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DEPARTMENT BRIEFS: A Trans Tasman Report

In this special report, which is the third in a series, we look at some of the powerhouses of Govt: the Departments shaping the policies which the Clark administration is driving forward.

The Depts play a key role in developing and modifying policy initiatives, and these Briefs look at their workings, their morale, changes they've faced, challenges they're facing, and the role of their Ministers and HODs.

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III State Services Commission

"Tell the Minister to get over it," was Deputy State Services Commissioner *Iain Rennie's* advice to *Hugh Logan* when the Ministry for the Environment Chief raised the Minister *David Benson-Pope's* objections to *Madeleine Setchell's* employment by the Ministry. Had Rennie's advice been taken, a lot of trouble would have been avoided. Rennie takes over as State Services Commissioner on 1 July, and it can only be hoped his robust approach continues. There have been growing concerns about a more politically aligned public service emerging over the past few years, and the SSC has to be at the head of any fight-back for the principle of public service neutrality.

Big Changes. The Commission has undergone a renaissance since Labour took power at the end of 1999. While not the powerhouse rival to Treasury it once was, the Commission is no longer sidelined. Indeed, some less-than-happy incidents in the public service have thrust it, at times blinking rather uncertainly, into the limelight. The current imbroglio over Immigration Service executive *Mary Anne Thompson* is only the latest.

Electronic Transactions. The Commission is also at the heart of e-Govt initiatives to make more transactions happen in electronic format. Another area has been the state sector retirement savings scheme, which has been to a certain extent superseded by KiwiSaver. The employer contribution was initially by the SSC - \$116m, or more than half the SSC's budget.

Higher Standards. In a broader context the Commission is also in charge of delivering better co-ordination across an increasingly complex state sector to a population which is growing more diverse. The briefing to incoming Minister *David Parker* also noted people's expectations of delivery are higher now from private sector businesses and services they deal with, and they have similar expectations for the public sector. This is something *Tony Blair's* Labour Govt in the UK made quite a big deal about: Blair told a rather reluctant British Labour Party people have greater choice right across their lives now and will not take a one size fits all approach from private firms, and the same goes for the public sector. Ministers in NZ have not taken the same approach, so it is intriguing to see a whiff of it in the Commission's thinking. If there is a change of Govt at the end of the year, the Commission is going to bear the initial brunt of the pressure if National is true to its word about tackling the "bloated bureaucracy."

- Concerns over political interference
- Better co-ordination of service delivery important.
- Will a new Govt change the approach?

Address:	100 Molesworth St, Thorndon, P O Box 329, Wellington. Ph: (04) 495 6600. Web: www.ssc.govt.nz .	
Senior Staff:	<i>Minister In Charge:</i> David Parker. <i>Key Staff:</i> Commissioner Iain Rennie (from 1 July). <i>Deputy Commissioner Development:</i> Helene Quilter. <i>Deputy Commissioner Information and Communication Technologies:</i> Laurence Millar.	
Budget:	State Services: \$205.3m (2003: \$60.6m)	Staff: 220 (2003: 153)

III Customs Department

One of the oldest Govt Departments - the first Controller of Customs arrived in NZ on the same boat which brought Captain Hobson to sign the Treaty of Waitangi. Back then it had a major tax gathering function - something which it has less of these days. The Department was briefly abolished in 1844, with the advent of a property tax and the NZ Govt's attempt at a self-reporting tax regime. Since NZers then reported they had very little tax to pay, the Department was re-established in 1845.

Big Money. These days Customs collects just under \$9.5bn in excise duties each year. There is plenty to declare, though, in other areas. General border management is more the job these days, or more particularly, border risk management. Increased flows of trade, tourism, along with growing concerns over drug trafficking, terrorism and bio-security are all key themes.

The trafficking of pirated software and other goods which breach copyright laws is another increasing, and increasingly difficult, part of the Department's role. Customs also advises on any trade agreements NZ enters into. The Department is also working very closely with the US on border issues. NZ was one of the first to join the US "Secure Border" programme.

