



COVERSHEET

Minister	Hon Ginny Anderson	Portfolio	Small Business, Police, Justice
Title of Cabinet paper	Fog Cannon Subsidy Scheme – In Principal Expense Transfer and additional crown funding to allow more fog cannons to be subsidised	Date to be published	20 October 2023

List of documents that have been proactively released		
Date	Title	Author
May 2023	Fog Cannon Subsidy Scheme – In Principal Expense Transfer and additional crown funding to allow more fog cannons to be subsidised	Minister for Small Business and Police
29 May 2023	Fog Cannon Subsidy Scheme – In Principal Expense Transfer and additional crown funding to allow more fog cannons to be subsidised: CAB-23-MIN-0200 Minute	Cabinet Office
1 December 2022	Briefing: Fog Cannon Subsidy scheme – Initial decisions on scope and delivery approach	MBIE
8 December 2022	Joint Briefing: Fog Cannon Subsidy Scheme and Retail Crime Prevention Programme – further decisions	MBIE and Police
14 December 2022	Briefing: Fog Cannon Subsidy Scheme: Selection of fog cannon providers, implementation timeline and funding	MBIE
2 March 2023	Aide Memoire: Adjustment to Fog Cannon Subsidy Appropriation	MBIE
21 April 2023	Briefing: Fog Cannon Subsidy Scheme: Managing the remaining funding and decisions about the provider panel	MBIE
18 May 2023	Briefing: Fog Cannon Subsidy Scheme – Cabinet paper seeking additional funding	MBIE
26 May 2023	Briefing: Fog Cannon Subsidy Scheme – Options for aligning with the Retail Crime Prevention Programme	MBIE
1 June 2023	Briefing: Fog Cannon Subsidy Scheme – new requirements for fog cannons and providers	MBIE

Information redacted

YES

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of privacy of natural persons, confidential advice to government, maintenance of the law, legal professional privilege, confidential advice entrusted to government, free and frank opinions.



BRIEFING

Fog Cannon Subsidy Scheme – Initial decisions on scope and delivery approach

Date:	1 December 2022	Priority:	Urgent
Security classification:	In Confidence	Tracking number:	2223-2033

Action sought		
	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Agree to the recommendations covering initial decisions on the scope and delivery approach of the fog cannon subsidy scheme.	2 December 2022
Hon Kelvin Davis Minister of Corrections		
Hon Chris Hipkins Minister of Police		
Hon Stuart Nash Minister for Small Business		
Hon Kiri Allan Minister of Justice		
Rt Hon Jacinda Ardern Prime Minister	For your information	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Andrew Hume	General Manager, Small Business, Commerce and Consumer Policy	Privacy of natural persons	✓
Kate Challis	Manager, Small Business Policy		
Chris Hubscher	Principal Advisor, Manager, Small Business Policy		

The following departments/agencies have been consulted
Police, the Treasury

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 |

BRIEFING

Fog Cannon Subsidy Scheme – Initial decisions on scope and delivery approach

Date:	1 December 2022	Priority:	Urgent
Security classification:	In Confidence	Tracking number:	2223-2033

Purpose

To seek decisions on the scope and delivery approach for the fog cannon subsidy scheme, and next steps.

Executive summary

On 28 November 2022, Cabinet agreed that the Government will provide \$4,000 for small retail businesses that want a fog cannon installed. The Prime Minister subsequently elaborated that the subsidy will be open to all small shops and dairies in New Zealand who want a fog cannon installed, with shops to pay the balance. We understand that the scheme is intended to sit alongside Police's Retail Crime Prevention Programme (RCPP), which is intended to support businesses impacted by serious crime such as ram raids or aggravated robbery.

Cabinet authorised you to make further decisions, and tasked MBIE with further developing the scheme.

Ministers need to make several decisions to inform the further development of the subsidy scheme:

- a. **Decision One: Eligibility.** MBIE recommends that 'small shops' for the purposes of the scheme be defined as retailers with *up to two outlets and no more than five employees* across both. MBIE also recommends that the retailer has a street frontage (eg not be in a mall or another enclosed area where security is already provided), and the retailer is independently owned and operated, and not a franchise or part of a chain.

While these eligibility criteria are not fully aligned with the RCPP Maintenance of the law [redacted], MBIE considers that this is appropriate, given the different purposes of the two schemes.

- b. **Decision Two: Pricing for retailers.** MBIE recommends that retailers make up the difference between the \$4,000 subsidy and the actual cost of having a fog cannon installed. Another option is to cap the retailer's contribution to a fixed amount, Maintenance of the law [redacted] but this is likely to add complexity to the scheme and delay its implementation by requiring a procurement or other process to cap the amount suppliers could charge.

- c. **Decision Three: Design of the scheme.** The two basic approaches are:

Approach One: establish a market led scheme, or

Approach Two: integrate it into the existing RCPP process.

If you want to prioritise a scheme that is low burden for retailers, scalable, cost effective and timely, we recommend Approach One. If, however, you would instead prioritise ability to target to need, best value for money, and maximising integrity, then Approach Two would be preferable. MBIE would not be able to deliver Approach Two.

Police do not recommend integrating the subsidy scheme into the RCPP, as this would increase administrative complexity and those who were at risk (but had not been victims of crime and eligible for fog cannons only) would not be highly prioritised for assistance under the RCPP.

Your decisions on these matters will be informed by:

- **The proposed design principles**
- **Supply constraints** – at present, the supply of fog cannons is highly constrained, and priority is going to retailers who have experienced serious crime. In order for the subsidy scheme to be fully effective, supply will need to increase. The extent to which this is possible (and the timing of when it could happen) is currently unclear. We consider, however, that over time the market will adjust in response to growing demand.
- **Costs** – both of implementing the scheme, and the total costs of subsidising fog cannons and their installation. This paper sets out an indicative range of costs for establishing the scheme, and for subsidising fog cannons. The potential costs are open ended. We therefore recommend an initial budget of \$10m, spread over three years, as an appropriate starting point.

Recommended action

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

- a **Note** that MBIE understands Ministers' desired purpose for the fog cannon scheme decided by Cabinet on 28 November [CAB-22-MIN-0548] differs to the existing Retail Crime Prevention Programme (RCCP) in that it seeks to provide financial assistance to small retailers that consider they are at risk of retail crime to help purchase fog cannons, as opposed to supporting retailers who have experienced a serious crime.

Noted

- b **Note** that this advice has been prepared quickly and with limited access to relevant information, stakeholders and evidence.

Noted

Design principles

- c **Note** that we propose the following design principles:
- user friendly for retailers – the scheme should not be onerous on retailers, with minimum bureaucracy and direct access to potential suppliers
 - practical for suppliers – the scheme does not create unnecessary additional administrative burden and costs on suppliers
 - clarity of purpose – it is clear from the scheme's design what it is intended to achieve
 - timely – the scheme can be set up and start delivering quickly
 - administratively efficient – the scheme is cost-effective to implement
 - scalable – the scheme can be scaled up and down
 - targeted – the scheme targets the retailers that are most in need of fog cannons
 - value for money – the scheme's design ensures that manage fog cannon installation costs are kept at a reasonable level
 - maximise integrity – the scheme's design is resistant to fraud and misuse.

Noted

d **Note** that how you prioritise these principles will inform your decisions below.

Noted

Decision One: Eligibility

e **Note** that to achieve decisions already announced by the Prime Minister that the scheme should cover small shops and dairies, and Government's desire to target those for which affordability is more likely to be a barrier for installing fog cannons, MBIE considers the scheme should have some additional eligibility criteria to that agreed by Cabinet.

Noted

f **Agree** to the following eligibility criteria for the scheme:

(i) the retailer has no more than two outlets, and five or fewer paid employees (ie the small shops that RCPP had defined as micro-retailers).

Agree / Disagree

(ii) the retailer has a street frontage (e.g. not be in an enclosed area, such as an indoor mall, where security is already provided).

Agree / Disagree

(iii) the retailer is independently owned and operated, and not a franchise or part of a chain.

Agree / Disagree

g **Note** that while the proposed scheme eligibility differs from the RCPP **Maintenance of the law** we consider this is appropriate given the subsidy scheme's purpose is on mitigating the cost and affordability of fog cannons for small retailers, rather than whether a certain crime has been committed at the premises previously.

Noted

Decision Two: Pricing for retailers

h **Note** that MBIE recommends that the scheme should operate on a retailer 'top up' where the Crown pays the first \$4,000 towards the cost of installing a fog cannon, and that there be no fog cannon price cap for participating retailers.

Noted

i **Note** that that such a 'top up' pricing approach differs to the RCPP, but this is appropriate given the subsidy scheme's purpose is on mitigating the cost and affordability of fog cannons for small retailers, whereas the RCPP is designed to provide intensive support to retailers who have experienced serious crime.

Noted

j **Agree** to not include any price cap for fog cannons in the subsidy scheme.

Agree / Disagree

Decision Three: Design of the scheme

- k **Note** that within the time available, MBIE has identified two broad delivery approaches and assessed them against a set of design principles.

Noted

- l **Agree** that the subsidy scheme be designed on either:

- (i) **Approach One** – a ‘market-led’ approach, independent of the RCPP. In addition to the cost of the subsidy payments themselves, this could require between \$1-2 million in departmental operating expenditure and \$0.500 million in capital expenditure.

Agree / Disagree

OR

- (ii) **Approach Two** – a ‘targeted’ approach that builds on the RCPP and centrally organises the procurement and installation of fog cannons for retailers. In addition to the cost of the subsidy payments themselves, this could require up to \$5 million in departmental operating expenditure and \$1 million in capital expenditure.

Agree / Disagree

- m **Note** that if you want to prioritise a scheme that is low burden for retailers, scalable, cost effective and timely, we recommend Approach One. If, however, you would instead prioritise ability to target to need, best value for money, and maximising integrity, then Approach Two would be preferable.

Noted

- n **Note** that the ‘market-led’ approach (Approach One) could be delivered by MBIE, but that only Police would be able to deliver the ‘targeted’ approach that builds on the RCPP (Approach Two).

Noted

- o **Note** that both approaches are likely to be constrained by supply issues in the fog cannon installation market.

Noted

Costs

- p **Note** that we have assumed that the \$4,000 subsidy amount is to be inclusive of GST, though we have not engaged with Inland Revenue to confirm this and the consequences of whether GST is included within the amount or needs to be added.

Noted

- q **Note** that the desired size of the scheme and funding available for subsidy payments is unclear, but that the number of subsidy payments that could be provided can be scaled depending on the amount of funding the Government wishes to allocate to it.

Noted

- r **Note** that we consider that the \$10m initially discussed by ministers should be sufficient to cover the full costs of the subsidy scheme (including implementation costs) for a period of three years, and that as part of our next steps we will contact Treasury to ascertain the exact source of the funding and the drawdown method.

Noted

Next steps

- s **Agree** to provide feedback to MBIE and Police on this paper and any related matters so that we can proceed with developing the detailed design of the subsidy scheme.

Agree / Disagree

- t **Agree** that MBIE undertakes targeted consultation with fog cannon suppliers and retailers to better understand supply constraints in the market and their ability to participate in the subsidy scheme.

Agree / Disagree

Privacy of natural persons

Kate Challis
Manager, Small Business Policy
MBIE

..... / /

Hon Grant Robertson
Minister of Finance

..... / /

Hon Kelvin Davis
Minister of Corrections

..... / /

Hon Chris Hipkins
Minister of Police

..... / /

Hon Stuart Nash
Minister for Small Business

..... / /

Hon Kiri Allan
Minister of Justice

..... / /

Background

1. On 28 November 2022, Cabinet agreed to subsidise up to \$4,000 for the purchase and installation of fog cannons for any small retail business that requests it, with no requirement to have been the victim of a ram raid or aggravated robbery to access the subsidy, and for this to be administered by MBIE [CAB-22-MIN-0548].
2. Cabinet authorised you to make further decisions, and tasked MBIE with further developing the scheme, in collaboration with Police. This paper seeks further decisions on the scope and design approach of the scheme.

Purpose of the scheme

3. We understand that the new scheme is intended to sit alongside the Police's existing Retail Crime Prevention Programme (RCPP). The RCPP was put in place to support businesses impacted by serious crime such as ram raids or aggravated robbery. Through this programme, Police supports crime-impacted retailers by organising and paying for increased security measures such as bollards, sirens and fog cannons. Retailers accessing this programme make a capped contribution of \$250.
4. We understand that the subsidy scheme has a different purpose from the RCPP. The subsidy scheme seeks to help small retailers purchase fog cannons (which might otherwise be unaffordable), while the RCPP is designed to support retailers who have recently experienced serious crime.

Proposed design principles

5. We propose the following set of principles to further design the scheme, based on our understanding of Ministers' expectations:
 - **user friendly for retailers** – the scheme should not be onerous on retailers, with minimum bureaucracy and direct access to potential suppliers
 - **practical for suppliers** – the scheme does not create unnecessary additional administrative burden and costs on suppliers
 - **clarity of purpose** – it is clear from the scheme's design what it is intended to achieve
 - **timely** – the scheme can be set up and start delivering quickly
 - **administratively efficient** – the scheme is cost-effective to implement
 - **scalable** – the scheme can be scaled up and down
 - **targeted** – the scheme targets the retailers that are most in need of fog cannons
 - **value for money** – the scheme's design ensures that manage fog cannon installation costs are kept at a reasonable level
 - **maximise integrity** – the scheme's design is resistant to fraud and misuse.
6. In some respects, these principles trade off against each other. A scheme that is highly resistant to fraud and misuse, for example, will be less scalable and user-friendly than one that is more trust-based. In practice, how you choose to prioritise these principles will shape your decisions on the scope and overall design of the scheme.

Decision One: Eligibility

MBIE recommends that the fog cannon subsidy scheme be open to retailers with up to two outlets, and five employees across both

7. The Prime Minister and Minister of Police announced that the scheme will be open to all small shops. These can be defined several ways. Maintenance of the law
[REDACTED]
[REDACTED]
[REDACTED]
8. Stats NZ estimates there in February 2022 there were approximately:
 - 15,000 retail trade businesses with 0 full-time paid employees (FTE)
 - 9,000 retail trade businesses with 1-5 FTEs
 - 4,200 retail trade businesses with 6-19 FTEs
9. We understand that Ministers' intent is to ensure that the subsidy is targeted towards the retailers who are most likely to find installing fog cannons prohibitively expensive. We therefore recommend that the following eligibility criteria for the scheme.
 - The retailer has no more than two outlets, and five or fewer FTEs Maintenance of the law
[REDACTED] While this could theoretically comprise 24,000 retailers, the actual number is likely to be less because the Stats NZ count includes premises where cash and consumables or a physical store are not present. This number also includes franchisees and stores in contained enclosed mall areas, which may be excluded depending on your decisions on eligibility.
 - The retailer has a street frontage (e.g. not be in an indoor mall or another enclosed area where security is already provided).
 - The retailer is independently owned and operated, and not a franchise or part of a chain. This is on the basis that a franchise structure often provides greater opportunity for bulk purchasing and support with operations and management, amongst other things. We note, however, that affordability issues will be variable across different types of franchisee. If you agree to exclude franchisees, this will exclude some small grocery retailers, fuel stations and jewellers who may have legitimate affordability issues.
10. Overall, we think that these eligibility criteria would be consistent with the decision that the scheme covers small shops and dairies, and target those for which affordability is more likely to be a barrier for installing fog cannons.
11. While we are not able to confirm the number of eligible retailers for the subsidy, the street frontage and independent ownership criteria above could potentially reduce the number of eligible retailers to anywhere between 12,000-20,000.
12. These criteria would not align with those for the RCPP. We think that this is appropriate because the problem the scheme tries to address is different. Depending on success of the scheme and funding available, it could be scaled up to include other small businesses at a later date, as has been the case with the RCPP.

Decision Two: Pricing for retailers

MBIE recommends that the scheme should operate on a retailer ‘top up’ basis without a price cap for participating retailers

13. Police estimates that the cost of having a fog cannon installed is around \$5,000, but note that prices vary. It may be more expensive in some cases, however, because of extra work that needs to be done (eg rewiring), geographic factors, or simply because demand exceeds supply. Additionally, a retailer may also choose to purchase other security devices (alarms, sirens etc), and the installation cost would typically cover all work undertaken.
14. The Government has indicated that retailers would contribute to the costs and has made no public commitment to cap retailer’s contributions.
15. Price-capping would benefit small retailers and may prompt more to take advantage of the subsidy. There would also be some drawbacks, however:
 - retailers would have no incentive to shop around for the best deal, which may raise a risk of ‘gold plating’
 - retailers who are not particularly at risk might decide to take advantage of the scheme because there is no cost barrier, and as a result, crowd out those who are
 - if the Government subsidy is fixed at \$4,000 and the retailers’ contributions are also fixed, it may be impossible to get any suppliers to do the work as it would not be worth their while
 - it will take time to work out what the reasonable cap would be across the approved suppliers and get their agreement to this cap. This is particularly the case if ministers do not want suppliers for the RCPP undertaking installations under this scheme in advance of the RCPP scheme businesses.
16. Accordingly, MBIE’s view is that the scheme should operate on a retailer ‘top up’ basis. That is, the Crown will pay the first \$4,000 towards the cost of installing a fog cannon, with the retailer concerned topping up the balance. The benefits of this approach are the converse of the risks bulleted above. In addition, it might help smooth demand and focus efforts on the greatest need.
17. This is a different approach to that taken under the RCPP, where retailer’s costs are capped at \$250. This difference can be accounted for in the respective nature of the two schemes, however. The subsidy scheme aims to lower costs for small retailers, while the RCPP is designed to provide wraparound support to retailers who have experienced ram raids or aggravated robbery.

Decision Three: How to design the scheme

18. Within the time available we have identified the following delivery approaches, and assessed them against the design principles set out above.

Approach One: A ‘market-led’ approach that is independent of the RCPP, and could be delivered by MBIE

How it would work

19. This approach would be similar to other subsidy schemes MBIE has established (eg the COVID-19 Travel Reimbursement Scheme). It would be completely market led from the RCPP process, and could be delivered by MBIE.

