



## COVERSHEET

|                               |  |                             |                                   |
|-------------------------------|--|-----------------------------|-----------------------------------|
| <b>Minister</b>               | Hon Grant Robertson  | <b>Portfolio</b>            | Minister of Finance               |
| <b>Minister</b>               | Hon Phil Twyford   | <b>Portfolio</b>            | Minister for Economic Development |
| <b>Title of Cabinet paper</b> | Proactive release of advice and Cabinet papers for the Economic Plan | <b>Date to be published</b> | 28 October 2019                   |

| <b>List of documents that have been proactively released</b> |  |  |
|--|--|--|
| <b>Date</b>  | <b>Title</b>   | <b>Author</b>  |
| 5/07/2019  | Presentation to the PM's Business Advisory Council - Economic and Industry Strategy, and Industry Transformation Plans | <i>MBIE</i>  |
| 24/07/2019   | Joint Aide Memoire: Meeting on Economic Strategy   | <i>MBIE and Treasury</i>   |
| 1/08/2019  | Joint Report: Economic Strategy Progress Update  | <i>MBIE and Treasury</i>   |
| 9/08/2019  | Joint Report: Meeting with officials on Monday 12 August 2019 to discuss the economic strategy                         | <i>MBIE and Treasury</i>   |
| 16/08/2019   | Joint Report: Progressing Economic Strategy  | <i>MBIE and Treasury</i>   |
| 20/08/2019   | Draft Economic Plan  | <i>MBIE and Treasury</i>   |
| 21/08/2019   | Oral Item: DEV Strategic Discussion: Economic Strategy   | <i>Cabinet Economic Development Committee, MBIE and Treasury</i> |
| 24/08/2019   | Documents for Ministerial consultation   | <i>MBIE and Treasury</i>   |
| 30/08/2019   | Economic Strategy Meeting 2 September  | <i>MBIE and Treasury</i>   |
| 4/09/2019  | Economic Strategy - Revised Strategy and Cabinet Paper   | <i>MBIE and Treasury</i>   |
| 6/09/2019  | Joint Aide Memoire: Updated Economic Plan  | <i>MBIE and Treasury</i>   |
| 10/09/2019   | Joint Aide Memoire: DEV Discussion - Economic Plan - Talking Points  | <i>MBIE and Treasury</i>   |
| 11/09/2019   | Launching the refreshed economic strategy: the Economic Plan   | <i>Cabinet Economic Development Committee, MBIE and Treasury</i> |
| 13/09/2019   | Launch of the Economic Plan  | <i>MBIE and Treasury</i>   |
| 16/09/2019   | Story Board for Economic Plan Video  | <i>MBIE and Treasury</i>   |

**Note:** All this material is in draft form and not Government policy apart from the final Economic Plan which is contained in Annex One of 'Launch of the Economic Plan.'

**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, and free and frank opinions.



PRIME MINISTER'S  
BUSINESS ADVISORY COUNCIL

# Industry Strategy – refocusing our approach

Business Advisory Council

5 July 2019

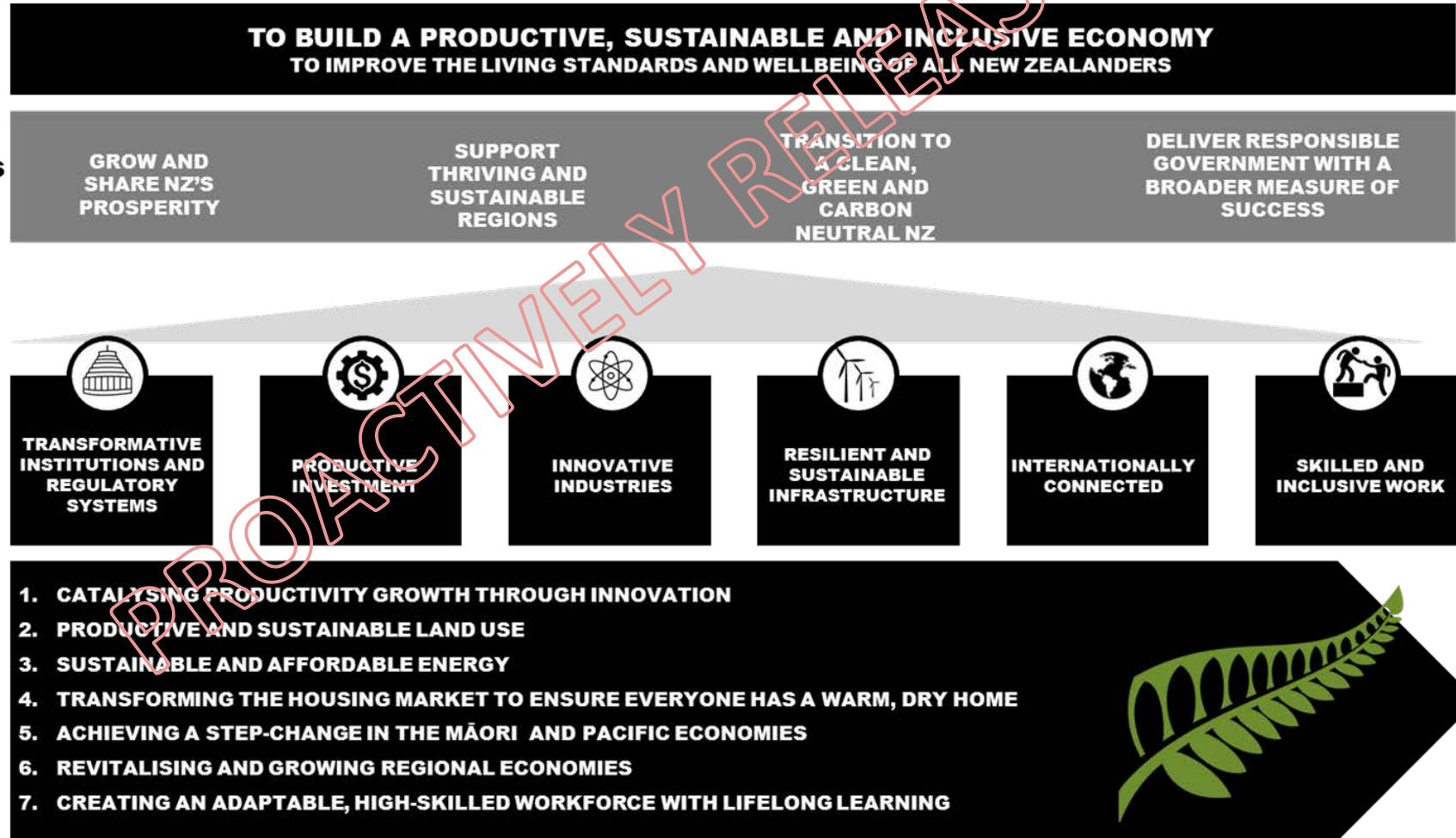
**NOTE THAT A REVISED PRESENTATION MAY BE CIRCULATED  
ON THE DAY**

# Economic Strategy

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



# Our Economic Strategy – Framework



# Industry Strategy – What is it?

.. it has evolved overtime.....

## Industry policy 1.0

### Focus on:

- Production subsidies
- Government ownership
- Tariff protection
- “Picking winners”

## Industry policy 2.0

### Focus on:

- Correcting market failures
- R&D incentives
- Training support
- Industry structure

## Industry policy 3.0

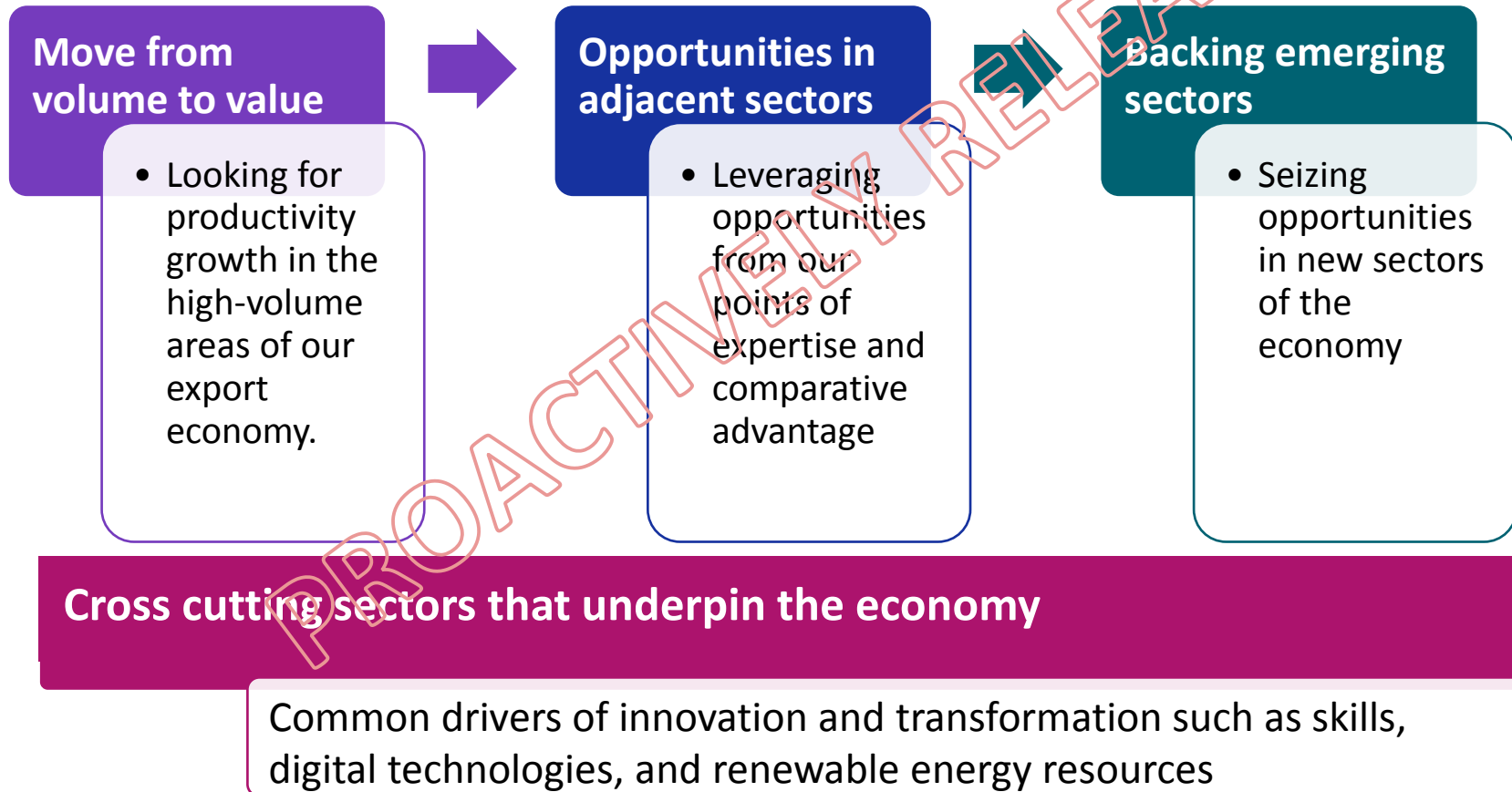
### Focus on:

- Creating networks
- Building a coordinated system
- Strengthening strategic alliances
- Optimising policy settings

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

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

# Refocusing our approach to industry policy



# Focus Sectors for Industry Policy...

Volume to value

Adjacency

Emerging sectors

Food &  
Beverage

Agri-tech

Aero-space

Creative  
Industries

Construction

Health-tech

Wood  
Processing  
and  
Forestry

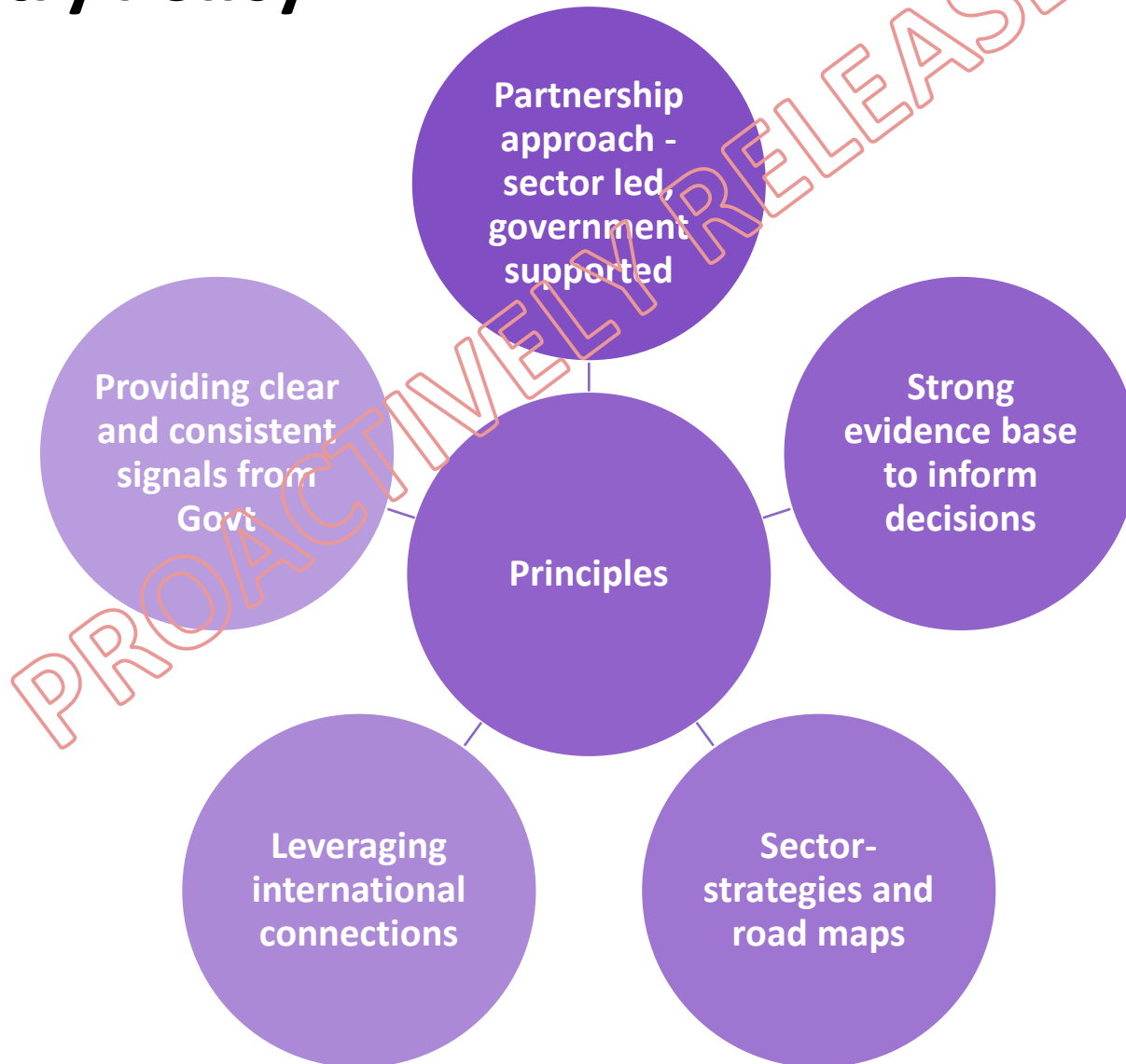
Tourism

Cross cutting

Digi-tech

Renewable  
Energy

# Five principles are guiding our approach to Industry Policy



# Initial focus for Industry Transformation Plans...

Food and Beverage

Digital Technology

Forestry and Wood Processing

AgriTech

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

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

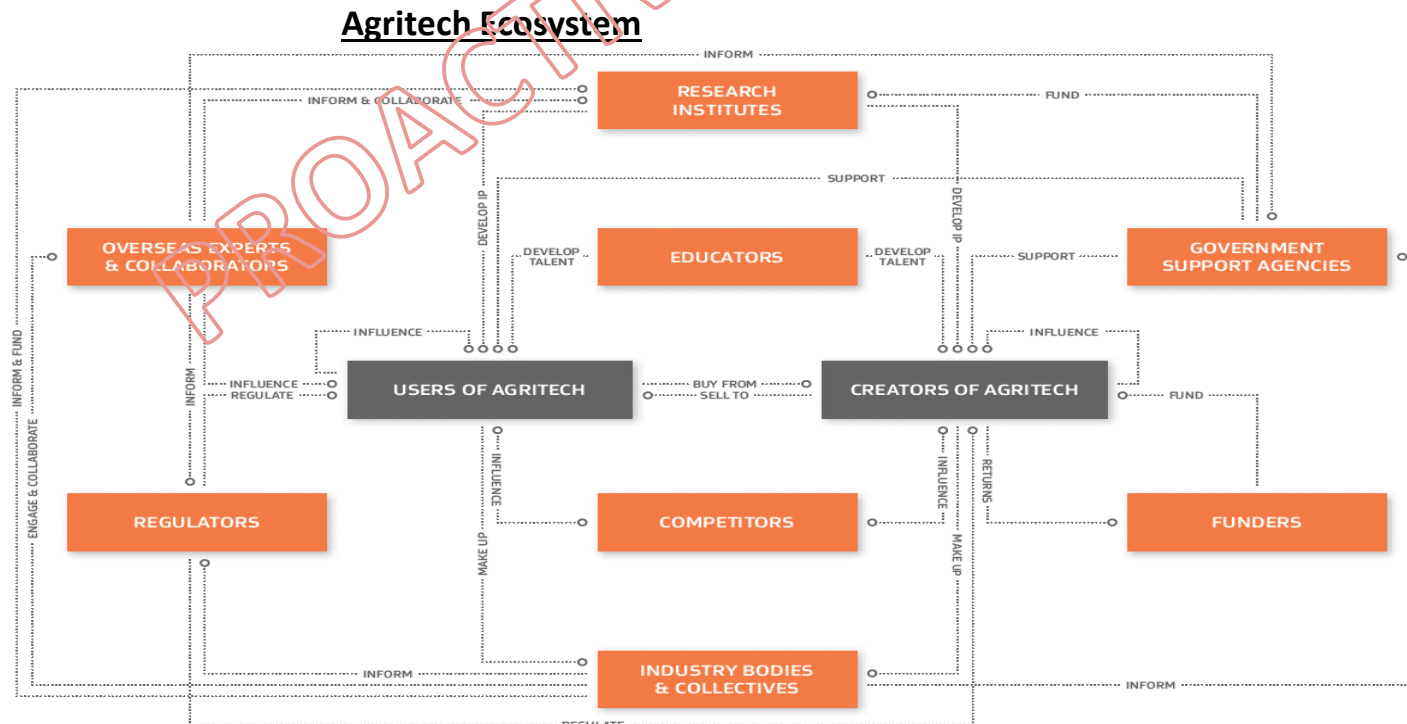
# Process to develop Industry Transformation Plans

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



# Agritech Sector

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



Māori have a role in many parts of the system

# Our approach for the Agritech Industry Transformation Plan...

**An Agritech ITP will be developed in partnership with the sector**

**Define the sector and present an agreed vision for NZ Agritech**

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

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

# The Agritech Industry Transformation Plan will include...

Impact of Agritech on primary sector productivity

Digitalisation opportunities and risks, including interoperability

skills development and the future of work

Reducing greenhouse gas emissions

Connecting to global export opportunities

Addressing labour constraints, particularly through innovation

Collaboration with primary sector and manufacturing

Strengthening investment options

Opportunities for developing firm capability

# Areas for action



**Stimulating  
company growth  
and accelerating  
commercialisation**



**Streamlining  
government  
support**



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



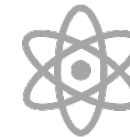
**Connecting to  
global  
opportunities and  
solving global  
problems**



**Skills development  
and future proofing  
workforce**



**Strengthening  
investment options**



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

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# Issues for discussion...

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



Reference: T2019/2180 SH-11-1-3  
MBIE: 0199 19-20

Date: 23 July 2019

To: Minister of Finance (Hon Grant Robertson)  
Minister for Economic Development (Hon Phil Twyford)

Deadline: You are meeting on 24 July 2019

## **Joint Aide Memoire: Meeting on Economic Strategy**

This note supports your meeting on 24 July 2019 to discuss the economic strategy. A list of discussion questions is attached at Annex One.

In this meeting we seek decisions on:

- any final changes you wish to make to the economic strategy framework;
- your preferred approach for the economic strategy document and launch arrangements; and
- the role of the strategy in identifying priority Government projects.

### **Finalising the economic strategy framework**

The Cabinet Economic Development Committee (DEV) has commented on two drafts of the economic strategy framework, first on 22 May 2019 and again on 26 June 2019.

Since then, the Prime Minister's Business Advisory Council (PMBAC), the Tripartite Future of Work Forum and the Māori Economic Development Advisory Board have also been consulted. Some key amendments to the framework that went to the DEV on 26 June 2019 include:

- reflecting the importance of SMEs in the New Zealand economy (this reflects discussions between the Minister of Finance and the PMBAC); and
- including "resource use" in the productive and sustainable land use shift to provide greater emphasis on the environment.

An updated framework for your review is attached at Annex Two.

***Discussion question:***

- *Do you agree to the updated framework for the economic strategy at Annex Two? (subject to any amendments you require).*



## Confirming the approach for the economic strategy document

Officials have been developing an economic strategy document for public release, based on the economic strategy framework and draft outline that went to DEV on 26 June 2019.

In keeping with the Minister of Finance's direction, officials have focussed on producing a product to communicate the Government's vision and work programme for economic change. Work to date has built on the outline that was consulted at DEV, setting out:

- the strategic economic context;
- the vision for a productive, sustainable, and inclusive economy;
- the key economic shifts the Government wants to occur; and
- how the Government's economic policy work programme is organised under across six key policy areas.

The Minister for Economic Development met with MBE officials on 16 July 2019 to discuss next steps for the strategy. In this meeting he noted that:

- the framework is useful to help organise our work (as per Annex Two);
- the narrative should be compelling and be communications-led; and
- the strategy could help strategic decision-making by identifying the key initiatives that are particularly crucial for achieving the Government's vision, setting out an intervention logic for the economic programme and a pathway for implementation.

We seek your joint feedback on any amendments to the approach officials have been taking to date, and any consequences for the preferred launch and communications approach for the final product. The main options are:

1. **Option 1: Continue with the current approach** – launch the current 'policy-style' document in mid-September 2019 to:

- Provide a narrative describing the vision, shifts and policy areas, based on the outline that went to DEV on 26 June 2019.
- Providing a comprehensive and detailed presentation of the Government's economic work programme.

Launching this in mid-September 2019 is achievable, drawing on in-house design expertise, but will require you both to review and comment on the document over multiple weekends and constrains broader Ministerial consultation ahead of publication.

2. **Option 2: Develop a 'narrative' communications-led product** – this would involve launching a shorter and more focused design-led product in October 2019 that articulates the economic strategy and key priorities in the economic

programme in a way designed to resonate with the audience, drawing upon our national identity and story.

3. **Option 3: Develop two products with sequenced launches**

- The first product would focus on articulating the economic work programme using the policy areas and the economic shifts in the framework (by mid-September 2019).
- The second product would be a fuller communications-led document in line with option 2 (for launch in November 2019).

The two products would need to be consistent and should be brought together in one place once completed.

**Discussion question:**

- *What is your joint view on the purpose, preferred timing and approach to communicating the strategy?*
  1. *Continue with the current approach – launch the current ‘policy-style’ framework by mid-September 2019*
  2. *Focus on developing a ‘narrative’ communications-led product by October 2019*
  3. *Develop two products with sequenced launches (launch economic work programme by mid-September, then build on this with a communications-led narrative product for the general public by November 2019)*

*Nature of the launch*

There are options for launching the strategy. For example, whether to hold single or multiple events, single or joint Ministerial addresses, and location. We understand there is some appetite to launch the strategy outside of Wellington. We can also align the launch with any pre-existing milestones or events. There is also an opportunity to engage other Ministers in related events.

**Discussion question:**

- *Given your preference above, how and where would you like to launch the economic strategy?*

Confidential advice to Government



Confidential advice to Government

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**Treasury contacts:**

Rachael Wookey, Senior Analyst, Economic Strategy and Productivity, Privacy of  
Andrew Rutledge, Manager, Economic Strategy and Productivity, Privacy of natural persons

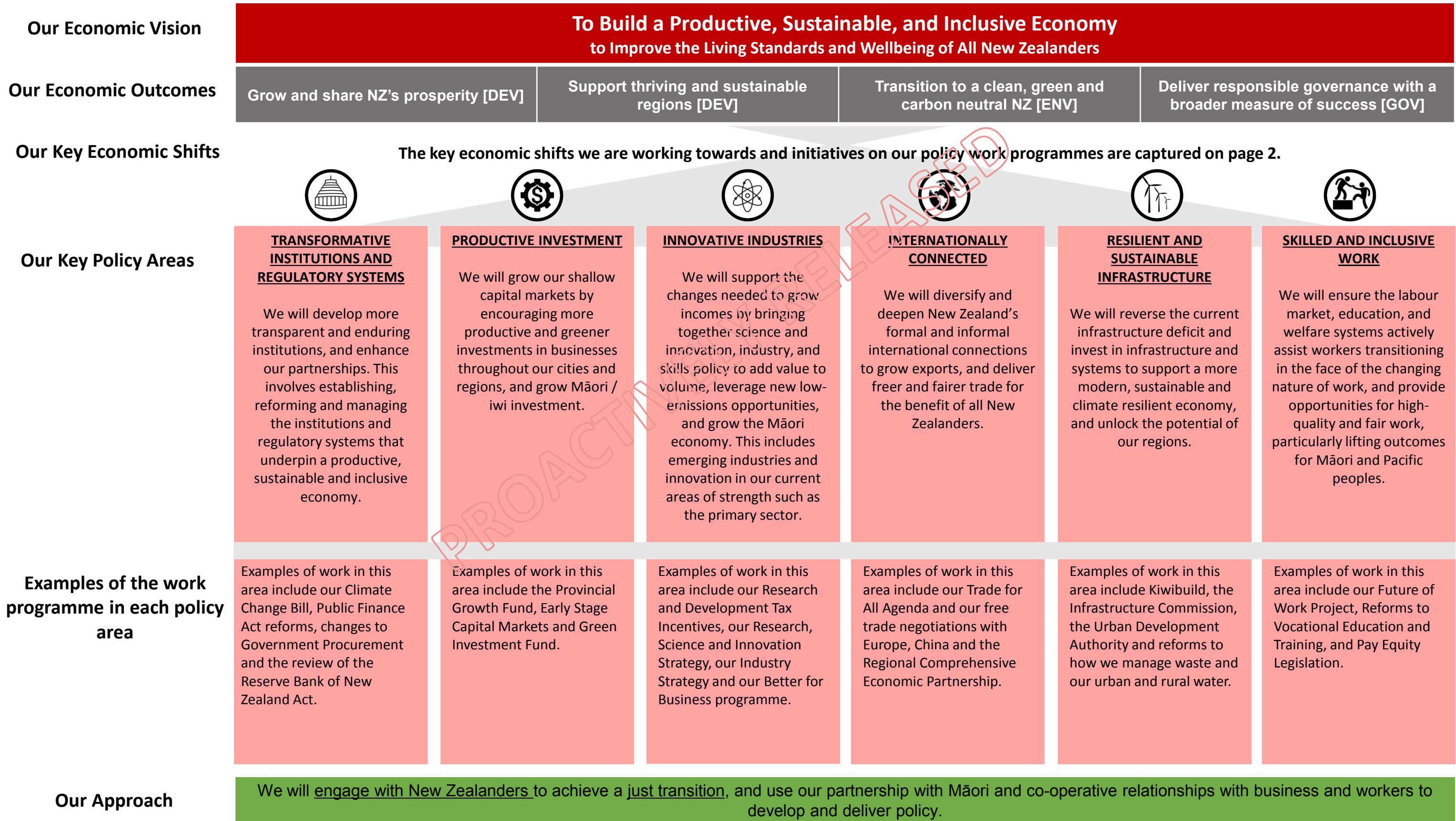
**MBIE contacts:**

Joe Murray-Cullen, Senior Adviser, Strategic Policy Integration, Privacy of  
Hamish Wilson, Manager, Strategic Policy Integration, Privacy of natural persons

**Annex One: List of Discussion Questions**

- *Do you agree to the updated framework for the economic strategy at Annex two? (subject to any amendments you require).*
- *What is your joint view on the purpose, preferred timing and approach to communicating the strategy?*
  1. *Continue with the current approach – launch the current ‘policy-style’ framework by mid-September 2019*
  2. *Focus on developing a ‘narrative’ communications-led product (October or November 2019)*
  3. *Develop two products with sequenced launches (launch economic work programme by mid-September, then build on this with a communications-led narrative product for the general public by November 2019)*
- *Given your preference above, how and where would you like to launch the economic strategy?*
- [Redacted] Confidential advice to Government
- [Redacted] Confidential advice to Government
- [Redacted] Confidential advice to Government

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# Annex Two: Economic Strategy Framework – Policy Areas, Key Economic Shifts and current CPC Initiatives

| Key Economic Shifts  | Transformative Institutions and Regulatory Systems  | Productive Investment  | Innovative Industries  | Internationally Connected  | Resilient and Sustainable Infrastructure   | Skilled and Inclusive Work  |
|--|---|--|--|--|--|---|
| <b>Kiwi businesses, including SMEs, are productive and move from volume to value</b> | <ul style="list-style-type: none"> <li>• Future of Work Tripartite Forum</li> <li>• Small Business Council Strategy</li> <li>• Reform Govt Procurement</li> </ul>                     | <ul style="list-style-type: none"> <li>• Early stage capital market development</li> <li>• Overseas Investment Act Review</li> <li>• Investment Framework</li> </ul>                                     | <ul style="list-style-type: none"> <li>• Industry Transformation Plans</li> <li>• R,S &amp; I Strategy and R&amp;D Tax Credit</li> <li>• Biosecurity Act Overhaul</li> </ul> | <ul style="list-style-type: none"> <li>• FTA Agenda - EU FTA and China FTA Upgrade</li> <li>• Trade for all</li> </ul> | <ul style="list-style-type: none"> <li>• Communications programme (Accelerated Rural Broadband Roll-out and 5G Block Offer)</li> <li>• Reserve Bank Act Changes</li> <li>• Better for Business – Business Connect / Bus</li> </ul>                           | <ul style="list-style-type: none"> <li>• Immigration Reforms</li> </ul>   |
| <b>Productive and sustainable land and resource use</b>                              | <ul style="list-style-type: none"> <li>• ETS reform, Zero carbon Bill and Climate Change Commission</li> <li>• Freshwater Programme</li> <li>• Fisheries Management Review</li> </ul> | <ul style="list-style-type: none"> <li>• Sustainable Land Use Package</li> <li>• Green Investment Fund</li> <li>• Tourism Infrastructure Fund</li> <li>• Sustainable Food and Fibre</li> </ul>           | <ul style="list-style-type: none"> <li>• Circular Economy Programme (waste minimisation, plastic bags, product stewardship)</li> </ul>                                       |  | <ul style="list-style-type: none"> <li>• Crown Minerals Act Reforms</li> <li>• Biodiversity Policy Options</li> <li>• Government Policy Statement on Land Transport, including Auckland and Wellington transport packages</li> <li>• Chch Rebuild</li> </ul> |   |
| <b>Sustainable and affordable energy system</b>                                      | <ul style="list-style-type: none"> <li>• Electricity Pricing Review</li> <li>• Renewable Energy Targets</li> <li>• Infrastructure Commission</li> </ul>                               | <ul style="list-style-type: none"> <li>• Low Emissions Vehicle Programme</li> <li>• Winter Energy Payment</li> <li>• School buildings and hospital infrastructure</li> <li>• Rail investments</li> </ul> | <ul style="list-style-type: none"> <li>• Digital Strategy and work programme</li> </ul>  | <ul style="list-style-type: none"> <li>• Upper North Island Supply Chain Strategy</li> </ul>                           |  |   |
| <b>Transform our housing market to ensure everyone has a warm, dry home</b>          | <ul style="list-style-type: none"> <li>• Urban Growth Agenda</li> <li>• Residential Tenancies Act Reforms</li> <li>• Healthy Homes Guarantee Bill</li> </ul>                          | <ul style="list-style-type: none"> <li>• Warmer Kiwi Homes Investment</li> </ul>   | <ul style="list-style-type: none"> <li>• Construction Accord</li> </ul>  |  | <ul style="list-style-type: none"> <li>• Kiwibuild</li> <li>• Grow the number of state houses</li> </ul>   |   |
| <b>Achieve a step change in Māori and Pacific economies</b>                          | <ul style="list-style-type: none"> <li>• He Kai Kei Aku Ringa</li> </ul>  |  |  |  |  | <ul style="list-style-type: none"> <li>• He Poutama Rangatahi</li> <li>• Mana in Mahi</li> <li>• Maori Land Projects</li> </ul> |
| <b>Strong and revitalised regional economies</b>                                     | <ul style="list-style-type: none"> <li>• Three Waters and Local Government Funding</li> <li>• Relocate Government Services to the regions</li> </ul>                                  | <ul style="list-style-type: none"> <li>• Provincial Growth Fund Investments</li> </ul>   |  | <ul style="list-style-type: none"> <li>• Tourism Strategy</li> </ul>   | <ul style="list-style-type: none"> <li>• One Billion Trees</li> </ul>  |   |
| <b>People are highly skilled and have access to affordable lifetime learning</b>     | <ul style="list-style-type: none"> <li>• Review of Vocational Education and Training</li> <li>• Strengthen NCEA</li> </ul>  |  |  |  |  | <ul style="list-style-type: none"> <li>• Professionalise Career Advice</li> <li>• Welfare Expert Advisory Group</li> </ul>      |



## Joint Report: Economic Strategy Progress Update

|              |               |                     |                                       |
|--------------|---------------|---------------------|---------------------------------------|
| <b>Date:</b> | 1 August 2019 | <b>Report No:</b>   | T2019/2324 (TSY)<br>0353/19-20 (MBIE) |
|              |               | <b>File Number:</b> | SH-11-1-3                             |

### Action Sought

|   | Action Sought  | Deadline      |
|---|--|---------------|
| Minister of Finance<br>(Hon Grant Robertson)            | <b>Agree</b> to a number of decisions in this briefing to determine next steps on the economic strategy work programme | 5 August 2019 |
| Minister for Economic Development<br>(Hon Phil Twyford) | <b>Agree</b> to a number of decisions in this briefing to determine next steps on the economic strategy work programme | 5 August 2019 |

### Contact for Telephone Discussion (if required)

| Name              | Position   | Telephone                  | 1st Contact    |
|-------------------|--|----------------------------|----------------|
| Rachael Wookey    | Senior Analyst, Economic Strategy and Productivity<br>The Treasury             | Privacy of natural persons | N/A<br>(mob) ✓ |
| Andrew Rutledge   | Manager, Economic Strategy and Productivity<br>The Treasury                    | Privacy of natural persons | N/A<br>(mob)   |
| Joe Murray-Cullen | Senior Advisor, Strategic Policy, Ministry of Business Innovation & Employment | Privacy of natural persons | N/A<br>(mob)   |
| Hamish Wilson     | Manager, Strategic Policy, Ministry of Business Innovation & Employment        | Privacy of natural persons | N/A<br>(mob)   |

### Minister's Office actions (if required)

Return the signed report to Treasury and the Ministry of Business, Innovation and Employment

**Enclosure:** Yes (attached)

**Joint Report: Economic Strategy Progress Update**

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**Executive Summary**

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This joint report provides an update and advice on a suite of products to support your September release and beyond. This report includes a number of recommendations for your consideration.

You are meeting with officials on Monday 12 August at 8am. We will provide a further progress report ahead of this meeting.

The report is structured around the key products as agreed and communicated to officials by your offices.

This report includes a number of background papers for your consideration including:

- Annex one: two options for the updated policy framework;
- Annex two: key shifts and their rationales;
- Annex three: a working draft of the document for September release for early feedback; and
- Confidential advice to Government

We will work with your offices in the next week to ensure we reflect your feedback on the items contained within this report in the development of the next set of products.

**Recommended Action**

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We recommend that you:

a **note** that the language and presentation of the policy framework may be subject to change following communications specialist input

b **agree** to your preferred policy framework

*Option (a) / (b)*  
*Minister of Finance*

*Option (a) / (b)*  
*Minister for Economic Development*

c **note** our suggested changes to the key economic shifts presented in Annex Two

d **agree** to the following changes to the key economic shifts presented in Annex Two

a. *'productive and sustainable land and resource use' is changed to 'land and resource use is responsive, improves environmental outcomes and delivers greater value'*

*Agree / Disagree*  
*Minister of Finance*

*Agree / Disagree*  
*Minister for Economic Development*

- b. 'achieve a step change in Māori and Pacific economies' is changed to 'enable a step change in Māori and Pacific economies'

Agree / Disagree  
Minister of Finance

Agree / Disagree  
Minister for Economic Development

- c. 'strong and revitalised regional economies' is changed to 'support thriving and sustainable regions and urban centres'

Agree / Disagree  
Minister of Finance

Agree / Disagree  
Minister for Economic Development

- d. add an additional shift 'investment in New Zealand transforms the economy and distributes benefits equitably'

Agree / Disagree  
Minister of Finance

Agree / Disagree  
Minister for Economic Development


- e. **provide feedback** on the early working draft in Annex Three


- f. **agree** that New Zealand Story style video content be developed by the communications team to support the September release

Agree / Disagree  
Minister of Finance

Agree / Disagree  
Minister for Economic Development

- g. **note** officials are working with your offices to confirm the logistics for the September release

- h.  Confidential advice to Government

- i.  Confidential advice to Government

Andrew Rutledge  
Manager, Treasury

Hamish Wilson  
Manager, MBIE

Hon Grant Robertson  
Minister of Finance

Hon Phil Twyford  
Minister for Economic Development



## Joint Report: Economic Strategy Progress Update

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### Purpose of Report

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1. This joint report provides advice on a suite of products to support your September release and beyond. The report includes a number of recommendations for your consideration.
2. You are meeting with officials on Monday 12 August at 8am. We will provide a further progress report ahead of this meeting.
3. This report is structured around four work products as agreed and communicated to officials by your offices.

### Background

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#### **We have dedicated resource to deliver your work programme**

4. In your 24 July 2019 meeting, Ministers tasked Ministry of Business Innovation and Employment (MBIE) and Treasury officials to work jointly on delivering a suite of work products to support your September release and beyond. Officials are now co-locating at the Treasury, with dedicated policy resource set aside to support the delivery of this work programme.
5. We have secured communications resource within MBIE to support the delivery of your September release. We have also connected with communications team within the New Zealand Trade and Enterprise (NZTE) who produced New Zealand Story to support delivery of your economic story / narrative.

#### **We have continued to consult with other Ministers on your policy framework**

6. Officials met with the Ministers Shaw and Sage on 30 July 2019. We explained the process and timelines for delivering your September release and beyond.
7. **Headline messages from this meeting include:**
  - a. Ministers felt that the policy framework implied a narrow view of sustainability and did not have sufficient emphasis on the environment. They recommended the framework put more emphasis on the important economic outcomes from the environment e.g. in supporting New Zealand's export base.
  - b. Minister Sage suggested we may want to include a more specific economic shift around the environment. This may be on climate change, with an emphasis on resilience. She also emphasised the importance of the waste management programme in delivering more sustainable resource use.
  - c. In line with feedback from Minister Twyford that officials have already been progressing, Minister Shaw felt it would be valuable for there to be a clear intervention logic outlining the key inputs, outputs and outcomes to deliver each of the key economic shifts. He saw this as particularly valuable in identifying gaps to inform the Government's future work programme, including investment decisions.



8. The environmental and sustainability dimensions feature across a number of the key economic shifts and policy focus areas. We do not advise adding in an additional economic shift at this stage.
9. We advise that some of Ministers concerns could be addressed in the narrative around the productive, sustainable and inclusive economy. We advise that the DEV Cabinet paper for consideration on 11 September set out the forward work programme to highlight that we intend to use this framework to inform the Government's future work programme.

### Policy Framework (public facing)

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**We seek your agreement to one of two options for the updated policy framework**

10. At your 24 July 2019 meeting, Ministers tasked officials to work on:
  - a. an updated policy framework (i.e. the A3s) that explains the Government's objectives, gives greater prominence to the key economic shifts, and includes the six policy focus areas; and
  - b. an updated policy framework that explains the Government's objectives solely around the key economic shifts.

11. Two options for the updated policy framework for your review is attached at *Annex One*.

12. [Redacted] Free and frank opinions [Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]

13. [Redacted] Free and frank opinions [Redacted]  
[Redacted]  
[Redacted]

**We also seek your agreement to finalise the key economic shifts and their rationale**

14. We recommend that you finalise the key economic shifts to provide clarity for the policy and communications team working to deliver your September release.
15. Responding to consultation and with time for officials to look more closely at the key economic shifts, we have made some amendments for your review.
16. The only substantive change is a suggested additional shift around productive investment. This captures the following economic objectives:
  - a. to shift capital investment in New Zealand away from unproductive uses to high productive uses;
  - b. to shift to a more equitable distribution of New Zealand's capital wealth.
17. The final key economic shifts and the rationale for your review is attached at *Annex Two*.
18. Note the specific language and presentation of the policy framework may change following communications specialist input.

The September release (public facing)

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**We seek your early feedback on a working draft of the September release**

19. In keeping with the Minister of Finance’s direction, officials have focussed on producing a product to communicate the Government’s economic story and current policy programme to a business audience, for launch in mid-September.
20. *Annex Three* presents a working draft of that product for your early feedback. This document will be structured to ensure consistency with the version of the policy framework you agree to.
21. We recommend this release primarily focusses on the Government’s existing work programme. We intend to signal that the work plan will be added to over time. This recognises the need for further interventions to build on the work already done and to realise the economic shifts.

**We seek your confirmation on the date and location of the September release**

22. There are options for the launch of your September release. For example, holding single or multiple events, joint Ministerial addresses, and choice of appropriate location(s).
23. We seek confirmation of your joint preference in terms of format and date for the September release. Note that the earliest your September release could be is the week beginning 23 September 2019. Table 1 outlines key dates to note.

**Table 1**

| Date            | Item   |
|-----------------|--|
| Mon 12 Aug      | Second Joint Ministers meeting                             |
| Week c. 19 Aug  | Third Joint Ministers meeting                              |
| Wed 21 Aug      | DEV Strategic discussion on document for September release |
| Week c. 26 Aug  | Fourth Joint Ministers meeting                             |
| Thurs 29 August | Joint DEV paper lodged                                     |
| Wed 11 Sept     | DEV approval to release September product                  |
| Mon 16 Sept     | CAB approval to release September product                  |
| Mon 30 Sept     | Two week recess  |
| Week c. 23 Sept | Economic Strategy (September product) launched             |

Economic story / narrative

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**We are seeking communications specialist input into the narrative**

24. The Minister for Economic Development met with MBIE and Treasury officials on 29 July 2019 to discuss the process for the economic strategy.
25. He reiterated his request for a compelling and communications-led economy story / narrative. He noted that:

- a. the economic story / narrative should be a story of why creating a productive, sustainable and inclusive economy is important, what kind of economy we want and how the economic shifts get us there; and
  - b. this should be in the style of New Zealand Story's work.
26. To meet this, a communications project team has been formed (comprising MBIE, Treasury and NZTE New Zealand Story experts).
27. Our communications project team has advised that the story-telling element should be public facing and complement the other products launched. This would best be done by an accompanying social media engagement content (in the NZ Story video style) to share with the wider New Zealand community through appropriate communications channels. Social media content such as a short compelling video is likely to be more effective at reaching the wider public audience than a booklet or written collateral.
28. The communications project team will continue to engage further with your offices on Ministers' communications requirements.