Protecting The Border. The Department is also the "lead agency" for co-coordinating other border-related risks - eg. it is in charge of planning and coordinating any response to an avian flu pandemic. NZ's traditional links with Pacific Island countries are also a focus, from a security as well as a trade point of view. Customs NZ is working with its Aust counterparts to build better border security mechanisms and processes in the region.

- Old venerable Department.
- Responsible for major monetary collection.
- Protects NZ's borders.

Address:	P O Box 2218, The Customhouse, 17-21 Whitmore Street, Wellington. Ph: (04) 473 6099. Web: www.customs.govt.nz		
Key Staff:	Minister In Charge: Nanaia Mahuta. Senior Staff: Comptroller of Customs: Martyn Dunne. Deputy Comptroller (Operations): Robert Lake. Deputy Comptroller (Policy, People & Resources): John Secker.		
Budget:	\$134m (2003: \$72.2m)	Staff:	1300 (2003: 771)

III Ministry Of Defence And NZ Defence Force

One of the best jokes of the *Helen Clark* era has been defence spending. Often lambasted as a creeping peacenik tree-hugging crypto-Marxist Govt, the irony is spending on defence has nearly doubled, much of it while *Mark Burton*, a former peace activist, was Minister. The Budget for the Defence Force and the Ministry of Defence was, respectively, \$1.582bn and \$9m in 1999: in the most recent Budget it was \$2.6bn and \$200m respectively. A \$1.2bn capital injection was also flagged in the 2008 Budget. A National-led Govt which had overseen a similar increase would have been subject to vociferous protests. The funny part is defence spending is now lumped under "national identity" in the Budget announcements each year. But acquisition projects are running into delays and cost over-runs eg upgrades to aircraft and snags with the Navy's new ships.

Change Of Focus. There has been a concerted effort, since the Defence Beyond 2000 report, to switch NZ's approach to "depth not breadth." The axing of the *Skyhawk* strike force was one aspect of this. There are now just under 14,000 people in the NZ Defence Force and slightly more than half of these are in the Army. The most recent Select Committee report on the Ministry and the Defence Force indicates what we have is still spread too thinly.

Personnel Shortage. Getting enough people is the main problem. Five of the country's land combat units are reported to be staffed at less than 80% capacity. The country's military intelligence company has only 41% of the complement it should have. Recruiting people with the right technical skills is a particular difficulty. NZ's overseas commitments are numerous - there are 13 in all, from Afghanistan to the US - and some, like the Solomons and Timor Leste, are in excess of what was initially agreed with NZ's partners. "Staffing levels remain a significant risk to the delivery of operational outputs" the most recent NZDF report notes.

- Spending has rocketed, but still trails Aust.
- New approach to the way NZ defence forces act.
- Recruitment becoming a major issue.

Address:	P O Box 12703, Defence House, 2-12 Aitken Street, Wellington. Ph: (04) 496 0999. Web: www.defence.govt.nz ; www.nzdf.mil.nz		
Key Staff:	Minister In Charge: Phil Goff. Chief of Defence Force: Lieutenant General Jeremiah (Jerry) Mateparae. Secretary Of Defence: John McKinnon. Deputy Secretary Of Defence (Policy and Planning): Pending. Acting Deputy Secretary Of Defence (Acquisition): Kevin McMahan. Deputy Secretary Of Defence (Evaluation): Merus Cochrane. Deputy Secretary Of Defence (Corporate): Zane Kidd.		
Budget:	NZ Defence Force \$2.62bn (2003 \$1.59bn) and Ministry of Defence \$200m (2003 \$11.7m)		
Staff:	Ministry of Defence: 60 (2003: 49). Defence Force: 13,552 (2003: 12,904).		

