

NEW ZEALAND

Overview

The New Zealand economy is into its fifth straight year of positive economic growth. In 1995 the economy expanded at a rate of about 3.4 percent, slowing down after monetary conditions were tightened in late-1994 to cool inflationary pressures building after two years of rapid growth. In response to a re-tightening of monetary policy in December 1995, GDP growth has again slowed in 1996 and is likely to average around 2.8 percent this year. Weaker business confidence and slower export and investment growth underline this trend, although the housing sector and consumer goods sectors continue to show unexpected strength. While economic activity is expected to pick up in 1997, led by consumption growth, tighter-than-anticipated monetary policy could keep real GDP growth well below four percent next year.

The New Zealand economy has undergone fundamental changes since 1984 and has emerged from a recent economic downturn. In the mid-1980s, the Government instituted a variety of market reforms in order to enhance New Zealand's international economic competitiveness. The present government has continued to move forward with de-regulation and privatization which will provide U.S. firms with many opportunities. Given New Zealand's close defense and commercial ties with Australia, U.S. firms have the opportunity to access both markets. Due to common language and business practices, New Zealand, like Australia, may prove to be an excellent first stop upon entering the Pacific Rim market.

Defense Industry Environment

The annual Defense budget exceeds NZ\$1 billion or approximately \$700 million. Approximately NZ\$200 million is spent per annum on capital equipment; NZ\$30 million on contract repair and maintenance of equipment and NZ\$140 million on replacement equipment, spares and day-to-day operations. For the year ending June 1996, defense expenditure accounted for 1.1% of GDP. For the year ending June 1995, defense expenditure was 1.14% of GDP.

New Zealand does not have a "defense industry" as it exists in larger nations. However, there does exist a "budding" industry which has been spurred by the ANZAC ship project. The ANZAC ship project is the most significant acquisition currently being undertaken by New Zealand Defense. It involves at this stage, purchase of two frigates which are being built by Transfield Shipbuilding of Victoria, Australia. Transfield is building ten ANZAC class frigates (eight for the Royal Australian Navy and two for the Royal New Zealand Navy). Throughout the project, Transfield has been actively trying to widen the scope of supply from Australian and New Zealand companies. Many New Zealand companies have been awarded contracts for this major project.

Defense Opportunities

The following is a brief listing of potential upgrades, replacement or spare parts required by the New Zealand armed forces.

- Project Sirius: This project concerns the replacement of the tactical systems in the P3K Orion maritime surveillance aircraft. Contracts have been let to both Boeing and E-Systems to undertake project definition studies of systems available to meet Royal New Zealand Air Force requirements. The integration of a wide variety of sensors to produce a real time operating system is a complex task, requiring extensive software and maritime operations knowledge. The results of the research will be used to finalize the technical specification for the upgrade, which will be tendered for by selected integrators in 1997.
- Project Kestrel: Kestrel is the project to replace wings and horizontal stabilizers on the Royal New Zealand Air Force's P3K Orions. With phase 1 of this project (procurement of new wings and horizontal stabilizers) well underway, the project team is planning phase 2, the physical integration of wings to fuselage. A draft request for tender, outlining the contract conditions and anticipated program, has been sent to selected companies. The final request will be available in July 1996 when the technical specification is complete. It is intended that the integration contract will be let by the end of 1996, with the first Orion delivered to RNZAF in mid-1997.
- AFV Project: The Ministry of Defense is performing a risk analysis in developing an Armored Fighting Vehicle (AFV) project, to either upgrade or purchase replacement for their MK113 armored personnel carriers, as well as their Scorpion vehicle mounted artillery.
- Project Delphi: This project is to equip RNZAF C-130 aircraft with self protection equipment consisting of cockpit armor, a missile approach warning system and a countermeasures dispensing system. Tenders for this project closed on March 8, 1996.

New systems/major platforms

Major capital equipment acquisitions are projects over NZ\$5 million in value. The Acquisition Branch of the Ministry of Defense is responsible for major capital acquisitions:

Acquisition Branch
Ministry of Defense
Defense House
Stout Street
P.O. Box 5347
Lambton Quay
Wellington
Ph: 64 (4) 496-0660
Fax: 64 (4) 496-0858
Internet: <http://www.govt.nz/ps/min/defense>

The New Zealand Government must decide by November 1997 whether it will proceed with the purchase of two more ANZAC frigates. (This will make a total of four ANZAC frigates). That is the deadline to execute the option at the current price.