Confidential advice to Government

Confidential advice to Government

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### Next steps

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38. This report includes a number of recommendations for your consideration.
39. Note you are meeting with officials on Monday 12 August at 8am. We will provide a further progress report ahead of this meeting.
40. We will work with your offices in the next week to ensure we reflect your feedback on the items contained within this report in the development of the next set of products.











**OUR MISSION**

**TO BUILD A PRODUCTIVE, SUSTAINABLE AND INCLUSIVE ECONOMY  
TO IMPROVE THE LIVING STANDARDS AND WELLBEING OF ALL NEW ZEALANDERS**

|                                |  |  |  |
|--------------------------------|--|--|--|
| Grow and share NZ's prosperity | Support thriving and sustainable regions | Transition to a clean, green and carbon neutral NZ | Deliver responsible governance with a broader measure of success |
|--------------------------------|--|--|--|

**THE KEY SHIFTS WE NEED TO ACHIEVE OUR VISION ARE...**

|   |   |  |   |  |  |  |  |
|---|---|--|---|--|--|--|--|
| <br><b>KIWI BUSINESSES, INCLUDING SMES, ARE PRODUCTIVE AND MOVE FROM VOLUME TO VALUE</b><br>Enabling and building innovative industries and developing new points of comparative advantage for large and small businesses.<br>Adding value to the largest areas of our economy and leveraging new opportunities, many of which are adjacent to our existing key sectors. | <br><b>PEOPLE ARE SKILLED, ADAPTABLE AND HAVE ACCESS TO AFFORDABLE LIFELONG LEARNING</b><br>People have the skills to make the most of the opportunities arising in the future economy. They are supported through change by our skills and social systems and are well equipped for the future of work. | <br><b>INVESTMENT IN NEW ZEALAND TRANSFORMS THE ECONOMY AND DISTRIBUTES BENEFITS EQUITABLY</b><br>Capital investment in New Zealand is more productive and focussed on building our comparative advantages. This will lift access to capital for innovative and growing businesses and support the growth of industries of the future. | <br><b>SUPPORT THRIVING AND SUSTAINABLE REGIONS AND URBAN CENTRES</b><br>Unlocking the potential of people and places, improving regional economies' resilience, and backing place-based comparative advantages and innovation strengths. This will revitalise and grow regional economies, and mean people can thrive, irrespective of where they live or work. | <br><b>ENABLE A STEP CHANGE IN MĀORI AND PACIFIC ECONOMIES</b><br>Sustained, genuine and authentic partnership that enables transformative economic change for the Māori and Pacific economies. This will deliver prosperity to Māori, and resilience and growth to the national economy. | <br><b>SUSTAINABLE AND AFFORDABLE ENERGY SYSTEM</b><br>Households and businesses can access affordable, clean energy to achieve our economic potential, while driving emissions reduction across the economy. It also provides opportunities to establish New Zealand's foothold in high-value clean energy industries. | <br><b>LAND AND RESOURCE USE IS RESPONSIVE, IMPROVES ENVIRONMENTAL OUTCOMES AND DELIVERS GREATER VALUE</b><br>Finding new ways to maximise the productivity of our land and resources and moving away from unsustainable land and resource use. This requires diversification of land-use and adoption of new technologies. | <br><b>TRANSFORM OUR HOUSING MARKET TO ENSURE EVERYONE HAS A WARM, DRY HOME</b><br>People can access affordable quality housing, in the places they desire. Affordable housing will support greater economic dynamism, enable our cities and regions to thrive, and lift the wellbeing of current and future generations. |
|---|---|--|---|--|--|--|--|

**THE WAY WE WILL ACHIEVE THESE SHIFTS IS THROUGH...**

|  |   |   |  |   |  |
|--|---|---|--|---|--|
| <br><b>TRANSFORMATIVE INSTITUTIONS AND REGULATORY SYSTEMS</b> | <br><b>PRODUCTIVE INVESTMENT</b> | <br><b>INNOVATIVE INDUSTRIES</b> | <br><b>RESILIENT AND SUSTAINABLE INFRASTRUCTURE</b> | <br><b>INTERNATIONALLY CONNECTED</b> | <br><b>SKILLED AND INCLUSIVE WORK</b> |
|--|---|---|--|---|--|

|                     |   |   |   |  |  |   |   |  |
|---------------------|---|---|---|--|--|---|---|--|
| Key Economic Shifts | Kiwi businesses, including SMEs, are productive and move from volume to value | People are skilled, adaptable and have access to affordable lifelong learning | Investment in New Zealand transforms the economy and distributes benefits equitably | Support thriving and sustainable regions and urban centres | Enable a step change for Māori and Pacific economies | Sustainable and affordable energy systems | Land and resource use is responsive, improves environmental outcomes and delivers greater value | Transforms our housing market to ensure everyone has a warm and dry home |
|---------------------|---|---|---|--|--|---|---|--|

**Disclaimer: Examples of contributing initiatives**

|   |  |  |   |  |   |   |   |  |
|---|--|--|---|--|---|---|---|--|
| <b>Transformative Institutions and Regulatory Systems</b> | <ul style="list-style-type: none"> <li>• Future of Work Tripartite Forum</li> <li>• Small Business Council Strategy</li> <li>• Reform Govt Procurement</li> </ul>    | <ul style="list-style-type: none"> <li>• Review of Vocational Education and Training</li> <li>• Strengthen NCEA</li> </ul> | <ul style="list-style-type: none"> <li>• Business tax work programme</li> </ul> | <ul style="list-style-type: none"> <li>• Three Waters and Local Government Funding</li> <li>• Relocate Government Services to the regions</li> </ul> | <ul style="list-style-type: none"> <li>• He Kai Kei Aku Ringa</li> </ul>  | <ul style="list-style-type: none"> <li>• Electricity Pricing Review</li> <li>• Renewable Energy Targets</li> <li>• Infrastructure Commission</li> </ul>                 | <ul style="list-style-type: none"> <li>• ETS reform, Zero carbon Bill and Climate Change Commission</li> <li>• Fisheries Management Review</li> </ul>           | <ul style="list-style-type: none"> <li>• Urban Growth Agenda</li> <li>• Residential Tenancies Act Reforms</li> <li>• Healthy Homes Guarantee Bill</li> </ul> |
| <b>Productive Investment</b>                              | <ul style="list-style-type: none"> <li>• Early stage capital market development</li> <li>• Overseas Investment Act Review</li> <li>• Investment Framework</li> </ul> |  | <ul style="list-style-type: none"> <li>• Green investment fund</li> </ul>       | <ul style="list-style-type: none"> <li>• Provincial Growth Fund Investments</li> </ul>   |   | <ul style="list-style-type: none"> <li>• Low Emissions Vehicle Programme</li> <li>• School buildings and hospital infrastructure</li> <li>• Rail investments</li> </ul> | <ul style="list-style-type: none"> <li>• Tourism Infrastructure Fund</li> <li>• Sustainable Food and Fibre</li> </ul>   | <ul style="list-style-type: none"> <li>• Warmer Kiwi Homes Investment</li> </ul>   |
| <b>Innovative industries</b>                              | <ul style="list-style-type: none"> <li>• Industry Transformation Programme</li> <li>• R,S &amp; I Strategy</li> <li>• Biosecurity Act Overhaul</li> </ul>            |  | <ul style="list-style-type: none"> <li>• R&amp;D tax credit</li> </ul>          |  |   | <ul style="list-style-type: none"> <li>• Digital Strategy and work programme</li> </ul>   | <ul style="list-style-type: none"> <li>• Circular Economy Programme (waste minimisation, plastic bags, product stewardship)</li> </ul>                          | <ul style="list-style-type: none"> <li>• Construction Accord</li> </ul>  |
| <b>Internationally Connected</b>                          | <ul style="list-style-type: none"> <li>• FTA Agenda - EU FTA and China FTA Upgrade</li> <li>• Trade for All</li> </ul>   |  | <ul style="list-style-type: none"> <li>• International growth fund</li> </ul>   | <ul style="list-style-type: none"> <li>• Tourism Strategy</li> </ul>   |   | <ul style="list-style-type: none"> <li>• Upper North Island Supply Chain Strategy</li> </ul>  |   |  |
| <b>Resilient and Sustainable Infrastructure</b>           | <ul style="list-style-type: none"> <li>• Business Connect</li> <li>• Communications programme (Accelerated Rural Broadband Roll-out and 5G Block Offer)</li> </ul>   |  | <ul style="list-style-type: none"> <li>• Early stage capital markets</li> </ul> | <ul style="list-style-type: none"> <li>• One Billion Trees</li> </ul>  |   |   | <ul style="list-style-type: none"> <li>• Crown Minerals Act Reforms</li> <li>• Government Policy Statement on Land Transport</li> <li>• Chch Rebuild</li> </ul> | <ul style="list-style-type: none"> <li>• Kiwibuild</li> <li>• Grow the number of state houses</li> </ul>   |
| <b>Skilled and inclusive Work</b>                         | <ul style="list-style-type: none"> <li>• Micro-credentials</li> </ul>  | <ul style="list-style-type: none"> <li>• Professionalise Career Advice</li> <li>• Welfare Expert Advisory Group</li> </ul> |   |  | <ul style="list-style-type: none"> <li>• He Poutama Rangatahi</li> <li>• Mana in Mahi</li> <li>• Maori Land Projects</li> </ul> |   |   |  |





# DRAFT: Our Economic Policy Framework organised around the Shifts









Annex One: option b

## OUR MISSION









**TO BUILD A PRODUCTIVE, SUSTAINABLE AND INCLUSIVE ECONOMY  
TO IMPROVE THE LIVING STANDARDS AND WELLBEING OF ALL NEW ZEALANDERS**

|                                |  |  |  |
|--------------------------------|--|--|--|
| Grow and share NZ's prosperity | Support thriving and sustainable regions | Transition to a clean, green and carbon neutral NZ | Deliver responsible governance with a broader measure of success |
|--------------------------------|--|--|--|

### THE KEY SHIFTS WE NEED TO ACHIEVE OUR VISION ARE...

|  |   |  |  |   |  |  |   |
|--|---|--|--|---|--|--|---|
|  <p><b>KIWI BUSINESSES, INCLUDING SMES, ARE PRODUCTIVE AND MOVE FROM VOLUME TO VALUE</b></p>  |  <p><b>PEOPLE ARE SKILLED, ADAPTABLE AND HAVE ACCESS TO AFFORDABLE LIFELONG LEARNING</b></p>   |  <p><b>INVESTMENT IN NEW ZEALAND TRANSFORMS THE ECONOMY AND DISTRIBUTES BENEFITS EQUITABLY</b></p>   |  <p><b>SUPPORT THRIVING AND SUSTAINABLE REGIONS AND URBAN CENTRES</b></p>   |  <p><b>ENABLE A STEP CHANGE IN MĀORI AND PACIFIC ECONOMIES</b></p>   |  <p><b>SUSTAINABLE AND AFFORDABLE ENERGY SYSTEM</b></p>   |  <p><b>LAND AND RESOURCE USE IS RESPONSIVE, IMPROVES ENVIRONMENTAL OUTCOMES AND DELIVERS GREATER VALUE</b></p>  |  <p><b>TRANSFORM OUR HOUSING MARKET TO ENSURE EVERYONE HAS A WARM, DRY HOME</b></p>  |
| <p>This means...</p> <p>Enabling and building innovative industries and developing new points of comparative advantage for large and small businesses.</p> <p>Adding value to the largest areas of our economy and leveraging new opportunities, many of which are adjacent to our existing key sectors.</p> | <p>This means...</p> <p>People have the skills to make the most of the opportunities arising in the future economy. They are supported through change by our skills and social systems and are well equipped for the future of work. These systems are inclusive and equitable, enabling all learners, and their families, to participate in society, and access quality and fair employment opportunities.</p> | <p>This means...</p> <p>Capital investment in New Zealand is more productive and focussed on building our comparative advantages. This will lift access to capital for innovative and growing businesses and support the growth of industries of the future.</p> | <p>This means...</p> <p>Unlocking the potential of people and places, improving regional economies' resilience, and backing place-based comparative advantages and innovation strengths. Also means working across urban and regional areas to ensure New Zealander's can access services and infrastructure. This will revitalise and grow regional economies, and mean people can thrive, irrespective of where they live or work.</p> | <p>This means...</p> <p>Sustained, genuine and authentic partnership that enables transformative economic change for the Māori and Pacific economies. This will deliver prosperity to Māori, and resilience and growth to the national economy.</p> | <p>This means...</p> <p>Households and businesses can access affordable, clean energy to achieve our economic potential, while driving emissions reduction across the economy. It also provides opportunities to establish New Zealand's foothold in high-value clean energy industries.</p> | <p>This means...</p> <p>Finding new ways to maximise the productivity of our land and resources and moving away from unsustainable land and resource use. This requires diversification of land-use and adoption of new technologies.</p> <p>This will ensure we improve the health of our waterways, meet our climate change goals and use our resources in a manner that lifts the economic and environmental wellbeing of current and future generations.</p> | <p>This means...</p> <p>People can access affordable quality housing, in the places they desire. Affordable housing will support greater economic dynamism, enable our cities and regions to thrive, and lift the wellbeing of current and future generations.</p> <p>It will require a comprehensive approach that tackles failure at every point in the system.</p> |

# DRAFT: Economic Strategy Framework – Current initiatives to achieve economic shifts

|  <p>Kiwi businesses, including SMEs, are productive and move from volume to value</p>   |  <p>People are skilled, adaptable and have access to affordable lifelong learning</p>                                       |  <p>Investment in New Zealand transforms the economy and distributes benefits equitably</p>  |  <p>Support thriving and sustainable regions and urban centres</p>   |  <p>Enable a step change for Māori and Pacific economies</p>                 |  <p>Sustainable and affordable energy systems</p>  |  <p>Land and resource use is responsive, improves environmental outcomes and delivers greater value</p>   |  <p>Transforms our housing market to ensure everyone has a warm and dry home</p>   |
|--|--|--|---|---|---|--|---|
| <p><b>Disclaimer: Examples of contributing initiatives</b></p>   |  |  |   |   |   |  |   |
| <ul style="list-style-type: none"> <li>• Tripartite Future of Work Forum</li> <li>• Small Business Council Strategy</li> <li>• Reform Government Procurement</li> <li>• Early stage capital market development</li> <li>• Overseas Investment Act Review</li> <li>• Investment Framework</li> <li>• Industry Transformation Programme</li> <li>• R,S &amp; I Strategy</li> <li>• Biosecurity Act Overhaul</li> <li>• FTA Agenda - EU FTA and China FTA Upgrade</li> <li>• Trade for All</li> <li>• Business Connect</li> <li>• Communications programme (Accelerated Rural Broadband Roll-out and 5G Block Offer)</li> </ul> | <ul style="list-style-type: none"> <li>• Review of Vocational Education and Training</li> <li>• Strengthen NCEA</li> <li>• Professionalise Career Advice</li> <li>• Welfare Expert Advisory Group</li> </ul> | <ul style="list-style-type: none"> <li>• Business tax work programme</li> <li>• Green investment fund</li> <li>• R&amp;D tax credit</li> <li>• International growth fund</li> <li>• Early stage capital markets</li> </ul> | <ul style="list-style-type: none"> <li>• Three Waters and Local Government Funding</li> <li>• Relocate Government Services to the regions</li> <li>• Provincial Growth Fund Investments</li> <li>• Tourism Strategy</li> <li>• One Billion Trees</li> </ul> | <ul style="list-style-type: none"> <li>• He Kai Kei Aku Ringa</li> <li>• He Poutama Rangatahi</li> <li>• Mana in Mahi</li> <li>• Maori Land Projects</li> </ul> | <ul style="list-style-type: none"> <li>• Electricity Pricing Review</li> <li>• Renewable Energy Targets</li> <li>• Infrastructure Commission</li> <li>• Low Emissions Vehicle Programme</li> <li>• School buildings and hospital infrastructure</li> <li>• Rail investments</li> <li>• Digital Strategy and work programme</li> <li>• Upper North Island Supply Chain Strategy</li> </ul> | <ul style="list-style-type: none"> <li>• Emissions Trading Scheme reform</li> <li>• Zero carbon Bill and Climate Change Commission</li> <li>• Fisheries Management Review</li> <li>• Tourism Infrastructure Fund</li> <li>• Sustainable Food and Fibre</li> <li>• Circular Economy Programme (waste minimisation, plastic bags, product stewardship)</li> <li>• Crown Minerals Act Reforms</li> <li>• Government Policy Statement on Land Transport</li> <li>• Christchurch Rebuild</li> </ul> | <ul style="list-style-type: none"> <li>• Urban Growth Agenda</li> <li>• Residential Tenancies Act Reforms</li> <li>• Healthy Homes Guarantee Bill</li> <li>• Warmer Kiwi Homes Investment</li> <li>• Construction Accord</li> <li>• Kiwibuild</li> <li>• Grow the number of state houses</li> </ul> |



## Annex Two: Proposed changes to the shifts

|   | Original language  | Proposed Change  | Rationale  |
|---|--|--|--|
| 1 | <b>Kiwi businesses, including SMEs, are productive and move from volume to value</b> | No change  | We need to support and build innovative industries and develop new points of comparative advantage.<br><br>This will lift productivity and exports, and enable higher-value land use in New Zealand.   |
| 2 | Productive and sustainable land and resource use                                     | <b>Land and resource use is responsive, improves environmental outcomes and delivers greater value</b> | This is a more specific description of the shift to capture idea that land use is unresponsive to economic signals. We need to maximise the value from these resources – while ensuring (and increasing) the health of our environment.  |
| 3 | <b>Sustainable and affordable energy system</b>                                      | No change  | This captures that energy is a fundamental input to the economy. Households and businesses need access to affordable, clean energy to achieve our economic potential, while driving emissions reduction across the economy. It also provides opportunities to establish New Zealand's foothold in high-value clean energy industries.<br><br>If we remove the policy areas from the framework (one of which is infrastructure), we may need to broaden the language around this shift. |
| 4 | <b>Transform our housing market to ensure everyone has a warm, dry home</b>          | No change  | This shift recognises that our broken housing market is one of the greatest barriers to progress.  |
| 5 | Achieve a step change in Maori and Pacific economics                                 | <b>Enable a step change in Māori and Pacific Economies</b>   | Māori Economic Development Advisory Board suggested changing to enable rather than achieve to reflect partnership with Māori and Māori role in leading the change with Government support.   |
| 6 | Strong and sustainable regions   | <b>Support thriving and sustainable regions and urban centres</b>                                      | Including urban regions recognises that urban and rural areas support each other. We want cities and regions to work cohesively as a system, while recognising that for a sustained period region have lacked investment to reach their full potential.  |
| 7 | People are highly skilled and have access to affordable lifelong learning            | <b>People are skilled, adaptable and have access to affordable lifelong learning</b>                   | This language reflects the Government's focus on the Future of Work and supporting workforce transitions.  |
| 8 | <i>Additional suggested shift:</i>   | <b>Investment in New Zealand transforms the economy and distributes benefits equitably</b>             | This captures the Government's goal of shifting investment composition in New Zealand away from speculative assets to more productive use, and achieving more equitable distribution of New Zealand's wealth.  |

## [Title TBC]

### Forward

We are all familiar with the strong economic growth New Zealand has seen over recent years, compared with many other developed countries. But the message we have heard from New Zealanders is that this strong growth has not been translated into the kind of improvements to peoples' wellbeing that we would all like to see.

Our Government believes that economic growth is a means to an end, not an end in itself. The purpose of growing our economy is to improve the wellbeing and living standards of New Zealanders. To make this a reality we need to do things differently and we need to measure our success differently.

This is why the goal of our economic strategy is a just transition that is based on growth that is more productive, more sustainable and more inclusive.

When the Prime Minister outlined the government's priorities last year, she identified four economic outcomes that will help deliver on our vision of a productive, sustainable and inclusive economy. These are to:

- grow and share New Zealand's prosperity,
- support thriving and sustainable regions,
- transition to a clean green and carbon-neutral New Zealand,
- deliver responsible governance that has a broader measure of success.

Achieving these outcomes will require a number of key economic shifts. This document sets out these key shifts and the six policy focus areas that provide an organising framework for our work to ensure we deliver these.

In July 2019 the Government launched its new industry policy (*From the Knowledge Wave to the Digital Age*) which sets out how we intend to deliver one of the policy focus areas – growing innovative industries in New Zealand. It outlines the more active approach this government is taking in partnering with key businesses to build capacity and capability as we develop new points of competitive advantage.

This document expands on our industry strategy. We describe our vision for a transformed economy and provides describes how we intend to deliver on all six of the policy focus areas.

We want an economy in which economic growth genuinely improves the lives of all New Zealanders. Our Government has a plan to transition our economy to one that is driven by productive, sustainable and inclusive growth. This is critical for us to meet not only the challenges we face today, but also those we will have to face in the years and decades to come.

We are clear that this transformation will not take place overnight. This strategy refers to a number of policies that will be added to over time to support the six policy focus areas and drive New Zealand's economic transformation.

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**The Strategy on a page: Framework**

PROACTIVELY RELEASED

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**The Strategy on a page: Actions**

## Our vision – a productive, sustainable and inclusive economy

*The Government's vision is for an economy that is productive, sustainable and inclusive. The wellbeing of our people and environment are at the heart of our approach to economic stewardship.*

### A productive economy

Productive means doing more with what we have, moving our products up the value chain, and producing things in new and innovative ways.

[need to link to above]

Although we are a prosperous nation in the global context, New Zealand's income per person ranking is in the bottom half of the OECD. Given our strong institutional settings and well-educated workforce there is room to improve. While our economy performs well in terms of providing jobs, the amount of output New Zealanders produce for each hour they work – labour productivity – is lower than the OECD average.

[need an aspirational statement about benefits and goals around productivity]

### A sustainable economy

Sustainable means meeting the needs of the present without compromising our ability to do so in the future, both in an economic and in a fiscal sense.

[need to link to above]

New Zealand's environment is vital for both current and future well-being. Our land, sea and biodiversity are unique and special, having evolved so distinctly and separately from the rest of the world. Compared to other OECD countries, New Zealand enjoys clean air, high levels of

renewable freshwater resources and abundant recreational space. The natural environment also provides the basis for our primary sector- which accounts for about 45% of total exports.

However, New Zealand's growth model is approaching its environmental limits – as seen by freshwater contamination, threats to biodiversity and high per capita greenhouse emissions. Globally, climate change induced by greenhouse gas emissions is causing significant changes to the Earth's oceans, atmosphere and climate, which are expected to be long lasting and some irreversible. This underscores our commitment to a low emission economy – we need to lead by example. The low emissions targets we have set ourselves, and the need to protect our environment, means we must change how we live, work, do business and play, progressively reverse existing environmental damage and effectively protect our natural capital. We are building an economy in which low-carbon, climate-resilient growth can be progressed alongside other socio-cultural, environmental and economic goals.

[need an aspirational statement around what a sustainable economy looks like]

### An inclusive economy

Inclusive means ensuring that all New Zealanders get a fair go, have a chance to contribute to our economy, and get to share in the benefits of growth.

Our economic strategy puts inclusiveness at the heart of our approach – we seek to ensure all groups have the opportunity to achieve in our education system and labour market and close gaps in health outcomes.

While wellbeing is high on average for New Zealanders, outcomes are unevenly distributed. In dollar terms high income deciles have had larger incomes gains over recent years than median or low income deciles. There are significant disparities across indicators of wellbeing between

different ethnic groups. Māori and Pacific people, for example, fare worse on a number of wellbeing indicators, including unemployment, income, health and educational attainment, there are a significant number of children living in poverty and 12 per cent of young people aged 15-24 years are not in employment, education or training.

[need an aspirational statement about what an inclusive economy looks like]

## Positioning New Zealand for the future

Significant change lies ahead, arising from the transition we need to make to become a low emission economy and improve our environmental outcomes, but also from the collective impacts of technological, demographic and geo-political change. Technological change could result in a significant number of the workforce tasks currently undertaken being automated, and over coming years our workforce will age likely resulting in declining labour force participation.

These change factors will transform our economy – looking into the future we will be undertaking different economic activities and our people will need to have different skills and capabilities. Many individuals are likely to need to transition to new jobs and develop new skills over their careers. It is critical that we can manage the change so it happens in a way that is just for our people, places and sectors and enables us to make the most of the opportunities that arise.

## Key shifts

*Achieving our vision for a productive, sustainable and inclusive economy requires significant economic shifts. We have identified seven key shifts required to ensure we deliver our vision.*

### **1. Kiwi businesses, including SMEs, are productive and move from volume to value**

The future success of New Zealand's economy depends upon the growth and competitiveness of our businesses. Our industry strategy sets out our approach to make our country an ideal place to start and grow a business, and a global draw for investors. We will cultivate a business environment that supports firms in high-value industries to emerge and grow and accelerates the diffusion of innovation, as well as its creation.

[...]

### **2. Land and resource use is responsive, improves environmental outcomes and delivers greater value**

To ensure the health of our waterways and meet our climate change goals requires a shift in the way in which we use our land. We need to make changes to the structure and methods of agricultural production. To do so requires diversification of land use, and greater adoption of low-emissions practices on farms.

### **3. Sustainable and affordable energy system**

A sustainable energy system underpins our economy and wellbeing. Ensuring households and businesses can access affordable clean energy is critical for driving emissions reduction across the

economy. The move to cleaner economic growth – through low carbon technologies and efficient use of resources – also presents an opportunity to establish our foothold in clean energy industries.

### **4. Transform our housing market to ensure Everyone has a warm, dry home**

Our broken housing market is one of the greatest barriers to progress. Whether buying or renting, housing is increasingly unaffordable. We need to build more housing, of the type people want to live in, in the places they want to live. To do so requires a comprehensive approach that tackles failure at every point in the system.

### **5. Support thriving and sustainable regions and urban centres**

Ensuring all parts of New Zealand benefit from sustainable economic growth is essential to our prosperity and cohesion. This requires building on the strengths of different places and addressing factors that hold places back – whether it is investing in infrastructure to encourage growth, increasing skills, or backing local innovation strengths.

### **6. People are skilled, adaptable and have access to affordable lifelong learning**

It is critical that we continue to invest in skills to meet the needs of the modern economy. Our labour market, education and welfare systems need to provide



opportunities for high-quality and fair work and actively assist workers to ensure they are equipped for the future of work.

improving educational attainment and supporting the transition of workers into managerial and professional occupations.

**7. *Enable a step-change in the Māori and Pacific economies***

Māori and Pacific populations continue to grow as a proportion of the total working age population. This presents an opportunity to re-position New Zealand's Māori and Pacific economies. This requires

**8. [Proposed: Investment in New Zealand transforms the economy and distributes benefits equitably]**

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## Our principles

The wellbeing of our people and environment are at the centre of the Government's economic strategy. We seek transformational change to share the benefits of growth more widely, and a transition to a lower-emissions and more sustainable economy is just and fair. This Government is prepared to take a more active role to help bring about this change.

### **The Government's role in driving transformative change**

Achieving this change requires leadership and innovation. Government can encourage innovation, fund skills, provide infrastructure, and provide the institutions and regulatory systems, all of which have a major influence on the shape of the economy. When industry and governments have a plan, capital and people can be mobilised to implement it.

### **Working in partnership**

To achieve this vision for a transformed economy requires government to work closely alongside an engaged private sector. Genuine engagement with businesses and workers, Māori, local

government and non-government organisations will help us achieve the Government's ambition for a modern economy that is fit for purpose for the 21<sup>st</sup> century and beyond.

### **Ensuring just transitions**

Our society and economy face unprecedented challenges presented by the changing global economy, climate change and technological disruption. These changes also provides opportunities. Our economic plan will set out path for transitioning the economy in way that harnesses these opportunities for the collective benefit.

## How we will measure success

New Zealanders want us to measure our success in line with their values – the importance of fairness, the protection of the environment, the strength of our communities.

[Need to add in more around how we will take a broad measure of success for the Government's economic strategy – drawing on material and referencing the LSF Dashboard and IANZ; and linking to the CPC outcomes]

We have already set out some ambitious targets for our economy, to ensure we are headed in the right direction in the medium term. We have focused on targets that show where we believe specific economic outcomes are particularly measurable and but also important indicators. These include [to check the wording]:

- Getting to net-zero CO<sub>2</sub> and a 24 - 47% reduction in methane emissions by 2050
- Lifting economy wide R&D spending to 2% of GDP by 2028
- Lifting renewable electricity generation to 100% renewable by 2035
- Child Poverty reduction targets

- Keeping unemployment below 4%

[Need to make sure we acknowledge the need to meet the above while staying within Budget responsibility rules]

We acknowledge that each target is only a partial measure of success, and that no single set of indicators can capture all that matters for all New Zealanders. We will continue to work on improving the measures available and to focus on ensuring we hold ourselves to account for wider economic performance, not just economic growth.

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## Our approach

*We have organised our work programme around six policy focus areas to ensure that we can achieve the key economic shifts necessary to deliver a more productive, more sustainable and more inclusive economy.*

### Transformative institutions and regulatory systems

In order to achieve our key economic shifts we need to set ourselves long-term goals. We did this with the Government's financial management – the Public Finance Act requires successive governments to run a prudent fiscal policy – and in controlling inflation – the Reserve Bank Act requires a commitment to low inflation. Climate change is an intergenerational issue that needs a long-term commitment. That is why we are estimating a Climate Change Commission and setting long-term climate goals. Our institutional arrangements need to ingrain sustainability and inclusivity into our economy at a fundamental level. They also need to bring together government, business and workers to address tough issues.

Regulatory systems are also critical as they shape the economy to ensure it supports fair, environmentally sustainable, and safe business activity. We also want regulatory systems that have lower compliance costs for business and people, enable innovation, and ensure our markets are competitive, against protecting our people and the environment so that our economic growth is sustainable.

[Key projects include:

[need to also consider including – Reserve Bank reform (e.g. setting up MPC), Independent Fiscal Institution, Child Poverty Strategy]

- Partnerships with the Future of Work Tripartite Forum and the

Prime Minister's Business Advisory Council

- Reform of environmental legislation around climate change and the Resource Management Act Building and urban systems reform]

### Productive investment

Providing a business environment in which businesses can invest in projects with high value returns will help drive our economy. We need to set the right signals that shape investment into the most productive uses..

We particularly need to focus on increasing the depth of our capital markets, and deepening our businesses' capital investment is critical for lifting our productivity [ensure there is link back to capital deepening in the diagnosis – reference to the Industry Strategy publication]. Iwi/Māori business and investment is an important and growing part of the economy. We will work to enable iwi / Māori to leverage their settlement assets to support productive and sustainable investment.

We will also need to encourage investment into environmentally sustainable businesses and technologies, innovation and entrepreneurship, and our regions.

[Key projects include:

- Early stage capital markets
- The Green Investment Fund
- Provincial Development Fund]

## Innovative Industries

We will bring together science, innovation, enterprise and industry policy to drive adding value to volume, leverage new sustainable / low-emissions opportunities, and grow the Māori economy.

We want to enable businesses in both our emerging industries and in our traditional areas of comparative advantage such as the primary sector. This means supporting entrepreneurship, and growth of new high-value businesses, and improving the rates of diffusion, and R&D investment, across our existing businesses and sectors.

This is also not just about the ‘big end of town’. We want to help all businesses including SME’s to innovate, adopt productivity improving technology, and explore their options for becoming more sustainable.

[Key projects include:

- Industry transformation plans
- The R&D tax credit]

## Internationally Connected

We need to diversify and deepen New Zealand’s international connections to grow exports and deliver freer and fairer trade for the benefit of all New Zealanders.

We also need to ensure we are leveraging the international flow of ideas, capital investment, and people to support our productivity. Better connecting into international science and research communities, and leveraging access to technology for New Zealand is critical for improving productivity. Attracting knowledge intensive businesses to New Zealand will provide important spill-over benefits for the wider economy, and help bring us closer to the innovation frontier. It is also critical for meeting our sustainability challenges, as much of the technology we

will need to transition to a clean, green, and low-carbon economy will come from other markets.

We are working to recalibrate the type of inward investment into our economy to encourage it towards the most productive and sustainable options with the broadest long-term benefit to New Zealand.

We are also rebalancing the immigration system to help businesses can access international talent when they need to. However, this access cannot come at the expense of reasonable investment into New Zealanders’ skills, and into capital intensive options for improving productivity.

[Key projects include:

- Free Trade Agenda and Trade for All
- NZTE International Growth Fund]

## Resilient and Sustainable Infrastructure

We will invest in infrastructure to support a more modern, sustainable and climate resilient economy, and unlock the potential of our cities and regions.

We are also working to reverse the current infrastructure deficit and ensure infrastructure investment is more strategic by establishing the independent infrastructure commission, and improving the transparency of infrastructure investment pipelines.

We are focussed on investing in infrastructure that supports a more modern, sustainable and climate resilient economy. We need to unlock the potential of our regions and to address the infrastructure issues holding back our major cities.

Key projects include:

- Setting up the NZ Infrastructure Commission
- PGF infrastructure investments
- Rural broadband rollout
- GPS on Land Transport

### Skilled and inclusive work

Education and employment should provide opportunities to enable people to improve their living standards.

We expect the future will see rapid changes in the types of skills our workers need as technology changes and we transition to low-carbon production systems. Our children will need new skills – digital literacy is an imperative – but our existing workforce will also need to develop new skills. Our education system, including tertiary, needs to adapt but we

also need to re-think how we support workers in a world where job or skill changes become more frequency.

We will ensure the labour market, education and skills system, and welfare system actively assist workers transitioning in the face of the changing nature of work.

We will ensure the labour market provides fair and inclusive opportunities, particularly lifting outcomes for Māori and Pacific peoples, and reducing the gender pay gap.

Key projects include:

- Future of Work Tripartite forum
- Just Transitions work
- Review of Vocational Education & Training
- He Kai Kei Aku Ringa
- Minimum wage increases

## Taking action now

*Our six focus areas align to our vision for a transformed economy.*

Achieving our vision for a transformed economy – with seven key economic shifts front and centre in terms of achieving that change – will require actions across each of these six foundations. This strategy refers to a number of policies that will be added to over time to support the foundations and drive New Zealand’s economic transformation.

[This section will include key initiatives for the Government’s work programme including: initiative title, description, target completion date/milestones, case studies where possible]

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**Joint Report:** Meeting with officials on Monday 12 August 2019 to discuss the economic strategy

|              |               |                     |                                       |
|--------------|---------------|---------------------|---------------------------------------|
| <b>Date:</b> | 9 August 2019 | <b>Report No:</b>   | T2019/2385 (TSY)<br>0384/19-20 (MBiE) |
|              |               | <b>File Number:</b> | SH-11-1-3                             |

**Action Sought**

|   | <b>Action sought</b>  | <b>Deadline</b>                              |
|---|---|--|
| Minister of Finance<br>(Hon Grant Robertson)            | <b>Agree</b> to a number of decisions in this briefing to determine next steps on the economic strategy work programme<br><b>Note</b> the suggested discussion items for the meeting with officials on 12 August 2019 | Before your meeting on Monday 12 August 2019 |
| Minister for Economic Development<br>(Hon Phil Twyford) | <b>Agree</b> to a number of decisions in this briefing to determine next steps on the economic strategy work programme<br><b>Note</b> the suggested discussion items for the meeting with officials on 12 August 2019 | Before your meeting on Monday 12 August 2019 |

**Contact for Telephone Discussion (if required)**

| <b>Name</b>     | <b>Position</b>   | <b>Telephone</b>           | <b>1st Contact</b> |
|-----------------|---|----------------------------|--------------------|
| Rachael Wookey  | Senior Analyst, Economic Strategy and Productivity, The Treasury                  | Privacy of natural persons | N/A<br>(mob) ✓     |
| Andrew Rutledge | Manager, Economic Strategy and Productivity, The Treasury                         |                            | N/A<br>(mob)       |
| Kate Challis    | Principal Advisor, Strategic Policy, Ministry of Business Innovation & Employment |                            | N/A<br>(mob)       |
| Hamish Wilson   | Manager, Strategic Policy, Ministry of Business Innovation & Employment           |                            | N/A<br>(mob)       |

## **Minister's Office actions**

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Return the signed report to Treasury and the Ministry of Business Innovation & Employment.

**Enclosure:** Yes (attached)

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**Joint Report:** Meeting with officials on Monday 12 August 2019 to discuss the economic strategy

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**Executive Summary**

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You are meeting with officials on Monday 12 August at 8:00am to discuss next steps on the September release.

This report summarises key decisions for you to make and suggested discussion items to support your meeting.

This report includes three background papers for your review:

- Annex One: a design version of the final policy framework;
- Annex Two: a working draft of the document for September release;
- Annex Three: table with existing targets and indicators mapped against each shift.

We will continue to work with your offices to ensure we reflect your feedback on the items contained within this report.

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## Recommended Action

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We recommend that you:

- a **agree** to the final policy framework in Annex One

*Agree/Disagree*  
*Minister of Finance*

*Agree/Disagree*  
*Minister for Economic Development*

- b **agree** to circulate the final policy framework and draft document (titled 'Economic Plan') ahead of your Cabinet Economic Development Committee Strategic DEV subcommittee discussion on 21 August 2019

*Agree/Disagree*  
*Minister of Finance*

*Agree/Disagree*  
*Minister for Economic Development*

- c **discuss at the meeting** your preferences for measuring the progress of your economic strategy both in terms of outcome and outputs

- d **direct officials** to report back on options for measuring the progress of your economic strategy both in terms of outcomes and outputs

*Agree/Disagree*  
*Minister of Finance*

*Agree/Disagree*  
*Minister for Economic Development*

- e **agree** the launch takes place in the week commencing 23 September 2019

*Agree/Disagree*  
*Minister of Finance*

*Agree/Disagree*  
*Minister for Economic Development*

Andrew Rutledge  
**Manager, Economic Strategy and Productivity, Treasury**

Hamish Wilson  
**Manager, Strategic Policy, Ministry of Business, Innovation and Employment**

Hon Grant Robertson  
**Minister of Finance**

Hon Phil Twyford  
**Minister for Economic Development**

**Joint Report:** Meeting with officials on Monday 12 August to discuss the economic strategy

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**Purpose of Report**

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1. You are meeting with officials on Monday 12 August at 8:00am to discuss next steps to support your September release.
2. This report summarises key decisions for you to make and suggested discussion items to support your meeting.
3. This report includes three background papers for your consideration:
  - Annex One: the final policy framework;
  - Annex Two: the working draft for September release;
  - Annex Three: table with existing targets and indicators mapped against each shift.
4. We will continue to work with your offices to ensure we reflect your feedback on the items contained within this report.

**Key decisions**

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**We seek your agreement to finalise the policy framework**

5. You both agreed to an updated policy framework that explains the Government's economic objectives solely around the key economic shifts (T2019/2324 refers). We drafted the document for September release to reflect this decision.
6. The final version of the policy framework is attached at *Annex One*. Note this version reflects revised language on an investment shift which we have tested and agreed with your offices ("*deeper pools of domestic capital are available to invest in infrastructure and grow New Zealand's productive assets*").
7. We understand from your offices that there has been some discussion around whether the six policy focus areas remain a useful structure for communicating your work programme.
8. We recommend you confirm your preference for the policy framework in *Annex One* for inclusion in the September release.

**We seek your agreement on the product to be tabled at DEV strategic subcommittee**

9. The economic strategy is an agenda item at the Cabinet Economic Development Committee (DEV) Strategic Subcommittee on 21 August 2019. You need to circulate any papers for this discussion on Thursday 15 August.
10. Table 1 below outlines key dates and decisions. Note the current timeline provides limited opportunity for Ministerial consultation ahead of seeking DEV and CAB approval.

11. We recommend you share both the final policy framework attached in *Annex One* and the draft document in *Annex Two* for discussion at the DEV Strategic Subcommittee. This provides time for officials to update the document to reflect any feedback and test this with you before the products are finalised and papers are lodged for DEV (on Thursday 4 September).

**Table 1: Key milestones for September release**

| <b>Date</b>            | <b>Item</b>  | <b>Action sought</b>  |
|------------------------|--|---|
| Thursday 15 August     | Papers lodged for DEV Strategic Subcommittee                               | To note   |
| Week c. 19 August      | Third Joint Ministers meeting  | To provide feedback on product for September release                                  |
| Wednesday 21 August    | DEV Strategic discussion on document for September release                 | DEV to provide detailed feedback before economic strategy is finalised                |
| Week c. 26 August      | Fourth Joint Ministers meeting<br>Consultation with Ministerial colleagues | Joint Ministers review updated document and agree final product for September release |
| Thursday 4 September   | Joint DEV paper lodged   | Any final feedback from Ministerial colleagues  |
| Wednesday 11 September | DEV approval to release September product                                  | Approval to release   |
| Monday 16 September    | CAB approval to release September product                                  | Approval to release   |
| Week c. 23 September   | September product launched   | Date TBC  |
| Monday 30 September    | Two week recess  | To note   |

**We seek your views on the content of the September release**

12. We have updated the working draft of the September release (with the working title 'Economic Plan') attached in *Annex Two*.
13. The Minister of Finance provided the following feedback on an early draft of this document:
- a. More attention needs to be given to the 'how we measure success' section. He indicated that this section should be clear about the measures the Government has set. It should also describe the integrated nature of the Living Standard's Framework / Wellbeing indicators.
  - b. The narrative needs to reflect more positively the Government's vision for an economy based on sustainable and inclusive growth.

14. Officials would like to discuss this feedback in more detail.

**We recommend you consider how you want to measure success of your economic strategy in terms of outcomes and outputs**

15. There are a number of ways that you might consider or measure the success of your economic strategy. We have identified options for measuring progress of your economic strategy both in terms of outcomes and outputs.
16. We recommend you discuss your preferences on these approaches and direct officials to report back on potential options.

*Measuring progress in terms of outcomes*

17. This approach focusses on whether a give outcome is achieved e.g. to assess progress against achieving your economic shifts.
18. In previous discussions, the Minister of Finance stated his preference is not to introduce new targets or measures as part of this work.
19. *Annex Three* maps some existing targets and against each economic shift for your consideration. Note this table is not intended to be a comprehensive list of all targets.

