29	24	19	14	9
PPA	13	14	15	16	17	18
PPD	100	116	132	148	164	180
PTA	68	66	66	66	66	66
PTD	13	13	13	13	13	13
	14534	15723	16912	18101	19290	20479

	3	4	5	6	7	8
99/00	00/01	01/02	02/03	03/04	04/05	
10808	11243	11682	12121	12560	12999	

Old Cases / Grandparented

	01/02	02/03	03/04	04/05	
AGE	610%	11682	10969	10256	9543
DSP	4.50%	3377	3225	3080	2941
PPS	2.02%	5405	5414	4999	4599
AGW	6.10%	121	114	107	100
DSW	4.50%	86	82	78	75
WID P	5	24	19	14	9
PPA	6.10%	15	14	13	11
PPD	4.50%	132	126	120	115
PTA	6.10%	66	67	68	69
PTD	4.50%	13	12	12	11
	28928	28457	27986	27515	

Total New cases

	02/03	03/04	04/05
AGE	1322	2260	3327
DSP	418	890	1325
PPS	431	1328	2194
AGW	0	0	0
DSW	0	0	0
WID P	0	0	0
PPA	2	4	6
PPD	22	44	65
PTA	6	8	11
PTD	1	1	2
	2061	4533	6924

New cases - Existing Population (NZers in Aus)

	01/02	03/04	04/05	
AGE	0.0	691	1356	1992
DSP	0.0	358	712	1066
PPS	0.0	346	1063	2122
AGW	0.0	0	0	0
DSW	0.0	0	0	0
WID P	0.0	0	0	0
PPA	0.0	2	4	6
PPD	0.0	12	24	36
PTA	0.0	3	4	6
PTD	0.0	1	1	2
	1013	2173	4874	

New cases - Migrant Population

	02/03	03/04	04/05
AGE	461	904	1331
DSP	90	178	280
PPS	85	266	418
AGW	0	0	0
DSW	0	0	0
WID P	0	0	0
PPA	0	0	0
PPD	4	8	12
PTA	0	0	0
PTD	0	0	0
	641	1368	2056

Agreement cases - grandparenting

	01/02	03/04	04/05
AGE	2894	3117	3777
DSP	217	775	240
PPS	1340	1441	1038
AGW	0	0	0
DSW	0	0	0
WID P	0	0	0
PPA	7	6	6
PPD	20	18	16
PTA	37	35	33
PTD	4	4	4
	1243	1132	1044

	99/00	00/01	01/02	02/03	03/04	04/05
Total pensioner numbers forecast (including reimbursable cases)						
AGE	21735	22853	24055	25213	26375	27533
DSP	8259	8819	9379	9939	10499	11059
Total pensioner grandparented (1st July 2002)						
AGE			22588	21210	19916	
DSP			8957	8554	8169	
Total new cases			2627	5163	7619	
AGE						
DSP			582	1943	2890	
Currently non-reimbursable pensions						
AGE			1475	2903	4292	
DSP			524	1053	1563	

02/03 03/04 04/05  
Extra new cases qualifying for payments (the ones who do not qualify for Australian pensions)



All existing cases will be grand parented.  
Some new cases may be cross back to NZ due to not getting any income.  
Many will qualify from the existing NZ population in Aus under the new Criteria.

Status Quo Population

New cases - Existing Population (NZers in Aus)			
	0203	0304	0405
DSP	351	713	1065

Total New cases			
	0203	0304	0405
DSP	414	890	1317

New cases - Migrant Population			
	0203	0304	0405
DSP	00	178	301

Proportion that will be reimbursed under cost sharing

Number of new cases from existing that will be reimbursed

	0203	0304	0405	Avg WLR	
DSP	40%	113	283	634	118.4

Expected increase in new cases under cost sharing (NZers)

	0203	0304	0405
DSP	1.71	2.26	3.41

NZ born

95%

	0203	0304	0405	Avg WLR	
DSP	40%	34	68	101	98%

	0203	0304	0405
DSP	0.35	0.72	1.04

Other residency born

5%

	0203	0304	0405	Avg WLR	
DSP	40%	2	4	5	58%

	0203	0304	0405
DSP	0.02	0.04	0.03

assumed Exchange rates

	0203	0304	0405
DSP	1.48	3.02	4.55

Total (AUS\$) (DSP)

