



Office of Hon Bill English

Deputy Prime Minister
Minister of Finance
Minister Responsible for HNZC

- 8 MAR 2016

John Wilson
fyi-request-3617-36ac281d@requests.fyi.org.nz

Dear John Wilson

Thank you for your Official Information Act request, received on 9 February 2016. You requested:

"A summary of the information used to assess all the various costs of signing the TPPA. Please ensure to include all the worst case scenario projections of all costs, alongside their respective annual projected benefits, so that the net, overall economic benefits can be clearly identified."

Information Being Released

Please find enclosed the following documents:

Item	Date	Document Description
1.	20 November 2015	Aide Memoire: Advice on TPP Final Outcomes Cabinet Paper

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

- section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials

Information Publicly Available

The following information is also covered by your request and is publicly available on either the Treasury or Ministry of Foreign Affairs websites:

Item	Date	Document Description	Website Address
1	2 October 2015	Aide Memoire: TPP Update – Atlanta Negotiations	http://www.treasury.govt.nz/downloads/pdfs/oia/oia-20150433.pdf [document 1 in bundle]
2	25 January 2016	Trans-Pacific Partnership National Interest Analysis	https://tpp.mfat.govt.nz/assets/docs/Trans-Pacific%20Partnership%20National%20Interest%20Analysis,%2025Jan2016.pdf

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

In addition, some relevant information has been removed from item 1 listed in the above table and should continue to be withheld under the Official Information Act, on the grounds described in the documents.

The Trans-Pacific Partnership National Interest Analysis (item 2 above) is the official Government view of the costs and benefits of the Trans-Pacific Partnership.

Other information used to assess the costs of signing the Trans-Pacific Partnership is currently under consideration for release by the Minister of Trade and I am therefore withholding it under section 18(d).

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

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

Yours sincerely



Hon Bill English
Minister of Finance

MOIA 20160030

Information for release

1. [Aide Memoire Advice on TPP Final Outcomes Cabinet paper](#)

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THE TREASURY

Kaitohutohu Kaupapa Rawa

Reference: T2015/2721

IM-3-0-5

Date: 20 November 2015

To: Minister of Finance
(Hon Bill English)Deadline: Monday 23 November (pre-Cabinet)
(if any)

Aide Memoire: Advice on TPP Final Outcomes Cabinet paper

This note provides advice on the Cabinet paper "Trans-Pacific Partnership: Approval of Final Outcome". The paper is due to go straight to Cabinet on Monday 23 November. We understand the truncated process is necessitated by Minister Groser's travel commitments for the rest of the year.

The paper:

- outlines the details of the final TPP agreement;
- summarises the costs and benefits for New Zealand;
- outlines the financial implications of the agreement;
- seeks authorisation for the Minister of Trade to sign the TPP agreement; and
- includes a final draft of the National Interest Analysis (NIA), and seeks approval for this to be released publically.

Treasury view on the final TPP agreement

Our view is that the final TPP agreement represents a significant net economic benefit for New Zealand, albeit with uncertainty regarding the scale of the benefits in some areas (NTB reductions and services gains). This is entirely consistent with the Cabinet paper. We have attached in **Appendix A** our assessment of the costs and benefits of the agreement, which we provided to you previously, alongside the summary table of costs and benefits from the Cabinet paper.

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Treasury view on the Cabinet paper and final draft of the NIA

We consider the Cabinet paper provides a reasonable summary of implications of the final agreement and we support the decisions being sought. Not in scope

Not in scope

We believe the NIA is satisfactory and fit for purpose. It includes a sufficiently detailed and coherent discussion of the costs and benefits of the agreement and is assisted by the availability of external modelling for key areas. The Regulatory Impact Analysis team has given the NIA a “meets expectations” rating.

Our only outstanding comment on both the Cabinet paper and the NIA is that the costs and benefits could have been more accurately framed in terms of economic welfare, rather than GDP. Welfare figures were available in the external modelling MFAT has undertaken.

We have used economic welfare in our previous advice to you and have also framed the figures as net present value, which gives a more accurate summary of the whole of life benefits and costs than an annual figure (see framing in **Appendix A**). The NPV is **\$3.2 billion**, with an additional benefit of up to **\$9.3 billion** from NTB reductions and services gains.

