

# Briefing for the Incoming Minister for Economic Growth

January 2025



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## 1. Welcome to the Economic Growth portfolio

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1. Congratulations on your appointment as the Minister for the Economic Growth portfolio. We look forward to discussing your Economic Growth portfolio priorities and how officials can support you to deliver them. Further briefings will be provided on specific topics in the coming weeks.
2. This new portfolio is a significant shift from the previous Economic Development portfolio and will have a much greater emphasis on co-ordinating and strengthening efforts that are already underway across Government to deliver economic growth. It will also take responsibility for new initiatives designed to promote growth and productivity in the New Zealand economy. Greater prioritisation, alignment and coordination of Government activities across multiple portfolios will help achieve the Government's economic goals.
3. The Ministry of Business, Innovation and Employment (MBIE) can support you in your economic strategy and coordination role. We would be happy to engage with you on options to ensure coordination is conducted efficiently and has impact, using existing structures where it makes sense and putting in place new structures to build momentum.
4. MBIE supports you to set and deliver a focused programme of work to drive economic growth in the short term and to address the underlying barriers to long term economic growth. You have choices in this new portfolio about actions and programmes of work that you wish to lead on directly, and other economic growth initiatives where you may choose to provide strategic direction to other delivery Ministers. **Section 2** provides an overview of the strategic choices to unleash economic growth. Many other MBIE portfolios drive economic growth. These include: Science, Innovation and Technology; Tourism and Hospitality; Immigration; Energy; and Resources. You will also have an interest in these portfolios through your broader MBIE ownership role.
5. MBIE also supports you to deliver specific programmes and initiatives you are responsible for under the Economic Growth portfolio. **Section 3** sets out responsibilities (including legislation and Crown entities), priority areas and appropriations under the former Economic Development portfolio. **Section 4** sets out MBIE's role and key officials.

## 2. Portfolio context and strategic choices

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6. The Economic Growth portfolio provides you with an opportunity to provide greater focus and coordination to strengthen efforts that are already underway to deliver economic growth – and to drive new initiatives designed to promote growth and productivity in the New Zealand economy.
7. The Government is already taking a range of actions to address underlying challenges with New Zealand’s economy. The five interrelated areas you have previously identified as Minister of Finance provide a useful framework for organising these actions:
  - Improved education and skills outcomes
  - Better regulatory and tax settings
  - Promoting science, innovation and technology
  - Strengthening international connections
  - Delivering productivity enhancing infrastructure.
8. However, to enable a significant uplift in New Zealand’s economic performance, further actions will be required without sacrificing fiscal sustainability.

### Strategic choices and opportunities to boost growth

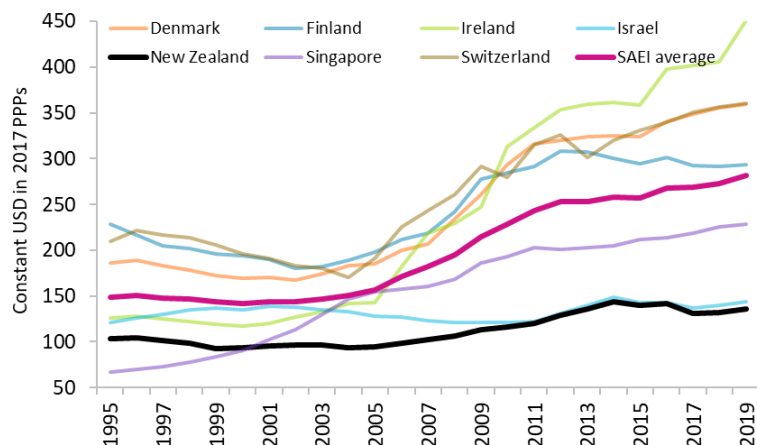
9. You have identified two areas (subject to Cabinet agreement) with the greatest opportunities to boost growth:
  - Lifting investment
  - Enhancing competition.
10. You have also identified the tourism and international education sectors as areas that could drive economic growth in the short term.
11. Tourism is New Zealand’s second largest export bringing in nearly \$11 billion in tourism expenditure per year, directly contributing around 3.7 per cent to our GDP and creating nearly 200,000 jobs. Tourism also brings significant non-financial benefits to New Zealand by supporting regional potential, helping to preserve our natural environment, and supporting global connectivity through people-to-people and freight linkages.
12. International education has had a strong recovery from COVID-19 and associated border closures. In 2023 there were 69,000 international fee-paying students, and total international fee revenue amounted to just over \$885 million (compared to approximately \$1.2 billion in 2019). Most government levers for attracting international students are in the Immigration portfolio.
13. MBIE has also identified six areas and specific policy measures to achieve a step change in New Zealand’s productivity and export performance. These are outlined below and focus on levers to lift investment, competition, and innovation. Some of the actions identified would have an impact in the short term but most actions would have an impact in the medium term, and many of them are interrelated.
14. We are keen to provide further advice to you and discuss the areas you and MBIE have identified to drive economic growth.

