

Briefing for the incoming Minister for Small Business and Manufacturing

27 November 2023



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1. Welcome to the Small Business and Manufacturing portfolio

1. The Government's economic priorities are to rebuild the economy by lifting productivity and economic growth and the Small Business and Manufacturing portfolio has a key role.
2. As Minister for Small Business and Manufacturing, you can choose where to focus your policy agenda and the delivery of services funded through the portfolio. The Small Business and Manufacturing portfolio is a new portfolio. Previously the Small Business portfolio was stand-alone, or combined with portfolios such as Economic Development or Commerce. It is the first time manufacturing has been incorporated into a Ministerial portfolio as a discrete sector.
3. We would value an early opportunity to discuss your priorities and how you would like to realise the synergies from having integrated small business and manufacturing into one portfolio.
4. The purpose of this briefing is to provide:
 - an overview of the portfolio (section 2)
 - advice on the portfolio's strategic role, including areas you could choose to prioritise (section 3)
 - detail on your portfolio responsibilities (section 4)
 - detail on advice we would like to provide you (section 5)
 - information on how MBIE can support you (section 6).
5. We will provide you with further briefings on specific topics in greater depth, Confidential advice to Government
Confidential advice to Government

2. Portfolio overview

6. This section sets out your responsibilities and the associated departmental arrangements and funding. It is supplemented by section 4, which provides more detail on the legislation and appropriations that sit within your portfolio.

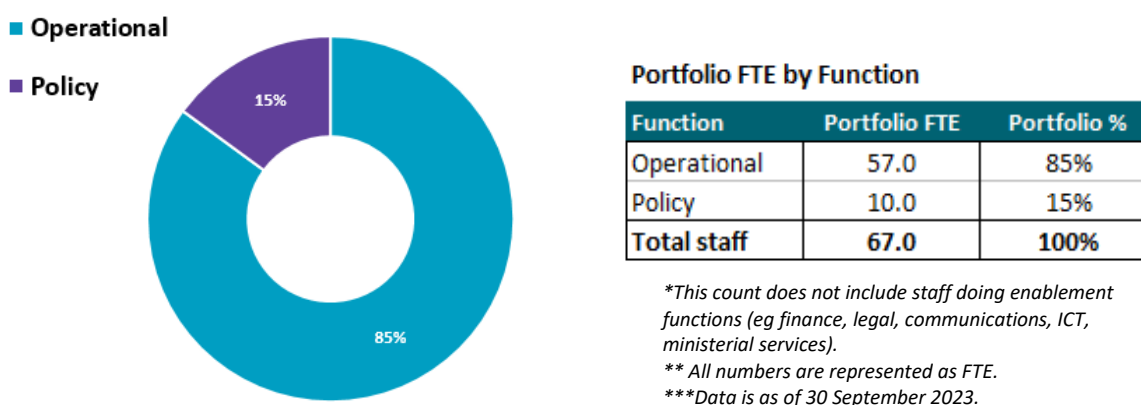
Responsibilities

7. You have a key role in setting the Government’s small business and manufacturing policy agenda. This involves leading policy in specific areas, and influencing work across other portfolios that shape the operating environment for small businesses and manufacturers.
8. In addition, you are directly responsible for a range of services established by successive governments that provide digital tools, information, insights, training and guidance to businesses.
9. You are also responsible for the *New Zealand Business Number Act 2016* and the *Business Payment Practices Act 2023*.

Departmental arrangements

10. The portfolio is supported by the Ministry of Business, Innovation and Employment (MBIE). Within MBIE, 67 full-time equivalent (FTE) staff work directly to the portfolio, of whom 85 per cent are operational and 15 per cent are in policy.

Figure 1: MBIE FTEs working directly to the Small Business Portfolio*



11. There was previously no dedicated Manufacturing portfolio. The Advanced Manufacturing Industry Transformation Plan (ITP) was previously led from the Economic Development portfolio, with around 3.5 FTE general policy staff working on the ITP’s development and implementation. These FTE are not included in the diagram above.

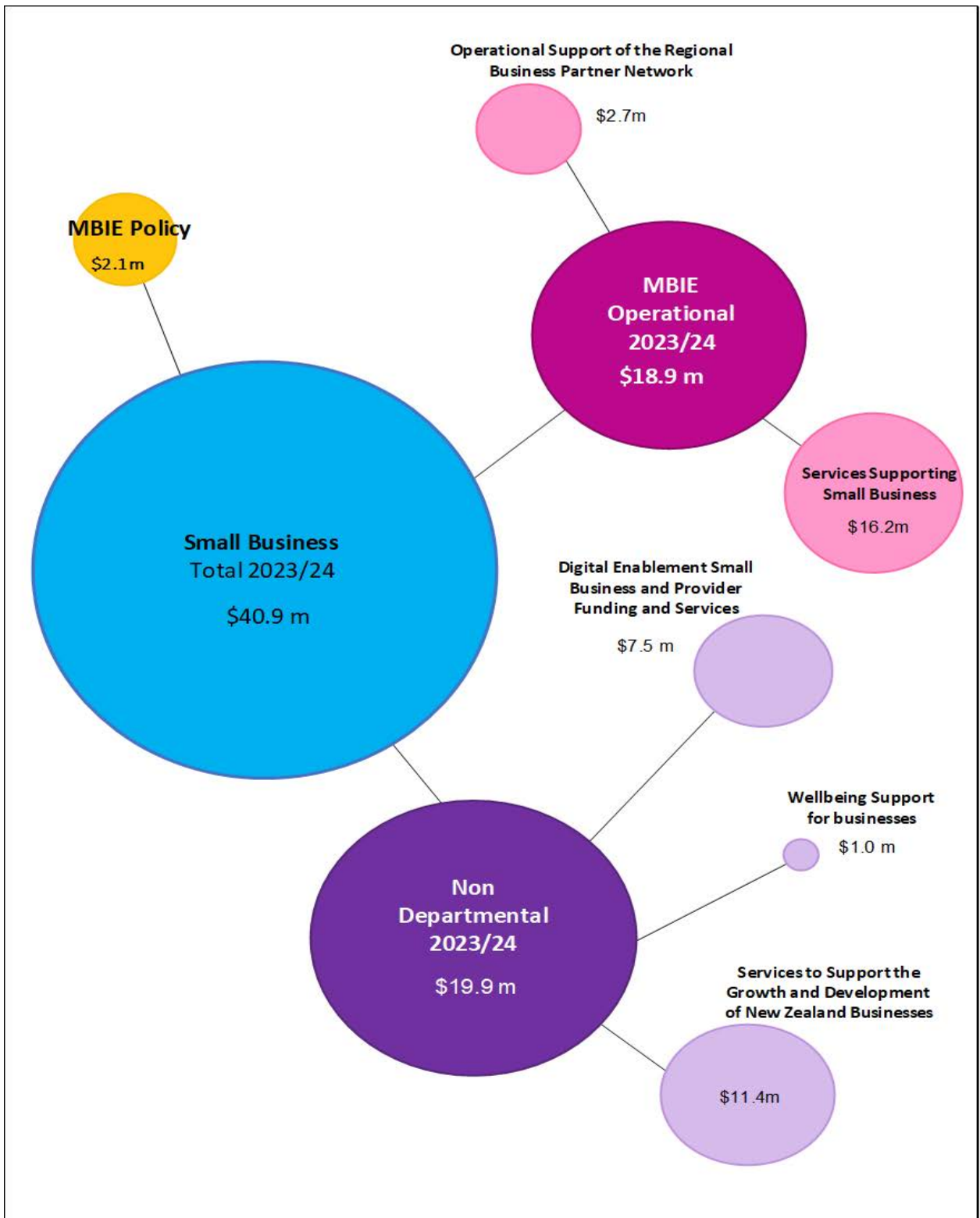
Funding

12. The portfolio appropriations fall within Vote Business, Science and Innovation. For 2023/24, Vote Business, Science and Innovation is \$4.081 billion, of which \$40.9 million is for the Small Business and Manufacturing portfolio appropriations.
13. These include the *Small Business Enabling Services Multi-Category Appropriation (MCA)* and policy advice.

