



BRIEFING

Prime Minister's Business Advisory Council meeting on 5 March

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|---------------------------------|---------------|-------------------------|------------|
| Date: | 3 March 2020 | Priority: | High |
| Security classification: | In Confidence | Tracking number: | 2311 19-20 |

| Action sought | | |
|--|--|--------------|
| | Action sought | Deadline |
| Rt Hon Jacinda Ardern Prime Minister | Note the agenda, supporting papers and talking points for the 5 March meeting of the Prime Minister's Business Advisory Council | 5 March 2020 |

| |
|---|
| Copied to: |
| Hon Grant Robertson Minister of Finance |
| Hon Phil Twyford Minister for Economic Development |
| Hon Nanaia Mahuta Minister for Māori Development |
| Hon Stuart Nash Minister for Small Business |
| Hon Kris Faafoi Minister of Commerce and Consumer Affairs |

| Contact for telephone discussion (if required) | | | | |
|--|---|-------------|----------------------------|-------------|
| Name | Position | Telephone | | 1st contact |
| Paul Stocks | Deputy Chief Executive, Labour, Science and Enterprise | 04 901 3893 | Privacy of natural persons | ✓ |
| Mark Lea | Principal Policy Advisor, Strategic Policy | 04 901 8757 | | |

| |
|---|
| The following departments/agencies have been consulted |
| |

- Minister's office to complete:**
- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments



BRIEFING

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| Date: | 3 March 2020 | Priority: | High |
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Purpose

To provide the agenda, supporting papers and speaking notes for the 5 March meeting of the Prime Minister's Business Advisory Council.

Recommended action

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

- a **Note** the agenda, supporting papers and talking points for the 5 March meeting of the Prime Minister's Business Advisory Council
- b **Note** that you (and the Ministers copied to this Briefing) are attending a dinner with the Prime Minister's Business Advisory Council the evening before the meeting (4 March)

Noted

Noted

Privacy of natural persons



Paul Stocks
Deputy Chief Executive
Labour, Skills and Enterprise, MBIE

3 / 3 / 20

Rt Hon Jacinda Ardern
Prime Minister

..... / /

Background and details of the meeting

1. The Prime Minister's Business Advisory Council (BAC) is meeting on the 5 March. Details of the meeting and agenda is at Annex One. The agenda is based on the discussion at the previous BAC meeting on the 6 December 2019. The Chair's overview for the meeting is at Annex Two. A minute of the 6 December meeting is at Annex Three.
2. Further context for each agenda item is provided below. Talking points for each item are provided in the relevant annexes.
3. This is the last BAC meeting before the general election. The first meeting of the BAC was in November 2018.

Ministers attending the meeting

4. The following Ministers have confirmed their attendance at the meeting:
 - a. Minister for Economic Development
 - b. Minister for Māori Development
 - c. Minister for Small Business
 - d. Minister of Commerce and Consumer Affairs.
5. The Minister of Finance is unable to attend.

Pre-meeting dinner

6. There is a pre-meeting dinner on the 4 March with the BAC members. You and the following Ministers are attending:
 - a. Minister of Finance
 - b. Minister for Economic Development
 - c. Minister for Māori Development
 - d. Minister for Small Business
 - e. Minister of Commerce and Consumer Affairs.
7. Details of the dinner and talking points are at Annex Four.
8. Your Office has indicated that it is likely that a press stand-up will be held at the close of the meeting by yourself and the Chair.

Notes on agenda items

Coronavirus update

Purpose

9. You will provide an update to the BAC on coronavirus and how the Government is responding to it. BAC members will be invited to share insights on the impact the virus has had on business to date. You will lead for the Government. Talking points are provided at Annex Five. There isn't a paper for this item.

Context

10. This agenda item was proposed by your office as an opportunity to raise with the BAC how the Government re-engages with China on tourism and trade post-coronavirus.

Ngati Āpōpō, Tomorrow's people / Māori Transformation Initiative

Purpose

11. The BAC will present an updated version of its paper, *Ngati Āpōpō, Tomorrow's people*, which further develops their proposed Māori Transformation Initiative. The paper will be circulated at the meeting.
12. The Minister for Māori Development will lead for the Government. Talking points are at Annex Six.

Context

13. At the 6 December BAC meeting, the BAC presented its paper *Ngati Āpōpō, Tomorrow's people*, which recommended a Māori Transformation Initiative. This initiative would be:
“...a quasi-government entity reporting to the highest level of government, Governance would include CE leadership from relevant Ministries alongside iwi and Maori representation – with visible sponsorship from the Prime Minister.”
14. At that meeting the BAC indicated that this entity would preferably be in the Prime Minister's Office. You invited the BAC to brief the Minister for Māori Development, who was unable to attend that meeting. The BAC's paper has been provided to the Minister for Māori Development's office although it has not been possible to find a time for the BAC to brief the Minister verbally.
15. You also requested advice from officials on the proposal. This was provided to you on 21 February 2020 [BR 2138 19-20] (see Annex Seven). Your Office provided a copy of this briefing to Minister's Twyford, Mahuta and Jones on 3 March.
16. The BAC agreed to further develop its proposal for discussion at the 5 March BAC meeting.

Business Connect

Purpose

17. The Minister for Small Business will give a presentation on Business Connect and will lead for Government. The presentation will be circulated at the meeting. Talking points are at Annex Eight.

Context

18. At the 6 December BAC meeting, the BAC invited MBIE to present on Business Connect at the next meeting. It also encouraged Ministers to consider whether rollout of the programme could be accelerated, including through a Budget bid.

KiwiSaver reform

Purpose

19. The BAC will present an updated version of its paper and proposal, *KiwiSaver for 2030*.
20. The Minister of Commerce and Consumer Affairs will lead for Government. Talking points are at Annex Nine.

Context

21. At the 6 December BAC meeting, the BAC presented its paper, *KiwiSaver for 2030*, which set out a proposal for a 10-year transition to a compulsory saving scheme with minimum annual contributions of either 10 per cent or 15 per cent of personal income by 2030. They also suggest that a cap on the employer's compulsory contribution could be set to mitigate the impact on employers.
22. At the meeting, the BAC agreed to further develop its proposal. The Ministry of Business, Innovation and Employment (MBIE) has provided the BAC with certain information it needed to develop its proposal (see Annex Ten).
23. Officials will provide you with advice on the BAC's updated proposal after 5 March meeting.

Summary of achievements

Purpose

24. Since this is the final meeting of the BAC before the election, the purpose of this agenda item is to discuss what the BAC has achieved on the matters of interest. The Secretariat has prepared a paper at Annex Eleven. The matters of interest covered are:

- Future of work and the Skills Pledge
- Reform of Vocational Education and the demand signal
- Venture capital and international investment attraction
- Overseas Investment Act review
- Small Business
- Infrastructure funding and finance
- Regional banking hubs
- Healthy homes
- Predatory Free 2050.

25. You will lead for the Government. Talking points are provided at Annex Eleven.

Context

26. At the 6 December BAC meeting, the BAC's paper, *Healthy Homes for 2030*, was discussed. An action from this discussion was to share the paper to the Minister for Energy and Resources as she was unable to attend. Subsequently the paper was shared with both the Minister for Energy and Resources and the Minister for Building and Construction, who requested advice on the proposal from officials (see Annex Twelve).

Next steps

27. As this is the last BAC meeting the briefings and papers supporting this and previous BAC meetings will be proactively released on the BAC website (including this briefing). The Secretariat will liaise with your office and the BAC to arrange for their release.

Annexes

Annex One: Agenda

Annex Two: Chair's overview for the meeting

Annex Three: Minute of the 6 December 2019 BAC meeting

Annex Four: Talking points for the BAC dinner

Annex Five: Talking points for coronavirus update

Annex Six: Ngati Āpōpō, Tomorrow's people paper talking points

Annex Seven: Advice on the BAC Māori Transformation Initiative

Annex Eight: Business Connect presentation talking points

Annex Nine: KiwiSaver for 2030 talking points

Annex Ten: Information provided by MBIE to BAC on KiwiSaver

Annex Eleven: Summary of achievements paper and talking points

Annex Twelve: Briefing provided to the Minister for Energy and Resources and the Minister for Building and Construction on BAC's Healthy Homes proposal

PROACTIVELY RELEASED

Annex One: Agenda

Prime Minister's Business Advisory Council meeting

Date: 5 March, 7.30am to 11am

Location: Fonterra, 109 Fanshawe Street, Auckland

Agenda

| | Item | Supporting paper | BAC lead | Govt lead |
|---------|--|---|-----------------------------------|-----------------|
| 7.30am | BAC members, PM and Ministers arrive - breakfast | | | |
| 7.45am | Opening mihi | None | Bailey Mackey | PM |
| 7.50am | Welcome | None | Chair | PM |
| 7.55am | Coronavirus update | None Talking points at Annex Five | Chair | PM |
| 8.15am | Ngati Āpōpō, Tomorrow's people / Māori Transformation Initiative | BAC paper circulated at meeting Talking points at Annex Six. | Rachel Taulelei, Bailey Mackay | Minister Mahuta |
| 8.55am | Business Connect | Minister Nash will talk to this item Talking points at Annex Eight | Chair | Minister Nash |
| 9.25am | Break | | | |
| 9.35am | KiwiSaver reform | BAC paper circulated at the meeting Talking points at Annex Nine. | Jacqui Coombes, Jocelyn O'Donnell | Minister Faafoi |
| 10.05am | Summary of achievements <ul style="list-style-type: none"> • Future of work/Skills Pledge • Reform of vocational education and the demand signal • Venture capital • Infrastructure funding and finance • Overseas Investment Act review • Small business • Regional bank hubs • Healthy Homes • Predator Free 2050 | BAC Secretariat paper and talking points at Annex Eleven | Chair | PM |

| | | | | |
|---------|--|------|-------|----|
| 10.25am | Closing comments | None | Chair | PM |
| 10.30am | Meeting closes followed by press stand-up by Prime Minister and Chair (<i>To be confirmed</i>) | | | |
| 11am | Press stand-up ends | | | |

Attendees

Business Advisory Council: Fraser Whineray, CEO Mercury NZ Ltd (Chair)
Peter Beck, CEO Rocket Lab
Barbara Chapman, Professional director/ Chair Genesis
Jacqui Coombes, Director Bunnings Group
Anna Curzon, Chief Product and Partner Officer Xero
Miles Hurrell, CEO Fonterra
Bailey Mackey, CEO Pango Productions
Jocelyn O'Donnell, Director HW Richardson Group
Gretta Stephens, CEO Bluescope/NZ Steel
Rachel Taulelei, CEO Kono

Ministers:

Rt Hon Jacinda Ardern, Prime Minister
Hon Phil Twyford, Minister for Economic Development
Hon Nanaia Mahuta, Minister for Māori Development
Hon Stuart Nash, Minister for Small Business
Hon Kris Faafoi, Minister of Commerce and Consumer Affairs

Officials:

Angela Graham or Jason Raven (TBC), DPMC
Carolyn Tremain, CE MBIE
Paul Stocks, DCE MBIE
Bryan Chapple, Deputy Secretary Treasury

Apologies

Business Advisory Council: Andrew Grant, Senior Partner McKinsey & Company
David McLean, CEO Westpac NZ Ltd

Ministers:

Hon Grant Robertson, Minister of Finance

Annex Two: Chair's overview for the meeting

Paper prepared by the Chair.

