



BRIEFING

PM's Business Advisory Council – Meeting 5 July 2019

Date:	28 June 2019	Priority:	Medium
Security classification:	In-Confidence	Tracking number:	4001 18-19

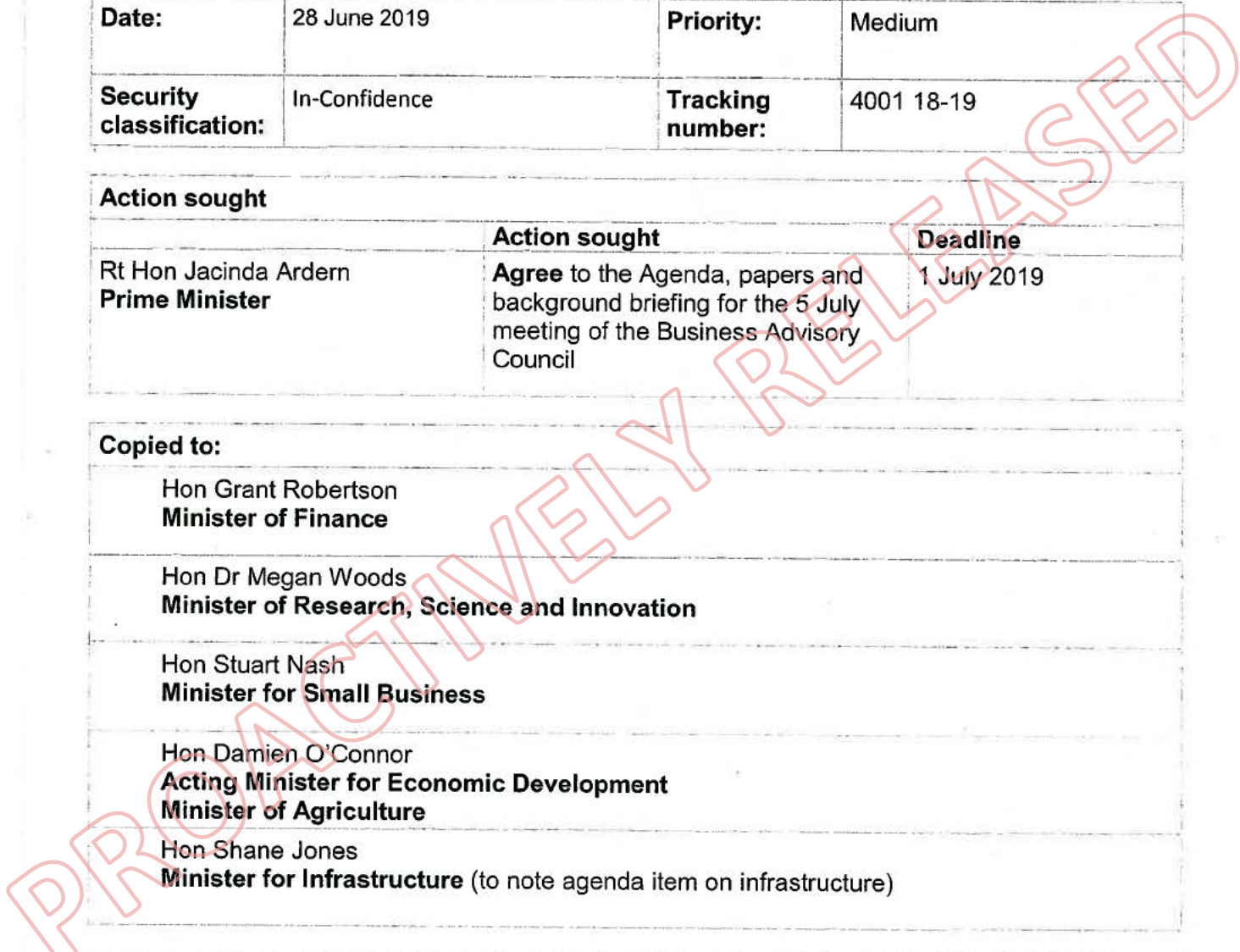
Action sought		
	Action sought	Deadline
Rt Hon Jacinda Ardern Prime Minister	Agree to the Agenda, papers and background briefing for the 5 July meeting of the Business Advisory Council	1 July 2019

Copied to:
Hon Grant Robertson Minister of Finance
Hon Dr Megan Woods Minister of Research, Science and Innovation
Hon Stuart Nash Minister for Small Business
Hon Damien O'Connor Acting Minister for Economic Development Minister of Agriculture
Hon Shane Jones Minister for Infrastructure (to note agenda item on infrastructure)

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Paul Stocks	Deputy Chief Executive, Labour, Science, Enterprise, MBIE	Privacy of natural persons	✓
Kate Challis	Principal Policy Advisor, Strategic Policy, MBIE		

The following departments/agencies have been consulted

The following agencies have been consulted on the Government response to McKinsey's *Future of Work* report: The Treasury, State Service Commission, Ministry of Business, Innovation and Employment, Ministry of Education, Provincial Development Unit, Ministry of Social Development, Department of Internal Affairs, Inland Revenue Department





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Purpose

To provide you material for the meeting of the PM's Business Advisory Council on 5 July 2019, and seek your agreement to circulate the papers prepared by Government for the meeting,

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

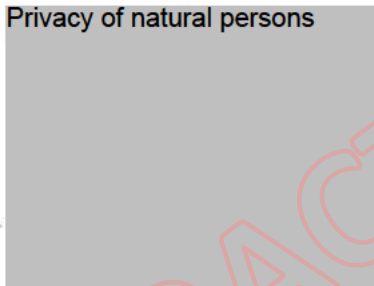
- a **Agree** to circulate the draft Agenda and papers and note the background briefing for the 5 July meeting of the PM's Business Advisory Council

Agree / Disagree

- b **Indicate** if you require additional briefing material to support the discussion

More briefing required

Privacy of natural persons



Deputy Chief Executive
Labour, Science, Enterprise, MBIE

27/6/19
...../...../.....

Rt Hon Jacinda Ardern
Prime Minister

...../...../.....

Background

1. Following your earlier consideration of the proposed Agenda, and subsequent reflections from the Chair, the final agenda is attached at Annex One for your approval to circulate prior to the BAC meeting on 5 July.
2. Papers generated from government, for which we seek your approval to circulate, are:
 - a. *Cross-Government response to the recommendations in the Future of Work Report* – this has had significant input from a range of agencies, and been reviewed by the Minister of Finance.
 - b. *Presentation on Industry Strategy* – this has been approved by Hon David Parker.
 - c. *Update for the BAC on Reform of Vocational Education (RoVE)* – this has been approved by the Office of the Minister of Education.
 - i. The BAC has asked for a response on how their advice has influenced final policy decisions on RoVE. We understand that decisions are still being finalised.
 - ii. The attached update focuses instead on the findings from the consultation process.
 - d. *Update for BAC on Phase Two Overseas Investment Act Review* – this was prepared by Treasury and includes a summary of Treasury's engagement with the BAC.

Attendance

3. The meeting is being held at Rocket Lab (Auckland) 9am – 1pm.
 - a. Formalities end at midday, proceeded by informal networking and a tour of Rocket Lab.
4. Ministers attending with you are:
 - a. Hon Grant Robertson
 - b. Hon Dr Megan Woods
 - c. Hon Stuart Nash
 - d. Hon Damien O'Connor
5. In addition to the BAC, the following have also been invited to attend for discussion on:
 - a. *Unleashing our SMEs*
 - i. Tenby Powell, Small Business Council (Chair)
 - ii. Dr Deb Shepherd, Small Business Council (Deputy Chair), University of Auckland
 - b. *Infrastructure*
 - i. Peter Reidy, Infrastructure NZ (Chair), CEO Fletcher Construction
 - ii. Stephen Selwood, CEO Infrastructure NZ

Agenda item 1: Welcome and introduction

6. You will open the meeting.

7. Peter Beck will then welcome attendees to Rocket Lab.
8. Christopher Luxon will follow with an update on the BAC work to date. We understand a paper has been prepared, but not yet been circulated.

Agenda item 2 & 3: Gearing Our Workforce for the Future

Paper: Government response to McKinsey Future of Work report (Annex Two)

9. Attached is a cross-Government response to the report the BAC commissioned by McKinsey on the future of work. This has been approved by the Minister of Finance, who will talk through the report at the meeting.
10. Agencies have considered the recommendations of the report including how they interact or align with existing work programmes and further work that is worth considering. Key areas of work where these issues will be considered include:
 - a. The development of industry strategy plans arising from the Government's recently announced Industry Strategy
 - b. Work of the Tripartite Forum on the Future of Work and the Just Transition programme
 - c. The Government's consideration on the welfare overhaul, and the work of the Digital Skills Forum.

Update on Skills Pledge

11. The Skills Pledge is the first recommendation of this report
 - a. *Business update:* Christopher Luxon will provide an update from business.
 - b. *Public sector update:*
 - i. Three agencies have signalled an interest in participating in the skills pledge (MBIE, Corrections and Inland Revenue)
 - ii. Each of the agencies is now considering how to shape a skills pledge that works for their organisation and the development needs of employees
 - iii. Agencies are also working together to develop a shared definition of on-the-job training to underpin their skills pledges
 - c. Agencies expect to confirm their skills pledges in August.

Verbal update: Māori Economic Development

12. Rachel Taulelei will provide an update on BAC work on Māori Economic Development.
13. Note that MBIE has contributed \$200,000 to prepare a report looking at the impact of the future of work on Māori. This report is informing BAC work.
14. The BAC (Rachel Taulelei and Bailey Mackey) will give an update on their work on Māori economic development, including the scope of this work and the Iwi they have been engaging with.
15. MBIE has provided funding to undertake a report by McKinsey to look at the impact of the changing nature of work on Māori, as recommended by the BAC. We understand that the work of the BAC on Māori economic development will build on the work underway as part of this report.

Talking points:

- Request the BAC members who are leading the Māori economic development work engage directly with Hon Nanaia Mahuta, Minister for Māori Development, in order that this work be fed into relevant work programmes currently underway.

PROACTIVELY RELEASED

Agenda item 4: Unleashing our SMEs

Paper: BAC correspondence on SMEs and SME survey (Annex Three)

16. The BAC has written to Minister Parker and Minister Nash outlining their views on issues relating to small and medium enterprises, and summary of their SME survey. These issues primarily relate to compliance.
17. The Small Business Council has been invited to attend the meeting, and will outline their thinking as part of developing a small business strategy.
18. The BAC letter notes that issues they are considering are similar to those being considered by the Small Business Council. It notes that the BAC broadly agrees with the more explicit and tangible recommendations of the Small Business Council and that Government will be better served if it receives one set of recommendations in relations to SMEs.
19. Minister Nash will attend and will be available to lead Ministerial discussion on this item. There are a couple of timing issues on this item to be aware of (which Minister Nash will manage) – *a separate briefing will be provided to Minister Nash to support this discussion, including more detail on work underway in his portfolio.*
 - a. Additional funding was provided for Business Connect in Budget 2019. Minister Nash will announce more details shortly.
 - b. The Small Business Council's Strategy and recommendations have yet to be finalised and provided to the Minister for Small Business. This is due to Minister Nash later in July.
 - c. The BAC is interested in an update on e-invoicing. Due to the recent Australian Federal election, New Zealand is restricted in what it can say on e-invoicing until the new Australian Minister has been briefed and agreement to proceed on a number of areas has been confirmed.

Talking points

- You might like to thank both Councils for their work – working together we can ensure that we support all business in a more comprehensive manner.
- The Government will consider the advice, and the advice of the Small Business Council once received, in its ongoing work on supporting SMEs.
- The government recognises the challenges faced by our half a million small businesses – managing staff, cash flow, compliance while often juggling family commitments.
- Working together with the public and private business supports, we can change what it means to be a small business in New Zealand. We're focused on making it easier to work with government, stay on top of admin and get the right advice at the right time.
- We have some great examples where we are working together across government but we know we have a lot more work to do in joining up services from across government and putting more emphasis on agencies working together.
- We agree bold targets are needed. New Zealand is rated as the easiest place in the world to do business. This is not enough. We want to make Kiwi businesses the best supported in the world by 2021.
- We're doing this through a range of initiatives that will better connect businesses and government, applying the best technology and ideas from around the world.

For example:

- We're making it easier for businesses to get the permits they need by connecting central and local government systems using the New Zealand Business Number and a new service called Business Connect. This will launch in October.
- We're accelerating payment times and reducing cash flow admin by introducing e-invoicing. We're also working to ensure small businesses get paid as quickly as possible by government and get a fair deal from big businesses.
- We're bringing together the over 50 partners from across the public, private and regional sectors to help small businesses with their top pain points, connecting them with support from their region and across the country. This is called the Great Kiwi Business Boost and will launch in October in Hawke's Bay.
- We're introducing new tools to help small business access finance, manage their cash flow, develop strategy and improve their management capability, in partnership with banks and universities. These tools will sit on the home for small business – business.govt.nz – a world leading service.

Agenda item 5 & 6: Securing Our Economic Independence

Paper: BAC correspondence on venture capital and investment attraction (Annex Four)

20. The BAC has asked for a very brief discussion on venture capital and investment attraction, as outlined in their letter, and Hon David Parker's response.
21. This is an opportunity to discuss the Government's early stage capital initiative – a \$300 million fund for early-stage firms.
22. MBIE (Paul Stocks) can provide a brief update on this work, including recent discussion with Peter Beck on the operation of the fund.

Presentation (draft): Economic and Industry Strategy, and Industry Transformation Plans (Annex Five)

23. MBIE (Paul Stocks) will lead a presentation on the Government's Industry Strategy. Minister Parker is releasing the Industry Strategy on 2 July. BAC will be provided early advice on this work, and will be emailed copies of the release on the day.
24. This presentation begins with an overview of the Government's Economic Strategy, which was considered by DEV on 26 June (first two slides).
 - You might like to ask the Minister of Finance to comment on the Economic Strategy.
25. The presentation then focuses on the Industry Strategy focuses on ten sectors: Food and Beverage, Agritech, Wood Processing and Forestry, Tourism, Construction, Creative Industries, Renewable Energy, Digital Technologies, Aerospace and Health Technologies.
26. Four sectors will be the initial focus of sector-led Industry Transformation Plans: Food and Beverage, Agritech, Digital Technology and Wood Processing and Forestry.
27. Minister O'Connor will be attending the meeting, and will have an opportunity to reflect on the Industry Transformation Plans – as these sectors are within his portfolios.
28. This draft presentation is attached. The final presentation will be distributed at the meeting.

Agenda item 7: Infrastructure

Paper: BAC letter on New Zealand's Infrastructure (Annex Six)

29. The BAC has written to you outlining New Zealand's infrastructure challenges, highlighting:
 - a. the lack of an overarching vision or strategy and corresponding plan;
 - b. the lack of appropriate funding and financing mechanisms;
 - c. barriers created by legislative frameworks, and
 - d. poor project delivery.
30. The BAC has also provided a copy of Infrastructure NZ's Top Ten Priorities for infrastructure in New Zealand. This is also at Annex Six.
31. Treasury is broadly in agreement with this assessment, considering the key challenges to be:
 - a. A lack of integrated investment decisions across central and local government.
 - b. Low productivity in the construction sector; skill shortages, fragmentation, poor capability in risk pricing and contract management, slow uptake of technology and innovation, health and safety.
 - c. Lack of a credible and committed pipeline of public sector infrastructure investment leading to boom/bust cycles and under-investment.
 - d. Poor procurement practices on the part of public sector procuring agencies and poor strategic asset management.
 - e. Limited opportunities for infrastructure investors given the absence of suitable candidate projects.
32. The following provides a summary of work underway to address these challenges. More comprehensive advice (particularly for Minister Robertson and Minister Jones' information) is at Annex Seven.

New Zealand Infrastructure Commission – Te Waihanga is being established...

33. The Commission will think strategically about our infrastructure, and provide advice to agencies building and managing infrastructure. The Commission's establishing legislation is currently before Select Committee, and is expected to be passed by October this year.

The new Infrastructure Transactions Unit will lift public sector procurement and project delivery...

34. The Infrastructure Transactions Unit (ITU) was established within the Treasury in advance of the Commission to support agencies and local authorities in planning and delivering major infrastructure projects with a total cost of ownership exceeding \$50 million. It will move into the Commission once established.
35. Changes currently underway to the Cabinet Office requirements for investment performance and asset management, as well as changes to the Government Procurement Rules that will take effect on 1 October 2019, will make the ITU's guidance mandatory for government departments as well as the Police and Defence Force and most Crown entities.

Construction Sector Accord was signed by Government and the sector in April 2019...

36. The Construction Sector Accord signals a commitment to work together to achieve shared goals and help transform the sector.

37. A key commitment under the Construction Accord is development of a pipeline of infrastructure projects to give the construction sector confidence to invest. Confidence is undermined where projects are not well coordinated and sequenced or where as a result of changes in government policy, projects no longer proceed – even if market ready.
38. Once established (later this year) the Commission will lead the pipeline work. In the meantime, it is being led by the Treasury's ITU. The first iteration of the pipeline (a prototype) was published on the Treasury's website in May. Work is underway with central and local government to build the next phases of the pipeline.
39. The ITU is also providing advice on projects for alternative financing (investor opportunities).

We are also improving procurement practices in the construction sector...

40. The ITU is working with MBIE on improvements to the Construction Procurement Guidelines. This work has included an examination of issues associated with the use by the public sector of a standard form of construction contract.

Infrastructure funding and financing is part of the Urban Growth Agenda work...

41. This work aims to improve housing affordability, by enabling responsive infrastructure provision and appropriate cost allocation, including the use of project financing and access to financial capital. It includes:
 - a. Developing alternative financing models for infrastructure.
 - b. Investigating an increase in local government borrowing capacity.
 - c. Reviewing the current development contribution and targeted rates regime.
42. On 24 June 2019 Cabinet agreed to establish an Infrastructure Levy Model to fund and finance local infrastructure projects. The Levy will be enabled by legislation and levied by a Special Purpose Vehicle.

BAC recommends establishing a Ministry of Cities, Urban Development and Population...

43. The Ministry of Housing and Urban Development has been established. We will ensure the Minister of Housing receives a copy of the BAC letter outlining their views on the scope of work for such a Ministry.