*Measuring progress in terms of outputs*

20. This approach seeks to monitor progress of key policy initiatives and work programmes through regular reporting.
21. We recommend you first consider the existing reporting arrangements and how you might strengthen them going forward. For example, there is already a process for DEV to report to CPC each quarter.

**We seek your views on the details of your September launch and confirmation of the launch date**

22. The communications project team has engaged with your offices on Ministers' communications requirements. Suggestions include:
- the launch to take place at an innovative business
  - 50-70 stakeholders to be invited
  - located in Hamilton or Christchurch, and
  - the launch be an hour in duration.

23. NZTE have identified a selection of companies located in Hamilton and Christchurch.

24. [Redacted] Free and frank opinions [Redacted]

25. [Redacted] Free and frank opinions [Redacted]

26. Note that we have not contacted any of these firms yet. We will continue to work with your offices to ensure your preferences are reflected.



27. We understand that Ministers' preferences are for the date of the launch to be in the week commencing 23 September. We recommend you confirm your preferences for the launch date.

### Next steps

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28. We will continue to work with your offices to ensure we reflect your feedback on the items contained within this report.
29. Following our meeting, the immediate next steps will be:
- a. to lodge a draft of the document and framework on Thursday 15 August 2019 (for discussion at DEV on 21 August 2019)
  - b. a further joint meeting on 19 August 2019, and
  - c. a DEV strategic discussion on 21 August 2019

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## Economic Plan

### OUR VISION

TO BUILD A PRODUCTIVE, SUSTAINABLE AND INCLUSIVE ECONOMY  
TO IMPROVE THE LIVING STANDARDS AND WELLBEING OF ALL NEW ZEALANDERS

Grow and share NZ's prosperity

Support thriving and sustainable regions

Transition to a clean, green and carbon neutral NZ

Deliver responsible governance with a broader measure of success

### THE KEY ECONOMIC SHIFTS WE NEED TO ACHIEVE OUR VISION ARE...



Kiwi businesses, including SMEs, are productive and move from volume to value

**This means...**

Enabling and building innovative industries and developing new points of comparative advantage for large and small businesses.

Adding value to the largest areas of our economy and leveraging new opportunities, many of which are adjacent to our existing key sectors.



People are skilled, adaptable and have access to affordable lifelong learning

**This means...**

People have the skills to make the most of the opportunities arising in the future economy. They are supported through change by our skills and social systems and are well equipped for the future of work.

These systems are inclusive and equitable, enabling all learners, and their families, to participate in society, and access quality and fair employment opportunities.



Deeper pools of domestic capital are available to invest in infrastructure and grow NZ productive assets

**This means...**

Capital investment in New Zealand is more productive and focussed on building our comparative advantages.

This will lift access to capital for innovative and growing businesses and support the growth of industries of the future.



Strong and revitalised regional economies

**This means...**

Unlocking the potential of people and places, improving regional economies' resilience, and backing place-based comparative advantages and innovation strengths. Also means working across urban and regional areas to ensure New Zealander's can access services and infrastructure.

This will revitalise and grow regional economies, and mean people can thrive, irrespective of where they live or work.



Enable a step change for Māori and Pacific economies

**This means...**

Sustained, genuine and authentic partnership that enables transformative economic change for the Māori and Pacific economies.

This will deliver prosperity to Māori, and resilience and growth to the national economy.



Sustainable and affordable energy systems

**This means...**

Households and businesses can access affordable, clean energy to achieve our economic potential, while driving emissions reduction across the economy. It also provides opportunities to establish New Zealand's foothold in high-value clean energy industries.



Land and resource use delivers greater value and improves environmental outcomes

**This means...**

Finding new ways to maximise the productivity of our land and resources and moving away from unsustainable land and resource use. This requires diversification of land-use and adoption of new technologies.

This will ensure we improve the health of our waterways, meet our climate change goals and use our resources in a manner that lifts the economic and environmental wellbeing of current and future generations.



Transform our housing market to ensure everyone has a warm and dry home

**This means...**

People can access affordable quality housing, in the places they desire. Affordable housing will support greater economic dynamism, enable our cities and regions to thrive, and lift the wellbeing of current and future generations.

It will require a comprehensive approach that tackles failure at every point in the system.



## Current initiatives to achieve economic shifts



### Disclaimer: Examples of contributing initiatives

- |  |  |  |   |   |   |  |   |
|--|--|--|---|---|---|--|---|
| <ul style="list-style-type: none"> <li>› Tripartite Future of Work Forum</li> <li>› Small Business Council Strategy</li> <li>› Reform Government Procurement</li> <li>› Early stage capital market development</li> <li>› Overseas Investment Act Review</li> <li>› Investment Framework</li> <li>› Industry Transformation Programme</li> <li>› R,S &amp; I Strategy</li> <li>› Biosecurity Act Overhaul</li> <li>› FTA Agenda - EU FTA and China FTA Upgrade</li> <li>› Trade for All</li> <li>› Business Connect</li> <li>› Communications programme (Accelerated Rural Broadband Roll-out and 5G Block Offer)</li> </ul> | <ul style="list-style-type: none"> <li>› Review of Vocational Education and Training</li> <li>› Strengthen NCEA</li> <li>› Professionalise Career Advice</li> <li>› Welfare Expert Advisory Group</li> </ul> | <ul style="list-style-type: none"> <li>› Business tax work programme</li> <li>› Green investment fund</li> <li>› R&amp;D tax credit</li> <li>› International growth fund</li> <li>› Early stage capital markets</li> </ul> | <ul style="list-style-type: none"> <li>› Three Waters and Local Government Funding</li> <li>› Relocate Government Services to the regions</li> <li>› Provincial Growth Fund Investments</li> <li>› Tourism Strategy</li> <li>› One Billion Trees</li> </ul> | <ul style="list-style-type: none"> <li>› He Kai Kei Aku Ringa</li> <li>› He Poutama Rangatahi</li> <li>› Mana in Mahi</li> <li>› Maori Land Projects</li> </ul> | <ul style="list-style-type: none"> <li>› Electricity Pricing Review</li> <li>› Renewable Energy Targets</li> <li>› Infrastructure Commission</li> <li>› Low Emissions Vehicle Programme</li> <li>› School buildings and hospital infrastructure</li> <li>› Rail investments</li> <li>› Digital Strategy and work programme</li> <li>› Upper North Island Supply Chain Strategy</li> </ul> | <ul style="list-style-type: none"> <li>› Emissions Trading Scheme reform</li> <li>› Zero carbon Bill and Climate Change Commission</li> <li>› Fisheries Management Review</li> <li>› Tourism Infrastructure Fund</li> <li>› Sustainable Food and Fibre</li> <li>› Circular Economy Programme (waste minimisation, plastic bags, product stewardship)</li> <li>› Crown Minerals Act Reforms</li> <li>› Government Policy Statement on Land Transport</li> <li>› Christchurch Rebuild</li> </ul> | <ul style="list-style-type: none"> <li>› Urban Growth Agenda</li> <li>› Residential Tenancies Act Reforms</li> <li>› Healthy Homes Guarantee Bill</li> <li>› Warmer Kiwi Homes Investment</li> <li>› Construction Accord</li> <li>› Kiwibuild</li> <li>› Grow the number of state houses</li> </ul> |
|--|--|--|---|---|---|--|---|





# Economic Plan

FOR A PRODUCTIVE, SUSTAINABLE  
AND INCLUSIVE ECONOMY

SEPTEMBER 2019



## Foreword: Positioning New Zealand for the future

This Government believes that the purpose of growing our economy is to improve the wellbeing and living standards of New Zealanders. But our country's economic growth in recent years has not resulted in the improvements to wellbeing that New Zealanders want to see. This is why the goal of our Economic Plan is a just transition via growth that is productive, sustainable and inclusive.

To make this a reality and position New Zealand for the future, we need to do things differently and we need to measure our success differently. The wellbeing of our people and environment needs to be at the heart of our approach.

Last year the Prime Minister identified four economic outcomes that will help deliver on our vision for a productive, sustainable and inclusive economy. These are to:

- grow and share New Zealand's prosperity
- support thriving and sustainable regions
- transition to a clean green and carbon-neutral New Zealand, and
- deliver responsible governance that has a broader measure of success.

To achieve these outcomes we need to transform our economy through a series of eight key economic shifts, set out in this document. These shifts will enable us to meet not only the challenges of today, but also those of years and decades to come.

We know significant change lies ahead. It will arise from the transition we need to make to become a low-emissions economy and improve our environmental outcomes; and also from the collective impact of demographic, geo-political and technological change. Technological change could result in a significant number of the workforce tasks currently undertaken being automated, and our future workforce will likely be smaller as a percentage of our total population, and with an older average age than now.

These factors will transform our economy and workforce. In the future we will be undertaking different economic activities and our people will need to have different skills and capabilities, and to update these throughout their careers.

We must manage all these changes so that the outcomes are fair for our people, places and sectors, and so we can make the most of the opportunities that arise.

The economic shifts set out in this document will not take place overnight, and we cannot know today all that we will need to do in five or ten years' time. We will add to the policies set out in this document over time.



# Economic Plan

## OUR VISION

TO BUILD A PRODUCTIVE, SUSTAINABLE AND INCLUSIVE ECONOMY  
TO IMPROVE THE LIVING STANDARDS AND WELLBEING OF ALL NEW ZEALANDERS

Grow and share NZ's prosperity

Support thriving and sustainable regions

Transition to a clean, green and carbon neutral NZ


Deliver responsible governance with a broader measure of success

## THE KEY ECONOMIC SHIFTS WE NEED TO ACHIEVE OUR VISION ARE...



**Kiwi businesses, including SMEs, are productive and move from volume to value**

**This means...**  
Enabling and building innovative industries and developing new points of comparative advantage for large and small businesses.  
Adding value to the largest areas of our economy and leveraging new opportunities, many of which are adjacent to our existing key sectors.



**People are skilled, adaptable and have access to affordable lifelong learning**

**This means...**  
People have the skills to make the most of the opportunities arising in the future economy. They are supported through change by our skills and social systems and are well equipped for the future of work.  
These systems are inclusive and equitable, enabling all learners, and their families, to participate in society, and access quality and fair employment opportunities.



**Deeper pools of domestic capital are available to invest in infrastructure and grow NZ productive assets**

**This means...**  
Capital investment in New Zealand is more productive and focussed on building our comparative advantages.  
This will lift access to capital for innovative and growing businesses and support the growth of industries of the future.



**Strong and revitalised regional economies**

**This means...**  
Unlocking the potential of people and places, improving regional economies' resilience, and backing place-based comparative advantages and innovation strengths. Also means working across urban and regional areas to ensure New Zealander's can access services and infrastructure.  
This will revitalise and grow regional economies, and mean people can thrive, irrespective of where they live or work.



**Enable a step change for Māori and Pacific economies**

**This means...**  
Sustained, genuine and authentic partnership that enables transformative economic change for the Māori and Pacific economies.  
This will deliver prosperity to Māori, and resilience and growth to the national economy.



**Sustainable and affordable energy systems**

**This means...**  
Households and businesses can access affordable, clean energy to achieve our economic potential, while driving emissions reduction across the economy. It also provides opportunities to establish New Zealand's foothold in high-value clean energy industries.



**Land and resource use delivers greater value and improves environmental outcomes**

**This means...**  
Finding new ways to maximise the productivity of our land and resources and moving away from unsustainable land and resource use. This requires diversification of land-use and adoption of new technologies.  
This will ensure we improve the health of our waterways, meet our climate change goals and use our resources in a manner that lifts the economic and environmental wellbeing of current and future generations.



**Transform our housing market to ensure everyone has a warm and dry home**

**This means...**  
People can access affordable quality housing, in the places they desire. Affordable housing will support greater economic dynamism, enable our cities and regions to thrive, and lift the wellbeing of current and future generations.  
It will require a comprehensive approach that tackles failure at every point in the system.



# Current initiatives to achieve economic shifts

|  |  |  |   |   |  |   |   |
|--|--|--|---|---|--|---|---|
|  <p>Kiwi businesses, including SMEs, are productive and move from volume to value</p> |  <p>People are skilled, adaptable and have access to affordable lifelong learning</p> |  <p>Investment in New Zealand transforms the economy and distributes benefits equitably</p> |  <p>Strong and revitalised regional economies</p> |  <p>Enable a step change for Māori and Pacific economies</p> |  <p>Sustainable and affordable energy systems</p> |  <p>Land and resource use delivers greater value and improves environmental outcomes</p> |  <p>Transforms our housing market to ensure everyone has a warm and dry home</p> |
|--|--|--|---|---|--|---|---|

**Disclaimer: Examples of contributing initiatives**

- |  |  |  |   |   |   |  |   |
|--|--|--|---|---|---|--|---|
| <ul style="list-style-type: none"> <li>› Tripartite Future of Work Forum</li> <li>› Small Business Council Strategy</li> <li>› Reform Government Procurement</li> <li>› Early stage capital market development</li> <li>› Overseas Investment Act Review</li> <li>› Investment Framework</li> <li>› Industry Transformation Programme</li> <li>› R,S &amp; I Strategy</li> <li>› Biosecurity Act Overhaul</li> <li>› FTA Agenda - EU FTA and China FTA Upgrade</li> <li>› Trade for All</li> <li>› Business Connect</li> <li>› Communications programme (Accelerated Rural Broadband Roll-out and 5G Block Offer)</li> </ul> | <ul style="list-style-type: none"> <li>› Review of Vocational Education and Training</li> <li>› Strengthen NCEA</li> <li>› Professionalise Career Advice</li> <li>› Welfare Expert Advisory Group</li> </ul> | <ul style="list-style-type: none"> <li>› Business tax work programme</li> <li>› Green investment fund</li> <li>› R&amp;D tax credit</li> <li>› International growth fund</li> <li>› Early stage capital markets</li> </ul> | <ul style="list-style-type: none"> <li>› Three Waters and Local Government Funding</li> <li>› Relocate Government Services to the regions</li> <li>› Provincial Growth Fund Investments</li> <li>› Tourism Strategy</li> <li>› One Billion Trees</li> </ul> | <ul style="list-style-type: none"> <li>› He Kai Kei Aku Ringa</li> <li>› He Poutama Rangatahi</li> <li>› Mana in Mahi</li> <li>› Maori Land Projects</li> </ul> | <ul style="list-style-type: none"> <li>› Electricity Pricing Review</li> <li>› Renewable Energy Targets</li> <li>› Infrastructure Commission</li> <li>› Low Emissions Vehicle Programme</li> <li>› School buildings and hospital infrastructure</li> <li>› Rail investments</li> <li>› Digital Strategy and work programme</li> <li>› Upper North Island Supply Chain Strategy</li> </ul> | <ul style="list-style-type: none"> <li>› Emissions Trading Scheme reform</li> <li>› Zero carbon Bill and Climate Change Commission</li> <li>› Fisheries Management Review</li> <li>› Tourism Infrastructure Fund</li> <li>› Sustainable Food and Fibre</li> <li>› Circular Economy Programme (waste minimisation, plastic bags, product stewardship)</li> <li>› Crown Minerals Act Reforms</li> <li>› Government Policy Statement on Land Transport</li> <li>› Christchurch Rebuild</li> </ul> | <ul style="list-style-type: none"> <li>› Urban Growth Agenda</li> <li>› Residential Tenancies Act Reforms</li> <li>› Healthy Homes Guarantee Bill</li> <li>› Warmer Kiwi Homes Investment</li> <li>› Construction Accord</li> <li>› Kiwibuild</li> <li>› Grow the number of state houses</li> </ul> |
|--|--|--|---|---|---|--|---|



## Our vision – a productive, sustainable and inclusive economy

*The Government's vision is for an economy that is productive, sustainable and inclusive. The wellbeing of our people and environment are at the heart of our approach to economic stewardship.*

Our success will largely be determined by how adaptable and resilient we are in dealing with global challenges such as changes in climate and technology.

**“Productive” means doing more with what we have, moving our products up the value chain, and producing things in new and innovative ways.**

New Zealand is a prosperous nation in the global context, but our “income per person” ranking is in the bottom half of the OECD. With our strong institutional settings and well-educated workforce, we can do better. While our economy performs well in terms of providing jobs, the output New Zealanders produce for each hour they work – labour productivity – is below the OECD average.

New Zealand's prosperity depends on having a thriving and productive business and export sector. We need our firms to be supplying goods and services to a broader range of international markets. We also need to move “up the value chain” in our exports, away from raw materials and toward manufactured goods.

Through our *Industry Strategy* and the introduction of the Industry Transformation Plans, this Government is building new points of comparative advantage for New Zealand. We are adding more value in traditional sectors, and taking advantage of opportunities that advances in technology present to open up new areas of economic activity for New Zealand and reach new markets.

**We want to support thriving and sustainable regions.**

When people and businesses do well, then their town or their region does well. We want our regions to thrive as much as our big cities.

We are working with our regions, sectors and rural and urban communities to boost sustainable regional growth and improve living standards.

**“Sustainable” means meeting the needs of New Zealanders today without compromising the wellbeing of future generations – environmentally, economically or fiscally.**

New Zealand's environment is vital for both current and future wellbeing and holds a special place in the hearts and minds of New Zealanders. Thanks to our historical isolation, our land, sea and biodiversity are unique.

Compared to other OECD countries, New Zealand enjoys clean air, high levels of renewable freshwater resources and abundant recreational space. The natural environment also provides the basis for our primary sector, which accounts for about 45% of total exports.

**We want to transition to a clean, green, carbon-neutral New Zealand.**

Globally, climate change induced by greenhouse gas emissions is causing significant changes to the Earth's oceans, atmosphere and climate. These changes will be long-lasting, and some will be irreversible.

This Government is committed to making a just transition to a low-emissions economy, to lead by example and minimise New Zealand's contribution to climate change.

This means we must change how we live, work, do business and play, progressively reversing existing environmental damage and protecting nature for ourselves and for future generations.

**“Inclusive” means ensuring that all New Zealanders get a fair go, have a chance to contribute to our economy and get to share in the benefits of growth.**

Wellbeing is high for New Zealanders overall, but outcomes are unevenly distributed.

In dollar terms, people on high incomes have had bigger income increases over recent years than people on lower incomes.

Significant disparities also exist across ethnic groups, with Māori and Pacific people faring worse on a number of wellbeing indicators, including unemployment, income, health and educational attainment.

**We want to grow and share New Zealand's prosperity more fairly.**

We want all New Zealanders to have equal opportunities to participate in our economy. And for all New Zealanders to share in the rewards and benefits of economic growth.

The best way we can raise the living standards of all New Zealanders in the long run is to improve productivity growth. But this growth needs to be inclusive and sustainable, showing care for people and the environment.

**We want to deliver responsible government with a broader measure of success**

Government cannot achieve these goals and aspirations by continuing with the status quo. We need to do things differently, and measure our success in different ways.

The dollar value of all the things we produce as a country – our Gross Domestic Product or GDP – does not capture many things New Zealanders value, like child wellbeing, warm, dry homes or rivers and lakes we can swim in.

That is why we are developing broader measures of success based on the wellbeing of New Zealanders to guide public policy and spending. Like this Economic Plan, the measures place the health of our environment and wellbeing of our people at the heart of our decision-making.

## Key shifts

*Note: the below text is placeholder only.*

*Achieving our vision for a productive, sustainable and inclusive economy requires significant shifts to our economy. We have identified eight key shifts required to ensure we deliver our vision.*

### ***Kiwi businesses, including SMEs, are productive and move from volume to value***

The future success of New Zealand's economy depends upon improving the productivity and competitiveness of our businesses. This will be critical as we confront challenge to traditional sectors and ways of doing business from forces such as technological change and climate change.

Our productivity challenge is complex and long-standing, but at the heart of productivity growth and competitiveness is the creation and diffusion of innovation. To break out of our low-productivity equilibrium, we will enable the growth of new innovative industries, build new points of comparative advantage and support more firms to do or access R&D to move their products and services up the value chain.

Our *Industry Strategy* sets out our approach to adding value to the largest areas of our economy and leveraging new opportunities, many of which are adjacent to our existing key sectors. Our Industry Transformation Plans will provide the vehicle for bringing about real change in some key sectors. Our forthcoming Research, Science and Innovation Strategy and the introduction of the Research and Development Tax Incentive will also be key to ensuring businesses can access knowledge and investment, whether they are large established firms, or young start-ups. Our Trade for All agenda will support businesses to get the most from international connections, and ensure we can grow the value of our exports.

We will ensure our domestic business environment supports dynamic and productive small and medium businesses to thrive. We will continue to reduce the administrative burdens of doing business in New Zealand, ensure world-class infrastructure and fair competition, and create clear, enabling tax and regulatory systems.

### ***Land and resource use deliver greater value and improve environmental outcomes***

How we use our land and other resources, from fresh water to urban infrastructure, impacts the health of our people, our waterways and our greenhouse gas emissions. We need to enable new areas of economic activity and new ways of doing business that grow the productivity of our land and resources in sustainable ways.

This means the structure and methods of agricultural production in New Zealand need to change. We will support diversification in land use, and increase the development and adoption of low-emissions practices and technology on our farms. To drive this change we have a set of ambitious reforms including changes to the Emissions Trading Scheme, Zero Carbon Bill, and tax system and freshwater reform.

We understand that businesses need more than just a clear and enabling regulatory environment – they need support to access the skills, innovations, and new markets that will enable a smooth transition in land use.

With this challenge comes opportunity. Our primary sector can lead the world in providing new, innovative, high-value food and fibre products. Reaffirming and continually earning our brand as a clean, green country will ensure our primary industries can contribute to our economy for the long term.

We have already begun reforming our planning system with the reform of the Resource Management Act, and the creation of the Urban Growth Agenda to improve the productivity and sustainability of land use in our urban areas. We will continue to improve the planning system to enable more sustainable transport and housing options, lift productivity for businesses, and improve the health of our urban populations.

Finally, our resource efficiency also needs to improve. Like most of the developed world, our current economy relies in large part on extracting the inputs of economic growth from the natural environment and then dumping the waste products. To be sustainable as our population continues to grow, we will need to produce less waste, through more efficient production processes and more re-use of materials. This will not happen overnight – but with government support for innovation, enabling regulation, and ongoing dialogue with firms, workers and communities, these changes can be effective and enduring.

### ***Sustainable and affordable energy system***

Access to reliable and affordable energy underpins the New Zealand economy and our wellbeing. It supports transport systems, the jobs and products provided by industries like manufacturing and construction, and comprehensive services. But its emissions account for around half of our total greenhouse gas emissions – so we need to shift to a more environmentally sustainable, low-emissions energy system.

This Government is providing a combination of incentives and regulation to reduce emissions from transport, electricity generation, and process heat and other industrial processes. We are doing this in a way that ensures energy is still affordable for consumers, to protect and enhance New Zealanders' wellbeing. People need to be able to afford to heat their homes and drive their cars without financial hardship and, ultimately, without environmental damage. Our Electricity Price Review will ensure the market provides affordable electricity, and we have set a target that by 2035 New Zealand's electricity generation will be from 100% renewable sources.

Improving our energy systems can also help us achieve our shift toward a more productive economy. We can and will import the best ideas from offshore to shift to clean energy. But we will also invest in developing our own sustainable energy technologies, and finding innovative ways to make more efficient use of our energy resources. This presents an opportunity for New Zealand to establish a foothold in fast-growing global “clean energy” industries.

## ***Transform our housing market to ensure everyone has a warm, dry home***

Housing is central to the wellbeing of all New Zealanders. Every New Zealander should have a safe, warm, dry home to call their own – whether owning or renting. Access to housing in places people desire provides New Zealanders choice about where they live, learn and work, and makes it easier for workers to live close to the best jobs for them – which in turns supports firm productivity.

Our current housing market has been broken for a long time. Over the last decade, whether buying or renting, housing has become increasingly unaffordable for New Zealanders. Not enough new homes have been built, rentals have often been insecure, and the quality of homes has not been consistently up to standard.

To fix this, this Government is tackling long-standing failures at every point in the system. This means reforming land supply, investing in infrastructure, boosting the construction sector's capacity to build, improving regulation of land use, clarifying and enforcing the responsibilities of landlords, and ensuring that New Zealand is planning comprehensively for future growth both regionally and nationally.

The Urban Growth Agenda is designed to get our urban markets working so they can respond to growth, improve urban land affordability, and support thriving communities. Key initiatives include reform of the Resource Management Act, alternative financing models, and spatial planning partnerships across local and central government, and iwi.

We are also delivering quality housing choice, such as through Kāinga Ora – Homes and Communities, to build diverse communities with affordable homes. Housing supply will be further enhanced through increased supply of public housing, and a reset of KiwiBuild.

Overseeing the quality of our housing, including for renters, will be strengthened through, for example, reform of the Residency Tenancy Act and the Building Act.

## ***Strong and revitalised regional economies***

Provincial New Zealand is the heartland of Aotearoa, and home to some of our most creative and innovative people. Much of New Zealand's economy rests on the successes of the regions.

New Zealand's regions have their own unique strengths and advantages, and face different challenges and opportunities depending on their unique characteristics. Some regions of New Zealand are thriving, whereas others have consistently experienced lower economic and social outcomes. These regions are often challenged with higher unemployment and lower productivity, and historically have suffered from a lack of public investment in their economic development.

We are committed to fairly sharing the benefits of economic prosperity with our regions. Our three billion dollar Provincial Growth Fund is investing to ensure that people and businesses all over New Zealand have the resources they need to reach their full potential.

We are investing in initiatives to support regional economic growth, planting One Billion Trees, and building the infrastructure regions need to participate in a modern economy, such as rail, road, ports and communications.



No matter where they live and what their background is, every New Zealander can participate in and benefit from an economy that is sustainable, inclusive and productive.

***People are skilled, adaptable and have access to affordable lifelong learning***

By international standards New Zealanders are on average highly skilled and qualified. However, some groups are persistently underserved by our education systems; and the way we think about education needs to change so that New Zealanders young and old can acquire the skills they need to respond to the changing nature of work.

We need a compulsory education system that creates adaptable, flexible lifelong learners. At the moment, some young people are better served by the schooling system than others. Not all teachers or schools are inclusive of diversity; resources are not always targeted where they will make the biggest difference; and vocational pathways and careers are not always held in the high esteem they deserve. We need to address these issues so that all young people emerge from compulsory education with the ability and desire to keep learning. This will be fundamental to their ability to adapt successfully to all the changes that will occur during their lifetimes.

We are doing this through, for example, Te Hurihanganui, an initiative to navigate and address racism and discrimination in early learning services and schools. At a strategic level, our reviews of the decile approach to school funding, and of Tomorrow's Schools, will ensure we have an inclusive education system that meets the challenges of the future.

The tertiary education system also needs to evolve to meet changing needs. As well as school-leavers gaining initial qualifications at the outset of their careers, we want a tertiary education system where large numbers of adults can engage in accessible learning throughout their working lives, meeting the changing skill needs of our economy as it evolves. This will be especially important in vocational education and training where some skill needs are likely to change rapidly as technological change affects the tasks workers perform. Many adult learners will need access to focused, relevant learning – including on-job learning – that fits with their work and family commitments.

Our Reform of Vocational Education will mean that providers of vocational education and training are more closely connected both to the labour market and to the communities they serve. The Reform will give industries, workers and employers a stronger voice in the vocational education system, and will better support employers in the vital role they play as trainers of their workforces.

***Enable a step-change in the Māori and Pacific economies***

We are committed to partnering with Māori to support and enable whānau, hapū and iwi Māori to lead a step change in their economic, social, environmental and cultural propensity and wellbeing. We are working in partnership with the Māori Economic Development Advisory Board to deliver on He kai kei aku ringa, the Māori economic development strategy.

Growing Māori enterprises, increasing Māori participation in regional economies and developing Whenua Māori (Māori-owned and managed land) is vital to enable a step change in the Māori economy. Key to this are our initiatives such as Māori Innovation Fund, Māori Agribusiness Fund, One Billion Trees, Crown forestry joint ventures and the Provincial Growth Fund.

Improving employment, developing a highly skilled Māori workforce and enabling better outcomes for rangatahi is also critical. Initiatives such as Mana in Mahi, He Poutama Rangatahi and (as mentioned in the previous section) Te Huri Hurihanganui are a start on this.

We recognise that whānau are the key drivers of economic prosperity. We are working to embed a whānau-centric approach to policy thinking across government, and investing in whānau through Whānau Ora.

We are also committed to helping our Pacific peoples to build on their own cultural and economic strengths to grow their prosperity and enable a step change in their wellbeing and living standards. We are working to help Pacific youth achieve in education and find meaningful work through initiatives like as Tupu Aotearoa and our Sector Workforce Engagement Programme hubs. Supporting Pacific enterprises to succeed is also key, and our 2019 Budget confirmed ongoing funding for the Pacific Business Trust. We are also working to improve employment outcomes for Pacific people via initiatives like the Pacific Employment Action Plan and Tapu Tai internship programme.

We are also working to provide greater opportunities for Māori and Pacific businesses through over \$41 billion in Government procurement.

***Deeper pools of domestic capital are available to invest in infrastructure and grow New Zealand's productive assets***

The assets New Zealanders own publicly or privately, from modern infrastructure to innovative firms, underpin and drive our economy. Smart investment in these assets will enable more economic and productivity growth.

We want to build New Zealand ownership of assets, with both the Government and individual New Zealanders investing more in onshore infrastructure and firms. To do this, we need to build our capital base, and set a policy environment that gives people the confidence to take risks and to invest productively in New Zealand assets. For example, the New Zealand Green Investment Finance initiative will provide a catalyst for a private green investment market in New Zealand. And the early-stage capital investment fund we announced at Budget 2019 will see investment from the New Zealand Super Fund and New Zealand Venture Investment Fund flowing to high-value innovative firms and start-ups so they can grow and scale within New Zealand.

We also want to enable capital investment from overseas, as this enables our regions and businesses to connect internationally, access new markets, and adopt global best practice, new technology and innovations. The Innovative Partnerships programme attracts globally leading firms to New Zealand to innovate, invest, and build a sustained presence in New Zealand.



## How we are working to achieve our vision

The Government is prepared to take a more active role in the economy to help bring about transformative change – in partnership with New Zealanders.

### The Government's role in driving transformative change

Achieving a just transition to a more productive, sustainable, inclusive economy requires leadership through change. As described in this Economic Plan, the Government will show leadership by encouraging innovation, funding skills development, providing infrastructure, and creating and shaping institutions and regulatory systems. In this way, we will have a major influence on the shape of the economy.

### Working in partnership

But we can't do this on our own. As we implement and, in some years, refine and add to our Economic Plan, we will work with industry – both employers and workers – and to Māori, local government and non-government organisations to understand what a just transition to a more productive, inclusive, sustainable economy looks like for them. Everyone has a part to play in achieving this change.

When industries, communities and the Government have a shared plan for economic growth, people and capital will be mobilised to implement it, and our shared vision can become real.

## How we will measure success

*Note: the below text is placeholder only. This section will be developed further to reflect Minister's feedback.*

New Zealanders want us to measure our success in line with their values – the importance of fairness, the protection of the environment, the strength of our communities.

We have already set out some ambitious targets for our economy, to ensure we are headed in the right direction in the medium term. In setting these targets, we have focused on what's important, not just what's easiest to measure. Still, each target is only a partial measure of success, and no single set of indicators can capture all that matters for all New Zealanders.

We will continue to work on improving the measures available and to focus on ensuring we hold ourselves to account for wider economic performance, not just economic growth.

**Annex Three**

| <b>Economic shifts</b>  | <b>Relevant publicly announced targets</b>  | <b>Indicators used to support the target</b>                           | <b>Frequency</b> |
|---|---|--|------------------|
| Kiwi businesses, including SMEs are productive, and move from volume to value                                       | Lifting economy wide R&D spending to 2% of GDP by 2028  | R&D survey,<br>Statistics NZ   | Every two years  |
| Land and resource use delivers greater value and improves environmental outcomes                                    | Getting to net-zero CO2 and a 24 – 47% reduction in methane emissions by 2050   | Greenhouse gas inventory,<br>Ministry for the Environment              | Annual           |
| Sustainable and affordable energy system  | Lifting renewable electricity generation to 100% within a normal hydrological year by 2035 <sup>1</sup>                     | % of electricity generation reported in “Energy in NZ”<br>MBIE         | Annual           |
| People are skilled, adaptable and have access to affordable lifelong learning                                       | Keeping unemployment below 4%   | Quarterly labour market updates (HLFS, LCI, and QES)<br>Statistics NZ  | Quarterly        |
| Deeper pools of domestic capital are available to invest in infrastructure and grow New Zealand’s productive assets | Budget responsibility rules:<br>Net Crown Debt<br>Sustainable Operating Surplus<br>Govt Spend to GDP<br>Govt Revenue to GDP | Wellbeing Budget / Fiscal Strategy,<br>Treasury                        | Annual           |
| Enable a step change in Māori and Pacific economies   | He kai kei aku ringa targets include:<br>Increase Māori median incomes by 20% from \$26,500 to \$31,800                     | Quarterly labour market updates (HLFS, LCI, and QES)<br>Statistics NZ  | Quarterly        |
| Transform our housing market to ensure everyone has a warm, dry home  | Building 1600 state and social houses each year<br>Provide 100,000 Kiwibuild homes over the next decade                     | Housing Quarterly Report,<br>Ministry of Housing and Urban Development | Quarterly        |
| Strong and revitalised regional economies   | No known publically announced targets   |  |                  |

<sup>1</sup> Note: the caveat of a “normal hydrological year” is not meaningful – which means the measures are only partly capturing progress.



**Joint Report: Progressing Economic Strategy**

|              |                |                     |                                       |
|--------------|----------------|---------------------|---------------------------------------|
| <b>Date:</b> | 16 August 2019 | <b>Report No:</b>   | T2019/2480 (TSY)<br>0523 19-20 (MBIE) |
|              |                | <b>File Number:</b> | SH-11-1-3                             |

**Action sought**

|   | <b>Action sought</b>  | <b>Deadline</b>       |
|---|---|-----------------------|
| Minister of Finance<br>(Hon Grant Robertson)            | <b>Agree</b> to share the A3 with your colleagues ahead of DEV on 21 August 2019<br><b>Discuss</b> your feedback with officials on 21 August 2019 | Monday 19 August 2019 |
| Minister for Economic Development<br>(Hon Phil Twyford) | <b>Agree</b> to share the A3 with your colleagues ahead of DEV on 21 August 2019<br><b>Discuss</b> your feedback with officials on 21 August 2019 | Monday 19 August 2019 |

**Contact for Telephone Discussion (if required)**

| <b>Name</b>       | <b>Position</b>  | <b>Telephone</b>                           | <b>1st Contact</b> |
|-------------------|--|--|--------------------|
| Scott Russell     | Senior Analyst, Economic Strategy and Productivity, The Treasury               | Privacy of natural persons<br>n/a<br>(mob) | ✓                  |
| Andrew Rutledge   | Manager, Economic Strategy and Productivity, The Treasury                      | N/A<br>(mob)                               |                    |
| Joe Murray-Cullen | Senior Advisor, Strategic Policy, Ministry of Business Innovation & Employment | N/A<br>(mob)                               | ✓                  |
| Hamish Wilson     | Manager, Strategic Policy, Ministry of Business Innovation & Employment        | N/A<br>(mob)                               |                    |

**Minister's Office actions (if required)**

Return the signed report to Treasury and the Ministry of Business Innovation & Employment.

**Enclosure:** Yes (attached)

**Joint Report: Progressing Economic Strategy**

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**Purpose of Report**

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1. You are meeting with officials on Wednesday 21 August at 7:15 a.m. to discuss the next steps to support a September release of the Economic Strategy.
2. This report provides:
  - a. an updated version of the policy framework (*Annex One*);
  - b. a working draft of the narrative (intended to signal the direction of travel only) (*Annex Two*);
  - c. our early thinking on how the key shifts might align with the wellbeing measures (*Annex Three*);
  - d. a storyboard for the NZ Story style video content intended to complement your narrative (*Annex Four*); and
  - e. background on some options for launch locations
3. Officials seek your agreement to circulate the policy framework on Monday 19 August 2019 ahead of your DEV Strategic Subcommittee discussion on Wednesday 21 August 2019.

**September release**

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**We are producing two complementary products for your September release**

4. Officials are producing two complementary products for your September release:
  - a. A narrative focussed on communicating the Government's vision and current policy programme to a business audience;
  - b. Accompanying social media engagement content (in the NZ Story video style) to share with the wider New Zealand community through appropriate communications channels.
5. Table 1 outlines key dates and decisions ahead of the September release.

**Table 1: Key milestones for September release**

| Date       | Item                           | Action sought   |
|------------|--------------------------------|---|
| Mon 19 Aug | Framework circulated           | Agree to circulate to Ministers ahead of DEV on 21 Aug          |
| Wed 21 Aug | Third Joint Ministers meeting  | To review framework, storyboard and agree launch date and venue |
| Wed 21 Aug | DEV Strategic discussion       | To provide feedback on framework                                |
| Mon 2 Sept | Fourth Joint Ministers meeting | To review narrative and Cabinet paper                           |



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|              |                               |  |
|--------------|-------------------------------|--|
| Thus 4 Sept  | Joint DEV paper lodged        | Any final feedback from Ministerial colleagues |
| Mon 9 Sept   | Fifth Joint Ministers meeting | To sign off the final version of the paper     |
| Wed 11 Sept  | DEV meeting                   | Approval                                       |
| Mon 6 Sept   | CAB meeting                   | Approval                                       |
| 22 / 23 Sept | <b>Launch date</b>            | -  |

**We seek your agreement to circulate the policy framework A3 for DEV**

6. The Economic Strategy is an agenda item at the Cabinet Economic Development Committee (DEV) Strategic Subcommittee on 21 August 2019. We seek your agreement to circulate the policy framework in *Annex One*. This version reflects your latest feedback including:
- a. updated descriptions and titles for the shifts; and
  - b. a more comprehensive mapping of initiatives to the shifts.

**We are working with your offices to continue developing the narrative in line with your feedback**

7. In line with your direction, MBIE's communications team have re-drafted the narrative. The redraft has been reviewed by the press secretaries in your offices and developed in close consultation with the Treasury and MBIE policy teams and the NZ Story team.
8. A revised working draft is attached at *Annex Two*. There are a few points to note:
- a. This is an early draft that has not been formally edited. We are working to test with colleagues in other agencies to ensure alignment on key messages.
  - b. We are still actively working to select and describe the key initiatives to feature under each shift.
  - c. The case studies and their images have not been confirmed.
  - d. The look and feel of the document will be different once we have our design team format it. We are holding off on design until you are both happy with the content.
9. You have an option to circulate the draft narrative for discussion at DEV alongside the A3. We can work with your offices to circulate the draft narrative for discussion at DEV if Minister to decide to do so. We will incorporate any comments you have and continue to work closely with your offices to ensure we develop the products in line with your expectations.

**We have produced a table that sets out key wellbeing indicators**

10. Following the joint Ministers meeting, we have developed a table of each economic shift alongside existing publically announced targets and wellbeing indicators.
11. A draft is in *Annex Three*. The grey columns reflect existing targets that have been announced and how they may link to the economic shifts.
12. The red columns reflect where wellbeing indicators might be useful for evaluating success and impact over time. There are challenges with attributing specific changes in the wellbeing indicators back to any one key shift. Many of the wellbeing indicators will

reflect cumulative impact from policies across many of the key shifts (e.g. multifactor productivity).

13. Free and frank opinions

14. We would like to discuss your preferences for presenting this information at your meeting with officials.

**The developers of NZ Story are developing social media content to complement the narrative**

15. We previously advised (TR 0353/19-20) that the story-telling element of the economic strategy should be public facing and that this would best be done by an accompanying social media engagement content (in the NZ Story video style).
16. The developers of NZ Story have produced a storyboard for your consideration in *Annex Four*. We recommend you discuss this proposal with the developers of NZ Story at the next officials meeting on Wednesday 21 August.
17. MBIE's communications team are working closely with the NZ Story developers to ensure the narrative and social media content are aligned.

**We seek your views on the details of your September launch**

18. At your last meeting, you agreed that the launch should be in Christchurch on 22 or 23 September 2019. We have worked with NZTE to identify six options in Christchurch for your launch which are set out in *Annex Five*.

Free and frank opinions

19. Free and frank opinions

20. We have yet to approach any of the companies or venues. Once we have your top two preferred options we will engage with the companies or venues to seek their agreement and confirm their suitability as a launch venue and organise logistics.

21. We seek confirmation of your preferences for launch location and date.

**Developing a website after the September launch**

22. Your offices have suggested that a website to house the Government's economic strategy and possibly showcase government policy progress should be developed.
23. Development and ongoing management of such a website will require significant resource from officials and Ministers involvement in which policies to include. We would like to explore options and your preferences for this after the September launch of the strategy.

## Next steps

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24. Pending your approval, we will circulate the final policy framework (*Annex One*) to DEV Ministers on Monday 19 August, for discussion at the DEV Strategic Subcommittee on Wednesday 21 August (and possibly the draft narrative if directed by your offices).
25. Your next joint meeting with officials is on Wednesday 21 August at 7:15 a.m.
26. We will continue to work with your offices to ensure we reflect your feedback on the items contained in this report.

## Annexes

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*Annex One:* updated version of the policy framework

*Annex Two:* working draft of the narrative

*Annex Three:* key economic shifts and examples of wellbeing indicators

*Annex Four:* NZ Story – Draft Economic Strategy video storyboard

*Annex Five:* background on options for launch locations



## Recommended Actions

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We recommend that you:

- a **agree** to the share the final version of the policy framework (*Annex One*) at the DEV Strategic Subcommittee on Wednesday 21 August

*Agree/Disagree*  
*Minister of Finance*

*Agree/Disagree*  
*Minister for Economic Development*

- b **discuss** any feedback you have with officials on Wednesday 21 August 2019 on

- a. the re-drafted narrative (*Annex Two*);
- b. communicating how we measure success (*Annex Three*);
- c. the draft NZ Story storyboard for the social media content (*Annex Four*); and
- d. launch venue options and date (*Annex Five*).

- c **Agree** to explore options and your preferences for an 'Economic Strategy website' after the September launch.