PROACTIVELY RELEASED

TO: **PMBAC Members**
FROM: Fraser Whineray, Chair
DATE: 28 February 2020
MEETING DATE: 5 March 2020
SUBJECT: Overview of Final Meeting

1 Introduction

The PMBAC meeting on Thursday 5 March will be the fifth and final meeting, following which formal PMBAC matters will be paused to make way for the 2020 Government budget and election.

The agenda for the meeting is attached along with other papers. The focus is to review previously introduced items including Ngati Apopo and KiwiSaver settings, a presentation from MBIE on Better for Business/Business Connect, a discussion on the Coronavirus impacts (current and potential) and response and a review of previously traversed initiatives.

Andrew Grant and David McLean are regrettably apologies due to travel commitments.

2 Terms of Reference

The Terms of Reference of the PMBAC were to:

- > provide high-level free and frank advice to the Prime Minister on policies that directly affect business;
- > harness the expertise of the private sector to inform Government policy; and
- > build closer relationships between Government and business.

We can keep these in mind when reviewing the activity since November 2018.

3 Outcomes

Following this meeting, two items are expected to remain 'on foot' from their respective public and PMBAC leads, namely Ngati Apopo (Rachel/Bailey) and Predator Free 2050 (Andrew Grant) (in the context of a broader approach to global philanthropy to support major environmental initiatives).

The creation of a demand-side signal for helping guide the entire study/training/future workforce requirements is an initiative that will remain with a subset of the existing PMBAC (Fraser et al) to consider and potentially pilot a development, with relevant liaison into appropriate parts of Government.

With reference to the ToR above, the relationships established and/or enhanced through the activities of the PMBAC are expected to be of ongoing value for the kaupapa and subsets of the PMBAC and Government can engage should the need arise.

4 Materials

Subject to discussion at the meeting, the expectation is that material papers related to the 6 December and 5 March meetings will be published on or about 16 March 2020 on the PMBAC website. The website has been pre-funded by Mercury NZ Limited through to the day before the September election at which point it is expected to be taken down. The management of the website is intended to be transferred to MBIE (Paul Stocks) prior to the election in any event.

Whether or not there will be a media set piece following the meeting, to round out the activities of the PMBAC's circa 18 months of activity, is to be determined.

On behalf of the PMBAC, we look forward to this meeting and any ongoing albeit informal engagement as needs arise.

Nga mihi,
Fraser

Annex Three: Minute of 6 December 2019 BAC meeting

Minute prepared by the Secretariat.

PROACTIVELY RELEASED

Prime Minister's Business Advisory Council Meeting

6 December 2019

Future of Work - Skills Pledge

The Business Advisory Council (BAC) and Ministers noted that 25 firms have signed up to Aotearoa Skills Pledge and are now reporting in their annual report cycle. 15 additional companies are considering the Pledge.

The BAC noted that it was keen to see government action on the Pledge.

Ministers noted that they wished to see greater progress from state sector agencies on such a commitment. Some activity was evident, specifically within IRD, Corrections and MBIE, although establishing a baseline and achieving stakeholder alignment were initial challenges.

Action:

- Ministers agreed to follow up with state sector agencies on their expectation that agencies make progress on committing to a Pledge, and on opportunities to publicly announce such a commitment

Future of Work - general update

The BAC noted that the Government's response to the Future of Work recommendations will continue to be progressed as part of the Reform of Vocational Education (RoVE).

Action:

- The BAC agreed to continue to engage in the RoVE work programme

Māori Future of Work - Ngati Apōpō

Ministers noted the advice from the BAC on the Māori Transformation Initiative - Ngati Āpōpō, and the recommendation to establish a delivery unit, preferably in the Prime Minister's Office.

Action:

- The Prime Minister invited the BAC to brief Minister Mahuta on their advice on Ngati Āpōpō
- The Prime Minister agreed to seek advice from officials on Ngati Āpōpō
- The BAC and Ministers agreed to discuss the proposal further at the next meeting

KiwiSaver reform - making it fair

Government noted the BAC's advice on the value of KiwiSaver. The BAC outlined its aspirations for moving towards a compulsory KiwiSaver scheme, and a pathway for achieving this.

The BAC and Ministers noted that any change to a savings scheme would need to consider and address the issues and impact on low-income earners and small businesses. The pending draft review of KiwiSaver default provider arrangements was also noted and would provide a potential opportunity to consider additional KiwiSaver issues.

Action:

- The BAC agreed to further consider its proposal for KiwiSaver that would increase New Zealand savings, and the equity of the KiwiSaver scheme

Healthy Homes – the biggest appliance needs a rating

Ministers noted the proposal from the BAC to introduce an energy rating scheme for residential buildings in New Zealand, similar to those currently implemented in several other countries (e.g. UK, Europe). Ministers noted that any consideration of such a proposal would include shaping it as a service for homeowners and aligning it with the existing Healthy Homes initiative to ensure homeowners / tenants were made aware of the available options.

Action:

- Ministers agreed to refer the proposal to the Minister of Energy and Resources, Hon Dr Megan Woods

Future of Work - demand signal

Ministers noted advice from the BAC on the opportunity for business to provide timely insight into their expected workforce needs to shape today's education and training decisions for individuals and government.

Action:

- The BAC agreed to further develop an initial pilot scheme for consideration, and feed it into work on Workforce Development Councils with the Tertiary Education Commission

Business Connect

The BAC noted with enthusiasm the Business Connect initiative and urged Ministers to consider whether rollout can be accelerated with clear time bound goals, including though a budget bid. The BAC invited MBIE to present on Business Connect at the next meeting.

Predator Free 2050

The BAC lauded the Predator Free 2020 initiative and considered the role of business in attracting investment in such initiatives.

Action:

- The BAC agreed to consider the role business can play in attracting biodiversity investment from international sources (i.e. using Predator Free as a test case)

Next meeting

Ministers and the BAC agreed that the next meeting will be in March, followed by a dinner. The agenda of that meeting will be based on discussions and actions arising from December 2019 meeting.

Annex Four: Talking points for the BAC dinner

Date and time: Wednesday 4 March, 6pm arrival for 6.30pm start

Venue: The Cellar private dining room at Sofitel, Viaduct Harbour

Attendees:

- BAC members
- Minister of Finance, Minister for Economic Development, Minister for Māori Development, Minister for Small Business, Minister of Commerce and Consumer Affairs
- Carolyn Tremain (MBIE, Chief Executive), Paul Stocks (MBIE, Deputy Chief Executive), Shayne Misselbrook (Prime Minister's Office)

Talking points:

- Reflect on what has been achieved since you announced the BAC in August 2018.
- You asked the BAC to report to you on opportunities, identify emerging challenges, and bring new ideas to the table.
- The BAC has:
 - built closer relationships between Government and business
 - provided free and frank advice
 - harnessed private sector expertise to inform Government policies
- Specific achievements from BAC engagement include:
 - Skills Pledge announcement.
 - Advising on Future of Work.
 - Shaping reform of vocational education.
 - Informing early-stage capital investment fund.
 - Undertaking a survey of small businesses (Xero) reflected in Governments response to the Small Business Council.
 - Establishing regional banking hubs in Martinborough, Ōpunake, Stoke and Twizel.
 - Proposing reforms to infrastructure planning and financing
 - Infrastructure Commission now established
 - \$12B of infrastructure investment announced (Dec 2019)
 - legislation introduced for a new local government funding and financing model (Dec 2019).
- Recent discussions have canvassed innovative ideas on:
 - Changes to Kiwisaver to increase membership and savings
 - Introducing energy rating for homes in New Zealand
 - Role business can play in attracting biodiversity investment (like Predator Free 2050).

