



Media release

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Christmas boost for Pacific families in New Zealand

LIVING within a budget is hard at the best of times and at Christmas often impossible.

But the Ministry of Pacific Island Affairs says it expects some relief for Pacific families very soon, with results from a showcase project estimated to deliver savings equivalent to more than one week's income for the average Pacific family.

Chief executive Dr Colin Tukuitonga says the Ministry-led NZ Pacific Remittance Project has been working to reduce the cost of remittances from New Zealand to Pacific countries since 2007.

"I'm very pleased to say that we've now got to the point where people can expect new ways of doing this, much more cheaply, any day now," Dr Tukuitonga said.

"Overall we've estimated that we can deliver potential savings to Pacific families equivalent to more than one week's income."

Dr Tukuitonga said traditionally many Pacific people in New Zealand sent money to family and community in the Pacific Islands, at an unacceptably high cost.

Remittance providers usually charged an upfront fee, as well as "selling" overseas currency at a profit.

"The money is sent back in a variety of ways, but most commonly it's a small amount remitted frequently – fortnightly or monthly. Sending it has been costing people up to \$25 for every \$100 remitted. That's simply too much."

"Since last year we've been working to get that down to five to seven percent. That's going to happen very soon. At the same time we wanted to stimulate competition – and that's already working, with new providers offering lower costs or existing providers dropping their fees."

Dr Tukuitonga said it was hard to put a cost on the value of remittances sent from New Zealand, as the information was not centrally recorded. But World Bank figures showed that remittances to the Pacific region tripled over the past decade to reach US\$425 million, with New Zealand listed in the top 10 source countries. The World Bank says unofficial or unrecorded remittances could add at least another 50 percent to that estimate.

He said remittances made an important contribution towards sustaining Pacific Island nations' economies and households' overall quality of life. And given the balance of trade between those nations and New Zealand, much of it returned here.

Agencies involved in bringing the project to fruition include the Reserve Bank, the World Bank and NZAID.

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Fact File:

What is the NZ-Pacific Remittance Project?

A project set up in 2007 to reduce the cost of remittances between New Zealand and Pacific countries to between 5 and 7 percent by 2009. The project aims to have a remittance system which is fair, transparent, fast and secure; to stimulate greater competition and innovation in the market; and to assist remitters to make informed choices when sending money home.

Who is involved in it?

The project was initiated by the World Bank, which convened a meeting in Sydney in mid-2007 to raise the profile of the issue. Other partners include the Reserve Bank of New Zealand and New Zealand's International Aid & Development Agency (NZAID).

How did it start?

After a study of work-related migration in the Pacific Islands region, the World Bank expressed concern at high transfer fees that were putting undue financial strain on the economies of Pacific Island nations. This provided the impetus for the MPIA-led project. The introduction of new low cost, accessible and efficient remittance services in other parts of the world has resulted in sharp declines in the fees charged.

How much money are we talking about?

It's hard to put an exact figure on the amount remitted from New Zealand to the Pacific but the World Bank says remittances to the Pacific area have tripled over the past decade to reach US\$425 million per year. It says unofficial or unrecorded remittances could add at least another 50 percent to the official estimate.

What proportion of Pacific people in NZ send money home?

Three-quarters of Pacific Islanders living in New Zealand send money home to family members in the Pacific region. Of those, half do this on a regular basis and the rest for special occasions.

How do they send it, and what does it cost?

Most Pacific peoples in New Zealand send small amounts frequently – eg someone might send \$200 each month. They can do this through (some) banks, or money transfer operators like Western Union. The upfront cost is usually a set fee per transaction. In addition it costs the remitter money to “buy” the currency of the island to which they are remitting. This is an important portion of the remittance cost, which is not quoted in the upfront transfer fee. Sometimes there is a cost to the person receiving the money as well. All up the costs can be as high as \$25 for every \$100 sent.

How important are remittances to destination countries?

Remittances are very important to those who receive them. They are spent on improving the quality of life through education, health, food, consumer goods, housing, small enterprises and community uses. In Tonga, for example, remittances account for over 32 per cent of GDP. It is estimated that the Pacific region as a whole may be losing up to \$US40 million a year from having remittances sent through costly channels.

What are the changes you are expecting?

We are expecting lower and more transparent costs. Based on international experience, we expect the development of new low-cost remittance products will result in a more competitive marketplace.

What happens next?

NZAID and AusAID have jointly funded development of a website which will allow remitters to compare providers and costs. The website is scheduled to go live in early 2009. This is likely to be supported by written material.

What’s the average income of Pacific people in New Zealand?

According to the NZ Income Survey June 2007 the average weekly wage before tax is \$668