BAC also suggests reforming planning and local government systems...

44. The BAC recommends establishing a taskforce/inquiry into planning laws and local government, including the Resource Management Act, and local government funding.
45. The Government has established a two stage process to improve the resource management system. Stage one considers changes that can be made straight away, and a bill is soon to be introduced into Parliament.
46. Stage two is a more comprehensive review of the system, building on our work across urban development, climate change, and freshwater. Cabinet will soon consider the scope of this work, with work to commence in the next couple of months.
47. *Note that Budget 2019 provided \$30.484m to strengthen the integrity of the environmental management system. This includes funding for comprehensive reform of the resource management system.*
48. The Government has asked the Productivity Commission to undertake an inquiry into local government funding and financing and provides options for improvement. The Commission is due to release its draft report on 4 July.

Talking points:

- Thank you for the BAC advice on infrastructure. Infrastructure is a significant challenge for Government.
- New Zealand requires an unprecedented level of infrastructure investment. This is required to keep pace with population growth, to continue to grow our economy, and to improve our living standards.
- Our transport and urban infrastructure is struggling to keep up with population growth and increased demand, and parts of our water network are over 100 years old.
- A greater understanding of the current condition of our assets is also needed to improve our asset management practices and resilience.

Agenda item 8: Accelerating Business in Regional New Zealand

Verbal update: Regions

49. The BAC asked that there not be a separate agenda item on Regional Banking Hubs, however suggested a more generic item for the BAC to update Ministers on their thoughts on accelerating regional businesses. This might include Regional Banking Hubs.

Talking points:

- Request David McLean work with Minister O'Connor, Minister for Rural Communities, on the regional banking pilots, and consider what involvement the Government could play in the development of hubs. For example, could postal services be included as part of a hub?

Background papers – not for discussion

50. The BAC have also asked for brief written updates on the following issues:
- a. *Reform of Vocational Education* (Annex Eight) – Minister Hipkins will not be attending this meeting. Cabinet is likely to make decisions on this issue on 1 July with announcement unlikely to be made before 5 July. You might like to note that the BAC will be provided with a more fulsome update once decisions are finalised.
 - b. *Overseas Investment Act phase two review* (Annex Nine) – Treasury provided a number of BAC members with a bespoke briefing on the current review of the Overseas Investment Act on 20 May.

Annexes

- Annex One: Agenda
- Annex Two: Government Response to McKinsey Future of Work report
- Annex Three: BAC correspondence on SMEs and SME survey
Findings from BAC SME survey
- Annex Four: BAC correspondence on venture capital and investment attraction
Minister Parker's response – venture capital and investment attraction
- Annex Five: Presentation – Economic and Industry Strategy, and Industry Transformation Plans
- Annex Six: BAC correspondence on infrastructure
Infrastructure NZ Top Ten Priorities
- Annex Seven: Additional background information on Infrastructure for Ministers
- Background Papers for BAC*
- Annex Eight: Update for BAC on Reform of Vocational Education
- Annex Nine: Update for BAC on Phase Two Overseas Investment Act Review

Annex One: Agenda

Date: Friday 5 July 2019

Time: 8.30am to 12.30pm

Venue: RocketLab, Auckland.

Agenda Item	Time	Item	Lead	Time (mins)	Background paper
	8.30	BAC Members only	Christopher Luxon	30	No
	9.00	Welcome			
1		Ministers arrive, welcome and opening session	Prime Minister Peter Beck (welcome) Christopher Luxon	10	Update of work to date
	9.10	NZ 2030: Gearing Our Workforce for the Future			
2		Government update on Future of Work report and recommendations (inc. Skills Pledge).	Minister of Finance	20	Government response to Future of Work
3	9.30	Maori Economic Development – update	Rachel Taulelei	5	No
	9.35	Unleashing our SMEs			
4		BAC and Small Business Council to discuss their advice	Minister for Small Business (Hon Nash) Small Business Council Christopher Luxon	40	BAC SME letter & Compliance Survey Insights
	10.15	Securing Our Economic Independence: Attracting More High-Quality Investment			
5		Government reflections on BAC Investment Attraction and VC letter	MBIE	5	BAC Investment Letter Minister Parker's response
6	10.20	Economic and Industry Strategy	MBIE	40	Presentation
	11.00	Infrastructure			
7		General discussion and reflections	Christopher Luxon Peter Reidy (Chair, Infrastructure NZ) Stephen Selwood (CEO, Infrastructure NZ)	40	BAC Infrastructure Letter Infrastructure NZ Top Ten Priorities
	11.40	Accelerating Business in Regional New Zealand			
8		Regions	BAC	5	No
	12.00	Formal meeting closes			
		• Light lunch and informal discussion with BAC and Ministers			
	12.30	END			
		• Tour of RocketLab (Peter Beck)			
	1pm	DEPART			

Background papers for Business Advisory Council for noting only:

1. Update on Reform of Vocational Education
2. Update on Overseas Investment Act review

Annex Two: Government Response to McKinsey Future of Work Report

PROACTIVELY RELEASED

***A Future that Works* – Update on Government progress for the PM’s Business Advisory Council**

The Government thanks the Business Advisory Council, and McKinsey and Company, for their useful contribution to the ongoing discussion on New Zealand’s response to the changing nature of work, in their collaborative report *A Future that Works*.

The attached table outlines how and where the Government is responding to the report’s recommendations. In some cases, actions are not currently being progressed as specified in the recommendation. However in all cases, the issues the report raises, and the solutions proposed by the report, have been referred to various fora for consideration.

Key areas of work where these issues will continue to be considered are:

- Development of Industry Transformation Plans, arising from the Government’s Industry Strategy (announced 2 July).
 - As part of developing plans for sectors important for New Zealand’s future, this work will focus on the future of work and labour market trends within sectors.
- Work of the Tripartite Future of Work Forum, and the Just Transition programme looking at supporting displaced workers, and training and skill acquisition over an person’s lifetime, as the economy transforms, and New Zealand moves to more productive, inclusive, sustainable and low-carbon economy.
 - As requested by the Prime Minister, the Tripartite Forum is considering the findings of the report *A Future that Works* as part of its strategic direction.
- The Government’s consideration on the welfare overhaul, and the work of the Digital Skills Forum.

The Prime Minister has referred this report onto the Tripartite Forum, who are considering it in the context of their Strategic Assessment of Future of Work Priorities. The Strategic Assessment is currently being developed by Government and social partners, with the goal of releasing a draft report at the Tripartite Forum scheduled for August 12.

The Strategic Assessment will provide a framework for prioritising Future of Work programmes, as well as a focused short-term work programme for the Forum. Government officials look forward to discussing this with the Business Advisory Council after August.

Skills, Retraining and Education

New Zealand private and public sector employers need to be at the forefront of this transformation, adopting impactful and best-practice retraining strategies.

1. Kiwi employers should pledge to double their investment in annual employee training, re-training and upskilling and publicly report on this investment as a credible signal of leadership in ensuring Kiwis are well prepared for the Future of Work.

2. Board directors should ask the following of their organisations:

- What is the organisation's strategy to at least double the rate of real productivity growth using automation technologies?
- What is the organisation's human capital strategy to train, retrain, upskill and empower its people to thrive in the Future of Work?
- How will the organisation change or enhance its culture, behaviours and operating models to ensure it delivers the benefits of automation?

The public sector has a key role in supporting Government and citizens to respond to the challenges and opportunities arising from the Future of Work. It has already begun to think about how to prepare for this role and the likely impacts on the public service workforce.

In some government agencies, this includes building more complex customer facing roles with greater decision-making responsibility, requiring higher levels of problem solving and critical thinking. The transition to more complex roles is often linked to significant organisational change and business transformation programmes leveraging off new technologies.

- For example Inland Revenue has a well-advanced large organisational transformation programme which has included significant upskilling of its whole workforce. It has more than doubled its investment in both on the job and formal training since the beginning of its transformation programme (in 2015).

Training support differs across public sector agencies, depending on the business of the organisation. For example:

- General support for professional and career development including induction and upskilling for current roles
- Frontline agencies such as Customs and Corrections provide significant entry level training for roles and professional competencies specific to their business.
- A range of agencies across the public sector employ specialised professionals such as social workers and psychologists, and provide support to meet on-going professional development requirements
- Public servants also engage in more general learning opportunities such as through engagement in courses and events provided through such organisations as the Australia New Zealand School of Government (ANSoG), and the Institute of Public Administration New Zealand (IPANZ).

	<p>Government is currently undertaking work to understand and define the different categories of training in order to understand how agencies might commitment to a Skills Pledge, and what that might look like for their organisation.</p> <p>Public sector agencies are also considering questions around how their organisational strategies to respond to, and harness the benefits from, automation for their business, and the changes in culture, behaviours and operating models that will be required to do this.</p>
<p>The education system, including content and delivery methods, needs recreating to prioritise training in Future of Work skills, specifically technology skills.</p> <p>A national digital and technology curriculum should be developed and made compulsory, at appropriate levels in the education system.</p>	<p>The Ministry of Education recently revised the Technology Learning Area and Hangarau Wāhanga Ako to strengthen the positioning of digital technologies in The National Curriculum.</p> <p>This is to ensure that all learners have the opportunity to become digitally capable. This change signals the need for greater focus on our students building their knowledge and skills so they can be innovative creators of digital solutions, moving beyond solely being users and consumers of digital technologies.</p> <p>From 2020, schools will be required to provide all students in years 1-10 (and 11-13 for those students that choose) with learning opportunities in the revised Technology Learning Area and Hangarau Wāhanga Ako.</p> <p>The Government's reforms of vocational education are currently being finalised. We will provide an update to the BAC as soon final decisions are confirmed. This new system will support more work-integrated learning, combining provider and workplace-based learning to meet the needs of learners and employers, and provide the agility needed for the future of work.</p>

<p>A “National Digital Certificate” should be created as a scalable way for businesses to retrain employees in the technology skills needed for most future roles.</p>	<p>Government has sought advice from the Digital Skills Forum on ideas for lifting digital skills. Advice on options, including scalable ways for business to train employees in technology skills, is expected to be provided to the Government in August.</p> <p>We can provide the BAC with an update on progress on this work at the next BAC meeting later in the year.</p> <p>We note that micro-credentials also focus on developing skills to meet the immediate needs of industry, employers, iwi and/or community. This includes technology skills.</p>
<p>A “KiwiSaver for Skills” should be established by creating citizen directed Lifetime Learning Accounts for individuals to tap into throughout their careers to acquire new skills or pursue higher education.</p>	<p>‘Future of Work’ Ministers have sought advice from officials on how to think about employer incentives for workplace training, including what other countries do to incentivise employers to train and re-train their workforce, for example individual learning accounts and other types of interventions and incentives.</p>

Understand and Target Māori and Youth Challenges in the Future of Work

<p>Government should commission a similar Future of Work report focusing on Māori and the impact of automation to inform targeted recommendations. It should include insights on youth unemployment, which for Māori currently sits above 20%.</p>	<p>MBIE has contributed to the commissioning of such a report.</p> <p>There are also some new initiatives underway that will provide additional insights including:</p> <ul style="list-style-type: none"> • He Poutama Rangatahi (pathways to work for 15-24 y.o.) • Pae Aronui (TPK initiative to improve education, training and employment outcomes).
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Mitigate Risks by Overhauling/Creating Institutions

The “Work and Income New Zealand (WINZ) of the future” should be piloted by trialling a Mobility Centre model that:

- **Can deploy to regions** prioritised because they will be more negatively impacted by automation than other regions;
- **Acts as a sophisticated jobs information market place,** careers and qualifications matching and brokering service;
- **Is authorised to implement risk sharing schemes** with training providers if their training does not result in employment for a displaced worker (the risk currently sits 100% with the individual); and
- **Provides targeted, case managed and individualised support** so that a single view of a customer can be developed for a displaced worker, allowing the full suite of government schemes to be made available.

An initial pilot should be rolled-out in Southland given its vulnerability to automation, strong education sector and population size.

There should be social welfare reform including, but not limited to:

- Setting policy that requires anyone under a certain age (and who meets fair and reasonable criteria) be in work or in training; a pure unemployment benefit is not an option.
- Allowing other beneficiaries to concurrently access full-time training.

The Government has made the commitment to overhaul the welfare system, ensure access to entitlements, remove excessive sanctions and review Working For Families so that everyone has a standard of living and income that enables them to live in dignity and participate in their communities, and lifts children and their families out of poverty.

The Minister for Social Development has outlined how the Welfare Expert Advisory Group (WEAG) report and its recommendations will contribute to this ongoing work to overhaul the welfare system. One of the immediate priority areas is supporting people who are able to be earning, learning, caring or volunteering, and the McKinsey report and its recommendations will also contribute to this ongoing work.

These specific recommendations are not the subject of immediate work. However, some of the recommendations across the McKinsey report cover topics that were also the subject of WEAG report. These include the expectations and requirements for the Ministry of Social Development (MSD) and its clients, coordinated employment support across government, and support for displaced workers including retraining. These are areas being considered through the welfare overhaul in the coming months. The solutions recommended by McKinsey will inform that work.

We note that the Government has commenced establishing jobs and skills hubs to match industry and job-seekers. There are currently five hubs in Auckland already in operation or in process to be established.

Through the Provincial Growth Fund (PGF), MBIE is considering whether jobs and skills hubs are required in the five Te Ara Mahi (pathways to work) surge regions. A hub funded by the PGF is due to open in Manawatu/Whanganui in July 2019. Early lessons learned from the Auckland hubs (e.g. Ara) are informing the development of these hubs.

The Government also supports a number of other programmes, such as applications for Te Ara Mahi funding to provide work-ready programmes and increased investment in MSD frontline staff through the Wellbeing Budget.

<p>A dedicated Future of Work Unit within the Treasury should be established with direct, high-level political support that is responsible for the delivery of initiatives, new systems set-up and the introduction of schemes at the right time, in the right places, for the right people.</p>	<p>The Tripartite Future of Work Forum has senior political, union and business representation and provides oversight to work across key government initiatives (including workplace productivity, just transitions, digitisation and lifelong learning). This is supported by new dedicated MBIE resource through Budget 2019. Treasury and MBIE are also undertaking work on options for establishing a FOW unit.</p>
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Government Leading by Example

<p>Specific services (at both the central and local government level) where automation is appropriate should be identified and tangible, world-class improvement targets should be set on outcomes and metrics that matter most to citizens (e.g. passport processing has been an example of this).</p>	<p>Automation in the public sector is focused on customer experience, internal processes, or a combination of both. Agencies use a range of metrics to monitor the efficiency and effectiveness of their services to customers (citizens and businesses). These measures differ according to the service being delivered, and the outcomes being aimed for.</p> <p>Government acknowledges the recommendation that the targets it sets for performance of its services should aim for best possible outcomes for citizens and businesses. We will continue to strive towards stretch targets that drive performance improvement in programme delivery, particularly as services more to more automated and citizen-centric delivery.</p> <p>There is significant work underway across the public service, where new technologies are being used to improve delivery of services. This includes:</p> <ul style="list-style-type: none"> • Rolling out the NZ Business Number (NZBN) – a unique identifier that will save business time when interacting and transacting with government – by not having to provide core information to multiple agencies. The NZBN is also instrumental to the Business Connect initiative (described below) and enabling businesses to interact across a shared network of information. • Implementing E-Invoicing – which will replace paper and PDF invoicing, reduce errors and payment times, and improve security and productivity. • Streamlining business interaction with government through Business Connect which is a cross-agency digital platform allowing businesses
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	<p>to reuse their core information across all levels of government, and enabling them to apply, track and renew permits and licenses from one place.</p> <ul style="list-style-type: none">• Business.govt.nz – online information to help simplify compliance and provide tools to support businesses to grow.• Better for Business – a cross-government programme that brings 10 business-facing agencies together to develop easier and more seamless ways for business and government to interact, including through innovations arising from GovTech.• Te Ara Manaaki is shifting the way identity and life event products and services are delivered, so people have access to personalised services, are engaged on the issues they care about, and can trust an open, transparent, and inclusive government. Te Ara Manaaki is supporting a transformation to better enable technology to improve efficiencies, increase automation, enable first point of resolution, and optimise use/reuse of information. Some of the achievements are:<ul style="list-style-type: none">• Legislative, process, and system changes to create an integrated marriages online solution, enhancing data quality and reducing processing effort – saving 1 million minutes of effort annually. Customers can apply for the marriage certificate at the same time as the licence and don't need to visit an office to sign a paper declaration – that's 25,000 fewer customer visits annually.• An online certificate ordering service, including Birth, Death, and Marriage certificates. We've received 1,111 more online certificate orders in March 2019 than in March 2018, yet physical channels received 7,348 fewer requests – indicating that customers are not only going online, but also ordering more products overall.• An increase in digital uptake across all products from 44% to 63% with the subsets of marriages and certificates achieving 86% and 74% respectively – well on track to achieve our overall 80% target.
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Case study: Inland Revenue's Business Transformation

Inland Revenue's Business Transformation is a multi-year, multi-phase programme to transform Inland Revenue's tax administration system and processes by replacing the tax systems technology and modernising the way that tax is administered to take advantage of the opportunities that new technology offers.

The changes will have some impact on every taxpayer in New Zealand. Moving income tax data from the old computer system to the new START computer system in April 2019 enabled the auto-calculation of individuals' income tax where the individuals are understood to only earn income from sources that report that income to Inland Revenue such as salary, wages and interest income.

By 10 July 2019 Inland Revenue expects to have completed the automatic calculation of the tax positions of over 2.5 million individuals and to have paid out refunds, issued tax bills and notified individuals of their tax calculations automatically. The number of assessments being issued automatically is being carefully monitored as is the level of customer contact that is being driven by the automatically calculated assessments.

Where people are expected to have other income information that they need to tell Inland Revenue about they have been prompted to do that and the online services offered automatically pre-populate the income information that Inland Revenue holds to make it easier for these customers to complete their tax calculations.

Key lessons learnt: Inland Revenue deliberately transferred income tax as Release 3. Earlier releases were smaller and affected less tax payers but enabled significant lessons to be learnt to help Release 3 run more smoothly both from a customer perspective and from a staff perspective. These included:

- The importance of working more closely with key customer groups such as tax agents (although some would say it still wasn't enough)
- Significantly increasing call centre resources to deal with increased customer contact
- Running multiple mock go-live processes to iron out problems
- Offering increased levels of expert support and assistance to staff for a longer period to help manage the impacts of the change on staff workloads.