*Agree/Disagree*  
*Minister of Finance*

*Agree/Disagree*  
*Minister for Economic Development*

  
Andrew Rutledge  
**Manager, Economic Strategy and Productivity, The Treasury**

  
Hamish Wilson  
**Manager, Strategic Policy, Ministry of Business Innovation and Employment**

Hon Grant Robertson  
**Minister of Finance**

Hon Phil Twyford  
**Minister for Economic Development**

# Economic Plan

## OUR VISION

TO BUILD A PRODUCTIVE, SUSTAINABLE AND INCLUSIVE ECONOMY  
TO IMPROVE THE LIVING STANDARDS AND WELLBEING OF ALL NEW ZEALANDERS

Grow and share NZ's prosperity

Support thriving and sustainable regions

Transition to a clean, green and carbon neutral NZ

Deliver responsible governance with a broader measure of success

## THE KEY ECONOMIC SHIFTS WE NEED TO ACHIEVE OUR VISION ARE...



**The NZ economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive**

**This means...**

- › Building on our existing strengths and leveraging new opportunities
- › Investing in new technology and strong international connections
- › More dynamic and productive SMEs



**People are skilled, adaptable and have access to affordable lifelong learning**

**This means...**

- › Businesses can access the skills and labour when and where they need it
- › All people can realise the potential of the Future of Work
- › Productive and fair employment outcomes



**Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets**

**This means...**

- › Kiwis have confidence to invest in innovative NZ firms
- › Regions and businesses have access to the world's knowledge
- › NZ businesses have timely access capital to innovate and grow



**Strong and revitalised regions**

**This means...**

- › People and businesses thrive, irrespective of where they live or work
- › Regions are connected and equipped with modern and resilient infrastructure
- › Backing place-based comparative advantages and innovation strengths



**Enable a step change for Māori and Pacific economies**

**This means...**

- › Higher economic, social, environmental and cultural wellbeing
- › As partners, the Crown and Māori have strong, ongoing and effective relationships
- › Success in business, education, employment, regions, procurement and land use



**Sustainable and affordable energy systems**

**This means...**

- › Households and businesses can access affordable, clean energy to achieve our economic potential
- › Establishing New Zealand's foothold in high-value clean energy systems
- › Driving emissions reductions whilst ensuring energy is still affordable to consumers



**Land and resource use delivers greater value and improves environmental outcomes**

**This means...**

- › We use land productively and sustainably
- › We redesign our activities to minimise waste
- › We transition to a low emissions economy



**Transform our housing market to ensure everyone has a warm and dry home**

**This means...**

- › People can access affordable housing in the places they desire
- › Our houses are safe, resilient and sustainable
- › Making it easier for workers to live close to the best jobs for them

# Initiatives to shift our economy



The NZ economy moves from volume to value with Kiwi businesses, including SMEs, becoming more productive



People are skilled, adaptable and have access to affordable lifelong learning



Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets



Strong and revitalised regions



Enable a step change for Māori and Pacific economies



Sustainable and affordable energy systems



Land and resource use delivers greater value and improves environmental outcomes



Transforms our housing market to ensure everyone has a warm and dry home

## Examples of contributing initiatives

- › Research, Science and Innovation Strategy
- › Industry Transformation Plans
- › Future of Work Tripartite Forum
- › R&D Tax Credit and Callaghan Innovation grants
- › Small Business Council Strategy
- › Trade for All Agenda
- › NZTE F700 Programme
- › Reforming Government Procurement
- › Biosecurity Act Overhaul
- › Business Connect

- › Reform of Vocational Education and Training Programme
- › Strengthening NCEA
- › Tomorrow's School Review
- › Career System Strategy
- › Welfare overhaul and active labour market policies
- › School Leavers' Toolkit
- › He Poutama Rangatahi
- › Regional Skills Leadership Groups
- › Labour relations and standards improvements
- › Immigration Reforms
- › Employment Strategy and Action Plan

- › Tax work programme
- › Green Investment Fund
- › Investment in Early Stage Capital Markets
- › Urban Growth Agenda: funding and financing options
- › Auckland City Rail Link
- › Government Policy Statement on Land Transport
- › Infrastructure Commission

- › Provincial Growth Fund investments
- › KiwiRail and Interislander investments
- › One Billion Trees Programme
- › Three Waters review
- › Local Government Funding review
- › Upper North Island Supply Chain Strategy
- › Accelerated rural broadband rollout
- › Just Transitions Programme
- › Eradicating Mycoplasma Bovis

- › He kai kei aku ringa and initiatives such as the Māori Innovation Fund
- › Whenua Māori Fund
- › Māori Agribusiness Fund
- › Transforming the Pacific Business Trust
- › Expanding the Pacific Employment Support Service
- › Mana in Mani

- › Electricity Pricing Review
- › Renewable Energy Targets
- › Low Emission Vehicles Contestable Fund
- › Crown Minerals Act Review
- › Winter Energy Payment

- › Emissions Trading Scheme reform
- › Zero Carbon Bill and Climate Change Commission
- › Resource Efficiency and Circular Economy Programme
- › Essential Freshwater
- › Biodiversity Strategy
- › Crown Minerals Act reform
- › Productive and Sustainable Land Use Package

- › Urban Growth Agenda
- › Residential Tenancies Act Reforms
- › Healthy Homes Act
- › Resource Management Act reform
- › Warmer Kiwi Homes investment
- › Kāinga Ora
- › Construction Sector Accord

## **Annex Two: Draft of the Economic Strategy**

### **Foreword: Positioning New Zealand for the future**

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This Government has an ambitious goal of improving the wellbeing of all New Zealanders.

We aspire to be a country that values productivity and ensures people, young and old, are skilled and adaptable. Where Government and business work together to foster innovation and encourage transformational growth.

We want all New Zealanders to feel valued and be encouraged to reach their full potential. And we're making decisions to protect our unique environment for generations to come, and be world leaders on environmental issues and climate change.

Our Economic Strategy lays out our plan for how we will achieve this ambition.

New Zealanders value the wellbeing of our people and the health of our environment, inclusivity and fairness. This means that what we do and how we do it matters. Since 2009, New Zealand has achieved over a decade of uninterrupted growth and our economy remains strong. Our experience shows that economic growth on its own is not enough to achieve our wellbeing goals - it is a means to an end, not an end in itself. We can and we must do better.

To reach our aspirations, we need to widen our focus and prepare ourselves for the impacts of climate change; the changing face of New Zealand's population; technological advancements and new ways of working; and the digital revolution sparking innovation at a rate not previously seen.

New Zealand has an enviable strong economy with roots in agriculture, horticulture, forestry and tourism. Our Economic Strategy builds on our history to set out a clear foundation for achieving a more productive, sustainable and inclusive New Zealand. It identifies eight key shifts that we believe are required to transform our economy and enable us to seize the opportunities presented by rapid change.

We have a unique opportunity to build on our strengths and boldly reshape our economy. The shifts we're tackling will not take place overnight, and we can't know now what we will need in five or ten years' time. However we can be more deliberate about ensuring people and businesses have the skills they need to adapt to new working environments and respond confidently and rapidly to change.

Transition and change is a long term goal. We can't do this on our own. It's essential we partner with business, communities, sectors and iwi on something that has been seen as too hard for too long. By working together, we can build an economy that is efficient, effective and just.

Success is making New Zealand a great place to make a living and a great place to make a life. Now, and for future generations.



# Economic Plan

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TO IMPROVE THE LIVING STANDARDS AND WELLBEING OF ALL NEW ZEALANDERS

Grow and share NZ's prosperity

Support thriving and sustainable regions

Transition to a clean, green and carbon neutral NZ

Deliver responsible governance with a broader measure of success

## THE KEY ECONOMIC SHIFTS WE NEED TO ACHIEVE OUR VISION ARE...



**The NZ economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive**

- This means...**
- › Building on our existing strengths and leveraging new opportunities
  - › Investing in new technology and strong international connections
  - › More dynamic and productive SMEs




**People are skilled, adaptable and have access to affordable lifelong learning**

- This means...**
- › Businesses can access the skills and labour when and where they need it
  - › All people can realise the potential of the Future of Work
  - › Productive and fair employment outcomes



**Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets**

- This means...**
- › Kiwis have confidence to invest in innovative NZ firms
  - › Regions and businesses have access to the worlds knowledge
  - › NZ businesses have timely access capital to innovate and grow



**Strong and revitalised regions**

- This means...**
- › People and businesses thrive, irrespective of where they live or work
  - › Regions are connected and equipped with modern and resilient infrastructure
  - › Backing place-based comparative advantages and innovation strengths



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## Initiatives to shift our economy



### Examples of contributing initiatives

- |   |  |   |  |   |  |  |   |
|---|--|---|--|---|--|--|---|
| <ul style="list-style-type: none"> <li>› Research, Science and Innovation Strategy</li> <li>› Industry Transformation Plans</li> <li>› Future of Work Tripartite Forum</li> <li>› R&amp;D Tax Credit and Callaghan Innovation grants</li> <li>› Small Business Council Strategy</li> <li>› Trade for All Agenda</li> <li>› NZTE F700 Programme</li> <li>› Reforming Government Procurement</li> <li>› Biosecurity Act Overhaul</li> <li>› Business Connect</li> </ul> | <ul style="list-style-type: none"> <li>› Reform of Vocational Education and Training Programme</li> <li>› Strengthening NCEA</li> <li>› Tomorrow's School Review</li> <li>› Career System Strategy</li> <li>› Welfare overhaul and active labour market policies</li> <li>› School Leavers' Toolkit</li> <li>› He Poutama Rangatahi</li> <li>› Regional Skills Leadership Groups</li> <li>› Labour relations and standards improvements</li> <li>› Immigration Reforms</li> <li>› Employment Strategy and Action Plan</li> </ul> | <ul style="list-style-type: none"> <li>› Tax work programme</li> <li>› Green Investment Fund</li> <li>› Investment in Early Stage Capital Markets</li> <li>› Urban Growth Agenda: funding and financing options</li> <li>› Auckland City Rail Link</li> <li>› Government Policy Statement on Land Transport</li> <li>› Infrastructure Commission</li> </ul> | <ul style="list-style-type: none"> <li>› Provincial Growth Fund Investments</li> <li>› KiwiRail and Interislander investments</li> <li>› One Billion Trees Programme</li> <li>› Three Waters review</li> <li>› Local Government Funding review</li> <li>› Upper North Island Supply Chain Strategy</li> <li>› Accelerated rural broadband rollout</li> <li>› Just Transitions Programme</li> <li>› Eradicating Mycoplasma Bovis</li> </ul> | <ul style="list-style-type: none"> <li>› He kai kei aku ringa and initiatives such as the Māori Innovation Fund</li> <li>› Whenua Māori Fund</li> <li>› Māori Agribusiness Fund</li> <li>› Transforming the Pacific Business Trust</li> <li>› Expanding the Pacific Employment Support Service</li> <li>› Mana in Mani</li> </ul> | <ul style="list-style-type: none"> <li>› Electricity Pricing Review</li> <li>› Renewable Energy Targets</li> <li>› Low Emission Vehicles Contestable Fund</li> <li>› Crown Minerals Act Review</li> <li>› Winter Energy Payment</li> </ul> | <ul style="list-style-type: none"> <li>› Emissions Trading Scheme reform</li> <li>› Zero Carbon Bill and Climate Change Commission</li> <li>› Resource Efficiency and Circular Economy Programme</li> <li>› Essential Freshwater</li> <li>› Biodiversity Strategy</li> <li>› Crown Minerals Act reform</li> <li>› Productive and Sustainable Land Use Package</li> </ul> | <ul style="list-style-type: none"> <li>› Urban Growth Agenda</li> <li>› Residential Tenancies Act Reforms</li> <li>› Healthy Homes Act</li> <li>› Resource Management Act reform</li> <li>› Warmer Kiwi Homes investment</li> <li>› Kāinga Ora</li> <li>› Construction Sector Accord</li> </ul> |
|---|--|---|--|---|--|--|---|

## Our vision – wellbeing for all New Zealanders now and in the future

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New Zealand might be a small country located deep in the South Pacific but we've got an advanced economy and we are a progressive and innovative people – a nation of innovators who embrace new challenges and deliver new solutions.

New Zealanders care about the wellbeing of our people and the health of our environment – we see ourselves as kaitiaki (guardians) of our land. That is why we are putting the health and wellbeing of our people and environment at the heart of our how we manage the economy and measure success.

Wellbeing is when people are able to lead fulfilling lives with purpose, balance and meaning to them. Ensuring more New Zealanders enjoy good wellbeing requires tackling the long-term challenges we face as a country, improving the state of our environment, the strength of our communities and the performance of our economy.

Our Economic Strategy sets out our plan for achieving our vision. To raise New Zealanders wellbeing we need to build a more productive, sustainable and inclusive economy. That means an economy where we are making the best use of our resources – people, land, other natural resources and infrastructure - but not at their expense.

We have set four priorities to help us deliver a more our productive, sustainable and inclusive economy

### **We want to grow and share New Zealand's prosperity more fairly.**

New Zealand is recognised as being one of the best places in the world to live. Wellbeing is high for New Zealanders overall, but the benefits of economic growth have been unevenly distributed.

Significant disparities exist across ethnic groups, with Māori and Pacific people faring worse on a number of wellbeing indicators, including unemployment, income, health and educational attainment.

We want all New Zealanders to have equal opportunities to participate in our economy. And for all New Zealanders to share in the rewards and benefits of economic growth.

The best way we can raise the living standards of all New Zealanders in the long run is to work smarter not harder. We need to make sure we're identifying the new skills our current workforce needs as well as our future requirements. But this growth needs to be inclusive and sustainable, showing care for people and the environment.

### **We want to transition to a clean, green, carbon-neutral New Zealand.**

New Zealand's environment holds a special place in the hearts and minds of New Zealanders and is critical for both current and future wellbeing.



Our land, forests, waterways and oceans are also the foundation of our economy. Our focus is on how we support our people, places and businesses to be more sustainable through the smart use of technology, education, regulation and investment.

This Government is committed to making a just transition to a low-emissions economy, to lead by example and minimise New Zealand's contribution to climate change.

This means we must change how we live, work, do business and play. Progressively reversing existing environmental damage and protecting nature for ourselves and for future generations.

### **We want to support thriving and sustainable regions.**

Regions are home for many new Zealanders, and they are where some of our major industries are located. We want people to prosper and have opportunities no matter where they live.

When people and businesses do well, their town or region does well. We're unlocking the potential of our regions to create an environment where they thrive as much as our big cities. We're achieving this through investing in resilient and sustainable infrastructure that enables our regions and supports a modern economy across New Zealand.

### **We want to deliver responsible government with a broader measure of success**

Government cannot achieve these goals and aspirations by continuing with the status quo. We need to do things differently, and measure our success in different ways.

We need to set ourselves long-term and ambitious goals to transition our economy to one driven by productive, sustainable and inclusive. This strategy is a strong step to get us there.

We want to ensure a just transition for our people, places and businesses.

We know that technology and sustainability changes will impact New Zealanders and their lives. We want business and communities to be confident as the economy changes, able to make the most of opportunities as they arise and feel supported when hard times occur.

## Key shifts

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New Zealanders value the wellbeing of our people and health of our environment, inclusivity and fairness. They want an economy in which economic growth genuinely improves the lives of all New Zealanders.

Our economy needs to be productive, sustainable and inclusive.

Our eight economic shifts identify some of the most important changes we need to make to prepare our economy for the big changes coming our way and address our most pressing economic, social and environmental challenges as a country.

If we achieve these shifts, we will go a long way towards making New Zealand a great place to make a living and a great place to make a life.

These shifts do not capture our entire work programme as a Government – there are many other critical changes we are working towards.

### 1. The NZ economy moves from volume to value with Kiwi businesses, including SMEs, becoming more productive

New Zealand is renowned for our innovative and adaptable culture. And our economy depends on cultivating this so Kiwi businesses move from volume to value. This shift enables businesses to work, innovate and compete more effectively as we face into challenges such as technical change and climate change.

Our productivity challenge is complex and long-standing, but the heart of productivity growth and competitiveness is innovation. To change the status quo and move away from low-productivity industries, we will support the growth of innovative industries and explore how we can move products and services up the value chain and take advantage of new technology and access to global markets.

Our *Industry Strategy* launched our approach to add value to the largest areas of our economy and leverage new opportunities, bringing about real change in some key sectors.

#### What are we doing in this space?

- We're bringing about real change in key sectors through the development of our Industry Transformation Plans. We're partnering with stakeholder to add value to the largest areas of our economy and leverage new opportunities.
- We're partnering with business to ensure all businesses can access knowledge and investment through our Research and Development Tax Incentive, Callaghan Innovation programmes and our Research, Science and Innovation Strategy.
- Our Trade for All agenda and NZTE programmes support businesses across New Zealand to grow get the most from international connections, and ensures we grow the value and reach of our exports.

- We're continuously improving our world class business environment and investing in infrastructure to support our SMEs and large businesses to be productive and competitive.
- We're putting the experience of business at the centre of our thinking as we deliver a better tax system and reform our regulation and services to make Government Better for Business and reduce the administrative burdens of doing business in New Zealand

Free and frank opinions

PROACTIVELY RELEASED

## 2. People are skilled, adaptable and have access to affordable lifelong learning

New Zealanders are a smart and ingenious people and we are highly skilled and qualified compared to many countries.

Some regions and sectors are crying out for workers with the right skills. We are working with our regions to address skill and workforce needs with reforms to our education and vocational education system and targeted immigration that provides the workers and skillsets that are in short supply and reducing the reliance of industries on low skilled migrants

We recognise that change can be disruptive for people and businesses. Automation and technology presents new opportunities for businesses, but also poses challenges for our workers. We're facing this head on by working with businesses and unions to understand the future of work so that New Zealanders young and old can acquire the skills they need to respond the changing nature of work.

New Zealand values diversity; this is not always reflected in our education system. We are working towards an education system that equips people with the desire and flexibility to keep learning. This is fundamental to our ability to adapt successfully to all the changes that are occurring and will continue to do so.

Kiwis want our education system to equip our learners to succeed in work. We are working to ensure that large numbers of adults have access to high quality and affordable education and can engage in accessible learning throughout their working lives, meeting the changing skill needs of our economy as it evolves.

Kiwis work hard and expect to be treated well and fairly. That is why we are working to ensure we have good employment relations system that supports businesses, protects vulnerable workers and delivers equity, safety and fair pay.

### What are we doing in this space?

- Reform of vocational education: The Reform will give industries, workers and employers a stronger voice in the vocational education system, and will better support employers in the vital role they play as trainers of their workforces.
- Ensuring we have an inclusive education system that meets the challenges of the future (Tomorrow's schools).
- First year fee free [detail to be included]
- Our Mana in Mahi (Strength in Work) Programme supports people on benefits, particularly 18 to 24-year-olds, to find and stay in employment and work towards industry training qualification opportunities
- He Poutama Rangatahi funds projects that provide wrap-around support, tools and guidance to help rangatahi aged 15-24 years old who are currently not in employment, training or education on pathways to employment.

### 3. Deeper pools of capital are available to invest in infrastructure and grow New Zealand's productive assets

The assets New Zealanders own publicly or privately, from infrastructure to innovative firms, support a modern, resilient and connected economy. Smart investment in these assets enables more economic and productivity growth.

Businesses have told us that New Zealand businesses of all sizes, and particularly young firms and start-ups, struggle to grow beyond their early stages because they can't access funding from banks and on domestic venture capital markets.

Investment is the key to transforming our economy and we are taking action to deepen our capital markets, encourage investment into more productive uses and reforms to give people the confidence to invest in New Zealand's high productivity assets.

New Zealanders are proud when Kiwi businesses succeed. We want to build New Zealand ownership of assets, with both the Government and individual New Zealanders investing more in onshore infrastructure and firms.

We recognise that partnerships with overseas investors, businesses and workers is critical to kiwi businesses succeeding. We want to enable capital investment from overseas, as this enables our regions and businesses to connect internationally, access new markets, and adopt global best practice, new technology and innovations.

**What are we doing in this space?**

- The New Zealand Infrastructure Commission - Te Waihanga, is being established to ensure that New Zealand gets the quality infrastructure investment needed to improve our long-term economic performance and social wellbeing.
- We are introducing an early-stage capital investment fund to direct investment from the New Zealand Super Fund and New Zealand Venture Investment Fund into high-value innovative firms and start-ups pursuing innovative, knowledge-intensive, high-value opportunities so they can grow and scale within New Zealand.
- The Innovative Partnerships programme attracts globally leading firms to New Zealand to innovate, invest, and build a sustained presence in New Zealand.
- The New Zealand Green Investment Finance initiative will provide a catalyst for a private green investment market in New Zealand.

Free and frank opinions



#### 4. Strong and revitalised regional economies

Provincial New Zealand is the heartland of Aotearoa, and home to some of our most creative and innovative people. Much of New Zealand's economy rests on the successes of the regions.

New Zealand's regions have their own unique strengths and advantages, and face different challenges and opportunities. Some regions of New Zealand are thriving, whereas others consistently experience lower economic and social outcomes. These regions may face higher unemployment and lower productivity or lack of public investment in infrastructure and other critical things they need for their economy to succeed.

We want to address this. We are committed to fairly sharing the benefits of economic prosperity with our regions so that people and businesses in our regions thrive. We are investing in initiatives to support regional businesses to grow and building the infrastructure regions need to participate in a modern economy, such as rail, road, ports and communications.

No matter where they live and what their background is, every New Zealander can participate in and benefit from an economy that is sustainable, inclusive and productive.

##### What are we doing in this space?

- Our three billion dollar Provincial Growth Fund is ensuring that people and businesses all over New Zealand have the resources they need to reach their full potential.
- We're working with our regions and partners to plant One Billion Trees by 2028.
- We're building the infrastructure regions need to participate in a modern economy, such as rail, road, ports and communications.
- Investing over \$2 billion in ultra-fast broadband, rural broadband and addressing Mobile black spots.



Free and frank opinions

## 5. Enable a step-change in the Māori and Pacific economies

We're committed to partnering with Māori to support and enable whānau, hapū and iwi Māori to lead a step change in their economic, social, environmental and cultural wellbeing.

We're focusing on improving employment, investing in our rangatahi and developing a highly skilled Māori workforce. Growing Māori enterprises, increasing Māori participation in regional economies and developing Whenua Māori (Māori-owned and managed land) are also critical steps.

Whānau are the key drivers of economic prosperity. We're embedding a whanau-centric approach to how we shape policy across government, and investing in whānau through Whānau Ora. We also recognise that engaging with government agencies can be a challenge. That is why we've established Te Arawhiti, to build the Crown's capability and capacity to engage with and support Māori as partners.

We're committed to helping our Pacific peoples to build on their cultural and economic strengths. We want Pacific people to grow their prosperity, wellbeing and living standards. We're supporting Pacific enterprises to thrive through the Pacific Business Trust and helping Pacific youth achieve in education and find meaningful work.

Government is working to provide opportunities for Māori and Pacific businesses to access contracts from the \$41 billion spent in Government procurement.

**What are we doing in this space?**

- Mana in Mahi
- He Poutama Rangatahi
- Te Huri Hurihanganui
- We're working in partnership with the Māori Economic Development Advisory Board to deliver on He kai kei aku ringa, the Māori economic development strategy
- Māori Innovation Fund
- Māori Agribusiness Fund
- Crown forestry joint ventures
- Provincial Growth Fund.
- Tupu Aotearoa
- Sector Workforce Engagement Programme hubs
- Pacific Business Trust
- Pacific Employment Action Plan
- Tapu Tai internship programme

Free and frank opinions

## 6. Sustainable and affordable energy system

New Zealanders are leading the world in clean energy, with 82% our electricity coming from renewable sources. We're at the forefront of developing technologies that harness renewable materials and reduce emissions and waste.

Energy powers our economy – it drives our transport systems, fuels our jobs and enables our businesses to produce a huge variety of goods and services. As we make more use of technology and automation, having low cost and clean energy is even more critical to our economic success. We've made a start, but we can't sit still. We have to develop our own sustainable energy technologies, continue to innovate, and explore ways to make efficient use of our energy resources. We also need to back our businesses establishing footholds in fast-growing global "clean energy" industries.

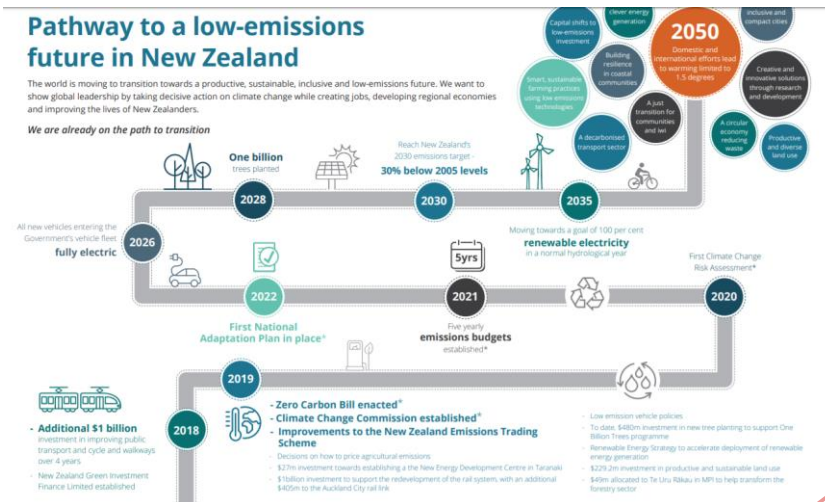
New Zealanders rely on energy to heat and power our homes and fuel our cars and buses. We're conscious of the harm our energy use is doing to our environment and the impact on global warming, and that's why we're focussing on shifting to a more environmentally sustainable energy system in a way that is affordable for us all.

Young New Zealanders have been out on the streets in record numbers protesting lack of action on climate change and our Prime Minister has said that tackling climate change is New Zealand's nuclear free moment. We're showing global leadership by taking decisive action on climate change while creating jobs, and reducing emissions while ensuring energy is affordable.

### What are we doing in this space?

- Providing a combination of incentives and regulation to reduce emissions from transport, electricity generation, and process heat and other industrial processes.
- Our Electricity Price Review will ensure the market provides affordable electricity, and we have set a target that by 2035 New Zealand's electricity generation will be from 100% renewable sources.
- Low-emissions vehicle programme

Free and frank opinions



## 7. Land and resource use deliver greater value and improve environmental outcomes

Kaitiaki, ingenuity and integrity define who we are as New Zealanders - we care about everything we do and everything we create. We are constantly looking for smarter ways to do things and we take pride in our high labour and animal welfare standards and clean environment. The wellbeing of our people and the health of our environment are directly impacted by how we use our land and resources.

We are working to support businesses to use our land and resources in a way that is good for the environment, good for our businesses and good for our workers.

We understand that businesses don't need more red tape and empty words. We also understand that New Zealand is a pioneer and innovator in food and beverage and agritech. That is why we are partnering to increase the uptake of technology and practices that boost productivity and reduce emissions and waste on our farms.

Kiwi agri-food leaders have told us that consumer tastes are changing. Consumers are demanding food produced with integrity. We're backing our primary sector to lead the world in providing innovative, high-value products. Investing hard yards now to earn our brand as a clean, green country with integrity ensures our primary industries contribute to our economy for the long term.

Like most of the developed world, our economy produces a lot of waste – some of which can be bad for business and bad for the environment. We need to focus on sustainable materials and processes and redesign our activities to produce less waste. This won't happen overnight – but with government support for innovation, smart regulation, and ongoing dialogue, these changes can be effective and enduring.

### What are we doing in this space?

- We've set ambitious reforms including changes to the Emissions Trading Scheme, Zero Carbon Bill, and tax system and freshwater reform.
- The reform of the Resource Management Act
- The creation of the Urban Growth Agenda to improve the productivity and sustainability of land use in our urban areas.

#### 8. Transform our housing market to ensure everyone has a warm, dry home

Every New Zealander should have a safe, warm, dry home to call their own – whether owning or renting.

We believe housing is central to wellbeing and want to provide New Zealanders with a choice about where they live, learn and work, and make it easier for workers to live close to the best jobs for them. Attracting the best workers is key to business productivity.

Our current housing market has been broken for a long time. Over the last decade, whether buying or renting, housing has become increasingly unaffordable for New Zealanders. Not enough new homes have been built, rentals have often been insecure, and the quality of homes has not been consistently up to standard.

To fix this, this Government is tackling long-standing failures at every point in the system. We are focused on making land more easily available, cutting unnecessary red tape and lowering land cost. We are investing in infrastructure and partnering with the construction sector to support development and speed up the pipeline. We're planning for future growth across our regions.



**What are we doing in this space?**

- The Urban Growth Agenda is designed to get our urban markets working so they can respond to growth, improve urban land affordability, and support thriving communities.
- Resource Management Act
- Kāinga Ora – Homes and Communities, to build diverse communities with affordable homes.
- reset of KiwiBuild
- The Residency Tenancy Act
- The Building Act

**NEW HEALTH HOMES STANDARDS FOR NEW ZEALAND'S**

**600,000** RENTAL HOMES WILL BE IN PLACE BY 2021, INCLUDING:



All rental homes will have a heater that can heat the main living area to 18°C.



All rental homes will have ceiling and underfloor insulation that either meets the 2006 Building Code insulation standard or (for existing ceiling insulation) has a minimum thickness of 120mm.

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## Redefining how we measure success to focus on what matters for New Zealanders

New Zealanders want us to measure our success in line with their values – the wellbeing of our people, the health of environment and the strength of our economy.

That's why we've built a comprehensive suite of economic social, cultural and environmental indicators to measure how well our economy is performing.

These indicators monitor the wellbeing of the current generation, what we're leaving behind for future generations and how our actions are impacting other countries.

We've made a start with StatsNZ's Indicators Aotearoa New Zealand and the Treasury's Living Standards Dashboard and we'll keep building on this work to ensure that it reflects New Zealanders values and focusses our attention on what matters.

Over the past two years we've announced ambitious targets to ensure we are headed in the right direction. We have focused on what's important, not just what's easiest to measure.

### Our Economic Targets

1. Our Budget responsibility rules
2. Lifting economy wide R&D spending to 2% of GDP by 2028
3. Getting to net-zero CO<sub>2</sub> and a 24 – 47% reduction in methane emissions by 2050
4. Lifting renewable electricity generation to 100% within a normal hydrological year by 2035
5. Keeping unemployment below 4%
6. Increase Maori median incomes by 20% from \$26,500 to \$31,800
7. Building 1600 state and social houses each year

Annex Three: key shifts and examples of wellbeing indicators

| Economic shifts   | Alignment with existing publicly announced targets  |  |                 | Alignment with LSF Dashboard and currently available measures in Indicators Aotearoa   |  |
|---|---|--|-----------------|--|--|
|   | Relevant publicly announced targets   | Indicators used to support the target  | Frequency       | Most relevant LSF indicators   | Sources, Frequency and Comments  |
| <i>The NZ economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive</i> | Lifting economy wide R&D spending to 2% of GDP by 2028  | R&D survey, Statistics NZ  | Every two years | <b>Current</b><br>1. Disposable income<br>2. Consumption<br><b>Future</b><br>3. Multifactor productivity growth  | 1. MSD, Household incomes in NZ (Annual)<br>2. Treasury analysis of Household economic survey (four yearly)<br>3. Stats NZ, Productivity Statistics (Annual)   |
| <i>Land and resource use delivers greater value and improves environmental outcomes</i>                         | Getting to net-zero CO2 and a 24 – 47% reduction in methane emissions by 2050                           | Greenhouse gas inventory, Ministry for the Environment                             | Annual          | <b>Current</b><br>1. Water quality (swimmability)<br>2. Perceived environmental quality<br><b>Future</b><br>3. Climate regulation<br>4. Sustainable food production<br>5. Biodiversity and genetic resources (Number of threatened species likely to benefit from ecosystem management in at least one site).<br>6. Kg of waste per capita | Does not capture improvements in land use productivity.<br>1. MFE, Swimmability data (unclear frequency)<br>2. Lincoln University data (unclear frequency)<br>3. MFE, Greenhouse gas inventory (Annual)<br>4. Stats NZ and Mfe, Average soil testing results (unclear frequency)<br>5. Department of Conservation, (Annual)<br>6. MFE, Review of the Waste disposal levy (unclear frequency) |
| <i>Sustainable and affordable energy system</i>   | Lifting renewable electricity generation to 100% within a normal hydrological year by 2035 <sup>1</sup> | % of electricity generation reported in “Energy in NZ”<br>MBIE                     | Annual          | There is no directly relevant LSF indicator.   | This shift will impact wellbeing over the medium-term (approx. 10 – 20 years), and impacts will be felt across a wide range of indicators.   |
| <i>People are skilled, adaptable and have access to affordable lifelong learning</i>                            | Keeping unemployment below 4%   | Quarterly labour market updates (HLFS, LCI, and QES) <sup>2</sup><br>Statistics NZ | Quarterly       | <b>Current</b><br>1. Unemployment rate<br>2. Employment rate<br>3. Hourly earnings<br>4. Educational attainment (tertiary)<br>5. Educational attainment (upper secondary)<br>6. Cognitive skills at age 15<br><b>Future</b><br>7. Educational attainment (tertiary)  | 1. Stats NZ, HLFS, (Quarterly)<br>2. Stats NZ, HLFS (Quarterly)<br>3. Stats NZ, HLFS and Labour cost index (Quarterly)<br>4. Stats NZ, HLFS and MSD data (Annual)<br>5. Stats NZ, HLFS and MSD data (Annual)<br>6. OECD, Programme for International Student Assessment survey (Three yearly)<br>7. Stats NZ, HLFS and MSD data (Annual)<br>8. Stats NZ, HLFS and MSD data (Annual)          |

<sup>1</sup> Note: the caveat of a “normal hydrological year” is not meaningful – which means the measures are only partly capturing progress.

<sup>2</sup> Household Labour force Survey (HLFS), Labour Cost Index (LCI) and Quarterly Employment Survey (QES).

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|   |   |   |           |  |  |
|---|---|---|-----------|--|--|
|   |   |   |           | 8. Educational attainment (upper secondary)<br>9. Cognitive skills at age 15<br>10. Expected educational attainment  | 9. OECD, Programme for International Student Assessment survey (Three yearly)<br>10. OECD, How's Life, (Approx. every two years)   |
| <i>Deeper pools of capital are available to invest in infrastructure and grow New Zealand's productive assets</i> | -   | -   | -         | <b>Future</b><br>1. Total net fixed assets<br>2. Net intangible fixed assets<br>3. Household net worth<br>4. Multifactor productivity growth<br>5. Net international investment position<br>6. Total Crown net worth<br>7. Foreign Direct Investment | 1. Treasury analysis of National Accounts - Capital Stock tables (Annual)<br>2. Treasury analysis of National Accounts - Capital Stock tables (Annual)<br>3. OECD, How's Life, (Approx. every two years)<br>4. Stats NZ, Productivity Statistics (Annual)<br>5. Stats NZ, Balance of Payments (Annual)<br>6. Treasury Fiscal Time Series – Horizontal indicators (Annual)<br>7. iANZ only – Stats NZ, Balance of Payments (Annual) |
| <i>Enable a step change in Māori and Pacific economies</i>  | -   | -   | -         | <b>Current</b><br>Periodic wellbeing analysis of Maori as a demographic group <sup>3</sup>   | Stats NZ, General Social Survey (every two years)  |
| <i>Transform our housing market to ensure everyone has a warm, dry home</i>                                       | Building 1600 state and social houses each year | Housing Quarterly Report, Ministry of Housing and Urban Development | Quarterly | <b>Current</b><br>1. Household crowding<br>2. Housing cost<br>3. Housing quality   | 1. Census data (Five yearly)<br>2. MSD, Household incomes in NZ (Annual)<br>3. Stats NZ, General Social Survey (two yearly)  |
| <i>Strong and revitalised regional economies</i>  | No known publically announced targets           | -   | -         | <b>Current</b><br>1. Periodic wellbeing analysis of regions <sup>4</sup><br>2. Regional GDP statistics are available from Stats NZ.  | 1. Stats NZ, General Social Survey (every two years).  |

<sup>3</sup> Analyses will take time to produce.

<sup>4</sup> Analyses will take time to produce.

**Annex Four: NZ Story – Draft Economic Strategy video storyboard**

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**Annex Five: background on options for launch locations**

We have identified six launch options in Christchurch:  
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## Draft Economic Plan - Version 3

### Foreword: Positioning New Zealand for the future

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This Government has an ambitious goal of improving the wellbeing of all New Zealanders.

We aspire to be a country that values productivity and ensures people, young and old, are skilled and adaptable. Where business, workers and Government work together to foster innovation and encourage transformational growth.

New Zealand has an enviably strong economy with roots in agriculture, horticulture, forestry and tourism. While these sectors have served us well, we need to widen our focus and prepare ourselves for the impacts of climate change; the changing face of New Zealand's population; technological advancements and new ways of working; and the digital revolution sparking innovation at a rate not previously seen.

Since 2009, New Zealand has achieved over a decade of uninterrupted growth and our economy remains strong. Our experience shows that economic growth on its own is not enough to achieve our wellbeing goals - it is a means to an end, not an end in itself. We can and we must do better.

Our Economic Strategy builds on our history to set out a clear foundation for achieving a more productive, sustainable and inclusive New Zealand. That means an economy where we are making the best use of our resources – people, land, other natural resources and infrastructure - but not at their expense. It identifies eight key shifts that we believe are required to transform our economy and enable us to seize the opportunities presented by rapid change.

We want all New Zealanders to feel valued and be encouraged to reach their full potential. And we're making decisions to protect our unique environment for generations to come, and be world leaders on environmental issues and climate change.

New Zealanders value the wellbeing of our people and the health of our environment, inclusivity and fairness. This means that what we do and how we do it matters.

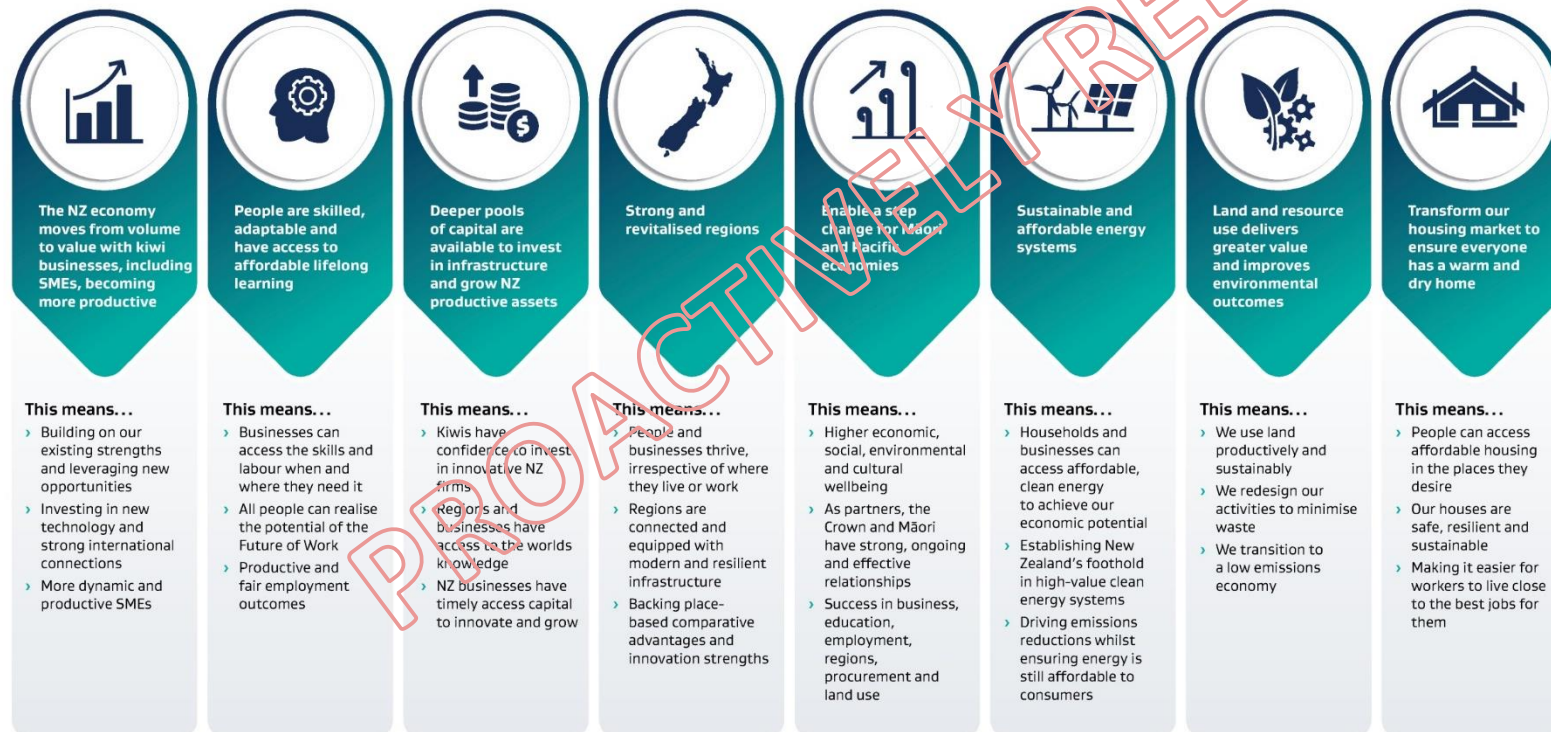
We have a unique opportunity to build on our strengths and boldly reshape our economy. The shifts we're tackling will not take place overnight, and we can't know now what we will need in five or ten years' time. However we can be more deliberate about ensuring people and businesses have the opportunities they need to adapt to new working environments and respond confidently and rapidly to change.

Transition and change is a long term goal. We can't do this on our own. It's essential we partner with business, communities, sectors and iwi on something that has been seen as too hard for too long. By working together, we can build an economy that is efficient, effective and just.

Success is making New Zealand a great place to make a living and a great place to make a life. Now, and for future generations.



THE KEY ECONOMIC SHIFTS WE NEED TO ACHIEVE OUR VISION ARE...