20. Under this approach, the process followed would be as follows:
- 1 MBIE would maintain and publish a list of approved suppliers.
 - 2 Retailers would register with MBIE via an online gateway, and in doing so, self-declare their eligibility.
 3. Retailers could then access contact details for all the approved suppliers, and approach them to seek a quote.
 4. Once the work is completed, the supplier would invoice MBIE for the \$4,000 subsidy.
 5. Any balance owing to the supplier would be paid by the retailer, either as a deposit, or upon completion of the work (to be determined by those parties).
21. MBIE would keep track of the cumulative spend to ensure the programme stays within the overall budget. This might entail suppliers notifying MBIE before undertaking each job, and/or requiring that the subsidy for each approved supplier is capped at a certain level. MBIE would also need to be able to carry out spot audit checks on applicants/suppliers. Further advice will be provided on these additional matters if you decide to proceed with this approach.

Implementation steps and timeframes

22. This approach would require:
- MBIE to assess whether any additional suppliers can be approved – possibly based on the existing Police decision matrix. We would need to discuss this with suppliers. Our preliminary indication, based on what we have discussed with Police, is that this could be done by the early 2023.
 - Communications and online forms to be developed and published. This could be done by the end of the year and tested with stakeholders in the New Year. As further discussed below, we need to further understand supply constraints to be able to provide an indication of when installations could commence.

Advantages and disadvantages

23. Advantages include:
- Would be user friendly for retailers, who would be able to self-certify their eligibility, and could interact directly with suppliers.
 - Should be practical for suppliers as it would not create any significant administrative burden or costs beyond those that would ordinarily be expected as part of running a business. Suppliers would not be required to conduct eligibility checks – and it will be easy for suppliers to bill MBIE for the subsidy amount.
 - Would be cost-effective to administer. Suppliers and retailers would be responsible for all matters to do with fog cannon purchase and installation. The Crown would not purchase any fog cannons, nor would it get involved in any matters to do with installation, pricing and insurance for particular sites. This is consistent with the public messaging behind the scheme of supporting with the cost of the fog cannons.
 - Should be relatively easy to establish, and should be scalable (if supply permits).
 - Market dynamics would level out supply and demand. Retailers will be free to shop around for the best deal – thereby increasing competition in the market, but will still need to pay for any costs over \$4,000 – thereby helping ensure that only genuinely motivated retailers access the subsidy.

24. Disadvantages include:

- This approach relies on a 'first in first served' approach, and does not enable targeting beyond the initial eligibility criteria. Retailers would self-select based on their own assessment of cost/value and ability to engage with suppliers.
- Having two distinct retailer security schemes in place could be confusing and cause issues down the track (eg public messaging and maintaining cohesive policies around approved suppliers, retailers accessing multiple schemes).

Approach Two: A “targeted” approach that builds on the Retail Crime Prevention Programme and is delivered by Police

How it would work

25. Under the RCPP's existing process, the following chain of events occurs.

1. Police identify potentially eligible retailer based on if they have had an eligible offence.
2. Police undertake phone screening to determine eligibility based on small business criteria and to determine if they wish to participate in the programme.
3. A Police Assessor visits to confirm eligibility, undertake a security assessment, provide crime prevention advice and confirm that there is a \$250 contribution.
4. Retailer decides whether to participate.
5. Contractor is allocated and a quote requested.
6. Contractor arranges site visit to confirm security measures suitable, and provides quote to Police.
7. Quote assessed and approved by Police.
8. Contractor invoices retailer for \$250 contribution.
9. Contractor arranges installation.
10. Contractor invoices Police.

26. Retailers who have had an eligible offence but have not yet been contacted by Police can proactively fill in a Victim Contact form. If they are eligible, steps 3-9 above apply.

27. In order to ensure that the RCPP can deliver fog cannons to crime-affected retailers with minimal delays, Police have directly purchased stocks.

28. Approach Two would see the existing Police model expanded to encompass the Fog Cannon Subsidy. Under this approach:

1. Police would purchase or oversight sourcing of the fog cannons (assuming this is planned to continue).
2. Retailers would apply online to Police for subsidised fog cannon installation with signed declaration they are eligible and are willing to contribute financially.
3. Police would check applications to determine who already has, or is due to have fog cannons installed through our previous and existing programmes.
4. If not already in Police's pool, Police organise and approve supplier to liaise with the retailer to organise a site visit and quote for the retailer.
5. If they wish to proceed, the retailer must pay the difference in the quote over the \$4,000 subsidy to the supplier before the installation commences.

6. Supplier would invoice Police directly, for the \$4,000.

Implementation steps and timeframes

29. This approach would need application forms and behind the scenes application processes to be established. Police advises that this could be done by early 2023.
30. If using the same model whereby Government purchases fog cannons directly, we understand that should we go to market now, New Zealand is unlikely to receive additional products into the country until after March 2023.
31. Currently there are three fog installation providers contracted to Police, with a further three in the process of receiving approval. Significantly expanding supply may require a combination of new suppliers being brought on, and/or existing suppliers ramping up their delivery capacity. Pending discussions with suppliers, this is unlikely to happen until well after March 2023.
32. It should be noted, however, that it may not be possible to increase supply easily under this approach. Negotiations [REDACTED]
[REDACTED]
[REDACTED]
33. Under this approach, we expect that RCPP participants, who are victims of serious crime, will receive preferential treatment for access to fog cannons. Delivery of fog cannons to the subsidy recipients would most likely not take place until RCPP clients had their needs met.
34. The current RCPP cohort comprises up to 400 retailers who were already eligible, and up to another 500 larger firms that have now also become eligible. Based on the previous fog cannon fund, it could take up to a year to satisfy current RCPP programme demand. Businesses that have not experienced crime may therefore need to wait until late 2023 or longer for installation (depending on how/if supply can be ramped up, and how many more retailers become eligible for the RCPP in the interim).

Advantages and disadvantages

35. Advantages include:
 - Leveraging Police's existing delivery mechanism helps avoid confusion amongst retailers. and would maintain current relationships with suppliers.
 - If supply of fog cannons and/or supply of qualified installers is heavily constrained (as appears to be the case), prioritisation of supply for victims of crime as opposed to other retailers could be delivered.
 - Maintaining a centrally-coordinated purchasing model will prevent a free for all, and ensure that costs to the Crown are controlled. It also provides some level of oversight that the kit being consumed provides the best value for money.
36. Disadvantages include:
 - Police do not recommend integrating the subsidy scheme into the RCPP, as this would increase administrative complexity and those who were at risk (but had not been victims of crime and eligible for fog cannons only) would not be highly prioritised for assistance under the RCPP. MBIE could not deliver it.
 - Might not be considered to give enough control over the process for retailers as it does not meet the expressed desire that "retailers can access approved suppliers directly".
 - Imposes a higher administrative burden on Police.

- Depending on the approach taken to approving any additional suppliers (or not), it could be seen as unduly constraining supply / being anti-competitive.
- There may be less synergies with existing Police model than anticipated, due to the two schemes having a different nature and purpose. The RCPP was established to support victims of crime, and therefore features a fairly intensive process. The fog cannon subsidy scheme, however, aims to enable any small retailer to proactively organise to get a fog cannon installed, with the Government's role being simply to help defray the cost.

A 'hybrid' approach may also be feasible, but we do not recommend it

37. Police has suggested a variation to Approach Two where:

1. Retailers fill out an online form to Police expressing interest in scheme participation with signed declaration they meet small business criteria requirements and are willing to contribute financially toward the scheme.
2. Police check applications to determine who already has, or is due to have fog cannons installed through its previous and existing programmes.
3. If not already in Police's pool, Police put retailer on a list for MBIE to contact.
4. MBIE contacts retailer with approved supplier list.
5. Retailers would approach approved suppliers directly and seek quotes.
6. Retailer accepts quotes and pays contribution.
7. Installation begins.
8. Once the work is completed the supplier invoices MBIE for the \$4,000 subsidy directly.

Advantages and disadvantages

38. Advantages include:

- Tie in with existing model provides continuity
- If supply of fog cannons and/or supply of qualified installers is heavily constrained, prioritisation of supply for victims of crime (as opposed to other retailers) is likely appropriate.
- Retailers could interact directly with suppliers as per Cabinet's intent.

39. Disadvantages include:

- Retailers and suppliers would need to engage with Police and MBIE, adding complexity and potential for confusion
- Does not enable prioritisation - requires a first come, first served model.
- Having the process switch between agencies 'midstream' may give rise to unexpected complexities and service gaps.

40. On balance, MBIE considers that this approach fails to offer anything significant over Approaches One and Two, and we do not propose to do further work on it.

All approaches will be constrained by supply issues, and we recommend targeted consultation with suppliers to ascertain the extent of these

41. Regardless of what delivery approach is selected, we expect that supply will remain an issue, for at least some months to a year, and possibly for longer. We understand from engagement between police and suppliers that New Zealand is unlikely to receive additional products into the country until after March 2023.
42. Currently, we have little information on this issue. What we do know is that:
 - fog cannons can be bought now on the open market (including from TradeMe). Whether they are all of acceptable quality, however, is not understood
 - there is no statutory requirement for fog cannons to be installed by a licenced or registered operator, but some require a certified electrician to install them in order that the product warranty is not voided.
43. Police advises that even if many can be purchased overseas and shipped to New Zealand, there are limits on how quickly they can be installed, because there is a small number of contracted suppliers, and their order books are already full in part due to procurement undertaken by Police.
44. Rapidly increasing demand without also expanding supply is likely to drive up costs. This is a critical issue, and speaks directly to the choice of delivery model. If the supply of fog cannon installations cannot be increased over the next few years, there would appear to be little advantage to setting up a market led scheme as per Approach One. It would be better to be delivered through Approach Two and so continue to prioritise victims of crime, and place other small retailers as a lesser priority in that same queue.
45. If, however, supply can be ramped up by supplier to a point where it more closely meets demand, it would make more sense to establish a market led scheme, where retailers can deal directly with suppliers. This is because having a market led scheme with greater supply would be less likely to impact on the supply for victims of crime, and its more 'hands off' nature would permit a higher throughput.
46. In order to better understand the nature and extent of supply issues in the fog cannon market, we propose to meet with suppliers and retailers to get a better sense of the issues at play, and the extent to which supply can be increased.

Assessment of approaches against design principles

47. We have assessed the two approaches against the design principles. If you want to prioritise a scheme that is low burden for retailers, scalable, cost effective and timely, we recommend Approach One. If, however, you would instead prioritise ability to target to need, best value for money, and maximising integrity, then Approach Two would be preferable. The table below summarises this section.

	Approach 1	Approach 2
	<i>Most likely with...</i>	
Scalability	✓	
Clarity of purpose	✓	
Timeliness	✓	
Practicality	Unknown	✓
Ability to target		✓
User friendly for retailers	✓	
Best value for money	Unknown	✓
Maximise integrity		✓
Administrative efficiency	✓	

48. If Ministers wish to prioritise scalability, clarity of purpose, timeliness, user-friendliness and administrative efficiency, MBIE considers that Approach One is the most promising approach.

49. We understand that Cabinet would like to see the rate of fog cannon installation increased if at all possible, and that the subsidy is one means of enabling this. The RCPP process is targeted, and features extensive quality and integrity controls. As it is centrally co-ordinated, however, its scalability is limited. A market led scheme would be more scalable – but this could only occur if supply permits.

Practicality

50. This relates primarily to the willingness of suppliers to participate in the process. We are unclear on the extent to which current approved suppliers are interested in dealing with small retailers. It may be that their preference is to keep the Government as their primary customer – it pays its bills quickly, has a single point of contact, and may be perceived as less inclined to negotiate pricing.

51. This remains to be tested with suppliers. If their strong preference is to retain the current model, rather than deal with retailers direct, this could impact the choice of delivery model. (This said, in general terms, MBIE considers that private sector security companies should as a matter of principle be willing and able to serve private clients. We would want to carefully interrogate any argument as to why suppliers should not be expected to do this).

Clarity of purpose

52. The Prime Minister's announcement made clear that the subsidy scheme is different from the RCPP. We understand that its purpose is separate (albeit related) from the RCPP – the subsidy scheme aims to address cost barriers to installation of fog cannons, while the RCPP is a response to an incident of serious crime. For this reason, we think a separate, market led scheme will provide greater clarity of purpose.

Timeliness

53. As discussed in the 'implementation' sections above, both delivery models could probably be established by the end of the year. The question, however, is which model which more quickly start to general fog cannon installations. We think that a market led model would be

most likely to achieve this – because retailers using it would not be prioritised against retailers who have experienced a serious robbery. This said, if supply cannot expand beyond the status quo, it may well be that neither model has any advantage in this respect.

Ability to target

54. In a situation where demand exceeds supply, it would be beneficial to target the available budget to those retailers who are most in need of support. Targeting mechanisms, however, also introduce costs and delays, and create winners and losers.
55. Extending the RCPP would likely be most amenable to a highly targeted approach. A market led scheme would not be targeted, beyond the initial eligibility criteria. This said, however, the fact that retailers must bear a portion of the cost should act to ensure that accessing the subsidy is motivated by genuine need.

User friendly for retailers

56. We understand that Cabinet envisages a scheme that is as user-friendly as possible, with minimal administrative requirements for the small retailers using it. Overall, MBIE thinks that a market led scheme would be more user-friendly, particularly if the supplier rather than the retailer invoices MBIE. The RCPP process involves more steps for the retailer, and they play a limited role in determining what security equipment their premise receives.

Best value for money

57. The delivery mechanism should minimise, to the degree possible, the extent to which the value of the subsidy is captured by the supplier, rather than passed onto the retailer. Equally, it should incentivise suppliers to offer quality fog cannons at a competitive price.
58. MBIE's view is that a market led scheme is more likely to deliver value for money over time, and particularly if the retailer's contribution is uncapped. This is because retailers would then have a strong incentive to shop around for the best deal.
59. Elasticity of supply, however, is critical to this consideration (that is, the ability of new suppliers to enter the market, and/or existing suppliers to scale up). If supply is elastic, retailers will capture most of the subsidy's benefit. If supply is inelastic, however, suppliers will.
60. If a market led scheme is established, MBIE would carefully consider the criteria for becoming an approved supplier. The intent would be to ensure that minimum quality levels are maintained, while enabling and encouraging new market entrants.

Maximise integrity

61. Any Government subsidy raises potential for fraud or misuse. It is important that this is minimised. As a centrally-coordinated process, the RCPP is very well insulated against this type of misuse. A more laissez-faire approach will have higher integrity risks.

Administrative efficiency

62. The less of the available budget that is spent on administration, the more will be available to support small retailers. On balance, MBIE considers that a market led scheme would have lower administrative costs.

Costs of establishing the subsidy

Funding required for the scheme will depend on the delivery model, and its uptake

63. The scheme will make \$4,000 available for each small shop. We have assumed that the \$4,000 subsidy amount is to be inclusive of GST, though we have not engaged with Inland Revenue to confirm this and the consequences of whether GST is included within the amount or needs to be added.
64. The total cost will therefore depend on how many retailers access the subsidy, and how high the administration costs are. In the section below, we have broken down the potential costs of the scheme into the cost to fund the subsidy payments, and the cost to set up and operate the scheme.

Cost of the subsidy payments

65. According to Stats NZ, at the upper end there could be around 24,000 retail trade businesses with five or fewer paid employees. The recommended eligibility criteria will likely reduce the number of retailers that are eligible to receive the subsidy and the overall fiscal cost of the payment and the 24,000 estimate from Stats NZ will capture some businesses that fall outside of the scheme. However, the 24,000 figure is the best available information we have currently. Based on a maximum \$4,000 subsidy payment, it is possible to model estimated cost scenarios based on different uptake rates (which will depend on the eligibility criteria).
66. Uptake rates will in part depend on the eligibility criteria, and in part on demand by retailers which we are not able to predict at this point.

Potential subsidy payment cost (not including implementation)		
Uptake scenarios upper end estimate – 24,000	Potential number of businesses	Indicative cost of \$4,000 subsidy (assuming one per business)
10% of potential pool	2,400	\$9.600 million
25% of potential pool	6,000	\$24.000 million
50% of potential pool	12,000	\$48.000 million
75% of potential pool	18,000	\$72.000 million
90% of potential pool	21,600	\$86.400 million.

Cost to set up and operate the subsidy scheme

67. The exact administration and implementation costs will depend on how the scheme is designed and delivered. Factors impacting this include whether eligibility is manually checked or assessed, the design and implementation of ICT and finance systems required to manage applications, case management and invoicing of retailers or suppliers.
68. As a general rule, the lighter touch and more market-led the scheme is, the cheaper it will be to set up and run. A market-led approach would involve less processing, coordination, procurement and other activities, and a lighter-touch (more trust based) model means less resource is required for verification.
69. Below is a comparison of different subsidy or rebate schemes that have similarities to the fog cannon subsidy scheme, along with their approximate implementation cost.

Comparison of similar schemes setup and implementation cost		
Scheme	Details	Cost
MBIE COVID-19 Travel Reimbursement Scheme <i>Closest comparison to Approach One</i>	Purpose: Incentive payments to travel agents or wholesalers who secured stranded travel credits or refunds for New Zealand consumers. Approach: MBIE managed online applications from agents/wholesalers to participate in the scheme, and then processed, and paid invoices to participants, with some limited audit checks.	\$0.500 million was appropriated to implement the programme and process 43 applications and 340 invoices but more than what was budgeted was likely expended. Existing IT and finance systems were utilised with an unknown cost.
EECA Warmer Kiwi Homes Grants <i>Closest comparison to Approach Two</i>	Purpose: Payments to co-fund the installation of insulation and heaters to eligible households. Approach: EECA manages website form applications and declaration, eligibility assessments, third-party supplier engage the consumer who pays the non-funded portion, EECA manages payment to the supplier for the funded portion.	\$4.9 million was spent in 2020/21 implementing the programme and estimated \$68 million in grant payments. Capex would have been spent to set up/design the scheme.
Clean Vehicle Discount Rebate Scheme	Purpose: Rebates to vehicle owners for new low or no emission vehicles to incentivise uptake. Approach: Waka Kotahi manages website form applications and declaration, eligibility assessments, and rebate payment to the vehicle owner.	\$8.000 million is budgeted in 2022/23 to implement the scheme and estimated \$132 million in rebates. \$3.8 million in capex in 2021/22 was budgeted for the setup of the scheme.

70. The COVID-19 Travel Reimbursement Scheme most closely resembles our recommended Approach One and is also most consistent with Cabinet's intent behind the scheme. This is because both the COVID-19 Travel Reimbursement Scheme and Approach One rely on market-led supply of the fog cannons, aim to minimise burdensome administrative processes for retailers and avoid costly verification checks and supply facilitation for MBIE, and both are focussed on providing payment to a third-party. Conversely, Approach Two and the EECA Warmer Kiwi homes programme take a more involved approach through facilitation in the market for fog cannons that would be more complex to operate.