III NZ Police

Not a happy one, the lot of the NZ Police, at least if you go by the headlines. From being caught up in the difficult anti-terrorism action in October last year, to the high profile trials involving high ranking former or current senior police officers, and controversies over the use of tasers. The announcement combat rifles are to become the preferred weapons of choice is also likely to become another focal point of protest. There is a boost in police numbers flagged in the recent Budget.

Staffing Critical. The long-term goal is to have police officer ratios in line with those of Aust by 2010. "The amount of funding that could be required is unclear," notes the Budget documentation. This comes after 1000 more new front line police and 250 administration staff were added over 2006-08. NZ is also deploying more police overseas, in places such as Timor Leste, Tonga and the Solomons, and it is set to cost an additional \$20m a year. Locally, the "P" epidemic has

been a big focus – the Police busted 193 labs last year. However, Commissioner *Howard Broad* notes the general increase in demands on Police each year and told MPs late last year the main drug causing problems is alcohol. He says “*somewhere between 50 to 70 percent of police work derives in some manner from the influence or the abuse of alcohol.*”

White Collar Crime A Target. The abolition of the Serious Fraud Office and its replacement with a new Organised Crime Agency will also add to police work. The agency will report to the Commissioner of Police (and will, unlike the Serious Fraud Office, come under the jurisdiction of the Police Complaints Authority). The Govt is also in the middle of a re-write of the 1958 Police Act, and senior Police officials have been heavily involved in the process.

- **Police under pressure after “spectacular” operations.**
- **Recruitment will still be a problem.**
- **White collar crime will be a focus.**

Address:	PO Box 3017, 180 Molesworth Street, Wellington. Ph: (04) 474 9499. Web: www.police.govt.nz
Key Staff:	<i>Minister In Charge:</i> Annette King. <i>Commissioner:</i> Howard Broad. <i>Deputy Commissioners:</i> Lyn Provost, Rob Pope.
Budget:	\$1.445bn (2003: \$960m). Staff: 11,120 (2003: 9548)

III Department of Corrections

The role of Minister of Corrections has become regarded in much the same way Minister of Labour was in the 1970s. Some time back a National MP taunted then-Minister Damian O'Connor with how delighted former Minister Paul Swain was to get shot of the job, and the House was treated to emphatic grins and nods from Swain himself. More recently *Helen Clark* responded to questions about O'Connor's future with the dry comment - continuing as Minister was a more apt punishment than firing the hapless Minister. Which may be why, late last year, she gave the job to *Phil Goff*.

Big Numbers In Jail. There is no doubt the problems within Corrections are not going to go away quickly. There has been a 40% rise in the number of prisoners over the past seven years, reaching 8457 late last year. And it costs an average of \$76,639 to house each prisoner each year. There are also about 75,000 non-custodial sentences being managed each year. The rate is not expected to slow. The briefing to Goff emphasised the number of people unwillingly making use of the Department's services is going to continue growing at a rate ahead of general population growth.

Why Are More People Going To Jail? Crime is stable but violent crime is growing; police are more effective, and parole, despite public perception, is not being given as readily, so although sentences have not increased overall the amount of time being served has. There are also more prisoners remanded in custody. Meanwhile there have been four new prisons opened in three years, and a 45% increase in probation and psychological staff since 2003.

- **This is a problem area for politicians.**
- **Jails starting to fill up.**
- **More remands means more demand for space.**

Address:	Private Box 1206, Mayfair House 44-52 The Terrace, Wellington. Ph: (04) 499 5620. Web: www.corrections.govt.nz
Key Staff:	<i>Minister In Charge:</i> Phil Goff. <i>Associate Minister:</i> Miti Rinui. <i>CEO:</i> Barry Matthews. <i>GM Prison Services:</i> Harry Hawthorn. <i>GM Community Probation & Psychological Services:</i> Katrina Casey.
Budget:	\$1.139bn (2003: \$516m). Staff: 6400 (2003: 4266)