### Incentivising firms to lift productive capital investment

15. New Zealand has the lowest capital intensity compared to other small, advanced economies (see chart below). Businesses need to invest in more plant, machinery and other productive assets to lift productivity performance. Although private business investment depends on the decisions of firms, the government can incentivise businesses to invest in productive capital to enable workers to increase productivity and profits through automation, data analytics and better technology.

Average capital per hour worked

Source: Penn World Tables, MBIE NZ estimates



16. Specific policy measures that should be considered to lift productive capital investment include looking at various tax settings. Policies that should be considered include:

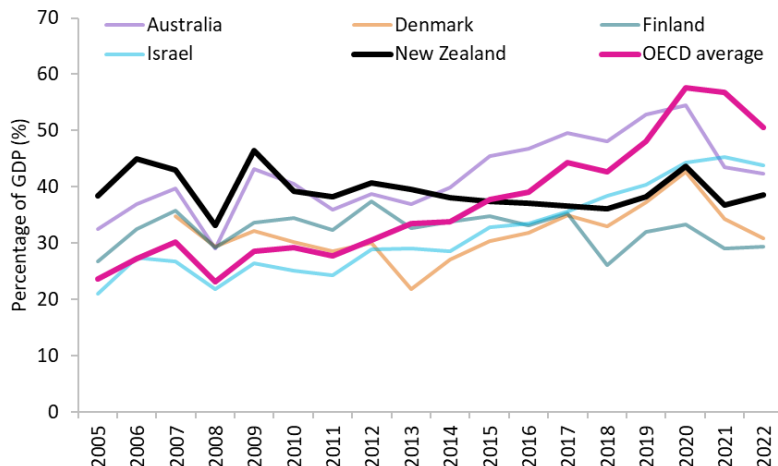
- Introducing an accelerated depreciation (or partial expensing) regime
- lowering the corporate tax rate
- removing tax imputation as part of corporate tax reforms.

### Boost foreign direct investment

17. New Zealand’s foreign direct investment (FDI) is low compared to other OECD countries (see chart below). More foreign investment would boost economic growth and productivity performance by improving infrastructure, increasing the pool of capital available to businesses and bringing in innovation and know-how from abroad.

Inward FDI stocks as percentage of GDP

Source: OECD



18. Various measures are already on the government work programme including the amendment of the Overseas Investment Act (OIA), the work around the National Infrastructure Agency, and the setting up of Invest New Zealand.