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14. The *Small Business Enabling Services* MCA is split between departmental funding (for MBIE to provide services to small businesses directly) and non-departmental funding (which MBIE uses to purchase services for small businesses). Figure 2 overleaf provides an overview.
15. The *Small Business Enabling Services* MCA was established this year to combine several disparate appropriations to enable a more efficient administration of the services. For 2023/24 the combined funding for these services is \$24.3 million in departmental funding and \$23.2 million in non-departmental funding. As the MCA only technically commenced from 1 October 2023, three months of funding to 30 September technically falls under the old appropriations and only nine-months of funding from October 2023 to June 2024 within the new MCA. Funding for this nine-month period under the new MCA was \$18.9 million in departmental and \$19.9 million in non-departmental expenditure.
16. The MCA will drop to \$38.5 million by 2025/26, due to the conclusion of funding for two time-limited initiatives. We are cognisant of the current fiscal environment. Confidential advice to Government
Confidential advice to Government
[REDACTED]
17. You also have oversight of funding that sits outside this portfolio – namely, \$2 million for New Zealand Business Number adoption in your Commerce and Consumer Affairs portfolio, and \$15.5 million for the Retail Crime Subsidy Scheme in the Police portfolio. Further information on this is provided in section 4.
18. There is currently no dedicated Manufacturing portfolio appropriation. The previous Government allocated \$30 million to the Advanced Manufacturing ITP under the Economic Development portfolio appropriation. The Coalition Agreements have issued stop-work notices on ITPs, including the Advanced Manufacturing ITP. [REDACTED] confidential advice to Government
[REDACTED]
[REDACTED]

Figure 2: Small Business portfolio funding overview (2023/24)



3. Strategic role of the Small Business and Manufacturing portfolio

19. The Small Business and Manufacturing portfolio has a key role in strengthening New Zealand's economic performance. You have choices in setting the portfolio's direction, and where to focus its resources. This section provides an overview of the role small businesses and manufacturers play in the economy and identifies opportunities for your portfolio to contribute to the Government's objectives. We would value an early opportunity to discuss your priorities and how you would like to realise the synergies from the integration of small business and manufacturing into one portfolio.

Your portfolio plays a key role in lifting New Zealand's productivity and economic performance

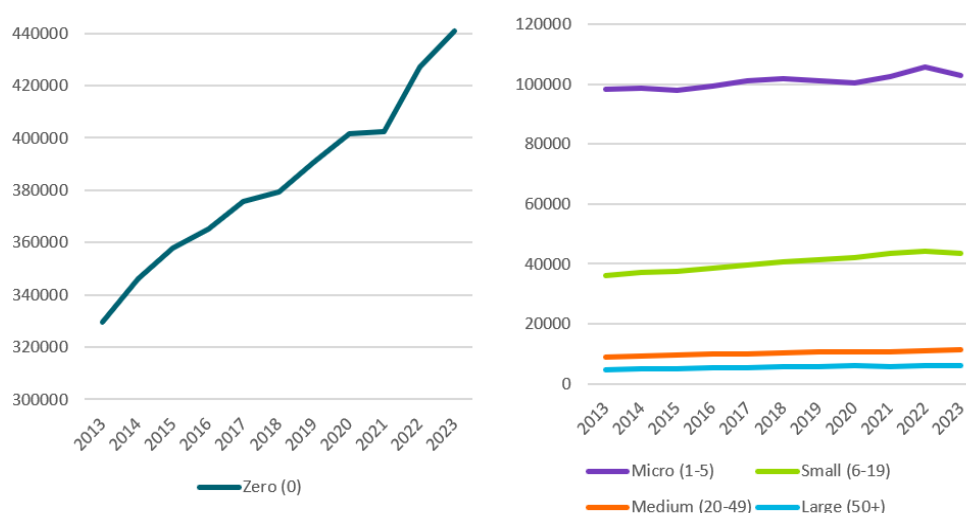
The economy faces immediate headwinds, and longer-term challenges

20. As outlined in MBIE's separate briefing on the economic context, New Zealand's economy faces long-term challenges. These include weak productivity, increasing stresses on our economic resilience, negative impacts on the natural environment, and significant disparities between different population groups. In the short-term, our economy also faces immediate headwinds. Compounding these challenges are global 'megatrends', such as changes in climate, technology and demography, and rising geopolitical tensions. For small businesses and manufacturers, these trends present risks but also opportunities.

Business dynamism is important for productivity growth

21. Dynamism (the rate at which businesses enter, grow, shrink and exit the market) among businesses contributes to aggregate productivity growth as resources are reallocated to more productive enterprises. Generally, the smaller the business, the lower the survival rate (99.8 per cent of 2022 business closures in New Zealand were small businesses). But the business survival rate has been trending upwards over the last decade - closures have been relatively stable while the number of businesses starting up is increasing.

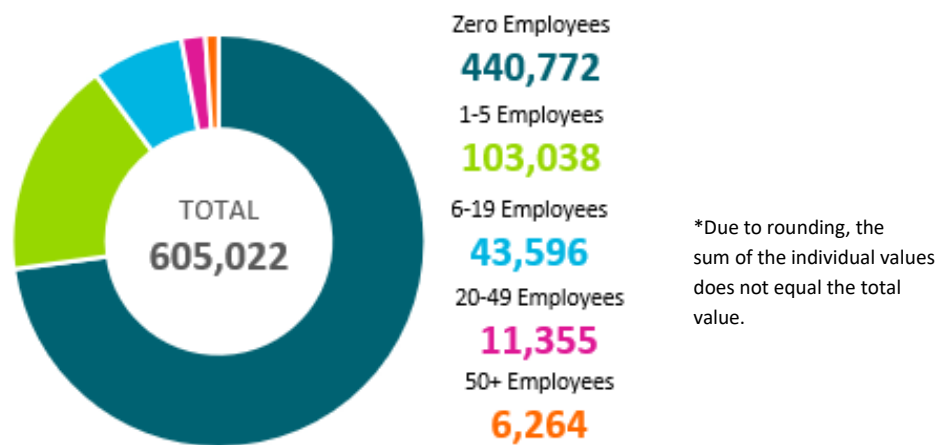
Figure 3: Number of businesses by size (number of employees) 2013-2023



97 per cent of businesses are small and lifting their productivity would resonate across the economy

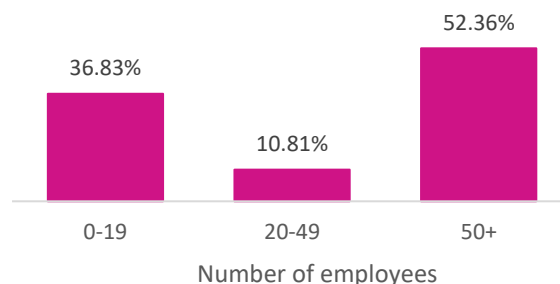
- 22. In New Zealand, a small business is generally considered to have fewer than 20 FTEs, while a medium-sized business is considered to have between 20 and 50 FTEs. This is smaller than common thresholds used overseas. By this definition, there are around 587,400 small businesses here, which comprise 97 per cent of all businesses.
- 23. New Zealand’s small businesses are central to regional prosperity and a critical part of the supply chain for many larger businesses. They make up large parts of our main export sectors (eg comprising 99 per cent of New Zealand’s agriculture sector) and are a significant part of the infrastructure and construction, digital technology, and manufacturing sectors.
- 24. Businesses with zero employees (sole traders) comprise 75 per cent of all small businesses, those with one to five FTE comprise eighteen per cent, and those with six to nineteen FTE comprise seven per cent. Annex One sets out more detail about small businesses in New Zealand.