Case study: Smart Start

Smart Start is an integrated on-line service across a range of agencies, designed in conjunction with the New Zealand College of Midwives and Plunket.

It provides step-by-step information during pregnancy and early childhood and offers New Zealanders registering their baby the opportunity to share their digital birth record with other agencies, in order for the agencies to take action on their behalf.

Since going live in December 2016 SmartStart has been visited more than 500,000 times.

- 97% of parents are sharing their digital birth record with another government agency in order for the agency to take action on their behalf.
- More than 14,000 parents receiving financial assistance have shared their digital birth record so their entitlement for financial support can be updated, and 70% have not required a visit to the office. This would not have been possible two years ago.
- Those using it found it cut in half the time they needed to complete transactions with government.

The delivery and approach to SmartStart is being considered in the delivery design of other government services, including through the Service Innovation Lab. The Service Innovation Lab is an all-of-government team made up of people from across agencies.

Better for Business

Better for Business (B4B) is an MBIE-led cross-agency strategic programme focused on making significant improvements to the business experience with government. B4B measures this business experience using the B4B Customer Experience Index (CXI).

The CXI provides a 10 dimensional view of the business experience with government where 100 is the best score. Since measurement of the CXI began in 2017, the CXI has dropped slightly from 60-57. The CXI shows that consistency of service and coordination across agencies are the two aspects of the business experience that score the lowest. These dimensions relate strongly to reducing business effort and improving satisfaction with government, and so are worthy of attention. All B4B initiatives are focused on improving these in particular.

B4B has shared their research with the BAC, as part of the work the BAC commissioned into the impact of compliance on small business. There is strong alignment across the themes and findings arising from both pieces of research. Working together we can identify and develop easier and smarter ways for business and government to interact and/or better contend with government requirements.



Source: *Better for Business*

Targeted SME and Sector “Surge Support”

<p>High-performing, or high-potential sectors (which have self-selected) should be surged with support and targeted investment and incentives to achieve scale through automation (for example, accelerated depreciation on innovative technology assets, R&D tax credits).</p>	<p>The BAC was provided with an early release of the document <i>From the Knowledge Wave to the Digital Age</i> (on 2 July) which sets out the Government’s Industry Strategy.</p> <p>Our Industry Strategy will be built around working in partnership across key sectors of the economy, with industry, science and academia, iwi, local and central government agencies, investors and unions.</p> <p>The Strategy will support and build innovative industries and develop new points of comparative advantage. The areas we are identifying for focus are ones that we can move from volume to value, to leverage opportunities adjacent to key sectors and to back the industries of the future (emerging sectors).</p> <p>We would like to continue to work with the BAC and the Tripartite Forum on the implementation of the Industry Strategy, including on the development of the Industry Transformation Plans for each sector. Taking a partnership-led approach, we will initially focus on developing these for four priority sectors:</p> <ul style="list-style-type: none"> • Food and Beverage • Wood Processing and Forestry • Agritech • Digital Technology
<p>A “SME in a Box” scheme should be created, which outlines clear, user friendly steps towards greater productivity in SMEs, including:</p> <ul style="list-style-type: none"> – Encouraging and specifically recommending App and technology use through loans, grants or investment to enable adoption and associated training. – Partnering with book-keepers, banks and other service providers to SMEs as a vehicle to roll-out this scheme. 	<p>Consideration is already being given to ways to better support small business digital uptake through existing fora and reviews such as the Small Business Council, the Digital Economy and Digital Inclusion Ministerial Advisory Group and the report back from Digital Skills Hui (due in August). The Small Business Council have been considering what might be needed to accelerate digital uptake as part of their process, including incentivising greater adoption of technology and improving digital capability.</p> <p>Business.govt.nz already provides over 300 pages and 30 tools designed to support small business productivity. Over 10,000 NZ businesses a day use these resources – a 6 fold increase in usage on four years ago. Business.govt.nz are also building new tools to help small businesses better use technology and running pilot workshops with the farming sector to increase digital capabilities.</p> <p>Business.govt.nz are also advancing:</p> <ul style="list-style-type: none"> • Management capability: working with the New Zealand Business Performance Panel, launched by Minister Nash in 2018, to create resources targeting small businesses that raise management capability (a determined prerequisite supporting tech adoption). These resources

have been used by over 70,000 businesses. Three new sections on management capability will be released this year.

- **The Boost:** working with over 200 partners (including all the banks, bookkeepers, chartered accountants, Productivity Commission etc) from across the ecosystem to reach, to understand and better support Kiwi businesses, wrapping the business support ecosystem around them. Starts in November in the Hawke's Bay.
- **Access to finance:** we partnered with Duke University, Productivity Commission, and MBIE studying this in early 2018. We are working with all the banks and KPMG building a tool to make it easier for small business to get debt financing.

MBIE has recently finished a pilot programme looking at how to influence small business behaviours towards more digital uptake, working with the construction, arable farming and tourism sectors and with a specific focus on small businesses with low digital capability. Our research confirms what the BAC has recommended around partnering with the advisers that small businesses trust, such as book keepers. MBIE has recently released the resources/toolkit developed in the pilot. The DIY event [toolkit](#) supports organisations who are seen as 'trusted advisers' by small business (such as industry associations) to align events they run for small businesses in order to 'nudge' more pro-digital behaviours, and to help small businesses get access to the digital expertise, technology and information they told us informs their digital investment decisions. The toolkit includes 'success story' case studies of small businesses that have experienced cost and time savings from going digital.

While the 'SME in a box' is one idea, we want to be sure that we don't overvalue the value of technology adoption in isolation, and understand the broader issues that impact on digital uptake such as management capability. Recent research by the [Australian and NZ Productivity Commission](#) suggests that interventions solely focussed on lifting small business digital capability are unlikely to have much impact in the absence of addressing other factors that may mean the firm is being run sub-optimally. Interventions focussed on lifting small business digital capability need to be integrated with interventions looking at lifting small business productivity in general, as digital capability is now a core business competency.

There are opportunities for the public, private, and not-for-profit sectors to work more closely to ensure all New Zealand small businesses are able to capitalise on the opportunities digital technologies present. One example that could be explored is Be the Business in the UK where big business are taking the lead and upskilling their suppliers and broader networks to improve management practices <https://www.bethebusiness.com/>

PROACTIVELY RELEASED

Annex Three: Business Advisory Council SME letter and survey

PROACTIVELY RELEASED

21 June 2019

Hon. David Parker
Minister of Economic Development

Hon. Stuart Nash
Minister of Small Business

WELLINGTON

Copy to: The Office of the Prime Minister – The Rt. Hon Jacinda Ardern
The Officer of the Minister of Finance – Hon. Grant Robertson

Dear Ministers,

Unleashing the Potential of Our Small and Medium Enterprises.

One of the areas the Prime Minister's Business Advisory Council has focused on is easing the compliance burden on small and medium enterprises (**SME**). New Zealand will not thrive or tackle its productivity challenge until we can unleash the value of the SME sector which, as you know, makes up 97% of all Kiwi enterprises. In this context, we discussed the concept of 'giving back' two days a month to SMEs through a reduction in time spent on compliance. We felt there was significant value to be unlocked in setting this type of ambitious objective.

In partnership with Xero, we commissioned an independent survey of businesses focused on compliance 'pain-points' (**attached**). Key insights from this survey were that:

- Compliance issues are one of the biggest concerns for businesses and are identified as the single largest barrier to growth.
- A reduction in compliance time and cost would enable businesses to focus on, among other areas, growth and profitability.
- Keeping up to date with compliance obligations and understanding regulatory requirements are among the top pain points for businesses.
- Businesses want clarity and consistency when it comes to compliance.
- A 5% reduction in compliance would result in an additional 9 million hours of productivity annually being 'given back' to businesses. That is the equivalent to unlocking approximately 4800 FTEs (giving back two days per month, our original goal, would represent an over 50% reduction and significantly more resources being freed up).

We were conscious that colleagues on the Small Business Council were also looking deeply at this issue. A joint session with members of both Councils was held to discuss these and other insights. Our shared view is that Government will be better served if it receives one set of recommendations in relation to SMEs, endorsed by both Councils.

In addition to broadly agreeing with the more explicit and tangible recommendations of the Small Business Council, we outline overarching themes we suggest the Government pursue in relation to the wellbeing of our SMEs.

21 June 2019

It is important to first note our overarching message. **Government should develop, and hold itself accountable to, a clear and ambitious strategy for the SME sector as a key pillar of its economic agenda. This strategy should be focused on 'making it easy' for business when it comes to regulatory engagement. Inevitably this will include reducing the compliance burden in terms of both the number of regulations and the time spent to satisfy them.**

We accept that in most cases, the underlying purposes of and the outcomes sought by regulation are needed. However, those purposes and outcomes are often clouded or lost in things like: other requirements and impositions that are *not* actually needed; inefficient and unworkable processes; duplication and overlaps; and unnecessarily complex user interfaces.

We feel a bold clean-up, alignment and reduction exercise, underpinned by clear communications and an ambitious goal (such as '*giving back two days per month*') would net substantial and rapid benefits.

Key themes:

- 1. It is of paramount importance to set clear, measurable targets** for the public sector to reduce pain-points in relation to SMEs and to hold Department heads accountable for meeting those targets. This will encourage the development of interagency workstreams and priority action lists for what needs to urgently improve.
- 2. It is critical to take a user-based approach to compliance.** Businesses are consumers of regulation and therefore their user experience matters a great deal. There are layers upon layers of compliance requirements on SMEs, coming from multiple agencies in an uncoordinated way, with seemingly little awareness from regulators of the cumulative impact on individual businesses.
- 3. Communication is critical and Government could significantly improve in this area.** There are many services available for businesses, yet these are shrouded in confusion and there are not easily navigable information banks. Migrant business owners and solo traders are particularly impacted by poor communication, misunderstood and frequently changing obligations. The technology is eminently available and should be employed for targeted messaging in multiple languages to various business types.
- 4. Central and local Government need to be aligned and coordinated** when it comes to compliance obligations placed on SMEs. This may require cross cutting agencies with new powers of enforcement and advocacy.
- 5. Government could take bold action** in reducing the compliance burden on SMEs by piloting initiatives in one sector where small businesses are concentrated.
- 6. We would like to explore how Government and large businesses can work together in implementing e-Invoicing.** We know that both the public and private sector can be poor at timely payments to suppliers, many of whom are SMEs. e-Invoicing is a significant step towards addressing this issue. That will require firm commitments from Government and the willingness to incentivise early adoption of the scheme.

21 June 2019

At an organisational level, it is surprising to us that the team tasked with addressing businesses regulatory engagement issues is buried within MBIE and operating on an uncertain, annual and club funded budget. The agenda, existing data and measures of the Better for Business unit (or an equivalent group) should be forming a key pillar of the Government's business sector strategy.

These themes are in addition to the recommendations we previously made in relation to SMEs as part of the *A Future That Works Report: Harnessing Automation for a More Productive and Thriving New Zealand*.

We look forward to discussing this further with Government at our meeting in July, which will include discussion with the Small Business Council on their recommendations.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'C. M. Luxon', with a horizontal line underneath.

Christopher Luxon

Chair – Prime Minister's Business Advisory Council
Chief Executive Officer – Air New Zealand

PROACTIVELY RELEASED

BUSINESS ADVISORY COUNCIL

New Zealand Business Compliance Research

May 2019

PROACTIVELY RELEASED

PERCEPTIVE



The Prime Minister's Business Advisory Council believes Aotearoa New Zealand faces unprecedented opportunities and challenges as automation and innovation change our working lives.

Automation provides an opportunity to reduce compliance requirements for NZ businesses.

Objectives:

- » To identify and understand the pain points for NZ businesses when it comes to interacting with local and central government on compliance matters.
- » To quantify how much time the government can save NZ businesses if they reduce compliance.

For the purposes of this survey we have defined compliance as ensuring that you are aware of, and take steps to comply with laws, policies and regulations that are relevant to your business.

This relates to areas including tax and levies, local government requirements and protecting intellectual property, etc.

We undertook an online survey of **1,045** New Zealand business decision makers.

Results have a margin of error of **+/-3 per cent** at the **95 per cent** confidence level. Participants were spread across **19** industries including **11 per cent** from Professional, Scientific and Technical Services, **9 per cent** from Retail Trade and **8 per cent** from Construction.

Respondents additionally came from across NZ with **34 per cent** from Auckland, **13 per cent** from Canterbury, **11 per cent** from Wellington and **41 per cent** from other NZ regions. The data has been weighted by business size to ensure a representative sample.

KEY DATA POINTS

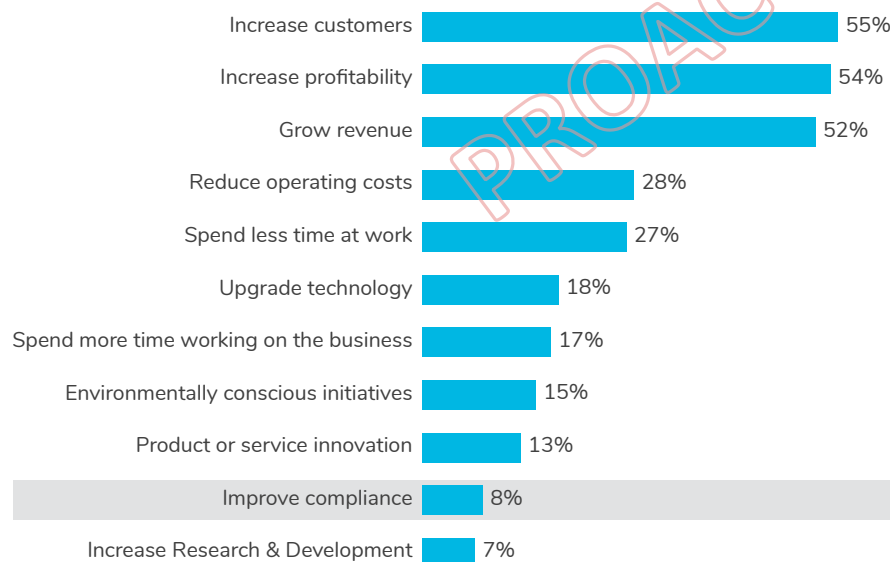
- » Compliance is one of the biggest concerns for businesses, ranking only behind 'securing new business'.
- » Although improving compliance isn't specified as a key business goal, it does enable businesses to achieve goals such as increasing profitability, growing revenue, reducing costs and spending less time at work.
- » Compliance is seen as the biggest barrier to growth for businesses (25 per cent), with 35 per cent of businesses believing that compliance has a negative effect on their business.
- » The average NZ business is dealing with almost four (3.6) areas of compliance, primarily tax and levies but also record keeping, health and safety, and industry specific requirements.
- » The main pain points of compliance are around keeping up to date with compliance changes (42 per cent), understanding compliance (40 per cent) and record keeping (40 per cent). Twenty-nine per cent of businesses rank taxes and levies as the most frustrating compliance task, with a further 17 per cent ranking it 2nd and 3rd. This is also the area of compliance that businesses feel they know the least about (28 per cent).
- » Businesses feel the goal posts are constantly changing. Just when they get up to speed, the rules change again. They want clarity and consistency with compliance requirements.
- » Reducing these processes by just 5 per cent could save NZ businesses 9.2 million hours annually.

Improving compliance is not a top priority for most businesses, however, it is one of the biggest concerns. While improving compliance is not a specific goal it is an enabler that would free up businesses to focus on the top-ranked goals.



- ▶ What are the main business goals you would like to improve on in the next year or so? Base n = 1045.
- ▶ Please select the biggest concerns, or pain points, that you have in your business at the moment; Base n = 1045.

Business goals



Biggest concerns



KEY FINDING

PERCEPTIVE

Government compliance is seen as the main barrier to growth for businesses and 35 per cent believe that compliance has a negative effect on their business.

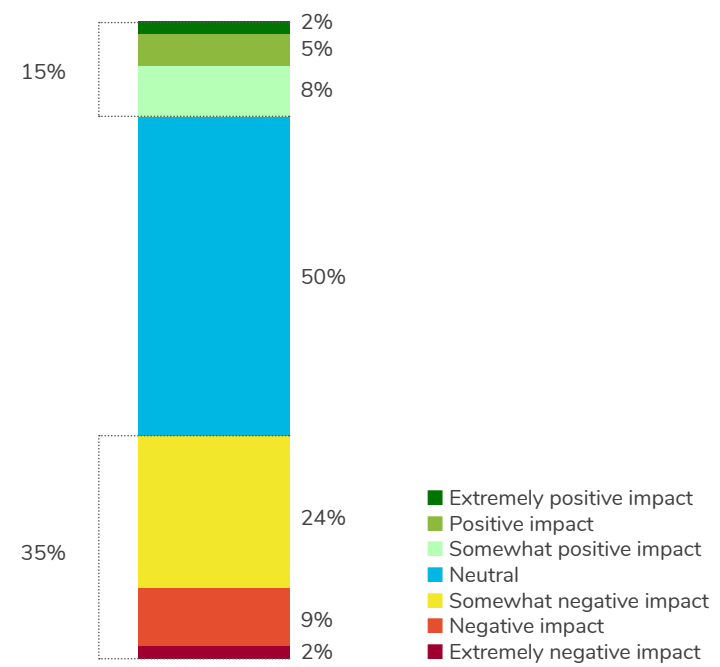
- ▶ What are the biggest barriers to growth for your business? Base n = 1045.
- ▶ What kind of impact do you believe compliance has on your business? Base n = 1045.