71. The limited time we have had to consider the potential design elements of the scheme make it difficult to accurately assess potential scheme setup and operating costs. However, based on the above similar schemes, we consider that:
- a. **Approach One** (retailers applying to MBIE, retailers being provided with supplier contact details and then suppliers invoicing MBIE for the subsidy) could cost between \$1-2 million in annual departmental operating expenditure and possibly up to \$0.500 million in departmental capital expenditure. At the upper end of these costs, around \$7.5 million out of the \$10 million set aside would be available to make subsidy payments to around 1,875 retailers/fog cannons.
 - b. **Approach Two** (Police sourcing fog cannons with retailers applying to Police online for the subsidy, Police liaising with a supplier for the retailer, retailer paying any difference, and supplier invoicing Police for the subsidy) would be significantly more complex and administratively burdensome to operate and could cost in the realm of up to \$5 million in additional annual departmental operating expenditure and possibly up to \$1 million for departmental capital expenditure.
72. We note that these figures are highly uncertain and actual administration funding needs will be dependent on final scheme design.

Source of the funding

73. We understand that \$10 million has been set aside for the scheme. The source of this funding and the timeframe for this commitment is yet to be decided and we are engaging with the Treasury on these matters.
74. We recommend that the \$10m be allocated over an initial period of three years. If it is used up before three years elapses, we would seek your direction as to whether additional sources of funding were available. In the event that the sum is not fully spent after three years, we would seek your direction as to whether the scheme's duration should be extended, and more funding sought.

Next steps

75. We understand that Ministers will consider a Cabinet paper on Monday 5 December, which will traverse the issues and choices discussed in this paper. If you are prepared to take early decisions on these choices, we could input specific wording into the Cabinet paper accordingly. If you would prefer to reserve your choices for more deliberation and discussion, we could provide this paper to the Cabinet paper drafters, to inform that discussion.
76. Once Cabinet has provided direction on which approach is preferred, we will liaise with retail groups, fog cannon suppliers and other key stakeholders to test the market and ensure that the detailed design factors in any concerns or preferences to the extent possible.
77. We suggest that any further decisions, beyond those made by Cabinet, are delegated to the Minister of Police and the Minister for Small Business, in order to facilitate timely decision making.



JOINT BRIEFING

Fog Cannon Subsidy Scheme and Retail Crime Prevention Programme – further decisions

Date:	8 December 2022	Priority:	Urgent
Security classification:	In Confidence	Tracking number:	2223-2104

Action sought		
	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Agree to the recommendations covering further decisions on the design of and funding for the Fog Cannon Subsidy Scheme.	As soon as possible
Hon Kelvin Davis Minister of Corrections		
Hon Chris Hipkins Minister of Police		
Hon Stuart Nash Minister for Small Business		
Hon Kiri Allan Minister of Justice	Agree to the recommendations covering funding for the Retail Crime Prevention Programme.	
Rt Hon Jacinda Ardern Prime Minister		

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Andrew Hume	General Manager, Small Business, Commerce and Consumer Policy	Privacy of natural persons	✓ FCSS
Chris de Wattignar	Assistant Commissioner, Police		✓ RCPP
Kate Challis	Manager, Small Business Policy		
Chris Hubscher	Principal Advisor, Small Business Policy		

The following departments/agencies have been consulted
The Treasury

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

BRIEFING

Fog Cannon Subsidy Scheme and Retail Crime Prevention Programme – further decisions

Date:	8 December 2022	Priority:	Urgent
Security classification:	In Confidence	Tracking number:	2223-2104

Purpose

This paper has been jointly prepared by MBIE and Police. It has two parts.

- The first part concerns the Fog Cannon Subsidy Scheme (FCSS), and seeks further decisions on eligibility, criteria for suppliers, and funding. This part of the briefing builds on the MBIE paper *Fog Cannon Subsidy Scheme – Initial decisions on scope and delivery approach*, provided 1 December 2022 (2223-2033).
- The second part concerns the Retail Crime Prevention Programme (RCPP). It seeks funding for additional small retail crime prevention solutions. It builds on the Police paper BR/22/118CH.

Executive summary

Fog Cannon Subsidy Scheme

On 28 November 2022, Cabinet agreed to subsidise up to \$4,000 for the purchase and installation of fog cannons for any small retail business that requests it, with no requirement to have been the victim of a ram raid or aggravated burglary to access the subsidy, and for this to be administered by MBIE [CAB-22-MIN-0548]. Cabinet authorised the Minister of Finance, Minister of Corrections, Minister of Police, Minister of Small Business and Minister of Justice to make the necessary decisions to implement the scheme. On 6 December, ministers made a number of initial decisions regarding eligibility, scope and design approach for the implementation of the FCSS [2223-2033].

Further decisions

Joint ministers now need to make the following further decisions:

- **Retailer eligibility.** You agreed that retailers with up to five employees and less than two outlets with street frontage be eligible, including franchisees. We propose you clarify that retailers can procure as many fog cannons as they need, but that a total subsidy limit of \$4,000 will apply for each outlet. We note Ministers' interest in expressing the staff number limit (up to five in total) in terms of Full Time Equivalent employees. This raises potential for complexity and misunderstandings, as retailers who generally do not count staff on a 'FTE' basis, and may have a number of . If Ministers wish to further explore this, we propose to test the practicalities with retailers, and report back with further advice in the new year.
- **How to approve suppliers.** MBIE needs to assemble a list of approved suppliers, who will be able to offer subsidised fog cannons. We propose a two-stage procurement. The first stage, to commence in mid-January 2023, will be a 'market sounding' exercise. The second stage, to take place over February and into March, will be the approval process. We intend to enable the widest possible range of suppliers to be approved, subject to minimum quality criteria. We will work with suppliers and retailers during the first stage of the procurement process to identify these minimum requirements. We propose to reduce risks of price gouging by requiring suppliers to commit to pricing consistency.

- **The process for accessing the subsidy, and how integrity risks will be managed.** Eligible retailers will make contact directly with approved fog cannon suppliers to seek quotes and organise an installation. Upon completing the work, the supplier will invoice MBIE for up to \$4,000 (inc. GST), with any balance owing to be paid by the retailer directly to the supplier. We are working on further mapping a proposed process, as detailed in this paper. For the most part, we envisage that the process will be automated to the extent possible (or if not, 'light touch'). Nonetheless, integrity checks will occur at key stages. We will also be alert to information gained via complaints and intelligence. Budget is set aside for auditing, if this proves necessary. These checks and balances will reduce the level of risk of fraud and misuse, but not eliminate it.

Maintenance of the law

Implementation timeline

The timeline we are working to is as fast as we can go without compromising the Scheme's integrity and effectiveness.

The first significant step will be seeking initial expressions of interest from retailers. This will not constitute a self-declaration of eligibility, get the retailer a place in a queue, nor guarantee or imply any other favourable treatment.

Over the coming months we will:

- second or contract the necessary staff to undertake procurement, and detailed service design
- develop the required forms, processes, operational policies and guidelines
- establish a list of approved suppliers
- ensure all ICT elements are functional and secure.

We aim to go live in April 2023. This is consistent with the indicative timeframe set out in the Prime Minister's 28 November press release.

Funding

MBIE will require \$3.154 million in operational funding to establish and administer the FCSS. We seek ministers' approval to draw down the full amount of this funding as soon as possible. If that funding runs out during the scheme's three year duration, we will work with Treasury to present Ministers with options.

Next steps

Our next steps will be to:

- seek expressions of interest from retailers, in order to test demand and increase their understanding of the scheme's broad outlines – in December
- consult with retailers and potential suppliers on the proposed design of the fog cannon subsidy scheme, as set out in this paper – to start now and continue into January 2023
- provide you with further advice, and seek your agreement to any changes to the scheme's design or other foundational elements after this consultation – in late January 2023.

Retail Crime Prevention Programme

In May 2022, Cabinet agreed to establish and fund the RCPP, which is currently working with small businesses that have been affected by ram raids, to provide crime prevention solutions such as bollards and fog cannons.

On 28 November 2022, Cabinet decided to provide additional crime prevention support to small retailers, including expanding the RCPP to also include businesses that have been the victim of aggravated robberies.

The Minister of Finance, Minister of Corrections, Minister of Police, Minister of Small Business and Minister of Justice were authorised to make changes support the implementation of this decision, including final funding source, phasing and appropriation changes.

This paper sets out the funding requirements for the extension of the RCPP and seeks Joint Ministers' approval for the funding.

Recommended action

The Ministry of Business, Innovation and Employment and Police recommend that you:

Fog Cannon Subsidy Scheme

- a **Note** that on 28 November Cabinet decided to establish a subsidy scheme for help small retailers purchase fog cannons [CAB-22-MIN-0548].

Noted

- b **Note** that, in response to MBIE's briefing *Fog Cannon Subsidy Scheme – Initial decisions on scope and delivery approach*, Ministers agreed to a market-led delivery approach, to be delivered by MBIE.

Noted

Retailer eligibility

- c **Note** that Ministers have agreed that eligible retailers will:

- (i) have no more than two retail outlets
- (ii) have five or fewer paid employees
- (iii) not be in an enclosed area, such as an indoor mall, where security is already provided.

Noted

- d **Agree** that MIBE consult with retailers on whether the staff number limit can practically be expressed in terms of FTEs, and report back with advice on this following that engagement

Agree / Disagree

- e **Agree** that retailers can procure as many fog cannons as they need, but that a total subsidy limit of \$4,000 (inc. GST) will apply for each retail outlet.

Agree / Disagree

Approving suppliers

- f **Note** that more supply is necessary for the subsidy scheme to work as intended, and MBIE's proposed approach is to encourage competition to give retailers the widest possible choice of suppliers.

Noted

- g **Note** that nonetheless, some minimum quality requirements will be required, and that MBIE will engage with retailers and suppliers to determine what is feasible.

Noted

h **Agree** to a two-stage procurement process for appointing suppliers:

- the first stage, to commence in mid-January 2023, will be a 'market sounding' exercise where MBIE engages with retailers and potential suppliers
- the second stage, to take place over February and March, will be a procurement process for suppliers who want to participate in the subsidy scheme.

Agree / Disagree

i **Note** that MBIE intends to reduce risks of price gouging through encouraging competition and requiring suppliers to commit to pricing consistency, and that retailers themselves can be expected to be price conscious.

Noted

The process for accessing the subsidy, and how integrity risks will be managed

j **Note** that the subsidy scheme will operate as follows:

- i. retailer self-declares their eligibility
- ii. retailer is provided with a contact list of approved suppliers
- iii. retailer contacts supplier(s) to organise quotes and installation
- iv. supplier completes the work, and invoices MBIE for \$4,000 inc. GST per job completed, or up to the value of the work if it cost less
- v. the balance owing (if the work was over \$4,000) is paid directly to the supplier by the retailer, either as a deposit or on completion of the work. MBIE is not involved.

Noted

k **Note** that for the most part, the parts of the process involving MBIE will be automated (or if not, 'light touch'), but that integrity checks will occur at key stages:

- selection of suppliers will include them agreeing to abide by the scheme's conditions
- the retailer's self-declaration (samples to be checked)
- supplier invoices cross-checked against the retailer, and samples checked

Noted

l **Note** that MBIE will also investigate complaints, and that budget is set aside for an audit, if this proves necessary.

Noted

m **Note** that these checks and balances will reduce but not eliminate the level of risk of fraud and misuse, Maintenance of the law

Noted

Timeline

n **Note** that the timeline MBIE is working to the fastest possible that does not compromise the scheme's integrity and effectiveness.

Noted

- o **Agree** that MBIE’s first significant step will be seeking initial expressions of interest from retailers.

Agree / Disagree

- p **Note** that in the period before April 2023 MBIE will:

- second or contract the necessary procurement and service design staff
- develop the required forms, processes, operational policies and guidelines
- establish a pool of suppliers via a two-stage procurement process
- ensure all ICT elements are functional and secure.

Noted

- q **Note** that MBIE’s planned go live date of April 2023 is consistent with the indicative timeframe set out in the Prime Minister’s 28 November press release.

Noted

Funding

- r **Note** that on 28 November 2022 Cabinet authorised joint Ministers to take further decisions on the Fog Cannon Subsidy Scheme including policy [CAB-22-MIN-0548]

Noted

- s **Note** that in order to ensure that sufficient funding is available to respond to potential demand, MBIE recommends that the full amount of departmental and non-departmental funding set out below be approved and drawn down in a single sum, and for multi-year appropriations to be set up to provide sufficient flexibility.

Noted

- t **Agree** to establish the following new multi-year appropriations, to run from 1 January 2023 to 30 June 2025:

Vote	Appropriation Minister	Appropriation Administrator	Title	Type	Scope
Business, Science and Innovation	Minister for Small Business	Ministry of Business, Innovation and Employment	Fog Cannon Subsidy Scheme	Non-Departmental Output Expense	This appropriation is limited to providing subsidy payments for eligible small retailers to have a fog cannon installed.
Business, Science and Innovation	Minister for Small Business	Ministry of Business, Innovation and Employment	Administration of the Fog Cannon Subsidy Scheme	Departmental Output Expense	This appropriation is limited to administration and ancillary services related to the Fog Cannon Subsidy Scheme.

Agree / Disagree

- u **Approve** the following changes to appropriations to give effect to the policy decision in recommendation r above, with a corresponding impact on the operating balance and net debt:

Vote Business, Science and Innovation Minister for Small Business	\$m – increase/(decrease)		
	2022/23 – 2024/25	2025/26	2026/27 & Outyears
Non-departmental Output Expense: Fog Cannon Subsidy Scheme	7.500	-	-
Departmental Output Expense: Administration of the Fog Cannon Subsidy Scheme (funded by Revenue Crown)	3.154	-	-
Total Operating	10.654	-	-

Approved / Not Approved

- v **Note** that the indicative spending profile for the new multi-year appropriations described in recommendation u above is as follows:

Indicative annual spending profile	\$m – increase/(decrease)				
	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Non-departmental Output Expense: Fog Cannon Subsidy Scheme	2.250	3.750	1.500	-	-
Departmental Output Expense: Administration of the Fog Cannon Subsidy Scheme (funded by Revenue Crown)	1.420	0.932	0.802	-	-
Total Operating	3.670	4.682	2.302	-	-

Noted

- w **Agree** that the changes to appropriations above be included in the 2022/23 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply.

Agree / Disagree

- x **Agree** that the expenses incurred in recommendation u above be charged against the between-Budget contingency established as part of Budget 2022.

Agree / Disagree

Next steps

- y **Agree** that MBIE consults with retailers and potential suppliers on the proposed design of the Fog Cannon Subsidy Scheme, as set out in this paper.

Agree / Disagree

- z **Note** that MBIE will provide further advice, and seek your agreement to any changes to the scheme's design or other foundational elements once we have completed this consultation – most likely in late January 2023.

Noted

Retail Crime Prevention Programme

aa **Note** that on 28 November 2022, Cabinet [CAB-22-MIN-0548]:

- i. agreed to extend the eligibility criteria for access to the Retail Crime Prevention Programme (RCPP) to include retail owners that have been the victim of an aggravated robbery in the last 12 months to access a Police security assessment, and further access to the RCPP
- ii. authorised the Minister of Finance, Minister of Corrections, Minister of Police, Minister of Small Business, and Minister of Justice to make changes to support the implementation of the RCPP decision and to agree final funding source, phasing, and appropriation changes

Noted

bb **Note** that Police estimate the cost of delivering the expanded programme to include small businesses that have been the victims of aggravated robbery is expected to cost an additional \$6.000 million.

Noted

cc **Agree** to allocate \$6.000 million for the costs of the expanded Retail Crime Prevention Programme in 2022/23.

Agree / Disagree

dd **Approve** the following changes to appropriations to provide for the decision in recommendation cc above with corresponding impact on the operating balance and net debt:

Vote Police Minister of Police	\$m - increase/(decrease)				
	2022/23	2023/24	2024/25	2025/26	2026/27 & Out- Years
Policing Services MCA					
Departmental Output Expenses					
- Crime Prevention	6.000	-	-	-	-
- Investigations and Case Resolution	-	-	-	-	-
- Policy Advice and Ministerial Services	-	-	-	-	-
- Primary Response Management	-	-	-	-	-
(Funded by Revenue Crown)					
Total Operating	6.000	-	-		-

Approved / Not approved

ee **Agree** that the proposed changes to appropriations for 2022/23 above be included in the 2022/23 Supplementary Estimates and that, in the interim, the increases are met from Imprest Supply

Agree / Disagree

ff **Agree** that the expenses incurred under recommendation dd above be charged against the between-Budget contingency established as part of Budget 2022

Agree / Disagree

Privacy of natural persons

Kate Challis
Manager, Small Business Policy
MBIE

08 / 12 / 2022

Chris de Wattignar
Assistant Commissioner, Iwi and Community Police

..... / /

Hon Kelvin Davis
Minister of Corrections

..... / /

Hon Grant Robertson
Minister of Finance

..... / /

Hon Kiri Allan
Minister of Justice

..... / /

Hon Chris Hipkins
Minister of Police

..... / /

Hon Stuart Nash
Minister for Small Business

..... / /

Background

1. On 28 November 2022, Cabinet agreed to [CAB-22-MIN-0548]:
 - subsidise up to \$4,000 for the purchase and installation of fog cannons for any small retail business that requests it, with no requirement to have been the victim of a ram raid or aggravated robbery to access the subsidy, and for this to be administered by MBIE [CAB-22-MIN-0548]
 - extend the eligibility criteria for access to the RCPP to include retail owners that have been the victim of an aggravated robbery in the last 12 months to access a Police Security assessment, and further access to the RCPP.
2. Cabinet also authorised you as joint ministers to make changes to support the implementation of these decisions and to agree final funding source, phasing and appropriation changes.
3. This paper seeks further decisions on:
 - the scope and design approach of the Fog Cannon Subsidy Scheme (FCSS), and funding needed to implement it (Part One), and
 - additional funding for extension of the RCPP (Part Two).

Part One: Fog Cannon Subsidy Scheme

Retailer eligibility

You agreed that retailers with up to five employees and less than two retail outlets with street frontage be eligible, including franchisees

4. The inclusion of franchisees will increase the number of retailers eligible, but we are not able to estimate the exact number as Stats NZ does not distinguish franchises from independent firms in its data collection. As noted in our previous advice, Stats NZ's February 2022 estimate is that there are approximately 24,000 retailers with no more than two outlets and five or fewer employees. In practice, however, the number of eligible retailers may be less as not all retailers have a physical store.

