

Confirmed Startup Advisors Council Meeting Minutes

Date and location	13 February 2023 15 Stout Street, MBIE Offices Wellington
Attendees:	Phil McCaw (Chair), Suse Reynolds (Deputy Chair) Imche Veiga (member), Grant Straker (member), Marian Johnson (member), Carl Jones (member) Landon McMillan (Secretariat), George Whitworth (Secretariat), Guled Mire (Secretariat), Israelanna Natanielu (Secretariat) Nathan Hobrough (Secretariat), Ben Taylor (Secretariat), Samuel Murphy (Secretariat), Dean Ford (Secretariat)
Guests:	Phil Whittington (IRD, Casey Plunket (IRD), Iain Cossar (MBIE), Tara Thurlow-Rae (MBIE), Deb Shepherd (Small Business Advisor), Kate Challis (MBIE)
Apologies:	
Conflicts of Interest:	Compiled on a conflicts register

Time	Item	Papers	Discussion	Action agreed by the Council	Follow-on actions
09.30 5 Mins	1. Opening and introduction	<i>Minutes of the 7 December 2022 Council Meeting</i>	The Chair provided opening remarks. Two Council members added new Board positions to the Conflicts of Interest register. The Council agreed to adopt the minutes of the 7 December 2022 meeting.	Adopt minutes of 7 December 2022 Council meeting	

<p>09.35 25 Mins</p>	<p>2. Policy announcement / update</p>		<p>The Secretariat provided two updates to the Council.</p> <p>§9(2)(f)(iv) [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>Māori internship programme</p> <p>A new MBIE funded Māori internship pilot was due to be announced, targeting 23 interns over five years with placement in Finistere’s portfolio of AgTech startups around the world. After questioning, it was clarified the internships were at the tertiary qualified worker level, not board or governance.</p> <p>Marian Johnson mentioned a similar programme for Singapore University and recommended talking to the person who ran it to find out information rather than reinventing something.</p> <p>Some Council members provided anecdotes of Māori board membership and noted there are difficulties as iwi participation is nascent, but the exposure is invaluable to help develop capability.</p>		
<p>10.00 65 Mins</p>	<p>3. Startup Genome</p>		<p>The draft Startup Genome ecosystem benchmarking survey results which were presented to the Council the previous Friday were discussed.</p> <p>§9(2)(f)(iv) [REDACTED]</p> <p>[REDACTED]</p>		

§9(2)(f)(iv) [Redacted]

Carl Jones mentioned that while some data points could be skewed by small sample sizes in New Zealand, the high level data was still useful especially when combined with the Council's collective data and experience.

A key takeaway from the report was that high connectivity leads to better outcomes. There was lengthy discussion on this issue, with it being noted New Zealand founders are very good for having connections, but poor at asking those connections for help. Various solutions were mentioned, including that overseas connections are needed too, connections across the business (not just founders) are needed, enabling peer to peer connections (not hub to peer), and co-location. Mike Carden noted that NSW has made deliberate investment into encouraging ecosystem members into specific suburbs, including developing the Tech Central hub.

The Council then turned to capital and tax incentives to motivate money going into scaling up. The issue of investor capability and development was discussed in depth, with comments that New Zealand requires more GP experience that knows how to invest in tech. It was noted that many overseas investors present in foreign markets flee back home in a downturn. It was suggested many Kiwi founders will look to overseas investors first for the 'prestige', but there were questions on how to solve this, with one suggestion the founders are looking for quality of advice over capital.

<p>11.05 65 Mins</p>	<p>4. Presentation from IRD</p>		<p>Phil Whittington (Chief Economist) and Casey Plunket (Special Policy Advisor) from the IRD joined to discuss New Zealand's broad-base, low-rate (BBLR) tax system. The Council noted that startup founders find dealing with ESOP hard, with few startups having a CFO to navigate it, while Startup Genome say it is a key driver to get productivity. Casey Plunket responded it is as simple as the IRD can make it, and noted there was little engagement when they sought feedback on tax deferral when exercising options.</p> <p>Phil McCaw explained how over time startups can often end up with a cap table that is seen as un-investable as the founder has become too diluted after multiple rounds. Resetting the table by issuing more shares to the founder triggers a taxable event without any value created. Investors do not want to see their money going to the IRD instead of into the business; alternatively issuing options results in downsides like no voting rights.</p> <p>It was noted that the lack of a capital gains tax in New Zealand is an incentive for founders to stay here, otherwise many would leave for Australia. However, a CGT with carve-outs could also help shift capital allocation away from property.</p> <p>The Council moved on to discussing a number of tax related issues, including that FIF rules (specifically FDR) work against policies the government is currently implementing for investor attraction. The impact on USA investors coming to NZ, and NZ companies that move to the USA were specifically mentioned.</p>		
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			<p>Phil McCaw spoke about tax concessions in the USA and UK, and discussed Australia in particular, noting that it ultimately incentivizes private individuals to invest in Australia.</p> <p>Phil Whittington explained that the fundamental goal for the tax system is efficiency, and that IRD can provide advice on fairness, but it is a value judgement at the end of the day. Precedence was noted as a concern, with many industry bodies wanting concessions; the Council agreed the tax system is fair, balanced and pure, but is clipping the wings of the economy and we are ultimately losing because of it.</p>		
12.10 – 12.30 Lunch break					
12.30 35 Mins	5. Discussion on format of Council report		<p>The Secretariat presented the Council a proposed structure for their final report.</p> <p>s9(2)(f)(iv) s9(2)(g)(i)</p> <ul style="list-style-type: none"> ■ [REDACTED] ■ [REDACTED] ■ [REDACTED] 	Agreed to review this action at the next Council meeting	