“
It is essential to my business, however, it is time consuming and costs money to do these things, which eats in to income.
”

Barriers to growth



Impact of compliance



KEY FINDING

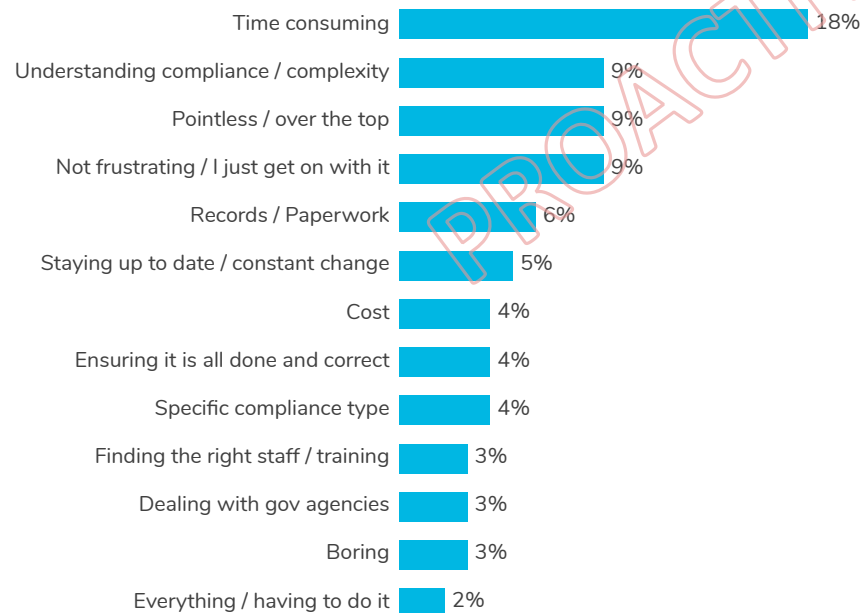
PERCEPTIVE

The biggest frustrations are the time it takes and the complexity / lack of understanding. More communication and education should be given to business decision makers to help them understand the required tasks, this, will help reduce frustration.

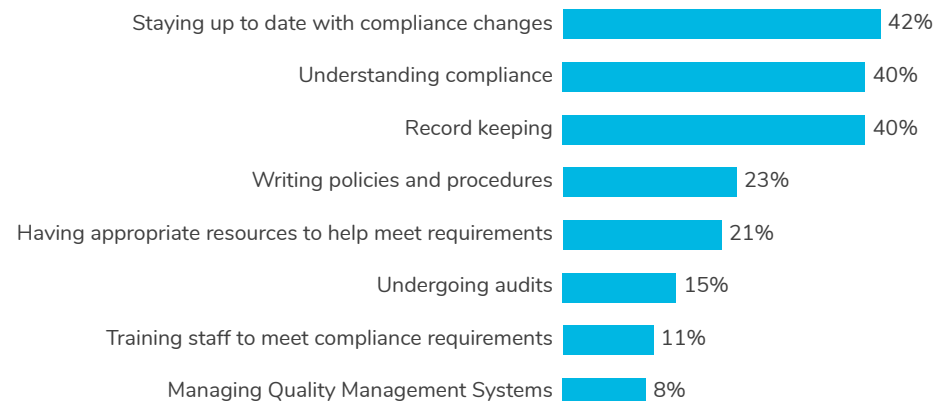
- What is it about those compliance tasks that frustrates you most? Base n = 1044.
- What are the areas of compliance that are the most painful for you? Base n = 1045.

“
It is time-consuming and often outside of my knowledge base so requires learning about.
”

What frustrates you most



Painful areas of compliance



42 per cent of businesses said staying up to date with compliance was the biggest pain point, business decision makers feel as though the goal posts are constantly shifting.

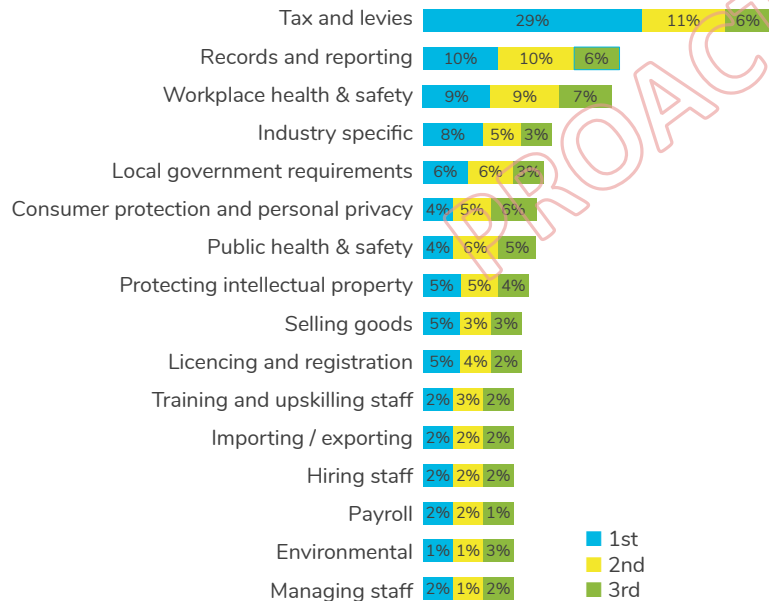
- » *“Council keeps changing the bar and their ideas for compliance. It would be easier if they came out with new rules every 5 years and everyone knew that the upgrades and changes would make council happy.”*
- » *“I have had to spend a lot of time in the business catering and sorting compliance instead of focusing on growth of my business—every time I get on top of it, a new law changes.”*
- » *“The goal posts seem to be altering all the time. When a task is completed another round is necessary far too soon.”*
- » *“Rules keep changing. Makes forward budgets difficult.”*
- » *“It is finding the new legislation and information and then implementing the changes. New regulations and laws are not transparent enough and clear enough.”*
- » *“I think that I have it all organised, then the website changes, or the rules change and I have to read and understand the implications. The playing field is constantly in flux.”*
- » *“It changes without warning, some of the information is hard to find and understand on their website. Trying to find relevant permit forms is really hard.”*

Tax and levies are the most frustrating compliance task by far, it is also the compliance area that business decision makers know the least about.

- Please rank the most frustrating compliance task; Base n = 1045.
- Which of the following types of compliance do you feel that you know the least about? Base n = 1045.



Most frustrating compliance task - ranking



Compliance type known least about



When interacting with local and central government on compliance matters, business decision makers feel as though compliance standards and rules are frustrating because they:

Get misinterpreted.

Are made by people who don't understand their industry.

Don't get communicated properly when changes happen.

Can be pointless.

- » “The ever changing rules set by people who don't have any hands on experience in our industry making all the rules with out any consultation with the industry.”
- » “Ever changing policies, rules and precedent-setting court cases; and different city councils interpreting rules differently in different cities.”
- » “The interpretations of the standards in some cases between ourselves and the authorities.”
- » “Government and local government not clear on registration information, it is not clear.”
- » “Mixed messages from government personnel.”
- » “Local govt misunderstanding of our business before passing judgment”
- » “Lack of information from govt on when the changes are coming into effect.”
- » “Compliance requirements are sometimes overly bureaucratic with no real tangible benefit to the country. So it eats up time and money from the business.”
- » “Stop making changes all the time most of which seem pointless, the what I call 'cotton wool PC' world we have created is cost millions across the country and making people not use there brains.”

How can government make compliance easier?



- » “I'd like the government agencies to take the approach of a local chamber of commerce - which is to contribute to a one-stop-shop for information. With technology and the government's resources, standardisation and technology could achieve this.”
- » “Make the rules easier for general public to understand and not require an expert to translate.”
- » “Publish easy to follow guidelines online designed for small business owners without a team of lawyers to interpret them.”
- » “Provide simple clearly written brief guidelines, be aware that 'one size does not fit all'—there needs to be some recognition of lesser requirements for smaller units.”

Send email updates to business owners.
 Use layman's terms so that business can understand what is required.
 Create video updates or tutorials.
 Create compliance checklists.

- » “Send regular updates of information and in easy to understand language.”
- » “Sending out specific emails about things that are important to my business—so the ability for me to subscribe to particular alerts or business-centric email lists.”
- » “Simplified video tutorials of what's changed and how it affects business owners.”
- » “Webinars, post some short video clips explaining changes. I have heaps to read, so want to be able to obtain information quickly and efficiently.”

If compliance tasks were reduced by 5 per cent we would save New Zealand businesses a total of:

9.2 million hours annually

Average business spends 345 hours per year on compliance	x	There are 534,933 businesses in NZ	=	Total compliance time 185 million hours annually
		5% reduction	=	9.2 million hours saved

This would enable businesses to focus more time on achieving their goals of:

Growing their customer base

Increasing profitability

Growing revenue

KEY FINDING

PERCEPTIVE

Average number of compliance considerations



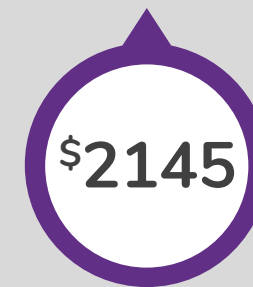
Which of the following types of compliance are a consideration to your business?

Average number of hours spent on compliance annually



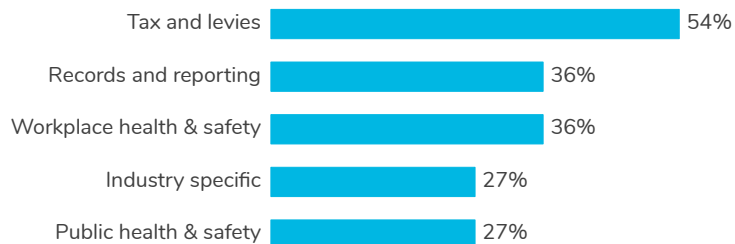
How much time per month is required to ensure your business is meeting compliance requirements across all employees?

Average annual direct cost of compliance



What would you estimate to be the total annual cost to your business to ensure that your business is meeting compliance requirements?

Top 5 compliance considerations



- » If we could reduce the time spent on compliance by **10 per cent** we could save NZ businesses an average of 34 hours each annually.
- » If we could reduce the time spent on compliance by **20 per cent** we could save NZ businesses an average of 69 hours each annually.
- » If we could reduce the time spent on compliance by **30 per cent** we could save NZ businesses an average of 103 hours each annually.

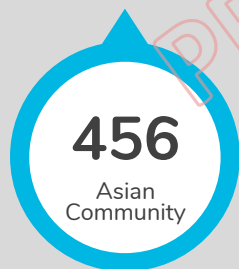
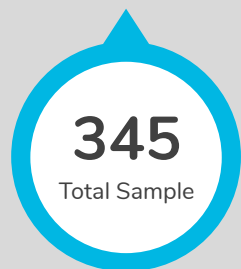
KEY FINDING

PERCEPTIVE

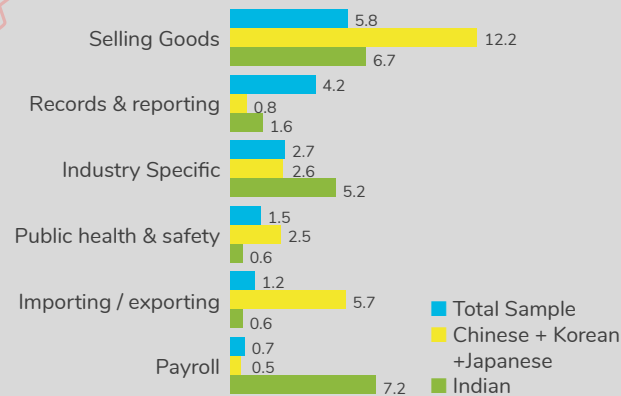
Those from certain ethnic communities are more burdened by compliance. Those from the Asian community (Chinese, Korean, Japanese and Indian) are spending more hours on compliance. Improving this is one of their main goals.

▶ Asian community includes: Chinese, Korean, Japanese, Indian

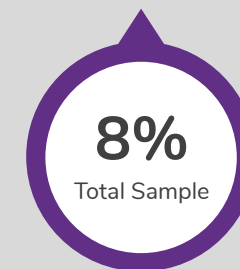
Average number of hours spent on compliance annually



Average hours spent per month



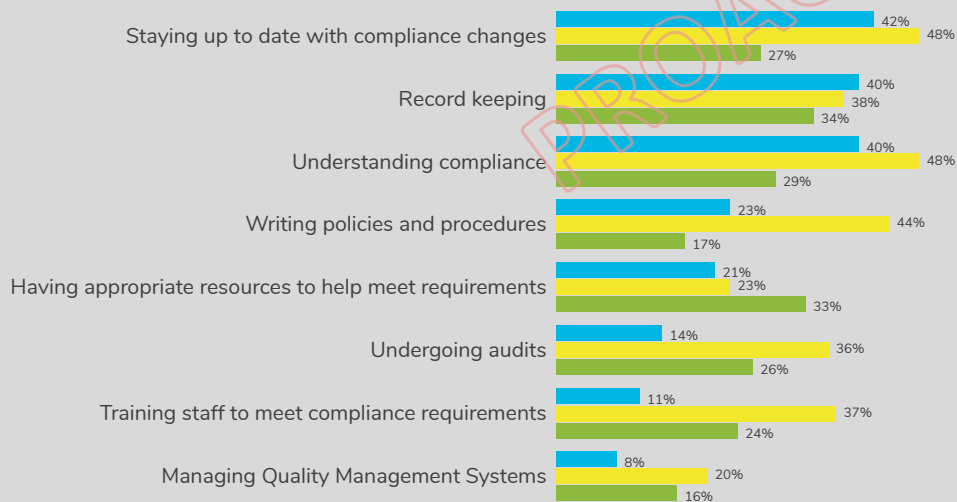
Improving compliance is a business goal



Those from the Chinese, Korean and Japanese communities find many areas of compliance more painful than other ethnicities. While those from the Asian community are less frustrated with tax and levies and records and reporting, those from the Indian community find areas to do with staff much more frustrating than others ethnicities. Working closely with industry and ethnic business networks to develop solutions will be important.

- ▶ Please rank the most frustrating compliance task;
- ▶ What are the areas of compliance that are the most painful for you?

Painful areas of compliance



Most frustrating compliance task (% ranked in top 3)



RECOMMENDATIONS

- » Any changes in compliance need to be managed and communicated in a way that is seen to benefit NZ businesses by enabling them to achieve their overarching goals.
- » Businesses will be sceptical about any changes, so ensuring that they are perceived as positive and not another “pointless” change is paramount to the communication strategy.
- » Compliance frustrations can stem from central government, local government and industry specific requirements, however, central governments can play the key facilitating role in alleviating these stresses.
- » Key areas that are causing the most pain lie in taxes and levies, record keeping, and health and safety. Streamlining these areas will lead to a more productive economy and enable NZ businesses to be their best.
- » Most NZ businesses don't have the resources to leverage specialist help to meet compliance requirements. We need to make sure there are resources available for a layman to understand, comply to and execute compliance responsibilities.

PROACTIVELY RELEASED

APPENDIX

PERCEPTIVE

1,235.00

0.00

25,187.70

7,645.05

210.95

12,411.80

149.16

27,752.93

141%



BUSINESS GOALS

PERCEPTIVE

Column %	Total	WHICH ETHNIC GROUP(S) DO YOU BELONG TO?			
		New Zealand European	Maori	Samoan + Cook Island Maori + Tongan + Niuean	Chinese + Korean + Japanese + Indian
Grow revenue	52%	52%	65%	42%	45%
Increase profitability	54%	54%	46%	45%	70%
Increase customers	55%	55%	49%	43%	60%
Reduce operating costs	28%	26%	27%	23%	45%
Spend less time at work	26%	27%	26%	16%	27%
Upgrade technology	18%	16%	20%	27%	27%
Spend more time working on the business	16%	15%	34%	19%	25%
Environmentally conscious initiatives	15%	14%	23%	22%	16%
Product or service innovation	13%	12%	21%	31%	22%
Improve compliance	8%	7%	11%	18%	22%
Increase Research & Development	7%	6%	13%	19%	16%
Other - please specify	6%	6%	0%	0%	0%
Column Population	1044	814	60	28	69

BUSINESS GOALS

PERCEPTIVE

Column %	Total	WHAT INDUSTRY DOES YOUR BUSINESS OPERATE IN? PLEASE READ THE SELECTIONS CAREFULLY BEFORE SELECTING ONE ONLY												
		Retail Trade	Professional, Scientific and Technical Services	Education and Training	Agriculture, Forestry and Fishing	Construction	Healthcare and Social Assistance	Manufacturing	Accommodation, Restaurants and Hospitality	Rental, Hiring and Real Estate Services	Administrative and Support Services	Arts and Recreation Services	Other Services	Other
Grow revenue	52%	67%	47%	30%	45%	52%	45%	43%	48%	59%	50%	76%	58%	51%
Increase profitability	54%	69%	46%	42%	47%	55%	50%	66%	62%	39%	37%	66%	66%	56%
Increase customers	55%	75%	45%	58%	30%	37%	48%	70%	53%	34%	57%	83%	73%	52%
Reduce operating costs	28%	36%	15%	28%	47%	29%	31%	28%	40%	25%	12%	26%	32%	26%
Spend less time at work	26%	18%	28%	21%	28%	47%	26%	17%	22%	33%	35%	11%	28%	26%
Upgrade technology	18%	26%	17%	27%	22%	13%	8%	20%	8%	10%	20%	22%	14%	19%
Spend more time working on the business	16%	38%	11%	16%	13%	6%	9%	16%	12%	18%	17%	26%	18%	17%
Environmentally conscious initiatives	15%	23%	12%	17%	35%	12%	11%	17%	16%	4%	4%	20%	11%	13%
Product or service innovation	13%	14%	16%	16%	11%	9%	6%	14%	20%	6%	12%	13%	11%	15%
Improve compliance	8%	5%	10%	6%	17%	5%	2%	13%	2%	12%	9%	7%	4%	9%
Increase Research & Development	7%	13%	9%	12%	14%	3%	2%	13%	7%	4%	4%	9%	3%	6%
Other - please specify	6%	2%	3%	10%	9%	10%	9%	0%	5%	8%	0%	0%	0%	10%
Column Population	1044	81	142	55	52	75	69	46	43	47	41	56	93	244

BIGGEST CONCERNS

PERCEPTIVE

Column %	Total	WHICH ETHNIC GROUP(S) DO YOU BELONG TO?			
		New Zealand European	Maori	Samoan + Cook Island Maori + Tongan + Niuean	Chinese + Korean + Japanese + Indian
Securing new business	38%	39%	44%	21%	32%
Government compliance (e.g. health & safety, tax & levies or employment regulations)	26%	27%	27%	16%	29%
Cash flow management	25%	24%	20%	24%	34%
Accounting/bookkeeping	22%	23%	22%	22%	28%
Keeping up with technology	21%	19%	22%	19%	31%
Chasing unpaid invoices	16%	16%	23%	23%	22%
Managing/meeting with clients or customers	13%	13%	13%	15%	15%
Other - please specify	10%	10%	4%	0%	2%
Recruiting staff	9%	8%	12%	10%	15%
Training staff	6%	4%	9%	12%	22%
Managing staff	5%	4%	10%	14%	19%
Payroll	5%	3%	11%	8%	21%
Column Population	1044	814	60	28	69