New Zealand Government

Note suggested changes to be made to this framework include:

- Under the skilled shift: amend the second bullet-point from “All people can realise the potential of the Future of Work” to “People continually updating the skills they need for rewarding work;
- Under the investment shift: amend the second bullet-point from “Regions and businesses have access to the world’s knowledge” to “Leveraging new opportunities in international markets”
- Under the energy shift: amend the third bullet-point from “Driving emissions reductions whilst ensuring energy is still affordable to consumers” to “Meeting NZs climate change targets by driving emissions reductions”

## Initiatives to shift our economy



### Examples of contributing initiatives

|   |  |   |  |   |  |  |   |
|---|--|---|--|---|--|--|---|
| <ul style="list-style-type: none"> <li>Research, Science and Innovation Strategy</li> <li>Industry Transformation Plans</li> <li>Future of Work Tripartite Forum</li> <li>R&amp;D Tax Credit and Callaghan Innovation grants</li> <li>Small Business Council Strategy</li> <li>Trade for All Agenda</li> <li>NZTE F700 Programme</li> <li>Reforming Government Procurement</li> <li>Biosecurity Act Overhaul</li> <li>Business Connect</li> </ul> | <ul style="list-style-type: none"> <li>Reform of Vocational Education and Training Programme</li> <li>Strengthening NCEA</li> <li>Tomorrow's School Review</li> <li>Career System Strategy</li> <li>Welfare overhaul and active labour market policies</li> <li>School Leavers' Toolkit</li> <li>He Poutama Rangatahi</li> <li>Regional Skills Leadership Groups</li> <li>Labour relations and standards improvements</li> <li>Immigration Reforms</li> <li>Employment Strategy and Action Plan</li> </ul> | <ul style="list-style-type: none"> <li>Tax work programme</li> <li>Green Investment Fund</li> <li>Investment in Early Stage Capital Markets</li> <li>Urban Growth Agenda: funding and financing options</li> <li>Auckland City Rail Link</li> <li>Government Policy Statement on Land Transport</li> <li>Infrastructure Commission</li> </ul> | <ul style="list-style-type: none"> <li>Provincial Growth Fund Investments</li> <li>KiwiRail and Interislander investments</li> <li>One Billion Trees Programme</li> <li>Three Waters review</li> <li>Local Government Funding review</li> <li>Upper North Island Supply Chain Strategy</li> <li>Accelerated rural broadband rollout</li> <li>Just Transitions Programme</li> <li>Eradicating Mycoplasma Bovis</li> </ul> | <ul style="list-style-type: none"> <li>He kōwhiri ākuringa and initiatives such as the Māori Innovation Fund</li> <li>Whenua Māori Fund</li> <li>Māori Agribusiness Trust</li> <li>Transforming the Pacific Business Trust</li> <li>Expanding the Pacific Employment Support Service</li> <li>Mana in Mani</li> </ul> | <ul style="list-style-type: none"> <li>Electricity Pricing Review</li> <li>Renewable Energy Targets</li> <li>Low Emission Vehicles Contestable Fund</li> <li>Crown Minerals Act Review</li> <li>Winter Energy Payment</li> </ul> | <ul style="list-style-type: none"> <li>Emissions Trading Scheme reform</li> <li>Zero Carbon Bill and Climate Change Commission</li> <li>Resource Efficiency and Circular Economy Programme</li> <li>Essential Freshwater</li> <li>Biodiversity Strategy</li> <li>Crown Minerals Act reform</li> <li>Productive and Sustainable Land Use Package</li> </ul> | <ul style="list-style-type: none"> <li>Urban Growth Agenda</li> <li>Residential Tenancies Act Reforms</li> <li>Healthy Homes Act</li> <li>Resource Management Act reform</li> <li>Warmer Kiwi Homes investment</li> <li>Kāinga Ora</li> <li>Construction Sector Accord</li> </ul> |
|---|--|---|--|---|--|--|---|

Note this page will be updated to:

- Ensure the initiatives fall under the shift in which they are most aligned;
- Reflect any current initiatives that may not fall under the CPC priorities but may support the shifts



## Our vision – wellbeing for all New Zealanders now and in the future

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New Zealand might be a small country located deep in the South Pacific but we've got an advanced economy and we are a progressive and innovative people – a nation of innovators who embrace new challenges and deliver new solutions.

New Zealanders care about the wellbeing of our people and the health of our environment – we see ourselves as kaitiaki (guardians) of our land. That is why we are putting the health and wellbeing of our people and environment at the heart of our how we manage the economy and measure success.

Wellbeing is when people are able to lead fulfilling lives with purpose, balance and meaning to them. Ensuring more New Zealanders enjoy good wellbeing requires tackling the long-term challenges we face as a country, improving the state of our environment, the strength of our communities and the performance of our economy.

We have set four priorities to help us deliver a more productive, sustainable and inclusive economy

### **We want to grow and share New Zealand's prosperity more fairly.**

New Zealand is recognised as being one of the best places in the world to live. Wellbeing is high for New Zealanders overall, but the benefits of economic growth have been unevenly distributed.

Significant disparities exist across ethnic groups, with Māori and Pacific people faring worse on a number of wellbeing indicators, including unemployment, income, health and educational attainment.

We want all New Zealanders to have equal opportunities to participate in our economy. And for all New Zealanders to share in the rewards and benefits of economic growth.

The best way we can raise the living standards of all New Zealanders in the long run is to work smarter not harder. We need to make sure we're identifying the new skills our current workforce needs as well as our future requirements. But this growth needs to be inclusive and sustainable, showing care for people and the environment.

### **We want to transition to a clean, green, carbon-neutral New Zealand.**

Our land, forests, waterways and oceans are the foundation of our economy and hold a special place in the hearts and minds of New Zealanders. They are critical for both current and future wellbeing.

Our focus is on how we support our people, places and businesses to be more sustainable through the smart use of technology, education, regulation and investment.



This means we must change how we live, work, do business and play. Progressively reversing existing environmental damage and protecting nature for ourselves and for future generations. This Government is committed to making a just transition to a low-emissions economy, to lead by example and minimise New Zealand's contribution to climate change.

### **We want to support thriving and sustainable regions.**

Regions are home for many new Zealanders, and they are where some of our major industries are located. We want people to prosper and have opportunities no matter where they live.

When people and businesses do well, their town or region does well. We're unlocking the potential of our regions to create an environment where they thrive as much as our big cities. We're achieving this through investing in resilient and sustainable infrastructure that enables our regions and supports a modern economy across New Zealand.

### **We want to deliver responsible government with a broader measure of success**

As a country, we cannot achieve these goals and aspirations by continuing with the status quo. We need to do things differently, and measure our success in different ways. We know that what gets measured gets managed so over the past two years we've announced ambitious targets to ensure we are headed in the right direction and putting wellbeing at the heart of what we do.

We need to set ourselves long-term and ambitious goals to transition our economy to one that is productive, sustainable and inclusive. This strategy is a strong step to get us there.

We know that technology and sustainability changes will impact New Zealanders and their lives. We want business and communities to be confident as the economy changes, able to make the most of opportunities as they arise and feel supported when hard times occur.

## Key economic shifts

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New Zealanders value the wellbeing of our people and health of our environment, inclusivity and fairness. They want an economy in which economic growth genuinely improves the lives of all New Zealanders.

Our economy needs to be productive, sustainable and inclusive. Our eight economic shifts identify some of the most important changes we need to make to prepare our economy for the big changes coming our way and address our most pressing economic, social and environmental challenges as a country.

If we achieve these shifts, we will go a long way towards making New Zealand a great place to make a living and a great place to make a life. These shifts do not capture our entire work programme as a Government and there are complex relationships between each of the shifts and the initiatives that sit within them.

### 1. The NZ economy moves from volume to value with Kiwi businesses, including SMEs, becoming more productive

New Zealand is renowned for our innovative and adaptable culture. And our economy depends on cultivating this so Kiwi businesses move from volume to value. This shift enables businesses to work, innovate and compete more effectively as we face new challenges such as new technology and climate change.

Our productivity challenge is complex and long-standing, but at the heart of productivity growth and competitiveness is innovation. We will support the growth of innovative businesses and industries that can support higher value products and services and take advantage of new technology and access to global markets.

#### What are we doing in this space?

- **Industry Transformation Plans** - We're partnering with a wide range of stakeholders to develop Industry Transformation Plans that add value to key sectors of our economy and leverage new opportunities.
- **Innovation** - We're partnering with business to ensure all businesses can access knowledge and investment through our R&D Tax Incentive, Callaghan Innovation programmes and our Research, Science and Innovation Strategy.
- **International connections** - Our Trade for All agenda and NZTE programmes support businesses across New Zealand to grow and make the most of international connections, and ensures we grow the value and reach of our exports.
- **Business environment** - We're improving our business environment through initiatives such as reforms to banking and finance laws and investing in infrastructure to support our SMEs and large businesses to be productive and competitive.
- **Small Businesses** – Initiatives to empower small businesses to thrive as part of our response to the Small Business Council Strategy.
- **Government Services** - We're putting the experience of business at the centre of our thinking as we deliver a better tax system and reform our regulation and services to make Government Better for Business and reduce the administrative burdens for doing business here.

### CASE STUDY: Business Connect – Connecting central and local government services to make government better for business

Business Connect is a new cross-agency digital services platform, allowing businesses to access a range of government services, such as licences, permits and registrations, from one place. It's about reducing time, effort and frustration for businesses, and enabling true unified public services from across central and local government.

Currently, businesses need to navigate across multiple government agencies to complete different processes for similar services and often the same information is requested, but in different ways. This can be time consuming and frustrating as businesses are left to figure out where they need to go and what information is required, without knowing where they are in the process.

Take Lola's Café for example – a Wellington café that requires 11 different licenses from multiple government agencies to operate. Each time they apply for or renew a license, the same information is usually requested. The time spent on these applications is roughly 240 hours – that's 7 weeks of elapsed time that Lola's would rather be spending on their business.

Business Connect will improve this by making it easier for businesses to digitally connect to different government services from one place.



## 2. People are skilled, adaptable and have access to affordable lifelong learning

New Zealanders are a smart and ingenious people and we are highly skilled and qualified compared to many countries.

Some regions and sectors are crying out for workers with the right skills. We are working with our regions to address skill and workforce needs with reforms to our education and vocational education system and targeted immigration that provides the workers and skillsets that are in short supply and reducing the reliance of industries on low skilled migrants

We recognise that change can be disruptive for people and businesses. Automation and technology presents new opportunities for businesses, and new challenges for both businesses and workers. We're facing this head on by working with businesses and unions to understand the future of work so that New Zealanders young and old can maintain, upgrade and adjust their skills over their working life.

New Zealand values diversity; this is not always reflected in our education system. We are working towards an education system that equips people with the desire and flexibility to keep learning. This is fundamental to our ability to adapt successfully to all the changes that are occurring and will continue to do so.

New Zealanders want our education system to equip our learners to succeed in work. We are working to ensure that large numbers of adults have access to high quality and affordable education and can engage in accessible learning throughout their working lives, meeting the changing skill needs of our economy as it evolves.

New Zealanders work hard and expect to be treated well and fairly. That is why we are working to ensure we have a good employment relations system that supports businesses, protects vulnerable workers and delivers equity, safety and fair pay.

### What are we doing in this space?

- **Reform of vocational education** - giving industries, workers and employers a stronger voice in the vocational education system, and will better support employers in the vital role they play as trainers of their workforces.
- **Tomorrow's Schools** – Ensuring we have an inclusive education system that meets the challenges of the future (Tomorrow's schools).
- **First year fee free** – Students beginning study at a university, wānanga, institute of technology, polytechnic, or private training establishment can get their first year of full-time study fees-free. New apprentices and their employers can have their on-job training costs covered for their first two years.
- **The Employment Strategy** - ensuring that all New Zealanders can fulfil their potential in developing skills, finding secure employment and engaging in rewarding careers.
- **Mana in Mahi (Strength in Work) Programme** - supports people on benefits, particularly 18 to 24-year-olds, to find and stay in employment and work towards industry training qualification opportunities

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### 3. Deeper pools of capital are available to invest in infrastructure and grow New Zealand's productive assets

The assets New Zealanders own publicly or privately, from infrastructure to innovative firms, support a modern, resilient and connected economy. Smart investment in these assets enables more economic and productivity growth.

Businesses have told us that New Zealand businesses of all sizes, and particularly young firms and start-ups, face capital pathway constraints and struggle to grow beyond their early stages. This is because they can't access funding from traditional lenders like banks or specialised investors and funds typically found in venture capital markets.

Investment is the key to transforming our economy and we are taking action to deepen our capital markets, encourage investment into more productive uses to enable companies and assets achieve their potential, and reforms to give people the confidence to invest in New Zealand's high productivity assets.

New Zealanders are proud when Kiwi businesses succeed. We want to build New Zealand ownership of assets, with both the Government and individual New Zealanders investing more in onshore infrastructure and firms.

We recognise that for kiwi businesses to succeed in a global marketplace we need to keep ahead of the latest technology and market developments and this means partnering with

overseas investors, businesses and workers. We want to enable capital investment from overseas, as this enables our regions and businesses to connect internationally, access new markets, and adopt global best practice, new technology and innovations.

#### What are we doing in this space?

- **Funding for early stage businesses** – We are introducing an early-stage capital fund that will partner with private venture capital funds to invest in high-value innovative firms and start-ups pursuing innovative, knowledge-intensive, high-value opportunities so they can grow and scale within New Zealand.
- **International Growth Fund** – Helping businesses get the funding they need to grow and succeed.
- **Infrastructure Commission** - The New Zealand Infrastructure Commission - Te Waihanga, is being established to ensure that New Zealand gets the quality infrastructure investment needed to improve our long-term economic performance and social wellbeing.
- **Green Investment Fund** – \$100m Initiative to catalyse a private green investment market in New Zealand.
- **Innovative partnerships** – This programme attracts globally leading firms to New Zealand to innovate, invest, and build a sustained presence in New Zealand.

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#### 4. Strong and revitalised regional economies

Provincial New Zealand is the heartland of Aotearoa, and home to some of our most creative and innovative people. Much of New Zealand's economy rests on the successes of the regions.

New Zealand's regions have their own unique strengths and advantages, and face different challenges and opportunities. Some regions of New Zealand are thriving, whereas others consistently experience lower economic and social outcomes. These regions may face higher unemployment and lower productivity or lack of public investment in infrastructure and other critical things they need for their economy to succeed.

We want to address this. We are committed to fairly sharing the benefits of economic prosperity with our regions so that people and businesses in our regions thrive.

We are investing in initiatives to support regional businesses to grow and building the infrastructure regions need to participate in a modern economy, such as rail, road, ports and communications.

No matter where they live and what their background is, every New Zealander can participate in and benefit from an economy that is sustainable, inclusive and productive.

##### What are we doing in this space?

- **Provincial Growth Fund** - Our three billion dollar investment fund is ensuring that people and businesses all over New Zealand have the resources they need to reach their full potential.
- **One Billion Trees** - We're working with our regions and partners to support planting of one billion trees by 2028.
- **Enabling infrastructure** - We're building the infrastructure regions need to participate in a modern economy
- **Connections** - Investing over \$2 billion in ultra-fast broadband, rural broadband and addressing Mobile black spots.



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## 5. Enable a step-change for the Māori and Pacific New Zealand economies

### Enabling a step-change in the Maori economy

We're committed to partnering with Māori to support and enable whānau, hapū and iwi Māori to lead a step change in their economic, social, environmental and cultural wellbeing.

We're focusing on improving employment, investing in our rangatahi and developing a highly skilled Māori workforce. Growing Māori enterprises, increasing Māori participation in regional economies and developing Whenua Māori (Māori-owned and managed land) are also critical steps.

Prosperous whānau is important for wellbeing and we are investing in whānau through programmes such as Whānau Ora. We also recognise that engaging with government agencies can be a challenge. That is why we've established Te Arawhiti, to build the Crown's capability and capacity to engage with and support Māori as partners.

Government is working to provide opportunities for Māori and Pacific businesses to access contracts from the \$41 billion spent in Government procurement

### What are we doing in this space ?

- **He Kai Kei Aku Ringa** - Working in partnership with the Māori Economic Development Advisory Board to deliver on He Kai Kei Aku Ringa (the Māori economic development strategy) and the E-RERE pou.
- **Kōkiri** - the Māori business accelerator
- **Commercial Advisors Scheme** - to help Māori businesses access expert commercial advice
- **Pakihi 101**: Māori business mentoring workshops
- **Rangatahi** Entrepreneurship programme
- **Sponsoring events** such as MatarikiX
- **Partnerships** - with specific iwi for economic development partnerships
- **Whenua Māori** (Māori land) - funding to help Māori realise the value of whenua
- **Primary industry funding** - including the Māori Agribusiness Fund, Sustainable Food and Fibre Fund, Crown Forestry Joint Ventures and One Billion Trees grants
- **He Poutama Rangatahi** schemes and Sector Workforce Engagement Programme hubs
- **Te Arawhiti** - the Office for Māori Crown Relations to foster strong, ongoing and effective relationships with Māori across Government.

### Enabling a step-change in the Pacific New Zealand economy

We're committed to helping our Pacific peoples to build on their cultural and economic strengths. Pacific people bring an international connectivity, spirit of innovation, and broad-natured perspective of value that the government wants to support and grow as a dimension of our competitive advantage.

We want Pacific people to grow their prosperity, wellbeing and living standards. We're supporting Pacific enterprises to thrive through the Pacific Business Trust and make the best use of the unique entrepreneurial and innovative potential of Pacific peoples in our economy. We recognise that the Pacific future for New Zealand is already happening. By enhancing Pacific peoples' participation as business owners, employees and trainees across all career stages we can lift wellbeing and support Pacific New Zealand to thrive, now and in the future.

**What are we doing in this space?**

- **Pacific Business Trust** - to grow and support Pacific enterprises.
- **Establishing Tupu Aotearoa** - to help Pacific young people find employment, complete further training or study and delivering the annual Tupu Tai Public Sector Policy internship programme.
- **Pacific employment** -Leading work on the development of a Pacific Employment Action Plan and creating skills and employment pathways for Pacific workers in the construction sector through the Sector Workforce Engagement Programme Hubs.
- **Young people** -Supporting young Pacific people who've been on benefit for three months or longer into work through Mana in Mahi.
- **Technical pathways** - Creating Pacific pathways into science, technology, engineering and management through the Toloa programme.

Free and frank opinions

PROACTIVELY RELEASED

Free and frank opinions

## 6. Sustainable and affordable energy system

New Zealanders are leading the world in clean energy, with 82% our electricity coming from renewable sources. We're at the forefront of developing technologies that harness renewable materials and reduce emissions and waste, while addressing the challenge of reducing our reliance on fossil fuels in several industries.

Energy powers our economy – it drives our transport systems, fuels our jobs and enables our businesses to produce and deliver a huge variety of goods and services to people in New Zealand and overseas. As we make more use of technology and automation, having low cost and clean energy is even more critical to our economic success. We've made a start, but we can't sit still. We have to develop our own sustainable energy technologies, continue to innovate, and explore ways to make efficient use of our energy resources. We also need to back our businesses establishing footholds in fast-growing global "clean energy" industries and capitalise on our research lead in energy generation and utilisation.

New Zealanders rely on energy to heat and power our homes and fuel our cars and buses. We're conscious of the harm our energy use is doing to our environment and the impact on global warming. That's why we're focussing on shifting to a more environmentally sustainable energy system in a way that is affordable for us all. That's also why we're focusing on improving how we use our energy to be more efficient.

Young New Zealanders have been out on the streets in record numbers protesting lack of action on climate change and our Prime Minister has said that tackling climate change is New Zealand's nuclear free moment. We're showing global leadership by taking decisive action on climate change while creating jobs, and reducing emissions while ensuring energy is affordable.

### What are we doing in this space?

- **Renewable energy** - Our renewable energy strategy which includes:
  - Electricity market regulatory reforms [Forthcoming]
  - Process heat policies [Forthcoming]
  - NPS REG reform
  - Transport electrification policies
- **Transitioning to a low emissions economy** – Passing the Zero Carbon Bill, establishing the Climate Change Commission and reforms to the Emissions Trading Scheme
- **Electricity pricing** - Our response to the Electricity Price Review [Forthcoming]
- **Industry Transformation** - Our Energy Industry Transformation Plan [Forthcoming]
- **Low-emissions transport policies**

Free and frank opinions



PROACTIVELY RELEASED

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## 7. Land and resource use deliver greater value and improve environmental outcomes

Kaitiaki, ingenuity and integrity define who we are as New Zealanders - we care about everything we do and everything we create. We are constantly looking for smarter ways to do things and we take pride in our high labour and animal welfare standards and clean environment. The wellbeing of our people and the health of our environment are directly impacted by how we use our land and resources.

We are working to support businesses to use our land and resources in a way that is good for the environment, good for our businesses and good for our workers.

We understand that businesses don't need more red tape and empty words. We also understand that New Zealand is a pioneer and innovator in food and beverage and agritech. That is why we are partnering to increase the uptake of technology and practices that boost productivity and reduce emissions and waste on our farms.

New Zealand agri-food leaders have told us that consumer tastes are changing. Consumers are demanding food produced with integrity. We're backing our primary sector to lead the world in providing innovative, high-value products. Investing hard yards now to earn our brand as a clean, green country with integrity ensures our primary industries contribute to our economy for the long term.

Like most of the developed world, our economy produces a lot of waste – some of which can be bad for business and bad for the environment. We need to focus on sustainable materials and processes and redesign our activities to produce less waste. This won't happen overnight – but with government support for innovation, smart regulation, and ongoing dialogue, these changes can be effective and enduring, and result in career opportunities and job roles that don't exist today.

### What are we doing in this space?

- **Transitioning to a low emissions economy** - We've set ambitious reforms including changes to the Emissions Trading Scheme, Zero Carbon Bill, and tax system and freshwater reform.
- **Improving our Resource Management** - Reforming the RMA to support a more productive, sustainable and inclusive economy and make the RMA easier for New Zealanders to understand and engage with.
- **Aotearoa New Zealand's minerals and petroleum strategy** - which sets out our vision of a responsible minerals and petroleum sector that delivers value for New Zealand, now and in the future
- **Support for land owners** – \$229 million in operational funding across a range of areas including improving the health of our waterways and increasing research on how we can lower emissions is hoped to support local government's work.
- **Urban Growth Agenda** – Our ambitious programme that aims to remove barriers to the supply of land and infrastructure and make room for cities to grow up and out and support productive and sustainable land use in our urban areas.

### CASE STUDY – New MPI services to support land owners

Extension Services is a farmer-led, farmer-focused approach to support sustainable land use decisions and improve economic, environmental and well-being outcomes for farmers and their communities.

Extension is about working together to face and tackle challenges and operate better in an increasingly complex environment. This means a stronger and more connected network of farmers, rural professionals, industry groups, and government.

Extension is one component of Budget 2019's 'Productive and Sustainable Land Use' package. A farmer-led approach is the key to this project – getting involved, sharing their knowledge with other farmers, asking tough questions of one another within trusted circles, and coming up with practical solutions to issues.

The Ministry for Primary Industries will partner with farmers and regional stakeholders to ensure services are relevant to the needs and priorities of local communities. We will also build on existing capability. In many cases farmers and their networks know what works – we can help to do more of this.



## 8. Transform our housing market to ensure everyone has a warm, dry home

Every New Zealander should have a safe, warm, dry home to call their own – whether owning or renting.

We believe housing is central to wellbeing and want to provide New Zealanders with a choice about where they live, learn and work, and make it easier for workers to live close to the best jobs for them. Attracting the best workers is key to business productivity.

Our current housing market has been broken for a long time. Over the last decade, whether buying or renting, housing has become increasingly unaffordable for New Zealanders. Not enough new homes have been built, rentals have often been insecure, and the quality of homes has not been consistently up to standard.

To fix this, this Government is tackling long-standing failures at every point in the system. We are focused on making land more easily available, cutting unnecessary red tape and lowering land cost. We are investing in infrastructure and partnering with the construction sector to support development and speed up the pipeline. We're planning for future growth across our regions.

### What are we doing in this space?

- **Urban Growth Agenda** – working to get our urban markets working so they can respond to growth, improve urban land affordability, and support thriving communities.
- **Resource Management Act** - [to come]
- **Kāinga Ora** - Homes and Communities, to build diverse communities with affordable homes.
- **Kiwibuild** - Reset of KiwiBuild [to come]
- **Tenancy reform** - Reforms to the Residential Tenancies Act [to come]
- **Building System Legislative Reform Programme** - [to come]

Free and frank opinions

Free and frank opinions

## Redefining how we measure success to focus on what matters for New Zealanders

New Zealanders want us to measure our success in line with their values – the wellbeing of our people, the health of environment and the strength of our economy.

We recognise that in the past whilst we saw improvements in standard measures of economic success – such as our GDP growth – for many New Zealanders, this did not translate into higher living standards or better opportunities. It is our long-term view that we need to ensure economic success in an inclusive, not exclusive way.

That's why we've built a comprehensive suite of economic social, cultural and environmental indicators to measure how well our economy is performing.

These indicators monitor the wellbeing of the current generation, what we're leaving behind for future generations and how our actions are impacting other countries.

We've made a start with StatsNZ's Indicators Aotearoa New Zealand and the Treasury's Living Standards Dashboard and we'll keep building on this work to ensure that it reflects New Zealanders values and focusses our attention on what matters.

[Note: this section will include more detail on wellbeing indications and the approach to wellbeing reporting including when it is done and reported, following discussion with Ministers about their preferences.]

### Our Economic Targets

1. Our Budget responsibility rules
2. Lifting economy wide R&D spending to 2% of GDP by 2028
3. Getting to net-zero CO2 and a 24 – 47% reduction in methane emissions by 2050
4. Lifting renewable electricity generation to 100% within a normal hydrological year by 2035
5. Keeping unemployment below 4%
6. Increase Māori median incomes by 20% from \$26,500 to \$31,800
7. Building 1600 state and social houses each year



# Cabinet Economic Development Committee

## Summary

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### Oral Item: DEV Strategic Discussion: Economic Strategy

**Portfolios**                      **Finance / Economic Development**

At its meeting on 21 August 2019, DEV will be discussing an item on the government's economic plan.

The **attached** document is provided to support the discussion at the meeting.

Janine Harvey  
Committee Secretary

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**Hard-copy distribution:**  
Cabinet Economic Development Committee

# Economic Plan

## OUR VISION

TO BUILD A PRODUCTIVE, SUSTAINABLE AND INCLUSIVE ECONOMY  
TO IMPROVE THE LIVING STANDARDS AND WELLBEING OF ALL NEW ZEALANDERS

Grow and share NZ's prosperity

Support thriving and sustainable regions

Transition to a clean, green and carbon neutral NZ

Deliver responsible governance with a broader measure of success

## THE KEY ECONOMIC SHIFTS WE NEED TO ACHIEVE OUR VISION ARE...



**The NZ economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive**

**This means...**

- › Building on our existing strengths and leveraging new opportunities
- › Investing in new technology and strong international connections
- › More dynamic and productive SMEs



**People are skilled, adaptable and have access to affordable lifelong learning**

**This means...**

- › Businesses can access the skills and labour when and where they need it
- › All people can realise the potential of the Future of Work
- › Productive and fair employment outcomes



**Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets**

**This means...**

- › Kiwis have confidence to invest in innovative NZ firms
- › Regions and businesses have access to the world's knowledge
- › NZ businesses have timely access capital to innovate and grow



**Strong and revitalised regions**

**This means...**

- › People and businesses thrive, irrespective of where they live or work
- › Regions are connected and equipped with modern and resilient infrastructure
- › Backing place-based comparative advantages and innovation strengths



**Enable a step change for Māori and Pacific economies**

**This means...**

- › Higher economic, social, environmental and cultural wellbeing
- › As partners, the Crown and Māori have strong, ongoing and effective relationships
- › Success in business, education, employment, regions, procurement and land use



**Sustainable and affordable energy systems**

**This means...**

- › Households and businesses can access affordable, clean energy to achieve our economic potential
- › Establishing New Zealand's foothold in high-value clean energy systems
- › Driving emissions reductions whilst ensuring energy is still affordable to consumers



**Land and resource use delivers greater value and improves environmental outcomes**

**This means...**

- › We use land productively and sustainably
- › We redesign our activities to minimise waste
- › We transition to a low emissions economy



**Transform our housing market to ensure everyone has a warm and dry home**

**This means...**

- › People can access affordable housing in the places they desire
- › Our houses are safe, resilient and sustainable
- › Making it easier for workers to live close to the best jobs for them



# Initiatives to shift our economy



The NZ economy moves from volume to value with Kiwi businesses, including SMEs, becoming more productive



People are skilled, adaptable and have access to affordable lifelong learning



Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets



Strong and revitalised regions



Enable a step change for Māori and Pacific economies



Sustainable and affordable energy systems



Land and resource use delivers greater value and improves environmental outcomes



Transforms our housing market to ensure everyone has a warm and dry home

## Examples of contributing initiatives

- › Research, Science and Innovation Strategy
- › Industry Transformation Plans
- › Future of Work Tripartite Forum
- › R&D Tax Credit and Callaghan Innovation grants
- › Small Business Council Strategy
- › Trade for All Agenda
- › NZTE F700 Programme
- › Reforming Government Procurement
- › Biosecurity Act Overhaul
- › Business Connect

- › Reform of Vocational Education and Training Programme
- › Strengthening NCEA
- › Tomorrow's School Review
- › Career System Strategy
- › Welfare overhaul and active labour market policies
- › School Leavers' Toolkit
- › He Poutama Rangatahi
- › Regional Skills Leadership Groups
- › Labour relations and standards improvements
- › Immigration Reforms
- › Employment Strategy and Action Plan

- › Tax work programme
- › Green Investment Fund
- › Investment in Early Stage Capital Markets
- › Urban Growth Agenda: funding and financing options
- › Auckland City Rail Link
- › Government Policy Statement on Land Transport
- › Infrastructure Commission

- › Provincial Growth Fund investments
- › KiwiRail and Interislander investments
- › One Billion Trees Programme
- › Three Waters review
- › Local Government Funding review
- › Upper North Island Supply Chain Strategy
- › Accelerated rural broadband rollout
- › Just Transitions Programme
- › Eradicating Mycoplasma Bovis

- › He kai kei aku ringa and initiatives such as the Māori Innovation Fund
- › Whenua Māori Fund
- › Māori Agribusiness Fund
- › Transforming the Pacific Business Trust
- › Expanding the Pacific Employment Support Service
- › Mana in Mani

- › Electricity Pricing Review
- › Renewable Energy Targets
- › Low Emission Vehicles Contestable Fund
- › Crown Minerals Act Review
- › Winter Energy Payment

- › Emissions Trading Scheme reform
- › Zero Carbon Bill and Climate Change Commission
- › Resource Efficiency and Circular Economy Programme
- › Essential Freshwater
- › Biodiversity Strategy
- › Crown Minerals Act reform
- › Productive and Sustainable Land Use Package

- › Urban Growth Agenda
- › Residential Tenancies Act Reforms
- › Healthy Homes Act
- › Resource Management Act reform
- › Warmer Kiwi Homes investment
- › Kāinga Ora
- › Construction Sector Accord



# Cabinet Economic Development Committee

## Minute of Decision

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### Oral Item: DEV Strategic Discussion: Economic Strategy

**Portfolios**                      **Finance / Economic Development**

On 21 August 2019, the Cabinet Economic Development Committee (DEV):

- 1        **noted** the contents of the A3 documents under DEV-19-SUB-0215 and the discussion at the meeting on the government's draft economic plan;
- 2        **noted** that a proposed narrative document to accompany the economic plan is expected to be considered by DEV on 11 September 2019, and that the economic plan will be finalised for Cabinet's consideration in due course.

Janine Harvey  
Committee Secretary

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**Present:**

Hon Kelvin Davis  
Hon Grant Robertson (Chair)  
Hon Phil Twyford  
Hon Dr Megan Woods  
Hon Chris Hipkins  
Hon David Parker  
Hon Stuart Nash  
Hon Iain Lees-Galloway  
Hon Jenny Salesa  
Hon Damien O'Connor  
Hon Kris Faafoi  
Hon Willie Jackson  
Hon James Shaw  
Hon Eugenie Sage

**Officials present from:**

Office of the Prime Minister  
Officials Committee for DEV  
Department of the Prime Minister and Cabinet  
Treasury  
Ministry of Business, Innovation and Employment

**Hard-copy distribution:**

Minister of Finance  
Minister for Economic Development

# Economic Plan

## OUR VISION

TO BUILD A PRODUCTIVE, SUSTAINABLE AND INCLUSIVE ECONOMY  
TO IMPROVE THE LIVING STANDARDS AND WELLBEING OF ALL NEW ZEALANDERS

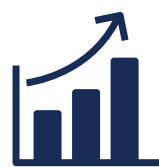
Grow and share NZ's prosperity

Support thriving and sustainable regions

Transition to a clean, green and carbon neutral NZ

Deliver responsible governance with a broader measure of success

## THE KEY ECONOMIC SHIFTS WE NEED TO ACHIEVE OUR VISION ARE...



The NZ economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive

### This means...

- › Building on our existing strengths and international connections to leverage new opportunities in domestic and international markets
- › Investing in new technology and being at the forefront of digital innovation including to drive mitigation and adaptation to climate change
- › Thriving and dynamic small, medium and large enterprises



People are skilled, adaptable and have access to lifelong learning

### This means...

- › Businesses can access the skills and labour when and where they need it
- › People continually updating the skills they need for success in the future of work
- › Productive and fair employment



Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets

### This means...

- › We have the modern infrastructure we need to enable our transition to a low emissions economy
- › Kiwis have confidence to invest in innovative NZ firms
- › Regions and businesses have access to the world's knowledge and innovation through stronger international connections
- › NZ businesses have timely access capital to innovate and grow



Strong and revitalised regions

### This means...

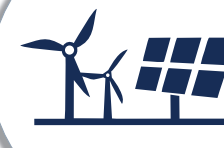
- › People and businesses thrive, irrespective of where they live or work
- › Regions are connected and equipped with modern and resilient infrastructure
- › Backing place-based comparative advantages and innovation strengths



Enable a step change for Māori and Pacific economies

### This means...

- › Higher economic, social, environmental and cultural wellbeing
- › As partners, the Crown and Māori have strong, ongoing and effective relationships
- › Success in business, education, employment, regions and land use



Sustainable and affordable energy systems

### This means...

- › Businesses and households can access affordable, clean energy to achieve our economic potential
- › Establishing New Zealand's foothold in high-value clean energy systems and exporting our know-how to the world
- › Meeting New Zealand's climate change targets by driving emissions reductions



Land and resource use delivers greater value and improves environmental outcomes

### This means...

- › Shifting land use to higher value use while maintaining and improving our environment
- › Redesigning our activities to minimise waste
- › Transitioning to a low emissions economy



Transform our housing market to unlock productivity growth and make houses more affordable

### This means...

- › Overcoming the shortage of housing and focusing capital investment towards more productive areas of our economy
- › Current and future generations can access affordable housing in the places they desire close to the best jobs for them
- › A productive building and construction sector producing safe, healthy and durable homes and buildings



# Initiatives to shift our economy



The NZ economy moves from volume to value with Kiwi businesses, including SMEs, becoming more productive



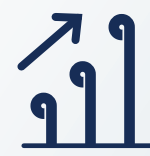
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Strong and revitalised regions



Enable a step change for Māori and Pacific economies



Sustainable and affordable energy systems



Land and resource use delivers greater value and improves environmental outcomes



Transform our housing market to unlock productivity growth and make houses more affordable

## Examples of contributing initiatives

- › Industry Transformation Plans
- › Research, Science and Innovation Strategy
- › R&D Tax Incentive and broader tax treatment of innovation
- › Trade for All agenda
- › Small Business Strategy
- › Callaghan Innovation services and grants
- › Trade negotiations agenda
- › Future of Work Tripartite Forum
- › NZTE F700 programme
- › Reforming government procurement
- › Small business tax simplification

- › Reform of Vocational Education
- › Active labour market programmes – such as Mana in Mahi and He Poutama Rangatahi
- › First year fees-free education and training
- › Changes to temporary work visas
- › Tomorrow's Schools review
- › Employment Strategy and Action Plan
- › Just Transitions programme
- › Strengthening NCEA
- › Welfare overhaul
- › School Leavers' Toolkit and Career System Strategy
- › Establishing regional skills leadership groups
- › Strengthening labour relations and lifting minimum standards

- › Investment in early stage capital markets
- › Infrastructure Commission
- › Green Investment Fund
- › Urban Growth Agenda: funding and financing options
- › Auckland City Rail Link
- › Government Policy Statement on Land Transport
- › Local Government funding and financing

- › Provincial Growth Fund investments
- › KiwiRail and interislander investments
- › Accelerated rural broadband and 5G rollout
- › One Billion Trees programme
- › Three Waters review
- › Local Government funding review
- › Upper North Island Supply Chain Strategy
- › Just Transitions programme
- › Biosecurity Act overhaul
- › Eradicating Mycoplasma bovis

- › Te Arawhiti – Office for Māori Crown Relations
- › Whenua Māori programme
- › He Kai Kei Aku Ringa - the Crown-Māori economic development strategy
- › Pacific Business Trust
- › He Tupu Ōhanga commercial advisors scheme and Kōkiri Māori business accelerator
- › NZTE Māori Export Programme
- › Māori Development and Māori Agribusiness funds
- › Tupu Aotearoa and Tupu Tai Internship programmes

- › Renewable Energy Strategy
- › Electricity Price Review
- › Low Emission Vehicles Contestable Fund
- › National New Energy Development Centre
- › Winter energy payment

- › Emissions Trading Scheme reform
- › Zero Carbon Bill and Climate Change Commission
- › Resource Management Act reform
- › Essential freshwater: healthy water, fairly allocated
- › Productive and Sustainable Land Use Package
- › Waste and resource efficiency work programme
- › Biodiversity Strategy
- › Crown Minerals Act reform

- › Urban Growth Agenda
- › Kiwibuild
- › Building system legislative reform
- › Residential Tenancies Act reforms
- › Healthy Homes Act
- › Resource Management Act reform
- › Warmer Kiwi Homes investment
- › Kāinga Ora
- › Construction Sector Accord
- › Improving tax settings for land use

## DRAFT for Ministerial Consultation

# Economic Plan - Version 5

## Foreword: Positioning New Zealand for the future

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This Government has an ambitious goal of improving the wellbeing of all New Zealanders now, and for future generations.

We aspire to be a country that values productivity and ensures people, young and old, are skilled and adaptable. A country where business, workers and Government work together to foster innovation and encourage transformational, sustainable growth.

New Zealand has strong foundations for future generations to build on. Our enviable economy has roots in agriculture, horticulture, forestry and tourism, and we proudly share the products of those sectors with the world. While these sectors will continue to serve us well, we're facing challenging times and need to build our resilience. We need to widen our focus and mitigate against and prepare for the impacts of climate change; international pressures and headwinds; the changing face of New Zealand's population, technological advancements and new ways of working; and the digital revolution sparking innovation at a rate not previously seen.

New Zealanders value the wellbeing of our people and the health of our environment, inclusivity and fairness. This means that what we do and how we do it matters. We see the economy, environment, our people, and our communities as deeply interconnected. This Government will not trade one off for another.

We want all New Zealanders to reach their full potential. And we're making decisions to protect our unique environment for generations to come, and be world leaders on environmental issues and climate change.

We have a unique opportunity to build on our strengths and boldly reshape our economy. This Economic Plan builds on our strong foundations and sets out a clear path to achieve a more productive, sustainable and inclusive New Zealand. It identifies eight key shifts that we believe are required to transform our economy and enable us to seize the local and international opportunities presented by rapid change.

The shifts we're tackling will not take place overnight, and the future is highly uncertain. However, we can be more deliberate about ensuring people and businesses have the opportunities they need to adapt to new working environments and respond confidently and rapidly to change.

We can't do this on our own. It's essential we partner with business, communities, sectors and iwi on what has been seen as too hard for too long. By working together, we can build an economy that delivers for all New Zealanders.

Success is making New Zealand a great place to make a living and a great place to make a life. Now, and for future generations.



# Economic Plan

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TO IMPROVE THE LIVING STANDARDS AND WELLBEING OF ALL NEW ZEALANDERS

Grow and share NZ's prosperity

Support thriving and sustainable regions

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Deliver responsible governance with a broader measure of success

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- › Building on our existing strengths and international connections to leverage new opportunities in domestic and international markets
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- › Thriving and dynamic small, medium and large enterprises



**People are skilled, adaptable and have access to lifelong learning**

**This means...**

- › Businesses can access the skills and labour when and where they need it
- › People continually updating the skills they need for success in the future of work
- › Productive and fair employment



**Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets**

**This means...**

- › We have the modern infrastructure we need to enable our transition to a low emissions economy
- › Kiwis have confidence to invest in innovative NZ firms
- › Regions and businesses have access to the world's knowledge and innovation through stronger international connections
- › NZ businesses have timely access capital to innovate and grow



**Strong and revitalised regions**

**This means...**

- › People and businesses thrive, irrespective of where they live or work
- › Regions are connected and equipped with modern and resilient infrastructure
- › Backing place-based comparative advantages and innovation strengths



**Enable a step change for Māori and Pacific economies**

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**Sustainable and affordable energy systems**

**This means...**

- › Businesses and households can access affordable, clean energy to achieve our economic potential
- › Establishing New Zealand's foothold in high-value clean energy systems and exporting our know-how to the world
- › Meeting New Zealand's climate change targets by driving emissions reductions



**Land and resource use delivers greater value and improves environmental outcomes**

**This means...**

- › Shifting land use to higher value use while maintaining and improving our environment
- › Redesigning our activities to minimise waste
- › Transitioning to a low emissions economy



**Transform our housing market to unlock productivity growth and make houses more affordable**

**This means...**

- › Overcoming the shortage of housing and focusing capital investment towards more productive areas of our economy
- › Current and future generations can access affordable housing in the places they desire close to the best jobs for them
- › A productive building and construction sector producing safe, healthy and durable homes and buildings



# Initiatives to shift our economy



The NZ economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive



People are skilled, adaptable and have access to lifelong learning



Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets



Strong and revitalised regions



Enable a step change for Māori and Pacific economies



Sustainable and affordable energy systems



Land and resource use delivers greater value and improves environmental outcomes



Transform our housing market to unlock productivity growth and make houses more affordable

## Examples of contributing initiatives

- › Industry Transformation Plans
- › Research, Science and Innovation Strategy
- › R&D Tax Incentive and broader tax treatment of innovation
- › Trade for All agenda
- › Small Business Strategy
- › Callaghan Innovation services and grants
- › Trade negotiations agenda
- › Future of Work Tripartite Forum
- › NZTE F700 programme
- › Reforming government procurement
- › Small business tax simplification

- › Reform of Vocational Education
- › Active labour market programmes – such as Mana in Mahi and He Poutama Rangatahi
- › First year fees-free education and training
- › Changes to temporary work visas
- › Tomorrow's Schools review
- › Employment Strategy and Action Plan
- › Just Transitions programme
- › Strengthening NCEA
- › Welfare overhaul
- › School Leavers' Toolkit and Career System Strategy
- › Establishing regional skills leadership groups
- › Strengthening labour relations and lifting minimum standards

- › Investment in early stage capital markets
- › Infrastructure Commission
- › Green Investment Fund
- › Urban Growth Agenda: funding and financing options
- › Auckland City Rail Link
- › Government Policy Statement on Land Transport
- › Local Government funding and financing

- › Provincial Growth Fund investments
- › KiwiRail and Interislander investments
- › Accelerated rural broadband and 5G rollout
- › One Billion Trees programme
- › Three Waters review
- › Local Government funding review
- › Upper North Island Supply Chain Strategy
- › Just Transitions programme
- › Biosecurity Act overhaul
- › Eradicating Mycoplasma bovis

- › Te Arawhiti – Office for Māori Crown Relations
- › Whenua Māori programme
- › He Kai Kei Aku Ringa - the Crown-Māori economic development strategy
- › Pacific Business Trust
- › He Tupu Ōhanga commercial advisors scheme and Kōkiri Māori business accelerator
- › NZTE Māori Export Programme
- › Māori Development and Māori Agribusiness funds
- › Tupu Aotearoa and Tupu Tai Internship programmes

- › Renewable Energy Strategy
- › Electricity Price Review
- › Low Emission Vehicles Contestable Fund
- › National New Energy Development Centre
- › Winter energy payment

- › Emissions Trading Scheme reform
- › Zero Carbon Bill and Climate Change Commission
- › Resource Management Act reform
- › Essential freshwater: healthy water, fairly allocated
- › Productive and Sustainable Land Use Package
- › Waste and resource efficiency work programme
- › Biodiversity Strategy
- › Crown Minerals Act reform

- › Urban Growth Agenda
- › Kiwibuild
- › Building system legislative reform
- › Residential Tenancies Act reforms
- › Healthy Homes Act
- › Resource Management Act reform
- › Warmer Kiwi Homes investment
- › Kāinga Ora
- › Construction Sector Accord
- › Improving tax settings for land use

## Our vision – wellbeing for all New Zealanders now and in the future

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New Zealand is a proud, small country located deep in the South Pacific, with an advanced economy. We are a progressive and innovative people – a nation who embrace new challenges and deliver new solutions to the world.