	0203	0304	0405
DSP	1.19	2.42	3.61

new cases qualifying - those who do not get Australian pensions

	0203	0304	0405
DSP	0	0	0

Number of cases (from migrant pop) to be paid in NZ

Assuming that those who will not qualify will cross back to NZ

	0203	0304	0405
DSP	54	107	159

NZers

AUS\$:

	0203	0304	0405
DSP	0.72	1.44	2.20

sub total NZers

	0203	0304	0405
DSP	0.72	1.44	2.20

70% IB

	0203	0304	0405
DSP	0.53	1.06	1.63

34% CW-SB

	0203	0304	0405
DSP	0.19	0.39	0.58

Number of cases (existing pop) to be paid in NZ

percentage return in NZ as they do not qualify

	0203	0304	0405	
DSP	253	54	107	159

	0203	0304	0405
DSP	0.72	1.44	2.20

sub total

	0203	0304	0405
DSP	0.72	1.44	2.20

Total

	0203	0304	0405
DSP	1.64	3.28	4.48

IB

	0203	0304	0405
DSP	0.53	1.07	1.63

CW-SB

	0203	0304	0405
DSP	0.19	0.39	0.58

Final new cases from existing population must not on reimbursement

	0203	0304	0405
DSP	181	328	477

Extra cost due to sharing cost of currently non-reimbursable cases

	0203	0304	0405
DSP	534	1035	1525

	0203	0304	0405	Avg WLR	
DSP	100%	214	422	626	9.2

	0203	0304	0405
DSP	0.83	1.67	2.52

	0203	0304	0405
DSP	534	1035	1525

	0203	0304	0405
DSP	214	422	626

	0203	0304	0405
DSP	0.83	1.67	2.52

	0203	0304	0405
DSP	982	1945	2890

	0203	0304	0405
DSP	982	1945	2890

	0203	0304	0405
DSP	0.83	1.67	2.52

	0203	0304	0405
DSP	982	1945	2890

	0203	0304	0405
DSP	982	1945	2890

	0203	0304	0405
DSP	0.83	1.67	2.52

Australians who have working life in NZ

	0203	0304	0405	Avg WLR	
DSP	10%	18	36	53	5.9

	0203	0304	0405
DSP	10544	10774	10927

	0203	0304	0405
DSP	0.01	0.09	0.14

	0203	0304	0405
DSP	0.01	0.09	0.14

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SOCIAL SECURITY ARRANGEMENTS WITH AUSTRALIA

	Assumed A\$/NZ\$ exchange rate =			
	02/03	03/04	04/05	04/05
millions	millions	millions	millions	millions
AS	NZ\$	NZ\$	NZ\$	NZ\$
Grandparented existing qualifying cases	174.79	110.40	106.18	132.73
<b>Age - pension</b>				
Cost sharing - Age bens (currently reimbursible)	8.09	16.22	24.40	30.51
Cost sharing - Age bens (currently not reimbursible)	5.03	10.13	15.29	19.11
Australians who has working life in NZ	0.13	0.27	0.48	0.50
<b>Sub Total - AGE</b>	<b>13.26</b>	<b>26.61</b>	<b>40.09</b>	<b>50.12</b>
<b>Disability Pensions</b>				
Cost sharing - Severely disabled	1.19	2.42	3.64	4.55
Cost sharing - Severely disabled (currently not reimbursible)	0.66	1.34	2.01	2.52
Australians who has working life in NZ	0.04	0.07	0.11	0.14
<b>Sub Total - Disability</b>	<b>1.89</b>	<b>3.83</b>	<b>5.76</b>	<b>7.20</b>
<b>Total cost</b>	<b>AS 129.93</b>	<b>140.84</b>	<b>152.04</b>	<b>190.05</b>
Cases to be paid in NZ (DSP)	1.44	2.50	4.30	