We propose to further clarify that retailers can procure as many fog cannons as they need, but that a total subsidy limit of \$4,000 will apply for each outlet

5. We do not propose any limit on how many fog cannons a business can procure. The limit will instead apply to the dollar amount of the subsidy. In all cases, for any individual retail outlet, no more than \$4,000 will be available to subsidise fog cannon purchase. The reason for this is that retailers with larger outlets may require more than one fog cannon to be installed.
6. A business with two outlets will be able to access a total subsidy of \$8,000. This is appropriate given the policy intent is to get fog cannons into shops – a strict limit of \$4,000 per business would dissuade firms with two outlets from using the scheme.

We propose to test with retailers how staff numbers should be expressed

7. Ministers queried whether the staff number limit should be expressed as “up to five Full Time Equivalent (FTE)” workers, rather than “up to five employees”. As many retail staff work part time this would substantially decrease the number of eligible retailers.
8. Small retailers may not understand how FTEs are formulated, and how to convert their staff count into FTEs. Also, in retail, staff hours routinely vary from week to week. Introducing this

complexity into the eligibility requirements may lead to misunderstandings, and increase administrative requirements for the scheme.

9. We propose to test retailers' views on its practicality, and provide further advice once that has taken place. In the meantime we recommend continuing to refer to up to five employees, for simplicity.

How to approve suppliers

You agreed to a market-led approach that is independent of the RCPP

10. You agreed to a market-led approach to the design of the FSCC, where the retailers would directly engage with suppliers who are approved to install subsidised fog cannons. This approach differs from the RCPP, where Police purchases and organises installation of fog cannons and other security equipment itself.

Several factors need to be weighed in determining how to approve suppliers

11. These are:
 - **Quality** – The Government should not subsidise fog cannons that do not work, are improperly installed, or have a very short shelf life.
 - **Ease of market entry** – Competition in the fog cannon market will help keep prices reasonable, and permit more installations over a shorter time period. Any barriers to approving suppliers should be carefully examined.
 - **Pricing** – The intent of the Government's intervention is to reduce prices for retailers, not to permit price gouging by suppliers. The extent to which the dollar value of the subsidy is captured by suppliers rather than retailers should be minimised.
 - **Reputational risks** – Publishing any list of approved suppliers bears an inherent risk that the Government will be blamed for anything that goes wrong down the track (fairly or not), because it will be seen as having endorsed the product and/or supplier concerned.

12. Confidential advice to Government



More supply is necessary for the FCSS to work alongside the RCPP, so it is important that the widest possible range of suppliers can be approved

13. More supply is necessary for the FCSS to work alongside the RCPP. To implement the RCPP, Police has contracts with three suppliers (and is currently organising contracts with several more). Police advises that the suppliers it has contracted under the RCPP are fully committed to the RCPP itself. It is important, therefore, that the process and requirements used to approve suppliers for the FCSS encourage new suppliers to participate in the scheme.
14. Under the RCPP, Police contracts suppliers based on specifications including the type of fog cannons being installed (which must be reputable), the supplier's track record in the industry and capacity to undertake installations, lead times for quoting and undertaking installations,

warranty and maintenance contract availability, and pricing. The specifications reflect the fact that, under the RCPP, Police procures the fog cannons and is accountable for their timely installation and performance.

15. These same considerations are not directly applicable to the FCSS. Under this scheme, retailers will directly engage with suppliers and decide what kind of fog cannon they want, how much they are willing to pay for it, and what compromises they are willing to make in terms of cost vs functionality. MBIE's proposed approach is to give retailers the widest possible choice of suppliers, therefore enabling them to shop around for the best deal. In contrast to the RCPP approach, this would involve:
 - lower barriers to entry for approved suppliers, with the door open at any time for any supplier who meets the minimum criteria
 - more role for retailers in assessing and deciding on the price/quality trade off
 - no role for Government in determining pricing, or negotiating installation timeframes.

Some minimum requirements are needed, however

16. While increasing supply is necessary, it is also important that minimum quality requirements apply. In the absence of this, there is a risk that the Government will end up being seen to have promoted substandard products. Subsidised products will also need to comply with applicable statutory health and safety, environmental and labour standards.
17. There is no industry standard for fog cannons, and their quality and operability can vary considerably. Some fog cannons, for example, can only be discharged twice, while others can be used multiple times and then reloaded. Some fog cannons also feature battery backup and remote controls. Some products will be fit for purpose in some environments (ie a kiosk-style vape shop) but not others (ie a mid-sized grocery).
18. As retailers' costs are uncapped, they can choose what kind of fog cannon they purchase. This may involve compromising on functionality in order to get a cheaper price and/or faster installation. Determining what a suitable minimum quality criteria constitutes will require engaging with suppliers and retailers, to better understand what functionality – if any – is “must have”, versus what is “nice to have”.

We propose a two-stage approach to approving suppliers

19. The first stage, to commence in mid-January 2023, will be a ‘market sounding’ exercise. The second stage will be a process to assess and approve suppliers who retailers can use for the subsidised installation of fog cannons. This would take place over February and into March.
20. For the first stage, MBIE will reach out to potential suppliers, retailers and industry associations, to learn more about the fog cannon market and build a knowledge base for assessing what quality criteria will best balance increasing supply and maintaining integrity.
21. A useful starting point is the RCPP requirement that contracted suppliers offer a warranty period of no less than one year (on full repair or replacement terms). The warranty period must include a maintenance contract (that is, at least one scheduled follow-up site visit by the supplier 12 months after installation which includes a refresher training for the retailer). These terms put the onus on suppliers to provide products that are fit for purpose without requiring product functionality to be specified.
22. With this requirement as a starting point, MBIE will assess what other quality and functionality requirements, if any, need to be built into the criteria.

We propose to reduce risks of price gouging by requiring suppliers to offer consistent pricing

23. Even within a competitive market, a subsidy scheme carries a risk that suppliers of the subsidised product capture more of the subsidy's value than their customers. In other words, suppliers do not pass on the full value of the subsidy, and instead increase their margins.
24. In order to manage the risk of fog cannon suppliers raising their prices to capture the benefit of the subsidy, we have considered whether a price cap would be practical. We think, however, that it would not be.
 - Price variation is a normal part of a well-functioning market. The price for an installation in a large rural grocery will be more than for a small and central vape shop. Some retailers may be willing to pay more to get installation quicker. Single-figure price caps cannot capture this variation, but multiple level price caps are complex and still do not account for premise-specific variation.

Confidential advice to Government

25. In our view, the most practical approach is to require suppliers to commit to price consistency. We would notify potential suppliers of this intention during the tender process, and would require specific pricing information from suppliers during the subsequent appointment process. If the information provided by a supplier is subsequently found to be misleading, and the reasons for this cannot be reasonably justified, we would consider whether that supplier should retain its 'approved' status.
26. Price incentives on retailers should also help constrain price rises fuelled by the subsidy. Ministers have agreed that the retailer's contribution will be uncapped, and retailers will need to pay any costs over the \$4,000 subsidy. Small retailers are likely to be price conscious and may be happy to shop around if it saves them money. (The converse risk is that many may not take up the subsidy at all if they need to pay anything towards it. This risk is very real, but ultimately, the responsibility is on the retailer to decide whether to use the scheme or not).

Several other conditions and expectations will also need to be considered

27. At a minimum, suppliers would need to confirm that they are, in principle, available to undertake fog cannon installations. MBIE will also consider whether any other conditions should be set for approved suppliers, such as:
 - being reasonable in their dealings with retailers – eg timely invoicing, being available to do quotes
 - transparency – eg notification of any changes to the products being provided, notification of any complaints or warranty issues.

The process for accessing the subsidy, and how integrity checks will occur

A process for accessing the subsidy, as a basis for testing with the market, would broadly look like the following:

28. Since our initial advice on 1 December, we have done further work on the process by which the subsidy will be put into effect. Having 'stress tested' our initial assumptions about how the FSCC could work, we are satisfied that the high level design is feasible. At a high level it will operate as follows:
 - **Retailer self-declares their eligibility** online through the *business.govt.nz* website. Any business with a New Zealand Business Number (NZBN) will be able to access the online form. Many eligible retailers will already have a NZBN, because it was required for the

various COVID-19 support schemes. If they don't yet have a NZBN, the process of getting one is straightforward. Most registrations will be automatically approved, and the retailer will be issued with an identifier that will follow that job through the process. While there will be no routine manual check of a retailer's eligibility, there will be integrity checks as indicated below.

- **Retailer is provided with a list of approved suppliers**
- **Retailer contacts supplier(s) to organise quotes and installation.** MBIE will not be involved in this. We will use a variety of communications channels to emphasise that the FCSS, unlike the RCPP, is retailer-led and the onus is on them to organise fog cannon installation themselves. Realistically, we expect that (as with getting any tradespeople onsite) this may involve delays. Government involvement in this part of the process, however, will only serve to lengthen delays faced by retailers in securing installation.
- **Supplier completes the work, and invoices MBIE for \$4,000 (or up to the value of the work if it cost less).** Using the identifier provided to the retailer when it self-declares its eligibility, the supplier would invoice MBIE. We are working through whether this should be a one-step process, or a two-step process whereby the supplier first obtains a purchase order, then invoices once the work is done. Where possible, we would encourage suppliers to use e-invoicing, in line with the Government's commitment to grow this means of settling accounts. It would not be compulsory, however. The subsidy will be inclusive of GST.
- **The balance owing (if the work was over \$4,000) is paid directly to the supplier by the retailer.** Some suppliers may require the retailer to pay the balance of the quote in advance, as a deposit. MBIE will not be involved in this transaction – terms of payment for the remaining balance would be for the supplier and retailer to negotiate.

How integrity checks will occur

29. For the most part, the parts of the process involving MBIE will be automated (or if not, 'light touch'). Nonetheless, integrity checks will occur at key stages:

- **Approval of suppliers.** The supplier is an important part of maintaining the scheme's integrity. For example, suppliers will be aware of the requirement that the retailer's premise is not in an indoors shopping mall. Suppliers who deliberately undertake work outside of the scheme's conditions will not be paid the subsidy and will be removed from the list. Other conditions applying to approved suppliers may include minimum quality criteria, timely invoicing, notification of any changes to the products being provided, and notification of complaints or warranty issues (as discussed above).
- **Retailer self-declaration.** This will be a legally enforceable document. As with the COVID-19 support schemes, the form will set out the eligibility requirements, and the retailer will need to declare that they meet them. We will sample some of these self-declarations to check their validity.
- **Supplier invoices.** Suppliers' invoices will be cross checked against the retailer, using the case number provided to the retailer at the outset of the process. This will happen in all cases. We will also sample some invoices (ie a check with the retailer that the work actually has been undertaken and is complete). A small number of premises may also be physically checked, using our nationwide network of staff.

30. Beyond these process steps, MBIE will use two other key devices to manage integrity risks.

- **Complaints and intelligence.** We expect that any retailer who feels short changed will eventually alert MBIE to the fact (although they may approach community channels or the media first). Where these appear to have a basis in fact, we will follow them up with the

supplier and conduct further checks as appropriate. Suppliers whose behaviour is not in keeping with the requirements of the scheme will be removed from the supplier list, and in extreme cases, we will seek prosecution under the Crimes Act.

- **Audit.** We have built in contingency for an audit into our budgeted implementation costs. This will not happen automatically, however. Rather, we will initiate a targeted audit (to be undertaken by a third party) in the event that integrity issues surface that appear to extend beyond individual malfeasance, and instead get to the overall integrity and reputation of the scheme.

MBIE may need to amend the process steps described in this paper as following consultation and design work

31. This outline of the process to be followed and the integrity checks to be undertaken has been prepared at pace. As we further develop the detail of the process, we may need to amend some process steps from those which are described above. If these are foundational to the design of the scheme, we will seek ministers' endorsement at that time.

Implementation timeline

32. We propose the following high-level timeline for making the subsidy scheme operational. This timeline is informed by some key considerations.

- The Prime Minister's 28 November press release noted that it will take till the second quarter of 2023 for the number of installations to start to ramp up. The timeline below is consistent with that statement.
- Procuring a reasonable spread of suppliers cannot happen at extreme pace. MBIE needs to expand on the existing Police list, and this will take time (particularly because of the pending Christmas holidays).
- Government agencies must subject their online forms to extensive security testing. This typically takes 8-9 weeks. Failure to conduct these checks would leave MBIE vulnerable to hacking, IP theft and attempted extortion.
- A project team will need to be stood up and staffed as there is no existing capacity in MBIE to undertake this work. The timing of the Christmas break will, again, impact how quickly this can happen.

December 2022

- Seek initial expressions of interest from retailers. This will not constitute a self-declaration of eligibility, get the retailer a place in a queue, nor guarantee or imply any other favourable treatment. Rather, retailers who express interest will be provided with information about the scheme, and notified when the self-declaration online form is available. This step would be useful as a means of gauging retailers' interest in the scheme, and would help them learn more about it.
- Second or contract the necessary staff to undertake procurement, and detailed service design.
- Commence work on forms, processes, operational policies and guidelines
- Commence planning for stage one of procurement and commence engaging with suppliers and retailers on potential quality requirements.

January 2023

- Continue work establishing forms, processes, operational policies and guidelines.

- Commence security and functionality testing of the scheme's online components.
- Commence stage one of the procurement (the market sounding exercise) gain more understanding of the market, and potential minimum requirements for approved suppliers.

February 2023

- Continue work establishing forms, processes, operational policies and guidelines.
- Continue security and functionality testing of the scheme's online components, including user-testing.
- Move to stage two of procurement (approval of suppliers - including seeking further information from potential suppliers, and any required contractual negotiations).

March 2023

- Finalise all forms, processes, operational policies and guidelines.
- Finalise security and functionality testing of the scheme's online components, including user-testing.
- Finalise stage two of procurement.

April 2023

- Go live.

33. MBIE advises against seeking to implement the FCSS earlier than this timeframe permits. This would run a risk of the process not functioning as intended, higher integrity risks, and fewer suppliers participating. We are also conscious of potential impacts on the Police-led RCPP – more lead in time will help avoid a situation where there is no additional supply, and as a result, the FCSS and RCPP must compete for suppliers' time.

Risks and how we intend to mitigate them

Timeline

34. One risk to the timeline is complications and delays with developing the necessary ICT infrastructure (for example, with security testing and certification). If necessary, we will look to implement manual workarounds, e.g. a downloadable PDF which can be emailed to MBIE for processing. This should permit the scheme to open as planned, albeit with a less user-friendly interface.

Availability of suppliers and fog cannons

35. Constraints in the supply and installation of fog cannons pose a real risk to the scheme's successful implementation. One potential scenario, for example, is that the scheme is stood up with a limited list of suppliers (because not many are in the market, are interested in participating, or meet the minimum requirements), and retailers are not able to find someone to do the work. Retailers could be expected to publicly express their disappointment.
36. Our intended mitigation, as described in the section above, is to encourage suppliers to participate in the scheme. Requirements for suppliers in respect of product quality and other factors will need to be established with a view to achieving this.

Retailer interest

37. Police's experience of a similar scheme rolled out in 2018 is that almost no retailers were interested in participating, because of the requirement for them to make a \$2,000 contribution. This situation may well be unchanged.

38. The simplest remedy for this risk is to increase the dollar amount of the subsidy to a point where the scheme is effectively free for retailers. This option would be open to Cabinet down the track, if that is considered desirable. Within the scope of the current scheme, however, our intended mitigation is to try and maximise competition among participating suppliers, in order to keep prices reasonable.

Residual integrity risks

39. A residual level of risk is inherent to a 'light touch' market-led scheme. The checks and balances set out above will reduce the level of risk of fraud and misuse, but not eliminate it.
40. A 'light touch' approach was taken in the Covid-19 wage subsidy scheme. It did however involve a relatively high level of audit, especially as it progressed. In the scheme's latter stages, MSD (the administering agency) sought prosecutions and naming/shaming for entities that abused the scheme. Nonetheless, the level of audit and verification still attracted criticism from the Auditor-General.
41. MBIE is considering lessons learned from the Covid-19 support schemes, and building these into the FCSS scheme design as we can. This includes provision for spot checks, investigating complaints, and setting aside a contingency for targeted audits.
42. In respect of enforcement, the most likely sanction where misuse of the subsidy is found to have occurred is removal from the supplier list and refusal to pay the subsidy (or seeking claw back). A prosecution would not be sought in every case – as realistically, it is unlikely to be in the public interest to prosecute an individual case involving a \$4,000 subsidy.

Funding requirements and decisions

Estimated administration costs

43. Since our last briefing, we have estimated the potential costs to setup and administer the FCSS in more detail. Operating the scheme will require a range of different resources across MBIE functions. This includes, for example:
- ICT systems design/build capital
 - procurement
 - project management
 - finance staff for invoicing and checks
 - financial information management system integration
 - contact centre staff and processing to answer queries.
44. A more detailed breakdown of costs across high-level functions is attached as **Annex One**. Based on these estimated costs \$3.154 million in operational funding will be required to operationalise and administer the FCSS over its three years of operation.

Full drawdown of the funding as soon as possible is desirable

45. The FCSS's total cost will largely depend in retailer uptake. We currently cannot estimate what the uptake is likely to be. Based on Police's experience in 2018, it is possible that uptake will be light, at least initially. The requirement for the retailer to make a \$2,000 contribution meant that very few were interested.
46. But equally, incentives on retailers may have shifted since 2018, and it is also possible that the scheme will be heavily subscribed from the outset. The \$7.5 million sought for subsidising fog cannons will purchase 1,875 of them. We estimate that this covers less than 10% of the total number of retailers who will be eligible.

47. For this reason, we recommend that the full \$10.654 million be drawn down in whole, as soon as possible, and appropriated via multi-year appropriations. This would ensure that upfront establishment costs are covered, and all the funds for subsidising fog cannons are available from the outset.
48. Operational readiness to deliver the subsidy payments will be important to ensure the scheme's credibility. Building in a need for multiple drawdowns of contingent funding will be inefficient, and raise a risk of gaps in the scheme's coverage. Multi-year appropriations also provide the flexibility needed for a demand-driven subsidy scheme.