New Zealanders care about the wellbeing of our people and the health of our environment – we see ourselves as kaitiaki (guardians) of our land. That is why we are putting the health and wellbeing of our people and environment at the heart of how we manage the economy and measure success.

Wellbeing is when people are able to lead fulfilling lives with purpose, balance and meaning to them. Ensuring more New Zealanders enjoy good wellbeing requires tackling the long-term challenges we face as a country, improving the state of our environment, the strength of our communities and the performance of our economy.

We have set four priorities to help us deliver a more productive, sustainable and inclusive economy.

### **We want to grow and share New Zealand's prosperity more fairly.**

New Zealand is recognised as being one of the best places in the world to live. Wellbeing is high for New Zealanders overall, but the benefits of economic growth have been unevenly distributed.

Significant disparities exist with some parts of our society and regions faring worse on a number of wellbeing indicators including unemployment, income, health and educational attainment.

We want all New Zealanders to have equal opportunities to participate in an economy that is strongly connected to the world, and for all New Zealanders to share in the rewards and benefits of economic growth.

The best way we can raise the living standards of all New Zealanders in the long run is to work smarter not harder. We need to make sure we're identifying the new skills our current workforce needs as well as our future requirements. But this growth needs to be inclusive and sustainable, showing care for people and the environment.

### **We want to transition to a clean, green, carbon-neutral New Zealand.**

This Government is committed to making a just transition to a low-emissions economy, to lead by example and minimise New Zealand's contribution to climate change.

Our land, forests, waterways and oceans are the foundation of our society and economy and hold a special place in the hearts and minds of New Zealanders. They are critical for both current and future wellbeing.

Our focus is on how we support our people, places and businesses to use resources more sustainably through the smart use of technology, education, regulation and investment.

This means we must change how we live, work, do business and play. Progressively reversing existing environmental damage and protecting nature for ourselves and for future generations.

#### **We want to support thriving and sustainable regions.**

We want people to prosper and have opportunities no matter where they live. Regions are home for many New Zealanders, and they are where some of our major industries are located.

When people and businesses do well, their town or region does well. We're unlocking the potential of our regions to create an environment where they thrive as much as our big cities. We're achieving this through investing in resilient and sustainable infrastructure that enables our regions and supports a modern economy across New Zealand.

#### **We want to deliver responsible government with a broader measure of success**

As a country, we cannot achieve these goals and aspirations by continuing with the status quo. We need to do things differently, and measure our success in different ways. We know that what gets measured gets managed so over the past two years we've changed our measures of success to put wellbeing at the heart of what we do. Our wellbeing approach is built around the Living Standards Framework, and its four capitals – financial/physical, human, natural and social. Measures of current wellbeing and the state of these four capitals are being tracked through the Living standards Framework Dashboard.

We need to set ourselves long-term and ambitious goals to transition our economy to one that is productive, sustainable and inclusive. This strategy is a strong step to get us there.

Our Budget responsibility rules ensure we are in a strong position to respond to shorter-term economic cycles. Of particular note is our commitment to maintaining sustainable operating surpluses; ensuring prudent net core-crown debt (15% - 25% of GDP from 2022), and keeping government spending around the historical average of approximately 30% of GDP.

We're committed to being financially disciplined and building a resilient economy for future generations.

## Key economic shifts

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New Zealanders value the wellbeing of our people and health of our environment, inclusivity and fairness. They want an economy in which sustainable economic growth genuinely improves the lives of us all.

Our economy needs to be productive, sustainable and inclusive. Our eight economic shifts identify some of the most important changes we need to make to prepare our economy for the big changes coming our way and address our most pressing economic, social and environmental challenges as a country.

If we achieve these shifts, we'll go a long way towards making New Zealand a great place to make a living and a great place to make a life. Our work programme as a Government is just a start. Tackling long-term challenges takes time. We are bringing fresh thinking and looking beyond traditional economic and social policy to address these challenges support wellbeing.

### 1. The NZ economy moves from volume to value with Kiwi businesses, including SMEs, becoming more productive

New Zealand is renowned for our innovative and adaptable culture and our connectedness around the world. And our economy depends on cultivating this and encouraging Kiwi businesses to move from volume to value. This shift will see businesses innovate and compete more effectively as we face challenges such as new technology and climate change.

Our productivity challenge is complex and long-standing. We're encouraging innovative businesses and industries to take advantage of new technology and global markets and develop higher value products and services. Our aim is to lift R&D spending to 2% of GDP by 2027. Innovation is at the heart of productivity growth and we want to ensure New Zealand businesses have access to R&D that underpins better products and ways of doing things.

#### Examples of key initiatives:

- **Industry Transformation Plans** – adding value to key sectors of our economy and leveraging new opportunities.
- **R&D Tax Incentive** and our Research, Science and Innovation Strategy – ensuring business access and build knowledge and innovation.
- **Trade for All** agenda – supporting New Zealand businesses make the most of international connections, and we grow the value and reach of our exports.
- **Small Business Strategy** (forthcoming) – empowering small businesses to thrive.

**CASE STUDY:** [To come]



## 2. People are skilled, adaptable and have access to lifelong learning

New Zealanders are a smart and ingenious people and we are highly skilled and qualified compared to many countries. However, there remains room for improvement to ensure both businesses and workers benefit from investment in skills, both now and in the future.

Some regions and sectors find it hard to get enough workers with the right skills, and others consistently fare poorly in traditional labour market measures. We're partnering with regions to address skill and workforce needs by launching active labour market policies and programmes. We're reforming our education and vocational education system and introducing new initiatives to get people into work. We're targeting our immigration processes to provide the workers and skills we need and working with businesses to reduce our reliance on low skilled migrants.

Automation and technology present new opportunities and new challenges for both businesses and workers. Change can be disruptive and we're facing this head on by working with businesses and unions to understand the future of work so that New Zealanders, young and old, can maintain, upgrade and adjust their skills over their working life.

We're working towards an education system that equips people with the desire and flexibility to keep learning. This is fundamental to our ability to adapt successfully to all the changes that are occurring.

New Zealanders want an education system that supports our learners to succeed in the workplace. We're working to ensure that all adults have access to high quality and affordable education and can engage in accessible learning throughout their working lives, meeting the changing skill needs of our economy as it evolves and helping us keep unemployment below 4%.

New Zealanders work hard and expect to be treated well and fairly. That is why we are working to ensure we have a productive and fair employment relations system that supports businesses, protects vulnerable workers and delivers fairness, safety and wellbeing at work.

### Examples of key initiatives:

- **Reform of vocational education** – creating a strong, unified, sustainable system for all vocational education that delivers the skills that learners, employers and communities need to thrive.
- **Active labour market programmes** – such as **Mana in Mahi** (Strength in Work) - supporting people to find and stay in work.
- **Changes to temporary work visas** – incentivising and supporting business to employ more New Zealanders, and ensuring that access to migrant labour is available where there is genuine need.
- **First year fees free** – making the first year of post-secondary school education and training free. New apprentices get their first two years of training fees-free.

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### 3. Deeper pools of capital are available to invest in infrastructure and grow New Zealand's productive assets

Smart investment, from infrastructure to innovative firms, supports a modern, resilient and connected economy.

New Zealanders are proud when our businesses succeed. Yet we know that New Zealand businesses of all sizes, particularly young firms and start-ups, face capital constraints and struggle to grow beyond their early stages. We also know this is often because they can't access funding.

Access to capital is the key to this. We're taking action to encourage investment that enables companies and assets achieve their potential. We're introducing reforms that give people the confidence to invest in New Zealand's home-grown talent and vision.

We want to build New Zealand ownership of assets, with both the Government and individual New Zealanders investing more in onshore infrastructure and firms.

We recognise that for New Zealand businesses to succeed in a global marketplace, we need to keep ahead of the latest technology and market developments. This enables our regions and



businesses to connect internationally, access new markets and adopt global best practice, new technology and innovations.

**Examples of key initiatives:**

- **Funding for early stage businesses** – introducing an early-stage capital fund to partner with private venture capital funds to invest in high-value innovative firms and start-ups so they can grow and scale in New Zealand.
- **Infrastructure Commission** – ensuring New Zealand gets quality infrastructure investment to improve our long-term economic performance and social wellbeing.
- **Green Investment Fund** – catalysing a private green investment market in New Zealand.

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#### 4. Strong and revitalised regional economies

Provincial New Zealand is the heartland of Aotearoa, and home to some of our most creative and innovative people. Much of New Zealand's economy rests on the successes of the regions.

New Zealand's regions have their own unique strengths and advantages, and face different challenges and opportunities. Some regions of New Zealand are thriving, whereas others consistently experience lower economic and social outcomes. They may face higher unemployment and lower productivity, or lack of investment in infrastructure and other critical things they need to boost their economy.

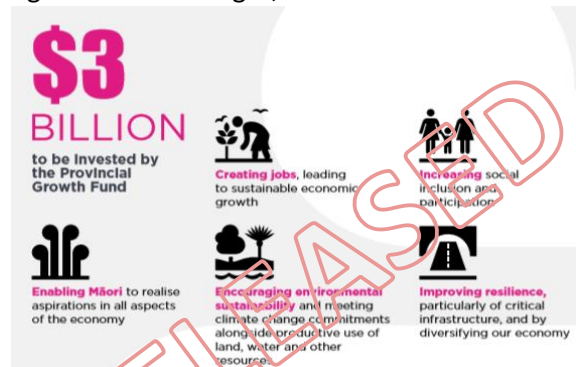
We want to address this. We're committed to fairly sharing the benefits of a strong economy so that people and businesses in our regions thrive.

We're investing to support regional businesses to grow, and building the infrastructure regions need to participate in a modern economy, such as rail, road, ports and communications.

No matter where they live and what their background is, every New Zealander can participate in and benefit from an economy that is sustainable, inclusive and productive.

##### Examples of key initiatives:

- **Provincial Growth Fund** - ensuring people and businesses all over New Zealand have the resources they need to reach their potential.
- **Enabling infrastructure** - building infrastructure, such as rural broadband and KiwiRail, that regions need to participate in a modern economy
- **One Billion Trees** - working with our regions and partners to support planting of one billion trees by 2028.



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## 5. Enable a step-change for the Māori and Pacific New Zealand economies

We recognise that whanau-led initiatives hold the key to bringing about a step-change in the Māori economy. Our Government is committed to supporting whānau, hapū and iwi to achieve their economic, social, environmental and cultural wellbeing goals.

We'll do this by ensuring we have strong partnerships with Māori, and cross-agency collaboration and supporting the outcomes in *He kai kei aku ringa*. We're focusing on improving employment and developing a highly skilled Māori workforce. We're investing in our rangatahi and in programmes that have a greater community focus. We want to grow Māori enterprises, support digital innovation and connectedness, and provide better opportunities to access Government procurement.

We want to help Māori achieve their whenua Māori aspirations, which is why helping Māori access the capital and expertise they need is a focus. Through Te Puni Kokiri and Te Arawhiti, we're building the Crown's capability and capacity to partner effectively with Māori and make us accessible throughout the regions.

Government is working to provide opportunities for Māori and Pacific businesses to access contracts from the \$41 billion spent in Government procurement.

### **Enabling a step-change in the Pacific New Zealand economy**

We're committed to helping our Pacific peoples to build on their cultural and economic strengths. Pacific people bring an international connectivity, spirit of innovation, and broad-natured perspective of value that the government wants to support and grow.

We want Pacific people to grow their prosperity, wellbeing and living standards. We're supporting Pacific enterprises to thrive and make the best use of the unique entrepreneurial and innovative potential of Pacific peoples in our economy.

By enhancing Pacific peoples' participation as business owners, employees and trainees across all career stages we can lift wellbeing and support Pacific New Zealand to thrive. Now and in the future.

**Examples of key initiatives:**

- **Te Arawhiti** – Office for Māori Crown Relations - fostering strong, ongoing and effective relationships with Māori across Government.
- **Whenua Māori** (Māori land) – enabling Māori to realise the value of whenua.
- **He Kai Kei Aku Ringa** - working in partnership with the Māori Economic Development Advisory Board to deliver the Māori economic development strategy.
- **Pacific Business Trust** - supporting and growing Pacific enterprises

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## 6. Sustainable and affordable energy system

Energy powers our economy – it drives our transport systems, fuels our jobs and enables our businesses to produce and deliver a huge variety of goods and services.

New Zealanders are leading the world in clean energy, with 82% our electricity coming from renewable sources. But this isn't enough. We're challenging ourselves to reduce our reliance on fossil fuels across several industries.

As we make more use of technology and automation, supporting businesses to access low cost and clean energy is critical to our economic success. We've made a start, but we can't sit still. We have to develop our own sustainable energy technologies, continue to innovate, and explore ways to make efficient use of our energy resources. We also need to back our businesses establishing footholds in fast-growing global "clean energy" industries and capitalise on our research lead in energy generation and utilisation.

New Zealanders rely on energy to heat and power our homes and fuel our cars and buses. We're conscious of the harm our energy use is doing to our environment and the impact on global warming. That's why we're focussing on shifting to a more environmentally sustainable energy system in a way that is affordable for us all. All of this is critical to getting to net-zero CO2 and lifting renewable electricity generation to 100% within a normal hydrological year by 2035.

Young New Zealanders have been out on the streets in record numbers protesting lack of action on climate change and our Prime Minister has said that tackling climate change is New Zealand's nuclear free moment. We're showing global leadership by taking decisive action on climate change while creating jobs, and reducing emissions while ensuring energy is affordable.

**Examples of key initiatives:**

- **Renewable Energy Strategy** – outlining actions to achieve an affordable, secure and sustainable energy system.
- **Electricity pricing** – responding to the Electricity Price Review
- **Transport electrification** and **low emissions** policies
- **National New Energy Development Centre** – supporting the development, demonstration, uptake and use of new energy technologies

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## 7 Land and resource use deliver greater value and improve environmental outcomes

Kaitiakitanga, ingenuity and integrity define who we are as New Zealanders - we care about everything we do and everything we create. We're constantly looking for smarter ways to do things and we take pride in our high labour and animal welfare standards and clean environment. The wellbeing of our people and the health of our environment are directly impacted by how we use our land and resources.

We're working to support businesses to use our land and resources in a way that is good for our environment, good for our businesses, good for our workers and good for our future.

We understand that businesses don't need more red tape and empty words. We also understand that New Zealand is a pioneer and innovator in food and beverage and agritech. That is why we are partnering to increase the uptake of technology and practices that boost productivity and reduce emissions and pollution. This is critical to meeting our target of net-zero CO<sup>2</sup> and a 24 – 47% reduction in biological methane emissions by 2050.

New Zealand food and beverage sector have told us that consumer tastes are changing - consumers are demanding food produced with integrity. We're backing our primary sector to lead the world in providing innovative, high-value products with solid environmental



credential. We're investing the hard yards now to earn our brand as a clean, green country with integrity. To ensure our primary industries contribute to our economy for the long term.

Like most of the developed world, our economy produces a lot of waste – some of which can be bad for business and bad for the environment. We need to focus on sustainable materials and processes and redesign our activities to produce less waste. This won't happen overnight – but with government support for innovation, smart regulation, and ongoing dialogue, these changes can be effective and enduring, and result in career opportunities and job roles that don't exist today.

#### Examples of key initiatives:

- **Zero Carbon Bill and changes to the Emissions Trading Scheme** - ambitious reforms to transition to a low emissions economy.
- **Improving our Resource Management** – making the RMA easier for New Zealanders to understand and engage with.
- **Urban Growth Agenda** – removing barriers to land supply and infrastructure and supporting productive and sustainable land use in urban areas.
- **Essential freshwater reforms and sustainable land use package** - improving the health of our waterways and wetlands and providing support for farmers and growers to use their land more sustainably.
- **Waste and resource efficiency work programme** – supporting New Zealand's transition to a circular economy.

#### CASE STUDY: New Government services to support land owners

Extension Services is a farmer-led, farmer-focused approach to support sustainable land use decisions and improve economic, environmental and well-being outcomes for farmers and their communities.

Extension is about working together to face and tackle challenges and operate better in an increasingly complex environment. This means a stronger and more connected network of farmers, rural professionals, industry groups, and government.

Extension is one component of Budget 2019's 'Productive and Sustainable Land Use' package. A farmer-led approach is the key to this project – getting involved, sharing their knowledge with other farmers, asking tough questions of one another within trusted circles, and coming up with practical solutions to issues.

The Ministry for Primary Industries will partner with farmers and regional stakeholders to ensure services are relevant to the needs and priorities of local communities. We will also build on existing capability. In many cases farmers and their networks know what works – we can help to do more of this.

## 8. Transform our housing market to unlock productivity growth and make houses more affordable

A safe, warm, dry home or where is important for New Zealanders – whether owning or renting. Where we live, our turangawaewae, is central to wellbeing – we want New Zealanders to have choice in where they live, learn and work, and make it easier for workers to live close to the best jobs for them.

Our housing and urban development system has been under pressure for some time now. We are focused on addressing dysfunction and getting more houses built that are affordable for New Zealanders to rent or own. We want to reduce the debt and rental burden on our businesses and households from high house prices and rents. Our people should not be stressed about housing affordability or insecure tenure, nor should their health be affected by unsafe homes.

We know that New Zealand's high house prices have diverted capital into the housing market and away from more productive uses. We need this capital to helping businesses to innovate, invest in new technology and pursue growth opportunities. High housing costs can also make it difficult for businesses and people to move to areas where there are better opportunities.

We're focused on increasing our housing supply to better meet demand and tackling long-standing failures at every point in the system. We are working to improve land supply; cut unnecessary red tape; and direct overseas housing investment into productive uses. Our rental focus will ensure renters have more secure, healthy and affordable homes. Our work with the construction sector supports smart developments, lower construction costs and more safe, healthy and durable homes. We are planning for future growth with local government and investing in infrastructure.

### Examples of key initiatives:

- **Urban Growth Agenda** – working to get our urban markets working so they can respond to growth, improve urban land affordability, and support thriving communities.
- **Kiwibuild** - Reset of KiwiBuild [to come]
- **Reforming our building system** – establishing a productive building and construction sector that produce safe, durable homes and buildings.

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## Redefining how we measure success to focus on what matters for New Zealanders

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New Zealanders want us to measure success in line with their values – the wellbeing of our people, the health of environment and the strength of our economy.

We recognise that in the past whilst we saw improvements in standard measures of economic success – such as our GDP growth – for many New Zealanders, this did not translate into higher living standards or better opportunities. We need to ensure long-term economic success in an inclusive, not exclusive way.

That's why we've built a comprehensive suite of economic social, cultural and environmental indicators to measure how well our economy is performing. These will help us monitor the wellbeing of the current generation, what we're leaving behind for future generations and how our actions are having impact over the medium term.

There's no single way to capture the complexity of the economy, but by widening our focus we can get important feedback about progress on our key economic shifts, and understand more about the impact we're having for New Zealanders.

We've made a start with StatsNZ's Indicators Aotearoa New Zealand and the Treasury's Living Standards Framework Dashboard and we'll keep building on this work to ensure that it reflects New Zealanders' values and focusses our attention on what matters.

We will report on how well the economy is performing for New Zealand using both traditional economic indicators and wellbeing indicators each year, through the Budget Policy Statement and the Wellbeing Outlook in the Budget. These documents will provide an overview of what the indicators are telling us about the strengths and weaknesses of the economy.

You can find more about the Living Standards Framework Dashboard and StatsNZ's Indicators Aotearoa New Zealand at [treasury.govt.nz/information-and-services/nz-economy/living-standards](https://treasury.govt.nz/information-and-services/nz-economy/living-standards) and <https://wellbeingindicators.stats.govt.nz>.

## Annex: How wellbeing indicators drawn from the Living Standards Framework Dashboard align to key economic shifts

[NOTE: this table will look different after it has been through design]

| Key economic shifts  | LSF Dashboard Measures  | Source and update frequency   |
|--|---|---|
| The NZ economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive   | <p><b>Current wellbeing</b></p> <ol style="list-style-type: none"> <li>1. Disposable income</li> <li>2. Consumption</li> </ol> <p><b>Future wellbeing</b></p> <ol style="list-style-type: none"> <li>3. Multifactor productivity growth</li> </ol>  | <ol style="list-style-type: none"> <li>1. MSD, Household incomes in NZ (Annual)</li> <li>2. Treasury analysis of Household economic survey (four yearly)</li> <li>3. Stats NZ, Productivity Statistics (Annual)</li> </ol>  |
| People are skilled, adaptable and have access to lifelong learning   | <p><b>Current wellbeing</b></p> <ol style="list-style-type: none"> <li>1. Unemployment rate</li> <li>2. Employment rate</li> <li>3. Hourly earnings</li> <li>4. Educational attainment (tertiary)</li> <li>5. Educational attainment (upper secondary)</li> <li>6. Cognitive skills at age 15</li> </ol> <p><b>Future wellbeing</b></p> <ol style="list-style-type: none"> <li>7. Educational attainment (tertiary)</li> <li>8. Educational attainment (upper secondary)</li> <li>9. Cognitive skills at age 15</li> <li>10. Expected educational attainment</li> </ol> | <ol style="list-style-type: none"> <li>1. Stats NZ, HLFS, (Quarterly)</li> <li>2. Stats NZ, HLFS (Quarterly)</li> <li>3. Stats NZ, HLFS and Labour cost index (Quarterly)</li> <li>4. Stats NZ, HLFS and MSD data (Annual)</li> <li>5. Stats NZ, HLFS and MSD data (Annual)</li> <li>6. OECD, Programme for International Student Assessment survey (Three yearly)</li> <li>7. Stats NZ, HLFS and MSD data (Annual)</li> <li>8. Stats NZ, HLFS and MSD data (Annual)</li> <li>9. OECD, Programme for International Student Assessment survey (Three yearly)</li> <li>10. OECD, How's Life, (Approx. every two years)</li> </ol> |
| Deeper pools of capital are available to invest in infrastructure and grow New Zealand's productive assets | <p><b>Future wellbeing</b></p> <ol style="list-style-type: none"> <li>1. Total net fixed assets</li> <li>2. Net intangible fixed assets</li> <li>3. Household net worth</li> <li>4. Multifactor productivity growth</li> <li>5. Net international investment position</li> </ol>  | <ol style="list-style-type: none"> <li>1. Treasury analysis of National Accounts - Capital Stock tables (Annual)</li> <li>2. Treasury analysis of National Accounts - Capital Stock tables (Annual)</li> <li>3. OECD, How's Life, (Approx. every two years)</li> <li>4. Stats NZ, Productivity Statistics (Annual)</li> <li>5. Stats NZ, Balance of Payments (Annual)</li> <li>6. Treasury, Fiscal Time Series – Horizontal</li> </ol>  |

|  |  |   |
|--|--|---|
|  | 6. Total Crown net worth<br>7. <i>Foreign Direct Investment</i>  | indicators (Annual)<br>7. <i>IANZ only – Stats NZ, Balance of Payments (Annual)</i>   |
| Strong and revitalised regions   | <b>Current wellbeing</b><br>1. Periodic wellbeing analyses of regions<br>2. Regional GDP statistics are available from Stats NZ.   | 1. Stats NZ, General Social Survey (every two years).   |
| Enable a step change in Māori and Pacific economies                              | <b>Current wellbeing</b><br>Periodic wellbeing analysis of Māori as a demographic group  | Stats NZ, General Social Survey (every two years)   |
| Sustainable and affordable energy system   | There is currently no directly relevant LSF indicator.   | This shift will impact wellbeing over the medium-term (approx. 10--20 years), and impacts will be felt across a wide range of indicators.   |
| Land and resource use delivers greater value and improves environmental outcomes | <b>Current wellbeing</b><br>1. Water quality (swimmability)<br>2. Perceived environmental quality<br><b>Future wellbeing</b><br>3. Climate regulation<br>4. Sustainable food production<br>5. Biodiversity and genetic resources (Number of threatened species likely to benefit from ecosystem management in at least one site).<br>6. Kg of waste per capita | 1. MFE, Swimmability data (unclear frequency)<br>2. Lincoln University data (unclear frequency)<br>3. MFE, Greenhouse gas inventory (Annual)<br>4. Stats NZ and MfE, Average soil testing results (unclear frequency)<br>5. Department of Conservation, (Annual)<br>6. MFE, Review of the Waste disposal levy (unclear frequency) |
| Transform our housing market to ensure everyone has a warm, dry home             | <b>Current wellbeing</b><br>1. Household crowding<br>2. Housing cost<br>3. Housing quality   | 1. Census data (Five yearly)<br>2. MSD, Household incomes in NZ (Annual)<br>3. Stats NZ, General Social Survey (two yearly)   |



## **In Confidence**

Office of the Minister of Finance

Office of the Minister for Economic Development

Chair, Cabinet Economic Development Committee

## **Launching the refreshed economic strategy: the Economic Plan**

### **Proposal**

1. This paper seeks agreement to the refreshed economic strategy (the *Economic Plan*), and seeks agreement to launch the strategy in September 2019.

### **Background**

2. In 2018 we confirmed our economic vision is to improve the wellbeing and living standards of New Zealanders by building a productive, sustainable and inclusive economy [CAB-18-MIN-0111; DEV-18-MIN-0222]. Throughout 2019 we have been discussing this vision, and how we are working to achieve it, in the Economic Development Cabinet Committee (DEV) [DEV-19-MIN-0107.01; DEV-19-MIN-0181; DEV-19-MIN-0215].
3. This reflects our commitment to putting the wellbeing of our people and the health of our environment at the centre of our thinking so that all New Zealanders benefit from growth, now and in future generations.
4. In 2018 we also launched the Business Partnership Agenda to set out the ways the Government was working with businesses to grow and improve the economy at the time.

### **The need for a refreshed economic strategy**

5. While the domestic economy is currently performing well, it is facing increasing uncertainty from international headwinds, and businesses are signalling that they want greater visibility of the Government's economic policy agenda. We have heard the need for greater detail about how we will transition to a productive, sustainable and inclusive economy, over the next thirty years.
6. We have also achieved some major milestones as a Government including launching the first Wellbeing Budget, introducing the Zero Carbon Bill, and holding the first Just Transition Summit in Taranaki.
7. Now is the time to build upon, consolidate, and communicate the work we have done and our vision for the future, by launching our refreshed economic strategy, the *Economic Plan*.

## The Economic Plan

8. The *Economic Plan* (annexed) describes the Government's medium to long-term vision for the economy. It articulates the long-term economic challenges that we are focused on and how New Zealand's economy will need to change to address those challenges.
9. The *Economic Plan* is the product of our discussion in DEV over the past six months. It first reaffirms and articulates our vision for a productive, sustainable and inclusive economy including how it supports our overarching priorities (as agreed by the Cabinet Priorities Committee).
10. The *Economic Plan* will be important for delivering a number of CPC priority outcomes, and focusses particularly on supporting four outcomes:
  - 10.1. Grow and share New Zealand's prosperity
  - 10.2. Support thriving sustainable regions
  - 10.3. Transition to a clean, green and carbon neutral New Zealand
  - 10.4. Deliver responsible governance with a broader measure of success
11. The *Economic Plan* sets out eight key economic shifts which the Government will aim to drive forward. These key shifts are the necessary changes needed to achieve our economic vision. They reflect the Government's strategic goals for the economy and are the product of consultation and discussions at DEV over the last few months.
12. The key economic shifts are:
  - 12.1. The New Zealand economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive;
  - 12.2. People are skilled, adaptable and have access to affordable lifelong learning;
  - 12.3. Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets;
  - 12.4. Strong and revitalised regions;
  - 12.5. Enable a step change for Māori and Pacific economies;
  - 12.6. Sustainable and affordable energy systems;
  - 12.7. Land and resource use delivers greater value and improves environmental outcomes; and
  - 12.8. Transform our housing market to unlock productivity growth and make houses more affordable.
13. The *Economic Plan* sets out the work already underway to drive each of these key economic shifts in the form of key initiatives presented under each shift. We

acknowledge that these initiatives are the starting point for advancing the key economic shifts and that further work will be needed. There are also critical connections across the shifts. Some initiatives will enable multiple shifts, such as establishing the Infrastructure Commission, introducing the Zero Carbon Bill or reforming the Resource Management Act.

14. As our work programmes evolve and new initiatives are developed we will need to consider how they align to support key shifts within the *Economic Plan*.
15. Lastly, the *Economic Plan* explains how our wellbeing approach to policy will be used to measure success. The Minister of Finance intends to report on the state of the economy using both traditional economic measures and wellbeing indicators each year through the Budget's Wellbeing Outlook. This reflects our focus on measuring economic performance in terms of environmental and social outcomes for New Zealanders, not just outputs.

#### *Aligning our policies and efforts across the key economic shifts*

16. Achieving the key economic shifts will take time, and will require us to work closely and collaboratively.
17. As our work programmes advance in each of our portfolios and we develop further policies to deliver these shifts, Ministers should be aware of how their portfolio's policies will have implications for achieving other shifts. Where tensions and trade-offs arise, we (and our agencies) will need to continue working collaboratively to advance the *Economic Plan*. This extends the work we did in Budget 2019 to enhance collaboration across the public sector.
18. The forum currently available for discussing and addressing these trade-offs is the DEV Strategic Subcommittee, but we will continue to work on deepening cross-portfolio collaboration. We propose reporting back to Cabinet with further proposals on how to govern and implement the economic strategy.

#### **Consultation**

19. The Treasury and Ministry for Business, Innovation and Employment have prepared this Cabinet paper in consultation with the Ministry for the Environment, Ministry For Primary Industries, Ministry of Foreign Affairs and Trade, Ministry of Transport, Ministry of Housing and Urban Development, Inland Revenue, Department of Conservation, Te Puni Kokiri, Ministry of Education, Department of Internal Affairs, Callaghan Innovation and New Zealand Trade and Enterprise.
20. The Department of Prime Minister and Cabinet has been informed.
21. The Future of Work Forum, the Prime Ministers Business Advisory Council, and the Māori Economic Development Board were consulted in the development of the Economic Plan.

#### **Financial Implications**

22. There are no financial implications.

## Legislative Implications

23. There are no legislative implications.

## Impact Analysis

24. A regulatory impact analysis is not required.

## Human Rights

25. The Government's economic strategy is consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

## Gender Implications

26. The Government's economic strategy aims to create a productive, sustainable and inclusive economy. An inclusive economy will mean people being able to participate in the economy fully, and free from gender discrimination.

## Publicity

27. The Minister of Finance and Minister for Economic Development will launch the economic strategy publically on the [22 / 23] of September 2019. The launch will ... [Details TBC]

28. Following the launch, Ministers should begin using the language of the *Economic Plan* for economic policies and initiatives in their public communications so that we can communicate clearly how the Government's agenda is advancing.

## Proactive Release

29. We propose releasing this paper proactively shortly after the strategy is launched, subject to redaction as appropriate under the Official Information Act 1982.

## Recommendations

The Minister of Finance and Minister for Economic Development recommend that the Committee:

1. approve the attached economic strategy, the *Economic Plan*;
2. note the strategy reaffirms our vision for a productive, sustainable and inclusive economy;
3. note that strategy describes the eight key economic shifts which support the transition to a productive, sustainable and inclusive economy;
  - 3.1. The New Zealand economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive;
  - 3.2. People are skilled, adaptable and have access to affordable lifelong learning;

- 3.3. Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets;
  - 3.4. Strong and revitalised regions;
  - 3.5. Enable a step change for Māori and Pacific economies;
  - 3.6. Sustainable and affordable energy systems;
  - 3.7. Land and resource use delivers greater value and improves environmental outcomes; and
  - 3.8. Transform our housing market to unlock productivity growth and make houses more affordable.
4. Note that the Government plans measure the success of the strategy by reporting on how the economy is performing through the Wellbeing Outlook.
  5. Agree that the Minister of Finance and Minister for Economic Development launch the *Economic Plan* in September 2019;
  6. Invite the Minister of Finance and Minister for Economic Development to report back with further proposals for implementing the economic strategy.

Authorised for lodgement

Hon Grant Robertson  
**Minister of Finance**

Hon Phil Twyford  
**Minister for Economic Development**





**Joint Report: Economic Strategy Meeting 2 September 2019**

|              |                |                     |  |
|--------------|----------------|---------------------|--|
| <b>Date:</b> | 30 August 2019 | <b>Report No:</b>   | T2019/2685 (TSY)<br>BR 0661 19-20 (MBIE) |
|              |                | <b>File Number:</b> | SH-11-1-3                                |

**Action sought**

|   | <b>Action sought</b>   | <b>Deadline</b>    |
|---|--|--------------------|
| Minister of Finance<br>Hon Grant Robertson            | <p><b>Discuss</b> feedback you have on the Economic Plan material with officials on Monday 2 September 2019</p> <p><b>Agree</b> to the case studies for inclusion in the Economic Plan</p> <p><b>Agree</b> to brief key advisory bodies prior to release of the Economic Plan</p> <p><b>Note</b> that we will provide you final versions of this material on Wednesday 4 September for inclusion in the Cabinet Paper to DEV</p> | Monday 2 September |
| Minister for Economic Development<br>Hon Phil Twyford | <p><b>Discuss</b> feedback you have on the Economic Plan material with officials on Monday 2 September 2019</p> <p><b>Agree</b> to the case studies for inclusion in the Economic Plan</p> <p><b>Agree</b> to brief key advisory bodies prior to release of the Economic Plan</p> <p><b>Note</b> that we will provide you final versions of this material on Wednesday 4 September for inclusion in the Cabinet Paper to DEV</p> | Monday 2 September |

**Contact for telephone discussion (if required)**

| <b>Name</b>     | <b>Position</b>   | <b>Telephone</b>                        | <b>1st Contact</b> |
|-----------------|---|---|--------------------|
| Donna Purdue    | Chief Economist, Ministry of Business Innovation & Employment                     | Privacy of natural persons<br>N/A (mob) | ✓                  |
| Andrew Rutledge | Manager, Economic Strategy and Productivity, The Treasury                         | N/A (mob)                               |                    |
| Rachael Wookey  | Senior Analyst, Economic Strategy and Productivity, The Treasury                  | N/A (mob)                               | ✓                  |
| Kate Challis    | Principal Advisor, Strategic Policy, Ministry of Business Innovation & Employment | N/A (mob)                               |                    |

**Minister's Office actions (if required)**

Return the signed report to the Treasury and Ministry of Business, Innovation and Employment.

**Enclosure:** Yes (attached)



## Joint Report: Economic Strategy Meeting 2 September 2019

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### Purpose of report

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1. You are meeting with officials on Monday 2 September at 5:30 p.m. to discuss the next steps for the Economic Strategy.
2. This report provides:
  - a. Suggested amendments to the narrative, on the importance of macroeconomic and fiscal policy fundamentals, in line with your feedback (*Annex One*)
  - b. Mocked up design versions of the Economic Plan document – note that this is not the full and final text, and is just to illustrate design (*Annex Two*)
  - c. Case studies for inclusion in the Economic Plan – for your approval (*Annex Three*)
  - d. Advice on a proposed approach to release of the Economic Plan, and any briefing you may wish to undertake with key stakeholders.

### Consultation and changes to the Economic Plan material

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3. Ministerial feedback on the Economic Plan is due by Monday 2 September. We will incorporate this feedback and provide a final version back to you on Wednesday 4 September, ready for judgement with DEV on Thursday 5 September.
4. The following provides a summary of recent changes to the Economic Plan material:

#### Policy framework

5. We have made changes to the policy framework following your feedback, which have been included in the version Ministers have been consulted on. Changes were to:
  - a. Further highlight work on climate change mitigation in the first economic shift (moving from volume to value with businesses becoming more productive)
  - b. Clarify the shift on deeper pools of capital to emphasise that deeper capital pools facilitate increased investment in infrastructure.
6. We also note that MBIE and Treasury have received feedback through agency consultation on the shift to enable Māori and Pacific economies. Agencies raised the importance of making it clear that Māori are Treaty partners, and Pacific communities are a key population group, along with other population groups, including older people and people with a disability. We will discuss your preferences for responding to this feedback with your offices.

#### Narrative

7. The Minister of Finance's office provided additional feedback on the version of the narrative circulated for Ministerial consultation, to strengthen reference to the importance of regulation and macro/fiscal fundamentals, including in the foreword. Proposed text to reflect these changes is at *Annex One*. These changes will be made for the final version, along with feedback from Ministers.

8. We also heard from your offices that the narrative could be strengthened by:
  - a. Giving more visibility and emphasis to the core levers that the government has to achieve these changes (i.e. six I's – infrastructure, investment, institutions etc)
  - b. Including more on small business.
9. We will discuss inclusion of this feedback with your offices as part of any changes suggested as a result of Ministerial consultation.
10. We have attached a mocked-up design of the narrative (*Annex Two*). This is based on the content of the version sent for Ministerial consultation. We seek your feedback specifically on the look and feel of the design (i.e. disregard the content of *Annex Two*).

#### Case studies

11. We have provided you with a finalised set of proposed case studies for the narrative (*Annex Three*). In selecting the case studies officials undertook due diligence with regards to:
  - a. The type of support received (and whether funding programmes have since changed)
  - b. NZ ownership of the company
  - c. Financial viability
  - d. Impact of the initiative on people and businesses
  - e. Authorisation to use the business as a case study
12. The case studies illustrate how the economic shifts can benefit businesses, with one showcasing the impact on an individual. We have agreement in-principle from the relevant companies and agencies, for including these case studies. We are seeking authority for the final wording from relevant agencies and companies in some cases.
13. We would like to discuss these case studies with you. For some shifts there are options. We will need your final approval on which of these to include in the Economic Plan to be lodged for DEV.

#### Indicators table

14. We have prepared a table of wellbeing indicators as an Annex to the narrative. We will include this in the final version for sign-off that will be provided to you on Wednesday 4 September.
15. We have made some limited changes to the indicators table. These include removing some of the less robust indicators, and improving alignment with Indicators Aotearoa New Zealand.

#### NZ Story visual collateral

16. NZ Story is finalising their video to accompany the release of the Economic Plan. We will present this to you at the meeting on Monday 2 September.
17. The NZ Story video is designed to appeal to a wider audience, and they have worked on the language and positioning to support this. We would like to discuss whether you are comfortable for the text in the video to be slightly different to that in the framework.

## Launch details and logistics

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18. You have previously discussed options for launching the Economic Plan.
19. Options include:
  - a. Launch in Christchurch on Sunday 22 or Monday 23 September, ideally at a digital company, with a potential audience of 50-70 people, including media.
  - b. Align release around the Mood of Boardroom discussion (24 September)
20. Should you wish to pursue a launch in Christchurch, we have identified a number of potential venues. However the digital technology companies we have identified are too small to host such numbers, or are otherwise unsuitable.
21. In order to finalise logistics for the launch, agreement to launch options will need to be made at the meeting on 2 September, or soon thereafter, particularly if Ministers wish to proceed with a public launch event. Further delay would compromise the ability to secure an appropriate venue, ensure strong attendance, and address other logistical issues.

## Briefing key advisory groups before the launch

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22. There are a number of advisory groups Ministers may wish to brief in advance of the launch. These groups (and their Chairs) include:
  - a. The Prime Minister's Business Advisory Council (Fraser Whineray)
  - b. The Future of Work Tripartite Forum (Kirk Hope, Richard Wagstaff)
  - c. Māori Economic Development Advisory Board (Robin Hapi)
23. These groups have previously been consulted with on earlier versions of the framework based on the six 'I' pillars. The framework has since changed significantly.

Free and frank opinions



25. You may wish to schedule a phone conversation with Chairs Fraser Whineray (incoming), Kirk Hope, Richard Wagstaff and Robin Hapi following Cabinet approval (11 Sept), and prior to release (22-23 Sept).



26. A briefing could:
- a. Advise them of the release of the Economic Plan and date, key elements of the Plan (the economic shifts), noting that they would receive copies directly on release.
  - b. Note how their advice has influenced the design of the plan (i.e. importance of skills, productive capital, infrastructure, Māori and Pacific economies).
  - c. Note that the intention is not to be a comprehensive framework on wellbeing but rather an economic strategy around the objective of achieving a productive, sustainable and inclusive economy.
  - d. Note that the Plan only references existing initiatives. Moving forward, the economic shifts will inform development of new initiatives.
27. We can provide you with talking points to support the discussion, and in particular, highlighting how their advice has been reflected in the development of the Plan.
- We understand the Prime Minister will soon meet with the incoming Chair of the Business Advisory Council. If you agree to brief these groups, we can suggest the Prime Minister might like to let the Chair know this when she meets him.

Next steps and timelines

Key milestones for September release

| Date          | Item  | Action sought  |
|---------------|---|--|
| Mon 2 Sept    | Ministerial comments due  | Any final feedback from Ministerial colleagues   |
| Mon 2 Sept    | Fifth Joint Ministers meeting   | To review design versions, case studies for inclusion and agree process for releasing the Plan (i.e. launch) |
| Wed 4 Sept    | Receive final version including changes received through Ministerial consultation | To review and sign off the final version of the narrative and Cabinet paper for lodgement                    |
| Thurs 5 Sept  | Joint DEV paper lodged  |  |
| Mon 9 Sept    | Sixth Joint Ministers meeting   |  |
| Wed 11 Sept   | DEV meeting   | Approval   |
| Thurs 12 Sept | Deadline for printers   | -  |
| Mon 16 Sept   | CAB meeting   | Approval   |
| w/c 23 Sept   | <b>Launch date</b>  | -  |

28. Your next joint meeting with officials is on Monday 9 September.
29. This will be an opportunity to discuss with you any final issues raised through consultation prior to the DEV discussion on 11 September.

## Annexes

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*Annex One:* Amendments to the narrative

*Annex Two:* Mocked up design version of the narrative and policy framework

*Annex Three:* Proposed case studies for inclusion in the Economic Plan

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Recommended Actions

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We recommend that you:

a **Discuss** any feedback you have with officials on Monday 2 September 2019 on:

- a. Suggested text on the importance of macroeconomic and fiscal policy fundamentals (*Annex One*)
- b. the look and feel of the mocked-up version of the narrative (*Annex Two*)
- c. the case studies to include in the narrative (*Annex Three*)
- d. the NZ Story video, including the script in the video
- e. options for releasing the Economic Plan

b **Indicate** the case studies you would like to use in the Economic Plan;

*Agree/Disagree*  
*Minister of Finance*

*Agree/Disagree*  
*Minister for Economic Development*

c **Agree** to brief key advisory groups prior to release; and

*Agree/Disagree*  
*Minister of Finance*

*Agree/Disagree*  
*Minister for Economic Development*

d **Note** that feedback from Ministerial consultation is due Monday 2 September, and we will discuss this feedback with your offices on Tuesday 3 September, and provide you final versions for the Cabinet Paper on Wednesday 4 September for submission to DEV on Thursday 5 September.