Annex Five: Talking points for the coronavirus update

Talking points

- We are **confident** that New Zealand is well-placed to respond to the potential impacts the coronavirus will and might have on the New Zealand economy, both in the short and longer-term.
- DPMC is providing strategic coordination and integration of advice across agencies to ensure a coordinated all-of-government response.
- The Treasury and MBIE are working together on the analysis and advice on the economic impact and response for COVID-19. Bryan Chapple from Treasury (who is at the BAC meeting today) is the Senior Responsible Official overseeing this work.
- As part of our preparedness we are assessing three scenarios:
 - **Scenario one** predicts a temporary global demand shock where we experience a temporary but significant impact on the New Zealand economy across the first half of 2020 before growth rebounds in the second half as exports return to normal.
 - **Scenario two** predicts a longer-lasting domestic incomes shock. In this scenario the domestic economy experiences a longer period of slower growth – across the whole of 2020 – as a result of the global effects of COVID-19.
 - **Scenario three** is planning for how to respond to a global downturn if the worst-case plays out around the world. In this scenario, New Zealand is likely to experience a recession during 2020.
- With the first confirmed case in New Zealand, we are likely to be moving into **scenario two**:
 - New Zealand experiences a longer period of slower growth throughout 2020.
 - Ongoing travel restrictions and more cautious traveller behaviour curtail activity in the tourism and export education sectors, including from reduced demand beyond the Chinese market.
 - The New Zealand dollar is likely to depreciate further and provide some support to the export sector, reflecting a general global flight to safer financial assets. Short-term interest rates may also be cut by the RBNZ, and this would provide some support to firms and households.
- New Zealand's major private sector banks assume that **GDP growth** will be between 0.5 and 0.6 percentage points lower in total than otherwise over the March and June 2020 quarters. Westpac is now forecasting zero quarterly GDP growth for March quarter 0.8% below forecasts (without drought and COVID-19).
- The Reserve Bank's February *Monetary Policy Statement* assumes that **GDP growth** is 0.3 percentage points lower than otherwise in the March quarter.
- Impact on New Zealand is through trade, financial markets and confidence:
 - **Trade:** Tourism is the most immediately affected industry. Chinese tourists typically spend around \$180 million per month in the peak travel months of January through to April.
 - Education services are at risk, particularly if restrictions on foreign travel remain in place into April.
 - Prices for some goods exports, including meat, forestry and seafood have fallen, apparently because of the outbreak. Some goods imports may be disrupted, such as machinery and building materials.

- **Financial markets:** New Zealand financial markets are functioning as usual. Movements in the exchange rate and interest rates are within normal trading magnitudes for a negative shock.
- **Confidence:** A short-lived period of disruption is unlikely to materially impact economic activity through lower business or consumer confidence.
- We are taking a pragmatic approach given the uncertainties. There are immediate measures we can take to assist those affected by COVID-19 and mitigate further impact. It is important that any response is:
 - **Balanced and proportionate**, that is appropriately targeted.
 - **Aligned with broader Government direction**, such as the Economic Plan.
 - **Sustainable**, to avoid introducing precedent for interventions that cannot be extended across the economy.
 - **Implementation ready**, such as extending existing programmes means that the underlying systems are already in place.
 - **Best decision under uncertainty**, that the response is 'least regrets'.
- The capital investment package announced in December with the Budget Policy Statement will provide support to the economy in the face of a slowdown caused by COVID-19.
- Budget 2020 decisions in late-March offer an opportunity for further fiscal stimulus, if required.

Questions for BAC

- How have you been impacted by COVID-19 to date? How do you see this changing in future?
- How are you managing these risks?

If raised

At a meeting between the Minister of Finance, the Minister of Tourism and representatives of the tourism sector on 25 February, the Minister of Finance said that the Government will start thinking about how we re-engage with China post-coronavirus, such as a business delegation.

Annex Six: Ngati Āpōpō, Tomorrow's people talking points

An update of the BAC's paper will be circulated at the meeting.

Talking points

- Thank the BAC for their further thinking on how to achieve better outcomes for Māori through their Māori Transformation Initiative proposal.
- We agree that there remains a lot of work to do to improve outcomes for Māori.
- The BAC's proposal has triggered a rethink across Government on how to improve the way it organises itself to get better outcomes for Māori.
- The Māori-developed and Māori-led He kai kei aku ringa (HKKAR), the Crown-Māori Economic Development partnership, provides an existing strategy and organising framework to drive an all-of-government focus.
- Strengthening expectations and oversight of agencies working together is likely to be more impactful and timely way of realising the BAC's aspirations than establishing a new entity.

If you agree with official's advice on the Māori Transformation Initiative:

- I will discuss with the Ministers of Māori Development and Regional Economic Development, as the Ministers responsible for HKKAR:
 - how to reinvigorate HKKAR to achieve impact and pace including through strengthened governance arrangements
 - the need for an urgent stocktake of current programmes across government to be undertaken by officials from MBIE and Te Puni Kōkiri over a four-week period and request a report back on findings and recommendations for next steps.

Annex Seven: Advice on the BAC Māori Transformation Initiative

Briefing prepared by officials.

PROACTIVELY RELEASED



BRIEFING

Advice on the BAC Māori Transformation Initiative

| | | | |
|---|------------------|--|-----------------|
| Date: | 21 February 2020 | Priority: | Medium |
| Security classification: | In Confidence | Tracking number: | BR 2138 19-20 |
| Rt Hon Jacinda Ardern Prime Minister | | Action sought | Deadline |
| | | Note this advice for discussion with BAC on 5 March and agree to forward to: | 4 March 2020 |
| | | Hon Phil Twyford Minister for Economic Development | |
| | | Hon Nanaia Mahuta Minister for Māori Development | |
| | | Hon Shane Jones Minister for Regional Economic Development | |

| Contact for telephone discussion (if required) | | | |
|--|---|----------------------------|-------------|
| Name | Position | Telephone | 1st contact |
| Joanne Hughes | Deputy Chief Executive, Strategic Policy and Programmes | Privacy of natural persons | ✓ |
| Kate Challis | A/g Manager, Strategic Policy Development | | |
| The following departments/agencies have been consulted | | | |
| Te Puni Kōkiri has been consulted and their comments reflected in the briefing. | | | |
| The following departments/agencies have been informed of the content of this briefing | | | |
| Te Arawhiti, Treasury, MSD, MoE, Provincial Development Unit | | | |

Minister's office to complete:

| | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments



BRIEFING

Advice on the BAC Māori Transformation Initiative – Ngāti Āpōpō

| | | | |
|--------------------------|------------------|------------------|---------------|
| Date: | 21 February 2020 | Priority: | Medium |
| Security classification: | In Confidence | Tracking number: | BR 2138 19-20 |

Purpose

This briefing is in response to your request for advice on the Prime Minister's Business Advisory Council (BAC) proposal to establish a Māori Transformation Initiative to address the impact of the future of work on Māori. The BAC is further developing this proposal, which will be discussed at the next BAC meeting on 5 March 2020.

Executive Summary

The BAC paper *Ngāti Āpōpō - Tomorrow's People* (Annex One) identifies problems in achieving better outcomes for Māori and proposes a Māori Transformation Initiative (MTI), a quasi-government entity reporting to the highest level of government, whose first task would be an audit of current public and private sector programmes to assess impact.

We agree with the BAC that there remains a lot of work to do to improve outcomes for Māori. However, setting up a new entity is not likely to achieve outcomes at pace and could add to the cluttered landscape.

The Māori-developed and Māori-led He kai kei aku ringa (HKKAR), Crown-Māori Economic Development partnership, is an element of the Government's Economic Plan and provides an existing strategy and organising framework to drive an all-of-government focus on achieving economic outcomes for Māori.

Reinvigorating HKKAR and refreshing the action plan under its five pou - Employment, Rangatahi, Enterprise, Regions and Education (ERERE), and strengthening expectations and oversight of agencies working together, is likely to be a more impactful and timely way of realising the BAC's aspirations than establishing a new administrative entity.

We agree with BAC that the best chance of success involves government and Māori leadership owning this work at the highest level. We recommend that you discuss with the Ministers for Māori Development and Regional Economic Development (who have delegations for HKKAR) how they see this could best be achieved.

To maintain momentum (and consistent with BAC's recommendation to undertake an audit), relevant government agencies should also complete a stocktake of existing activity under each of the ERERE pou to give greater visibility of current activity, such as the Provincial Growth Fund and the Māori Employment Action Plan, where there are opportunities for acceleration and better coordination, or where there are significant gaps.

Recommended action

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

- a **Note** that re-invigorating the existing HKKAR strategy and ERERE action plan, including through strengthened governance and accountability arrangements at the highest level of government and Māori, will be more effective in improving Māori economic outcomes at pace than establishing a new unit *Noted*
- b **Agree**
- i. to discuss with the Ministers of Māori Development and Regional Economic Development, as Minister responsible for HKKAR, how to reinvigorate HKKAR to achieve impact and pace, including through strengthened governance arrangements for this work, and specific next steps to take it forward Agree / Disagree
- ii. to also discuss with the Minister for Māori Development and the Minister for Regional Economic Development the need for an urgent stocktake of current programmes across government to be led by MBIE and Te Puni Kōkiri in consultation with key agencies over a four week period and request a report back on results and recommendations for next steps Agree / Disagree
- c **Note** the attached prototype at Annex Two and the Funding Road Map at Annex Three illustrate the type of information we anticipate getting from a stocktake that will help direct effort to improve delivery and impact on outcomes *Noted*
- d **Agree** to propose the approach outlined above to the BAC at their next meeting of 5 March Agree / Disagree

Privacy of natural persons

Joanne Hughes
Deputy Chief Executive
Strategic Policy and Programmes, MBIE

21 / 2 / 20
..... / /

Rt Hon Jacinda Ardern
Prime Minister

..... / /

Background

1. At the 6 December 2019 BAC meeting, Rachel Taulelei and Bailey Mackey presented a paper on what the future of work holds for Māori, and what Māori will need to succeed in the face of rapid and unprecedented change. This paper is at Annex One: *Ngāti Āpōpō – Tomorrow's People*.
2. The BAC recommended the development of bespoke solutions and assessment of impact for Māori through a transformative Māori-led delivery system (Māori Transformation Initiative Unit – MTI Unit). They propose that this new quasi-government entity, reporting to the highest level, including public sector Chief Executive leadership and Māori representation, would:
 - identify opportunities and develop bespoke solutions;
 - audit current programmes (beyond employment and skills) to assess impact; and
 - monitor delivery and effectiveness (with a view to improving impact and pace).
3. We understand that BAC is developing its proposal further and will present an updated paper at the next BAC meeting on 5 March 2020.