			<ul style="list-style-type: none"> • s9(2)(g)(i) s9(2)(f)(iv) [Redacted] <p>[Redacted]</p> <p>[Redacted]</p> <p>s2(9)(g)(i) [Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>		
13.05 60 Mins	6. Presentation on Te Ara Paerangi – Future Pathways		<p>Iain Cossar (General Manager, Science, Innovation and International) and Tara Thurlow-Rae (Manager, Future Pathways) from MBIE joined to discuss reforms of the Research, Science and Innovation sector.</p> <p>Iain Cossar told the Council that following feedback to a Green Paper, a White Paper has now been issued which narrows in on some opportunities. He noted the New Zealand economy by GDP is relatively poor and getting poorer, and that we need overall productivity growth far exceeding our most productive industry (agriculture) to catch Australia. The Council was told 1.4% of GDP is being spent on R&D, and the target of 2% would require significant additional spending every year for a decade.</p>		<p>The Secretariat will provide the Council with previous work carried out relating to involvement of institutions in the venture ecosystem.</p> <p>The Secretariat will collate a list of KiwiSaver funds, their CIOs, and contact details</p>

			<p>Tara Thurlow-Rae then gave a presentation on Te Ara Paerangi – Future Pathways, covering its vision, objectives and timeline.</p> <p>There was discussion around developing further Fellowships, the transition from student to researcher being precarious, and around Student Grants being one of Callaghan Innovation’s most oversubscribed products.</p> <p>Phil McCaw asked how we can find a more efficient way of spinning out IP from the university system. He noted some commercialisation organisations in New Zealand are very good, while others have poor processes, high turnover, and well-intentioned people with no experience.</p> <p>The Secretariat pointed out that commercialization has a range of outputs, including CRIs working alongside private sector or research modelling getting into the hands of decision makers.</p> <p>It was suggested that consolidation of university commercialisation organisations may help, but questions were raised about how much influence the government has over universities.</p> <p>The Council then discussed entrepreneurialism within the research/university space, noting a focus area may be that researchers often don’t have business experience, and a very small proportion of students in New Zealand want to start their own business compared to students in the USA. A number of ideas were suggested, including encouraging porosity between universities and startups, supporting</p>		<p>The Secretariat will provide a one-page summary about NZGCP</p>
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			researchers that do want to commercialise, and bringing in people from overseas with experience to bridge the gap.		
14:05 30 Mins	7. Knowledge sharing with Small Business Council		<p>Kate Challis (Manager, Small Business Policy) and Deb Shepherd (Deputy Chair, Small Business Council) joined to share insights from their experience with the Small Business Council (SBC) and current Small Business Advisors.</p> <p>Deb Shepherd talked about challenges the SBC faced, including a highly fragmented small business ecosystem and the impact of Covid soon after they finished their report.</p> <p>For the development of the Small Business Strategy, the SBC used four guiding frameworks: keep stretching thinking, having meta themes (such as capturing data and insights, access to capital), building capability and skills, and shifting from compliance to enablement. She said in hindsight, one area that was significantly overlooked was climate adaptation, environmental sustainability and the impact and opportunities.</p> <p>The Council then asked about how the recommendations from the meta themes were prioritised. Deb Shepherd said it was a very iterative process, and those that were chosen had been collectively agreed as being the ones that mattered. During the drafting process, the recommendations were mostly locked down unless they were in areas where the SBC members didn't feel they had sufficient internal knowledge.</p>		

			A key takeaway was to make sure information is widely shared within organisations to protect against personnel changes (especially for government officials).		
14.35 70 Mins	8. Council workplan discussion		<p>The Council discussed how Startup Genome’s work would be incorporated in their report.</p> <p>s9(2)(f)(iv) ; s9(2)(g)(i)</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>There was further discussion about certain data points in the benchmarking survey (especially company exits) and collecting further data by Council members to improve it.</p> <p>The Council then discussed timings and strategy for the release of Startup Genome’s work, meeting with ministers and their final report.</p>	Agreed that Marian and Suse would have a Zoom call with all EDA heads.	
15.45 5 Mins	7. Concluding comments		The Chair provided closing remarks and the Council agreed to have its next meeting on 13 April 2023.	Agreed for the next Council meeting to be held on 13 th April 2023.	The Secretariat will finalise arrangements for the next Council meeting.