Additional Ministry of Defense major expenditures are: a very low air defense system (for which they will probably purchase the French Mistral missile); night vision binoculars; and the Javelin anti-tank missile. The Royal New Zealand Navy has a request in to purchase a decommissioned U.S. Navy TAGOS ship to replace its present research ship HMNZS Tui. Some major upgrades to aging equipment are anticipated to take place by the New Zealand Defense Force, but due to limited resources it is likely used equipment will be sourced. The Ministry of Defense has signed an option to purchase up to eight C130J aircraft, in conjunction with Australia. The non-binding option is good until 2002.

Each service (Navy, Army and Air Force) operates a minor Capital Equipment Acquisition Program for projects estimated at less than NZ\$5 million. Details of minor procurements can be sourced through the "Yellow Book", an annual document published jointly by the Australian Department of Defense and the New Zealand Defense Force. The directory is a compilation of "minor capital projects" which are planned, but not necessarily approved.

The following list is from the current edition of the Foreward Procurement Plans: New Zealand Defense Force Fixed Asset Acquisition Programme for 1995-2000, published in July, 1995.

New Zealand Navy: Minor Approved Projects

Project Number: 348016

Title: EW ANALYSIS EQUIPMENT

Proposed Contract Date: 96/97

Industry Category: Electronics

Estimated Project Cost: NZ\$1.5-NZ\$5 million

Remarks: to provide microwave receivers, associated aeriels, pulse and spectrum analyzers for installation in deployed Royal New Zealand Navy ships.

Project Number: 348018

Title: EW SIMULATOR

Proposed Contract Date: 97/98

Industry Category: Electronics

Estimated Project Cost: NZ\$500,000-NZ\$1.5 million

Remarks: provide high speed HF modems capable of operating up to speeds of 2400 BPS.

Inquiries pertaining to Navy purchasing should be addressed to:

Deputy Director Naval Equipment Plans and Contracts

Naval Staff

HQ New Zealand Defense Force

Private Bag

Wellington
New Zealand
Ph: 64 (4) 496-0701
Fax: 64 (4) 496-0311

New Zealand Army: Minor Approved Projects:

Project Number: 01
Title: 40MM GRENADE LAUNCHER
Proposed Contract Date: 95/96
Industry Category: Weapons
Estimated Project Cost: NZ\$500,000-NZ\$1.5 million
Remarks: Fitment to Steyr Rifle

Project Number: 02
Title: FREQUENCY MANAGEMENT AND SIGNAL OPERATION
INSTRUCTION SYSTEM
Proposed Contract Date: 95/96
Industry Category: Communications
Estimated Project Cost: NZ\$500,000-NZ\$1.5 million

Project Number: 03
Title: OPERATIONAL CRANE
Proposed Contract Date: 95/96
Industry Category: VEHICLE
Estimated Project Cost: NZ\$500,000-NZ\$1.5 million
Remarks: QT 2 for Engineer Construction

Project number: 05
Title: WATER STORAGE AND TRANSPORTATION
Proposed Contract Date: 96/97
Industry Category: Engineering
Estimated Project Cost: NZ\$500,000-NZ\$1.5 million
Remarks: Include Pillow, Flexi Dam and Solid Tanks

Project Number: 07
Title: ROUGH TERRAIN FORKLIFT
Proposed Contract Date: 95/96
Industry Category: Vehicle
Estimated Project Cost: NZ\$1.5 -NZ\$5 million
Remarks: 2.5 ton

Project Number: 08
Title: ARTILLERY SURVEY EQUIPMENT REPLACEMENT
Proposed Contract Date: 95/96

Industry Category: Electronics
Estimated Project Cost: NZ\$1.5-NZ\$5 million
Remarks: Replacement for Current Equipment

Project Number: 09
Title: WATER DESALINATION
Proposed Contract Date: 95/96
Industry Category: Electronics
Estimated Project Cost: NZ\$500,000-NZ\$1.5 million

Project Number: 11
Title: ELECTRONIC WARFARE IMPROVEMENT
Proposed Contract Date: 96/97
Industry Category: Communications
Estimated Project Cost: NZ\$500,000-NZ\$1.5 million

Project Number: 12
Title: OPERATIONAL FIELD WORKSHOP
Proposed Contract Date: 96/97
Industry Category: ENGINEERING
Estimated Project Cost: NZ\$500,000-NZ\$1.5 million

Inquiries pertaining to New Zealand Army purchasing should be addressed to:

Director of Capability Procurement
Ministry of Defense
Defense House, Stout Street
PO Box 5347, Lambton Quay
Wellington
Ph: 64 (4) 496-0660
Fax: 64 (4) 496-0858

New Zealand Air Force: Minor Approved Projects:

Project Number: 10
Title: COMPUTER/IS EQUIPMENT
Proposed Contract Date: 95/96
Industry Category: Electronic
Estimated Project Cost: NZ\$500,000-NZ\$1.5 million
Remarks: Additional computers for Project Fusion

Inquiries pertaining to New Zealand Air Force purchasing should be addressed to:

Director of Logistic Plans
Royal New Zealand Air Force

Private Bag
Wellington
Ph: 64 (4) 496-0801
Fax: 64 (4) 496-0819

Defense Plan

The 1993-1994 Corporate Plan is the New Zealand Government's current defense strategy. The Plan is under revision and is likely to be replaced later this year with a strategy plan entitled "Defense Assessment '96" which outlines the Government's defense strategy to the year 2000.