Part Two: Retail Crime Prevention Programme (RCPP)

Extending RCPP eligibility criteria to include aggravated robbery will cover up to 500 additional small businesses and additional funding is required

49. The RCPP was established in mid-2022 to support small business retailers that have been the victim of a ram raid since 1 November 2021. Maintenance of the law [REDACTED] Police are responsible for the design and operation of the programme.
50. Following Cabinet's 28 November decision, the RCPP eligibility criteria have been expanded to include small business retailers that have been the victim of a ram raid or an aggravated robbery since 1 November 2021.
51. Police estimate the expanded criteria will cover an additional 500 small businesses. Police are working to start delivery of the expanded programme as soon as practicably possible. The current programme uses a multi-stage process to identify eligible participants and has experienced limitations on pace of delivery due to supply chain issues, delays in accessing retailer premises and staffing limitations. The rollout of the expanded programme will face similar challenges.

Additional funding for the RCPP of up to \$6 million is sought

52. Police consider additional funding of up to \$6 million will be required to deliver the expanded programme. The additional funding is needed to provide for:
 - Increasing Police's capacity to deliver the expanded programme. Police estimate four to five additional FTEs will be required at a total cost of \$400,000 over a 12-month period.
 - Purchase and installation of equipment for eligible businesses. This could equate to a cost of \$5.350 million to enable support to be provided to October 2023, if similar patterns of offending to the past 12 months continue. If offending changes, this estimate will change accordingly.
 - A \$250,000 contingency budget to enable delivery of the expanded RCPP. This would cover Police's operating costs and any changes in the cost of delivery.
53. We seek approval from Joint Ministers to allocate \$6 million in 2022/23 from the between-Budget contingency, established as part of Budget 2022.

Delivery challenges mean some RCPP funding may need to be transferred to 2023/24

54. We anticipate that, while the work of the RCPP will continue to ramp up throughout the rest of this financial year, external factors such as delivery and installation challenges mean the solutions will be implemented over multiple years.
55. It is likely that some funding will need to be transferred to 2023/24 to enable the continuation and completion of the programme in the next financial year. If needed, this will be sought through the 2023 March Baseline Update, for approval by the Minister of Police and the Minister of Finance.

Next steps

56. MBIE will:

- seek expressions of interest from retailers, in order to test demand and increase retailers' understanding of the scheme's broad outline – to take place in December
- consult with retailers and potential suppliers on the proposed design of the fog cannon subsidy scheme, as set out in this paper – to start now and continue into January
- provide you with further advice, and seek your agreement to any changes to the scheme's design or other foundational elements after this consultation – most likely in late January 2023.

57. Police will continue to work with existing retailers identified as qualifying for the RCPP and is working to start delivery of the extended programme as soon as practicably possible.

Annex One: Estimated Fog Cannon Subsidy Scheme costings

	FY22/23	FY23/24	FY24/25	Total
Departmental costs				
Personnel	538,750	460,000	363,750	1,362,500
I.T support / system build costs	200,000	50,000	50,000	300,000
Service centre costs	50,000	50,000	50,000	150,000
I&E promotional Spend - newsletters, emails	122,500	45,000	45,000	212,500
Procurement Process	210,000	-	-	210,000
Other / Contingency	75,000	75,000	75,000	225,000
Corporate Overheads	223,000	252,000	218,357	693,357
Total costs	1,419,250	932,000	802,107	3,153,357
Non Departmental - subsidy	2,250,000	3,750,000	1,500,000	7,500,000
Total Funding	3,669,250	4,682,000	2,302,107	10,653,357



BRIEFING

Fog Cannon Subsidy Scheme: Selection of fog cannon providers, implementation timeline and funding

Date:	14 December 2022	Priority:	Urgent
Security classification:	In Confidence	Tracking number:	2223-2178

Action sought		
	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Agree to the selection criteria and process for providers of fog cannons to join the Fog Cannon Subsidy Scheme (FCSS).	As soon as possible
Hon Kelvin Davis Minister of Corrections		
Hon Chris Hipkins Minister of Police		
Hon Stuart Nash Minister for Small Business		
Hon Kiri Allan Minister of Justice	Agree to the recommendations covering the FCSS's implementation timeframe, and note the risks posed by this truncated timeframe.	
Rt Hon Jacinda Ardern Prime Minister	For your information	

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

Fog Cannon Subsidy Scheme: Selection of fog cannon providers, implementation timeline and funding

Date:	14 December 2022	Priority:	Urgent
Security classification:	In Confidence	Tracking number:	2223-2178

Purpose

To:

- set out a revised selection criteria and process for providers of fog cannons to join the Fog Cannon Subsidy Scheme (FCSS)
- set out an expedited implementation process and timeframe for FCSS, and alert you to the risks this poses, and
- seek implementation funding for the FCSS.

Executive summary

On 28 November 2022 Cabinet agreed to subsidise up to \$4,000 for the purchase and installation of fog cannons by small retail businesses, and for this to be administered by MBIE. Since then we have provided you with advice on how the subsidy would be designed and administered, retailer and provider eligibility to participate, MBIE's funding requirements, and implementation timeframes [2223-2104 and 2223-2033 refer].

You agreed to the subsidy's high level design, but questioned the proposed approach to approving providers and directed that the implementation timeframe be expedited.

This briefing seeks your agreement to:

- A revised process to identify and approve providers, which would see us prioritising engagement with Police's existing providers, at least initially.

Confidential advice to Government

- An expedited FCSS implementation process, which targets full go live by **February 2023**. Preceding this, retailers and potential providers will be able to express interest in participating from **this week**, and potential providers will be able to apply for approval in the week of **19 December**.
 - Expediting the establishment process by this extent poses additional delivery risks. These include ICT readiness, reduced system capability to detect fraudulent activity, more need for manual intervention (raising administration costs), and a higher possibility that last-minute issues derail the timeframe.

Separately, Ministers have indicated that the initial \$10 million funding envelope is to cover both the FCSS and the expanded Retail Crime Prevention Programme (RCPP) administered by Police.

This paper seeks funding for the establishment and initial operation of the FCSS. The Office of the Minister of Police has indicated that additional funding is not yet required for the RCPP, and that Police will report back to Joint Ministers in March 2023 on any additional funding required to continue the expanded RCPP.

Recommended action

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

- a **Note** that in response to the MBIE/Police briefing *Fog Cannon Subsidy Scheme and Retail Crime Prevention Programme – further decisions (2223-2104)*, Ministers directed that:
- a. MBIE reconsider the approach to approving fog cannon providers to participate in the Fog Cannons Subsidy Scheme (FCSS)
 - b. MBIE expedite the FCSS implementation timeframe
 - c. MBIE and Police resubmit a combined implementation funding request for the FCSS and Retail Crime Prevention Programme (RCPP), with the initial drawdown not to exceed \$10 million.

Noted

Process for approving fog cannon providers

- b **Agree** to a revised approach to approving fog cannon providers, under which existing Police providers will be prioritised for approval (if they are willing to participate), and other potential providers will be assessed for approval as they put themselves forward.
- Agree / Disagree*
- c **Agree** to the proposed criteria for fog cannon providers to gain approval to participate in the FCSS:
- a. the company is registered and solvent
 - b. it is not subject to compliance action in any of MBIE's jurisdictions (including by Worksafe)
 - c. it has adequate insurance to cover public liability and indemnity (with minimum coverage of \$2 million)
 - d. its staff have any necessary registrations to install fog cannons (eg for electrical work)
 - e. that all fog cannons it installs under the scheme are covered by a minimum one-year warranty period and service plan.
- Agree / Disagree*
- d **Note** that we do not propose a good character test for the company's principals or directors, because establishing a criteria and process for this would require a timeline extension.
- Noted*
- e **Note** that there are no existing product standards for fog cannons and in the time available we do not propose to develop any, and that we will instead require that providers offer a minimum one-year warranty and service plan.

Noted

Implementation timeframe

- i **Note** that the timeframe we previously proposed targeted go-live in April 2023, and that this was based on maximising the number of participating providers on go-live, building in automated mechanisms to detect fraudulent activity, robust testing of online forms and automated processes, and allowance for staff sickness.

Noted

- j **Agree** to a revised timeframe that targets implementation by February 2023 (ie with all establishment work to be completed during January).

Agree / Disagree

- k **Note** the risks that this expedited timeframe presents:

- ICT readiness, due to rushed development, insufficient testing and key staff availability combined with absence, or reduced output due to COVID
- reduced system capability to detect fraudulent activity
- a higher need for manual intervention, raising MBIE's administration costs slightly
- a higher possibility that last minute and unforeseen issues derail the timeframe

Legal professional privilege

Noted

Funding

- l **Note** that on 28 November 2022 Cabinet authorised joint Ministers to take further decisions on funding for the FCSS [CAB-22-MIN-0548].

Noted

- m **Note** Ministers have indicated that the initial \$10 million funding envelope is to cover both the FCSS and the expanded Retail Crime Prevention Programme (RCPP) administered by Police.

Noted

- n **Note** that the office of the Minister of Police has indicated that additional funding is not yet required for the RCPP.

Noted

- o **Agree** to Police providing an update on the RCPP in March 2023, that will set out the costs of the programme to date, and seek any additional funding required to continue the expanded programme.

Agree / Disagree

- p **Note** that in order to ensure that the FCSS can be set up and meet demand MBIE recommends the amount of funding set out below be appropriated, and, subject to subsidy demand, for further drawdown requests to be made to Joint Ministers in future.

Noted

- q **Agree** to establish the following new appropriations to give effect to the policy decision in recommendation I above:

Vote	Appropriation Minister	Appropriation Administrator	Title	Type	Scope
Business, Science and Innovation	Minister of Police	Ministry of Business, Innovation and Employment	Retail Crime Subsidy Scheme	Non-Departmental Output Expense	This appropriation is limited to providing subsidy payments to eligible small retailers.
Business, Science and Innovation	Minister of Police	Ministry of Business, Innovation and Employment	Administration of the Retail Crime Subsidy Scheme	Departmental Output Expense	This appropriation is limited to administration and ancillary services related to the Retail Crime Subsidy Scheme.

Agree / Disagree

- r **Approve** the following changes to appropriations to give effect to the policy decision in recommendation I above, with a corresponding impact on the operating balance and net debt:

Vote Business, Science and Innovation Minister of Police	\$m – increase/(decrease)				
	2022/23	2023/24	2024/25	2025/26	2026/27 & outyears
Non-departmental Output Expense: Retail Crime Subsidy Scheme	2.250	3.750	-	-	-
Departmental Output Expense: Administration of the Retail Crime Subsidy Scheme (funded by Revenue Crown)	1.263	1.105	-	-	-
Total Operating	3.513	4.855	-	-	-

Approved / Not Approved

s **Agree** that the changes to appropriations for 2022/23 above be included in the 2022/23 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply.

Agree / Disagree

t **Agree** that the expenses incurred in recommendation h above be charged against the between-Budget contingency established as part of Budget 2022.

Agree / Disagree

u **Note** that if demand or supply constraints mean fog cannon installations and subsidy payments need to be spread over a longer time period, officials will report back to Joint Ministers and, if appropriate, seek agreement to expense transfers of funding into future years.

Noted

Privacy of natural persons

Kate Challis
Manager, Small Business Policy
MBIE

..... / /

Hon Grant Robertson
Minister of Finance

..... / /

Hon Kelvin Davis
Minister of Corrections

..... / /

Hon Chris Hipkins
Minister of Police

..... / /

Hon Stuart Nash
Minister for Small Business

..... / /

Hon Kiri Allan
Minister of Justice

..... / /

Background

1. On 28 November 2022 Cabinet agreed to subsidise up to \$4,000 for the purchase and installation of fog cannons by small retail businesses, and for this Fog Cannon Subsidy Scheme (FCSS) to be administered by MBIE [CAB-22-MIN-0548]. Cabinet authorised the Minister of Finance, Minister of Corrections, Minister of Police, Minister for Small Business and Minister of Justice to make the necessary decisions to implement the scheme.
2. On 1 December, Ministers made a number of initial decisions regarding eligibility, scope and design approach for the implementation of the FCSS [2223-2033]. On 8 December, Ministers received further advice on eligibility, criteria for providers, funding and the implementation timeframe [2223-2104]. In response, Ministers directed that:
 - MBIE reconsider the proposed approach to approving fog cannon providers to participate in the FCSS
 - MBIE reconsider the proposed FCSS implementation timeframe, with a view to faster rollout
 - MBIE and Police resubmit a combined implementation funding request for the FCSS and Retail Crime Prevention Programme (RCPP), with the initial drawdown not to exceed \$10 million.

Selection criteria and process for fog cannon providers to participate in the FCSS

Approving providers to participate in the FCSS will help ensure its integrity

3. Ministers have agreed to a market led-approach that involves approving fog cannon providers. There are no licencing requirements or industry standards applicable to fog cannons and their installation that we are aware of (beyond the requirement for electricians to be licenced).
4. One way of expediting FCSS implementation timeframes, therefore, would be to have a completely 'open entry' approach to providers. In most extreme form, that approach would see MBIE have no interaction with providers, and instead, the onus would be on retailers to find a provider, organise and pay for the work, and then submit an invoice for reimbursement.
5. This approach would have the advantage of removing an entire workstream from the FCSS establishment process. It would also have disadvantages, however.
 - Integrity risks would be higher, as the requirement for providers to be approved (and maintain that approval) is an important check on fraud and misuse.

Confidential advice to Government

- It would be administratively more complex. Reimbursing a large number of retailers directly is more complex (and would be more time consuming) than paying a much smaller number of companies directly.
- Retailers would need to pay the full price of the installation up front. Many may not have this level of capital available.

6. For these reasons, we think it is important to assess providers before they can participate in the FCSS, rather than adopt an 'all comers' approach. This requires approval criteria to be developed, and a process for inviting potential providers to seek approval.

We initially proposed to engage with the market, and then assemble a list of approved providers

7. Our 8 November briefing informed you that more provider supply is necessary for the FCSS to proceed alongside the RCPP. To achieve this, we proposed a two-stage process to build a list of approved providers.
 - Firstly, engaging with retailers and the security equipment industry to learn about what minimum standards should apply, and generate interest among providers.
 - Secondly (once the minimum criteria were established), assembling a list of approved providers.
8. This process would enable us to first consult with stakeholders on potential approval criteria for providers, and then apply those criteria. It would also enable us to maximise the number of providers who are interested in participating.

We now propose to start off with Police's current providers, and add more as we can over time

9. The Minister of Police and Minister for Small Business directed MBIE to consider how it can leverage the process Police has already used to approve providers for the RCPP.
10. We now propose a new approach, under which we will invite potential providers to register their interest in participating, via a posting on the Government Electronic Tender Service. We will publish this next week.
11. We will directly invite Police-approved providers to participate during our discussions with them this week. If they are interested, we expect to be able to approve at least some of them in the week of 16 January.
12. Further providers will be approved as and when they can demonstrate that they meet the required criteria. They will have the opportunity to put themselves forward for the approved list in the week of 19 December. We will process applications as they arrive, with the aim of making decisions as soon as is feasible.

We seek agreement to a small set of approval criteria for providers

13. In order to facilitate an expedited process, and maximise the number of approved providers, we propose a 'minimum viable scope' to the criteria for approval. The criteria would be:
 - a. the company is registered and solvent
 - b. it is not subject to compliance action in any of MBIE's jurisdictions (including by Worksafe)
 - c. it has adequate insurance to cover public liability and indemnity (with minimum coverage of \$2 million)
 - d. its staff have any necessary registrations to install fog cannons (eg for electrical work)
 - e. that all fog cannons it installs under the scheme are covered by a minimum one-year warranty period and service plan.
14. Applications from potential providers will receive a yes/no outcome. We would not negotiate or vary these terms.
15. In addition to meeting these criteria, approved providers would be required to provide a costed catalogue/product range (including an hourly rate and/or standard installation fee).

This would be held on file. If the provider changes their product line, they would be required to inform MBIE. If their prices vary significantly from that which is notified to MBIE, without a reasonable explanation, they would be liable for removal from the approved provider list.

16. We considered requiring a 'good character' check for the company's directors or principals, but establishing this would not be consistent with the desired timeframe. These checks require a detailed criteria and process for accessing relevant information to be established – neither of which are necessarily straightforward.
17. The timeframe does not allow for developing a minimum product quality/functionality criteria. In any event we were unsure if this was necessary, because if the bar is set too high, supply will be unduly constrained, and retailers forced to purchase unnecessarily expensive fog cannons. We will instead require that providers offer a minimum one-year warranty and service plan (as per the RCPP).

Contracts with approved providers will include obligations to meet and maintain compliance with the selection criteria

18. The contract will require that the providers meet minimum standards and regulations (e.g. health and safety, hazardous materials). Any failure to comply would be a breach of contract and be cause for termination. Providers would be required to undertake all work in accordance with appropriate professional standards.
19. MBIE will retain the ability to terminate the contract for convenience and for breach, and to introduce new eligibility criteria (that all the approved providers will need to comply with).

Risks of this updated approach

20. The expedited implementation timeframe does not allow for the two-stage process we originally proposed. This raises several risks:
 - Police's existing providers, even if they are willing to participate in the FCSS, may struggle to meet additional demand under the FCSS. In this case, Police would likely prefer that they prioritise RCPP jobs, and retailers wanting to access the FCSS will need to wait.
 - By the time the FCSS goes live, few providers may be approved. This depends on their interest, and how quickly they respond to the opportunity to participate. This risk is elevated because we are about to enter the Christmas holiday period.
 - Without a full provider process there is a risk that we do not have nationwide coverage of providers when the FCSS goes live. Some locations in New Zealand will not have a local provider and the costs of an install will increase to have that provider work in their area.
 - Further, the first providers to respond may acquire the majority of the demand from retailers and then struggle to meet that demand. This has the potential to generate complaints from retailers, driving calls to MBIE call centres and attracting negative press.

Legal professional privilege



Implementation timeframes

Our initial implementation timeframe was for the FCSS to be live in April 2023

21. Our 8 November briefing proposed to going live in April 2023. This would allow for:
- robust security and user acceptance testing of the online forms
 - a fully resourced establishment implementation team to be stood up, and
 - the end-to-end process to be as user-friendly as possible.
22. Ministers directed that MBIE reconsider this timeframe, with a view to faster implementation.

The revised implementation timeframe would see all implementation work completed in January, with go live no later than February

23. We have revised the implementation process and timeframes significantly to achieve this. To this end, we have focused on the minimum viable scope only. This will impact the process by which we stand up the scheme, and the processes/tools that it utilises. The proposed process, and dates by which the various elements will be stood up, is outlined in Annex One.
24. In summary:
- this week, the Expression of Interest form for retailers will go live upon announcement of the scheme
 - next week (once scheme is announced), applications to become an approved provider will be posted on the Government Electronic Tender Service
 - key actions in January will be:
 - first set of provider contracts signed
 - provider list established and published on business.govt.nz
 - retailer application process goes live.