BIGGEST CONCERNS

PERCEPTIVE

Column %	Total	WHAT INDUSTRY DOES YOUR BUSINESS OPERATE IN? PLEASE READ THE SELECTIONS CAREFULLY BEFORE SELECTING ONE ONLY												
		Retail Trade	Professional, Scientific and Technical Services	Education and Training	Agriculture, Forestry and Fishing	Construction	Healthcare and Social Assistance	Manufacturing	Accommodation, Restaurants and Hospitality	Rental, Hiring and Real Estate Services	Administrative and Support Services	Arts and Recreation Services	Other Services	Other
Securing new business	38%	37%	46%	43%	21%	29%	23%	38%	25%	28%	38%	65%	39%	40%
Government compliance (e.g. health & safety, tax & levies or employment regulations)	26%	17%	20%	17%	45%	45%	29%	29%	23%	65%	8%	19%	19%	26%
Cash flow management	25%	30%	12%	18%	20%	36%	18%	20%	32%	17%	27%	36%	28%	29%
Accounting/bookkeeping	22%	30%	16%	27%	28%	32%	25%	20%	29%	13%	19%	20%	30%	16%
Keeping up with technology	21%	24%	30%	21%	30%	15%	17%	20%	11%	10%	17%	22%	14%	22%
Chasing unpaid invoices	16%	13%	21%	17%	15%	29%	13%	18%	6%	11%	11%	14%	19%	14%
Managing/meeting with clients or customers	13%	17%	10%	3%	12%	17%	15%	8%	12%	3%	14%	20%	16%	16%
Other - please specify	10%	7%	5%	19%	13%	4%	6%	10%	4%	2%	16%	8%	10%	15%
Recruiting staff	9%	13%	5%	12%	10%	14%	4%	12%	25%	3%	6%	10%	13%	7%
Training staff	6%	13%	2%	3%	9%	6%	4%	10%	10%	9%	4%	2%	8%	7%
Managing staff	5%	11%	2%	4%	12%	4%	5%	7%	8%	2%	3%	7%	5%	5%
Payroll	5%	5%	3%	2%	5%	7%	4%	10%	16%	3%	2%	4%	4%	5%
Column Population	1044	81	142	55	52	75	69	46	43	47	41	56	93	244

BARRIERS TO GROWTH

PERCEPTIVE

Column %	Total	WHICH ETHNIC GROUP(S) DO YOU BELONG TO?			
		New Zealand European	Maori	Samoan + Cook Island Maori + Tongan + Niuean	Chinese + Korean + Japanese + Indian
Government compliance (e.g. health & safety, tax & levies or employment regulations)	24%	25%	21%	27%	24%
Lack of resource	24%	24%	30%	28%	34%
Other - please specify	23%	24%	12%	7%	2%
Being too risk averse	20%	19%	34%	30%	28%
Lack of knowledge, experience, skills	18%	19%	15%	29%	21%
Lack of strategic planning	17%	15%	25%	43%	32%
Lack of systems	10%	9%	14%	16%	22%
Lack of tools	9%	6%	22%	14%	22%
I don't know	0%	0%	0%	0%	0%
Column Population	1044	814	60	28	69
Managing staff	5%	4%	10%	14%	19%
Payroll	5%	3%	11%	8%	21%
Column Population	1044	814	60	28	69

BARRIERS TO GROWTH

PERCEPTIVE

Column %	Total	WHAT INDUSTRY DOES YOUR BUSINESS OPERATE IN? PLEASE READ THE SELECTIONS CAREFULLY BEFORE SELECTING ONE ONLY												
		Retail Trade	Professional, Scientific and Technical Services	Education and Training	Agriculture, Forestry and Fishing	Construction	Healthcare and Social Assistance	Manufacturing	Accommodation, Restaurants and Hospitality	Rental, Hiring and Real Estate Services	Administrative and Support Services	Arts and Recreation Services	Other Services	Other
Government compliance (e.g. health & safety, tax & levies or employment regulations)	24%	19%	20%	27%	33%	44%	23%	27%	29%	33%	8%	8%	26%	24%
Lack of resource	24%	23%	27%	20%	14%	28%	17%	13%	34%	8%	33%	40%	20%	27%
Other - please specify	23%	12%	27%	34%	19%	14%	24%	29%	16%	24%	11%	13%	22%	30%
Being too risk averse	20%	19%	22%	19%	30%	21%	13%	17%	12%	29%	27%	30%	17%	18%
Lack of knowledge, experience, skills	18%	31%	14%	16%	14%	9%	18%	22%	18%	2%	26%	30%	18%	17%
Lack of strategic planning	17%	22%	20%	17%	28%	15%	22%	20%	6%	4%	13%	17%	14%	17%
Lack of systems	10%	16%	11%	6%	13%	7%	13%	14%	12%	12%	5%	9%	12%	8%
Lack of tools	9%	8%	10%	10%	9%	9%	2%	7%	16%	7%	2%	11%	8%	9%
I don't know	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Column Population	1044	81	142	55	52	75	69	46	43	47	41	56	93	244

IMPACT OF COMPLIANCE

PERCEPTIVE

Column %	Total	WHICH ETHNIC GROUP(S) DO YOU BELONG TO?			
		New Zealand European	Maori	Samoan + Cook Island Maori + Tongan + Niuean	Chinese + Korean + Japanese + Indian
Negative impact	35%	36%	37%	49%	34%
Neutral	50%	49%	48%	39%	48%
Positive impact	15%	15%	14%	12%	18%
Column Population	1044	814	60	28	69

Column %	Total	WHAT INDUSTRY DOES YOUR BUSINESS OPERATE IN? PLEASE READ THE SELECTIONS CAREFULLY BEFORE SELECTING ONE ONLY												
		Retail Trade	Professional, Scientific and Technical Services	Education and Training	Agriculture, Forestry and Fishing	Construction	Healthcare and Social Assistance	Manufacturing	Accommodation, Restaurants and Hospitality	Rental, Hiring and Real Estate Services	Administrative and Support Services	Arts and Recreation Services	Other Services	Other
Negative impact	35%	27%	34%	31%	55%	55%	30%	31%	37%	49%	18%	30%	29%	34%
Neutral	50%	53%	52%	60%	30%	34%	49%	60%	44%	29%	64%	40%	60%	53%
Positive impact	15%	20%	13%	8%	15%	10%	22%	9%	19%	22%	19%	30%	12%	14%
Column Population	1044	81	142	55	52	75	69	46	43	47	41	56	93	244

PAINFUL AREAS OF COMPLIANCE

PERCEPTIVE

Column %	Total	WHICH ETHNIC GROUP(S) DO YOU BELONG TO?			
		New Zealand European	Maori	Samoa + Cook Island Maori + Tongan + Niuean	Chinese + Korean + Japanese + Indian
Staying up to date with compliance changes	42%	44%	44%	17%	39%
Record keeping	40%	41%	30%	30%	36%
Understanding compliance	40%	41%	51%	20%	40%
Writing policies and procedures	23%	23%	23%	19%	32%
Having appropriate resources to help meet requirements	21%	21%	25%	20%	27%
Undergoing audits	14%	13%	18%	25%	32%
Other - please specify	12%	12%	1%	7%	0%
Training staff to meet compliance requirements	11%	9%	9%	20%	31%
Managing Quality Management Systems	8%	7%	10%	23%	18%
Column Population	1044	814	60	28	69

PAINFUL AREAS OF COMPLIANCE

PERCEPTIVE

Column %	Total	WHAT INDUSTRY DOES YOUR BUSINESS OPERATE IN? PLEASE READ THE SELECTIONS CAREFULLY BEFORE SELECTING ONE ONLY												
		Retail Trade	Professional, Scientific and Technical Services	Education and Training	Agriculture, Forestry and Fishing	Construction	Healthcare and Social Assistance	Manufacturing	Accommodation, Restaurants and Hospitality	Rental, Hiring and Real Estate Services	Administrative and Support Services	Arts and Recreation Services	Other Services	Other
Staying up to date with compliance changes	42%	37%	44%	24%	48%	52%	57%	41%	47%	51%	45%	37%	41%	35%
Record keeping	40%	52%	42%	52%	45%	41%	25%	42%	35%	30%	41%	33%	47%	37%
Understanding compliance	40%	40%	39%	30%	46%	46%	39%	33%	38%	52%	26%	53%	39%	40%
Writing policies and procedures	23%	33%	18%	18%	36%	26%	19%	24%	25%	17%	25%	24%	18%	21%
Having appropriate resources to help meet requirements	21%	14%	12%	15%	34%	29%	15%	26%	20%	21%	16%	30%	20%	25%
Undergoing audits	14%	12%	13%	15%	18%	18%	21%	11%	15%	14%	10%	7%	13%	16%
Other - please specify	12%	4%	15%	17%	9%	0%	12%	21%	4%	3%	9%	5%	11%	20%
Training staff to meet compliance requirements	11%	10%	5%	14%	22%	11%	5%	14%	14%	7%	1%	12%	13%	12%
Managing Quality Management Systems	8%	7%	6%	9%	15%	8%	3%	18%	11%	5%	1%	9%	6%	9%
Column Population	1044	81	142	55	52	75	69	46	43	47	41	56	93	244

TOTAL ANNUAL COST

PERCEPTIVE

Column %	Total	WHICH ETHNIC GROUP(S) DO YOU BELONG TO?			
		New Zealand European	Māori	Samoan + Cook Island Māori + Tongan + Niuean	Chinese + Korean + Japanese + Indian
Less than \$500	30%	31%	19%	7%	13%
\$501 - \$1,000	18%	19%	20%	11%	10%
\$1,001 - \$2,000	14%	13%	21%	3%	16%
\$2,001 - \$3,000	9%	9%	8%	28%	14%
\$3,001 - \$4,000	9%	8%	6%	33%	19%
\$4,001 - \$5,000	6%	7%	6%	15%	7%
\$5,001 - \$6,000	4%	4%	5%	2%	5%
\$6,001 - \$7,000	2%	2%	2%	0%	5%
\$7,001 or more	7%	7%	13%	1%	13%
\$1,001 or more	51%	50%	61%	82%	78%
\$3,001 or more	28%	28%	32%	52%	48%
\$2,001 or more	37%	37%	40%	80%	62%
Average	\$2,145	\$2,120	\$2,616	\$2,908	\$3,232
Column Population	1044	814	60	28	69

TOTAL ANNUAL COST

PERCEPTIVE

Column %	Total	WHAT INDUSTRY DOES YOUR BUSINESS OPERATE IN? PLEASE READ THE SELECTIONS CAREFULLY BEFORE SELECTING ONE ONLY												
		Retail Trade	Professional, Scientific and Technical Services	Education and Training	Agriculture, Forestry and Fishing	Construction	Healthcare and Social Assistance	Manufacturing	Accommodation, Restaurants and Hospitality	Rental, Hiring and Real Estate Services	Administrative and Support Services	Arts and Recreation Services	Other Services	Other
Less than \$500	30%	26%	30%	45%	13%	13%	19%	40%	29%	13%	30%	50%	47%	32%
\$501 - \$1,000	18%	31%	16%	17%	17%	12%	24%	12%	11%	28%	24%	9%	10%	21%
\$1,001 - \$2,000	14%	16%	18%	10%	21%	11%	13%	11%	17%	19%	15%	14%	11%	11%
\$2,001 - \$3,000	9%	5%	9%	3%	10%	14%	17%	7%	16%	17%	11%	5%	9%	7%
\$3,001 - \$4,000	9%	8%	10%	8%	11%	8%	13%	7%	11%	2%	14%	8%	7%	11%
\$4,001 - \$5,000	6%	6%	6%	7%	10%	16%	1%	3%	2%	0%	3%	10%	7%	6%
\$5,001 - \$6,000	4%	6%	2%	1%	3%	10%	1%	8%	7%	11%	0%	3%	2%	3%
\$6,001 - \$7,000	2%	1%	2%	2%	5%	4%	3%	2%	2%	5%	0%	0%	3%	1%
\$7,001 or more	7%	2%	7%	8%	11%	11%	10%	10%	5%	6%	4%	1%	3%	8%
\$1,001 or more	51%	43%	54%	38%	71%	75%	57%	48%	60%	60%	45%	40%	43%	47%
\$3,001 or more	28%	22%	26%	25%	39%	50%	27%	30%	27%	23%	20%	22%	22%	28%
\$2,001 or more	37%	28%	35%	28%	50%	64%	44%	37%	43%	40%	31%	27%	32%	36%
Average	\$2,145	\$1,748	\$2,081	\$1,834	\$2,892	\$3,352	\$2,334	\$2,305	\$2,188	\$2,391	\$1,642	\$1,496	\$1,742	\$2,103
Column Population	1044	81	142	55	52	75	69	46	43	47	41	56	93	244

KNOW THE LEAST ABOUT

PERCEPTIVE

Column %	Total	WHICH ETHNIC GROUP(S) DO YOU BELONG TO?			
		New Zealand European	Maori	Samoan + Cook Island Maori + Tongan + Niuean	Chinese + Korean + Japanese + Indian
Tax and levies	28%	29%	29%	28%	23%
Protecting intellectual property	11%	12%	20%	6%	10%
Public health & safety	11%	12%	6%	11%	14%
Local government requirements	11%	11%	12%	16%	15%
Consumer protection and personal privacy	10%	11%	4%	2%	6%
Workplace health & safety	10%	9%	16%	2%	12%
Industry specific	9%	10%	13%	3%	8%
Records and reporting	8%	7%	5%	6%	8%
Environmental	6%	6%	7%	3%	8%
Selling goods	5%	4%	5%	14%	13%
Licensing and registration	4%	3%	2%	16%	8%
Other	4%	4%	3%	0%	0%
Payroll	3%	3%	2%	6%	7%
Training and upskilling staff	3%	2%	6%	2%	6%
Hiring staff	3%	2%	3%	9%	10%
Importing/exporting	3%	2%	1%	3%	6%
Managing staff	2%	2%	2%	0%	9%
Column Population	1044	814	60	28	69

KNOW THE LEAST ABOUT

PERCEPTIVE

Column %	Total	WHAT INDUSTRY DOES YOUR BUSINESS OPERATE IN? PLEASE READ THE SELECTIONS CAREFULLY BEFORE SELECTING ONE ONLY												
		Retail Trade	Professional, Scientific and Technical Services	Education and Training	Agriculture, Forestry and Fishing	Construction	Healthcare and Social Assistance	Manufacturing	Accommodation, Restaurants and Hospitality	Rental, Hiring and Real Estate Services	Administrative and Support Services	Arts and Recreation Services	Other Services	Other
Tax and levies	28%	26%	38%	29%	18%	21%	37%	19%	29%	23%	23%	26%	23%	30%
Protecting intellectual property	11%	12%	12%	6%	7%	16%	2%	17%	13%	7%	24%	27%	11%	8%
Public health & safety	11%	5%	8%	15%	15%	15%	22%	7%	18%	18%	2%	21%	9%	9%
Local government requirements	11%	9%	15%	11%	15%	22%	6%	12%	23%	34%	1%	4%	11%	5%
Consumer protection and personal privacy	10%	11%	11%	13%	9%	6%	20%	4%	8%	6%	10%	7%	11%	10%
Workplace health & safety	10%	6%	8%	12%	15%	10%	6%	16%	9%	8%	5%	12%	13%	9%
Industry specific	9%	7%	12%	8%	7%	11%	3%	0%	7%	18%	9%	8%	8%	10%
Records and reporting	8%	10%	5%	9%	10%	3%	3%	11%	13%	2%	13%	8%	8%	10%
Environmental	6%	4%	7%	0%	25%	7%	4%	10%	5%	2%	0%	4%	3%	5%
Selling goods	5%	22%	1%	1%	7%	2%	1%	18%	2%	6%	2%	1%	4%	5%
Licencing and registration	4%	2%	0%	5%	7%	6%	5%	7%	6%	5%	1%	4%	3%	5%
Other	4%	0%	2%	7%	7%	0%	0%	4%	4%	6%	5%	1%	3%	6%
Payroll	3%	4%	3%	3%	1%	4%	1%	5%	3%	0%	3%	1%	5%	3%
Training and upskilling staff	3%	4%	0%	0%	1%	6%	1%	6%	4%	2%	6%	3%	2%	4%
Hiring staff	3%	1%	4%	4%	4%	4%	2%	4%	4%	4%	0%	1%	0%	3%
Importing/exporting	3%	14%	2%	0%	0%	1%	0%	5%	1%	2%	1%	8%	3%	1%
Managing staff	2%	2%	4%	2%	9%	1%	2%	3%	1%	2%	0%	2%	2%	1%
Column Population	1044	81	142	55	52	75	69	46	43	47	41	56	93	244

SUM OF COMPLIANCE CONSIDERATIONS

PERCEPTIVE

Column %	Total	WHICH ETHNIC GROUP(S) DO YOU BELONG TO?			
		New Zealand European	Maori	Samoan + Cook Island Maori + Tongan + Niuean	Chinese + Korean + Japanese + Indian
Sum of compliance considerations	3.6	3.7	3.6	4.0	3.5
Column Population	1044	814	60	28	69

Column %	Total	WHAT INDUSTRY DOES YOUR BUSINESS OPERATE IN? PLEASE READ THE SELECTIONS CAREFULLY BEFORE SELECTING ONE ONLY												
		Retail Trade	Professional, Scientific and Technical Services	Education and Training	Agriculture, Forestry and Fishing	Construction	Healthcare and Social Assistance	Manufacturing	Accommodation, Restaurants and Hospitality	Rental, Hiring and Real Estate Services	Administrative and Support Services	Arts and Recreation Services	Other Services	Other
Sum of compliance considerations	3.6	3.9	3.4	3.1	4.2	4.4	4.6	3.3	3.9	2.9	2.9	3.9	3.6	3.2
Column Population	1044	81	142	55	52	75	69	46	43	47	41	56	93	244

PERCEPTIVE

THANK YOU

+64 9 969 5765

info@perceptive.co.nz

www.perceptive.co.nz

Annex Four: Business Advisory Council letter on venture capital and investment attraction and Hon Parker response

PROACTIVELY RELEASED

Hon. Grant Robertson
Minister of Finance

Hon. David Parker
Minister of Economic Development

Copy to: The Office of the Prime Minister – Rt. Hon Jacinda Ardern

Parliament Buildings
Wellington

Dear Ministers,

Securing High-Quality Investment

The Business Advisory Council enjoyed the session with Government Ministers on 13 March at Premier House. At that session, we discussed the importance of a high performing investment environment for businesses and the nation to thrive.