The 1993-94 Corporate plan lists as its significant issues:

- completion of the first full cycle of the Defense Planning System to cover operational activities and infrastructure as well as capital equipment;
- an on-going programme of selected force structure reviews to feed into the Defense Planning System;
- continuing work on the practical possibilities of Closer Defense Relations with Australia;
- participation in the developing dialog on regional security, including support for a Centre for Strategic Studies to link with its regional counterparts;
- improve the focus and quality of the audit and assessment programme through a revised strategy, and develop procedures for the evaluation phase of the Defense Planning System;
- continued high quality management of major acquisition projects, such as the ANZAC frigate programme;
- contribute to the growth of New Zealand's industrial base through defense industry liaison activities;
- progress towards quality accreditation in the ISO 9000 series for both the Audit and Assessment and Capability Procurement Divisions of the Ministry;
- maintenance of an appropriate public information programme on the Ministry's work and wider defense issues.

Defense Procurement Process

The procurement process varies depending on the scope of the project and may be identified through advertising, internal mailing lists, the Industrial Supplies Office and New

Zealand Defense Force overseas posts. The evaluation process is normally conducted by a team consisting of technical and commercial staff. Tender selection may be based on the initial offer received or may require detailed negotiations and further written presentations. Tenderers are advised to present their best offer with their initial submission. The authority to approve an offer is delegated to independent staff or to boards who are responsible for reviewing and approving project staff recommendations. Confirmation of acceptance is by written order or a formal contract depending on the complexity of the purchase.

Note: The Industrial Supplies Office was established to promote local industry capabilities (including Australia under CER), and maximize competitive local content focusing on public sector purchasing.

Diversification/Commercial Opportunities

In addition to opportunities in the defense sector, the market reforms implemented by the Government in the late 1980s as well as strong economic growth has resulted in a more dynamic economy with increasing demand in many sectors. Several promising industrial sectors are discussed below.

Aircraft and Aircraft Components

U.S. sourced aircraft and aircraft parts is consistently one of New Zealand's principal import categories. Sales include large planes and equipment for the country's two major operators, Air New Zealand and Ansett New Zealand; and an array of spare parts for all types of aircraft, particularly small aircraft. As most small aircraft are of American origin, the U.S. is an important supplier. Aircraft sales have picked up in the last 12 months due to purchases by farmers, aviation agriculture contractors, and tourist operators. Other opportunities for U.S. industry include further hushkit purchases due to requirements in the recently passed Resource Management Act and the replacement of Mount Cook Airlines' (a subsidiary of Air New Zealand) aging fleet of Hawker-Siddeley 748 turboprops.

Computers and Peripherals

Of the total computer hardware market in New Zealand, it is estimated by International Data Corporation (IDC) that personal computers held 40.9 percent of the computer market in 1991, with the balance made up of large mainframe systems, multi-user systems and workstations. The Foreign Commercial Service states that, on a per capita basis, New Zealand has one of the highest penetration levels of computer technology anywhere in the world. At the same time, high import duties until the mid-80s "forced" end users to maximize their return on their computing investment. As a result, New Zealand is also a sophisticated market, especially in the business computing environment. New Zealand, due to its small size and high level of computer literacy, is an ideal test market for personal computers and peripherals, as products can be launched quickly and then closely monitored.

Plastic Materials and Resins

The U.S. Embassy reports that the New Zealand plastics industry is a relatively young and dynamic industry which is perceived as one of the country's more promising industry sectors. The industry imports approximately 130,000 metric tons of plastic materials and resins annually. A third of this material is from the United States. End users are local manufacturers who produce finished products for the local market and for export. Local production of plastic materials and resins is minimal. Environmental issues are affecting the market and resulting in a reduction in demand for flexible packaging. The Australian/New Zealand Environment Conservation Council has approved the concept of a minimum of 25 percent of plastics being recycled by 1995. However, a major problem for the industry is finding end uses for recycled plastics products.