Risks of an expedited implementation process

25. Truncating the establishment process poses significant delivery risks, as set out below.

ICT failure, due to accelerated development and insufficient testing

- The FCSS is dependent on ICT for retailer registrations (including provision of a voucher), provider invoicing, and reporting. Any one of these represents a potential point of failure. If the retailer registration process does not work, they can be expected to be disappointed.
- A standard ICT deployment of this nature would be carefully tested for functionality, security and system integration. This level of testing cannot take place under the revised timeframe.
- If the ICT fails, we would look to implement a manual workaround (for example, providing a PDF form for download which can be returned to MBIE via email). This would not be as user-friendly, however.

Reduced system capability to detect fraudulent activity

- Under the minimal viable scope approach that is required to expedite the timeframe, only the retailer application process will be automated. A manual process will be used for providers' invoices. Maintenance of the law

Confidential advice to Government

More need for manual intervention, raising administration costs

- A highly automated process enables processing efficiencies, meaning that staff can instead focus on customer service and integrity checks.
- We still propose to automate the process as much as is possible. At minimum, however, more integrity checks will need to be undertaken manually.
- Depending on how well the ICT component performs, large-scale manual processing might also be required. Should this be the case, our administration costs will increase.
- The system's 'help' functionality will not be optimal, leading to more queries to our contact channels and increasing manual interventions.

A higher possibility that last minute and unforeseen issues derail the timeframe.

- The revised timeframe features no tolerance for unforeseen events or complexities. Should these arise, and no ready resolution be available, the go live date will need to be delayed.
- The absences for COVID-19 related illness continues to increase across our delivery teams. Further absence could compromise our ability to deliver.

Confidential advice to Government

Funding needed to implement the scheme

28. In response to our previous advice, Ministers have indicated that the initial \$10 million funding envelope is to cover both the FCSS and the expanded RCPP.
29. The Office of the Minister of Police has indicated that additional funding is not yet required for the RCPP, and Police will report back to Joint Ministers in March 2023 on any additional funding required to continue the expanded programme.

30. Ministers have indicated to officials that funding should be requested for the establishment and initial operation of the FCSS and that subject to demand further funding may be requested in future.
31. MBIE recommends that to be able to establish the FCSS and be able to meet potential demand for subsidy payments as fog cannons begin to be installed, the below departmental and non-departmental funding is required for the remainder of the 2022/23 and 2023/24 financial years.
32. To mitigate the risk of retailers hoarding vouchers rather than using them, and the risk of spending beyond the appropriation, we propose to give each voucher a six-month expiry. If it expires unused, the retailer could apply for another voucher.

Vote Business, Science and Innovation Minister of Police	\$m – increase/(decrease)				
	2022/23	2023/24	2024/25	2025/26	2026/27 & outyears
Non-departmental Output Expense: Retail Crime Subsidy Scheme	2.250	3.750	-	-	-
Departmental Output Expense: Administration of the Retail Crime Subsidy Scheme (funded by Revenue Crown)	1.263	1.105	-	-	-
Total Operating	3.513	4.855	-	-	-

33. Changes made to how the FCSS will be designed and implemented to meet Minister's expectations of implementation by February discussed above result in slightly overall higher resourcing impacts for MBIE to deliver the scheme than first advised (e.g. more ongoing manual processing and checks).
34. We are still building our understanding of the potential demand and supply pipeline for installations. At this stage we estimate that the amount of non-departmental funding requested would deliver approximately 1,500 subsidy payments for fog cannon installations over 18 months (January 2023 – July 2024).
35. It is possible that the demand or supply constraints may mean actual speed of fog cannon installations and subsidy payments need to be spread over a longer period of time. If this occurs officials will report back to Joint Ministers and may seek agreement to expense transfers for the above funding into future years.

Next steps

36. Subject to your feedback on this paper, we will:
 - open an online Expression of Interest form for retailers (this week)
 - continue our discussions with the existing Police providers, to encourage their participation in the FCSS (this week)
 - publish an Invitation to Register on the Government Electronic Tender Service to invite applications from interested providers, and support this by proactive outreach to the security equipment sector and related industry bodies (next week).

Confidential advice to Government

37. We will keep you updated on progress via weekly reporting and additional briefings as required.

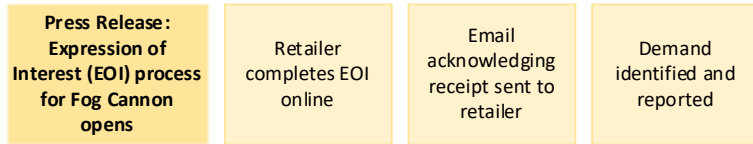
Annexes

Annex One: Proposed process, and dates by which the various elements will be stood up.

Annex Two: Overview of MBIE's costs.

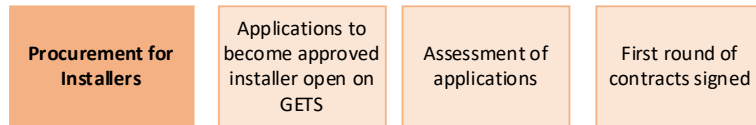
Annex One: Proposed process, and dates by which the various elements will be stood up

Before Christmas

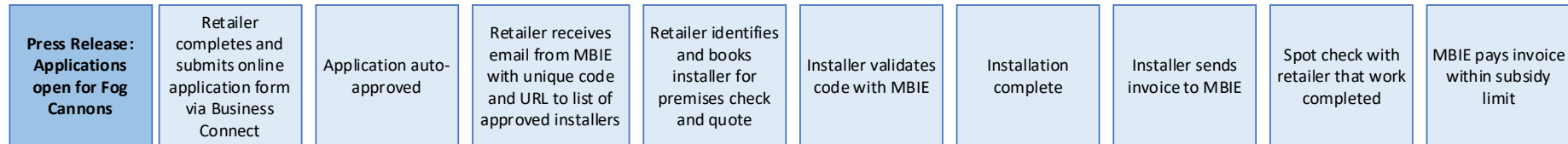


Reporting available on daily basis

Before Christmas Early January Mid-January



End of January



Capability to turn off auto-approve where demand nears supply

Business Connect provide reporting on application numbers

Operational reporting on progress

Financial reporting on subsidy

Annex Two: Overview of MBIE's costs

Fog Canon Costings

	FY22/23	FY23/24	FY24/25	Total
Departmental costs				
Personnel	463,750	510,000	338,750	1,312,500
I.T support / system build costs	150,000	50,000	50,000	250,000
Service centre costs	50,000	50,000	50,000	150,000
I&E promotional Spend - newsletters, emails	122,500	45,000	45,000	212,500
Procurement Process	136,500	43,500	30,000	210,000
Other / Contingency	133,333	133,333	133,333	400,000
Corporate Overheads	207,037	273,647	213,924	694,607
Total costs	1,263,120	1,105,480	861,007	3,229,607
Total costs (rounded)	1,263,000	1,105,000	861,000	3,229,000
Non Departmental - subsidy	2,250,000	3,750,000	1,500,000	7,500,000
Total Funding	3,513,120	4,855,480	2,361,007	10,729,607



AIDE MEMOIRE

Adjustment to Fog Cannon Subsidy Appropriation

Date:	2 March 2023	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2223-2827

Information for Minister
Hon Stuart Nash Minister of Police
Hon Ginny Andersen Minister for Small Business

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Michelle Schulz	Policy Director, Small Business, Commerce and Consumer Policy	Privacy of natural persons	✓
William Townsend	Senior Policy Advisor		

The following departments/agencies have been consulted
N/A

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

Comments



AIDE MEMOIRE

Adjustment to Fog Cannon Subsidy Appropriation

Date:	2 March 2023	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2223-2827

Purpose

To inform you of our intention to transfer \$1.000 million in non-departmental funding for the Fog Cannon Subsidy Scheme from 2023/24 to 2022/23, to ensure sufficient funding is available for installations this year.

Privacy of natural persons

Michelle Schultz
Policy Director,
Small Business, Commerce and Consumer Policy

2.1031.23

Background

1. The Fog Cannon Subsidy Scheme (**FCSS**) is a joint Minister of Police and Minister for Small businesses initiative that was announced by the Government on 15 December 2022 to support small retailers with subsidy payments towards the cost of installing a fog cannon.
2. \$6.000 million in funding for subsidy payments was approved by Ministers, with the Minister of Police as appropriation Minister. \$2.250 million was allocated in 2022/23 and \$3.750 million in 2023/24 on the proviso that officials may need to seek funding transfers between years to respond to unpredictable demand for fog cannon installations.
3. We now intend to arrange for a funding transfer to meet higher-than-budgeted demand for fog cannon installations this financial year. No action is required from you as this adjustment will be made through the Budget 2023 technical adjustments process on 6 March 2023.

MBIE began operating the FCSS on 1 February 2023

4. The FCSS works as follows:
 - a. retailers apply to MBIE for a voucher – which can be spent purchasing a fog cannon from any approved provider
 - b. the retailer shops around the approved providers, selects one, and instructs them to install a fog cannon

- c. the fog cannon provider completes the installation, then seeks reimbursement from MBIE for up to \$3,478 (GST exclusive) using the retailer's voucher, which can only be redeemed once.
5. The key metrics, therefore, are the number of retailer vouchers issues, number of installations completed, and the installation rate (the proportion of vouchers issues against installations completed).

Demand for fog cannon subsidies is higher than budgeted for 2022/23...

6. As of 1 March 2023, we had issued 456 retailer vouchers, averaging 114 per week. While it is difficult to accurately estimate demand through to 30 June, we think that by then up to 1,500 vouchers may have been issued.
7. The latest round of provider reporting received on 20 February advised that 49 fog cannon installations had been completed, with another 72 expected to be undertaken. 120 installations completed out of 456 vouchers issued is a 26% installation rate.
8. We expect the installation rate to increase, however, as there are now more approved providers, and they are ordering more stock into the country. Increasing the installation rate to a conservative 60% of vouchers issued would mean that by June 30 we could expect a total of 900 installations to have been completed.
9. As noted above, for the non-departmental output appropriation, \$2.250 million was allocated to 2022/23, and \$3.750 million to 2023/24. This was on the basis that there would only be five months of 2022/23 left to run when the FCSS commenced, whereas for 2023/24, the scheme could be open for a further 12 months.
10. The \$2.250 million appropriation for FY 22/23 allows for around 646 installations at a payment cost of \$3,478 each (\$4,000 minus GST). As noted above, however, we now forecast that with up to 900 potential installations this financial year MBIE may have insufficient funding to meet demand.

...so we intend to bring forward \$1 million from 2023/24 to 2022/23

11. To remedy this potential shortfall, we intend to transfer \$1.000 million of the Retail Crime Subsidy Scheme non-departmental appropriation from 2023/24 to 2022/23. This will ensure there are sufficient funds available in this financial year's budget to cover the maximum expected number of installations up to June 30.
12. The appropriate vehicle for achieving this is the Budget 2023 technical adjustments process expected to be considered on 6 March 2023. The following adjustment will be included in the technical adjustment process:

Vote Business, Science and Innovation Minister of Police	\$m – increase/(decrease)				
	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Non-departmental Output Expense: Retail Crime Subsidy Scheme (funded by revenue Crown)	1.000	(1.000)	-	-	-

Next steps

13. If in the next few months fog cannon provider reporting indicates the installation rate is not as high as expected, MBIE will arrange for unspent funds to be transferred to 2023/24 by way of In Principle Expense Transfer through the October Baseline Update.



BRIEFING

Fog Cannon Subsidy Scheme: Managing the remaining funding and decisions about the provider panel

Date:	21 April 2023	Priority:	High
Security classification:	In Confidence	Tracking number:	2223-3420

Action sought		
	Action sought	Deadline
Hon Ginny Andersen Minister of Police Minister for Small Business	Indicate your preferred approach.	26 April 2023

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Michelle Schulz	Policy Director	Privacy of natural persons	✓
Kate Challis	Manager, Small Business Policy		
Glen McCloy	Business Specialist, Fog Cannon Subsidy Scheme		
Abby Mather	Policy Advisor, Small Business Policy		

The following departments/agencies have been consulted
Police

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

Fog Cannon Subsidy Scheme: Managing the remaining funding and decisions about the provider panel

Date:	21 April 2023	Priority:	High
Security classification:	In Confidence	Tracking number:	2223-3420

Purpose

To provide an update on the Fog Cannon Subsidy Scheme (FCSS), and seek decisions relating to managing the remaining funding, and potential amendments to the provider panel.

Executive summary

The FCSS went live on 1 February 2023. Its design is market-led. We provide eligible retailers with a voucher of up to \$4,000 they can use with a provider on our FCSS panel to supply and install a fog cannon. There is no requirement for a retailer to have been the victim of a ram raid or aggravated robbery to access the subsidy. The FCSS works alongside but is separate from the Police's Retail Crime Prevention Programme (RCPP) which supports crime-impacted retailers by organising and paying for increased security measures such as bollards, CCTV, alarm systems and fog cannons.

As of Tuesday 18 April 2023, 892 retailers have been issued with a voucher. The scheme's funding allows for around 1,700 vouchers to be issued. We are likely to allocate the remaining 800 vouchers, therefore committing most of the available funding by the end of August 2023. Unused vouchers expire six months after issue – these funds then become available for reissue in a new voucher to a new retailer. When we run out of funding for new vouchers, we will waitlist retailer applicants until expired vouchers become available for reissue. Retailers could be waiting for months for a voucher or may not be issued one at all. If requested, we can investigate funding options alongside Treasury. However, if no further funding is available, communications about voucher rationing and likely wait times should be provided early. We would also recommend considering whether to suspend the approval of new providers to the FCSS provider panel.

The market-led approach to the design of the FCSS allows retailers to choose from providers on the FCSS panel offering a range of fog cannons at different price points. There are currently 23 providers on the FCSS panel. The FCSS panel provider selection criteria do not specify product standards for fog cannons. As such, there is variation in the operability of fog cannons being offered.

Commercial Information

If you wish to ensure that all fog cannons installed under the FCSS are interoperable with the RCPP, Joint Ministers could agree to amend the approval criteria for FCSS providers, and we have identified an appropriate international product standard that could be used. You would then also need to decide whether to apply the amended criteria to new FCSS providers only, or to all FCSS providers. If you choose to amend the criteria and for these to apply to all FCSS providers, we recommend suspending the approval of new providers to the FCSS provider panel and set a future activation date for the change to allow current impacted providers the opportunity to demonstrate alignment with the standard. As the process for amending the criteria would take some time, in making this decision, consideration would also need to be given to decisions relating to the future funding of the scheme.

Recommended action

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

Managing the remaining funding

a **indicate** your preference for the future of the programme:

- i. maintain the status quo, and prepare communications regarding waitlisting retailer applications until expired vouchers become available and likely wait times

Agree / Disagree

OR

- ii. MBIE to investigate additional funding options

Agree / Disagree

Product specifications and the provider panel

b **indicate** your preference for amending the criteria for the FCSS providers:

- i. maintain the status quo, and make no amendments to the FCSS provider criteria

Agree / Disagree

OR

- ii. introduce a new fog cannon product specification to ensure that all fog cannons installed under the FCSS interoperable with the RCPP

Agree / Disagree

c **note** that as the process for amending the criteria would take some time, in making this decision consideration would also need to be given to decisions relating to the future funding of the FCSS

Noted

d if you agree to amend the criteria, **indicate** whether you would like the new criteria to apply:

i. to new FCSS providers only

Agree / Disagree

OR

ii. to all providers on the FCSS panel

Agree / Disagree

Suspending applications for the FCSS provider panel

e **note** that if no further funding is available we would recommend considering to suspend the approval of new providers to the FCSS provider panel

Noted

f **note** that if you agree to amend the criteria and want the new criteria to apply to all FCSS providers, we would recommend to temporarily suspend new applications for the provider panel while the new criteria are put in place

Noted

Next steps

g **note** that if your preference is to explore options for further funding the FCSS and/or amend the criteria, we will prepare a decision paper for Joint Ministers

Noted

Privacy of natural persons

Kate Challis
Manager, Small Business Policy
MBIE

21 / 4 / 23

Hon Ginny Andersen
Minister of Police
Minister for Small Business

..... / /

Background

1. On 28 November 2022 Cabinet agreed to subsidise up to \$4,000 for the purchase and installation of fog cannons for eligible small retail businesses, and delegated Joint Ministers to make design decisions [CAB-22-MIN-0548].
2. Joint Ministers made decisions on the design of the scheme in December [2223-2033, 2223-2104, 2223-2178 refers] and the Fog Cannon Subsidy Scheme (FCSS) became operational on 1 February 2023. Total funding for the FCSS is \$8.3 million, with \$6 million available for non-departmental spend and \$2.3 million departmental spend.

Key features of the FCSS

It is a subsidy scheme

3. The FCSS was introduced to provide financial assistance to small retailers to help purchase fog cannons, with no requirement for them to have been the victim of a ram raid or aggravated robbery to access the subsidy. It works alongside but is separate from the Retail Crime Prevention Programme (RCPP), which is managed by Police. The RCPP was put in place to support businesses impacted by serious crime such as ram raids or aggravated robbery. Through this programme, Police supports crime-impacted retailers by organising and paying for increased security measures such as bollards, CCTV, alarm systems and fog cannons. Retailers accessing the RCPP programme make a capped contribution of \$250.

It is market-led

4. Joint Ministers agreed to a market-led approach to the design of the FCSS, where retailers directly engage with providers who are approved to install subsidised fog cannons. Joint Ministers chose this approach as it is low burden for retailers, scalable, cost effective and timely [2223-2033 refers].
5. Retailers apply for the subsidy with MBIE via an online gateway. Retailers self-declare their eligibility and agree to abide by the terms of the subsidy scheme. They are then issued a voucher of up to \$4,000 in value, which they use with their selected 'approved provider'.
6. 'Approved providers' are part of a panel managed by MBIE (the FCSS panel). Potential providers apply to sit on the panel through GETS in an open market procurement process. New appointments to the provider panel are made continuously, and potential providers may submit an application at any time. There is no cap on the number of approved providers.
7. This approach differs from the RCPP, under which Police identify eligible retailers through an assessment process, co-ordinate the installation of security equipment (including but not limited to fog cannons) and organise payment.

Managing the remaining funding

Interest in the FCSS has been high

8. As of Tuesday 18 April 2023, 892 retailer applications have been approved. This includes 342 installations which have now been completed, with another 206 booked to take place over the coming months.
9. We have 23 providers on the FCSS panel and interest remains steady, with around three applications made each week. We are currently assessing 16 provider applications.