Officials agree on problems identified by BAC's Ngāti Āpōpō paper

4. Officials across government agree with the general themes of the BAC's *Ngāti Āpōpō* paper that significant progress needs to be made to improve outcomes for Māori. We also agree that a business perspective could help to develop such an approach.
5. The paper raises important points on the challenges that the future of work holds for Māori, and the need to focus on supporting rangatahi Māori entering the workforce by 2030.
6. We agree with the BAC assessment of the major challenges to progress and a need for improvement in:
 - a) an effective and holistic approach to Māori economic growth across multiple systems;
 - b) a demonstrated partnership approach designed and led by Māori; and
 - c) understanding that the diversity of Māori communities requires solutions that are designed accordingly.
7. However, we consider that the Crown-Māori Economic Development partnership He kai kei aku ringa (HKAR), developed by Māori, provides an infrastructure that could be used to gain more traction if its governance and action plan are refreshed. This is likely to be a faster way to gain momentum than adding another institution into the system.

He kai kei aku ringa is a framework developed by Māori

HKAR whakapapa

8. HKAR (Māori Economic Development Strategy and Action Plan) was developed by Māori. In 2011-12 a Crown-Māori panel identified opportunities to accelerate Māori economic growth and address some of the longstanding barriers. In 2012 Cabinet recognised HKAR as the Crown-Māori Economic Growth Partnership. HKAR includes a strategy with an outcomes framework to 2040. The strategic approach for HKAR is to strengthen delivery to and for Māori within the economic development sector and to increase Māori participation in government economic initiatives.

9. Ngahiwi Tomoana (the current Chair of the Iwi Chairs Forum Economic Development workstream – Pou Tahua) was the Chair of the Māori Economic Development Panel that developed the strategy.
10. In 2013, a Māori Economic Development Advisory Board (MEDAB) was established to provide guidance, stewardship and monitoring for HKKAR. Appointed by Ministers, MEDAB's role is to provide on-going stewardship of HKKAR.
11. Mr Tomoana was the inaugural chair of MEDAB and Robin Hapi has been the chair since 2017. The responsible Ministers are currently considering appointments for some upcoming vacancies on MEDAB.

HKKAR today

12. Last refreshed in 2017, HKKAR has five pou (pillars) of Employment, Rangatahi (youth) Education, Regions and Enterprise, which are intended to focus effort and action to achieve the outcomes of both BAC and the Government.

Strengthened governance of delivery frameworks could drive better outcomes

13. BAC has proposed that the MTI unit reports to the highest level of government. Governance could include Chief Executive leadership from relevant Ministries alongside iwi and Māori representation, with visible sponsorship from the Prime Minister.
14. Officials agree that better oversight with strengthened governance and accountability for government delivery could drive better outcomes for Māori. There is also broad agreement in the value of oversight at the highest level such as the Prime Minister and senior Māori leaders.
15. There are a number of existing fora that provide leadership and partner with government to drive economic outcomes for Māori, including the Iwi Leaders Forum, MEDAB, and BAC members.
16. There are also a number of ways to strengthen governance and accountability, these are not mutually exclusive, and include:
 - a) strengthening HKKAR with joint Ministerial oversight of key programmes under the pou of Education, Rangatahi, Employment and Enterprise (ERERE), and signal your expectations for commitment to achieve impact to Ministers and officials;
 - b) providing a sharper focus on the body of work arising from BAC proposals through regular reporting to the Cabinet Priorities Committee;
 - c) requiring quarterly reporting to you (via MEDAB, officials and/or Ministers) on progress; and
 - d) utilising existing Māori leadership to hold the Crown to account on delivery on the aspirations in the Ngāti Āpōpō paper.
17. We recommend that you discuss with the Ministers for Māori Development and Regional Economic Development their views on how best to get momentum and better integration across agencies for HKKAR.
18. We also suggest that you, and Ministers for Māori Development and Regional Economic Development, engage with Māori leaders, on how impact can be delivered through HKKAR, their preferred governance arrangements and specific next steps. The make-up of this Māori leadership forum could include members from existing iwi fora that provide oversight on the delivery of government programmes, such as MEDAB and the Iwi Leaders Forum.

Completing a stocktake will help give a sense of where the greatest opportunities lie

19. BAC has proposed an audit of current public and private sector programmes to assess impact. We agree and recommend that, to maintain momentum that relevant government agencies undertake, with urgency, a stocktake of the impact of current programmes focussed on improving economic outcomes and wellbeing for Māori.
20. As a first step, we recommend that Ministers request an urgent stocktake of activity supporting Māori economic development under the ERERE pou. We recommend that MBIE and TPK lead the stocktake work in consultation with other HKKAR agencies (see Annex Two). A draft prototype of the sort of information that the stocktake could cover is at Annex Two.
21. Key initiatives that are underway contributing to ERERE include:
 - the Provincial Growth Fund investments;
 - Māori Employment Action Plan;
 - Social Procurement for Māori
 - He Poutama Rangatahi;
 - Mana in Mahi; and
 - Te Pūnaha Hiringa Māori Innovation Fund.
22. This would provide a basis for Ministers for Māori Development and Regional Economic Development and Māori leaders to consider where there are opportunities for better integration, more momentum, or gaps that need filling. A stocktake of the nature outlined in Annex Two could be delivered within a month.

Next Steps

23. Ahead of the 5 March BAC meeting, we suggest that you discuss with the Ministers for Māori Development and Regional Economic Development how to reinvigorate HKKAR from the Crown's perspective and seek agreement to the stocktake.
24. If you agree to this approach, we suggest you discuss at the 5 March BAC meeting. We can work with your office on possible talking points and communications material.

Annexes

Annex One: BAC Paper – Ngāti Āpōpō – Tomorrow's People

Annex Two: Prototype using ERERE to illustrate information to be gathered from stocktake

Annex Three: Road Map for Māori Economic Development

Annex One: Ngāti Āpōpō – Tomorrow's People

Ngāti Āpōpō – Tomorrow's People

(see attached pdf)

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PRIME MINISTER'S
BUSINESS ADVISORY COUNCIL

Ngāti Āpōpō – Tomorrow's People

TO:

DATE: December 2019

MEETING DATE: 6 December 2019

SUBJECT: Māori Future of Work
(this paper should be read in conjunction with mainstream FOW Report)

1 Mihi

The Prime Minister's Business Advisory Council undertook the challenge of considering what the future of work holds for Māori, and what Māori will need in order to successfully navigate their way to wellness in the advent of massive technological change.

Our exploration drew on McKinsey's modelling, international case studies, and the knowledge and lived experiences of Māori business leaders.

We are mindful that language shapes how we make sense of this challenge. That this work cannot be distinct from other aspects of life for Māori if we are to exist in a virtuous circle of economic wellbeing, a regenerative environment, inclusive society, and culture, at the heart of which lies people.

For this reason, we reframed the enquiry from the future of work to the more holistic perspective of *Ngāti Āpōpō, Tomorrow's People*.

Ngāti Āpōpō acknowledges that Māori need to be the key architects in determining their future. It touches on the unique challenges Māori will face within the future of work and presents one central recommendation to enable Māori to succeed in a changing world, and by doing so, enable Aotearoa to thrive.

We acknowledge the responses already planned and underway by Government, iwi, business, and community to help realise present and future benefit for Māori. This report supports that collective response by providing a Māori business perspective of challenges and requisite solutions.

2 Wero

Future of work challenges are well documented, yet unique when considered by ethnicity and demographic.

- Māori currently account for 13% of the working age population but are estimated to contribute 27% of working age population growth between 2019 and 2030
- Of the projected Māori working age population in 2030, an estimated 28% are under 15 today with 150,000+ children having not yet started secondary school
- Māori are more exposed to the impacts of automation as they are over-represented in high automation occupations. 24%¹ of Māori jobs, versus 21% for the New Zealand workforce as a whole, will potentially be replaced by automation by 2030, displacing ~100,000 Māori workers
- Māori are forecast to benefit equally with the general population from new jobs generated, gaining an estimated net 7,000 jobs. However, many of the new jobs will require different skills sets and many will be in different and often urban locations which will be an additional challenge for Māori living in the regions. The Māori unemployment rate (10.8%) is double the New Zealand average, and 20% of Māori 15-24 years olds are unemployed (MBIE, 2017). By 2022 the Māori workforce will enter a transitional period of increased unemployment - as automation starts to displace jobs, and before people displaced can gain new skills and new jobs are generated.

Aotearoa is on the cusp of an unprecedented situation as it pertains to the future of work for Māori.

¹ All data is from McKinsey's 2019 analysis commissioned for this report unless otherwise referenced

The MTI is time bound. Once Ngāti Āpōpō can be delivered without the MTI leadership, it would be redirected to other Māori priorities or cease to exist.

4 Whakarāpopototanga / Summary

The goal of the Māori Transformation Initiative is Māori wellbeing through inclusion in work and the economy.

It will achieve this through addressing the unique challenges and opportunities that the Future of Work present for Māori.

The MTI will provide proven, influential, and well-connected te ao Māori leadership into multiple systems. It will seek to address systemic challenges and use rapid prototyping and co-design to generate solutions that work for different contexts; for different industries, different regions and different business models.

It will relentlessly drive joined-up execution, ensuring maximum return on investment.

It is a bespoke, innovative approach to ensuring Aotearoa is the best place for rangatahi Māori to excel. It addresses a risk of increased unemployment and an impoverished economic future for Māori, and does so as a collective priority.

Ngāti Āpōpō is an opportunity to execute with effect.