19. Further specific policy measures that should be considered to boost FDI include:

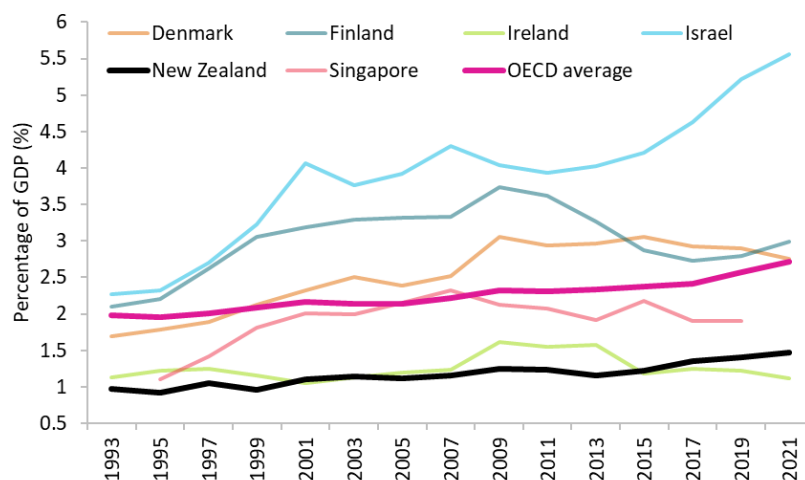
- investigating whether tax settings should be adjusted to further incentivise investment, e.g. employee share option plans and New Zealand’s foreign investment fund rules
- Confidential advice to Government
- fundamental change of the OIA objectives to make it more permissive including relaxing thresholds
- agreed sectors that government agencies make a concerted effort to attract investment into (see also *Innovation focused sector development* section below).

### A science system that delivers advanced technologies

20. New Zealand has low levels of gross R&D expenditure compared to other OECD countries (see chart below). Gross R&D expenditure is from both the public and private sectors. Private R&D has recently been growing in an encouraging way, albeit from a very low base when compared to other countries. However, public R&D has been reducing and is forecast to reduce further. Science investments we have are spread thinly and are disproportionately targeted at environmental and agricultural sciences. This underpins the announcements on 23 January on resetting New Zealand’s science system.

**Gross expenditure on R&D as percentage of GDP**

Source: OECD



21. Implementation of the science system reforms will be critical to boosting R&D and productivity. Key elements of the reforms are:

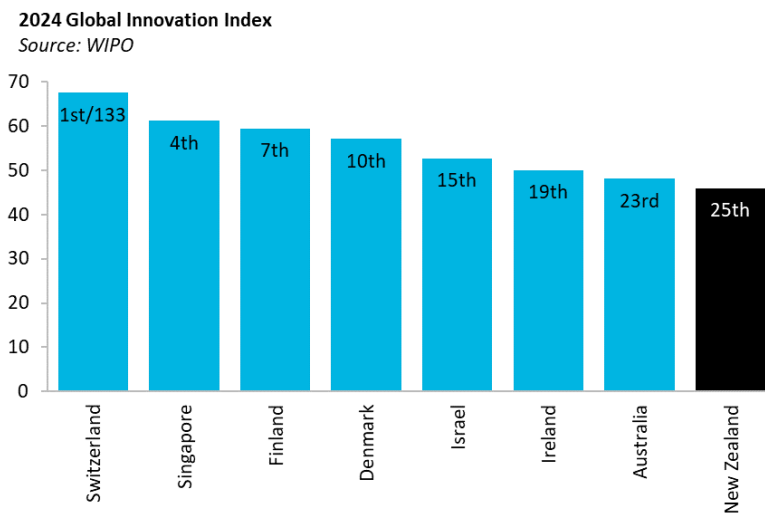
- establishing the Prime Minister’s Science, Innovation and Technology Advisory Council, which will provide strategic direction and oversight of the system, and advise on priorities and needs to be linked to the Government’s overall economic strategy
- establishing a new agency, Invest New Zealand, as the Government’s one-stop shop for foreign direct investment
- turning the current seven Crown Research Institutes into three public research organisations

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- establishing a new fourth public research organisation to deliver research, capability and commercial outreach around advanced technologies such as artificial intelligence, quantum (advanced computing) and synthetic biology
- disestablishing Callaghan Innovation and move its most important functions to other parts of the science, innovation and technology system, to better support and incentivise innovation for economic growth.

### Innovation focused sector development

22. New Zealand’s economic structure needs to continue to diversify into new areas of export strength by enabling emerging industries to evolve and scale-up. Other small, advanced economies have adopted innovation-focused sector development approaches to support economic and export diversification, economic security and productivity performance. Government resources are currently spread thinly across a broad number of areas.<sup>1</sup>



23. The specific actions that are required include:

- agreeing on a small number of high-potential/emerging sectors, e.g. biotech, healthtech, space and aerospace, cleantech, and high-value and critical minerals
- using the full range of government levers to promote a coordinated approach to lifting innovation, e.g. investment attraction, science funding, early-stage capital, immigration, tertiary education
- providing senior Ministerial oversight of the approach to ensure consistency with Government’s economic priorities.