Figure 4: Number of Businesses by Employee Size Group (2023)*



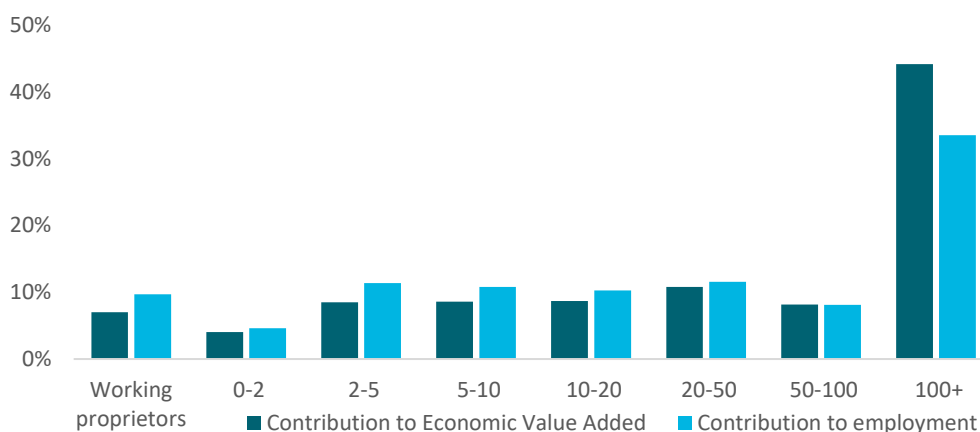
- 25. Small businesses account for approximately 37 per cent of all economic value add (the difference between the market price of a product and the cost of the components that go into making it).

Figure 5: Economic value add by business size (number of employees) (2020)



- 26. Given the large number of small businesses in New Zealand and their substantial aggregate economic contribution, even a small lift in average productivity would resonate across the whole economy. For example, if businesses with two to five staff become as productive as businesses with 10 to 20 staff, their aggregate economic value add would lift by around \$2 billion per year.

Figure 6: New Zealand businesses' 2020 economic value add and contribution to employment by number of employees

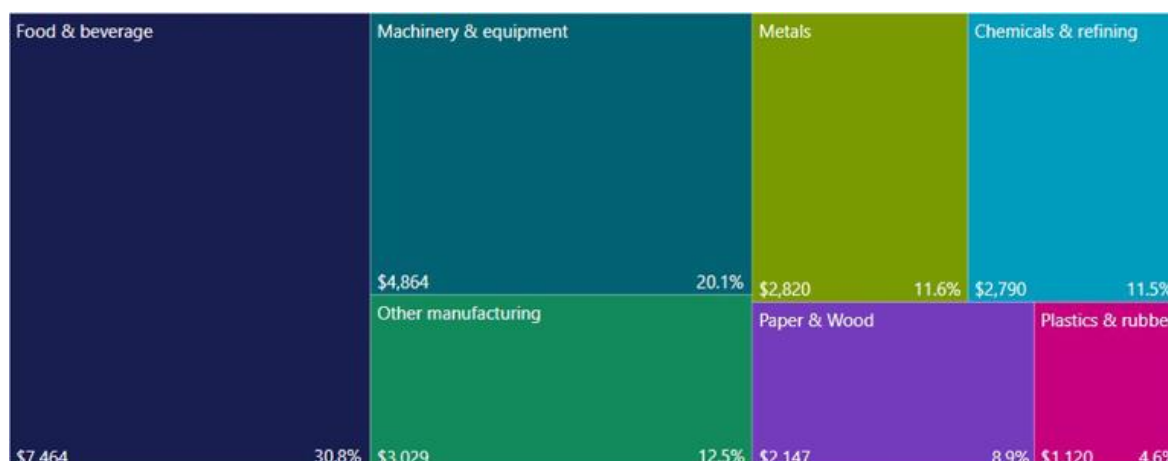


27. While small businesses can be flexible, innovative and responsive to new commercial opportunities, their lack of scale creates productivity challenges. For example, they have limited:
- ability to negotiate with suppliers
 - capacity to navigate central and local government’s regulatory requirements, with 20 per cent of business owners reporting difficulty finding the right information
 - financial reserves and access to credit, with 39 per cent reporting a lack of funds as a barrier to their development
 - digital capability and time to invest in this, with 21 per cent reporting they want to become more digital but 35 per cent stating they do not have time
 - ability to leave workplace stress and pressure “at the office”, with 10 per cent identifying wellbeing as their main challenge.

Manufacturing is a major contributor to the economy and has potential for significant productivity gains and growth

28. Manufacturing is vitally important for New Zealand. Manufacturing is made up of small and medium size businesses. Of the 22,920 manufacturing businesses, 22,838 are small businesses. Nearly three quarters (73 percent) of manufacturing businesses have annual sales less than \$1 million and only 5.3 per cent income of more than \$10 million annually.
29. The sector employs 10.3 per cent of the workforce (254,000 people), accounts for 10 per cent of GDP (\$24.1 billion), 73.5 per cent of goods exports (\$44.5 billion) and 24 per cent of business expenditure on Research and Development (\$649 million).
30. The table below illustrates the contribution of the seven manufacturing subsectors to New Zealand’s manufacturing GDP.

Figure 7: Manufacturing GDP by subsector (\$millions)



31. Manufacturing is an important contributor to both regional and urban economies, employment and communities. 45 percent of manufacturing jobs occur in regional New Zealand where manufacturing is a significant and growing contributor to regional GDP. Manufacturing is equally important in our cities. Just over half of manufacturing jobs are in Auckland (33.3 per cent), Canterbury (15.4 per cent), and Wellington (5.7 per cent). Manufacturing is the second largest employer of Māori and Pacific peoples.
32. Improving manufacturing performance will be key to achieving the Government’s objective of doubling the value of exports in ten years. In the year ending December 2022, the value of New Zealand’s manufacturing exports grew by 14.7 per cent and accounted for 60 per cent of total exports. Highest five-year compound annual export growth has been in food and beverage, machinery and equipment, and metals and metal products sub-sectors.

Opportunities within your portfolio to contribute to the Government’s objectives

33. Below we have identified opportunities for your portfolio to contribute to the Government’s objectives. We will provide you with more detailed advice on the areas discussed below in subsequent briefings.

Enable faster and more efficient business transactions, in particular with government

34. New Zealand has traditionally done well in international comparisons of ease of doing business, and starting a business here is relatively simple. There are opportunities, however, to make it easier for businesses, in particular smaller businesses, to transact with each other and with government once they are up and running. For example, in a 2023 MBIE business insights report, 44 per cent of survey respondents indicated that dealing with government agencies is time consuming. In particular, small business owners are time poor and any efficiencies in this area will have productivity benefits.
35. Growing the use of government’s existing digital infrastructure would reduce the time and cost of business-to-government and business-to-business interactions. For example, Business Connect, the cross-agency digital services platform, could be more widely used to minimise the information businesses need to provide to government agencies. More use of eInvoicing would also free up business owners’ time and improve the security of their transactions. Lifting utilisation of government’s digital

infrastructure will also require working alongside the newly created Digitalising Government portfolio, for which Hon Judith Collins MP is responsible.

Reduce regulatory compliance burdens by identifying pain points, and contributing to design solutions

36. There is an opportunity to consider the impacts of regulatory compliance obligations more generally, in particular on smaller businesses's ability to grow and thrive.
37. Smaller businesses in particular can struggle with this because all or most of the compliance-related tasks fall directly on the business owner - unlike larger businesses, who can use specialised employees or bring in consultants. We also hear that it is the cumulative impact of compliance obligations across a range of regulatory systems that can leave small businesses owners with little time to focus on lifting productivity, exploring new products, or growing markets.
38. The regulation affecting businesses sits outside the portfolio, and much of it is foundational law (for example tax, employment law, resource management, environment and climate change regulation, and licencing). Regulatory changes in these areas would need to be pursued by the responsible portfolio ministers.
39. As Minister for Small Business and Manufacturing, however, you are responsible for several services that can assist with identifying pain points and contributing to design solutions.
40. MBIE's business research function, Better for Business, identifies areas businesses find challenging when interacting with government, including understanding and complying with regulations. We report regularly to other agencies on these findings, including on changes over time.
41. This research helps us to identify which regulations are having the biggest impact on businesses. It complements the frequent feedback we get from chambers of commerce, economic development agencies, and sector representatives. These insights can inform the design of regulatory reform and how improvements are monitored over time, including on any performance targets. Work to reduce compliance burden sits across a number of areas, including Treasury, and will involve coordination with the Minister for Regulation.