III Ministry Of Foreign Affairs And Trade

When your Minister is *Winston Peters*, any hope for a low profile is somewhat forlorn. When there's a Free Trade Agreement with China under way, it is similarly to be expected you will have a fairly prominent role. And when the Govt decides to chuck you an extra dollop of cash upwards of half a billion dollars, it is going to be similarly attention-getting. “*EmFat*” was one of the biggest winners in recent round of fiscal fol de rol, and has been the target for opposition scorn - “*half a billion dollars for cocktail parties*” was one derisive comment. The sum is over four years, but National is making noises about cutting it if they're writing the 2009 Budget. A couple of new offshore posts, plus 100 new overseas diplomats are the main outcomes of the package, which Peters dubbed “*seismic*.”

High Pay Rates. The number of highly paid officials also raised queries at a recent financial review by the Foreign Affairs, Defence and Trade Select Committee. Of the 1000-odd NZers employed by the Ministry, 68 of them are on more than \$150,000 a year, and 17 of those are getting upwards of \$200,000. It's a high ratio, but officials defended it at a recent Select Committee hearing. One issue over the past year has been the lack of clarity about where NZ's foreign aid programme is going. The Auditor General dubbed financial control “*poor*” in a recent report, due to “*a lack of policies, controls and staff training*” stemming from the surge in NZ's Official Development Assistance programmes over recent years.

Aid Not Well Handled. Basically aid projects are getting the money before they have fully set up proper administration systems, let alone appointed enough staff to run them. The Select Committee report noted “*it is a matter of concern the semi-autonomous model does not provide clear lines of accountability.*” The Ministry has hired an experienced auditor - from *Audit NZ* - and the Select Committee is now monitoring the programme quarterly instead of annually.

- **High profile due in part to Winston Peters.**
- **Salary rates now reaching higher levels.**
- **Aid delivery programmes under scrutiny.**

Address:	195 Lambton Quay, Private Bag 18 901, Wellington. Ph: (04) 439 8000. Web: www.mfat.govt.nz
Key Staff:	<i>Ministers:</i> Winston Peters (Foreign Affairs), Phil Goff (Trade).
Senior Staff:	<i>Secretary of Foreign Affairs:</i> Simon Murdoch. <i>Deputy Secretaries:</i> John McArthur, Chris Seed, Caroline Forsyth, Peter Hamilton. <i>CEO NZAID:</i> Peter Adams.
Budget:	\$411m (2003: 271m) Staff: 1092 (2003: 610)

III Ministry Of Justice

When *TransTasman* did its last overview of Govt agencies, the Ministry of Justice was a small policy agency with less than 200 staff. Since then the more voluminous Department of Courts has been folded back into the Ministry and the then CEO of Courts, *Belinda Clark*, took over as Secretary of Justice. The stresses covered in the above entry on the Department of Corrections are more than evident in the country's Courts.

Delays. The pressures have led to a more-than-threelfold increase in delays in jury trials. The main problem is Auckland, where the Ministry has for the past three years flagged an over-full workload. A recent financial review of the Ministry by the Justice and Electoral Select Committee grizzled "*we do not consider the Ministry has done enough to address this issue after we expressed concern in both the 2004/05 and 2005/06 financial reviews.*" The delays hit the headlines last weekend, with judges complaining about the backlog of work. However the Govt announced an extra \$6m in the Budget to speed up the court processing, at least in Auckland.

New Policy To Integrate. On the policy front, the Ministry implemented a new Evidence Act in the last year - a massive legal undertaking. In its role as having oversight of the Electoral Office, the Ministry is also in charge of the Electoral Finance Act - and it is already becoming clear Minister Annette King's claim the Act would simply be "*the law of common sense*" is proving to be anything but. The police are already looking into some publications which appear to have fallen foul of the Act.