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**SOCIAL SECURITY ARRANGEMENTS WITH AUSTRALIA**

November 27 2000	AS/NZ\$ exchange rate =				0.78	0.8	0.8	0.8
	2001/02 (A\$m)	2002/03 (A\$m)	2003/04 (A\$m)	2004/05 (A\$m)	2001/02 (NZ\$m)	2002/03 (NZ\$m)	2003/04 (NZ\$m)	2004/05 (NZ\$m)
<b>Status Quo Reimbursement Cost</b>								
Status Quo Reimbursement Cost for New Zealand	117.00	127.36	136.87	146.78	150.00	159.20	171.09	183.48
Less: Status Quo Reimbursement Cost for Australia		1.20	1.17	1.16		0.50	1.47	1.45
Add-on as per [CAB(99) M18/6]	15	0	0	0	19.23	0	0	0
NZ's Reimbursement to Australia - Base Comparison	132.00	126.16	135.70	145.63	169.23	157.70	169.62	182.03
<b>Grandparenting Cost of Interim Agreement</b>								
Cost of reimbursement cases to Australia	117.00	114.79	110.40	106.18	150.00	143.49	138.00	132.73
Cost of reimbursement cases to New Zealand		1.16	1.11	1.06		1.45	1.38	1.33
Add-on as per [CAB(99) M18/6]	15	0	0	0	19.23	0	0	0
Grandparenting Payment to Australia	132.00	113.63	109.29	105.12	169.23	142.04	136.62	131.40
<b>Cost of New Cost Sharing Agreement</b>								
Payment for new Age Pension cases in Australia		13.26	26.61	40.09		16.57	33.27	50.12
Payment for new Disability Support Pension cases in Aust.		1.89	3.83	5.76		2.36	4.78	7.20
Less: receipts for new NZS cases in NZ with Aust. WLR		4.90	9.91	15.16		6.13	12.39	18.95
Less: receipts for IB cases in NZ with Aust. WLR		1.01	1.98	2.91		1.26	2.48	3.64
Total Cost to NZ of Cost Sharing Agreement		9.26	18.55	27.78		11.55	23.18	34.73
<b>Total Cost of Grandparenting and new Cost Sharing</b>	<b>132.00</b>	<b>122.87</b>	<b>127.84</b>	<b>132.90</b>	<b>169.23</b>	<b>153.58</b>	<b>159.80</b>	<b>166.13</b>
<b>Change from Base Comparison</b>	<b>\$0.00</b>	<b>(\$3.30)</b>	<b>(\$7.86)</b>	<b>(\$12.72)</b>	<b>\$0.00</b>	<b>(\$4.12)</b>	<b>(\$9.82)</b>	<b>(\$15.90)</b>

**Labour Market**

Estimated (preliminary) additional cost in NZ due to people not migrating to Australia or returning from Australia (see caveats in the main report) due to new Australian policy

Gross benefit payments (UB, IB, SB & DPB)	5.64	10.62	15.72	20.36
Supplementary assistance payments (AS, SNG & DA)	1.00	1.86	2.74	3.57
Total additional payments in NZ	6.64	12.48	18.47	23.93

NB: NZ\$/A\$ exchange rate is subject to movement

The contribution to the ACCU in all subsequent years

	2001/02 (NZ\$m)	2002/03 (NZ\$m)	2003/04 (NZ\$m)	2004/05 (NZ\$m)
Status Quo Cost	169.23	157.70	169.62	182.03
Cost of grandparenting reimbursements	169.231	142.038	136.616	131.403
Cost of new agreement - NZS/Age Pension	-	10.445	20.875	31.167
Cost of new agreement - Invalids	-	1.100	2.309	3.561
	169.231	153.583	159.800	166.131
	-	-	4.12	9.82
	-	-	-	15.90
	2001/02	2002/03	2003/04	2004/05
ASSA negotiated reimbursement payments (A\$m)	132.000	113.630	109.292	105.122
Based on 2000 DEFU exch rate assumption (AUD/NZD)	169.231	142.038	136.615	131.403
Based on 2000 BEFU exch rate assumption (AUD/NZD)	157.143	135.274	130.11	125.145
2000 DEFU exchange rate assumption (AUD/NZD)	0.78	0.8	0.8	0.8

2000 DEFU forecast (A\$m)	137 500	137 500	137 500	137 500
2000 DEFU forecast (NZ\$m)	176 282	171 875	171 875	171 875
2000 BEFU exchange rate assumption (AUD/NZD)	0.84	0.84	0.84	0.84
2000 BEFU forecast (A\$m)	137 500	137 500	137 500	137 500
2000 BEFU forecast (NZ\$m)	163 690	163 690	163 690	163 690
ASSA negotiated reimbursement payments compared to:				
2000 DEFU (A\$m)	(\$5 500)	(\$23 870)	(\$28 208)	(\$32 378)
2000 BEFU (A\$m)	(\$5 500)	(\$23 870)	(\$28 208)	(\$32 378)
Based on 2000 DEFU exch rate assumption (AUD/NZD)	(\$7 051)	(\$29 838)	(\$35 260)	(\$40 473)
2000 BEFU exchange rate assumption (AUD/NZD)	(\$6 548)	(\$28 417)	(\$33 581)	(\$38 545)
Change in appropriations	<u>(\$7 051)</u>	<u>(\$29 837)</u>	<u>(\$35 260)</u>	<u>(\$40 473)</u>