Address difficulties gaining access to finance for cashflow and investment

42. All businesses need working capital, but access to finance is consistently raised as a concern in particular by small businesses and the stakeholders who work with them. While it is a challenge for small businesses in most countries, New Zealand is a small economy, with shallow capital markets and relatively few lenders. This makes it particularly difficult for small businesses here to attract finance. The 2022/23 Asia Pacific Small Business Survey found that only 26 per cent of New Zealand businesses found it easy to access finance – 20 per cent lower than the average ranking of other participating countries.
43. Most small businesses are looking for cashflow support and investment to stay ahead (eg for digitalisation or equipment) and face different challenges from R&D intensive start-ups or high-growth export firms.
44. Small businesses, especially those that are looking for cashflow and investment to stay ahead, may not have the knowledge and experience to set out a strong investment case. Current support services available include:

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- business.govt.nz's tools, which can help make businesses "investment-ready" from a lender's point of view
 - the Regional Business Partner programme, which provides guidance on avenues to access funding and where to seek support, and directs businesses to relevant tools.
45. Small businesses often can not provide much collateral, and accordingly lenders build a substantial risk margin into their credit terms. For some small business owners, the only collateral of sufficient value they have available is their house, as equipment depreciates quickly. Unsecured lending is difficult to access and carries high interest rates. This is a significant barrier for entrepreneurs from communities where rates of home ownership are low, including Māori and Pacific. We also understand that major lenders often find the cost to serve small businesses outweighs that of their other borrowing customers. This reduces their incentive to lend.
46. Under your Minister of Commerce and Consumer Affairs portfolio you can advance work to help address the challenges small businesses face accessing finance. We discuss fixing the issues with the Credit Contract and Consumer Finance Act (CCCFA), progressing a Select Committee Inquiry on banking and responding to the current banking competition study, open banking, and potential for work on examining capital market settings in your separate briefing for incoming Minister of Commerce and Consumer Affairs.
47. As this policy area impacts a range of portfolios, any solutions aimed at changing incentives on lenders and expanding the capital available for small business investment would also require working alongside the Minister of Finance.

Lift business digital capability and technology use

48. Globally, commerce is increasingly digitalised. Given nearly all business transactions have some digital element today, businesses need the capability to utilise digital tools and technology. For example, cloud computing enables flexible data storage and processing, online sales can increase the customer base, and artificial intelligence will enable automation of increasingly complex tasks.
49. Increasing productivity via digitalisation could have a significant economic benefit. For example, MYOB recently estimated a \$8.5 billion boost to GDP from a more digitalised small business sector.
50. New Zealand is less digitalised than comparable countries. In 2022, we ranked 27th out of 63 countries on digital competitiveness, compared with 19th in 2018. Barriers to digital uptake include finding the right tools, concerns about security and fraud, lack of time, the upfront investment required, and skills deficits.
51. During the COVID-19 pandemic, the then Government invested in helping businesses to use digital tools and e-commerce. The resultant Digital Boost Educate platform provides online resources to help small businesses lift their digital capability and technology use. It has had over 65,000 users so far. 17 per cent of them directly attribute increased revenue to Digital Boost.
52. Funding for Digital Boost expires in December 2024. Other means of lifting digitalisation could include:

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- increasing the use of eInvoicing, Business Connect and the New Zealand Business Number by government agencies, which would have flow on benefits for business uptake as ‘network effects’ take hold.

53. You could also look to overseas models that drive digital uptake and incentivise investment, such as direct implementation support for digital tools. This work will involve coordination and consultation with the Minister for Digitalising Government.

Lift New Zealand manufacturing productivity, export and performance

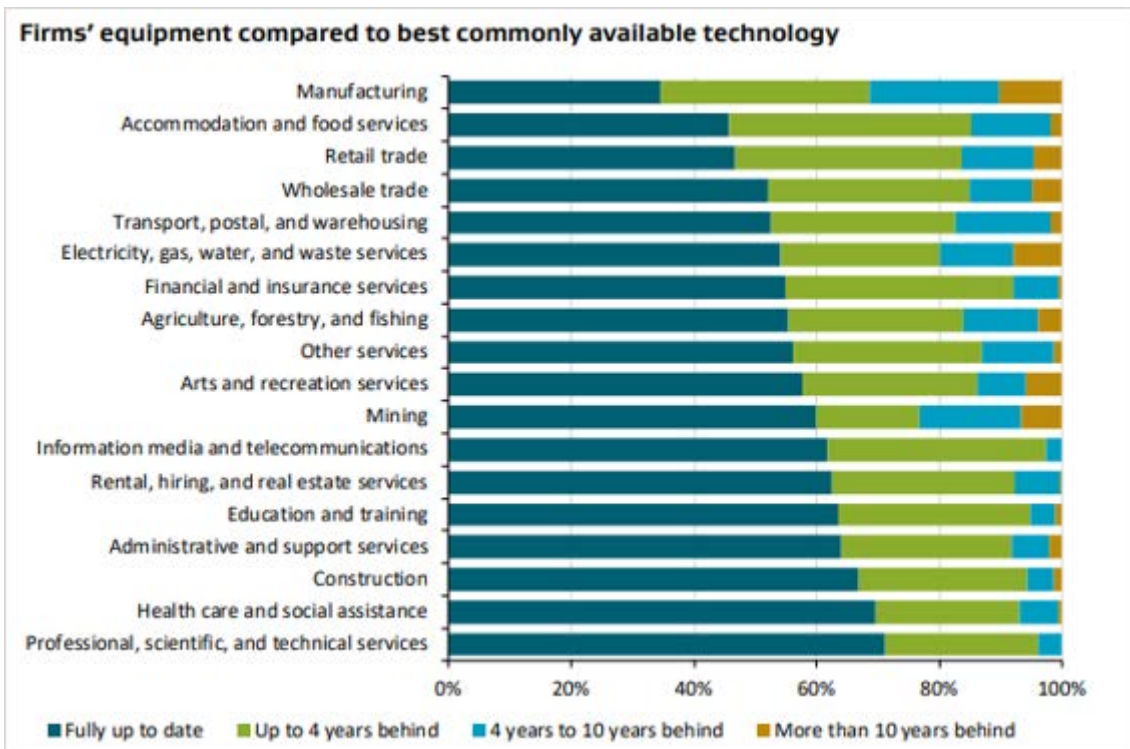
54. There is significant untapped opportunity to boost New Zealand manufacturing productivity and growth as manufacturing is undergoing a fundamental shift through the application of automation technologies and processes.

55. As the recent New Zealand Advanced Manufacturing Technology Investment Network Report (2023) notes labour productivity of the manufacturing sector remains sluggish with annual growth of 0.92 per cent over the last ten years.

56. As set out in McKinsey report, A Future that Works: Harnessing Automation for a more Productive and Skilled New Zealand (2019), however, “automation technologies present our nation with enormous opportunity to restore momentum in productivity” and “it is automation that promises to be the real unlock for New Zealand to accelerate its productivity growth”.

57. McKinsey analysis confirms that New Zealand’s labour productivity in manufacturing is only 54 per cent of the United States. Rapid adoption of automation technologies could close that productivity gap to 83 per cent while inactivity would lead to New Zealand manufacturing productivity falling to just 29 per cent of the United States’ level.

58. As shown in the table below, only 35 per cent of New Zealand manufacturers indicate that they have up to date core equipment, while more than 10 per cent are at least 10 years behind. This compares to 55.4 per cent and 3.2 per cent across the whole economy, with manufacturing sitting last of all industries.