Forecasting suggests we will have committed most of the funding by August 2023

10. Total funding for the FCSS is \$8.3 million. The non-departmental funding of \$6 million allows for approximately 1,700 vouchers. This leaves approximately 800 vouchers available for allocation.
11. On average, we issue around 260 vouchers per month. If this trend continues it will see all vouchers issued by August 2023. However, this does not mean that all the funding has been spent. Unused vouchers expire six months after they were issued, so it is only once that voucher is redeemed via a provider invoice that it becomes actual spend.
12. By August we will also start to see unused vouchers being returned for reallocation. The voucher to invoice conversion rate is currently 61 percent, so on average we can expect about 100 vouchers to return each month. This will not be enough to meet current demand.

Waitlisting or further funding will be required

13. In practice, this means that when we run out of funding for new vouchers, we will waitlist retailer applicants until expired vouchers become available for reissue. Retailers could be waiting for months for a voucher or may not be issued one at all.
14. We could also allocate more than 1,700 vouchers, knowing that not all will be redeemed. The second approach would require having contingency funds set aside in case of the unlikely scenario that all vouchers are redeemed. One option for contingency is to repurpose a \$500,000 underspend from the 2022/23 FY Administration of the Retail Crime subsidy scheme departmental appropriation into the 2023/24 FY Retail crime subsidy scheme non-departmental appropriation. This would allow for approximately 140 more vouchers to be issued. This could be achieved through an expense transfer via a fiscally neutral adjustment agreed to by Cabinet.
15. If the Government chooses, it could also allocate more funding to the FCSS from the 2023/24 Between Budget Contingency. This would require the Minister of Finance's approval. If you wish, we can work with Treasury to scope what further funding might be available and a process for releasing it.
16. If additional funding for the scheme is not available, communication indicating how the popularity of the scheme has resulted in the active management of approvals should be provided early. We would do so as part of a Minister announcement, press release and content on our business.govt.nz page.

Product specifications and the provider panel

FCSS providers must meet five criteria

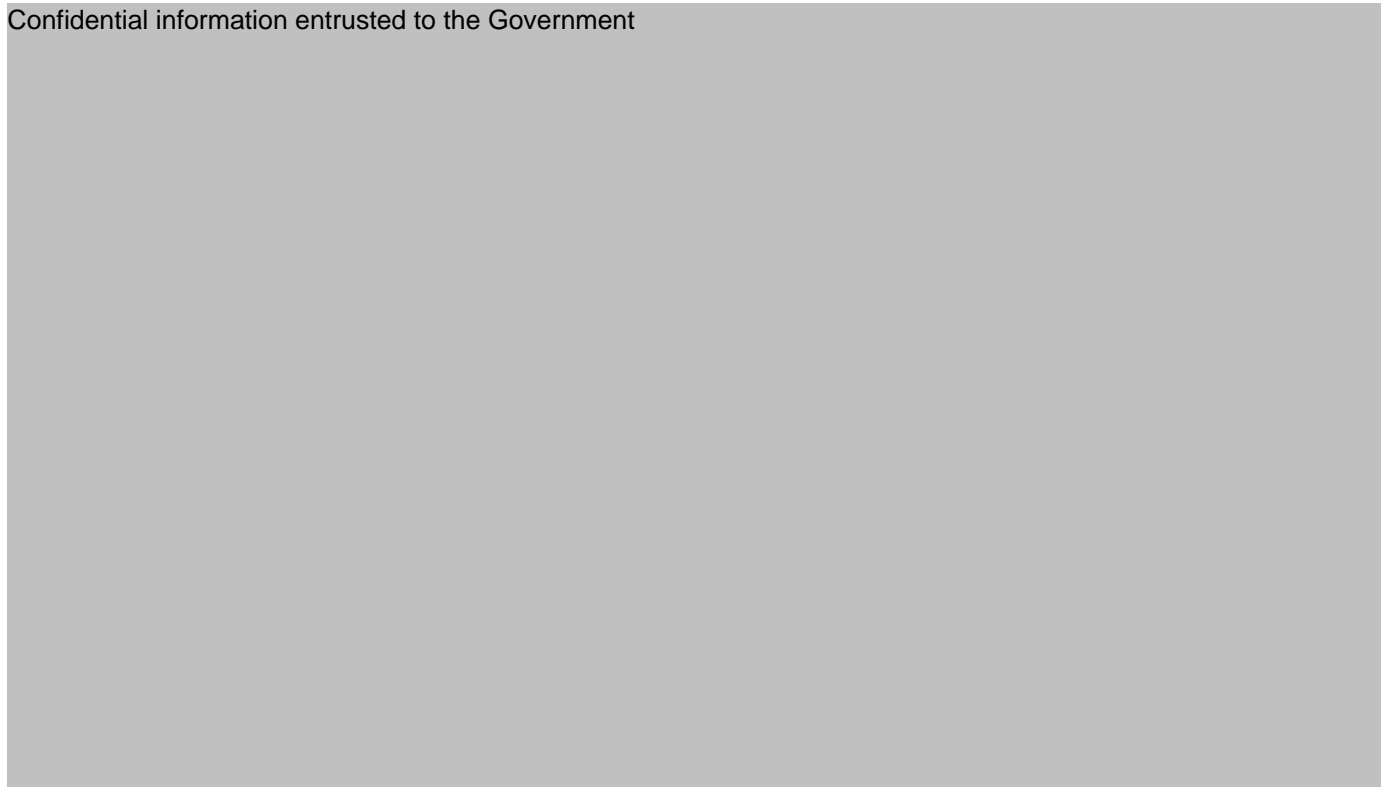
17. Fog cannon providers are required to meet the following criteria to join panel:
 - their business must be registered and solvent
 - they must not subject to compliance action in any of MBIE's jurisdictions (including by Worksafe)
 - they must hold adequate insurance to cover public liability, with minimum coverage of at least NZ \$2 million
 - the provider, its staff and any sub-contractors must have all necessary authorisations and registrations to install the brand(s) and type(s) of fog cannons that they supply. For example, EWRB Practising Licence for electrical work accreditation where the manufacturer requires this

- they must offer a minimum one-year warranty period and service plan for all fog cannons installed under the FCSS.

These criteria do not require FCSS providers or products to meet any specification or certification requirements

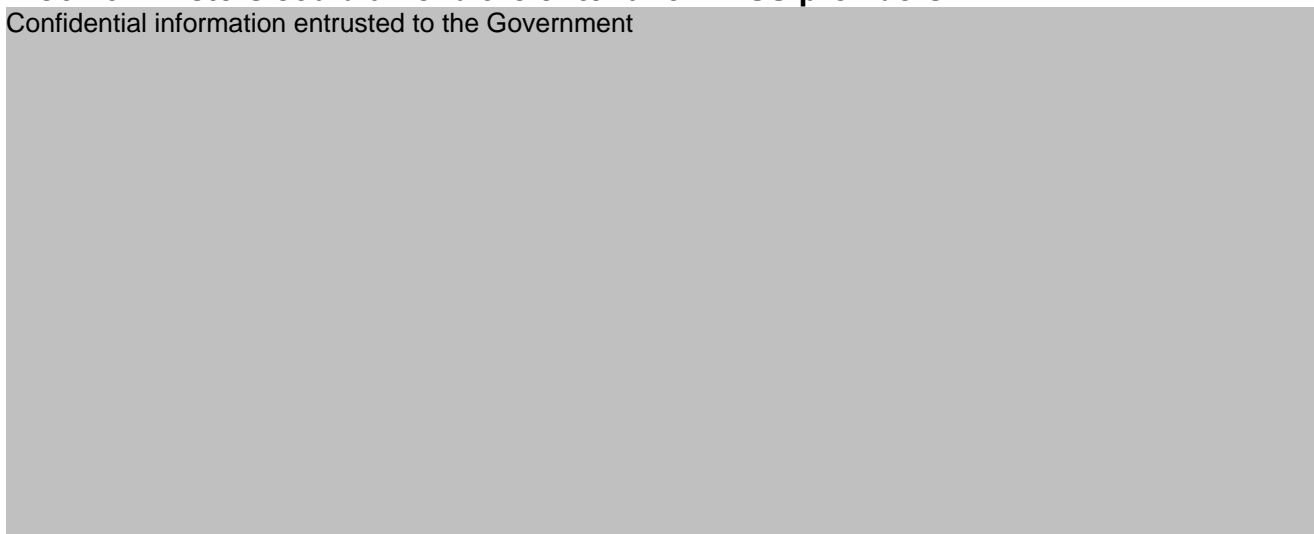
18. These criteria do not require fog cannons installed under the FCSS to meet any product standards or specifications, or any certification of the providers undertaking installation (except as required for electrical compliance).
19. There is variation in the operability of fog cannons available and being offered through the scheme.
 - The speed and density of fog released by the cannon to limit visibility.
 - The number of discharges possible before a refill is required. One of the fog cannons can only be discharged once before the cannister needs to be refilled, while others can be used multiple times before refilling is needed.
 - The ability to test upon installation. A fog cannon that releases one shot before requiring a canister replacement is not tested upon installation. Other fog cannons can issue a small test discharge to test their operability.
 - Ability to integrate with alarm systems. Some fog cannons can integrate with alarm systems (eg a separate siren) when activated, which provides greater protection for users.
 - Installation methods, such as plug and go vs wiring into the mains.
20. Retailers are advised in their approval email to do their due diligence in selecting a fog cannon and a provider. Business.govt.nz also provides guidance so retailers can make informed decisions in choosing a fog cannon that suits their specific needs.
21. Joint Ministers made a deliberate decision to omit product standards and specifications from the provider criteria in December 2022, as at that time we were not aware of any information available on which to base such standards. Further, there was a concern that imposing a product standard could have unduly constrained supply, which could have resulted in limited choices for retailers, higher prices, and supply chain delays. Instead, Joint Ministers agreed to require that providers offer a minimum one-year warranty and service plan (as per the RCPP).

Confidential information entrusted to the Government



If you want all fog cannons installed under the FCSS interoperable with the RCPP, Joint Ministers could amend the criteria for FCSS providers

Confidential information entrusted to the Government



Maintaining the status quo

31. This option would keep the approach consistent with the initial intent and market-led design of the FCSS and would ensure a wide range of products and prices are available with consistent supply. Confidential information entrusted to the Government
It would also allow retailers to choose the quality and price of the fog cannon they select.
32. If you prefer to maintain the status quo, there are other ways to support retailers in choosing the best fit for purpose fog cannon for their needs. For example, we could provide eligible retailers with more information about the products and their suitability for various circumstances, so they retailers can make informed decisions about the product they select. This could be in a separate e-mail once they receive their voucher or asking applicants to

¹ <https://www.justice.govt.nz/tribunals/licences-certificates/pspla/apply-or-renew/who-needs-a-licence-or-certificate/work-you-need-a-licence-or-certificate-for/>

declare that they have read and understood the considerations when choosing a provider. This would be in addition to the information already provided on business.govt.nz.

Introducing a requirement that the fog cannons installed meet the European Standard (or equivalent)

33. Since Ministers made FCSS design decisions in December 2022, we have become aware of two international standards that cover security fog systems which are part of an intruder and hold-up alarm system (EN 50131-8 or IEC 62642-8). EN 50131-8 (EN Standard), for example, covers functional requirements, 'standards' and criteria for fog cannons. It is used in many European countries and may be suitable for introduction in New Zealand.

Confidential information entrusted to the Government

If you choose to amend the provider criteria, you will need to decide if this would apply to all FCSS providers

35. If you do decide to change the criteria, it will be necessary to decide whether to apply the revised criteria to all FCSS providers, or only new ones.

Confidential advice to Government

Confidential information entrusted to the Government

Legal professional privilege

Confidential information entrusted to the Government

Suspending applications for the FCSS provider panel

40. As noted above, there are currently 23 approved providers, and we are assessing 16 more. There has been more interest in the panel than we initially thought. We have a good geographical spread of providers and under the available funding for the scheme, the existing 23 providers can meet demand.

41. With a growing provider panel, there is more choice for retailers, and potentially fewer delays in getting fog cannons installed. But there is an administrative burden in processing new provider applications, and the marginal benefit of approving new providers is falling.

Confidential advice to Government



Next steps

45. Please advise your preferences for the options in this briefing. If you have a preference for change to the status quo, we will prepare a briefing for the Joint Ministers responsible for the FCSS to seek their agreement.
46. Following this we will make the necessary changes and seek Cabinet approval where appropriate (eg repurposing budget from department appropriations to non-departmental appropriations).



BRIEFING

Fog Cannon Subsidy Scheme – Cabinet paper seeking additional funding

Date:	18 May 2023	Priority:	High
Security classification:	In Confidence	Tracking number:	2223-3906

Action sought		
	Action sought	Deadline
Hon Ginny Andersen Minister for Small Business	Provide feedback on the attached Cabinet paper, and agree to circulate it to your Cabinet colleagues.	22 May 2023

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Kate Challis	Manager, Small Business Policy	Privacy of natural persons	✓
Chris Hubscher	Principal Policy Advisor		

The following departments/agencies have been consulted

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

Comments



BRIEFING

Fog Cannon Subsidy Scheme – Cabinet paper seeking additional funding

Date:	18 May 2023	Priority:	High
Security classification:	In Confidence	Tracking number:	2223-3906

Purpose

To seek your feedback on the attached Cabinet paper and your agreement to circulate it to your Cabinet colleagues.

Recommended action

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

- a **note** that you have directed MBIE to prepare a Cabinet paper seeking additional Crown funding for the Fog Cannon Subsidy Scheme, and repurposing existing administrative funding, as the existing budget will soon be fully committed

Noted

- b **provide feedback** on the attached Cabinet paper

Yes / No

- c **agree** to circulate the paper to your Cabinet colleagues

Yes / No

- d **note** that if you circulate the paper by Monday 22 May, the paper can be lodged on Thursday 2 June for the Cabinet Economic Development Committee meeting on Wednesday 7 June.

Noted

Kate Challis
Manager, Small Business Policy
Building, Resources & Markets, MBIE

18 /05 / 2023

Hon Ginny Andersen
Minister for Small Business

..... / /

The Fog Cannon Subsidy Scheme requires more funding to keep operating

1. The Fog Cannon Subsidy Scheme (FCSS) has proven very popular, with uptake well beyond what was originally budgeted for, and still increasing.
2. We advised on 21 April 2023 [2223-3420] that at current rates the FCSS budget would likely be fully committed by August 2023. We noted options for continuing the scheme included repurposing an underspend from departmental funding, and / or seeking new funding through the Between Budget Contingency.
3. Since that advice, demand has grown further. For example, in April, around 65 vouchers were being issued a week, whereas we have reached 140 per week this month. At this rate, the budget will be fully committed by early June.
4. MBIE has found \$650,000 in its administration budget for the current financial year, which it can put towards funding more fog cannons. Further savings might be found next year, but we are not yet in a position to confirm that, or their quantum.
5. New Crown money is therefore required to continue the FCSS. Now that the Budget moratorium is over, you may seek funding from the Between Budget Contingency.

You have directed MBIE to prepare a Cabinet paper

6. When the FCSS was established in November 2022, it was funded through to 30 June 2024. Seeking Cabinet direction on extending the scheme is appropriate, as ministers will otherwise not be aware that the high level of demand has used up the available budget, and that without further funding, we will shortly need to start waitlisting new retailer applications.
7. At your direction, we have prepared a Cabinet paper which explains the issue and seeks additional Crown funding. The amount sought is \$18 million – which should be sufficient to run the FCSS through 2023/24 (based on current demand). A decision can be made about its long term future in Budget 2024.
8. Cabinet is free to decide on a smaller amount – or to maintain the current funding arrangements. In either case, MBIE will seek to manage demand via a 'waitlist' system, and only issue new fog cannon vouchers as unused vouchers issued previously expire. Vouchers will not start to expire until August 2023. So far around 66% of the vouchers issued have been used (a rate we expect to grow) as more installations are completed.

Next steps

9. We propose the following timeline.
 - 22 May to 2 June - ministerial consultation
 - 1 June - lodge Cabinet paper
 - 7 June - DEV Committee
 - 12 June – Cabinet.
10. This will enable Cabinet decisions to be made before, or close to, all the current budget being fully committed.
11. We request that you provide feedback on the Cabinet paper, and agree to circulate it to your ministerial colleagues.

Annexes

Annex One: Draft Cabinet paper

Annex One: draft Cabinet paper



BRIEFING

Fog Cannon Subsidy Scheme – Options for aligning with the Retail Crime Prevention Programme

Date:	26 May 2023	Priority:	High
Security classification:	In Confidence	Tracking number:	2223-4036

Action sought		
	Action sought	Deadline
Hon Ginny Andersen Minister for Small Business	Direct officials to undertake further work on one of the options in this paper.	29 May 2023

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Kate Challis	Manager, Small Business Policy	Privacy of natural persons	
Michelle Schulz	Policy Director		✓
Chris Hubscher	Principal Policy Advisor		

The following departments/agencies have been consulted
Police

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

Comments



BRIEFING

Fog Cannon Subsidy Scheme – Options for aligning with the Retail Crime Prevention Programme

Date:	26 May 2023	Priority:	High
Security classification:	In Confidence	Tracking number:	2223-4036

Purpose

To outline potential approaches to bringing the Fog Cannon Subsidy Scheme (FCSS) into greater alignment with the Retail Crime Prevention Programme (RCPP).

Executive summary

In light of the FCSS potentially receiving new funding and therefore having a longer duration, your Office has requested that we develop options to bring the scheme into closer alignment with the Police-run RCPP. In this paper we set two options that would help achieve this.

Under option one we would retain the FCSS largely as it is, but introduce new quality criteria for fog cannons and licencing requirements for the personnel installing them. This would increase the compatibility of the two schemes, while retaining the ‘market-led’ approach to the FCSS that sets it apart from the RCPP. We recommend this option.

Under option two we would terminate the current panel, and tender for a new panel using RCPP-like criteria. We don’t recommend this, however, because it would take longer, and might unduly restrict retailers’ choice of providers.

We also propose you consider an additional two changes: narrowing retailer eligibility to owner operators who have one store only, and reducing the duration of voucher validity from six to four months.