As you know, we are interested in discussing infrastructure more broadly at the July meeting with Government and we are presently engaging with Treasury on OIO reform. We would like to reiterate here the Council's general thoughts on venture capital (**VC**) and investment attraction.

Venture Capital

At the March meeting, Peter Beck led us through a valuable discussion on both the fundamental challenges and the significant opportunity concerning our early stage capital market.

The assessment was blunt; New Zealand is one of the worst places to be a start-up. This is due to a combination of factors including a lack of scale both of vision and of capital, little depth in global access to funding/expertise networks and domestic VCs operating in the absence of global market terms.

In many cases, Kiwi entrepreneurs in need of funding are forced to dilute shares to a point where international investors are attracted to the idea but struggle to make the business case work. Share registers reflects this, lacking the institutional investors that signal a strong business proposition to the market.

In addition, a pervasive cultural weakness holds back the start-up environment. There is a lack of positive recognition of entrepreneurialism, a poor education curriculum which does not deliver to technology requirements, and the long-running tall-poppy syndrome, where financial success is looked down on, and big bold ideas are met with resistance.

New Zealand has a talented entrepreneur community, teeming with good ideas. However, this talent is cocooned in a poor environment. Culture is difficult to change, yet there are steps the Government can take to transition us towards the high potential we know exists.

We need only look to our nearest neighbour for inspiration. Australia had a similar VC issue a decade ago. The government employed the sovereign wealth fund to solve the problem, which embarked on a strategic programme of reform including:

- Building networks and knowledge by working in joint ventures with large US and global venture funds;
- Following this knowledge development, they established their own venture fund as well as becoming a funder of funds for Australian VC funds; and
- They assisted the Australian VC community by setting terms and investment ethos, which introduced them to large sophisticated venture investors so that VCs could create their own global networks.

A cultural shift has slowly been occurring and now Australia has a much more globally competitive early stage capital market, firms are more entrepreneur focused and positive exits are occurring.

The point is to not only set policy as a blunt instrument for change, but to follow a strategic process in bringing a long-term, high-quality transition to this market, policy and culture. This is where the Australian experience is instructive. It is relevant and applicable to the New Zealand context and should be adopted here.

Investment Attraction

We greatly appreciate NZTE presenting at our last session. Their presentation and our own experience underscore problems in the New Zealand investment proposition.

The natural structure of the New Zealand market means that many investment opportunities are small -circa \$20 million on average. This scale does not attract nor warrant significant international interest. This organic challenge is made worse by the absence of a comprehensive, deliberate national plan and long-term strategy regarding which sectors and what type of investment we are seeking as a nation.

We recommend the Government undertake a serious investigation of offshore investment attraction models. The Singaporean approach (and lead agency Enterprise Singapore) is of particular interest.

This approach is based on building-out whole sectors, where sectors with a comparative advantage are deliberately selected and surged. This includes through deliberate policy decisions and long-term resourcing allocations on multiple fronts. These measures may incorporate, for example, attraction of international firms with know-how and capital, attraction of international talent and then in parallel, the development of domestic firms. One objective is to scale local small and medium enterprises to mid-tier company status through this process of sector building.

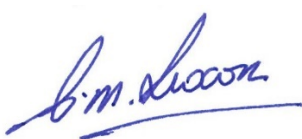
Like the VC comments above, this is not simply a case of more investment into the existing small scale market, or more funding of existing agencies. It concerns executing on a long-term strategic approach to foreign investment, in pursuit of a national vision for our globally competitive sectors.

From the outset this requires deliberate action, co-ordination and alignment across a suite of government and industry levers. New Zealand requires more foreign investment, but it also requires a new 'playbook' on how to go about attracting it through a sector building model.

We believe NZTE has strong leadership and a capable team. However, this agency can only work within a limited market and policy environment. It is also small when compared to international counterpart agencies. New Zealand needs to get serious about our investment proposition if we are to compete for the global capital currently passing us by. This requires both a fundamental redesigning of our approach to investment attraction *and* a significant increase in resourcing for the agency accountable for delivery.

Thank you again for the genuine discussion held at our last Council meeting and we are looking forward to meeting again in July.

Yours sincerely,



Christopher Luxon

Chair, Prime Minister's Business Advisory Council
Chief Executive, Air New Zealand



Attorney-General

Associate Minister of Finance

Minister for Economic Development

Minister for the Environment

Minister for Trade and Export Growth

19 JUN 2019

Christopher Luxon
Chair, Prime Minister's Business Advisory Council
Chief Executive, Air New Zealand

Dear Christopher

Thank you for your letter of 27 May which outlines the Business Advisory Council's (BAC) thoughts on venture capital and investment attraction. I am also replying on behalf of Hon Grant Robertson, Minister of Finance.

Venture Capital

Following from your conversation with the Prime Minister, the Council will have seen the Budget announcement that a new \$300 million fund for early-stage firms is to be established. The aim of this policy and funding is to help provide capital for New Zealand firms that wish to expand beyond the early start-up phase.

The New Zealand Superannuation and Retirement Income Act 2001 will be amended to enable this fund to be established. This amendment will allow the Guardians of New Zealand Superannuation to administer this new fund in a commercial arrangement with NZVIF. We expect the legislation to be introduced in July 2019 and anticipate it will come into force in October 2019, after which capital can begin to be deployed.

We would also like to thank BAC, particularly Peter Beck, for the presentations and discussions which have helped inform this work. We look forward to discussing with BAC members how the fund will operate. This discussion will help inform the details of the operation of the fund.

Investment Attraction

We agree that our key sectors need to be performing at close to their full potential in order for the economy to be more productive, sustainable and inclusive. This involves both building on our traditional strengths, through boosting productivity growth and business dynamism, and also finding new opportunities for firms to flourish.

I have been working with Cabinet colleagues on a refocused Industry Strategy which is part of the Innovative Industries strand of our Economic Strategy. We are proposing to use Industry Transformation Plans, based on best practice OECD advice and the practical experience of Singapore. We intend to outline this approach in a document titled *From the Knowledge Wave to the Digital*

Age which will be launched on 2 July 2019 at Parliament. Launch copies of this document will be provided directly to BAC members.

The Industry Strategy has a broad focus across ten sectors: Food and Beverage, Agritech, Wood Processing and Forestry, Tourism, Construction, Creative Industries, Renewable Energy, Digital Technologies, Aerospace and Health Technologies sectors. We are working initially on Industry Transformation Plans for the first four sectors; Food and Beverage, Agritech, Digital Technology and Wood Processing and Forestry.

A sectoral approach reflects the thinking BAC presented to Government, including in the report prepared by McKinsey and Company, in partnership with the BAC, on the Future of Work. This report suggested identifying high-performing or high-potential sectors with support and targeted investment and incentives to achieve scale.

The Plans will be market led, take a systems approach and link action across government and the private sector. They will be designed to encourage private sector investment and limit risk of government failure. Detailed Plans are to be developed by lead agencies working across all relevant government agencies, unions, iwi, business groups, firms, and, where applicable, local and regional government. We envisage the BAC playing a key role in helping shape the form of these Plans.

Once developed, these plans will help us identify where to target our relative efforts and resources. They will also help inform what additional delivery capabilities might be required to realise our approach to investment attraction.

Again we look forward to discussing on 5 July how best to utilise the Council's expertise in this work.

Yours sincerely



Hon David Parker
Minister for Economic Development

Cc: Rt Hon Jacinda Ardern, Prime Minister

Hon Grant Robertson, Minister of Finance

PROACTIVELY RELEASED



PRIME MINISTER'S
BUSINESS ADVISORY COUNCIL

Industry Strategy – refocusing our approach

Business Advisory Council

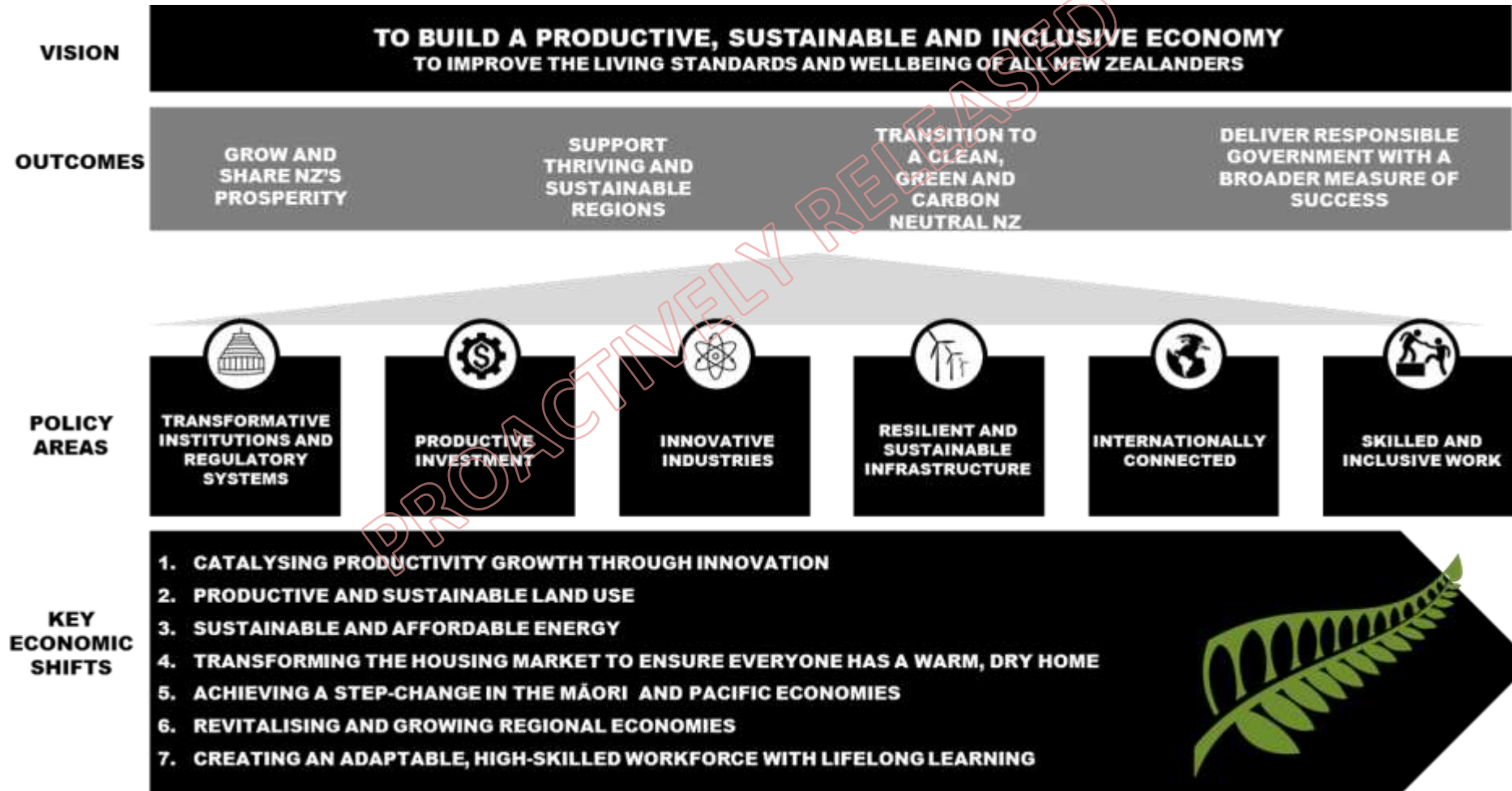
5 July 2019

**NOTE THAT A REVISED PRESENTATION MAY BE CIRCULATED
ON THE DAY**

Economic Strategy

- We are developing an Economic Strategy document to communicate the Government's economic programme.
- Aiming to launch the Economic Strategy document in September 2019.
- **We seek the BAC views on the focus and framing of the Strategy.**

Our Economic Strategy – Framework



Industry Strategy – What is it?

.. it has evolved overtime.....

Industry policy 1.0

Focus on:

Production subsidies

Government ownership

Tariff protection

“Picking winners”

Industry policy 2.0

Focus on:

Correcting market failures

R&D incentives

Training support

Industry structure

Industry policy 3.0

Focus on:

Creating networks

Building a coordinated system

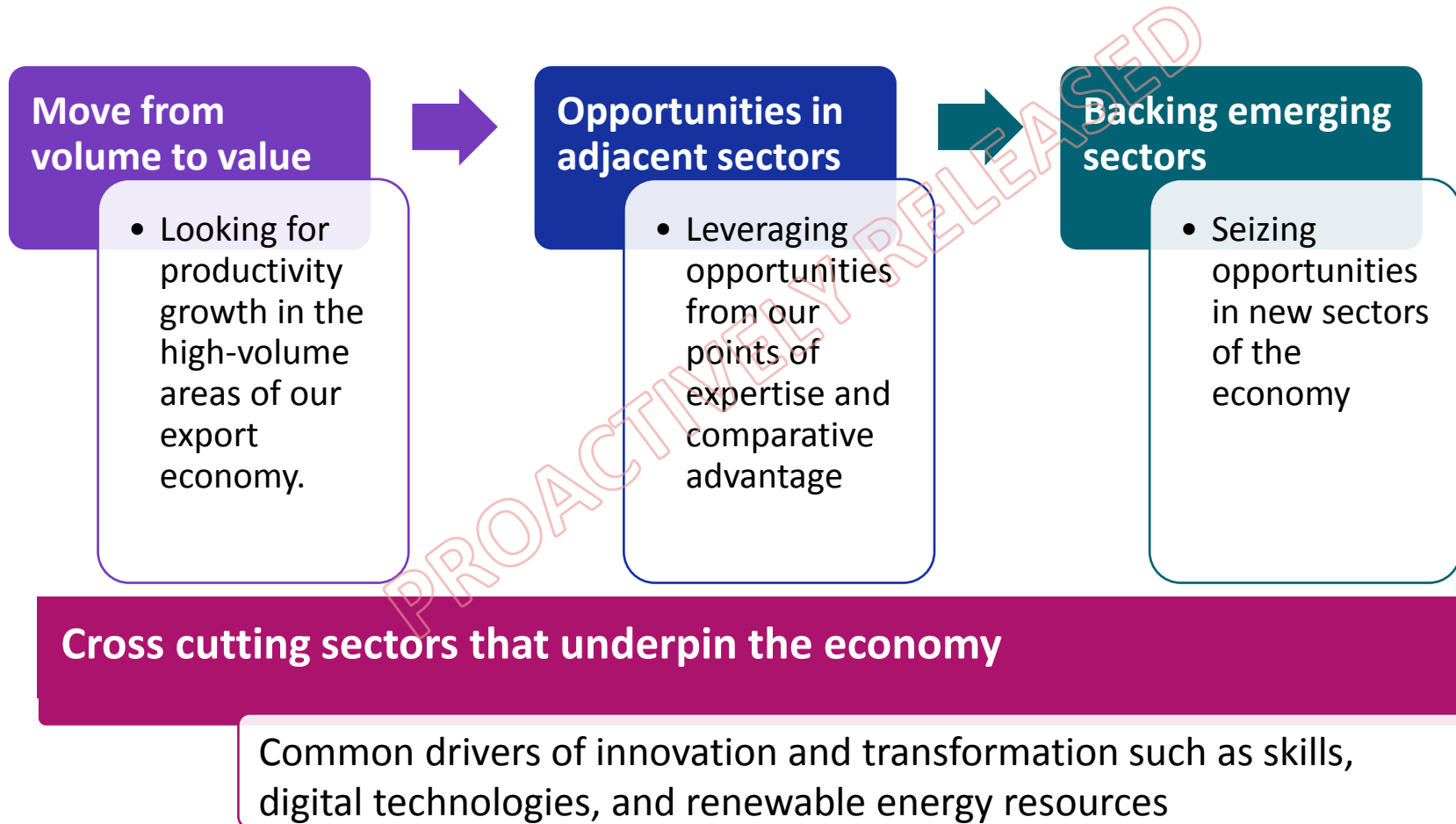
Strengthening strategic alliances

Optimising policy settings

“New” Industry Strategy...*From the Knowledge Wave to the Digital Age*

- To date, efforts in New Zealand have been focused on building the conditions for business to flourish, with a relatively agnostic approach to sectors.
- Our new approach will ensure resources are channelled to more productive sectors. It's not about picking winners, but setting the stage for winners to emerge.
- Instead of entrenching unproductive activities, we will back new sector transformation and development.
- We need a focus at both a sector level and the cross-cutting dimensions. Government can help address coordination failures, skills development, access to capital, targeted support for R&D and commercialisation and international market access.
- The Industry Strategy will build on lessons and insights from other countries (e.g. Singapore) and previous New Zealand experience.

Refocusing our approach to industry policy



Focus Sectors for Industry Policy...