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**SOCIAL SECURITY ARRANGEMENTS WITH AUSTRALIA (Incorporates Agreed negotiated Grandparenting Cost)**

07-Aug-15	AS/NZ\$ exchange rate =				0.78	0.8	0.8	0.8
	2001/02 (A\$m)	2002/03 (A\$m)	2003/04 (A\$m)	2004/05 (A\$m)	2001/02 (NZ\$m)	2002/03 (NZ\$m)	2003/04 (NZ\$m)	2004/05 (NZ\$m)

**Status Quo Reimbursement Cost**

Status Quo Reimbursement Cost for New Zealand	117.00	127.36	136.37	146.78	150.00	169.20	171.09	183.48
Less: Status Quo Reimbursement Cost for Australia		1.20	1.17	1.16		1.50	1.47	1.45
Add-on as per [CAB(99) M18/6]	15	0	0	0	19.23	0	0	0
<b>NZ's Reimbursement to Australia - Base Comparison</b>	<b>132.00</b>	<b>126.16</b>	<b>135.70</b>	<b>145.63</b>	<b>169.23</b>	<b>157.70</b>	<b>169.62</b>	<b>182.03</b>

**Grandparenting Cost of Interim Agreement (Agreed negotiated Grandparenting Cost)**

Cost of reimbursement cases to Australia (with CPI)	117.00	104.08	90.76	81.81	150.00	130.10	113.45	102.26
Add-on as per [CAB(99) M18/6]	15				19.23	0	0	0
<b>Grandparenting Payment to Australia</b>	<b>132.00</b>	<b>104.08</b>	<b>90.76</b>	<b>81.81</b>	<b>169.23</b>	<b>130.10</b>	<b>113.45</b>	<b>102.26</b>

**Cost of New Cost Sharing Agreement**

Payment for new Age Pension cases in Australia		13.26	26.61	40.09		16.57	33.27	50.12
Payment for new Disability Support Pension cases in Aust.		1.89	1.83	5.76		2.36	4.78	7.20
Less: receipts for new NZS cases in NZ with Aust. WLR		4.90	3.91	15.16		6.13	12.39	18.95
Less: receipts for IB cases in NZ with Aust. WLR		1.01	1.98	2.91		1.26	2.48	3.64
<b>Total Cost to NZ of Cost Sharing Agreement</b>		<b>9.24</b>	<b>18.55</b>	<b>27.76</b>		<b>11.55</b>	<b>23.18</b>	<b>34.73</b>

<b>Total Cost of Grandparenting and new Cost Sharing</b>	<b>132.00</b>	<b>113.32</b>	<b>109.31</b>	<b>109.39</b>	<b>169.23</b>	<b>141.65</b>	<b>136.63</b>	<b>136.99</b>
<b>Change from Base Comparison</b>	<b>50.00</b>	<b>(\$12.85)</b>	<b>(\$26.39)</b>	<b>(\$16.03)</b>	<b>50.00</b>	<b>(\$16.06)</b>	<b>(\$32.99)</b>	<b>(\$45.04)</b>

**Labour Market**

Estimated (preliminary) additional cost in NZ due to people not migrating to Australia or returning from Australia (see caveats in the main report) due to new Australian policy

Gross benefit payments (UB, IB, SB & DPB)					5.64	10.62	15.72	20.36
Supplementary assistance payments (AS, SNG & DA)					1.00	1.86	2.74	3.57
<b>Total additional payments in NZ</b>					<b>6.64</b>	<b>12.48</b>	<b>18.47</b>	<b>23.93</b>

NB: NZ\$/A\$ exchange rate is subject to movement

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	2001/02 (NZ\$m)	2002/03 (NZ\$m)	2003/04 (NZ\$m)	2004/05 (NZ\$m)
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Status Quo Cost 169.23 157.70 169.62 182.03