Andrew Rutledge  
**Manager, Economic Strategy and Productivity, The Treasury**



Donna Purdue  
**(Acting) Manager Strategic Policy / Chief Economist, Ministry of Business Innovation and Employment**

Hon Grant Robertson  
**Minister of Finance**

Hon Phil Twyford  
**Minister for Economic Development**



## Annex One: Suggested amendments to the narrative

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### 1. Macro/fiscal fundamentals

#### Suggested text for foreword

*[NB suggest this is under the second para in the foreword.]*

We aspire to be a country that values productivity and ensures people, young and old, are skilled and adaptable. A country where business, people and Government work together to foster innovation and encourage transformational, sustainable growth.

A strong economic position is fundamental for achieving this. That is why this Government is committed to our Budget Responsibility Rules to build a productive, sustainable and inclusive economy.

#### Suggested text for the main body

*[NB suggest this is under the section on 'delivering responsible government with a broader measure of success' and replaces the short section currently on BRs].*

As a country, we cannot achieve these goals and aspirations by continuing with the status quo. We need to do things differently, and measure our success in different ways. We know that what gets measured gets managed so over the past two years we've changed our measures of success to put wellbeing at the heart of what we do. Our wellbeing approach is built around the Living Standards Framework, and its four capitals – financial/physical, human, natural and social. Measures of current wellbeing and the state of these four capitals are being tracked through the Living standards Framework Dashboard.

We need to set ourselves long-term and ambitious goals to transition our economy to one that is productive, sustainable and inclusive. We need to focus on strengthening the underlying fundamentals that enable us to do this. This strategy is a strong step to get us there.

This Government's Budget Responsibility Rules ensure we are in a strong position to respond to shorter-term economic cycles. We are committed to being financially disciplined and building a resilient economy for future generations.

We are:

- Delivering a sustainable operating surplus across the economic cycle. That means our surpluses will exist after we have funded policy objectives.
- Ensuring a prudent level of net core Crown debt (20% of GDP by 2021/2, 15%-25% of GDP thereafter). The world is an uncertain and sometimes volatile place and we need to ensure flexibility to respond effectively to any shocks.
- Managing our spending carefully to keep it in line with historic average (around 30% of GDP).
- Prioritising our investments to address the long-term financial and sustainability challenges facing New Zealand.
- Ensuring a progressive taxation system that is fair, balanced, and promotes the long-term sustainability and productivity of the economy.

We are also focussed on ensuring our institutional settings best support the needs of a modern economy. We have amended the Reserve Bank Act to focus on employment

outcomes as well as price stability; and we are working on protecting the banking system of everyday New Zealanders through developing a new deposit protection regime; and strengthening the accountability and governance of the Reserve Bank.

## 2. Regulation

### **Suggested text for main body**

*[NB suggest this is under shift 1 at the end of the second paragraph]:*

We will support businesses with best practice regulation that stimulates and facilitates innovation and promotes the growth of new sectors.

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Annex Two: Mocked up design version of the narrative and policy framework

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# Economic Plan

FOR A PRODUCTIVE, SUSTAINABLE  
AND INCLUSIVE ECONOMY

SEPTEMBER 2019



[New Zealand Government](#)





# FOREWORD: POSITIONING NEW ZEALAND FOR THE FUTURE

This Government has an ambitious goal of improving the wellbeing of all New Zealanders now, and for future generations.

We aspire to be a country that values productivity and ensures people, young and old, are skilled and adaptable. A country where businesses, workers and Government work together to foster innovation and encourage transformational, sustainable growth.

New Zealand has strong foundations for future generations to build on. Our enviable economy has roots in agriculture, horticulture, forestry and tourism and we proudly share the products of those sectors with the world. While these sectors will continue to serve us well, we're facing challenging times and need to build our resilience. We need to widen our focus and mitigate against and prepare for the impacts of climate change; international pressures and headwinds; the changing face of New Zealand's population; technological advancements and new ways of working; and the digital revolution sparking innovation at a rate not previously seen.

New Zealanders value the wellbeing of our people and the health of our environment, inclusivity and fairness. This means that what we do and how we do it matters. We see the economy, environment, our people, and our communities as deeply interconnected. This Government will not trade one off for another.

We want all New Zealanders to reach their full potential. And we're making decisions to protect our unique environment for generations to come, and be world leaders on environmental issues and climate change.

We have a unique opportunity to build on our strengths and boldly reshape our economy. This Economic Plan builds on our strong foundations and sets out a clear path to achieve a more productive, sustainable and inclusive New Zealand. It identifies eight key shifts that we believe are required to transform our economy and enable us to seize the local and international opportunities presented by rapid change.

The shifts we're tackling will not take place overnight, and the future is highly uncertain. However, we can be more deliberate about ensuring people and businesses have the opportunities they need to adapt to new working environments and respond confidently and rapidly to change.

We can't do this on our own. It's essential we partner with business, communities, sectors and iwi on what has been seen as too hard for too long. By working together, we can build an economy that delivers for all New Zealanders.

Success is making New Zealand a great place to make a living and a great place to make a life. Now, and for future generations.





## OUR VISION

Grow and share NZ's prosperity

Support thriving and sustainable regions

Transition to a clean, green and carbon neutral NZ

Deliver responsible governance with a broader measure of success

TO BUILD A PRODUCTIVE, SUSTAINABLE AND INCLUSIVE ECONOMY TO IMPROVE THE LIVING STANDARDS AND WELLBEING OF ALL New Zealanders

## THE KEY ECONOMIC SHIFTS WE NEED TO ACHIEVE OUR VISION ARE...

**The NZ economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive**

### This means...

- Building on our existing strengths and international connections to leverage new opportunities in domestic and international markets
- Investing in new technology and being at the forefront of digital innovation including to drive mitigation and adaptation to climate change
- Thriving and dynamic small, medium and large enterprises

**People are skilled, adaptable and have access to lifelong learning**

### This means...

- Businesses can access the skills and labour when and where they need it
- People continually updating the skills they need for success in the future of work
- Productive and fair employment

**Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets**

### This means...

- We have the modern infrastructure we need to enable our transition to a low emissions economy
- Kiwis have confidence to invest in innovative NZ firms
- Regions and businesses have access to the world's knowledge and stronger international connections
- NZ businesses have timely access capital to innovate and grow

**Strong and revitalised regions**

### This means...

- People and businesses thrive, irrespective of where they live or work
- Regions are connected and equipped with modern and resilient infrastructure
- Backing place-based comparative advantages and innovation strengths

**Enable a step change for Māori and Pacific economies**

### This means...

- Higher economic, social, environmental and cultural wellbeing
- As partners, the Crown and Māori have strong, ongoing and effective relationships
- Success in business, education, employment, regions and land use

**Sustainable and affordable energy systems**

### This means...

- Businesses and households can access affordable, clean energy to achieve our economic potential
- Establishing New Zealand's foothold in high-value clean energy systems and exporting our know-how to the world
- Meeting New Zealand's climate change targets by driving emissions reductions

**Land and resource use delivers greater value and improves environmental outcomes**

### This means...

- Shifting land use to higher value use while maintaining and improving our environment
- Redesigning our activities to minimise waste
- Transitioning to a low emissions economy

**Transform our housing market to unlock productivity growth and make houses more affordable**

### This means...

- Overcoming the shortage of housing and focusing capital investment towards more productive areas of our economy
- Current and future generations can access affordable housing in the places they desire close to the best jobs for them
- A productive building and construction sector producing safe, healthy and durable homes and buildings



# INITIATIVES TO SHIFT OUR ECONOMY



The NZ economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive



People are skilled, adaptable and have access to lifelong learning



Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets



Strong and revitalised regions



Enable a step change for Māori and Pacific economies



Sustainable and affordable energy systems



Land and resource use delivers greater value and improves environmental outcomes



Transform our housing market to unlock productivity and make houses more affordable

## Examples of contributing initiatives

- > Industry Transformation Plans
- > Research, Science and Innovation Strategy
- > R&D Tax Incentive and broader tax treatment of innovation
- > Trade for All agenda
- > Small Business Strategy
- > Callaghan Innovation services and grants
- > Trade negotiations agenda
- > Future of Work Tripartite Forum
- > NZTE F700 programme
- > Reforming government procurement
- > Small business tax simplification
- > Reform of Vocational Education
- > Active labour market programmes – such as Mana in Mahi and He Poutama Rangatahi
- > First year fees-free education and training
- > Changes to temporary work visas
- > Tomorrow's Schools review
- > Employment Strategy and Action Plan
- > Just Transitions programme
- > Strengthening NCEA
- > Welfare overhaul
- > School Leavers' Toolkit and Career System Strategy
- > Establishing regional skills leadership groups
- > Strengthening labour relations and lifting minimum standards
- > Investment in early stage capital markets
- > Infrastructure Commission
- > Green Investment Fund
- > Urban Growth Agenda: funding and financing options
- > Auckland City Rail Link
- > Government Policy Statement on Land Transport
- > Local Government funding and financing
- > Provincial Growth Fund Investments
- > KiwiRail and Interislander investments
- > Accelerated rural broadband and 5G rollout
- > One Billion Trees programme
- > Three Waters review
- > Local Government funding review
- > Upper North Island Supply Chain Strategy
- > Just Transitions programme
- > Biosecurity Act overhaul
- > Eradicating Mycoplasma bovis
- > Te Ara Whiri - Office for Māori Crown Relations
- > Whenua Māori programme
- > He Kai Kei Aki - Ringa - the Crown-Māori economic development strategy
- > Pacific Business Trust
- > He Tupu Ōhanga commercial advisors scheme and Kōkiri Māori business accelerator
- > NZTE Māori Export Programme
- > Māori Development and Māori Agribusiness funds
- > Tupu Aotearoa and Tupu Tai Internship programmes
- > Renewable Energy Strategy
- > Electricity Price Review
- > Low Emission Vehicles Contestable Fund
- > National New Energy Development Centre
- > Winter energy payment
- > Emissions Trading Scheme reform
- > Zero Carbon Bill and Climate Change Commission
- > Resource Management Act reform
- > Essential freshwater: healthy water, fairly allocated
- > Productive and Sustainable Land Use Package
- > Waste and resource efficiency work programme
- > Biodiversity Strategy
- > Crown Minerals Act reform
- > Urban Growth Agenda
- > KiwiBuild
- > Building system legislative reform
- > Residential Tenancies Act reforms
- > Healthy Homes Act
- > Resource Management Act reform
- > Warmer Kiwi Homes investment
- > Kāinga Ora
- > Construction Sector Accord
- > Improving tax settings for land use



## OUR VISION – WELLBEING FOR ALL NEW ZEALANDERS NOW AND IN THE FUTURE

New Zealand is a proud, small country located deep in the South Pacific, with an advanced economy. We are a progressive and innovative people – a nation who embrace new challenges and deliver new solutions to the world.

New Zealanders care about the wellbeing of our people and the health of our environment – we see ourselves as kaitiaki (guardians) of our land. That is why we are putting the health and wellbeing of our people and environment at the heart of how we manage the economy and measure success.

Wellbeing is when people are able to lead fulfilling lives with purpose, balance and meaning to them. Ensuring more New Zealanders enjoy good wellbeing requires tackling the long-term challenges we face as a country, improving the state of our environment, the strength of our communities and the performance of our economy. We have set four priorities to help us deliver a more our productive, sustainable and inclusive economy.

### We want to grow and share New Zealand's prosperity more fairly.

New Zealand is recognised as being one of the best places in the world to live. Wellbeing is high for New Zealanders overall, but the benefits of economic growth have been unevenly distributed.

Significant disparities exist with some parts of our society and regions faring worse on a number of wellbeing indicators including unemployment, income, health and educational attainment.

We want all New Zealanders to have equal opportunities to participate in an economy that is strongly connected to the world, and for all New Zealanders to share in the rewards and benefits of economic growth.

The best way we can raise the living standards of all New Zealanders in the long run is to work smarter not harder. We need to make sure we're identifying the new skills our current workforce needs as well as our future requirements. But this growth needs to be inclusive and sustainable, showing care for people and the environment.

### We want to transition to a clean, green, carbon-neutral New Zealand.

This Government is committed to making a just transition to a low-emissions economy, to lead by example and minimise New Zealand's contribution to climate change.

Our land, forests, waterways and oceans are the foundation of our society and economy and hold a special place in the hearts and minds of New Zealanders. They are critical for both current and future wellbeing.

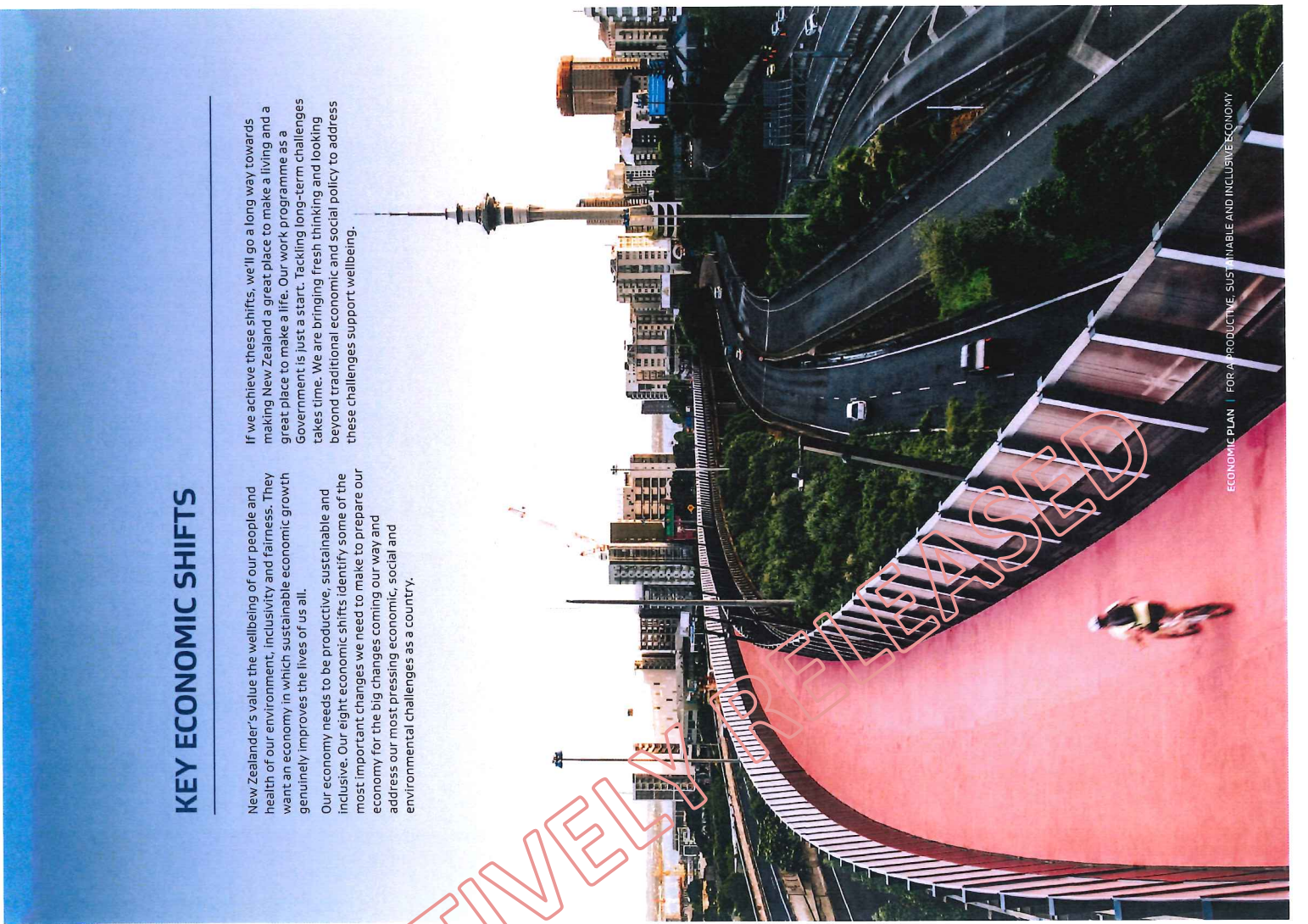
## KEY ECONOMIC SHIFTS

New Zealanders value the wellbeing of our people and health of our environment, inclusivity and fairness. They want an economy in which sustainable economic growth genuinely improves the lives of us all.

Our economy needs to be productive, sustainable and inclusive. Our eight economic shifts identify some of the most important changes we need to make to prepare our economy for the big changes coming our way and address our most pressing economic, social and environmental challenges as a country.

If we achieve these shifts, we'll go a long way towards making New Zealand a great place to make a living and a great place to make a life. Our work programme as a Government is just a start. Tackling long-term challenges takes time. We are bringing fresh thinking and looking beyond traditional economic and social policy to address these challenges support wellbeing.

PROACTIVELY APPROACHING





## The NZ economy moves from volume to value with Kiwi businesses, including SMEs, becoming more productive

New Zealand is renowned for our innovative and adaptable culture and our connectedness around the world. And our economy depends on cultivating this and encouraging Kiwi businesses to move from volume to value. This shift will see businesses innovate and compete more effectively as we face challenges such as new technology and climate change.

Our productivity challenge is complex and long-standing. We're encouraging innovative businesses and industries to take advantage of new technology and global markets and develop higher value products and services. Our aim is to lift R&D spending to 2% of GDP by 2027.

Innovation is at the heart of productivity growth and we want to ensure New Zealand businesses have access to R&D that underpins better products and ways of doing things.

### Examples of key initiatives:

- > **Industry Transformation Plans** – adding value to key sectors of our economy and leveraging new opportunities.
- > **R&D Tax Incentive** and our Research, Science and Innovation Strategy – ensuring business access and build knowledge and innovation.
- > **Trade for All agenda** – supporting New Zealand businesses make the most of international connections, and we grow the value and reach of our exports.
- > **Small Business Strategy** (forthcoming) – empowering small businesses to thrive.

### CASE STUDY: To come

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## People are skilled, adaptable and have access to lifelong learning

New Zealanders are a smart and ingenious people and we are highly skilled and qualified compared to many countries. However, there remains room for improvement to ensure both businesses and workers benefit from investment in skills, both now and in the future.

Some regions and sectors find it hard to get enough workers with the right skills, and others consistently fare poorly in traditional labour market measures. We're partnering with regions to address skill and workforce needs by launching active labour market policies and programmes. We're reforming our education and vocational education system and introducing new initiatives to get people into work. We're targeting our immigration processes to provide the workers and skills we need and working with businesses to reduce our reliance on low skilled migrants.

Automation and technology present new opportunities and new challenges for both businesses and workers. Change can be disruptive and we're facing this head on by working with businesses and unions to understand the future of work so that New Zealanders, young and old, can maintain, upgrade and adjust their skills over their working life.

We're working towards an education system that equips people with the desire and flexibility to keep learning. This is fundamental to our ability to adapt successfully to all the changes that are occurring.

New Zealanders want an education system that supports our learners to succeed in the workplace. We're working to ensure that all adults have access to high quality and affordable education and can engage in accessible learning throughout their working lives, meeting the changing skill needs of our economy as it evolves and helping us keep unemployment below 4%.

New Zealanders work hard and expect to be treated well and fairly. That is why we are working to ensure we have a productive and fair employment relations system that supports businesses, protects vulnerable workers and delivers fairness, safety and wellbeing at work.

### Examples of key initiatives:

- > **Reform of vocational education** – creating a strong, unified, sustainable system for all vocational education that delivers the skills that learners, employers and communities need to thrive.
- > **Active labour market programmes** – such as **Mana in Mahi** (Strength in Work) – supporting people to find and stay in work.
- > **Changes to temporary work visas** – incentivising and supporting business to employ more New Zealanders, and ensuring that access to migrant labour is available where there is genuine need.
- > **First year fees free** – making the first year of post-secondary school education and training free. New apprentices get their first two years of training fees-free.

## Free and frank opinions

# 03

## Deeper pools of capital are available to invest in infrastructure and grow New Zealand's productive assets

Smart investment, from infrastructure to innovative firms, supports a modern, resilient and connected economy.

New Zealanders are proud when our businesses succeed. Yet we know that New Zealand businesses of all sizes, particularly young firms and start-ups, face capital constraints and struggle to grow beyond their early stages. We also know this is often because they can't access funding.

Access to capital is the key to this. We're taking action to encourage investment that enables companies and assets achieve their potential. We're introducing reforms that give people the confidence to invest in New Zealand's home-grown talent and vision.

We want to build New Zealand ownership of assets, with both the Government and individual New Zealanders investing more in onshore infrastructure and firms.

We recognise that for New Zealand businesses to succeed in a global marketplace, we need to keep ahead of the latest technology and market developments. This enables our regions and businesses to connect internationally, access new markets and adopt global best practice, new technology and innovations.

**Examples of key initiatives:**

- > **Funding for early stage businesses** – introducing an early-stage capital fund to partner with private venture capital funds to invest in high-value innovative firms and start-ups so they can grow and scale in New Zealand.
- > **Infrastructure Commission** – ensuring New Zealand gets quality infrastructure investment to improve our long-term economic performance and social wellbeing.
- > **Green Investment Fund** – catalysing a private green investment market in New Zealand.



## Annex Three: Proposed case studies

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**Shift 1: The NZ economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive**

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Shift 2: People are skilled, adaptable and have access to lifelong learning

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Free and frank opinions

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Shift 3: Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets

Free and frank opinions



Shift 4: Strong and revitalised regions

Free and frank opinions

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Shift 5: Enable a step change for Māori and Pacific economies

Free and frank opinions

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Shift 6: Sustainable and affordable energy systems

Free and frank opinions



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Shift 7: Land and resource use delivers greater value and improves environmental outcomes

Free and frank opinions

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Shift 8: Transform our housing market to unlock productivity growth and make houses more affordable

Free and frank opinions

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Free and frank opinions

PROACTIVELY RELEASED



## Joint Report: Economic Strategy – Revised strategy and Cabinet Paper

|              |                  |                     |  |
|--------------|------------------|---------------------|--|
| <b>Date:</b> | 4 September 2019 | <b>Report No:</b>   | T2019/2532 (TSY)<br>BR 0760 19-20 (MBIE) |
|              |                  | <b>File Number:</b> | SH-11-1-3                                |

### Action Sought

|   | Action Sought  | Deadline                  |
|---|--|---------------------------|
| Minister of Finance<br>(Hon Grant Robertson)            | <b>Agree</b> to sign and lodge the attached Cabinet paper and <i>Economic Plan</i> (subject to minor design edits) for consideration at DEV on the 11 September  | Thursday 5 September 2019 |
| Minister for Economic Development<br>(Hon Phil Twyford) | <b>Agree</b> to sign and lodge the attached Cabinet paper and <i>Economic Plan</i> (subject to minor design edits) for consideration at DEV on the 11 September. | Thursday 5 September 2019 |

### Contact for telephone discussion (if required)

| Name              | Position   | Telephone                  | 1st Contact |
|-------------------|--|----------------------------|-------------|
| Scott Russell     | Senior Analyst, Economic Strategy and Productivity, The Treasury                 | Privacy of natural persons | N/A (mob) ✓ |
| Andrew Rutledge   | Manager, Economic Strategy and Productivity, The Treasury                        | Privacy of natural persons | N/A (mob)   |
| Joe Murray-Cullen | Senior Advisor, Strategic Policy, Ministry of Business Innovation and Employment | Privacy of natural persons | N/A (mob) ✓ |
| Hamish Wilson     | Manager, Strategic Policy, Ministry of Business Innovation and Employment        | Privacy of natural persons | N/A (mob)   |

### Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury and the Ministry of Business, Innovation and Employment. Lodge the attached Cabinet paper and Annexes (subject to minor design edits).

**Enclosure:** Yes

(attached)



## Joint Report: Economic Strategy – Revised strategy and Cabinet Paper

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### Purpose of Report

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1. This report provides a revised version of the *Economic Plan* and Cabinet paper. It incorporates feedback from Ministerial consultation and your meeting with officials on Monday 2 September.
2. We seek your agreement to lodge the attached Cabinet paper and *Economic Plan* (subject to any final changes) for consideration at DEV on Wednesday 11 September.

### Consultation and Changes

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3. We have worked with your offices in making changes to the *Economic Plan* in response to feedback from Ministerial consultation.
4. [REDACTED] Free and frank opinions [REDACTED]  
[REDACTED]  
[REDACTED]
5. The changes to the narrative include:
  - a. Referencing the importance of the freshwater and marine environment, and indigenous biodiversity in the “Our vision” section of the document (reflecting feedback from the Minister of Conservation).
  - b. Referencing the potential impacts of this Government’s employment relations policies in the “Our vision” and the “People are skilled, adaptable and have access to lifelong learning” sections of the document (reflecting feedback from the Minister for Workplace Relations).
6. We have also integrated the Minister of Finance’s feedback, including:
  - a. Integrating the agreed reworded section on macroeconomic and fiscal policy fundamentals.
  - b. Inserting a diagram in the “Our Vision” section to show the link between the *Economic Plan* and the Cabinet Priorities Committee (CPC) priorities.
7. There are two photos to be added, and some minor design improvements yet to be made of the *Economic Plan* attached to this briefing (Annex two). These changes will be completed Thursday morning, and will not change the content of the document. If you agree to lodge the paper, we can confirm the final design version with your offices for lodgement.

### Launch Logistics

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8. You have indicated that you want the launch to coincide with (launching either before or at) the Mood of the Boardroom in Auckland, on 24 September. We are continuing to work with your offices to finalise logistics for the launch. [REDACTED] Free and frank opinions [REDACTED]  
[REDACTED]  
[REDACTED]

### Next Steps and Timelines

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9. NZ Story are reflecting your feedback in the video to accompany the *Economic Plan*. They will share an updated version of this video with your offices early next week.

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10. Your next joint meeting with officials is 4:30 p.m., Monday 9 September. We will work with your offices to agree an agenda for this meeting.

**Key milestones for September release**

| Date                 | Item                          | Action sought                       |
|----------------------|-------------------------------|-------------------------------------|
| Thurs 5 Sept         | Joint DEV paper lodged        | Approve and lodge the Cabinet paper |
| Mon 9 Sept           | Sixth Joint Ministers meeting | -                                   |
| Wed 11 Sept          | DEV meeting                   | Approval                            |
| Mon 16 Sept          | CAB meeting                   | Approval                            |
| Thurs 17 Sept (12pm) | Deadline for printers         | -                                   |
| w/c 23 Sept          | <b>Launch date</b>            | -                                   |

**Annexes**

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*Annex One: Revised Cabinet paper*

*Annex Two: Revised Economic Plan*

**Recommended Action**

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We recommend that you:

- a **agree** to lodge the attached Cabinet paper and Economic plan (subject to any final changes) for consideration at DEV on Wednesday 11 September.

*Agree/disagree.*

Andrew Rutledge  
**Manager, Economic Strategy and Productivity, The Treasury**

Hamish Wilson  
**Manager, Strategic Policy, Ministry of Business Innovation and Employment**

Hon Grant Robertson  
**Minister of Finance**

Hon Phil Twyford  
**Minister for Economic Development**

**In Confidence**

Office of the Minister of Finance

Office of the Minister for Economic Development

Chair, Cabinet Economic Development Committee

**Launching the refreshed economic strategy: the Economic Plan**

**Proposal**

1. This paper seeks agreement to the refreshed economic strategy (the *Economic Plan*), and seeks agreement to launch the strategy in September 2019.

**Background**

2. In 2018 we confirmed our economic vision is to improve the wellbeing and living standards of New Zealanders by building a productive, sustainable and inclusive economy [CAB-18-MIN-0111; DEV-18-MIN-0222]. Throughout 2019 we have been discussing this vision, and how we are working to achieve it, in the Economic Development Cabinet Committee (DEV) [DEV-19-MIN-0107.01; DEV-19-MIN-0181; DEV-19-MIN-0215].
3. This reflects our commitment to putting the wellbeing of our people and the health of our environment at the centre of our thinking so that all New Zealanders benefit from growth, now and in future generations.
4. In 2018 we also launched the Business Partnership Agenda to set out the ways the Government was working with businesses to grow and improve the economy at the time.

**The need for a refreshed economic strategy**

5. While the domestic economy is currently performing well, it is facing increasing uncertainty from international headwinds, and businesses are signalling that they want greater visibility of the Government's economic policy agenda. We have heard the need for greater detail about how we will transition to a productive, sustainable and inclusive economy, over the next thirty years.
6. We have also achieved some major milestones as a Government including launching the first Wellbeing Budget, introducing the Zero Carbon Bill, and holding the first Just Transition Summit in Taranaki.
7. Now is the time to build upon, consolidate, and communicate the work we have done and our vision for the future, by launching our refreshed economic strategy, the *Economic Plan*.

## The Economic Plan

8. The *Economic Plan* (annexed) describes the Government's medium to long-term vision for the economy. It articulates the long-term economic challenges that we are focused on and how New Zealand's economy will need to change to address those challenges.
9. The *Economic Plan* is the product of our discussion in DEV over the past six months. It first reaffirms and articulates our vision for a productive, sustainable and inclusive economy including how it supports our overarching priorities (as agreed by the Cabinet Priorities Committee).
10. The *Economic Plan* will be important for delivering a number of CPC priority outcomes, and focusses particularly on supporting four outcomes:
  - 10.1. Grow and share New Zealand's prosperity;
  - 10.2. Support thriving sustainable regions;
  - 10.3. Transition to a clean, green and carbon-neutral New Zealand; and
  - 10.4. Deliver responsible governance with a broader measure of success.
11. The *Economic Plan* sets out eight key economic shifts that the Government will drive forward. These key shifts are the necessary changes needed to achieve our economic vision. They reflect the Government's strategic goals for the economy and are the product of consultation and discussions at DEV over the last few months.
12. The key economic shifts are:
  - 12.1. The New Zealand economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive;
  - 12.2. People are skilled, adaptable and have access to affordable lifelong learning;
  - 12.3. Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets;
  - 12.4. Strong and revitalised regions;
  - 12.5. Enable a step change for Māori and Pacific economies;
  - 12.6. Sustainable and affordable energy systems;
  - 12.7. Land and resource use delivers greater value and improves environmental outcomes; and
  - 12.8. Transform our housing market to unlock productivity growth and make houses more affordable.

13. The *Economic Plan* sets out the work already underway to drive each of these key economic shifts in the form of key initiatives presented under each shift. We acknowledge that these initiatives are the starting point for advancing the key economic shifts and that further work will be needed. There are also critical connections across the shifts. Some initiatives will enable multiple shifts, such as establishing the Infrastructure Commission, introducing the Zero Carbon Bill or reforming the Resource Management Act.
14. As our work programmes evolve and new initiatives are developed we will need to consider how they align to support key shifts within the *Economic Plan*.
15. Lastly, the *Economic Plan* explains how our wellbeing approach to policy will be used to measure success. The Minister of Finance intends to report on the state of the economy using both traditional economic measures and wellbeing indicators each year through the Budget's Wellbeing Outlook. This reflects our focus on measuring economic performance in terms of environmental and social outcomes for New Zealanders, not just outputs.

#### *Aligning our policies and efforts across the key economic shifts*

16. Achieving the key economic shifts will take time, and will require us to work closely and collaboratively.
17. As our work programmes advance in each of our portfolios and we develop further policies to deliver these shifts, Ministers should be aware of how their portfolio's policies will have implications for achieving other shifts. Where tensions and trade-offs arise, we (and our agencies) will need to continue working collaboratively to advance the *Economic Plan*. This extends the work we did in Budget 2019 to enhance collaboration across the public sector.
18. The forum currently available for discussing and addressing these trade-offs is the DEV Strategic Subcommittee, but we will continue to work on deepening cross-portfolio collaboration. We propose reporting back to Cabinet with further proposals on how to govern and implement the economic strategy.

#### **Consultation**

19. The Treasury and Ministry for Business, Innovation and Employment have prepared this Cabinet paper in consultation with the Ministry for the Environment, Ministry for Primary Industries, Ministry of Foreign Affairs and Trade, Ministry of Transport, Ministry of Housing and Urban Development, Inland Revenue, Ministry of Pacific Peoples, Department of Conservation, Te Puni Kokiri, Ministry of Education, Department of Internal Affairs, Callaghan Innovation and New Zealand Trade and Enterprise.
20. The Department of the Prime Minister and Cabinet has been informed.
21. The Future of Work Forum, the Prime Minister's Business Advisory Council, and the Māori Economic Development Advisory Board were consulted in the development of the *Economic Plan*.



### Financial Implications

22. There are no financial implications.

### Legislative Implications

23. There are no legislative implications.

### Impact Analysis

24. A regulatory impact analysis is not required.

### Human Rights

25. The Government's economic strategy is consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

### Gender Implications

26. The Government's economic strategy aims to create a productive, sustainable and inclusive economy. An inclusive economy will mean people being able to participate in the economy fully, and free from gender discrimination.

### Publicity

27. The Minister of Finance and Minister for Economic Development will launch the *Economic Plan* publicly on the 23 of September 2019.

28. Following the launch, Ministers should begin using the language of the *Economic Plan* (including the eight key economic shifts), for public communication of economic policies and initiatives. This will help communicate clearly how the Government's economic policy agenda is advancing.

### Proactive Release

29. We propose releasing this paper proactively shortly after the strategy is launched, subject to redaction as appropriate under the Official Information Act 1982.

### Recommendations

The Minister of Finance and Minister for Economic Development recommend that the Committee:

1. **approve** the attached economic strategy, the *Economic Plan*;
2. **note** the strategy reaffirms our vision for a productive, sustainable and inclusive economy;
3. **note** that strategy describes the eight key economic shifts which support the transition to a productive, sustainable and inclusive economy;
  - 3.1. The New Zealand economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive;

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- 3.2. People are skilled, adaptable and have access to affordable lifelong learning;
  - 3.3. Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets;
  - 3.4. Strong and revitalised regions;
  - 3.5. Enable a step change for Māori and Pacific economies;
  - 3.6. Sustainable and affordable energy systems;
  - 3.7. Land and resource use delivers greater value and improves environmental outcomes; and
  - 3.8. Transform our housing market to unlock productivity growth and make houses more affordable.
4. **Note** that the Government plans measure the success of the strategy by reporting on how the economy is performing through the Wellbeing Outlook.
  5. **Agree** that the Minister of Finance and Minister for Economic Development launch the *Economic Plan* in September 2019;
  6. **Invite** the Minister of Finance and Minister for Economic Development to report back with further proposals for implementing the economic strategy.

Authorised for lodgement

Hon Grant Robertson  
**Minister of Finance**

Hon Phil Twyford  
**Minister for Economic Development**

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# Economic Plan

FOR A PRODUCTIVE, SUSTAINABLE  
AND INCLUSIVE ECONOMY

SEPTEMBER 2019



Free and frank opinions





# FOREWORD: POSITIONING NEW ZEALAND FOR THE FUTURE

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This Government has an ambitious goal of improving the wellbeing and living standards of all New Zealanders now, and for future generations.

We aspire to be a country where all New Zealanders reach their potential. A country where business, workers and Government work together to foster innovation and encourage transformational, sustainable growth.

New Zealand's strong economic fundamentals lay the foundation for achieving sustainable growth. The economy continues to grow faster than our international peers and we have near record low unemployment. The Government continues to run a surplus and keep debt under control. Our enviable economy has roots in agriculture, horticulture, forestry and tourism, and we proudly share our success in these sectors with the world.

While these sectors will continue to serve us well, we're facing challenging times and must build our resilience. We must widen our focus and mitigate against and prepare for the impacts of climate change; international pressure and headwinds; the changing face of New Zealand's population; technological advancements

PROACTIVELY RELEASED





and new ways of working; and the digital revolution sparking innovation at a rate not previously seen.

New Zealanders value the wellbeing of our people and the health of our environment, inclusivity and fairness. This care extends to everything we do and everything we create. What we do, and how we do it, matters. We see the economy, the environment, our people, and our communities as deeply interconnected. This Government will not trade one off for another. We're making decisions to protect our unique environment and heritage for generations to come, and be world leaders on environmental issues and climate change.

We have a unique opportunity to build on our strengths and boldly reshape our economy. This Economic Plan builds on our strong foundations and sets out a clear path to build a more productive, sustainable and inclusive future for New Zealand. It identifies eight key shifts that we believe are required to transform our economy and seize local and international opportunities presented by rapid change.

The shifts we're tackling will not take place overnight, and the future is highly uncertain. However, we are being more deliberate to ensure people and businesses have the opportunities they need to adapt to new working environments and respond confidently and rapidly to change.

We can't do this on our own. It's essential we partner with business, communities, workers and iwi on what has been seen as too hard for too long. By working together, we will build an economy that delivers for all New Zealanders.

Success is making New Zealand a great place to make a living and a great place to make a life. Now, and for future generations.





# OUR VISION – WELLBEING FOR ALL NEW ZEALANDERS NOW AND IN THE FUTURE

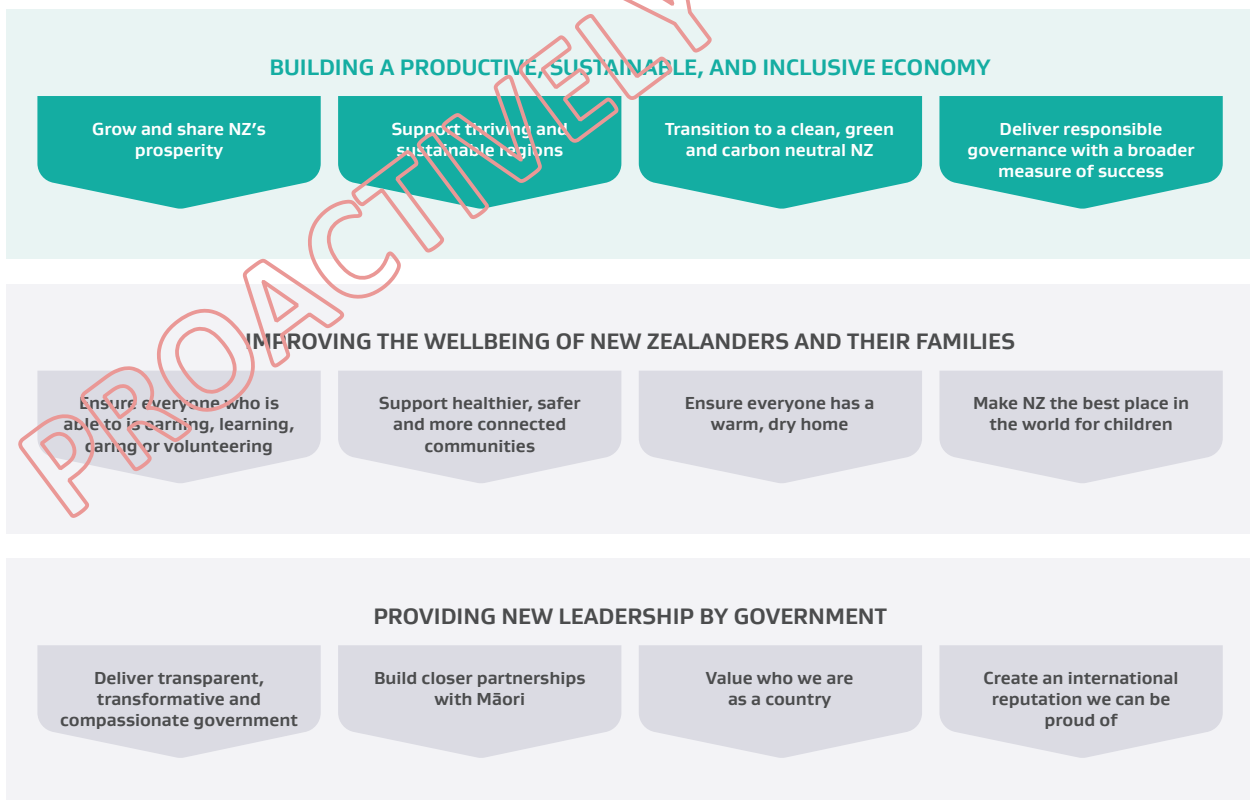
New Zealand is a proud, small country located deep in the South Pacific, with an advanced economy. We are a progressive and innovative people – a nation who embrace new challenges and deliver new solutions to the world.

New Zealanders care about the wellbeing of our people and the health of our environment – we see ourselves as kaitiaki (guardians) of our land. That is why we are putting the health and wellbeing of our people and environment at the heart of how we manage the economy and measure success.

Wellbeing is when people are able to lead fulfilling lives with purpose, balance and meaning to them. Ensuring more New Zealanders enjoy good wellbeing requires tackling the long-term challenges we face as a country, improving the state of our environment, the strength of our communities and the performance of our economy.

Last year the Government released Our Plan, for a modern New Zealand we can all be proud of. It looks thirty years ahead, not just three, focussing on tackling big challenges to life wellbeing for current and future generations.

## Our Government’s Priorities for New Zealand



Our Economic Plan directly focuses on four priorities to help us deliver a more productive, sustainable and inclusive economy. It will also help us to achieve our wider priorities, such as ensuring everyone has a warm, dry home and ensuring everyone who is able is earning, learning, caring or volunteering.

### **We want to grow and share New Zealand's prosperity more fairly.**

New Zealand is recognised as being one of the best places in the world to live. Wellbeing is high for New Zealanders overall, but the benefits of economic growth have been unevenly distributed.

Significant disparities exist with some parts of our society and regions faring worse on some wellbeing indicators including unemployment, income, health and educational attainment.

We want all New Zealanders to have equal opportunities to participate in an economy that is strongly connected to the world, and for all New Zealanders to share in the rewards and benefits of economic growth.

The best way we can raise the living standards of all New Zealanders in the long run is to work smarter not harder. This means increasing our skill levels to improve our productivity, and support higher incomes for all New Zealanders. We must ensure our education system and labour market settings encourage investment in the new skills our workforce needs, now and for the future. Economic growth must be inclusive and sustainable, showing care for people and the environment.

### **We want to transition to a clean, green, carbon-neutral New Zealand.**

This Government is committed to making a just transition to a low-emissions economy, to lead by example and minimise New Zealand's contribution to climate change.

Our land, forests, fresh water, marine environment and indigenous biodiversity are the foundation of our society and economy and hold a special place in the hearts and minds of New Zealanders. They are at the heart of our success, livelihoods and wellbeing as New Zealanders. They are valuable for their own sake, and provide us with clean water, pollination, flood protection, food production, and the landscapes that are the backbone of our economy.

Our focus is on how we support our people, places and businesses to use our resources more sustainably through the smart use of technology, education, regulation and investment.