Volume to value

Adjacency

Emerging sectors

Food &
Beverage

Agritech

Aero-space

Creative
Industries

Construction

Health-tech

Wood
Processing
and
Forestry

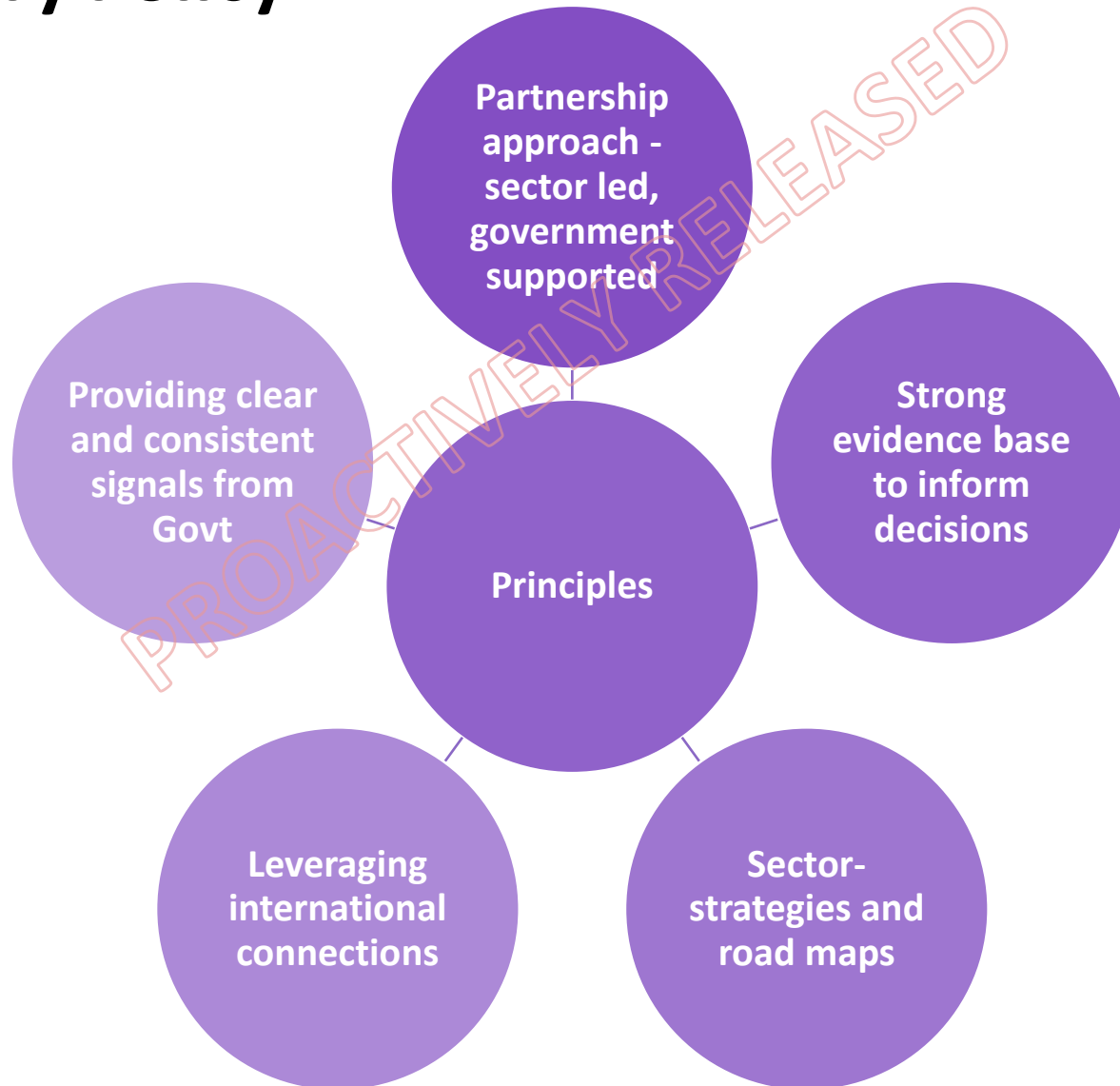
Tourism

Cross cutting

Digi-tech

Renewable
Energy

Five principles are guiding our approach to Industry Policy



Initial focus for Industry Transformation Plans...

Food and Beverage

Digital Technology

Forestry and Wood Processing

Agritech

Work is already underway in other sectors.....

Sector	Action
Tourism	Implement the Aotearoa New Zealand Government Tourism Strategy
Construction	Implement the Construction Accord
Creative Industries	Government will partner with the sector to implement some WeCreate action plan recommendations
Aerospace	MBIE is leading development of a Space Strategy
Renewable Energy	MBIE is leading development of a Renewables . Use of renewables will be applied to Industry Transformation Plans as a cross-cutting issue.
Health Technologies	Better coordinate business development across the sector and advance the Health Research Strategy

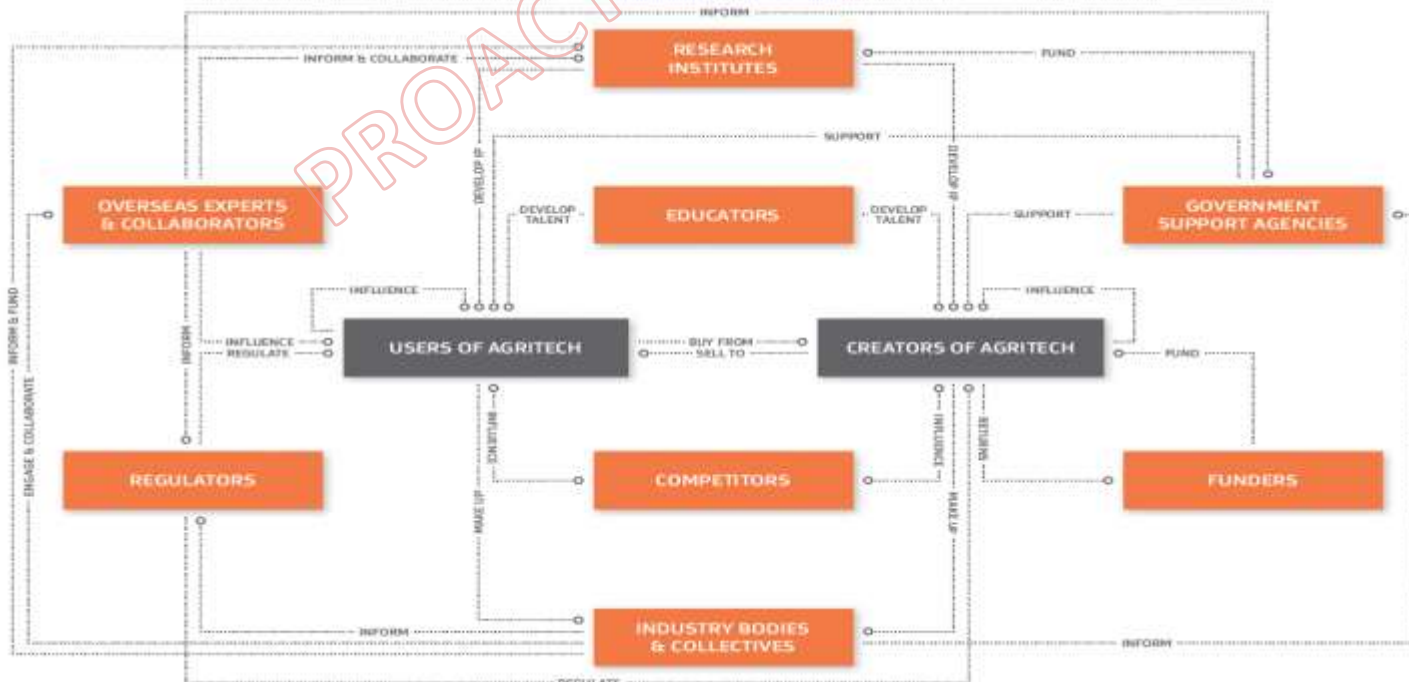
Process to develop Industry Transformation Plans

- **A strategic leadership role for PM's BAC**, Future of Work Tripartite Forum and peak industry bodies such as the Primary Sector Council.
- **Sector leads supported by a lead agency** responsible for coordinating development of each plan across a sector including: the science system, investors, business development agencies, sector firms, adjacent firms, markets, international connections.
- **Sector leads will identify synergies and cross cutting issues** – (i.e. role of satellite imaging across agritech and aerospace sectors, regulatory barriers, innovation settings, skills etc).
- **Actions to be delivered by those best placed to do so** – whether private or public. Roles, responsibilities and resourcing will need to be clear.
- **Short term actions** focused on improving existing activities, **medium term actions** on investment in new products, technologies and markets, and **long term actions** on realising the long term vision for each sector.
- **Ongoing monitoring, evaluation and refinement** of the plans over time to sustain momentum.

Agritech Sector

- We have a prime opportunity to expand New Zealand's Agritech sector, both domestically and into global markets.
- NZ has significant comparative advantages in Agritech and Agritech has the potential to improve the sustainability and productivity of our primary sector. This will enable companies to move from volume to value, enhance productivity, drive more efficient land use and better jobs and financial returns.
- A draft Agritech strategy and action plan is being developed by a cross-agency taskforce in partnership with industry – this will provide the basis for an **Industry Transformation Plan**.

Agritech Ecosystem



Māori have a role in many parts of the system

Our approach for the Agritech Industry Transformation Plan...



An Agritech ITP will be developed in partnership with the sector

Define the sector and present an agreed vision for NZ Agritech

Map out the current state of the sector, including global megatrends affecting Agritech, the obstacles to growth, and our existing advantages

Outline actions to move Agritech, primary sector, and all of NZ to a more productive, sustainable and inclusive future

The Agritech Industry Transformation Plan will include...

Impact of Agritech on primary sector productivity

Digitalisation opportunities and risks, including interoperability

Skills development and the future of work

Reducing greenhouse gas emissions

Connecting to global export opportunities

Addressing labour constraints, particularly through innovation

Collaboration with primary sector and manufacturing

Strengthening investment options

Opportunities for developing firm capability

Areas for action



**Stimulating
company growth
and accelerating
commercialisation**



**Streamlining
government
support**



**Enabling a more
even and globally
competitive
regulatory
environment**



**Connecting to
global
opportunities and
solving global
problems**



**Skills development
and future proofing
workforce**



**Strengthening
investment options**



**Driving innovation
diffusion across
adjacent primary
and manufacturing
sectors**

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Issues for discussion...

- How does the BAC wish to engage in the development of Industry Transformation Plans?
- How can we work together to ensure there are clear roles and responsibilities for public and private sectors to implement Industry Transformation Plans?
- What are the emerging markets and trends that New Zealand should be looking to establish itself in as part of Industry policy?
- Industry plays a crucial role. We need our industries to be committing more capital and people to innovation. How can we partner with business to mobilise our collective investment into higher value products, markets and sectors of the future?

Annex Six: Business Advisory Council letter on infrastructure - & Infrastructure NZ Top Ten Priorities

PROACTIVELY RELEASED

25 June 2019

The Rt. Hon. Jacinda Ardern
Prime Minister
WELLINGTON

Dear Prime Minister,

Infrastructure Development

Infrastructure has been a recurring theme in the discussions of the Business Advisory Council. This is because we know that for the business sector to thrive, it needs to be underpinned by world class infrastructure that effectively connects, transports and develops information and ideas, people and products. It is also an ideal topic for the Council to comment on given infrastructure development is so reliant on Government action and its outcomes significantly impact the creation of wealth and the distribution of prosperity.

In May, members of the Business Advisory Council met with sector leaders for a conversation on New Zealand's infrastructure environment. We were fortunate to host the Hon. Steve Bracks, Former Premier of Victoria (Labour) as part of that session. Mr. Bracks' insights were invaluable given during his premiership he faced many of the infrastructure challenges New Zealand now faces.

The purpose of that session was to bring together thought leaders to discuss challenges and to lay the foundations of a discussion with Government at the July meeting.

General Comments

In our view, New Zealand is at an infrastructure crisis point. This is not, we should add, the fault of the current Government. These issues are multi-generational and systemic. However, we believe your Government has the opportunity to begin resetting our systems and to address this crisis.

Infrastructure, in its broadest sense, underpins well-being. The success of regions relies upon their effective connectivity to urban centres; linking the city fringe with the centre can reduce income inequality; mature, unclogged and functioning cities (especially Auckland) are our critical engines of growth; swimmable beaches rely on major storm water and sewerage projects; energy certainty is a basic building block for investment; larger bridges can enable higher loadings, fewer truck movements and lower emissions; broadband connectivity empowers business to occur anywhere, anytime; and a connected vision for infrastructure enables wealth to flow into and around the country, building an equality of opportunity for all Kiwis.

Unfortunately, the system that sits beneath effective and sustainable infrastructure development in our country is fundamentally broken. We also have a proclivity as a nation to focus on the short term and on individual projects as a means of addressing our challenges rather than addressing the system itself.

We applaud the Government's work in establishing the Infrastructure Commission and the development of the project pipeline. These are vital and necessary steps and we will do all we can to support it being successful, independent and above the political fray. The Commission will take time to establish itself and make recommendations. This should not however, preclude Government taking its much-needed leadership role, now, in resetting our infrastructure systems.

Our intention in this letter is to encourage the Government to be bolder and think bigger when it comes to enabling an effective infrastructure ecosystem. Respectfully, we also want to create the impetus with Government to act with a greater sense of urgency in tackling this issue.

25 June 2019

The business community, and many other sectors, will support the Government in a bold and effective infrastructure plan.

We have found the work of Infrastructure New Zealand and its Chief Executive, Stephen Selwood, helpful in understanding the challenges we face and conceptualising the solutions. This has drawn on the infrastructure experience of nations such as Ireland, Denmark, Singapore and Australia. Following our discussions with sector leaders, we have developed the following comments.

The Challenges

1. There is no overarching vision or leadership in New Zealand for infrastructure development. This means there is no nation building narrative upon which to build a strategic direction.
2. We lack a national masterplan that would bring that vision to life and would allow the country to tangibly map out our immediate, medium and long-term infrastructure future in an integrated way.
3. Funding and financing mechanisms that would allow for long-term, debt-funded or investable opportunities are not in place meaning plans remain simply, plans.
4. Our key legislative frameworks in relation to planning and incentives between central and local governments are misaligned with one another and do not enable positive, integrated or strategic growth.
5. We are poor at execution and delivery. The public sector does not have the capability to manage a programme of projects of national significance and the private sector operates in a boom-bust cycle.

These issues are relatively simple to articulate but challenging to implement. Some are cultural and will take time to remedy. However, these challenges require strong central government leadership and vision in order appropriately define the issue, work it through and resolve it.

We believe the following initiatives, which are a mix of immediate actions and longer-term solutions, will contribute to addressing our infrastructure challenges and create a momentum for further positive reform.

Reform our planning and local government systems

1. Borrowing from the Australian and British models, New Zealand should establish a Ministry of Cities, Urban Development and Population. This new portfolio could incentivise locally developed, long-term and tangible strategies and execution through the administration of City Deals. This would include allowing local authorities to capture part of the value created through their own successful strategies and initiatives.
2. A Prime Ministerial Taskforce or Commission of Inquiry should be established to undertake a comprehensive, evidenced based and first principles review of our planning laws and local government system. This would include reviewing, among other areas, the Resource Management Act, Local Government Act and Land Transport Act. This process should address local government settings in New Zealand, including economic incentives and funding mechanisms with a view to ensuring we have a world class system that is fit for purpose in a modern economy of less than five million people.

Create Opportunities for Investment

3. We appreciate and agree that a strong rail network is in the national interest. However, our transport infrastructure solution is not a binary choice between rail *or* roads, but a comprehensive, scaled up solution of rail *and* roads *and* coastal shipping *and* other modes. Our system must be totally integrated and agnostic as to mode of transport as each region will have different needs. As such, the 12 roading projects presently on hold or under review should proceed and be opened to private investment. These projects are investment ready, provide the beginnings of a pipeline of investable opportunities and would be an effective use of the roading capability developed in New Zealand over the last 20 years.
4. New Zealand cannot simply rely on the market to deliver projects of scale that are of national significance. There would be value in beginning a process to identify and develop nation building projects to form a "New Zealand Prospectus" that can be used to both inform a national master plan and to provoke wider systems change. This Prospectus should be partly informed by scaled-up projects which mitigate the unique and potentially highly disruptive seismic risks our country faces.

Develop our own talent and capability, and import foreign expertise, to execute nation building projects

5. Establish a civil service academy for local and central government to build needed capacity in commissioning and managing projects of national significance. Part of this capacity building process also needs to include buying in a critical mass of private sector and international expertise, alongside the development of civil service expertise. The focus for capability development should result from a skills audit in the sector but is likely to include: best practice planning; investment rigour; risk; procurement; delivery; and an above average agility and execution capability given our unique seismic vulnerabilities.
6. We believe the infrastructure deficit in New Zealand needs urgent attention and our lead-in time to develop our own capability and capital will lag this urgency; it is already challenging to access qualified workers. Furthermore, Australia has a significant number of infrastructure projects underway or planned, meaning a significant amount of regional expertise will be focusing on the Australian pipeline. The Government should therefore investigate the responsible and sustainable use of international expertise, capital and labour (both skilled and unskilled) for both high-priority future projects of national significance and existing infrastructure projects.

Funding and financing

7. The National Land Transport Fund (**NLTF**) rules need to be amended to allow for the raising of debt in order to fund long-term and strategic programmes of work. The present fund is limited to a user-pays system which prevents debt financing, long-term planning and discourages meaningful private sector investment.
8. There should be an amalgamation of the funding bases for road, rail and shipping. Bringing together the agencies responsible for these modes of connectivity will result in an integrated approach to our transport network. This will require the NLTF to be supplemented by allocations from the consolidated fund to pay for social and environmental outcomes from investment in rail, walking and cycling.

25 June 2019

9. A philosophical shift is required in our national approach to infrastructure concerning the use of public private partnerships. Government needs to ask itself whether there is any great social benefit in the state owning certain assets, especially when that comes at the expense of other government priorities and responsibilities. A process of asset recycling can then take place which releases much needed public capital for new projects, while leveraging private resources to take over (in whole or in part) and revitalise mature state assets.

These are provocations and challenges because we see this moment as a significant opportunity to make a step change in the long-term well-being of Kiwis through infrastructure reform. We also see significant risks facing New Zealand if bold action is not taken in the very near future.

We look forward to our next discussion with Government on 05 July.