Telecommunications

New Zealand is the world's only truly deregulated telecommunication industry. Following deregulation in 1989, consumers have an extensive choice of services and equipment. The country now supports two competing toll services which are offered by Telecom New Zealand and Clear Communications (major shareholder MCI), with more suppliers anticipated. Telecom Australia has also announced its plans to enter the cellular marketplace in New Zealand. Installation of telecommunications equipment is static, but competition in cellular telephone networks is very active. Other related sectors in this field that may provide trade opportunities for U.S. firms are cellular telephones, facsimile machines, and pagers.

Computer Software

The New Zealand market for computer software is extremely competitive. New Zealand is also a sophisticated market, especially in the business computing environment. The market is very receptive to U.S. products but U.S. suppliers need outstanding price/performance factors if they are to compete successfully. New Zealand also has a highly developed software manufacturing and development base.

Medical and Dental Equipment

For the New Zealand health services, the 1990s will be a decade of change, with New Zealand moving towards market-driven health services. The new health environment presents more market opportunities for the private medical sector. Opportunities exist for U.S. business, based on the establishment and equipping of new hospitals by private sector interests. Equipment replacement and new sales to maintain pace with new medical surgical and dental technology is a valuable arena for sales, as New Zealand purchasers select the best available and most effective health care equipment. Demand will increase as this country's health care establishments become more competition driven.

Pollution Control Equipment

The pollution control equipment market has potential for U.S. suppliers of appropriate pollution control products, as there is little manufacturing of this equipment locally, and the U.S. is viewed as the most technologically advanced in this industry sector.

Doing Business in New Zealand

Conducting business in New Zealand is very easy for U.S. firms due to the common language, transparent business transactions and similar business customs. New Zealand has no import licensing requirements. U.S. goods entering New Zealand may be required to pay tariff duties administered by New Zealand Customs. Most rates have been reduced since the mid-1980s. All goods imported in New Zealand are liable for Goods and Services Tax (GST). The tax is normally payable to the New Zealand Customs Department at the time of importation. The tax rate is currently set at 12.5%. Since 1990, all goods of Australian origin have entered New Zealand duty-free under the provisions of the Closer Economic Relations agreement (CER). Preferential tariffs are applied to goods imported from Canada, developing countries, and the South Pacific nations.

New Zealand and Australia have, under the CER Treaty and the Government Procurement Agreement (GPA), made a mutual commitment to give each other's domestic suppliers equal treatment in government purchasing. This alliance was reinforced with the launching in early 1996 by the Australian Government of ISONET Ltd. ISONET Ltd. is a Commonwealth-funded company, specializing in providing advice to clients on the capability of Australian and New Zealand industry. The New Zealand Defense Force generally requires that New Zealand and Australian suppliers be certified to ISO 9001.

The NATO Codification System (NCS) is used by all NATO countries but New Zealand is accepted as part of the codification system through sponsorship by a NATO member. In New Zealand, the NCS is administered by the National Codification Bureau (NCB), based in Porirua. The NCB have produced a booklet detailing the operation of the NCS in New Zealand. This is called "NATO Codification System: Guide for Industry". Suppliers of military hardware to the New Zealand Defense Force can obtain the publication from:

The Director
National Codification Bureau
P.O. Box 50-247
Porirua
New Zealand

U.S. Government Points of Contact

The following is a list of contacts for U.S. firms interested in New Zealand as a market for defense or commercial products. There are three offices at the American Embassy in Wellington which U.S. businesses are able to contact for assistance in doing business with the New Zealand Defense Force. And, one office at the American Consulate in Auckland. These offices are:

American Embassy:

Defense Attache's Office (DAO)
American Embassy
P.O. Box 1190
Wellington
New Zealand
Ph: 64 (4) 472-2068 x 280
Fax: 64 (4) 472-3537
Person-contact: Captain Robert E. Houser, USN

U.S. & Foreign Commercial Service
American Embassy
P.O. Box 1190
Wellington
Ph: 64 (4) 472-2068 x 236
Fax: 64 (4) 473-0770
Person-contact: Mr. M. Philip Gates, Senior Commercial Officer

Economic Section
American Embassy
P.O. Box 1190
Wellington
Ph: 64 (4) 472-2068 x 240
Fax: 64 (4) 472-3537
Person-contact: Mrs. Elaine Garland, Economic Officer

American Consulate:

U.S. & Foreign Commercial Service
American Consulate General
Private Bag 92022
Auckland
Ph: 64 (9) 309-9810
Fax: 64 (9) 303-2156
Person-contact: Mr. M. Philip Gates, Senior Commercial Officer

American Chamber of Commerce:

American Chamber of Commerce
P.O. Box 106002
Auckland
Ph: 64 (9) 309-9140
Fax: 64 (9) 309-1090
Person-contact: Mr. John Lavelle, Executive Director