'Ko te pae tawhiti, whāia kia tata; ko te pae tata, whakamaua kia tīna'
'Seek out distant horizons and cherish those you attain'

Annex Two: EREER

Prototype using EREER to illustrate information to be gathered from stocktake

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Hon Nanaia Mahuta – Minister for Māori Development

Hon Shane Jones – Minister for Regional Economic Development

Fletcher Tabuteau MP
Parliamentary Under-Secretary



Māori Economic Development Advisory Board

TPK MBIE Treasury Callaghan NZTE MPI MoE

| ERERE (HKAR - 'Hei kai kei aku ringa') | | | | |
|---|--|---|--|--|
| EMPLOYMENT <i>Whai Mahi</i> | RANGATAHI <i>Rangatahi Tū Maia</i> | ENTERPRISE <i>Whai Pakihi</i> | REGIONS <i>Rohe Tū Pakari</i> | EDUCATION <i>Whai Mātauranga</i> |
| <i>Social Procurement</i> | | | | |
| <i>Just Transition/ Industry Transformation</i> | | | | |
| Māori Employment Action Plan (MBIE) Te Ara Mahi (MBIE) Cadetships programme (TPK) Flexi-wage subsidy (MSD) Nga Maata Waka - work brokering (MSD) Vertical Horizons (MSD) | He Poutama Rangatahi (MBIE) Pae Aronui (TPK) Taiohi Ararau (TPK) Rangatahi Entrepreneurship (Māori Innovation Fund, MBIE) Mana in Mahi (MSD) Training for Rangatahi (local - Ngāti Porou, EIT, DoC, Gisborne Council) | Te Pūnaha Hirianga: Māori Innovation Fund (MBIE) • Commercial Advisors Scheme • Kōkiri Māori Business Accelerator • Pakihi Māori business mentoring Māori Business Growth programme (TPK) Ka Hāo Fund (TPK) Māori Development Fund (TPK) New Zealand Māori Tourism Māori Trustee (Te Tumu Paeroa) Poutama Trust – sector initiatives Māori Women's Development Inc (Business loans) | Provincial Growth Fund (currently approx. 11% of PGF investment in Māori economic development) Te Kahui Ohanga Partnership (MSD) Te Hiko Iwi Development Trust (horticulture & employment programme, MSD) Waimana Kaaku (local, MSD) Whenua Māori Fund | Vision Mātauranga (MBIE) Skills for Industry (MSD) Youth Guarantee (TEC/MoE) Equity Funding (TEC) Māori and Pasifika Trades Training (TEC) |
| Assessment against plan and actual performance targets | | | | |
| Assessment of actions | | | | |
| <ul style="list-style-type: none"> • Overall assessment (efficacy of current programmes, intervention and initiatives) <ul style="list-style-type: none"> • Effectiveness of coordination • Opportunities to leverage existing frameworks, infrastructure and governance arrangements <ul style="list-style-type: none"> • Opportunities to develop bespoke solutions • What's missing? What can be changed to improve outcomes? | | | | |

Annex Three: Roadmap for Māori Development

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ROADMAP FOR MĀORI ECONOMIC DEVELOPMENT

KEY:

- R&D, technology and innovation
- Multi-focus
- Primary industries
- Māori businesses

MPI

SFF Futures, One Billion Trees, Māori Agri Business, PIP and Extension

Venture Investment Fund

NZVIF
Accelerates the development of New Zealand's early-stage capital markets

Māori Trustee

Te Tumu Paeroa
Farm, asset management and development

NZ Māori Tourism

- Dragon's Den
- Capability

Māori Development Fund

TPK
Funding for governance, feasibility, early stage, strategy and planning

Investment Services

NZTE
Help with identifying the right funding and capital options, developing an investment plan, fine-tuning pitch for capital raising, or making connections with investors

Poutama Trust

- Small capital grants
- Sector initiatives and investments

Māori Women's Development Inc.

Loans for whine Māori for business start-up/re-structure, promotion of Māori women in business.

Export capability and growth services

NZTE
Help build core capability, prepare for export growth and boost global reach

Trade credit insurance and financial guarantees

NZECO
Promoting exports by providing tailored trade credit insurance and financial guarantees, backed by the New Zealand Government

International growth fund

NZTE
Co-investment for international growth projects that are aligned with the overall growth strategy

Environment and waste minimisation funds

MFE
Funds for businesses to make a positive difference to the environment and boost New Zealand's performance in waste management

R&D Grants

Callaghan Innovation
Funds aimed at businesses that are developing or experienced in research and development

Te Pūmaha Hiriranga: Māori Innovation Fund

MBIE supports
He kai kei aku ringa (the Crown-Māori Economic Growth Partnership Strategy)
• Commercial Advisors Scheme
• Pakihi 101 Workshops (ends Apr 20)

Incubators and accelerators

Callaghan Innovation
Provide concentrated, core business support and extensive networks to accelerate an idea or product to market
MBIE: Kōkiri Accelerator

Whenua Māori Fund

TPK
invests in land use feasibility studies for freshhold Māori land

NZ Story Toolkit

NZ STORY
Marketing toolkit and storytelling workshops to promote business overseas

Ka Hao Fund

TPK
Funds for digital enablement, innovation and skills

Product development and innovation services

Callaghan Innovators
Provides a range of innovation and research services to suit each stage of growth

Māori Business Growth

TPK
General advice and investment for specialist advice to grow SME's

Business advice and capability voucher funding

Regional Business Partners
Helps businesses with advice, knowledge and access training and coaching services

Primary Industries programmes and funding

MPI
Enable primary industry businesses and organisations to maximise exports, improve productivity, and help grow the economy

Access to offshore markets and economic diplomacy

MEAT
Managing key international relationships and working to improve trading conditions for New Zealand businesses.
• Negotiating trade agreements
• Resolving non-tariff barriers
• Providing useful information i.e. tariff finder

Science, research and tourism investment and funds

MBIE
Supports programmes and businesses to build high-performing science and research through funding rounds
• Vision Mātauranga/Endeavour Funds

Provincial Growth Fund

MBIE, TPK, MPI, EDA
• Whenua Development
• Māree Connectivity
• Employment
• Regional Economic Development



Annex Eight: Business Connect talking points

Minister for Small Business will talk to this item.

Talking points

- Business Connect directly supports the Small Business Council's Small Business Strategy by making it easier for businesses to deal with government, including reducing time and frustration.
- Manawatu District Council launched the second service on the Business Connect platform in February this year with the registration of food business, and other councils are looking to adopt the same approach in their regions.
- Pleased that as a result of the discussion at the last BAC meeting, we have been able to put in a proposal for longer-term funding in Budget 2020 which, if successful, should accelerate uptake of Business Connect.

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Annex Nine: KiwiSaver for 2030 - talking points

An update of the BAC's paper will be circulated at the meeting.

Talking points

- Thank the BAC for providing a revised KiwiSaver proposal, reflecting the discussion at the last BAC meeting.
- The key issue is how any changes to the scheme would impact on low-income earners.
- Making KiwiSaver compulsory would be a significant change to KiwiSaver, which was designed to give people the freedom to make choices about what is best for them in regards to their retirement savings.
- Some low-income people, including beneficiaries, are already better off after they retire than before, because New Zealand Super is higher than their income before retirement. Making KiwiSaver compulsory would increase hardship for those people before retirement, because they would likely have to reduce spending on essential items.
- The Retirement Commissioner's Review of Retirement Income Policies was released in January. As you are aware the Review made a number of recommendations in relation to KiwiSaver.
- The Retirement Commissioner noted in the Review that they detected a tone of nervousness and anxiety from those they spoke to about the future of NZSuper. If KiwiSaver is made compulsory this could fuel anxiety around this, do you have any thoughts about how Government could approach this topic?
- Officials are currently considering the recommendations made in the Review and will be advising the Government in the coming months. I will ask officials to consider the BAC's recommendations as part of their consideration of the Review's recommendations.
- It would be interesting to hear whether and how the BAC plans to canvas its proposal outside of government.

Annex Ten: Information provided by MBIE to BAC on KiwiSaver

Paper prepared by officials.

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Some relevant information on barriers to uptake or contributions to KiwiSaver

Source: Data report for the Review of Retirement Income Policies (2019), Celestyna Galicki, CFFC (2019)

Link: <https://cffc-assets-prod.s3.ap-southeast-2.amazonaws.com/public/Uploads/Retirement-Income-Policy-Review/2019-RRIP/Research-docs/The-big-picture/CFFC-Research-Income-Sources-and-Hardship-in-Retirement.pdf>

“Reasons for not being in KiwiSaver” under 2.4

Respondents who were not in KiwiSaver were asked why they are not in KiwiSaver. 40% of the reasons given by respondents were due to a lack of, or insufficient, income. Other common reasons were having other investments (selected mostly by older respondents) and lack of knowledge about KiwiSaver (Table 2.16).

| Table 2.16. What are the reasons you are not in KiwiSaver? [Base: respondents who are not in KiwiSaver]; respondents could select more than one answer (KS) | Frequency | Percent |
|---|-----------|---------|
| I have an income, but I cannot afford KiwiSaver | 101 | 21.9% |
| I have other savings/investments that will secure a comfortable retirement for me | 90 | 19.5% |
| I do not know enough about KiwiSaver | 88 | 19.1% |
| I have currently no income | 82 | 17.8% |
| Don't feel comfortable with the risk | 63 | 13.7% |
| Other (please specify) | 61 | 13.2% |
| I am afraid that the government may change the rules to the disadvantage of KiwiSaver members | 54 | 11.7% |
| Have never been employed | 24 | 5.2% |
| KiwiSaver fees are too high | 21 | 4.6% |
| My preferred investments options are not available in KiwiSaver | 18 | 3.9% |
| Total | 461 | >100.0 |

Among the 13% of respondents who selected “other” reasons, the most common explanation was that they were not eligible due to non-resident status (the survey did not exclude respondents on temporary visas). Other reasons included advice from accountant or being too close to retirement to benefit from signing up.

Older respondents (50-64 years old) were more likely to select the response “I have other savings/investments” than younger age groups, whereas lack of knowledge was the top reason selected by those aged 18-33 (Fig. 2.17). Fig. 2.17. Reasons respondent not in KiwiSaver, by age group (KS)

Not Government Policy

Male respondents were more likely to select “I have other savings/investments...” as a reason for not being in KiwiSaver (24%), compared to women (14.5%).¹⁰ This is consistent with the ANZ Financial Wellbeing Survey which has found that women are less likely than men to hold investments.