59. This low base of capital-intensity in manufacturing provides an opportunity for large productivity improvements through business investment in automation technologies. This opportunity is available now. For instance, 56 per cent of manufacturing tasks in New Zealand can be automated based on available technologies. Furthermore, as automation technologies can be applied at small scale, New Zealand manufacturing businesses can adopt these technologies to become world leaders and exporters of customised solutions.
60. Low business investment in capital assets is due to a range of factors, including that New Zealand businesses face the second-highest cost of capital for “tangible assets” like plant, machinery and technologies of the 37 other OECD countries.¹ Furthermore, New Zealand has fewer policies to encourage greater business investment in capital assets when assessed against comparable countries.
61. As Minister for Small Business and Manufacturing you have an opportunity to boost productivity through coordinated effort across Ministerial portfolios to increase New Zealand manufacturing investment in plant, machinery and automation technologies.
62. The sector has identified targeted accelerated depreciation as one mechanism that would increase business investment in plant, machinery and equipment. Other options include improved capital markets and foreign investment.
63. The manufacturing sector is motivated to work with government to lift the sector’s productivity and performance. Key sector priorities that have been identified beyond increased business investment productivity-enhancing assets, include developing and attracting workers, making innovation and R&D work better for manufacturing, seizing lower-emissions and circular business opportunities, and improved global connectivity.

¹ Data derived from OECD databases (2020).

4. Portfolio responsibilities

64. This section provides an overview of the operational services, legislation and appropriations that sit in your portfolio, as well as highlighting linkages to other portfolios.

Services you are responsible for

65. You are responsible for a range of services supporting business and the policy settings that govern them.

- **business.govt.nz** (launched in 2007) provides content, tools and expert guidance for businesses starting up, taking on staff, wanting to increase productivity and grow profits. The content ranges from information about daily business operations to material responding to crises (such as COVID-19 and Cyclone Gabrielle). The platform hosts 26 interactive tools, 53 downloadable visual guides and workbooks, and more than 200 pages of content. Usage of business.govt.nz has increased from 2.5 million user sessions per year since 2015 to nearly 11.7 million unique page views in 2022. Over the past 12 months, its interactive tools were accessed 469,000 times, and received an overall 84 per cent satisfaction rating. The most popular tools are ONECheck (a search function enabling businesses to check if a business name or brand is already taken), the Employment Agreement Builder and Choose your Business Structure.
- The **Regional Business Partner (RBP)** programme (established in 2010) provides tailored support for individual businesses. It helps business owners increase their management capability by providing information, connections and training support based on their specific needs. Around 5,000 businesses receive training and support annually, including access to subsidised management capability training. The RBP programme is jointly administered by MBIE and Callaghan Innovation and is delivered in partnership with 13 economic development agencies or chambers of commerce across New Zealand. Seventy eight per cent of business owners who responded to a RBP survey in 2022/23 said they would recommend the service to other business owners.
- **Better for Business (B4B)** (established in 2012) provides insights on businesses' experiences interacting with government. Insights from regular surveys are used to identify opportunities to improve regulatory design and service delivery, and can track improvements over time. The annual Customer Experience Index gauges businesses' experience from a 'whole of government' standpoint. Businesses are asked about their customer experiences with 11 central agencies, including MBIE, and local government. B4B also encourages the use of the Better Rules, Better Outcomes framework across government, to ensure legislation and regulation is developed in a way that is customer-centric and digitally enabled.
- The **New Zealand Business Number (NZBN)** (established in 2014, with the NZBN Act passing in 2016) is a unique global identifier that enables reliable and efficient digital interactions between businesses and government. Core business information on the NZBN register is accessed millions of times a year by many government agencies and businesses.
- **Business Connect** (first prototyped in 2016 and then formally launched in December 2019) was set up as part of the Better Public Services programme. It is a cross-agency digital services platform for businesses to easily apply for a range of licences, permits and registrations in one place. It uses NZBN data to pre-populate and validate mandatory fields for returning customers, resulting in better

quality applications for agencies and councils. A recent addition to the platform is the FormBuilder.govt tool, which is designed for government and councils to create online service forms in days, with guaranteed accessibility, security and privacy standards.

- **eInvoicing** (launched in 2019) is the direct exchange of invoices between supplier and purchaser finance systems. EInvoicing removes the requirement for manual invoice processing, saving businesses significant time and money. It also helps them participate in digital trading, and protects them from invoice fraud.
66. These functions can be used to provide rapid response solutions to shifts in the environment and/or new priorities. Initiatives MBIE has stood up to meet specific challenges which are still active are listed below.
- **Digital Boost** (established in 2020) provides resources for businesses to increase their digital capability and technology use. It was established during the COVID-19 pandemic to support businesses to use digital tools and e-commerce. Digital training is delivered through an online training platform (Digital Boost Educate), and an interactive diagnostic tool which assesses a business's online presence and e-commerce capability. The platform has over 65,000 registered users, from 39,000 businesses. The Digital Boost programme also incubated the Digital Boost Alliance, a collaboration with large-scale private sector organisations (such as Google, Microsoft, Amazon Web Services and the major banks and telcos). Digital Boost is funded until the end of December 2024.
 - **First Steps** (established in 2021) is an online wellbeing resource for small business owners, managers and employees. It was stood up by the Auckland Business Chamber in collaboration with MBIE, in response to the wellbeing needs of Auckland businesses during the COVID-19 lockdowns. The service was rolled out nationally in August 2022. Between November 2022 and October 2023 the First Steps website was accessed 442,533 times, and from March to June 2023, 530 people accessed counselling sessions. First Steps is funded until 30 June 2024 (the one-one counselling funding has already concluded).
 - The **Retail Crime Subsidy Scheme** (established in 2023) was stood up for the then Minister of Police. It helps small retailers prevent harm from ram-raids and aggravated robberies by subsidising the purchase of a fog cannon. Since the scheme was launched on 1 February 2023 more than 3,100 retailers have been approved, and more than 2,600 fog cannons have been installed. The Retail Crime Subsidy is funded until the end of June 2024.

Legislation you are responsible for

67. You are directly responsible for the New Zealand Business Number Act 2016 and the Business Payment Practices Act 2023. Your role also enables you to take an interest in legislation or regulations that affect small businesses and bring any concerns to the attention of the appropriate minister.

Business Payment Practices Act 2023

68. This Act requires large organisations to publicly disclose their payment times and terms. It is modelled on the equivalent Australian regime, but has simplified reporting requirements. The Act intends to benefit small businesses whose cashflow relies on timely payment of invoices, by making large businesses' payment terms and times transparent. The first reporting period (for the largest

organisations who have an annual revenue of \$100 million or more) commences in July 2024, with reporting for other entities commencing in January 2025.

69. ICT development on the business payment register is underway and no further policy decisions are required to implement the Act. We will keep you informed about progress towards implementation and any issues that arise.

New Zealand Business Number Act 2016

70. This Act prescribes the information (referred to as 'primary business data') that can be published on the NZBN Register. Primary business data is the information businesses are most often asked for and is most useful when transacting with each other and with government agencies. Using a business's NZBN, organisations can electronically access that business's primary business data on the NZBN register, meaning only one piece of identifying information is needed and the rest is auto filled.

Advisory bodies

Small Business Advisors

71. The Small Business Advisors are appointed by the Cabinet's Appointments and Honours Committee on the recommendation of the Minister for Small Business. They provide advice directly to the Minister and advise government officials on small business issues. The Small Business Advisors are:

- Serge van Dam, Investor, Director
- Ross Verry, CEO of Syndex, Director
- Deborah Shepherd, Researcher and Lecturer, University of Auckland, and small business owner
- Leeann Watson, CEO, Canterbury Employers' Chamber of Commerce
- Allison Lawton, Director, Avid Business Agency.

72. Three of these appointments conclude in February 2024, and the other two in August 2024. We will shortly provide you with options for this advisory function.