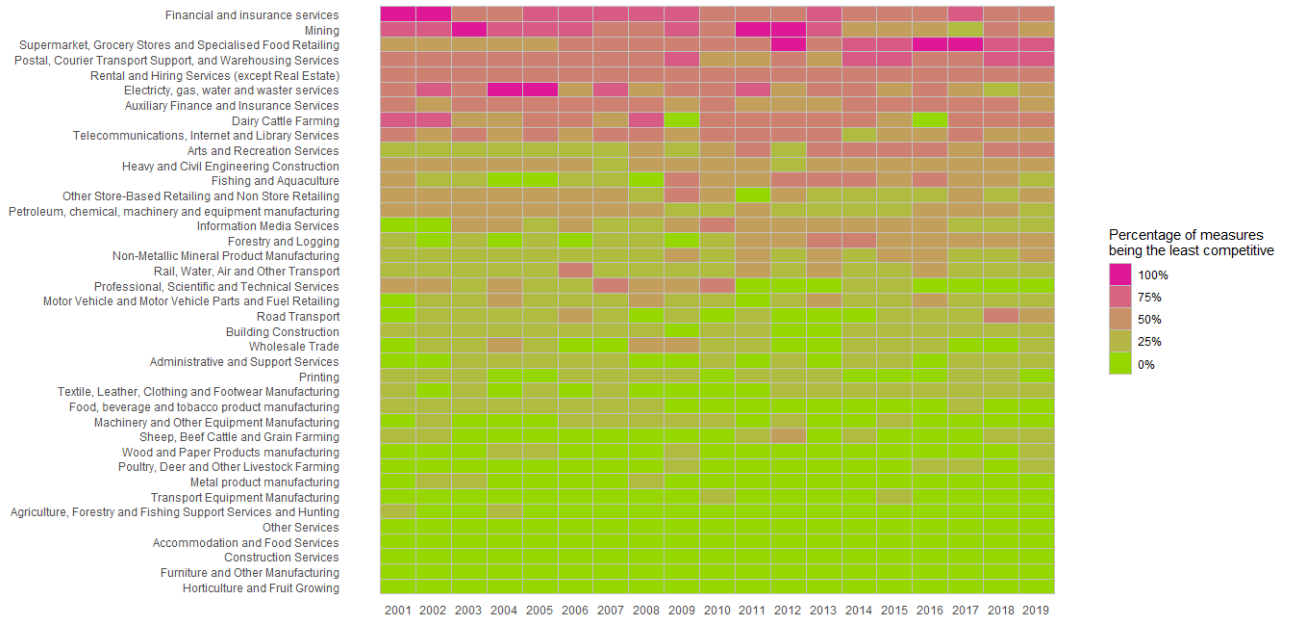
### Enhancing competition

24. Many New Zealand markets are highly concentrated (see chart below), which reduces competition, innovation and new entry. The 2024 OECD Economic Survey of New Zealand recommended strengthening overall competition settings.

<sup>1</sup> Productivity Commission (2021), [New Zealand firms: reaching for the frontier](#)

**Change in sector competition measures 2001-2019**

Source: MBIE, 2019



25. Specific policy measures to enhance competition include:

- deploying industry-specific competition settings where competition is weak, e.g. banking and supermarkets
- strengthening the role of the Commerce Commission and improving its effectiveness
- aligning competition and other regulatory settings, including standards, with Australia
- ensuring wider regulatory and other settings promote competition
- ensuring the Commerce Act supports investment while protecting consumer interests in key infrastructure sectors (electricity, gas, airports and soon to be water).