Financial implications of the final TPP agreement

The paper includes the following recommendations on fiscal impacts:

“**Note** the following forecast changes as a result of the reduction in tariff revenue

	\$ millions increase / (decrease)						
Vote	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7 and out years
Customs							
Lost tariff revenue	(12.0)	(14.8)	(16.2)	(17.5)	(18.9)	(19.2)	(19.5)

Agree that the Minister of Customs will inform the Minister of Finance once there is sufficient certainty on the timing of the tariff revenue changes, and the impact will then be charged against either the between-Budget contingency or the Budget operating allowance;”

The Cabinet paper also notes financial implications for departments. s9(2)(f)(iv)

s9(2)(f)(iv)

s9(2)(f)(iv)

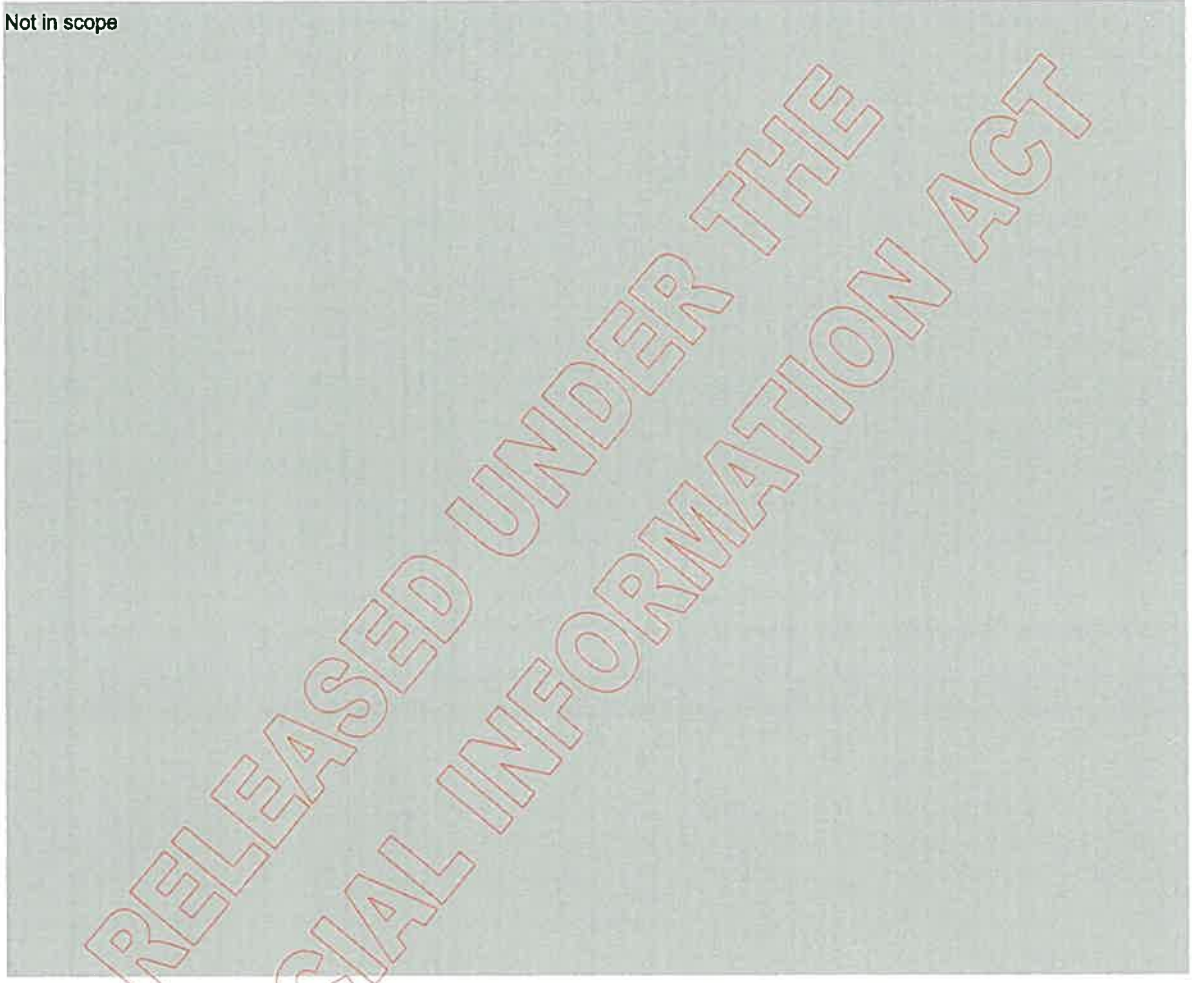
(see **Appendix B**

for more details of these costs).