“Profiles of non-contributing members” under 2.6

- 21% of women are in KS but not contributing, compared to 15% of men
- Non-contributing (while being enrolled in KiwiSaver) is highest in the 18-33 age group (20% of this age groups is enrolled but not contributing)
- 54% of people who fulfil all of the following conditions are enrolled but not contributing: 11 not employed, living in own home with a mortgage and being a stay at home parent or carer. The majority of such respondents are female. These respondents probably have an employed spouse (the household can afford a mortgage). Being a stay at home parent while not contributing to KiwiSaver disadvantages women because they miss out on the government contribution. One respondent wrote in an open-ended comment field that she counts on her husband’s KiwiSaver to get by.
- 47% of people who fulfil all of the following conditions: unemployed, renting and aged 18-34 years are in KiwiSaver but not contributing (non-employed renters 35+ are more likely to not be in KiwiSaver at all - 43% of them are not enrolled). Employment and related income seem to be the biggest factor here; however, much of this group is likely to be between jobs or studying and may restart their contributions when they return to paid employment.
- Out of those who are employed, Maori employed part-time have the highest rate of noncontributing - 28% not contributing (compared to 11% of non-Maori who are employed part time). This may reflect lower wages, fewer hours or having family commitments which make contribution unfeasible.

Source: KiwiSaver participation and future perceptions of retirement survey, CFFC (2016)

Link: <https://cffc-assets-prod.s3.ap-southeast-2.amazonaws.com/public/Uploads/2016-Review-Of-Retirement-Income-Policies/KiwiSaver-What-NZ-told-Us/fa40cbebe/126-Kiwisaver-RRIP-Participation-Perceptions-Survey-CFFC-2016.pdf>

The whole report will be useful – but you may wish to look specifically at breakdowns of non-contributors versus active versus 65+

Slides of interest

- slide 32 “why did people join KiwiSaver” might be useful
- slide 37 “why did people not join KiwiSaver”
- slide 44 “why stop contributing to KiwiSaver”

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Source: KiwiSaver: An Initial Evaluation of the Impact on Retirement Saving, Dave et al. Treasury Working Paper (2011)

Link: <https://treasury.govt.nz/publications/wp/kiwisaver-initial-evaluation-impact-retirement-saving-html>

KiwiSaver is a voluntary savings scheme aimed at increasing the retirement wealth of a target population. A critical element shaping the success of KiwiSaver is the extent to which individuals participate in the scheme, given its voluntary nature; and, having chosen to participate, the extent to which their attitudes and practices toward savings have been modified by their participation. This paper presents the results of an initial evaluation to assess individuals' saving behaviour following the introduction of the KiwiSaver scheme. It is based on the findings of a national survey conducted in 2010.

We find that members adjust their savings portfolio such that only about one third of the contributions they make to their KiwiSaver account represents additional savings. Further, only 22% of respondents report that their expected retirement income would not be sufficient to meet basic living costs. Critically, regression analysis finds no relationship between KiwiSaver membership and any shortfall or excess in respondents' expected retirement income relative to either the amount needed to meet basic needs in retirement or to be comfortable.

Source: Now we are six lessons from New Zealand's KiwiSaver, Susan St John et al. RPRC Research Paper (2014)

Link: <http://docs.business.auckland.ac.nz/Doc/WP-2014-1-KiwiSaver.-Now-we-are-six.pdf>

See section 6 from p.18

Auto-enrolment or compulsion? The original rationale for KiwiSaver was influenced by the results of studies from the US based on behavioural finance (see, for example, Mitchell & Utkus, 2003), showing that most employees do not understand what decisions to make about saving schemes: whether to join; how much to contribute; what investment strategy to choose.²⁰ Too much choice is seen as preventing employees from making any decisions, let alone making appropriate decisions. The research typically shows higher rates of joining if employees are guided to join, and to pick a 'realistic' contribution level and an 'appropriate' investment strategy, but then given the opportunity to change those decisions.

That research also shows that employees tend not to move away from the default selections. The applicability of these studies to New Zealand's KiwiSaver scheme was unclear (Toder & Khatrakun, 2006). In the US, the employer usually subsidises contributions to the scheme, so it is not hard to demonstrate that an employee who joins a scheme will be better off financially than one who does not. If the employee did not join, s/he would miss out on some available remuneration and valuable tax concessions. Despite that, many appear to act against their own best interests and fail to make the decision to join. KiwiSaver I (see above) originally had none of the generous tax concessions available in the US, nor was it intended that it would be employer-subsidised (as the equivalent arrangement in the UK). In fact, the only subsidies were from taxpayers in the shape of the kickstart \$1,000, and on-going administration fee subsidies (Toder & Khatrakun, 2006). These were estimated to be of minor ongoing cost. Nevertheless, it was believed that the design of a savings scheme and the regulatory environment in which it exists can have a significant effect on both participation rates and the decisions that savers make during their membership.

AND p. 26

Two principal concerns about compulsion are: forcing those who cannot afford it to be in the scheme, and the inevitable need to integrate KiwiSaver with NZS. Given the contribution that taxpayers make to the accumulation of KiwiSaver benefits, it would seem logical that a future government might link NZS and KiwiSaver through a means-test much as in Australia. This may undermine the advantages of a universal pension, although there is a case that can be made for more clawback on NZS using the tax system (St John, 2012). It is also worth noting that auto-enrolment is supposed to nudge people to behave in the 'right' way; in this case, to save more for their retirement. It is impossible to assess whether the 'nudge' has been successful if at the same time there are significant monetary incentives to change behaviour. These are now less about tax breaks and more about the requirement for matching employer contributions. These do not, of course, apply to KiwiSaver members who do not have an employer, including the now 53.7% of all members who are non-contributory (FMA 2013a, p13). Behavioural changes when there are generous holiday provisions can be expected. As far as children are concerned, it is difficult to justify their eligibility for a national, subsidised, retirement saving scheme. Although care was taken to exclude them from the auto-enrolment conditions that apply from age 18, the payment of the \$1,000 kickstart (and previously the \$40 a year administration fee), seems anomalous. About one third of those aged 17 or under are KiwiSaver members.³¹ This might be seen by some as admirable, but in the long term, their accounts need continued savings to be commercially viable. Currently, it is believed that over 90% of such members make no contributions (Financial Markets Authority, 2011, p. 7).

Source: Are kiwis saving enough for retirement? Preliminary evidence from Survey of Family, Income and Employment, Trinhe et al. Treasury Paper (2007)

Link: <https://treasury.govt.nz/publications/information-release/are-kiwis-saving-enough-retirement-preliminary-evidence-sofieinformation-release>

See conclusion from bottom of p.13

The primary focus is on the shedding some light on the question: are New Zealanders saving 'adequately' for retirement? There are two challenging conceptual and measurement issues embodied in this question. The first is how should we define what we regard as 'adequate'? The second is how do we measure the rate at which people are actually saving? Reasonable people may hold a range of views on both matters – there is no single 'right' answer. We have chosen to address the first issue by using a life cycle model where adequacy refers to the ability to maintain one's standard of living in retirement (measured by consumption expenditure) at a level comparable to that enjoyed preretirement. For the second issue we have used an indirect method, extrapolating from the HES, to assess the saving rate of those in the SOFIE sample. This step was forced on us as while SOFIE contains income data, there are no data on consumption and saving per se. Once Wave 4 of SOFIE (for 2005/2006) become available, estimates of actual saving behaviour for all individuals in the panel will be available by analysing the change in net wealth between Waves 2 and 4 after adjusting for asset revaluations. We find that for the majority of people in the lower income brackets no further saving should be required as NZS offers a higher income than their projected preretirement income. Likewise wealthy individuals and couples would not need further accumulation. Overall 60% of non-partnered individuals and one third of couples are estimated to require no more saving for retirement. After adjusting these baseline results for more 'realistic' assumptions these proportions rise to over 70% of non-partnered individuals and one half of couples. Under our baseline assumptions, about one third of the population have current saving rates below that required for 'adequacy'. Further research is underway to identify these groups and to assess the magnitude of the shortfalls, as well as to consider how changes in policy might alter their saving behaviour.

Source: Behavioural Economics and Retirement Savings – William Townsend (2018)

Link: <https://ojs.victoria.ac.nz/pq/article/view/5153>

For a list of the various behavioural biases that could be impacting people's retirement savings decisions:

- *bounded rationality*: where individuals fail to act and/or make rationally calculated savings decisions because of the inherent complexity involved and limits in cognitive capacity
- *inertia/procrastination*: where individuals suffer from inertia and procrastinate when considering, making and revisiting key savings decisions and tasks.
- *Passive decision making*: where individuals take the path or option of least resistance in savings and retirement savings plan decisions and tasks.
- *loss aversion*: where individuals struggle to increase their savings or move into a higher risk fund because they dislike potential losses considerably more than they like potential gains.
- *framing effects*: where individuals make or accept certain savings decisions because of how the selection or choice is framed.
- *Present bias*: where individuals struggle to save more or spend time considering savings decisions because they have limited self-control and willpower and prefer immediate gratification over future gains.
- *Status quo and anchoring/pure endowment effect*: where individuals become anchored to default funds and contribution rates as the status quo and treat them as a superlative endowment.
- *Endorsement effect*: where individuals select or passively take, and often remain, with the default fund and contribution rate because of the conscious or unconscious interpretation that it is endorsed by the administrator or another authority, such as the government.

Annex Eleven: Summary of achievements paper and talking points

Paper prepared by Secretariat.

Talking points

Future of work and Skills pledge

- The Public service is ramping up its response on the skills pledge. The three participating agencies (IR, Corrections and MBIE), represent more than a third of the public service and are looking to expand that coverage focussing initially on the larger public service agencies.
- The Government has now established a Future of Work Unit within MBIE.