Australia and New Zealand Electronic Invoicing Board (ANZEIB)

73. ANZEIB membership has recently been refreshed to strengthen the close cooperation between New Zealand and Australia on the implementation and adoption of eInvoicing. You have sole discretion to appoint New Zealand representatives to the ANZEIB when required.

Funding and expenditure

74. The Small Business Enabling Services MCA was approved in August 2023. Funding for the services under the MCA will reduce from \$47.5 million to \$38.4 million by 2025/26 due to the conclusion of time-limited funding for First Steps and Digital Boost.

75. MBIE is implementing the Business Payment Practices Act, including the register build, from existing baselines. We have transferred \$60,000 for 2023/24 and \$100,000 for 2024/25 and outyears from the category Operational Support of the Regional Business Partner Network to contribute to the operational costs. This sum is only sufficient to cover projected depreciation of the register, however.

76. You also have an interest in expenditure that falls outside your portfolio.

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- Operation of the NZBN register is fully funded by third parties and falls within the Commerce and Consumer Affairs Registration and Provision of Statutory Information appropriation. The NZBN adoption component, however, falls within your portfolio. This is included in table 2 overleaf as Registration and Provision of Statutory Information – NZBN Adoption.
- The Minister of Police is responsible for the Retail Crime Subsidy Scheme that funds fog cannon subsidies for small retailers. You also have a role in overseeing the scheme because it is administered by MBIE (for which we have received time-limited funding). Funding for the Retail Crime Subsidy Scheme concludes in 2023/24. The future of this scheme will be determined by Cabinet. The Minister of Police will likely lead this discussion.

77. Table 1 and 2 below set out the expenditure you are responsible for or have oversight over (the programmes funded under each category are listed in brackets after the title).

78. As noted earlier, as the MCA only technically commenced from 1 October 2023, three months of funding to 30 September technically falls under the old appropriations and only nine months of funding from October 2023 to June 2024 within the new MCA. Funding for this nine-month period under the new MCA was \$18.9 million in departmental and \$19.9 million in non-departmental expenditure. Over the 12 months for 2023/24 the combined funding for the services under is \$24.3 million in departmental funding and \$23.2 million in non-departmental funding.

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Table 1: Breakdown of expenditure (\$000)*

Title	Scope	Expense Type	2023/24	2024/25	2025/26	2026/27 & outyears
Small Business Enabling Services MCA						
Services Supporting Small Business (Better for Business, Business Connect, business.govt.nz, eInvoicing)	Tools, information and programmes to support small businesses to transact effectively in the economy and improve their service experience interacting with government.	Departmental	16,209	20,398	20,389	20,402
Operational Support of the Regional Business Partner Network (RBP programme – administration costs)	Design, establishment, administration, management, monitoring and evaluation of the RBP Network and related business support programmes.	Departmental	2,693	3,298	3,298	3,298
Services to Support the Growth and Development of New Zealand Businesses (RBP programme – partner expenses and training subsidies)	Building and enhancing business and management capability through providing access to effective assessment, advice, training, mentoring and information.	Non-departmental	11,435	14,796	14,796	14,796
Business and Wellbeing Support (First steps)	Design, co-ordination, procurement of service and expertise, and administrative costs of delivering business and wellbeing support information, programmes and services.	Non-departmental	1,000	-	-	-
Digital Enablement of Small Business (Digital Boost)	Funding small businesses and providers for services and products that accelerate small business digital enablement.	Non-departmental	7,460	3,760	-	-
Total MCA			38,797	42,252	38,483	38,496
Policy advice and related services to Ministers						
Policy advice		Departmental	2,064	2,067	2,067	2,067
Total Portfolio			40,861	44,319	40,550	40,563

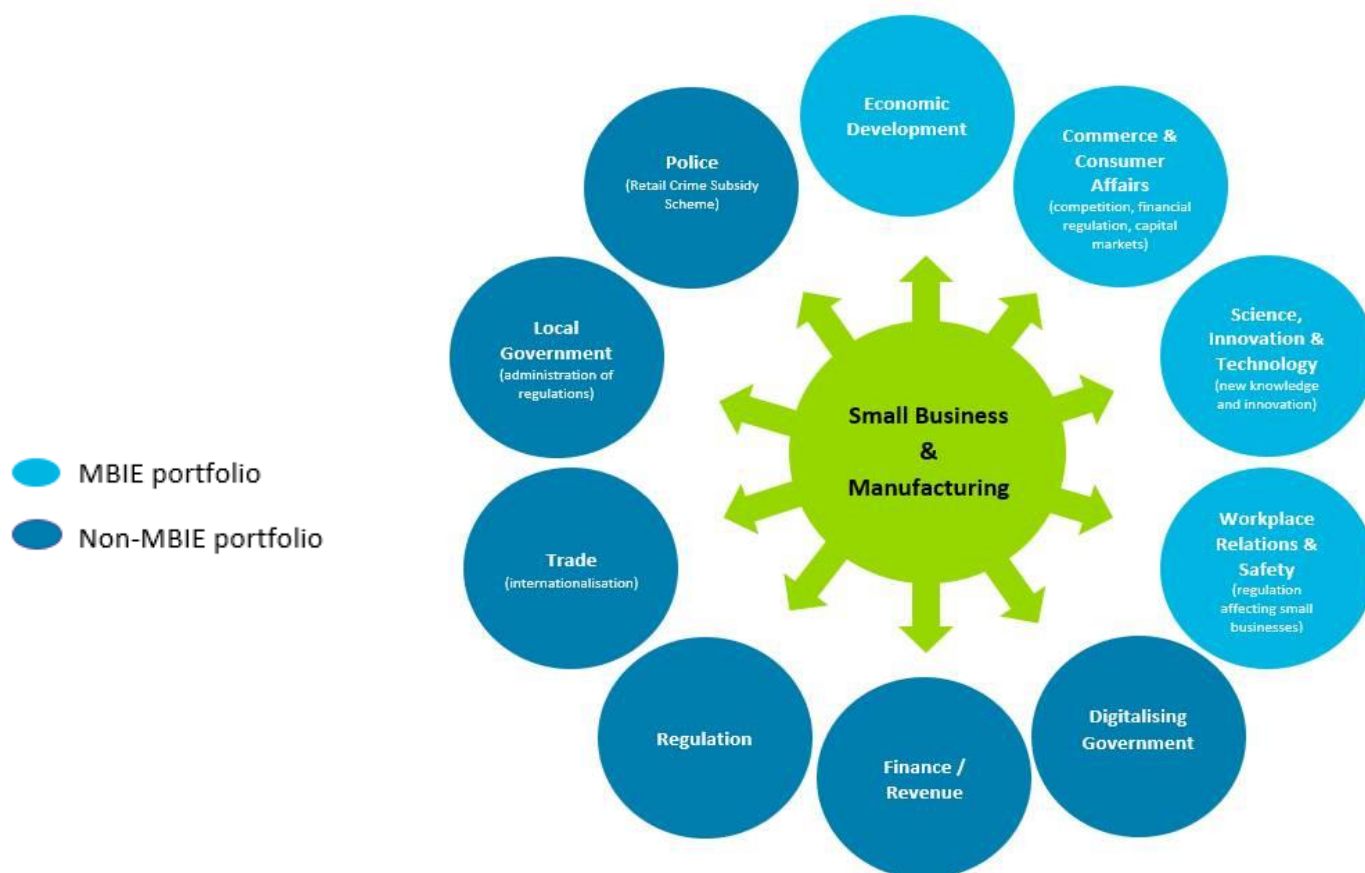
Table 2: Breakdown of expenditure in other relevant Portfolios (\$000)

Title	Scope	Expense Type	2023/24	2024/25	2025/26	2026/27 and outyears
Registration and provision of statutory information (Commerce and Consumer Affairs)						
NZBN Adoption		Departmental	1,994	1,994	1,994	1,994
Police						
Retail Crime Subsidy Scheme		Non-departmental	14,400	-	-	-
Administration of the Retail Crime Subsidy Scheme		Departmental	1,105	-	-	-

Major links with other portfolios

79. Beyond managing your Small Business portfolio, you will also have an opportunity to influence work in other portfolios that impact small business. The Small Business portfolio is closely linked to the MBIE and non-MBIE portfolios noted in figure 7.