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We will reserve our comment on the merits of these possible bids until they are submitted into the budget process.

Not in scope



Thomas Parry, Senior Analyst, International, 04 890 7260

James Beard, Manager, International, Financial Markets and Tax Strategy, 04 917 6019

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Appendix A

Summary of Benefits and Costs from TPP Final Outcomes Cabinet paper

Issue	Annual ¹ Net Benefit / Cost (once TPP is fully implemented)
Estimated impact on New Zealand GDP (in 2030)	\$2.7 billion
Made up of the following components (based on economic modelling):	
Reductions in tariffs and quota barriers on goods trade: \$624 million	
Reductions in NTBs on goods trade: \$1.46 billion	
Improved trade facilitation measures: \$374 million	
Reductions in barriers on services trade: \$250 million	
Extending copyright term from 50 to 70 years (conservative estimated economic cost based on intellectual property modelling)	-\$55 million
Foregone tariff revenue (fiscal impact)	-\$19.5 million
Costs for implementing certain TPP obligations (largely fiscal cost – new administrative procedures PHARMAC will implement, and impact of any extensions to pharmaceutical patents) ¹	-\$3.2 million
Outreach activities and TPP institutional arrangements (fiscal cost, including cost to service annual meetings of TPP committees and other activities)	-\$1.0 million

Net present value of benefits and costs from Treasury advice (using same model as MFAT, above)

Economic Welfare impact of TPP ²	
Benefits (tariff reduction)	-\$4,062m
Pharmac - Patent extensions	(\$14m)
Pharmac - altered transparency	(\$34m)
Pharmac – Biologics	-
Copyright changes	(\$740m-\$840m)
Net Benefits/Costs (present value)	~ \$3,200m
NTB / services reduced	Up to \$9,300m
Unquantifiable costs/benefits	Net costs include: Wider economic impacts of copyright, ISDS Net benefits include: Possible increase in investment flows

¹ Note that this excludes one-off estimated implementation costs are associated with PHARMAC rules (\$4.5 million) and providing for advanced rulings on valuation for TPP imports (\$0.4 million)

² More details on the content of this table in previous Treasury advice on TPP, including 'Aide Memoire: TPP Update – Atlanta negotiations', 2 October 2015

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Appendix B

Financial implications of the TPP, as provided in the Cabinet paper

Issue	Annual cost / fiscal impact	Baseline or budget bid required?	Description
Elimination of remaining New Zealand tariffs on TPP imports	\$19.5 million foregone in annual tariff revenue	No action, foregone revenue	Not considered a cost of TPP, but foregone revenue will have a fiscal impact. As tariffs are phased out over seven years under TPP, the New Zealand Customs Service will progressively collect less revenue, with a corresponding impact on the Between Budget Contingency. The exact amount of revenue collected will be influenced by the pattern of actual imports and the proportion that qualify for preference under the applicable rules of origin.
PHARMAC administrative costs	One-off implementation cost of \$4.5 million On-going per year costs of \$2.2 million	s9(2)(f)(iv)	Estimates largely represent the following: implementing a review mechanism and time period for making decisions (up to 11 FTEs); and the cost of defending an increased number of judicial reviews, at least initially. It may be possible that some of these costs can be absorbed within baseline s9(2)(f)(iv)
Patent extension	\$1 million per year	Any cost met within baseline and/or any future increases to the community pharmaceuticals budget	We expect few extensions to arise from TPP obligations. In the rare circumstances that they do, the estimated cost to the medicines budget (or loss of savings) of a six month extension for one application per year would be \$1 million (this is an average cost over time – costs could be higher in some years).
s9(2)(f)(iv)			