Other Duties. The Ministry is also in charge of the Office of Treaty Negotiations, which, under new Minister *Michael Cullen*, has been re-energised and is pushing through a number of settlements. Other changes in the pipeline include a long-planned but regularly shuffled down the schedule review of the Privacy Act, and a review of NZ's system of tribunals. Another change, flagged by the Law Commission, is a streamlining of the number and types of Commissions of Inquiries.

- Department growing at a rapid rate.
- Slowing down of criminal justice system a concern.
- Integrating new policy initiatives is a major task.

Address:	L3, Vogel Building, 8 Aitken Street, PO Box 180, Wellington. Ph: (04) 918 8800. <i>Web:</i> www.justice.govt.nz
Key Staff:	<i>Ministers:</i> Annette King (Justice); Rick Barker (Courts), Michael Cullen (Treaty Negotiations).
Senior Staff:	<i>Secretary for Justice:</i> Belinda Clark. <i>Deputy:</i> Sandi Beatie. <i>Deputy Secretary Operations:</i> Liz Sinclair. <i>Deputy Secretary Policy & Legal:</i> Jared Mullen. <i>Deputy Secretary Strategy and Corporate:</i> Mandy McDonald.
Budget:	<i>Justice:</i> \$400m, <i>Courts</i> \$720m. (2003: Justice \$186m, Courts: 263m) Staff: 2849 (2003: 186 Justice; 1974 Courts)

III Inland Revenue Department

The taxman has been through changing times. The Department's workload has been huge over recent years and has not abated this year. Apart from bedding in the new investment tax regime, which alters decades of practice and puts the tax situation for investors on a much more equitable footing, the Department has also had to implement *Working for Families*, a drop in the company tax rate from 33% to 30%, administer *KiwiSaver* contributions, tax breaks for R&D, changes to tax rules for charitable giving, and the rather more expedient technical changes to "*stapled instruments*" aimed at stopping a bunch of Canadians buying *Auckland International Airport*.

Major Changes. Those are huge changes, and although the IRD is seldom anyone's favourite Department, the fact it has made such sweeping changes without any significant glitches (a handful of drafting problems in the *KiwiSaver* rules aside) is worthy of tribute. This year we have the tax cuts announced in the 2008 Budget, plus a few more technical but nonetheless significant changes. Heading the list, although still somewhat below the radar, are changes to the complex and labyrinthine rules on how insurance is taxed. The current rules were designed when insurance companies were mostly mutual societies and insurance had a savings and investment component: few insurance policies now have this. Expect the Department to have more work to do if National is elected at the end of the year.

Dunne Wields Influence. Minister of Revenue *Peter Dunne*, who has been able to extract a cost for his support of the Labour-led Govt, has got his changes to charitable tax treatment through, and also roughly half of his goal of a "30-30-30" top tax rate (for company, investment income and personal tax). There is a discussion document on income splitting for couples - another Dunne policy - being considered at present, but this is one of Dunne's pet policies which does not look like it will make the statute books. And the Department is also chasing people who have regularly bought and sold investment properties but not declared the capital gain as income. The 2007 Budget gave the IRD a \$14.6m dollop of cash to more strictly enforce those property investment rules. The Department expects to rake in, very roughly, an extra \$100m from this work.

- Major changes have to be dealt with.
- Technical issues surround budget and other law changes.
- Peter Dunne a major player.

Address:	12-22 Hawkestone Street, Thorndon, P O Box 2198, Wellington. <i>Web:</i> www.ird.govt.nz
Key Staff:	<i>Ministers:</i> Michael Cullen (Finance). Peter Dunne (Revenue). <i>Deputy Commissioner Policy:</i> Robin Oliver. <i>Deputy Commissioner Business Development & Systems:</i> Colin MacDonald. <i>Deputy Commissioner Service Delivery:</i> Carolyn Tremain. <i>Deputy Commissioner Governance:</i> Mary Craig. <i>Chief Tax Counsel:</i> Martin Smith.
Budget:	\$626.5m. (2003: \$431.4m) Staff: 5552 (2003: 4418)