Reform of vocational education and the demand signal

- Thank the BAC for their ongoing advice on reform of vocational education, and how industry can signal skills needs earlier.
- Encourage the BAC to develop their initial pilot scheme for consideration, and feed it into work on Workforce Development Councils with the Tertiary Education Commission.
- The Education (Vocational Education and Training Reform) Amendment Act comes into force on 1 April.
- Workforce Development Councils (WDCs) will help industry take the lead for New Zealand's workforce:
 - There will be six WDCs: Manufacturing, Engineering, Logistics and Technology; Construction and Infrastructure; Creative, Cultural and Recreation; Health, Community and Social Services; Service Industries, Primary Industries.
 - The first three WDCs to be established in the second half of this year.
- 15 Regional Skills Leadership Groups will provide advice on the skills needs of their regions to support investment decision making at the Tertiary Education Commission.
- Formal launch of the New Zealand Institute for Skills and Technology (NZIST) on 1 April; Stephen Town, formerly the Chief Executive of Auckland Council, will be its Chief Executive.
- Te Taumata Aronui has been set up to ensure the reforms reflect the Government's commitment to Māori Crown partnerships.

Venture capital and international investment attraction

- Thank the BAC, particularly Peter Beck, for their work on venture capital and investment attraction.
- In 2019, the Government announced support for early stage capital market in New Zealand by investing \$300 million into a new Venture Capital Fund.
- This Fund, now formally called the Elevate NZ Venture Fund, was launched last night (4 March) at Soul Machines here in Auckland.

Overseas investment Act review

- Appreciate the interest of the BAC in changes to overseas investment.
- Amendments to the Overseas Investment Act announced in November 2019 will ensure that we remain an attractive destination for high quality overseas investment that is consistent with our national interest. Legislation is expected to be passed by mid-2020.
 - *If raised:* The call-in power and national interest test are intended to be used very rarely and only where necessary to protect core national interests. It is not unusual

for countries to consider investment from this perspective, with Australia, the United States and Canada having similar tools.

Small Business

- Thank the BAC for working with the Small Business Council on their Strategy.
- The Small Business Collective has now been established in MBIE that includes both operational and policy teams to deliver the Small Business Strategy.
- Last week we released a discussion document on prompt payments between businesses. We would appreciate the BAC's support in raising awareness of this consultation.

Infrastructure funding and finance

- Agree with the BAC that New Zealand's infrastructure faces a number of significant challenges. Appreciate their considered advice on this.
- New Zealand Infrastructure Commission provides strategic advice and supports the planning, procuring and delivery of major infrastructure projects.
- In December 2019, the Government announced \$12 billion of new infrastructure investment, most of which will be used for transport infrastructure projects.
- Legislation has now been introduced to create an alternative funding and finance model for local government. This will allow local government to raise private capital to finance infrastructure investment.

Regional banking hubs

- The Government welcomes the BAC's support in establishing regional banking hubs.

Healthy Homes

- Thank the BAC its health homes rating proposal.
- MBIE is now developing a work programme to ensure the building and construction sector contributes towards New Zealand's climate change goals. This will:
 - Look at improving the operational efficiency of buildings, including energy efficiency labelling schemes.
 - Consider international experience with labelling schemes and what complementary measures may be needed.

Predator Free 2050

- The Government welcomes BAC ideas on the role business can play in attracting international investment for Predator Free 2050.

Matters of mutual interest progressed through the Prime Minister's Business Advisory Council – summary of achievements

Future of Work and Skills Pledge

BAC / McKinsey provided its report, *A future that works: Harnessing automation for a more productive and skilled New Zealand* (May 2019). This had a series of recommendations for Government, including commissioning further work on what the future of work holds for Māori.

Government has:

- Provided an initial response to the recommendations and on-going work will be progressed through the Reform of Vocational Education (see below).
- Worked with the Tripartite Future of Work Forum on the *Strategic Assessment of Future of Work Priorities* (Nov 2019), which identified four priorities:
 - Shaping the strategic direction and focus of Industry Transformation Plans
 - Identifying priorities to facilitate in-work training and lifelong learning
 - Identifying priorities to support workers who are displaced or at risk of displacement
 - Advising on options for protecting nonstandard workers.

BAC prepared advice and proposal to address the impact of the future of work on Māori - Māori Transformation Initiative - *Ngati Apopo, Tomorrow's people*.

- Government is considering this advice.

BAC launched the Aotearoa New Zealand Skills Pledge to double the number of on-the-job training and reskilling hours we provide by 2025, and publicly disclose investment in training annually. To date, 29 businesses have made the pledge (PMBAC website, 18 February 2019).

- Three Government agencies, the Ministry of Business, Innovation and Employment, Inland Revenue and Ara Poutama Aotearoa (Department of Corrections) have committed to specific pledges that support their organisation's current direction and context.

Reform of Vocational Education and the demand signal

The BAC discussed the Government's proposed reforms of vocational education (RoVE) at several BAC meetings.

- A sub-group of BAC members met with Ministry of Education officials in March 2019 to discuss the proposed reforms. BAC undertook to continue to engage with the RoVE work.

BAC (Fraser Whineray) engaged with MBIE officials on proposed changes to the Employer-Assisted temporary work visa.

- Changes are being made to the Employer-Assisted temporary work visa to improve alignment of the immigration, education and welfare systems to ensure the immigration system is facilitative where there is genuine need, but encourages growth of the domestic labour force otherwise.

BAC produced a paper, *Future of Work: Linking demand to supply*, including a proposal for a forecast future skill needs to be compiled by New Zealand business.

- The BAC will develop an initial pilot scheme for consideration and feed it into work on Workforce Development Councils with the Tertiary Education Commission.

Securing our economic independence: attracting more high quality investment

The BAC wrote to the Ministers of Finance and Economic Development on 27 May 2019 on the challenges New Zealand faces at accessing venture capital and attracting international investment.

BAC also wrote about the importance of deliberately building on sectors where we have comparative advantage.

Government has since:

- Established a \$300 million Venture Capital Fund targeting mid-sized firms (between \$2 and \$20 million in size) (Dec 2019).
- Launched its new approach to industry policy, *From the Knowledge Wave to the Digital Age*. This proposed the development of Industry Transformation Plans for the agritech, construction, forestry and wood processing, food and beverage, and digital technology sectors (July 2019).
- Published its draft agritech Industry Transformation Plan (Feb 2020).

Overseas Investment Act review

The BAC discussed the Government's Phase Two review of the Overseas Investment Act at the March 2019 BAC meeting. Several BAC members met with the Treasury in May 2019 to discuss the options for reform of the Act.

In November 2019, the Government announced changes to the Overseas Investment Act (Nov 2019), including:

- Introducing a 'national interest test' and 'call in power', to enhance the government's ability to manage significant risks (including national security risks) which may arise through the sale of New Zealand's most strategically important assets.
- No longer requiring lower-risk transactions to be screened, such as transactions involving fundamentally New Zealand entities and certain types of land.
- Streamlining the process for determining an investor's character and capability and whether an investment in sensitive land will benefit New Zealand, as well as requiring these assessments to be completed within statutory timeframes.

The Government expects legislation to implement these changes to be introduced shortly, and has committed to legislation being passed this Parliamentary term.

Infrastructure funding and finance

BAC wrote to the Prime Minister on infrastructure development in New Zealand (June 2019) identifying five challenges, and proposing nine reforms to planning and local government systems, investment opportunities, skills, and funding and finance. This was discussed at the July 2019 meeting.

The Government has since:

- Established the New Zealand Infrastructure Commission to provide strategic advice, support planning, procuring and delivering major infrastructure projects and develop a pipeline of infrastructure projects.
- Announced \$12 billion of new infrastructure investment (Dec 2019), most of which will be used for transport infrastructure projects.

- Introduced legislation to create an alternative funding and finance model for local government. This will allow local government to raise private capital to finance infrastructure investment (Dec 2019).

Unleashing our SMEs

BAC wrote to the Ministers of Economic Development and Small Business about unleashing the potential of New Zealand's small and medium enterprises (SMEs) (June 2019). This was discussed at the July meeting, which the Small Business Council attended.

The letter included the results of an independent survey of businesses, commissioned by the BAC in partnership with Xero, focused on compliance pain-points.

The BAC also indicated that it broadly agreed with the recommendations in Small Business Council's (SBC) report.

Government has:

- Responded to the Small Business Council's recommendations (Dec 2019) agreeing to three immediate initiatives:
 - setting a target for government departments to pay 95 per cent of domestic invoices in 10 business days by June 2020.
 - a new Funding Explorer online tool on the business.govt.nz site to help business owners identify the right finance options for their circumstances.
 - building capabilities amongst small business owners, particularly digital skills, through new resources on business.govt.nz.

BAC discussed the Government's Business Connect initiative (Dec 2019) and encouraged Ministers to consider whether rollout could be accelerated, including through a Budget bid.

Regional Bank Hubs

The New Zealand Bankers' Association (NZBA) and six banks have formed a partnership to trial regional banking hubs in Martinborough, Ōpunake, Stoke, and Twizel. The first banking hub, in Twizel, will likely open by April 2020.

Healthy Homes

The BAC provided a paper, *Healthy homes for 2030*, for the December 2019 BAC meeting, proposing the introduction of an energy rating scheme for residential buildings in New Zealand.

- The paper has been shared with the Minister of Energy and Resources and the Minister for Building and Construction, and the proposal will be considered as part of MBIE's work on improving the energy efficiency of buildings to support the Government's climate change goals.

Predator Free 2050

BAC raised the role business can play in attracting biodiversity investment from international sources, using Predator Free 2050 as a test case (Dec 2019).

- The BAC will continue to identify opportunities for biodiversity investment from international sources.

Annex Twelve: Briefing provided to the Minister for Energy and Resources and the Minister for Building and Construction on BAC's Healthy Homes proposal

Paper prepared by officials.