Yours sincerely,



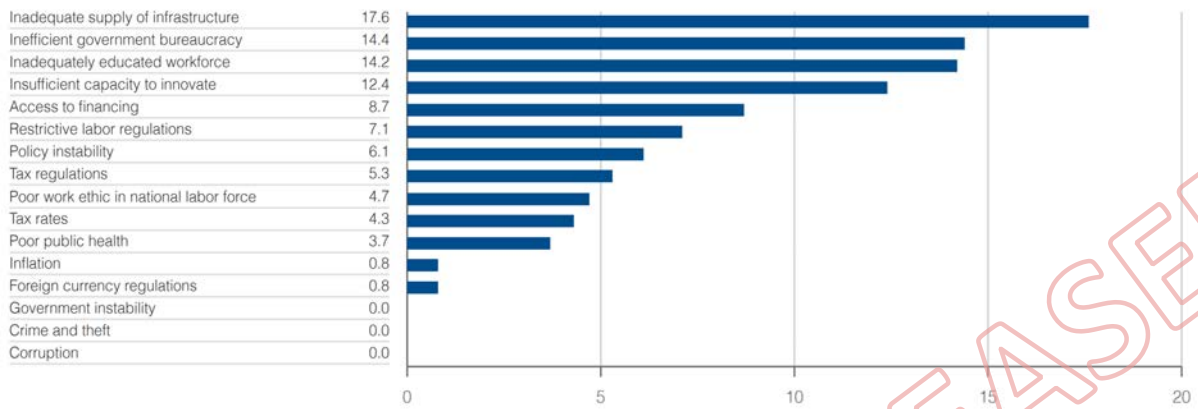
Christopher Luxon

Chair, Prime Minister's Business Advisory Council
Chief Executive Officer, Air New Zealand

Copy to: Hon. Grant Robertson, Minister of Finance
Hon. Shane Jones, Minister of Infrastructure

Most problematic factors for doing business

Source: World Economic Forum, Executive Opinion Survey 2016



2

GDP per capita, PPP (constant 2011 international \$)

World Bank, International Comparison Program database.

License : CC BY-4.0



² World Bank, GDP <http://www.worldbank.org/en/programs/icp>

Infrastructure New Zealand's Top Ten Policy Priorities

Here are Infrastructure New Zealand's top ten actions that are critical to meeting New Zealand's infrastructure needs.

1. Reform NZ's antiquated planning laws and local government structures and funding.



For a country of just five million people it's hard to understand why our planning laws and governance system is so fragmented and complex. The Resource Management Act, the Local Government Act, and the Land Transport Management Act provide the legal framework for infrastructure planning, funding and delivery but between them represent 1,358 pages of conflicting processes and complexity. Administering this system is 78 regions and councils, all with inadequate resources and funding needed to do their job properly.

✓ The most important action Government should take to improve New Zealand's infrastructure and standard of living is to enable a whole-of-system first principles, evidence-based reform of our planning laws and the purpose, structure and funding of central and local government institutions.

2. Develop an aligned national planning and development framework.



The effects-based RMA framework has left New Zealand with an unclear vision and pathway for how the country should grow and develop. New Zealand needs a national and regional development framework to guide and enable New Zealand's economic, social and environmental progress.

✓ The Government should establish a clear planning hierarchy. At the top of the hierarchy, a national development plan should lead the country's growth and development. Regional spatial and investment plans should be guided by national direction and incentivised by national funding. Local and city plans should support community outcomes and objectives.

3. Establish the independent NZ Infrastructure Commission.



The Government has announced that it will establish an independent infrastructure commission to advise Government on infrastructure strategy and delivery. This has been an industry priority for many years and is strongly supported across the sector. The priority now is to ensure the NZ Infrastructure Commission has the resourcing, independence and credibility to positively influence infrastructure outcomes for New Zealand.

- ✓ Complete the establishment of an independent New Zealand Infrastructure Commission (NZIC), with functions across both long-term infrastructure strategy and individual project procurement and delivery.

4. Deliver a national long-term investment pipeline to promote industry development, capability and capacity.



With little foresight of infrastructure needs beyond three years, the infrastructure industry is currently geared to respond to short-term boom-bust investment cycles. Companies are forced to lay people off and are unable to invest in developing talent long-term. Educational institutions also cannot develop attractive training programmes. Underinvestment in skills and equipment are the result, leading to higher cost projects, slower construction and poor utilisation of new technologies like off-site manufacturing.

- ✓ The first priority for the NZIC should be to develop a long-term project pipeline to give industry and tertiary institutions the certainty and confidence to invest in the people, skills, education and technology needed to lift productivity.

5. Conduct a national review of the resilience of NZ's strategic networks.



Flooding, power and energy supply disruption, long term road closures, water quality issues, and the apparent frequency of one-in-one-hundred-year events are all indications that our nationally and regionally significant networks, or our back up plans, are not as resilient as they should be. Climate change promises to increase pressures further.

The NZIC should undertake a national review and lead ongoing industry oversight of the long-term resilience of our infrastructure system.

6. Accelerate establishment of the Housing and Urban Development Authority.



New Zealand is 70,000 homes short of what it needs to house its population and housing is severely unaffordable across much of the country. Regulatory red-tape, infrastructure financing challenges and weak planning are undermining infrastructure and housing delivery. The Housing and Urban Development Authority (HUDA) must be quickly established and empowered to overcome barriers to infrastructure and development.

- ✓ With consenting, land aggregation and rating powers, HUDA can cut through barriers to urban development, get infrastructure built, masterplan and deliver successful communities and affordable homes.

7. Enable scale development of housing and infrastructure to meet growth.



Urban planning under an RMA framework based on effects-management has undermined scale, vision and long-term planning to meet growth. New policy tools the Government has under development can be used to scale up and address weak housing supply, poor productivity and inadequate infrastructure.

- ✓ HUDA should prioritise major greenfield land aggregation and development in Auckland's south, Wellington's north and around Hamilton, Tauranga, Queenstown and other growth areas to meet urgent housing needs. Greenfields have lower prices, fewer barriers and larger land holdings to facilitate pace and scale and, by buying land, HUDA create and capture value through rezoning and infrastructure investment. Brownfield development should be targeted around rapid transit.

8. Provide opportunities for private investment in infrastructure and release capital through asset recycling.



NZ Super, ACC, Kiwisaver, iwi and other domestic and international funds are all looking to invest but the opportunities are extremely limited. At the same time, we need more infrastructure and homes, but these are being held up by funding and financing constraints.

- ✓ Public private partnerships, innovations in infrastructure funding and financing and partial or full sale of existing assets can inject private sector resources and capability into infrastructure and urban development. Leveraging private resources will release public capital to be recycled into desperately needed water and transport infrastructure.

9. Introduce road pricing to optimise traffic flow and raise revenue.



Transport funding challenges are leading to congestion, slowing the supply of housing and slowing the economy. At the same time, weak pricing signals are inflating user demand on substandard roads at busy times, exacerbating gridlock and reducing safety. New Zealand's cities need transport solutions which balance transport investment with willingness to pay.

- ✓ Road pricing can dramatically increase the efficiency of our road networks, raise funds for new investment and incentivise public transport use and walking and cycling. The quicker we ask users rather than tax payers to pay, the smarter our investment decisions will be and the better use we will make of our existing infrastructure.

10. Consolidate, professionalise and price water service delivery.



Councils across the country, especially in rural areas, are struggling to maintain their water infrastructure networks. The Inquiry into Havelock North Drinking Water estimated that 759,000 New Zealanders receive unsafe drinking water. Councils are having to improve water quality, meet rising consumer demands, invest in technology and deal with the challenges of climate change, all on an ageing and often shrinking ratepayer funding base.

- ✓ Delivery of three waters services should be disaggregated from local councils and vested in a small number of corporatised public providers. Water supply and waste water should be funded through volumetric charging. Corporatisation will enable efficiencies through economies of scale, staff specialisation and strategic capability and, with independent regulation, will achieve both affordability and service level objectives.



Infrastructure
New Zealand

Infrastructure New Zealand

Phone +64 9 377 5570

Email info@infrastructure.org.nz

Crombie Lockwood Building

Level 16, 191 Queen Street, Auckland

infrastructure.org.nz

Implementing these ten policy priorities will enable a step change in infrastructure planning, funding and delivery in New Zealand.

For further information, please contact:

Stephen Selwood
Chief Executive,
Infrastructure New Zealand

Phone: +64 9 377 5570

Mob: +64 21 791 209

Email: stephen.selwood@infrastructure.org.nz

Annex Seven: Background on Infrastructure

The state of New Zealand's infrastructure

In their letter to you, the Business Advisory Council (BAC) correctly points out that New Zealand's infrastructure sector faces a number of challenges.

New Zealand requires an unprecedented level of infrastructure investment. This is required to keep pace with population growth, to continue to grow our economy, and to improve our living standards. Our transport and urban infrastructure is struggling to keep up with population growth and increased demand, and parts of our water network are over 100 years old. A greater understanding of the current condition of our assets is also needed to improve our asset management practises and resilience.

Treasury considers the key challenges to be:

- A lack of integrated investment decisions within and across central and local government.
- Low productivity in the construction sector; skill shortages, fragmentation, poor capability in risk pricing and contract management, slow uptake of technology and innovation, health and safety.
- Lack of a credible and committed pipeline of public sector infrastructure investment leading to boom/bust cycles and under investment.
- Poor procurement practices on the part of public sector procuring agencies and poor strategic asset management.
- Limited opportunities for infrastructure investors given the absence of suitable candidate projects.

These challenges are similar to those raised by the BAC, who highlight the lack of an overarching vision or strategy and corresponding plan, the lack of appropriate funding and financing mechanisms, barriers created by legislative frameworks, and poor project delivery.

Work underway to address infrastructure challenges

A number work streams that are currently underway aim to address some of these challenges.

New Zealand Infrastructure Commission – Te Waihanga

New Zealand Infrastructure Commission – Te Waihanga (the Commission) is being established to ensure that New Zealand gets the quality infrastructure investment needed to improve our long-term economic performance and social wellbeing.

The Commission will think strategically about our infrastructure, and provide advice to agencies building and managing infrastructure.

The Commission will carry out two broad groups of functions:

- strategy and planning functions, with a focus on identifying infrastructure needs and priorities over the long-term to support those making investment decisions; and
- support functions, which focus on providing general guidance for infrastructure projects, on advising on business cases for proposed projects, and on providing procurement and other support to help deliver particular projects that are underway.

The Commission's establishing legislation is currently before Select Committee, and is expected to be passed by October this year.

The Infrastructure Transactions Unit

One of the key roles of the new Infrastructure Commission is to lift public sector performance in the procurement and delivery of major infrastructure projects.

The Infrastructure Transactions Unit (ITU) was established within the New Zealand Treasury in advance of the Commission to provide support to agencies and local authorities in planning and delivering major infrastructure projects with a total cost of ownership exceeding \$50 million. It will move into the Commission once established.

The ITU's primary role is to support agencies and local authorities to procure and deliver major infrastructure projects; supplementing rather than replacing existing capability.

Changes currently underway to the Cabinet Office requirements for investment performance and asset management, as well as changes to the Government Procurement Rules that will take effect on 1 October 2019, will make the ITU's guidance mandatory for government departments as well as the Police and Defence Force and most Crown entities.

Construction Sector Accord

In April 2019, the Government and sector leaders signed a Construction Sector Accord signalling a commitment to work together to achieve shared goals and help transform the sector.

Credible and Committed Pipeline

A key commitment under the Accord is the production of a credible, committed pipeline of infrastructure projects. A pipeline of projects gives the construction sector the confidence to invest in capability and capacity. However, this confidence is short-lived if these projects are not well coordinated and sequenced or where as a result of changes in government policy direction, projects no longer proceed – even where market ready.

Upon its establishment later this year the Commission will lead the pipeline work. In the meantime, it is being led by the Treasury's ITU. The first iteration of the pipeline (a prototype) was published on the Treasury's website in May. The ITU continues to work with central and local government to build the next phases of the pipeline. A particular focus is on regional pipelines where the ITU is co-sponsoring (with Palmerston North District Council and the NZ Defence Force) a pipeline project bringing together central and local government to explore opportunities for better planning and coordination of infrastructure delivery. This work will also be extended to the high growth councils of Hamilton City Council, Tauranga City Council and Queenstown Lakes District Council.

As part of its work on the pipeline, the ITU has also provided advice to Ministers on possible candidate projects for alternative financing (investor opportunities). These include the Christchurch Multi-use Arena, Defence Estate Accommodation and Messing, Penlink Road, KiwiRail New Ferries. Other suggested projects include Mill Road and Rapid Rail link from Auckland to Hamilton and Tauranga.

Improving procurement practices

The ITU is working with MBIE on improvements to the Construction Procurement Guidelines. This work has included an examination of issues associated with the use by the public sector of

standard form of construction contract. The work has identified a number of issues and made recommendations for improvement in public sector practices.

Infrastructure Funding and Financing

Infrastructure Funding and Financing (IFF) is part of the Urban Growth Agenda work programme. The aim of IFF the work programme is to improve housing affordability, by enabling responsive infrastructure provision and appropriate cost allocation, including the use of project financing and access to financial capital.

As part of this work, we are undertaking the following three initiatives:

- Developing alternative financing models for infrastructure.
- Investigating an increase in local government borrowing capacity.
- Reviewing the current development contribution and targeted rates regime.

On 24 June 2019 Cabinet agreed to establish an Infrastructure Levy Model to fund and finance local infrastructure projects. The Levy will be enabled by legislation and levied by a Special Purpose Vehicle.

(paper prepared by Treasury)

Annex Eight: Update on Reform of Vocational Education



PRIME MINISTER'S
BUSINESS ADVISORY COUNCIL

Update on the Reform of Vocational Education (RoVE)

DATE: June 2019

PURPOSE: FOR NOTING

This paper provides an update on RoVE following feedback received through the public consultation.

Overview

1. Following consultation earlier this year, which engaged thousands of New Zealanders, we are finalising advice for fundamental reform to our vocational education system.
2. The proposed reforms have three key elements:
 - redefining the roles of education providers and industry, by extending industry and employers' leadership role across all vocational education, and by shifting the role of supporting work-based learners and learning to providers
 - consolidating the existing Institutes of Technology and Polytechnics and creating the New Zealand Institute of Skills & Technology (the Institute)
 - a unified vocational education funding system.
3. The consultation process confirmed that a wide range of stakeholders understand and support the need for reform. Our current vocational education system has highly performing elements, but as a system it is poorly positioned to deliver on our future needs.
4. The proposals are substantial. They would require legislative change, significant organisational change for ITPs, other vocational education training providers and ITOs, and a redesign of the funding system. There is no risk-free path to strengthening the Vocational Education sector, or to reshaping our vocational education system for the challenges and opportunities it must meet to deliver the best outcomes for New Zealand. The financial instability and structural issues within the current model mean the status quo is not sustainable. Implementation needs to be sequenced, and there are costs and risks associated with the proposals. However, the costs and risks of not acting are significant. While change on the scale of these proposals would be disruptive, it is necessary to strengthen the vocational education system for the long term.

Consultation

5. A significant public consultation process on the proposals was undertaken over the course of seven weeks (from 13 February to 5 April). During the consultation period, we engaged with, and heard the views of, more than 5,000 people through more than 180 stakeholder events held across the country. We also received almost 3,000 written submissions.
6. We heard from a wide range of stakeholders and organisations, and their views are informing policy development. Public consultation generally shows that a wide range of stakeholders understand and support the need for reform and the need to strengthen the ITP sector:

- Feedback on the proposal to redefine the roles of education providers and ITOs was mixed, with many submitters supporting the need for a more unified vocational education system with a stronger industry voice. But ITOs and most of the industries they represent opposed the proposal to shift the role of supporting work-based learning to providers. They are concerned about whether providers have the capability to fulfil this role and whether training volumes will decrease during the transition.
- Feedback on the proposal to create the Institute is broadly supportive of consolidating some of the functions that ITPs perform in a central entity. But there is not universal support for a single entity. A number of ITPs considered alternative proposals for change, mainly focused on the level of autonomy each region would have.
- Feedback on the proposal to unify the vocational education funding system shows strong support for funding reform.

PROACTIVELY RELEASED

Annex Nine: Update on Phase Two Overseas Investment Act Review



PRIME MINISTER'S
BUSINESS ADVISORY COUNCIL

PHASE TWO REFORM OF THE OVERSEAS INVESTMENT ACT 2005

DATE: June 2019

PURPOSE: FOR NOTING

Background

In October 2018, the Government announced the second phase of reforms to the Overseas Investment Act (the Act). This was to build on the first phase of reforms, which introduced new consent requirements for the purchase of residential land and streamlined requirements for investments in forestry.

While the first phase of reforms focussed on the types of assets screened under the Act, the second phase of reforms are broader and aim to ensure that the Act:

- enables the Government to effectively manage any risks associated with overseas investment;
- supports overseas investment in productive assets; and
- operates in a predictable, transparent and timely way.

To achieve these objectives, options have been developed and consulted on to:

- no longer require overseas persons to obtain consent to purchase land of limited environmental and cultural value that is only screened because it adjoins other types of sensitive land (for example, land opposite a public park can currently require consent to acquire, despite it having no particular environmental or cultural value);
- relax the definition of 'overseas person' for New Zealand incorporated bodies corporate, with the intention of no longer requiring entities with a strong connection to New Zealand to obtain consent to purchase sensitive assets;
- exempt a range of common business transactions from the need to obtain consent, when the ownership and control of sensitive assets does not materially change;
- streamline the consent requirements for the majority of transactions subject to the Act, while introducing new reserve powers (such as a 'national interest' test) to manage any risks associated with particularly complex or sensitive transactions (for example, the purchase of critical infrastructure such as electricity distribution networks); and
- grant the Government the power to review transactions not ordinarily subject to the Act (such as acquisitions of businesses worth less than \$100 million) where these give rise to national security or public order risks (for example, the purchase of a start-up that develops dual-use or military technology).

Public consultation on possible reforms to the Act closed on 24 May 2019, with over 700 submissions received. Officials are working through these before providing advice to Ministers on a final reform package in coming months.

The Government has publicly committed to passing reforms before the end of this Parliamentary term.

Engagement with the Business Advisory Council

- On 18 May 2019, Treasury Officials met with members of the Prime Minister's Business Advisory Council (Laila Peters, Head of Investor Relations and Financial Planning - Air New Zealand; David McLean, CEO - Westpac; and Andrew Cordner, Group General Counsel - Fonterra) to discuss options for the reform of the Act.
- Members expressed support for options that they believed would improve the regime's efficiency and New Zealand's attractiveness to overseas investment, including:
 - relaxing the definition of overseas person for New Zealand incorporated and listed bodies corporate; and
 - no longer screening purchases of land where this is only required because the relevant land adjoins 'sensitive land'.
- Members also agreed that there was a need to fill clear gaps in the regime relating to national security (which cannot currently be considered when assessing a transaction).
- Members were nervous, however, about options (such as a national interest test) that would grant Ministers additional discretion to approve or deny transactions. They believed that clear guidance on how such powers may be used would be critical to supporting investor confidence.
- Council members confirmed after the meeting that, given the direction of reform, they did not see a need to provide written advice to Ministers on the review.