Cost of grandparenting reimbursements 169.231 130.100 113.450 102.263

Cost of new agreement - NZS/Age Pension - 10.445 20.875 31.167

Cost of new agreement - Invalids - 1.100 2.309 3.561

169.231 141.645 136.634 136.991

- - 16.06 - 32.99 - 45.04

2001/02 2002/03 2003/04 2004/05

ASSA negotiated reimbursement payments (A\$m) 132.000 104.080 90.760 81.810

Based on 2000 DEFU exch rate assumption (AUD/NZD) 169.231 130.1 113.45 102.263

Based on 2000 DEFU exch rate assumption (AUD/NZD) 157.143 123.905 108.048 97.393

2000 DEFU exchange rate assumption (AUD/NZD) 0.78 0.8 0.8 0.8

2000 DEFU forecast (A\$m) 137.500 137.500 137.500 137.500

2000 DEFU forecast (NZ\$m) 176.282 171.875 171.875 171.875

2000 BEFU exchange rate assumption (AUD/NZD) 0.84 0.84 0.84 0.84

2000 BEFU forecast (A\$m) 137.500 137.500 137.500 137.500

2000 BEFU forecast (NZ\$m) 163.690 163.690 163.690 163.690

ASSA negotiated reimbursement payments compared to:

2000 DEFU (A\$m) (\$5.500) (\$33.420) (\$46.740) (\$55.690)

2000 BEFU (A\$m) (\$5.500) (\$33.420) (\$46.740) (\$55.690)

Based on 2000 DEFU exch rate assumption (AUD/NZD) (\$7.051) (\$41.775) (\$58.425) (\$69.613)

2000 BEFU exchange rate assumption (AUD/NZD) (\$6.518) (\$39.786) (\$55.643) (\$66.298)

Change in appropriations (\$7.051) (\$41.775) (\$58.425) (\$69.612)



December 2000 Cash savings (does not include the final negotiated grandparenting payments)

Vote Work and Income	In - increase (decrease)				GST	over 0 yrs
	2000/01	2001/02	2002/03	2003/04		
<b>Benefits:</b>						
Benefits Paid in Australia	-	(7,051)	(9,817)	(13,500)	(46,472)	n/a
New Zealand Superannuation	-	-	19,100	20,870	39,970	n/a
Include Benefits	-	-	1,100	2,300	3,561	n/a
Departmental Output Class: Services to Seniors (funded from revenue Crown)	2,485	-	-	-	-	Incl.
<b>Vote Social Services</b>						
Departmental Output Class: Policy and Purchase Advice (funded from revenue Crown)	0.120	-	-	-	-	Incl.
<b>Vote Transport</b>						
Departmental Output Class: Vets and Persons Management (funded from revenue Crown)	0.109	0.093	-	-	-	Incl.
<b>Total</b>	<b>2,774</b>	<b>-8,948</b>	<b>-18,293</b>	<b>-11,478</b>	<b>-5,744</b>	

Vote Work and Income	In - increase (decrease)				GST	over 0 yrs
	2000/01	2001/02	2002/03	2003/04		
Capital contributions to the Department:						
Capital investment	0.275	-	-	-	-	n/a

3,047 -8,948 -18,293 -11,618 -5,744

2,865

3,138

Cases to pay in Auct	2001/02	2002/03	2003/04
NZ cases	274	594	795
UK cases	411	813	1,009
<b>Total Cases under agreement</b>	<b>3153</b>	<b>8786</b>	<b>9181</b>

2.41 32.22 50.11  
2.26 4.28 7.20  
18.91 38.09 57.32

February 2001 ANS Cash savings (includes the final negotiated grandparenting payments)

Vote Work and Income	In - increase (decrease)				GST	over 0 yrs
	2000/01	2001/02	2002/03	2003/04		
<b>Benefits:</b>						
Benefits Paid in Australia	-	(7,051)	(11,775)	(18,455)	(69,612)	n/a
New Zealand Superannuation	-	-	10,443	20,870	31,161	n/a
Include Benefits	-	-	1,100	2,300	3,561	n/a
Departmental Output Class: Services to Seniors (funded from revenue Crown)	2,485	-	-	-	-	Incl.
<b>Vote Social Services</b>						
Departmental Output Class: Policy and Purchase Advice (funded from revenue Crown)	0.120	-	-	-	-	Incl.
<b>Vote Transport</b>						
Departmental Output Class: Vets and Persons Management (funded from revenue Crown)	0.109	0.093	-	-	-	Incl.
<b>Total</b>	<b>2,774</b>	<b>(8,948)</b>	<b>(18,293)</b>	<b>(11,478)</b>	<b>(64,884)</b>	