PROACTIVELY RELEASED



BRIEFING

Information on energy performance labelling schemes to support discussions at the Business Advisory Council

| | | | |
|---------------------------------|------------------|-------------------------|--------------|
| Date: | 17 February 2020 | Priority: | High |
| Security classification: | In Confidence | Tracking number: | BR2289 19-20 |

| Action sought | | |
|---|---|------------------|
| | Action sought | Deadline |
| Hon Jenny Salesa Minister for Building and Construction | Agree to forward this briefing to the Prime Minister to assist in preparation for the meeting with the Business Advisory Council on 5 March 2020 | 27 February 2020 |
| Hon Megan Woods Minister of Energy and Resources | | |

| Contact for telephone discussion (if required) | | | | |
|--|---|----------------------------|-------------|-------------|
| Name | Position | Telephone | | 1st contact |
| Dave Robson | Manager, Building Performance and Engineering | Privacy of natural persons | | ✓ |
| Justine Cannon | Manager, Energy Markets Policy | | 04 901 8597 | |
| Callum Thorpe | Principal Policy Advisor | | | |

| The following departments/agencies have been consulted |
|--|
| Energy Efficiency and Conservation Authority |

- Minister's office to complete:**
- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments



BRIEFING

Title

| | | | |
|---------------------------------|------------------|-------------------------|--------------|
| Date: | 17 February 2020 | Priority: | High |
| Security classification: | In Confidence | Tracking number: | BR2289 19-20 |

Purpose

You may be invited to attend the Prime Minister's Business Advisory Council (the Council) meeting on 5 March 2020 to respond to the item presented at the previous Council meeting on the use of energy efficiency labelling schemes. This briefing provides an overview of energy performance labelling schemes and how they form part of MBIE's programme of work to address climate change.

You may also wish to forward this briefing to the Prime Minister to allow her to prepare for attendance at the Council meeting.

Recommended actions

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

- a **Note** the Building for Climate Change programme will be assessing the use of energy efficiency labelling schemes as part of the workstream considering the most effective options for improving the operational efficiency of buildings in New Zealand.

Noted

- b **Note** the Building for Climate Change programme will be considering wellbeing outcomes as well as climate change impact when assessing efficiency options.

Noted

- c **Agree** to forward this briefing to the Prime Minister, Rt Hon Jacinda Ardern, to assist in the preparation for the 5 March 2020 meeting of the Business Advisory Council

Agree/Disagree

Privacy of natural persons

Dave Robson
Manager, Building Performance and
Engineering
MBIE

Hon Jenny Salesa
Minister for Building and Construction

..... / /

17 / 2 / 2020

Privacy of natural persons

Justine Cannon
Manager, Energy Markets Policy
MBIE

17 / 2 / 2020

Hon Megan Woods
Minister of Energy and Resources

..... / /

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Background

1. On the 6th of December 2019 the Prime Minister's Business Advisory Council (the Council) presented a paper outlining the possible advantages of using an energy efficiency labelling scheme for buildings in New Zealand. They discussed the benefits this might bring for New Zealanders' wellbeing as well as commercial benefits. The paper also presented a UK scheme as an example.
2. The Council will next meet at 7:30am–11am on Thursday, 5 March 2020 and you may be invited to briefly discuss energy efficiency labelling schemes for buildings in response to the item presented at the previous Council meeting. You may also wish to forward this briefing to the Prime Minister to assist her to respond to any points raised at the Council meeting.

Why energy efficiency is important to climate change

3. MBIE is developing a programme of work called Building for Climate Change (the Programme) to ensure the Building and Construction Sector (the Sector) can help New Zealand meet its climate change goals. The Programme will use interlinked policy levers to ensure the Sector delivers the best bang for buck to help meet 2050 climate change goals.
4. Improving the operational efficiency of buildings is a key component of the programme, this will allow less energy to be used and help provide warm and dry homes. While the electricity we use is mainly generated through renewable sources, at peak use times there is a portion provided through fossil fuels which contributes to greenhouse gas emissions.
5. Improved energy efficiency, particularly for space and water heating, will reduce the need for peak demand electricity as well as allow other industries to use more electricity to reduce emission generating industrial processes. Other benefits will include improved financial resilience for low income earners through lower bills and improved health outcomes from warmer and drier homes.

How is MBIE going to improve energy efficiency?

6. The Programme will look to increase energy efficiency through a mix of setting targets for the operational efficiency of buildings, improving the technical requirements for new housing and targeted improvements for existing housing stock. These initiatives will be supported by policy work on improving information availability to consumers, the Sector and the public as well as the use of incentives.
7. The initial work will focus on making sure the minimum performance requirements for new buildings are set in the right way and in the right place to support the energy efficiency needed to meet the proposed targets. The next step will be to look at how existing buildings can have their efficiency improved in a meaningful way without creating an undue burden on those who own, live in or work in them.

Is MBIE going to look into energy efficiency labelling schemes for buildings?

8. MBIE will be analysing schemes such as the one presented by the BAC as well as the NABERSNZ scheme - an adaptation of the National Australian Built Environment Rating System (NABERS) currently being run by the Energy Efficiency and Conservation Authority (EECA). This scheme is voluntary, and is currently being assessed by EECA to determine the next steps. Annex One provides more detail on the scheme run by EECA and other current policies that contribute to household energy efficiency.
9. MBIE is not yet at the point where it can confidently say if a particular scheme should be adopted or what the broader policy settings need to be to make such schemes effective in New Zealand.

10. It will be important for any potential scheme to be evaluated alongside the other options for information provision to consumers to ensure that the balance of compliance costs and end outcomes is reasonable. These benefits and costs will also need to be balanced out across the other interventions MBIE will be putting in place.

International evidence for energy efficiency labelling schemes

11. The international experience highlights that labelling schemes are not a standalone answer to energy efficiency. The NABERS scheme in Australia had success in reducing the energy use of office buildings that were required to participate by around a third. However the information from some European Union countries would indicate caution.
12. Early experience with the Dutch scheme showed a weak impact on energy efficiency and further assessment highlighted the importance of additional policy actions to deliver the potential of energy efficiency schemes. The UK has had a similar experience. An analysis of the reliability, accuracy and precision of energy efficiency certificates has shown major discrepancies which reduce the usefulness of the scheme and could result in an erosion of public confidence in its usefulness.
13. MBIE consider that the overall message from the international research can be summed up as the following. An energy efficiency labelling scheme alone will have a limited impact on the energy efficiency of buildings, to be effective a scheme needs to be complemented by other policy measures.

Why is it important to focus on the overall programme?

14. The Sector needs to change the way it thinks and works to achieve the government's climate change goals. It is not a simple matter of adding a few new initiatives - the Sector needs strategic guidance as well as targets and regulatory change to push it in the right direction. This work needs to be backed up by a plan to make sure the Sector has the tools and the people it needs to deliver climate change outcomes, and the market conditions to encourage the change.

Who will need to be influenced by the work?

15. MBIE believes the programme needs to target more than just the people working in the industry. Consumers and the wider public will need more information to make informed decisions and help to drive change. One of the key areas will be creating the right foundation for change in the Sector, this will also mean consumers need to be aware of their options and the public need to be supportive of any changes to the way they see the Sector.

What is the best way to make these changes?

16. These changes are important and need to be done in a way that provides the maximum impact while not adding unnecessary costs. To deliver these outcomes MBIE is taking the time to make sure the policy work behind the decisions is sound. The work also involves our partner agencies as well as Sector, iwi/Māori and public consultation.

What will the benefits be?

17. The main benefit will be a reduction in emissions for New Zealand. There will also be co-benefits of reduced energy costs to households and improved health outcomes providing reduced healthcare costs, especially amongst our most vulnerable communities.

Next steps from MBIE

18. MBIE will be briefing you in late March on the progress of the Building for Climate Change Programme. It is anticipated the next briefing will include options for mechanisms to improve the information available to the Sector and well as consumers and the wider public. These options will consider the specific usefulness of energy labelling schemes in the wider programme of work. MBIE will be working with other agencies such as EECA to ensure these options are representative of the current best practice.

Annexes

Annex One: Current energy efficiency labelling schemes and other policies that improve household energy efficiency

Annex Two: Talking points for the Business Advisory Council

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Annex One: Current energy efficiency labelling schemes and other policies that improve household energy efficiency

19. EECA currently runs a voluntary energy efficiency tool for commercial buildings called NABERSNZ, which was introduced in 2013. NABERSNZ is an adaptation of the National Australian Built Environment Rating System (NABERS), which is mandatory for commercial buildings with office spaces of 1000 square metres or more in Australia.

Other New Zealand policies relevant to building energy efficiency

20. The Government currently does not have any energy efficiency labelling scheme for residential buildings, but has initiatives that aim to improve the quality of residential buildings, particularly those occupied by renters and low-income property owners, including:
 - The Healthy Homes Guarantee Act 2017 and the Residential Tenancies (Healthy Homes Standards) Regulations 2019, which set minimum heating, insulation, ventilation, moisture ingress and drainage and draft-stopping standards for rental properties. All rental properties must comply with these standards by 1 July 2024.
 - Warmer Kiwi Homes, which provides grants for insulation and heating retrofits occupied by low-income owners. These grants cover 67 per cent of the cost of ceiling and underfloor insulation, and 67 per cent of the cost of heating appliances (heat pump, wood burner or pellet burner), with grants for heating appliances capped at \$2,500. This programme has a total funding of \$142 million between 1 July 2018 and 30 June 2022, and has delivered over 15,000 retrofits to date and a target of delivering 16,000 retrofits in the 2019/20 financial year.

Annex Two: Talking points for BAC

- Officials at MBIE are developing a programme of work called Building for Climate Change to ensure the Building and Construction Sector is able to help New Zealand meet its climate change goals.
- It will also help reduce energy costs for those most in need and support improved health outcomes by providing warmer and drier homes.
- The programme will be looking at improving the operational efficiency of buildings, as well as how the carbon footprint of construction can be reduced.
- As part of this programme, MBIE will be looking at energy efficiency labelling schemes.
- We know that energy efficiency labelling schemes can be effective, if done in the right way. They can help deliver warmer and drier homes, as well as energy savings.
- However, they need to be considered as part of a wider package of policy levers to make sure the most effective and efficient path is taken.
- From what I understand, international experience with labelling schemes has been mixed, with some success such as the Australian scheme for large office buildings, and some schemes that have had less success.
- I want to avoid putting piecemeal initiatives in place that might incur extra costs for consumers or the Sector, or that might have to be changed again when more information is available.
- This work is important to New Zealand's future, and I want to make sure we get it right.
- I hope to make a further announcement about the path of the Building for Climate Change programme by the middle of this year.