**Affordable and secure energy supply**

26. Energy is a key input cost for many firms. High energy costs and insecure supply directly impact on productivity performance. The security of electricity supply is tight and driving elevated prices for power contracts. New Zealand’s forward contract prices began rising significantly in 2021 and currently remain elevated until at least 2029. Businesses that rely on gas and cannot afford price increases will face increasing challenges and may result in closures.

27. Specific policy measures underway to address these issues include:

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- ensuring the electricity market is working efficiently and there is sufficient competition, e.g. the Electricity Market Performance Review and Energy Competition taskforce
- enabling more renewable energy to be supplied at pace, by reforming regulation like the RMA to enable rapid growth in renewable energy generation, distribution and transmission infrastructure, and passing offshore wind legislation in 2025.



### 3. Former Economic Development portfolio responsibilities

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#### Portfolio responsibilities

28. Based on the former Economic Development portfolio responsibilities, as the Minister for Economic Growth you are currently responsible for the administration of the following legislation:

- New Zealand Trade and Enterprise Act 2003
- Major Events Management Act 2007
- Venture Capital Fund Act 2019
- New Zealand International Convention Centre Act 2013.

29. You are also responsible for monitoring the following Crown Entity and Crown-Owned Company:

- New Zealand Trade and Enterprise (NZTE)
- New Zealand Growth Capital Partners Limited (NZGCP).

30. Further information on these entities will be provided, including current and upcoming board appointment processes.

31. In addition, you are responsible for the New Zealand Screen Production Rebate – International (NZSPR-International) which is administered on MBIE’s behalf by the New Zealand Film Commission (NZFC). The NZFC is monitored by the Ministry for Culture and Heritage.

#### Priorities under the former Economic Development portfolio

32. We would like to first confirm your priorities for the Economic Growth portfolio. We can subsequently provide you with a list of immediate priorities, such as upcoming decisions, meetings and events.

33. Priorities carried forward from the former Economic Development portfolio that require decisions from you shortly include:

- As you will be aware, several key decisions will need to be taken for Budget 2025.
- Report backs are due to Cabinet on Government procurement rules and the use of woollen fibres in government-owned buildings, and the NZTE refocus as part of the science system reforms.
- You will also be asked to make decision on Major Events funding.

Commercial Information

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34. Priorities under the old Economic Development portfolio that you may wish to continue leading on, or delegate to another Minister include:

- responsibility for NZGCP, which administer two funds to support the development of early-stage capital markets (Aspire and Elevate Funds)

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- responsibility for NZSPR-International, which supports the screen sector by encouraging international production activity in New Zealand
- responsibility for the Major Events Fund
- responsibility (joint with the Minister of Trade and Investment) for NZTE
- Government Procurement policy settings
- economic security and resilience, supply chains and critical sectors and goods
- Regulatory Stewardship (as the MBIE ownership Minister)
- Māori Economic Development (with the Minister for Māori Development)
- Pacific Peoples Economic Development initiatives to drive Pacific Peoples economic participation and prosperity.
- responsibility for the New Zealand International Convention Centre, and Queens Wharf and the Cloud.

### Portfolio appropriations

35. The current Economic Development appropriations are summarised below. In terms of expenditure, the portfolio's biggest levers are primarily for funding NZTE and NZSPR-International.

<b>Economic Development Portfolio</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28 &amp; outyears</b>
<b>Support for businesses to grow and internationalise</b> , administered by New Zealand Trade and Enterprise	\$222.0m	\$206.7m	\$202.5m	\$200.7m
<b>Expansion capital for businesses</b> to grow beyond the start-up phase administered by New Zealand Growth Capital Partners (NZGCP) in Vote Finance	\$146.0m* remaining (from the initial \$300m)			
<b>Development of Early-Stage Capital Markets</b> (NZGCP)	\$0.8m**	\$0.8m**	\$0.8m**	\$0.8m**
<b>New Zealand Screen Production Rebate – International</b> which supports the screen sector by encouraging international production activity	~\$361.5m		\$50.6m	\$50.6m
<b>Attract international productions</b> , NZ Film Commission	\$1.3m	\$1.3m	\$1.3m	\$1.3m
<b>Contestable funding for Major Events</b> , aimed at supporting events that provide economic, social, cultural and international profile benefits to New Zealand	~\$13.5m remaining <i>(from \$66.3m total multiyear appropriation 2022-2027)</i>			\$11.4m