Figure 7: Links with other portfolios



5. Further advice we propose to provide

80. In the table below we have set out specific work areas that we would like to brief you on in more detail, subject to any feedback or direction we receive from you in initial conversations. These briefing topics align with the potential focus areas discussed above. We would value an early opportunity to discuss your priorities with you, so we can support you to develop a portfolio work programme.

Table 3: Potential work programmes in the Small Business portfolio

Work Programme	Purpose	Action/next step
Enable faster and more efficient business transactions, in particular with government	Make it easier for small businesses to transact with government and other businesses by increasing uptake of the NZBN, eInvoicing and Business Connect.	Advice on options, once you have indicated a preference for the high-level approach.
Reduce regulatory compliance burdens for small businesses by identifying pain points, and contributing to design solutions	Help identify areas to reduce impacts of regulatory compliance on small businesses.	Advice on options to support a reduction in compliance costs for small businesses.
Support small businesses to lift their digital capability and technology use	Equip small business operators with the knowledge to grow their digital capability and use technology effectively.	Advice on next steps for digitalisation support.
Address difficulties gaining access to finance for cashflow and investment	Investigate ways to make finance for investment and cashflow more straightforward to obtain.	Advice on options to support businesses to access finance.
Lift New Zealand manufacturing productivity, exports and performance	Discuss Ministerial priorities on opportunities to lift New Zealand manufacturing productivity, exports and performance including: <ul style="list-style-type: none"> - Options to increase business investment in productivity-enhancing plant, machinery and automation technologies, including benefits and trade-offs - Manufacturing sector motivation to work with Government to lift the sector's productivity and performance including key sector priorities. 	To discuss Ministerial priorities and provide advice on options to increase New Zealand manufacturing productivity, exports and performance

6. How MBIE assists you

Our primary ways of engaging with you

81. MBIE officials engage with you primarily through:
- meetings, either scheduled or at your request
 - weekly updates on key policy and operational items in the portfolio
 - 6-monthly updates on work programmes.
82. We are happy to adjust any of these processes to align with your preferred way of working.




Relevant Business Groups

83. MBIE assists you in fulfilling your portfolio responsibilities through its policy and operational groups.
84. MBIE's Small Business policy team (situated in the Building, Resources and Markets group) supports you by:
- advancing your policy priorities, including any by preparing Cabinet papers and legislative material
 - preparing Budget bids
 - providing briefing material to support your interactions with small business stakeholders, and any international engagements you have.
85. MBIE's small business operational services (situated in the Te Whakatairanga Service Delivery group) provides:
- regular data and insights on small businesses in New Zealand, gathered from a wide range of partners, including cross-agency stakeholders and industry representatives
 - resources that make it easier to do business and navigate government processes
 - assistance for business owners to increase their financial, digital and management capability.
86. MBIE's eInvoicing initiative (situated in the Corporate Services Finance and Enablement group) supports you with:
- regular data and insights on the progress of eInvoicing
 - updates on the tools and resources we use to progress its adoption
 - information on the development of eInvoicing internationally, particularly in Australia.




Key MBIE officials

87. The table below sets out the key MBIE officials who will support you in the Small Business portfolio.

Table 4: Key MBIE officials

Contact	Role	Priority area	Contact details	
Carolyn Tremain				
	Secretary, Ministry of Business, Innovation and Employment	MBIE's organisational performance	Privacy of natural persons	
Paul Stocks				
	Deputy Secretary, Building, Resources and Markets (BRM)	BRM leads policy development to ensure a fair, competitive business environment and well-functioning telecommunications, building and construction, small business, manufacturing, and resources sectors and operations. We also serve as the Government's Procurement System Leader and the Government's Property System Leader. BRM oversees many of the regulatory systems that govern Aotearoa New Zealand's markets: commerce and consumer affairs; energy markets; minerals and petroleum; energy efficiency; communications; and building performance.		
Suzanne Stew				
	Deputy Secretary, Te Whakatairanga Service Delivery.	Te Whakatairanga Service Delivery provides functions and services that support businesses, employees, and consumers to operate successfully in the marketplace. We deliver information, advisory, dispute resolution, regulatory and enforcement services across most of MBIE's regulatory systems and on behalf of other government agencies. Te Whakatairanga Service Delivery works to ensure fair markets that thrive - an environment where businesses can succeed, and New Zealanders are protected.		

BRIEFING FOR THE INCOMING MINISTER FOR SMALL BUSINESS AND MANUFACTURING

Andrew Hume		
	<p>General Manager, Small Business, Commerce and Consumer Policy, Building, Resources and Markets</p>	<p>Policy responsibility for the Small Business portfolio.</p>
Ross Van Der Schyff		
	<p>General Manager, Business and Consumer, Te Whakatairanga Service Delivery</p>	<p>Operational responsibility for MBIE’s small business services: business.govt.nz, the Regional Business Partner programme, Better for Business, Business Connect, Digital Boost, First Steps and the Retail Crime Subsidy Scheme.</p>
Michael Alp		
	<p>Chief Operations Officer, Corporate Services Branch, Corporate Services Finance and Enablement Group</p>	<p>Operational responsibility for eInvoicing.</p>

Privacy of natural persons

Annex One: Small Businesses in New Zealand

97%
of businesses have fewer than 20 employees (587,406 businesses)

28%
of employees are employed by small businesses (excluding working proprietors)

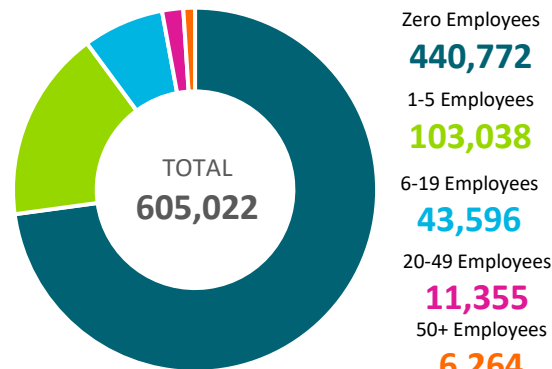
75%
of small businesses have no employees (440,772)

37%
of Economic Value is estimated to be produced by small businesses

40%
of all jobs created in the year ending June 2022 were in small businesses

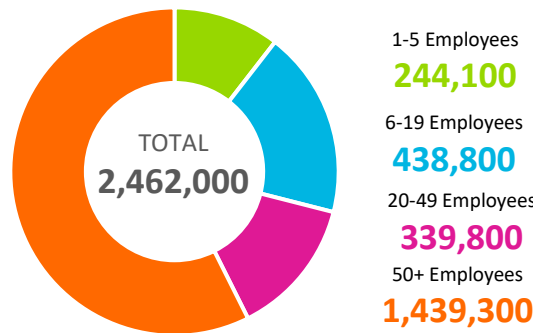
The 'rental, hiring & real estate services' industry has the highest number of small businesses

Chart 1: Number of Businesses by Employee Size Group (2023)*



*Due to rounding, the sum of the individual values does not equal the total value.