Vote Work and Income	In - increase (decrease)				GST	over 0 yrs
	2000/01	2001/02	2002/03	2003/04		
Capital contributions to the Department:						
Capital investment	0.275	-	-	-	-	n/a

3,047 -8,948 -18,293 -11,618 -5,744

2,865

3,138

Cases to pay in Auct	2001/02	2002/03	2003/04
NZ cases	274	594	795
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<b>Total Cases under agreement</b>	<b>3153</b>	<b>8786</b>	<b>9181</b>

2.41 32.22 50.11  
2.26 4.28 7.20  
18.91 38.09 57.32

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NZIS

new agreement	Project management	5000	5625	
new agreement	Systems	100000	112500	
new agreement	Legislative implications	5000	5625	
information	Communication/marketing/promotion	85000	95625	
information	Training	5000	5625	
information	Legal	1000	1125	
		201000	226125	
	15% contingency	231150	260043.75	15%
	GST	28893.75		12.50%
	<b>TOTAL</b>	<b>260043.75</b>		

new agreement	??		MSP	425000
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information	Contracted call centre and fulfilment process		DWI	715000
information	Info packs			193000
information	Postage overseas			5000
information	Direct mail in NZ			10000
information	Advertisements			297000
information	Internet material			3000
information	Media pack			3000
information	Changes to existing DWI forms and brochures			150000

new agreement				95000
new agreement				273000
new agreement				34000
new agreement				980000
new agreement				1109000

information				1478375
new agreement				2766750
				4245125

MSP

	Staff	Cost (\$)	Per unit (\$)
Forecasting and modelling	3	240000	80000
Senior Policy Analyst (outside of IPA)	1.5	130000	86666.67
Policy Analyst for IPA	1	55000	55000
	5.5	425000	77272.73

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123750 142312.5  
102375 117731.3

260043.8

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2 160000  
1 80000  
  
3 240000  
  
120000

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**THE TREASURY**  
Kaitiaki Takekōwhiri

**Treasury Report: Briefing for Cabinet Policy Committee 21 February 2001**

<b>Date:</b>	20 February 2001	<b>Treasury Priority:</b>	Medium
<b>Security Level:</b>	In Confidence	<b>Report No:</b>	T2001/184

**Action Sought**

	<b>Action Sought</b>	<b>Deadline</b>
Treasurer/Minister of Finance	Read prior to CBC meeting	9:30am Wednesday, 21 February 2001
Associate Minister of Finance (Hon Trevor Mallard)	Read prior to CBC meeting	9:30am Wednesday, 21 February 2001
Associate Minister of Finance (Hon Paul Swain)	Read prior to CBC meeting	9:30am Wednesday, 21 February 2001

**Contact for Telephone Discussion (if required)**

<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>
Lesley Haines	Director, Policy Coordination and Development	471 5932 (wk)	Withheld under s9(2)(a) ✓
Dr Alan Bollard	Secretary to the Treasury	471 5040 (wk)	

*In Confidence*

20 February 2001

PC/1/1

**Treasury Report: Briefing for Cabinet Policy Committee 21 February 2001**

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**Executive Summary**

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The following papers are on the Cabinet Policy Committee agenda for Wednesday 21 February 2001.

[Information not relevant to Request]

Australia-New Zealand Social Security Agreement	8	<b>Support</b>	This paper asks Ministers to authorise New Zealand's signature of the draft bi-lateral social security agreement with Australia
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[Information not relevant to Request]

*In Confidence*

[Information not relevant to Request]

**Recommended Action**

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We recommend that you read this report prior to the Cabinet Policy Committee meeting on Wednesday 21 February 2001 at 9:30am.

**Lesley Haines**  
Director, Policy Coordination and Development  
for Secretary to the Treasury

**Hon Dr Michael Cullen**  
Treasurer/Minister of Finance

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[Information not relevant to Request]



*In Confidence*

## Australia-New Zealand Social Security Agreement

**Responsible Manager: Gerald Minnee**

### **Summary**

13. This paper asks Cabinet to authorise New Zealand's signature of a new bilateral social security agreement with Australia. Officials have completed the agreement within the parameters endorsed by Cabinet on 18 December 2000, and it is due to be officially announced next Monday (26 February).
14. The savings from the agreement are higher than indicated in December by about \$64 million over three years. This is due to a favourable deal being struck relating to payments for New Zealanders in Australia who will continue to be covered by the old agreement.