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<b>Economic Development Portfolio (continued)</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28 &amp; outyears</b>
<b>The Auckland Pacific Skills Shift</b> which supports Auckland Pacific peoples in low skilled precarious work to transition into quality employment	\$8.3m	\$5.5m	\$5.5m	\$5.5m
<b>Tupu Tai Internship Programme</b>	\$0.7m	\$0.7m	\$0.7m	\$0.7m
<b>Procurement Functional Leadership</b> programme which aims to improve procurement capability, the business environment, and deliver Government’s objectives through procurement activity	\$33.8m (\$20.0m through third-party funding)	\$24.9m (\$21.8m through third-party funding)	\$24.8m (\$21.8m through third-party funding)	\$24.8m (\$21.8m through third-party funding)
<b>Supporting Regional Just Transitions</b> aimed at providing advice, funding and investment in regional and programme initiatives that contribute to a just transition in particular regions	\$1.7m	\$0.8m	\$0.8m	\$0.5m
<b>Departmental administration, comprised of:</b>				
<b>Policy Advice and Related Services to Ministers - Economic Development only</b>	\$13.8m	\$12.5m	\$12.2m	\$12.2m
<b>Sector Analysis and Facilitation – Economic Development only</b>	\$3.2m	\$3.2m	\$3.2m	\$3.2m
<b>MBIE Capital Expenditure, including Capital Injection</b>	\$95.3m	\$64.6m	\$59.0m	\$59.0m
<b>Departmental Output Cessation Expenses</b>	\$0.3m	\$0.3m	\$0.3m	\$0.3m
<b>Shared Services Support</b> (provision of support services to other State Sector organisations)	\$13.3m	\$13.3m	\$13.3m	\$13.3m
<b>Depreciation on Auckland's Queens Wharf</b>	\$1.0m	\$1.0m	\$1.0m	\$1.0m
<b>International Subscriptions and Memberships</b> (payment of subscriptions to international organisations NZ has joined as a member state)	\$1.7m	\$1.7m	\$1.7m	\$1.7m
<b>Impairment of Debt and Debt Write Offs</b>	\$2.9m	\$2.9m	\$2.9m	\$2.9m



## 4. MBIE’s role and key officials

36. MBIE supports you to deliver your responsibilities by providing:

- policy and regulatory advice
- delivery and administration of programmes and initiatives, including business engagement
- advice on Crown Entity expectations, boards appointments and performance
- economic data and research, e.g. Regional Economic Activity app, tourism, and energy and minerals.

37. We would normally provide information on the number of MBIE staff employed in the Economic Growth portfolio. However, over the past year, MBIE has gone through significant organisational change involving 34 processes that have resulted in an 11% reduction of MBIE’s workforce overall, and significant change to the Economic Growth portfolio policy workforce. An update of the FTE portfolio attribution data is currently underway following the completion of the 2024 change processes and we will report this to you separately in the near future.

38. The key MBIE officials who will support your portfolio responsibilities include:

Contact	Secretary	Contact details
<p><b>Carolyn Tremain, Secretary for Business, Innovation and Employment</b></p>		<p>Privacy of natural persons</p>
Group	Deputy Secretary	Function
<p><b>Labour, Science and Enterprise (LSE)</b></p>	 <p>Nic Blakeley</p>	<p>LSE helps boost the New Zealand economy by developing New Zealand’s skills system, science and innovation systems and labour market policy. It does this through advising on labour market, immigration, industry, investment, science, tourism and hospitality, health and safety at work, and accident compensation policy. LSE supports major events, leads the science and innovation system, and invests significant public funds. LSE works through international partnerships in its trade remedies, innovation, and space regulation functions. LSE also leads MBIE’s monitoring arrangements for its related Crown entities.</p>

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<p><b>Building, Resources and Markets (BRM)</b></p>	 <p>Paul Stocks</p>	<p>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. 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.</p>
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