Chart 3: Number of Employees by Employee Size Group (2023)*



*excludes working proprietors

Chart 4: Economic Value Add by Business Size Group (2020)

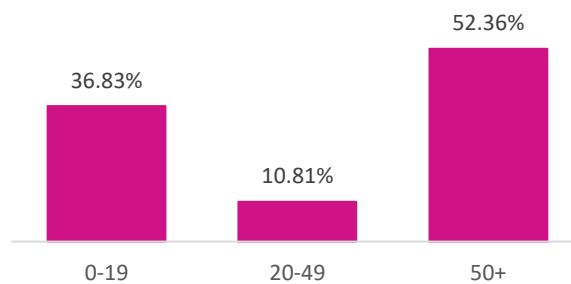


Chart 2: Number and percentage of Small Businesses by Industry (2023)

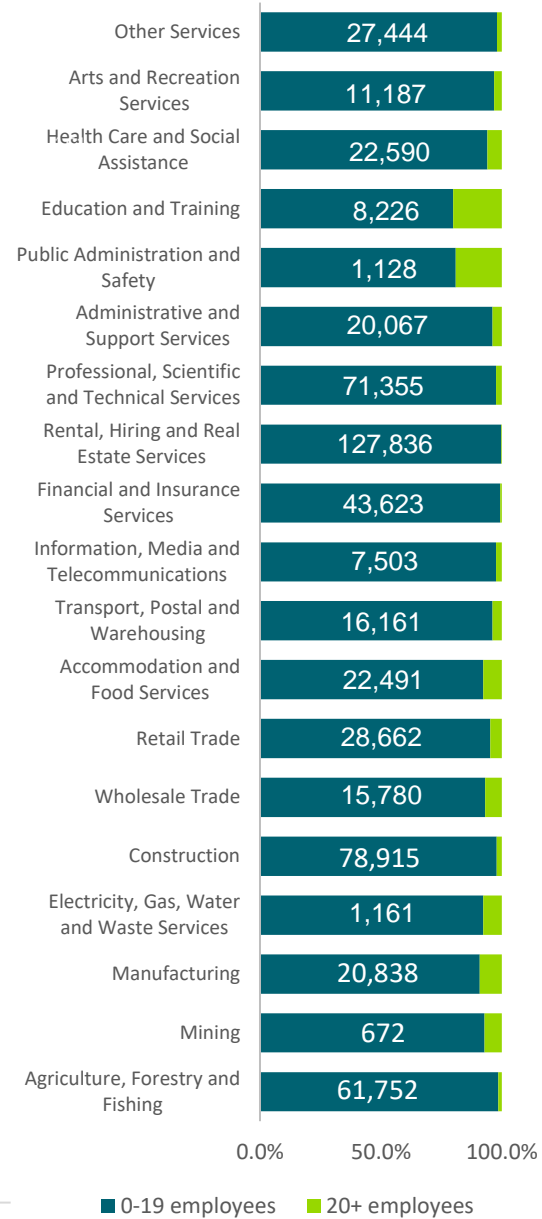
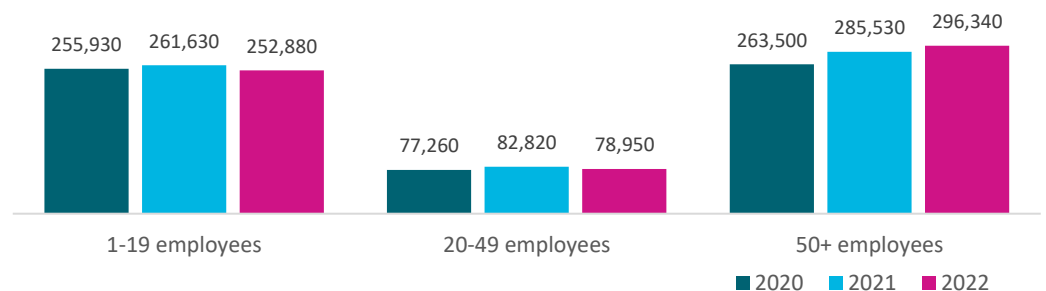


Chart 5: Annual Job Creation by Employing Businesses (2020-2022)*



*in the year ending June quarter

\$56,964

was the average salary of employees in small businesses in the year ending June 2022

72%

of small businesses are using cloud accounting

'Make a living' is the primary motivation for starting and continuing to run a business

Small businesses with employees tend to feel more stressed than those with no employees

80%

of Māori businesses are microbusinesses (less than 5 employees)

66%

of Pacific businesses have zero employees

Chart 6: Primary Motivations for Starting and Continuing to Run a Business (2023)

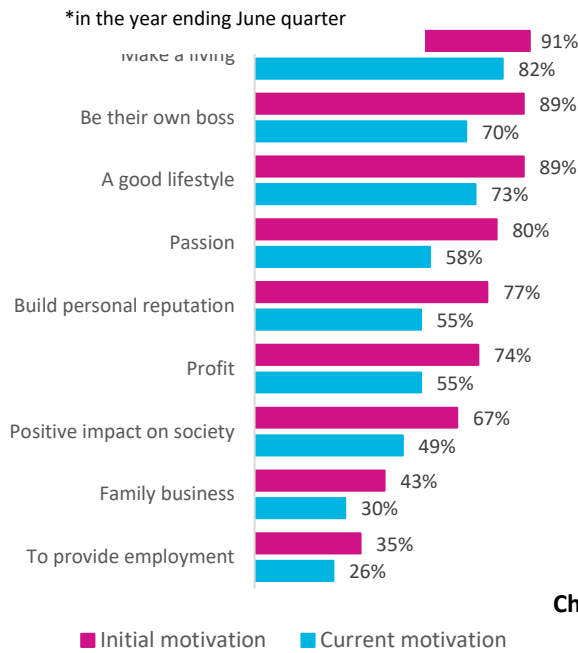


Chart 7: Digital Tool Use by Small Businesses (2021/2022)

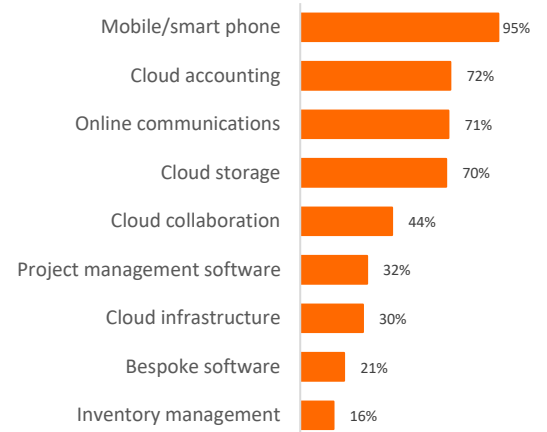


Chart 8: Small Business Development Goals (2023)



Chart 9: Business Owner Wellbeing by Employee Size Group (2023)

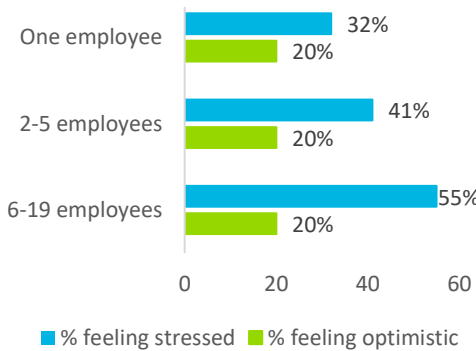


Chart 10: Births and Deaths of Employing Small Businesses (2013-2022)

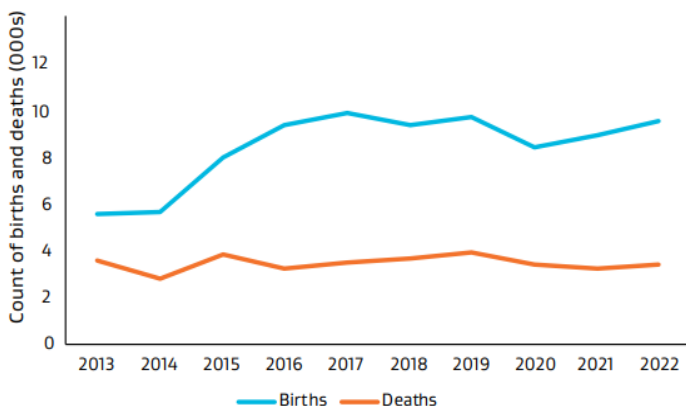


Chart 11: Annual Average Salary* per Employee by Employee Size Group (2020-2022)