### **Recommended Action**

15. We recommend you support the paper's recommendations.

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[REDACTED]



**THE TREASURY**  
Kaitiaki Take Kōwhiri

**Treasury Report: Trans-Tasman Migration: Evidence and Policy Implications**

<b>Date:</b>	10 April 2001	<b>Treasury Priority:</b>	Ministerial Deadline
<b>Security Level:</b>	In Confidence	<b>Report No.:</b>	T2001/526

**Action Sought**

	Action Sought	Deadline
Treasurer/Minister of Finance	Read Refer copies on to other interested ministers	None
Associate Minister of Finance (Hon Trevor Mallard)	None	N/A
Associate Minister of Finance (Hon Paul Swain)	None	N/A

**Contact for Telephone Discussion (if required)**

Name	Position	Telephone	1st Contact
Peter Bushnell	Deputy Secretary to the Treasury	4715-176 (wk)	Withheld under s9(2)(a) ✓
[Withheld under s9(2)(a)]		Withheld under s9(2)(a)	

## Treasury Report: Trans-Tasman Migration: Evidence and Policy Implications

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### Executive Summary

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The attached paper contains an analysis of trans-Tasman migration, and some policy tensions and opportunities. This paper was sent to your office on the 21<sup>st</sup> of March 2001 for your information.

This paper was presented at the "*Strategic Responses to Integration Pressures: Lessons from Around the World*" seminar at Harvard University (29-30 March 2001). The idea of the seminar was to use the experience of a small number of country pairs to discuss issues related to economic integration. The speakers and the audience were high-level policy-makers and leading academics.

Questions raised in the paper:

1. Is there a brain drain?
2. Has economic integration with Australia led to a brain drain?
3. What are the policy implications of the above?

Evidence, as detailed in the paper, suggests that the answers to these questions are as follows:

#### 1. Brain Drain

With respect to flows between New Zealand and the rest of the world:

- over the last 40 years, migration flows indicate that departing NZ-born are being replaced by a slightly larger inflow of immigrants;
- while there have been net outflows recently, they are small and cyclical, have happened many times before, and they follow a long period of net inflows. In the long term (e.g. 10-year and 40-year perspectives), New Zealand is still gaining in terms of numbers;
- recent arrivals have contained a greater proportion of people in the "high-skilled" category than have departures, although the ability of migrants to integrate into New Zealand is an important issue.

With regard to flows between New Zealand and Australia:

- net flows from New Zealand to Australia are large and volatile;
- however, these NZ-Australia flows seem to be across the whole skill distribution, rather than concentrated in the "high-skilled" category

## 2. Relationship Between Economic Integration and Brain Drain

The paper suggests that economic integration with Australia has not led to a brain drain for two reasons:

- the flow of New Zealanders to Australia is representative of the population of New Zealand and is not biased toward the high-skilled; and
- the flow began in the late 1960s, which predates the deepening of economic links that occurred in the 1980s.

## 3. Policy Implications

Imbalances in trans-Tasman migration flows have led to some policy tensions. The paper discusses two particular areas of tension. The first is Australia's concern that some third country migrants who would not have qualified under Australian criteria have been seeking entry through the "backdoor" by migrating first to New Zealand. Small differences in the criteria used by the two countries for selecting skilled migrants have been tolerated so far.

The second concern relates to the fiscal cost of social security payments between the two countries. The new Australia-New Zealand Social Security Agreement, deals with this tension by having each government make its own payments directly to the recipient based on the percentage of working life in a country.

While tensions have arisen between New Zealand and Australia as a result of the continuing imbalance in migration, integration has also helped open up options for better policy design. In this context, the paper discusses the Trans-Tasman Mutual Recognition Arrangement which, among other things, increases opportunities for New Zealanders and Australians to work in each other's country.

### Recommended Action

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We recommend that you note the contents of this paper and refer copies on to other interested ministers. Should you wish further information on any of the specific parts of the paper, we would be happy to provide this.

**Peter Bushnell**  
Deputy Secretary to the Treasury

**Hon Dr Michael Cullen**  
Treasurer/Minister of Finance

Referred to:

**Hon Jim Anderton**  
Minister for Economic Development

Yes / No

**Hon Trevor Mallard**  
Minister of Education

Yes / No

**Hon Margaret Wilson**  
Minister of Labour

Yes / No

**Hon Lianne Dalziel**  
Minister of Immigration

Yes / No