Recommended action

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

- a If you want to better align the Fog Cannons Subsidy Scheme and Retail Crime Prevention Programme, **direct** officials to undertake further work on:

Option One: introduce new product and installer requirements for the current provider panel

Yes / No

OR

Option Two: terminate the current provider panel, and tender for a new panel using RCPP-like criteria

Yes / No

- b **discuss** additional changes including narrowing retailer eligibility to owner operators who have one store only, and reducing the duration of voucher validity from six to four months.

Yes / No

Privacy of natural persons



Kate Challis
Manager, Small Business Policy
Building, Resources & Markets, MBIE

26 /05 / 2023

Hon Ginny Andersen
Minister for Small Business

..... / /

Background

1. On Monday 29 May 2023, Cabinet will decide whether the Fog Cannon Subsidy Scheme (FCSS) should receive additional funding. The Cabinet paper also proposes that you, as Minister of Police and Small Business, should assume responsibility for further design decisions in relation to the scheme. Your Office has requested that we prepare initial options to support a discussion with you about how the FCSS could be better aligned with Police's Retail Crime Prevention Programme (RCPP).
2. This paper builds on our previous advice on product specifications and provider selection criteria under the FCSS [2223-3420, 21 April 2023].

The FCSS and RCPP have the same ultimate objective, but their design is very different

3. While both the RCPP and FCSS seek to protect retailers from crime, their design is fundamentally different in nature.
4. The design intent of the FCSS was to enable retailers to directly engage with the widest possible choice of suppliers. MBIE encourages retailers to make an informed choice about what kind of fog cannon to purchase in light of the nature and size of their premises, but ultimately that choice is for the retailer to make.
5. The RCPP, in contrast, is centrally managed and the security equipment installed is selected by the Police-approved provider. Police engages with a smaller number of providers, normally one in a locality, which tend to be the larger operators in the industry.
6. The two schemes, therefore, have fundamentally different approaches:
 - many retailers vs crime victims only
 - many providers vs just a few
 - provider-retailer relationships vs provider-Police relationship
 - objective assessment of providers for the panel vs direct commercial procurement for single operators in a locality.
7. Reconciling these differences is not straightforward. That said, greater alignment between the two schemes would help reduce the risk of any need for rework in the instance that a store which has had a FCSS-subsidised fog cannon installed then becomes eligible for the RCPP. It would also mean that the Government agencies 'speak with one voice' in respect of what minimum standards should apply to fog cannons and who can install them.
8. Two RCPP providers are also on the FCSS panel. They only account, however, for a small proportion of total installations.

Initial advice on options to better align the FCSS with the RCPP

9. In preparing this initial advice, we have been guided by the following key objectives, which trade off in various ways:
 - compatibility with the RCPP in respect of what fog cannons are installed, and how
 - changes can be made quickly
 - implementation risks are minimised.

10. We have identified two options to increase the degree of compatibility between the FCSS and RCPP. These are discussed below. Please note that a fuller analysis of legal implications will follow your indication of a preferred way forward.
11. This advice does not explore full integration with the RCPP. If you would like further advice on this approach, we will work with Police to determine what elements of the FCSS could be reconciled with the RCPP's operating model. An option to achieve this would effectively see the FCSS terminated, so might lie outside your Cabinet remit. For this reason, it may be better explored as a future measure, to replace the FCSS when it concludes.

Option 1 - Introduce new product and installer requirements

Area of change	Degree of change
Fog cannon standards	Require evidence of meeting EU (or equivalent) standard (Certificate of Compliance from accredited Standards assessor)
Provider panel	Notify existing panel of two new criteria: <ul style="list-style-type: none"> • all personnel installing fog cannons must hold a Security Technician and Security Consultant licence under the under the Private Security Personnel and Private Investigators Act 2010 • all fog cannons installed must meet the EU (or equivalent) Standard

12. This option could be implemented in around one month. It would result in increased complementarity between the two schemes but not convergence, as the RCPP does not feature these requirements as strict appointment criteria (albeit they are most probably met in practice). We expect that most providers on the FCSS panel could meet these new criteria, as many of them have already demonstrated this as part of their initial application. In these cases, minimal additional evidence would be required.

13. Free and frank opinions

14. If you prefer this option, we will investigate whether Police applies any other objective yes/no criteria to its choice of providers and products that we should also incorporate into the FCSS. We will also need to look into other matters, for example, licencing use of the EU Standard.
15. MBIE recommends this option because it can be implemented relatively quickly, preserves many of the positive design elements of the FCSS (including maintaining a good amount of retailer choice of providers) and produces outcomes that are more akin to those that would be delivered by the RCPP.

Option 2 - Terminate current panel, and tender for a new panel using RCPP-like criteria

Area of change	Degree of change
Fog cannon standards	All fog cannons installed must be those currently in use with the RCPP
Provider panel	New joint procurement exercise with Police, using criteria akin to those used for the RCPP

Other changes that we have explored

We recommend you consider two further changes

Better targeting to need

19. We recommend that retailer eligibility be limited to owner/operator stores. We have seen several instances where stores that have the outward characteristics of a chain (ie. multiple stores with one set of owners) have used the subsidy. In light of the need to manage the available budget for the benefit of those retailers who need the subsidy most, we recommend that eligible retailers be those who own and operate one store only. This might not significantly reduce demand, but nonetheless would ensure that the limited supply of vouchers is reserved for the smallest businesses that are most in need of the subsidy.

Reducing the voucher duration

20. We recommend that vouchers issued under 'version 2' of the FCSS have a validity period of four rather than six months. This will still provide ample time for a retailer to organise an installation, while ensuring that unused vouchers become available for reissue more quickly. We considered a shorter duration, but this might disadvantage retailers in rural areas or those whose chosen provider has longer lead times for installation (for example, because they are waiting for a new shipment of fog cannons to arrive).

We do not recommend reducing the subsidy amount

21. We have also considered whether reducing the subsidy amount would help manage demand and target the retailers who would most benefit from the subsidy. We suspect, however, that most retailers are very price sensitive, and a requirement for a greater (or even any) financial contribution could have a dramatic effect on demand. For this reason, reducing the subsidy amount might risk some providers, and many retailers, deciding not to participate. Therefore, we do not recommend it.
22. If the subsidy were to be reduced, we recommend only doing that in combination with options 1 or 2 above. Free and frank opinions

Next steps

23. We are scheduled to discuss this paper with you at the officials meeting on Monday 29 May. Following that discussion, we will prepare further advice based on your preferred approach. This will set out the detail of your preferred option, including a more in depth analysis of risks and mitigations. This process will help ensure that your decision is fully informed, and help minimise any legal risk of the decision being successfully challenged.



BRIEFING

Fog Cannon Subsidy Scheme – New requirements for fog cannons and providers

Date:	1 June 2023	Priority:	High
Security classification:	In Confidence	Tracking number:	2223-4101

Action sought		
	Action sought	Deadline
Rt Hon Chris Hipkins Prime Minister	Agree to new requirements for fog cannons and installers under the Fog Cannon Subsidy Scheme, as set out in this paper.	5 June 2023
Hon Grant Robertson Minister of Finance		
Hon Ginny Andersen Minister for Small Business		

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Michelle Schulz	Policy Director	Privacy of natural persons	✓
Chris Hubscher	Principal Policy Advisor		

The following departments/agencies have been consulted
Police

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

Fog Cannon Subsidy Scheme – New requirements for fog cannons and providers

Date:	1 June 2023	Priority:	High
Security classification:	In Confidence	Tracking number:	2223-4101

Purpose

To seek your agreement to new requirements for fog cannons and providers that will bring the Fog Cannon Subsidy Scheme (FCSS) into greater alignment with the Retail Crime Prevention Programme (RCPP).

Executive summary

On 29 May 2023, Cabinet agreed to provide an additional \$11 million in funding for the Fog Cannon Subsidy Scheme (FCSS). This should extend its duration through to the end of 2023.

Cabinet also agreed that the Prime Minister, Minister of Finance, Minister of Police and Minister for Small Business would make further design decisions to ensure it remains fit for purpose.

Subsequently, Hon Andersen tasked MBIE with providing advice on ways to bring the FCSS and Retail Crime Prevention Scheme (RCPP) into closer alignment.

MBIE's recommended approach is to introduce new product specifications for fog cannons and licencing requirements for providers, and the personnel installing them. This would increase the compatibility of the two schemes, while retaining the market-led approach to the FCSS that sets it apart from the RCPP. The changes would progressively come into effect over the next month.

We also propose to reduce the duration of voucher validity from six to four months.

This paper seeks your agreement to these changes, and sets out the process and timeframe by which we would implement them.

Recommended action

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

- a **agree** to introduce the following new product and installer requirements under the Fog Cannon Subsidy Scheme:
- i. all fog cannons must meet the relevant requirements of IEC 62642-8 or BS EN 50131-8 *Alarm systems – Intrusion and hold-up systems* (the Standard used in the EU and its United Kingdom equivalent)

Agree / Disagree

- ii. all fog cannons must be supplied with at least one pendant (ie a trigger device which can be used to discharge the fog cannon remotely)

Agree / Disagree

iii. all providers on the MBIE panel must, as a corporate entity, hold a current Security Consultant and a Security Technician licence under the Private Security Personnel and Private Investigators Act 2010

Agree / Disagree

iv. all personnel installing fog cannons must hold a current Security Technician licence under the Private Security Personnel and Private Investigators Act 2010

Agree / Disagree

b **agree** to reduce the duration of retailer vouchers from six to four months.

Agree / Disagree

Privacy of natural persons

Michelle Schulz
Policy Director
Small Business, Commerce & Consumer

01 / 06 / 2023

Hon Grant Robertson
Minister of Finance

..... / /

Rt Hon Chris Hipkins
Prime Minister

..... / /

Hon Ginny Andersen
Minister for Small Business

..... / /

Background

1. On Monday 29 May 2023, Cabinet decided to extend the Fog Cannon Subsidy Scheme (FCSS) by providing \$11 million of additional funding. Cabinet also agreed that the Prime Minister, Minister of Finance, Minister of Police and Minister for Small Business should assume responsibility for further design decisions in relation to the scheme [CAB-23-MIN-0200]. Subsequently, Hon Andersen tasked MBIE with providing advice on ways to bring the FCSS and Retail Crime Prevention Scheme (RCPP) into closer alignment.

The FCSS and RCPP have a common objective, but different approaches

2. While both the RCPP and FCSS seek to protect retailers from crime, their design is fundamentally different in nature.
3. The design intent of the FCSS was to enable retailers to directly engage with the widest possible choice of providers from a MBIE-approved panel. MBIE encourages retailers to make an informed choice about what kind of fog cannon to purchase in light of the nature and size of their premises, but ultimately that choice is for the retailer to make.
4. The RCPP, in contrast, is centrally managed and the security equipment installed is selected by the Police-approved provider. Police engages with a smaller number of providers, normally one in a locality, which tend to be the larger operators in the industry.
5. The two schemes, therefore, have fundamentally different approaches.

FCSS	RCPP
Fog cannons only	Full range of security equipment
Many retailers	Crime victims only
Many providers, operating in competition	A few providers (one per geographic location)
Provider-retailer relationships	Provider-Police relationship
Objective yes/no assessment of multiple panel providers	Direct procurement of single operators in a locality

6. Despite these differences, greater alignment between the two schemes would help reduce the risk of any need for rework in the instance that a store which has had a FCSS-subsidised fog cannon installed then becomes eligible for the RCPP. In such cases, the existing fog cannon might need relocation, or at worst, full replacement.
7. Greater alignment between the two schemes would also mean that Government agencies speak with one voice in respect of the product criteria that apply to taxpayer-subsidised fog cannons and the licencing requirements for personnel installing them.

Options to better align the FCSS with the RCPP

8. We have identified two options to increase alignment between the FCSS and RCPP.

Option 1 - Introduce new product and installer requirements

Area of change	Degree of change
Product specifications	<ul style="list-style-type: none"> Require evidence of meeting IEC 62642-8 or BS EN 50131-8 <i>Alarm systems – Intrusion and hold-up systems</i> (the Standard used in the EU and its United Kingdom equivalent). They cover non-toxicity of the fog emissions, density and speed of dispersion of fog, ability to

	<p>operate upon mains failure, fog cannon fixings, warning sign requirements and connection specifications to alarm systems.</p> <ul style="list-style-type: none"> • All fog cannons must be supplied with at least one pendant (a trigger device which can be used to discharge the fog cannon remotely).
Provider / installer requirements	<ul style="list-style-type: none"> • All panel providers must, as a corporate entity, hold both a Security Consultant and a Security Technician licence under the Private Security Personnel and Private Investigators Act 2010. • All personnel installing fog cannons must hold a Security Technician licence under the Private Security Personnel and Private Investigators Act 2010.

9. The rationale for these new requirements is as follows.

Product specifications

10. Police advises that all the fog cannons installed under the RCPP meet these criteria. This helps ensure that:

- they are fit for purpose in both small and medium sized retail environments
- they are interoperable with other security systems (in particular, automated intruder sensors and alarms)
- retail staff can trigger the fog cannon from anywhere in the store, rather than needing to be behind the counter.

Provider / installer requirements

11. Police advises that all RCPP providers meet these criteria. This helps ensure that:

- they have a good degree of expertise in relation to installing integrated security systems, of which fog cannons often form one part
- they are subject to standards of professional and ethical conduct, and retailers have access to an independent complaints procedure if those standards are not met.

Impacts on the existing FCSS provider panel, and timeframe for implementation

12. Most providers on the FCSS panel could meet the new criteria, and many of them already demonstrated this as part of their initial application.

Confidential information entrusted to the Government

13. In these cases, minimal additional evidence would be required.

14. Providers of fog cannons which aren't already demonstrated to meet the EU or British Standard would need to produce certification from a recognised independent tester. For fog cannons that already meet the Standard, this evidence should be easy to obtain from the manufacturer. If a provider can't demonstrate compliance with the Standard within ten working days, their appointment to the panel would be suspended, and after another ten working days, terminated. The same timeframe would apply to demonstrating that the provider has the necessary security licencing.

15. This option could be implemented in around one month (refer Implementation Timeframe section below).

We recommend this option **Legal professional privilege**

- 16. We recommend option 1 because it can be implemented relatively quickly, preserves many of the positive design elements of the FCSS (including maintaining a good amount of retailer choice of providers) and still achieve better alignment with the RCPP.

Legal professional privilege

Option 2 - Terminate current provider panel, and tender for a new panel using RCPP-like criteria

Area of change	Degree of change
Product specifications	All fog cannons installed must be those currently in use with the RCPP
Provider / installer requirements	New joint procurement exercise with Police, using criteria akin to those used for the RCPP

- 20. This option would see the current provider panel terminated and a new one established. This 'clean break' approach **Legal professional privilege** and ensure the closest possible degree of convergence between the two schemes. But it would take more time (in the region of two months) and run a risk of unduly restricting the provider market. Current providers would be suspended from the panel to allow for time to align with the new requirements. The two RCPP providers on the FCSS panel cannot be brought over automatically – and in any case, they account for a small proportion of installations under the FCSS.
- 21. Also, procuring FCSS providers using the RCPP criteria might be problematic because Police's criteria is for providers wanting to directly supply Police, while the FCSS aims to establish a market of providers who directly deal with retailers. **Maintenance of the law**

Reducing the validity period of retailer vouchers

- 22. We recommend that retailer vouchers have a validity period of four rather than six months. This will provide ample time for a retailer to organise an installation, while ensuring that unused vouchers become available for reissue more quickly. We considered a shorter

duration, but this might disadvantage retailers in rural areas or those whose chosen provider has longer lead times for installation.

23. This would only apply to new vouchers being issued. Those who have already been issued a voucher would have the six-month validity period honoured.

Implementation timeframe for option 1

24. If you agree to the changes in this briefing and can make your preferences known in the week of Tuesday 6 June, we will undertake the following process.

Date	Action
Friday 9 June - Friday 23 June	<p><i>Notification</i></p> <ul style="list-style-type: none"> On 9 June, MBIE notifies existing panel providers and those currently on the waitlist of the new requirements, which will come into effect after 20 working days. <p><i>Process for existing providers</i></p> <ul style="list-style-type: none"> Current providers on the panel must evidence that they meet the new requirements by no later than 23 June. If providers meet the revised criteria, their membership on the panel will continue. If they cannot evidence that they meet the revised criteria by 23 June, their appointment to the panel will be suspended from this date. <p><i>Process for new providers</i></p> <ul style="list-style-type: none"> From 9 June, new provider applications for panel membership would re-open (under the new requirements). Applications will be assessed throughout this period and providers confirmed onto the new panel as they are approved.¹ The new requirements come into effect for new providers as soon as they are appointed to the panel. <p><i>Voucher validity periods</i></p> <ul style="list-style-type: none"> From Wednesday 14 June, retailer vouchers would have a validity period of four months (instead of six months as currently).
Monday 26 June - Friday 7 July	<ul style="list-style-type: none"> Providers who have been suspended from the panel can complete installations and bill MBIE for the subsidy up until the end of Friday 7 July. This allows them a two week grace period. After this, they cannot bill MBIE for a subsidy. This grace period will allow them to complete installations they have already booked, and run down stock they have purchased for the purpose of those installations.

Operational improvements we intend to make

Promoting use of motion detectors

25. Police has advised that best practice with fog cannon installation is to also install a motion detector, known as a Passive Infrared Sensor (PIR). This helps protect stores against burglaries and ram raids that occur after hours. Fog cannons installed without this equipment

¹ We would, however, reserve the right to pause the assessment and appointment of new providers at any time if we are satisfied that there are enough providers on the panel already.

will only protect against aggravated robberies because they must be triggered manually. We understand from Police that a base-level PIR installation costs in the vicinity of \$150.

26. We considered making this a compulsory requirement (as with a pendant trigger), but are not yet clear what impact this would have on retailer costs and the provider pool. Some fog cannons are more expensive than others. Where a provider's installation cost already approaches \$4,000, the requirement to also install a PIR might result in losing out on business (as many retailers are likely to prefer a package that costs them nothing).
27. As it is not desirable to add further product specifications once this package of changes is made, we will instead encourage retailers to consider fog cannon packages that include PIRs.

Collaborating with Police on training providers

28. Introducing product specifications and security licencing requirements will help to more closely align the two programmes, but Police advises that in addition to these standards, training FCSS suppliers in installation best practice would introduce even more consistency between the two programmes, and a higher level of safety for retailers. Police already provides this training to RCPP providers. MBIE and Police will collaborate to explore this possibility further.

Next steps

29. Subject to your agreement to the recommendations in this paper, we will move forward with the changes on (or as close as possible to) the timeframe above. We will also produce a communications plan and share it with your Offices.