We must work together to positively change how we live, work, do business and play. Progressively reversing existing environmental damage and protecting nature for ourselves and for future generations.

### **We want to support thriving and sustainable regions.**

We want people to prosper and have opportunities no matter where they live. Regions are home for many New Zealanders, and where some of our major industries are located.

When people and businesses do well, their place does well. We're unlocking the potential of our regions to create an environment where they thrive as much as our big cities. We're building resilient and sustainable infrastructure that enables our regions and supports a modern and connected economy across New Zealand.

### **We want to deliver responsible government with a broader measure of success**

As a country, we cannot achieve these goals and aspirations by continuing with the status quo. We must do things differently, and measure our success more holistically. We know that what gets measured gets managed so over the past two years we've changed our measures of success to put wellbeing at the heart of what we do.

Our wellbeing approach is built around the Living Standards Framework, and its four capitals – financial/physical, human, natural and social. Measures of current wellbeing and the state of these four capitals are being tracked through the Living Standards Framework Dashboard.

Our Economic Plan lays out our ambitious vision to improve living standards for current and future generations by transitioning our economy to be productive, sustainable and inclusive.

The Government remains focused on building a strong foundation for our economy through strong macroeconomic, monetary and fiscal policy settings. Our fiscal management approach – running surpluses and keeping debt under control – ensures we are resilient and prepared for disasters and shocks. We are improving our institutional settings to support a modern New Zealand economy that benefits all New Zealanders. We have amended the Reserve Bank Act to focus on employment as well as price stability and improving the banking system to better protect New Zealanders' savings.

Our commitment to being financially disciplined will ensure we build a resilient economy that benefits all New Zealanders, now and for future generations.

## OUR VISION

TO BUILD A PRODUCTIVE, SUSTAINABLE AND INCLUSIVE ECONOMY  
TO IMPROVE THE WELLBEING AND LIVELIHOODS OF ALL NEW ZEALANDERS

Grow and share NZ's prosperity

Support thriving and sustainable regions

## THE KEY ECONOMIC SHIFTS WE NEED



The NZ economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive

### This means...

- › Building on our existing strengths and international connections to leverage new opportunities in domestic and international markets
- › Investing in new technology and being at the forefront of digital innovation including to drive mitigation and adaptation to climate change
- › Thriving and dynamic small, medium and large enterprises



People are skilled, adaptable and have access to lifelong learning

### This means...

- › Businesses can access the skills and labour when and where they need it
- › People continually updating the skills they need for success in the future of work
- › Productive and fair employment



Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets

### This means...

- › We have the modern infrastructure we need to enable our transition to a low emissions economy
- › Kiwis have confidence to invest in innovative NZ firms
- › Regions and businesses have access to the world's knowledge and innovation through stronger international connections
- › NZ businesses have timely access capital to innovate and grow



Strong and revitalised regions

### This means...

- › People and businesses thrive, irrespective of where they live or work
- › Regions are connected and equipped with modern and resilient infrastructure
- › Backing place-based comparative advantages and innovation strengths

# SUSTAINABLE AND INCLUSIVE ECONOMY RAISING STANDARDS OF ALL NEW ZEALANDERS

Transition to a clean, green  
and carbon neutral NZ

Deliver responsible governance  
with a broader measure  
of success

## KEY ACTIONS TO ACHIEVE OUR VISION ARE...



Enable a step  
change for Māori  
and Pacific  
economies

### This means...

- › Higher economic, social, environmental and cultural wellbeing
- › As partners, the Crown and Māori have strong, ongoing and effective relationships
- › Success in business, education, employment, regions and land use



Sustainable and  
affordable energy  
systems

### This means...

- › Businesses and households can access affordable, clean energy to achieve our economic potential
- › Establishing New Zealand's foothold in high-value clean energy systems and exporting our know-how to the world
- › Meeting New Zealand's climate change targets by driving emissions reductions



Land and resource  
use delivers greater  
value and improves  
environmental  
outcomes

### This means...

- › Shifting land use to higher value use while maintaining and improving our environment
- › Redesigning our activities to minimise waste
- › Transitioning to a low emissions economy



Transform our  
housing market to  
unlock productivity  
growth and make  
houses more  
affordable

### This means...

- › Overcoming the shortage of housing and focusing capital investment towards more productive areas of our economy
- › Current and future generations can access affordable housing in the places they desire close to the best jobs for them
- › A productive building and construction sector producing safe, healthy and durable homes and buildings

# INITIATIVES TO SHIFT OUR ECONOMY



The NZ economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive



People are skilled, adaptable and have access to lifelong learning



Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets



Strong and revitalised regions

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## Examples of contr

- › Industry Transformation Plans
- › Research, Science and Innovation Strategy
- › R&D Tax Incentive and broader tax treatment of innovation
- › Trade For All agenda
- › Small Business Strategy
- › Callaghan Innovation services and grants
- › Trade negotiations agenda
- › Future of Work Tripartite Forum
- › NZTE customer focus programme
- › Reforming government procurement
- › Small business tax simplification

- › Reform of Vocational Education
- › Active labour market programmes – such as Mana in Mahi and He Poutama Rangatahi
- › First year fees-free education and training
- › Changes to temporary work visas
- › Tomorrow's Schools review
- › Employment Strategy and Action Plan
- › Just Transitions programme
- › Strengthening NCEA
- › Welfare overhaul
- › School Leavers' Toolkit and Career System Strategy
- › Establishing regional skills leadership groups
- › Strengthening labour relations and lifting minimum standards

- › Investment in early stage capital markets
- › Infrastructure Commission
- › Green Investment Fund
- › Urban Growth Agenda: funding and financing options
- › Auckland City Rail Link
- › Government Policy Statement on Land Transport
- › Local Government funding and financing
- › NZTE Investment matching

- › Provincial Growth Fund investments
- › KiwiRail and Interislander investments
- › Accelerated rural broadband and 5G rollout
- › One Billion Trees programme
- › Three Waters review
- › Local Government funding review
- › Upper North Island Supply Chain Strategy
- › Just Transitions programme
- › Biosecurity Act overhaul
- › Eradicating Mycoplasma bovis





**Enable a step change for Māori and Pacific economies**



**Sustainable and affordable energy systems**



**Land and resource use delivers greater value and improves environmental outcomes**



**Transform our housing market to unlock productivity growth and make houses more affordable**

## Contributing initiatives

- › Te Arawhiti – Office for Māori Crown Relations
- › Whenua Māori programme
- › He Kai Kei Aku Ringa - the Crown-Māori economic development strategy
- › Pacific Business Trust
- › He Tupu Ohanga commercial advisors scheme and Kōkiri Māori business accelerator
- › NZTE Māori customer focus
- › Māori Development and Māori Agribusiness funds
- › Tupu Aotearoa and Tupu Tai Internship programmes

- › Renewable Energy Strategy
- › Electricity Price Review
- › Low Emission Vehicles Contestable Fund
- › National New Energy Development Centre
- › Winter energy payment

- › Emissions Trading Scheme reform
- › Zero Carbon Bill and Climate Change Commission
- › Resource Management Act reform
- › Essential freshwater: healthy water, fairly allocated
- › Productive and Sustainable Land Use Package
- › Waste and resource efficiency work programme
- › Biodiversity Strategy
- › Crown Minerals Act reform

- › Urban Growth Agenda
- › Kiwibuild
- › Building system legislative reform
- › Residential Tenancies Act reforms
- › Healthy Homes Act
- › Resource Management Act reform
- › Warmer Kiwi Homes investment
- › Kāinga Ora
- › Construction Sector Accord
- › Improving tax settings for land use



## KEY ECONOMIC SHIFTS

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New Zealanders value the wellbeing of our people and health of our environment, inclusivity and fairness. New Zealanders want an economy in which sustainable economic growth genuinely improves the lives of us all.

Our economy must be productive, sustainable and inclusive. Our eight economic shifts identify some of the most important changes we must make to prepare our economy for the big changes coming our way and address our most pressing economic, social and environmental challenges as a country.

If we achieve these shifts, we'll go a long way towards making New Zealand a great place to make a living and a great place to make a life. Our work programme as a Government is just a start. Tackling long-term challenges takes time. We are bringing fresh thinking and looking beyond traditional economic and social policy to address these challenges support wellbeing.









# 01

## The NZ economy moves from volume to value with Kiwi businesses, including SMEs, becoming more productive

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New Zealand is renowned for our innovative and adaptable culture and our connectedness around the world. And our economy depends on cultivating this and encouraging Kiwi businesses to move from volume to value.

This shift will see businesses innovate and compete more effectively as we face challenges such as new technology and climate change.

Our productivity challenge is complex and long-standing. We're encouraging innovative businesses and industries to take advantage of new technology and global markets and develop higher value products and services. Our aim is to lift R&D spending to 2% of GDP by 2027. Innovation is at the heart of productivity growth and we want to ensure New Zealand businesses have access to R&D that underpins better products and ways of doing things.

Key to realising our vision is making New Zealand a great place to do business. That's why we are partnering with our sectors to transform their industries. It's also why we are taking action to reduce compliance costs and make Government better for business – improving and connecting government services and modernising our regulation and systems.

New Zealand is a trading nation and we want all New Zealanders to benefit from trade. We are building stronger international connections so that kiwi businesses get better access to markets around the world – not just for goods, services and investments, but also for people and ideas. At the same time, we are supporting businesses to get the most from trade and grow the value and reach of our exports.

### Examples of key initiatives:

- › **Industry Transformation Plans** – adding value to key sectors of our economy and leveraging new opportunities.
- › **R&D Tax Incentive** and our Research, Science and Innovation Strategy – ensuring business access and build knowledge and innovation.
- › **Trade for All** agenda – supporting New Zealand businesses make the most of international connections, and we grow the value and reach of our exports
- › **Small Business Strategy** (forthcoming) – empowering small businesses to thrive.

### CASE STUDY: **Fingermark** – a Kiwi technology export success story

Fingermark is a global tech company based in Havelock North leading the development of applied Computer Vision and Deep Learning products. Fingermark designs, builds and manufactures leading-edge innovative solutions to help organisations streamline operations and enhance customer experience.

CEO Luke Irving says Fingermark creates technology that gives businesses data “they never knew they needed.”

Fingermark's high potential US export strategy centres around collaboration with global tech giants. Together, they solve problems for four of the top ten biggest fast food brands in the world. Adept at using advanced digital tools, Fingermark leverages computer vision, the Internet of Things (IoT) and artificial intelligence to remove business bottle necks, drive efficiencies and ultimately, grow bottom lines for businesses around the world.

“Fingermark have for years leveraged the support of both Callahan Innovation and NZTE to help speed up our growth in both R&D and global expansion.” Fingermark also uses the FernMark to mark its unique kiwi roots and ingenuity.

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## People are skilled, adaptable and have access to lifelong learning

We are highly skilled and qualified compared to many countries. Some regions and sectors find it hard to get enough workers with the right skills, and others consistently fare poorly in traditional labour market measures.

We're partnering with regions to address skill and workforce needs by launching active labour market policies and programmes. We're reforming our education and vocational education system and introducing new initiatives to get people into work. We're targeting our immigration processes to provide the workers and skills we need and working with businesses to reduce our reliance on low skilled migrants.

Automation and technology present new opportunities and new challenges for both businesses and workers. Change can be disruptive and we're facing this head on by working with businesses and unions to understand the future of work so that New Zealanders, young and old, can maintain, upgrade and adjust their skills over their working life.

We're working towards an education system that equips people with the desire and flexibility to keep learning. This is fundamental to our ability to adapt successfully to all the changes that are occurring.

New Zealanders want an education system that supports our learners to succeed in the workplace. We're working to ensure that all adults have access to high quality and affordable education and can engage in accessible learning throughout their working lives, meeting the changing skill needs of our economy as it evolves and helping us keep unemployment below 4%.

New Zealanders work hard and expect to be treated well and fairly. That is why we are working to ensure we have a productive, fair and rewarding employment relations system. A system that supports businesses and protects vulnerable workers. A system that delivers fairness, safety and wellbeing at work. A system that ensures people receive a fair day's pay for a fair day's work.

### Examples of key initiatives:

- › **Reform of vocational education** – creating a strong, unified, sustainable system for all vocational education that delivers the skills that learners, employers and communities need to thrive.

- › **Active labour market programmes** – such as **Mana in Mahi** (Strength in Work) - supporting people to find and stay in work.
- › **Changes to temporary work visas** – incentivising and supporting business to employ more New Zealanders, and ensuring that access to migrant labour is available where there is genuine need.
- › **First year fees free** – making the first year of post-secondary school education and training free. New apprentices get their first two years of training fees-free.

### CASE STUDY: Opōtiki community comes together to support local rangatahi

Opōtiki's community and the Government are backing local rangatahi who are working towards future careers in the construction industry. He Poutama Rangatahi has funded a pre-apprenticeship programme at Opōtiki College, and local businesses Motu Trails Trust, Mitre 10 Opōtiki and Bunnings Whakatane donated materials and tools. The programme provides training and mentoring to help students gain a formal apprenticeship after school, with the support of four staff who are currently helping them build three one-bedroom units.

Deputy Principal Jenny Mays, interviewed by One News recently, says the school's staff are delighted with the response from the local community and the uptake of the course from students.

"In this close-knit community, we make things happen together. We have students on the programme who started to disengage with mainstream school and were at risk of dropping out without achieving their NCEA goals or gaining sustainable employment. Since moving to the He Poutama Rangatahi programme, they're actively involved, staying late and volunteering to come in outside class time.



## Deeper pools of capital are available to invest in infrastructure and grow New Zealand's productive assets

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Smart investment, from infrastructure to innovative firms, supports a modern, resilient and connected economy.

New Zealanders are proud when our businesses succeed. Yet we know that New Zealand businesses of all sizes, particularly young firms and start-ups, face capital constraints and struggle to grow beyond their early stages. We also know this is often because they can't access funding.

Improving access to capital is vital. We're taking action to encourage investment to enable our companies and assets to achieve their potential. We're also introducing reforms that give people the confidence to invest in New Zealand's home-grown talent and vision.

We want to build New Zealand ownership of assets, with both the Government and individual New Zealanders investing more in onshore infrastructure and firms.

We recognise that for New Zealand businesses to succeed in a global marketplace, we must keep ahead of the latest technology and market developments. We are focused on enabling our regions and businesses to connect internationally, and adopt global best practice, new technology and innovations.

### Examples of key initiatives:

- › **Funding for early stage businesses** – introducing an early-stage capital fund to partner with private venture capital funds to invest in high-value innovative firms and start-ups so they can grow and scale in New Zealand.
- › **Infrastructure Commission** – ensuring New Zealand gets quality infrastructure investment to improve our long-term economic performance and social wellbeing.
- › **Green Investment Fund** – catalysing a private green investment market in New Zealand.

### CASE STUDY: Innovative new approach to fund infrastructure enables 9,000 new homes north of Auckland

The Government is looking at developing alternative financing models for infrastructure as part of its Urban Growth Agenda. The aim is to create opportunities to accelerate investment in local government projects that would otherwise struggle to be funded.

The ability of some local authorities to build infrastructure for new housing developments is being constrained by the costs and impact on debt levels.

At Milldale, a development north of Auckland, Crown Infrastructure Partners teamed up with Auckland Council and Fulton Hogan to establish an alternative financing model to fund infrastructure for 9,000 new homes. The Milldale model uses a Special Purpose Vehicle for the project that allows debt to be raised without going on Auckland Council's balance sheet. This enables capital to be raised independent of the Council. The Council will repay this debt over time by collecting additional rates from section and apartment owners.

The Government is building on the Milldale model as it continues to develop new funding approaches. These new models will deepen our capital markets for infrastructure, allowing private investment in new infrastructure, and accelerate much needed housing development. In this case, the result was 9,000 more homes built and 9,000 families housed.

"It's a big step towards meeting Auckland's housing needs" says Auckland Mayor Phil Goff of the Milldale development.









# 04

## Strong and revitalised regional economies

Provincial New Zealand is the heartland of Aotearoa, and home to some of our most creative and innovative people. Much of New Zealand's economy rests on the successes of the regions.

New Zealand's regions have their own unique strengths and advantages, and face different challenges and opportunities. Some regions of New Zealand are thriving, whereas others consistently experience lower economic and social outcomes. They may face higher unemployment and lower productivity, or lack of investment in infrastructure and other critical things they need to boost their economy.

We want to address this. We're committed to fairly sharing the benefits of a strong economy so that people and businesses in our regions thrive.

We're investing to support regional businesses to grow, and building the infrastructure regions need to participate in a modern economy, such as rail, road, ports and communications.

No matter where they live and what their background is, every New Zealander can participate in and benefit from an economy that is sustainable, inclusive and productive.

### Examples of key initiatives:

- › **Provincial Growth Fund** - ensuring people and businesses all over New Zealand have the resources they need to reach their potential.
- › **Enabling infrastructure** - building infrastructure, such as rural broadband and KiwiRail, that regions need to participate in a modern economy
- › **One Billion Trees** - working with our regions and partners to support planting of one billion trees by 2028.

### CASE STUDY: Putauaki Trust, Kawerau Industrial Hub

The Provincial Growth Fund Te Tuawhenua (PGF) is investing \$20m in infrastructure improvements needed for businesses to access Māori trust land that will be used to create a new industrial hub and employment opportunities for local whānau.

The project involves development of a bi-modal freight distribution hub (road and rail) adjacent to a new large-scale industrial subdivision, which will enable co-location of factories that process nearby resources (e.g. forestry).

Once completed, the Putauaki Trust Kawerau Industrial Hub will provide at least 150 new jobs, attract new businesses and investment to the region, and have the potential to boost the productivity of the wider eastern Bay of Plenty. Shane Jones said "Kawerau has always been an industry-based town and upgrading the transport and associated infrastructure will help attract new businesses and create the right environment for existing companies to invest and expand in the region"

The Putauaki Trust is owned by approximately 800 shareholders - predominately descendants of Te Pahipoto, hapu of Ngati Awa of Te Teko. The Trust aims to create financial wealth to enable the cultural, social, environmental and economic aspirations of the shareholders and beneficiaries to be achieved, while also ensuring the land is protected as a taonga tuku iho.

# 05

## Enable a step-change for the Māori and Pacific New Zealand economies

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### Enabling a step-change in the Māori economy

We recognise that whānau-led initiatives hold the key to bringing about a step-change in the Māori economy. Our Government is committed to supporting whānau, hapū and iwi to lift economic, social, environmental and cultural wellbeing.

We'll do this by ensuring we have strong partnerships with Māori, cross-agency collaboration and supporting the outcomes in He kai kei aku ringa. We're focusing on improving employment and developing a highly skilled Māori workforce. We're investing in our rangatahi and in programmes that have a greater community focus. We want to grow Māori enterprises and are supporting digital innovation and connectedness.

We want to help Māori achieve their whenua Māori aspirations, which is why helping Māori access the capital and expertise they need is a focus. Through Te Puni Kokiri and Te Arawhiti, we're building the Crown's capability and capacity to partner effectively with Māori and make us accessible throughout the regions.

### Enabling a step-change in the Pacific New Zealand economy

We're committed to helping our Pacific peoples build on their cultural and economic strengths. Pacific people bring an international connectivity, spirit of innovation, and broad-natured perspective of value that the government wants to support and grow.

We want Pacific people to grow their prosperity, wellbeing and living standards. We're supporting Pacific enterprises to thrive and make the best use of the unique entrepreneurial and innovative potential of Pacific peoples in our economy.

By enhancing Pacific peoples' participation as business owners, employees and trainees across all career stages we can lift wellbeing and support Pacific New Zealand to thrive.

### Examples of key initiatives:

- › **Te Arawhiti** – Office for Māori Crown Relations - fostering strong, ongoing and effective relationships with Māori across Government
- › **Government procurement** – working to provide opportunities for Māori and Pacific New Zealand businesses to access contracts from the \$41 billion we spend each year in Government procurement.
- › **Whenua Māori** (Māori land) – enabling Māori to realise the potential of their land.
- › **He Kai Kei Aku Ringa** - working in partnership with the Māori Economic Development Advisory Board to deliver the Māori economic development strategy.
- › **Pacific Business Trust** - supporting and growing Pacific enterprises



## CASE STUDY: Robotics Plus collaborative approach to agritech innovation a winner

Tauranga-based Robotics Plus is on a mission to help industry meet increasing agricultural demands, including labour shortages globally, by developing sophisticated and precision robotics and automation technologies that transform agricultural industries.

Robotics Plus co-founder and chairman Steve Saunders says a driving motivation is 'helping to feed the world in a sustainable way'. "It's estimated we will need to feed 10 billion mouths by 2050 and labour is becoming one of the biggest constraints to meeting that challenge, especially in the speciality crop food supply system. Our goal is solving those very simple labour pain points in horticulture, and other areas such as forestry, using automation, robotics and sensing technologies."

Over the past 18 months Robotics Plus has commercially launched its robotic Āporo apple packer worldwide, and its industry-changing Robotic Scaling Machines (RSM) which accurately measure logs on trucks. Its development efforts, which also include a number of other innovations, are well supported by partners and investors, including Yamaha Motor Co. Ltd. (Japan).

Māori heritage has played an important role in Robotics Plus' development. The company's core values are 'he aronga nui' (pioneering), 'manaakitanga' (collaboration), 'tika me te pono' (principled) and 'kaitiakitangi' (stewardship) says Saunders. "Importantly, these values also resonate strongly with our local and international partners, who are helping us to scale our technologies globally."

Robotics Plus' robotic Āporo apple packer won the New Zealand Trade & Enterprise (NZTE) Most Innovative Hi-Tech Agritech Solution and the company was named Callaghan Innovation Hi-Tech Kamupene Maori o te Tau - Maori Company of the Year at the 2019 NZ Hi-Tech Awards. "I was rapt that these awards, which recognise the dedication of our staff, partners and supporters, were presented by NZTE and Callaghan Innovation. They have been very supportive of our growth and innovation plans, along with MBIE, MPI and Te Puni Kokiri," says Saunders.

Robotics Plus also has important research relationships with the University of Waikato, the University of Auckland, Massey University, Plant & Food Research and PlantTech.



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# 06

## Sustainable and affordable energy system

Energy powers our economy – it drives our transport systems, fuels our jobs and enables our businesses to produce and deliver a huge variety of goods and services.

New Zealanders are leading the world in clean energy, with 82% of our electricity coming from renewable sources. But this isn't enough. We're challenging ourselves to reduce our reliance on fossil fuels across several industries.

As we make more use of technology and automation, supporting businesses to access low cost and clean energy is critical to our economic success. We've made a start, but we can't sit still. We have to develop our own sustainable energy technologies, continue to innovate, and explore ways to make efficient use of our energy resources. We must also back our businesses establishing footholds in fast-growing global "clean energy" industries and capitalise on our research lead in energy generation and utilisation.

New Zealanders rely on energy to heat and power our homes and fuel our cars and buses. We're conscious of the harm our energy use is doing to our environment and the impact on global warming. That's why we're focussing on shifting to a more environmentally sustainable energy system in a way that is affordable for us all. All of this is critical to getting to net-zero CO<sub>2</sub> and lifting renewable electricity generation to 100% within a normal hydrological year by 2035.

Young New Zealanders have been out on the streets in record numbers protesting lack of action on climate change and our Prime Minister has said that tackling climate change is New Zealand's nuclear free moment. We're showing global leadership by taking decisive action on climate change while creating jobs, and reducing emissions while ensuring energy is affordable.

### Examples of key initiatives:

- › **Renewable Energy Strategy** – outlining actions to achieve an affordable, secure and sustainable energy system.
- › **Electricity Pricing** – responding to the Electricity Price Review
- › **Transport electrification** and **low emissions** policies
- › **National New Energy Development Centre** – supporting the development, demonstration, uptake and use of new energy technologies

### CASE STUDY: Charting our way towards a more renewable energy system

The Government's Renewable Energy Strategy is looking to address barriers to investment, support the uptake of new technology, and transition to a clean, green and carbon neutral economy by 2050. Energy Minister Megan Woods says "Our government's goal is to decarbonise our economy while keeping electricity costs low for consumers and creating new jobs in renewable energy."

The Government is establishing a National New Energy Development Centre in Taranaki. The centre will support new energy technology to be developed and commercialised and connect industry, government, research and leaders. We are backing this with a new fund for research into cutting edge energy technology, looking into the likes of organic photovoltaics, super conductors, nanotechnologies and inductive power.

The Government is also backing companies pioneering clean energy solutions through the Provincial Growth Fund. These include our investments in Hiringa Energy; dedicated to the supply of green hydrogen, and Eco Gas; focused on converting organic food waste into energy and bio-fertiliser.



# 07

## Land and resource use delivers greater value and improves environmental outcomes

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Kaitiakitanga, ingenuity, integrity and respect define who we are as New Zealanders - we care about everything we do and everything we create. We recognise that the wellbeing of our people and the health of our environment are directly impacted by how we use our land, water, oceans and resources.

We're working to support businesses to use our land and resources in a way that is good for our environment, good for our businesses, good for our workers and good for our future.

We understand that businesses don't need more red tape and empty words. We also understand that New Zealand is a pioneer and innovator in food and beverage and agritech.

That is why we are partnering with our food and fibre sectors to use science, technology and business practices that boost productivity and reduce emissions and pollution. This is critical to meeting our target of net-zero CO<sub>2</sub> and a 24 – 47% reduction in biological methane emissions by 2050.

We are focused on supporting our primary sectors to contribute to our economy for the long term. We know that consumers are increasingly demanding food and fibre produced with integrity. We are backing our primary sector to lead the world in providing sustainable and natural food, fibres and bioproducts. Supplying innovative high-value products made with integrity when it comes to people, animal welfare, waste and the environment. We're investing now to build our brand as a clean, green country.

Like most of the developed world, our economy produces a lot of waste – some of which can be bad for business, bad for the environment and bad for people. We need to focus on sustainable materials and processes and redesign our activities to produce less waste. This won't happen overnight – but with government support for innovation, smart regulation, and ongoing dialogue, these changes can be effective and enduring, and result in career opportunities and job roles that don't exist today.

### Examples of key initiatives:

- › **Zero Carbon Bill and changes to the Emissions Trading Scheme** - ambitious reforms to transition to a low emissions economy.
- › **Improving our Resource Management** – making the RMA easier for New Zealanders to understand and engage with.
- › **Urban Growth Agenda** – removing barriers to land supply and infrastructure and supporting productive and sustainable land use in urban areas.
- › **Essential freshwater reforms and sustainable land use package** - improving the health of our waterways and wetlands and providing support for farmers and growers to use their land more sustainably.
- › **Waste and resource efficiency work programme** – supporting New Zealand's transition to a circular economy.



## CASE STUDY: Partnering to grow our craft beer industry

Craft beer presents a creative, innovative way to use our resources – our high-quality hops, beautiful water, and terrific malt – creating a high value product, with a lower environmental impact.

Hāpi Research Ltd has partnered with the Ministry for Primary Industries (MPI) to deliver Hāpi – Brewing Success, a \$13.25 million, 7-year project funded through of the Government's Sustainable Food and Fibre Futures fund. The aim is to help growers and brewers to explore new possibilities for our hop growing and craft beer industries and support development of high-value, premium products from regional businesses.

Hāpi Research Ltd is a joint venture between Garage Project, a leading Wellington craft brewer, and Freestyle Farms, a leading Nelson hop farm. "Our project will pursue research to enhance and differentiate super-premium hop and craft beer markets and boost the growth of both industries," says Freestyle Farms director David Dunbar. "By collaborating across industries we'll accelerate development of unique Kiwi hops, promote uniquely New Zealand craft beer, and open up new areas to hop growing."

Hop growing will be supported by research on new precision agriculture practices and processing methods, and licensing for the hops will be limited to New Zealand growers – ensuring intellectual property and expertise it develops is retained in New Zealand..

Garage Project co-founder Jos Ruffell adds, "Our aspiration is to develop the resources and tools for domestic and export success along the lines of what our wine industry has achieved – elevating New Zealand craft beer to a sustainable global brand that commands premium pricing across all markets."

If successful, the project could increase revenue from hops and craft beer by \$171m per annum by 2027, largely driven by exports, and create 835 new jobs across the hop growing and craft brewing industries.

In addition to this project, we are partnering with our craft beer industry to help them to grow and share their unique products with the world drawing on customer insights and industry successes, highlighted in our recent NZTE report 'Craft Beer – Turning on the Export Tap'.

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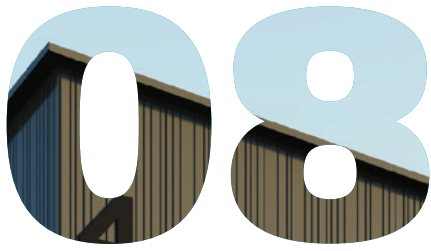




**From render to reality  
in 9 months**







## Transform our housing market to unlock productivity growth and make houses more affordable

A safe, warm, dry home or where is important for New Zealanders – whether owning or renting. Where we live, our turangawaewae, is central to wellbeing – we want New Zealanders to have choice in where they live, learn and work, and make it easier for workers to live close to the best jobs for them.

Our housing and urban development system has been under pressure for some time now. We are focused on addressing dysfunction and getting more houses built that are affordable for New Zealanders to rent or own. We want to reduce the debt and rental burden on our businesses and households from high house prices and rents. Our people should not be stressed about housing affordability or insecure tenure, nor should their health be affected by unsafe homes.

We know that New Zealand's high house prices have diverted capital into the housing market and away from more productive uses. We need this capital to helping businesses to innovate, invest in new technology and pursue growth opportunities. High housing costs can also make it difficult for businesses and people to move to areas where there are better opportunities.

We're focused on increasing our housing supply to better meet demand and tackling long-standing failures at every point in the system. We are working to improve land supply; cut unnecessary red tape; and direct overseas housing investment into productive uses. Our rental focus will ensure renters have more secure, healthy and affordable homes. Our work with the construction sector supports smart developments, lower construction costs and more safe, healthy and durable homes. We are planning for future growth with local government and investing in infrastructure.

### Examples of key initiatives:

- › **Urban Growth Agenda** – working to get our urban markets working so they can respond to growth, improve urban land affordability, and support thriving communities.
- › **Kiwibuild** – Assisting first home buyers who have been locked out of our housing market to buy their first home [TBC]
- › **Reforming our building system** – establishing a productive building and construction sector that produce safe, durable homes and buildings.

### CASE STUDY: Productive partnership to deliver new homes

Kiwibuild and NZ Living Ltd are transforming New Zealand's housing market, unlocking productivity growth, and together, they're reigniting the dream of first-home-ownership for Aucklanders. Innovative thinking in the design and construction phases results in high quality, affordable, well-located, medium-density homes that are incredibly robust, low-maintenance and liveable over the long-term.

NZ Living is using smart construction techniques which reduce the time it takes to get all the design and consenting paperwork done, lower costs and speed up construction. This is medium-density housing done well – located close to public transport hubs, open spaces and ground level apartments to include elderly, disabled and young families. Many of NZ Living's buildings are built to a Homestar 6 rating, providing quality assurance that a house will be warm, dry, healthy and cheap to run. All of this means these homes will be comfortable and low maintenance for buyers to live in long-term.

The deal between KiwiBuild and NZ Living has resulted in 144 homes, 97 of them KiwiBuild, that would otherwise not have been built or would have taken much longer to build. "What KiwiBuild does is enables you to on-sell apartments while you're building. That's quite different to most cases. Typically, developers need to achieve a threshold of pre-sales before starting, adding up to 12 months to any project. But KiwiBuild projects can be done by developers in half the time of the usual market-orientated projects."

# REDEFINING HOW WE MEASURE SUCCESS TO FOCUS ON WHAT MATTERS FOR NEW ZEALANDERS

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New Zealanders want us to measure success in line with their values – the wellbeing of our people, the health of environment and the strength of our economy.

We recognise that in the past while we've seen improvements in standard measures of economic success – such as our GDP growth – for many New Zealanders, this did not translate into higher living standards or better opportunities. We need to ensure long-term economic success in an inclusive, not exclusive way.

That's why we've built a comprehensive suite of economic social, cultural and environmental indicators to measure how well our economy is performing. These will help us monitor the wellbeing of the current generation, what we're leaving behind for future generations and how our actions are having impact over the medium term.

There's no single way to capture the complexity of the economy, but by widening our focus we can get important feedback about progress on our key economic shifts, and understand more about the impact we're having for New Zealanders.

We've made a start with StatsNZ's Indicators Aotearoa New Zealand and the Treasury's Living Standards Framework Dashboard and we'll keep building on this work to ensure that it reflects New Zealanders' values and focusses our attention on what matters.

We will report on how well the economy is performing for New Zealand using both traditional economic indicators and wellbeing indicators each year, through the Budget Policy Statement and the Wellbeing Outlook in the Budget. These documents will provide an overview of what the indicators are telling us about the strengths and weaknesses of the economy.

You can find more about the Living Standards Framework Dashboard and StatsNZ's Indicators Aotearoa New Zealand at [treasury.govt.nz/information-and-services/nz-economy/living-standards](https://treasury.govt.nz/information-and-services/nz-economy/living-standards) and <https://wellbeingindicators.stats.govt.nz>



# HOW WELLBEING INDICATORS DRAWN FROM THE LIVING STANDARDS FRAMEWORK DASHBOARD ALIGN TO KEY ECONOMIC SHIFTS

| Key economic shifts  | LSF Dashboard Measures   | Source and update frequency   |
|--|--|---|
| The NZ economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive | <p><b>Current wellbeing</b></p> <ol style="list-style-type: none"> <li>1. Disposable income</li> <li>2. Consumption</li> </ol> <p>Future wellbeing</p> <ol style="list-style-type: none"> <li>3. Multifactor productivity growth</li> </ol>  | <ol style="list-style-type: none"> <li>1. MSD, Household incomes in NZ (Annual)</li> <li>2. Treasury analysis of Household economic survey (four yearly)</li> <li>3. Stats NZ, Productivity Statistics (Annual)</li> </ol>  |
| People are skilled, adaptable and have access to lifelong learning                                       | <p><b>Current wellbeing</b></p> <ol style="list-style-type: none"> <li>1. Unemployment rate</li> <li>2. Employment rate</li> <li>3. Hourly earnings</li> <li>4. Educational attainment (tertiary)</li> <li>5. Educational attainment (upper secondary)</li> <li>6. Cognitive skills at age 15</li> </ol> <p><b>Future wellbeing</b></p> <ol style="list-style-type: none"> <li>7. Educational attainment (tertiary)</li> <li>8. Educational attainment (upper secondary)</li> <li>9. Cognitive skills at age 15</li> <li>10. Expected</li> </ol> | <ol style="list-style-type: none"> <li>1. Stats NZ, HLF5, (Quarterly)</li> <li>2. Stats NZ, HLF5 (Quarterly)</li> <li>3. Stats NZ, HLF5 and Labour cost index (Quarterly)</li> <li>4. Stats NZ, HLF5 and MSD data (Annual)</li> <li>5. Stats NZ, HLF5 and MSD data (Annual)</li> <li>6. OECD, Programme for International Student Assessment survey (Three yearly)</li> <li>7. Stats NZ, HLF5 and MSD data (Annual)</li> <li>8. Stats NZ, HLF5 and MSD data (Annual)</li> <li>9. OECD, Programme for International Student Assessment survey (Three yearly)</li> <li>10. OECD, How's Life, (Approx. every two years)</li> </ol> |

| Key economic shifts  | LSF Dashboard Measures  | Source and update frequency  |
|--|---|--|
| Deeper pools of capital are available to invest in infrastructure and grow New Zealand's productive assets | <b>Future wellbeing</b> <ol style="list-style-type: none"> <li>Total net fixed assets</li> <li>Net intangible fixed assets</li> <li>Household net worth</li> <li>Multifactor productivity growth</li> <li>Net international investment position</li> <li>Total Crown net worth</li> <li><i>Foreign Direct Investment</i></li> </ol>   | <ol style="list-style-type: none"> <li>Treasury analysis of National Accounts Capital Stock tables (Annual)</li> <li>Treasury analysis of National Accounts Capital Stock tables (Annual)</li> <li>OECD, How's Life, (Approx every two years)</li> <li>Stats NZ, Productivity Statistics (Annual)</li> <li>Stats NZ, Balance of Payments (Annual)</li> <li>Treasury, Fiscal Time Series Horizontal indicators (Annual)</li> <li><i>IANZ only Stats NZ, Balance of Payments (Annual)</i></li> </ol> |
| Strong and revitalised regions   | <b>Current wellbeing</b> <ol style="list-style-type: none"> <li>Periodic wellbeing analyses of regions</li> <li>Regional GDP statistics are available from Stats NZ.</li> </ol>   | <ol style="list-style-type: none"> <li>Stats NZ, General Social Survey (every two years).</li> </ol>   |
| Enable a step change in Māori and Pacific economies  | <b>Current wellbeing</b><br>Periodic wellbeing analysis of Māori as a demographic group   | Stats NZ, General Social Survey (every two years)  |
| Sustainable and affordable energy system   | There is currently no directly relevant LSF indicator.  | This shift will impact wellbeing over the medium term (approx. 10–20 years), and impacts will be felt across a wide range of indicators.   |
| Land and resource use delivers greater value and improves environmental outcomes                           | <b>Current wellbeing</b> <ol style="list-style-type: none"> <li>Water quality (swimmability)</li> <li>Perceived environmental quality</li> </ol> <b>Future wellbeing</b> <ol style="list-style-type: none"> <li>Climate regulation</li> <li>Sustainable food production</li> <li>Biodiversity and genetic resources (Number of threatened species likely to benefit from ecosystem management in at least one site).</li> <li>Kg of waste per capita</li> </ol> | <ol style="list-style-type: none"> <li>MFE, Swimmability data (unclear frequency)</li> <li>Lincoln University data (unclear frequency)</li> <li>MFE, Greenhouse gas inventory (Annual)</li> <li>Stats NZ and MFE, Average soil testing results (unclear frequency)</li> <li>Department of Conservation, (Annual)</li> <li>MFE, Review of the Waste disposal levy (unclear frequency)</li> </ol>  |
| Transform our housing market to unlock productivity growth and make houses more affordable                 | <b>Current wellbeing</b> <ol style="list-style-type: none"> <li>Household crowding</li> <li>Housing cost</li> <li>Housing quality</li> </ol>  | <ol style="list-style-type: none"> <li>Census data (Five yearly)</li> <li>MSD, Household incomes in NZ (Annual)</li> <li>Stats NZ, General Social Survey (two yearly)</li> </ol>   |

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ISBN PRINT XXXXXXXXXXXX  
ISSN ONLINE XXXXXXXXXXXX



Reference: T2019/2180 SH-11-1-3  
MBIE: 0782 19-20

Date: 6 September 2019

To: Minister of Finance (Hon Grant Robertson)  
Minister for Economic Development (Hon Phil Twyford)

Deadline: You are meeting on 9 September 2019

## **Joint Aide Memoire: Updated *Economic Plan***

This note provides you with the version of the *Economic Plan* lodged with your Cabinet paper for discussion at DEV on 11 September 2019.

### **Revisions to the *Economic Plan***

Following our earlier advice (T2019/2532 refers) we have made some minor design improvements to the *Economic Plan*. This includes updates to some photos, including on the cover page.

We have also replaced the wellbeing indicators at the end of the narrative with the most current version. This included removing some of the less robust indicators, and improving alignment with Indicators Aotearoa New Zealand.

We have made minor textual changes following further quality assurance.

### **NZ Story video**

NZ Story is finalising their video to accompany the release of the *Economic Plan* in line with your feedback. We will share the latest version of the video ahead of your meeting with officials on Monday 9 September 2019.

### **Next steps**

Your next meeting with officials is on Monday 9 September at 4.30pm. This will be an opportunity to

- discuss any final issues raised through consultation prior to the DEV discussion on 11 September;
- provide feedback on any further design (including the revised photos) or content improvements you may wish to make to the *Economic Plan*;
- provide feedback on the latest version of the NZ Story video.



**Key milestones for September release**

| <b>Date</b>          | <b>Item</b>                   | <b>Action sought</b>  |
|----------------------|-------------------------------|---|
| Mon 9 Sept           | Sixth Joint Ministers meeting | Provide further feedback on the <i>Economic Plan</i> and NZ Story video |
| Wed 11 Sept          | DEV meeting                   | Approval  |
| Mon 16 Sept          | CAB meeting                   | Approval  |
| Thurs 17 Sept (12pm) | Deadline for printers         | -   |
| 23 Sept              | Launch date                   | -   |

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 Erin King, Team Leader, Economic Strategy and Productivity, Privacy of natural  
 natural persons  
 persons

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 persons



# Economic Plan

FOR A PRODUCTIVE, SUSTAINABLE  
AND INCLUSIVE ECONOMY

SEPTEMBER 2019





# FOREWORD: POSITIONING NEW ZEALAND FOR THE FUTURE

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This Government has an ambitious goal of improving the wellbeing and living standards of all New Zealanders now, and for future generations.

We aspire to be a country where all New Zealanders reach their potential. A country where business, workers and Government work together to foster innovation and encourage transformational, sustainable growth.

New Zealand's strong economic fundamentals lay the foundation for achieving sustainable growth. Our economy continues to grow faster than our international peers and we have near record low unemployment. The government continues to run a surplus and keep debt under control. Our enviable economy has roots in agriculture, horticulture, forestry and tourism, and we proudly share our success in these sectors with the world.

While these sectors will continue to serve us well, we're facing challenging times and must build our resilience. We must widen our focus and mitigate against and prepare for the impacts of climate change; international pressure and headwinds; the changing face of New Zealand's population; technological advancements

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and new ways of working; and the digital revolution sparking innovation at a rate not previously seen.

New Zealanders value the wellbeing of our people and the health of our environment, inclusivity and fairness. This care extends to everything we do and everything we create. What we do, and how we do it, matters. We see the economy, the environment, our people, and our communities as deeply interconnected. This Government will not trade one off for another. We're making decisions to protect our unique environment and heritage for generations to come, and be world leaders on environmental issues and climate change.

We have a unique opportunity to build on our strengths and boldly reshape our economy. This Economic Plan builds on our strong foundations and sets out a clear path to build a more productive, sustainable and inclusive future for New Zealand. It identifies eight key shifts that we believe are required to transform our economy and seize local and international opportunities presented by rapid change.

The shifts we're tackling will not take place overnight, and the future is highly uncertain. However, we are being more deliberate to ensure people and businesses have the opportunities they need to adapt to new working environments and respond confidently and rapidly to change.

We can't do this on our own. It's essential we partner with business, communities, workers and iwi on what has been seen as too hard for too long. By working together, we will build an economy that delivers for all New Zealanders.

Success is making New Zealand a great place to make a living and a great place to make a life. Now, and for future generations.



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# OUR VISION – WELLBEING FOR ALL NEW ZEALANDERS NOW AND IN THE FUTURE

New Zealand is a proud, small country located deep in the South Pacific, with an advanced economy. We are a progressive and innovative people – a nation who embrace new challenges and deliver new solutions to the world.

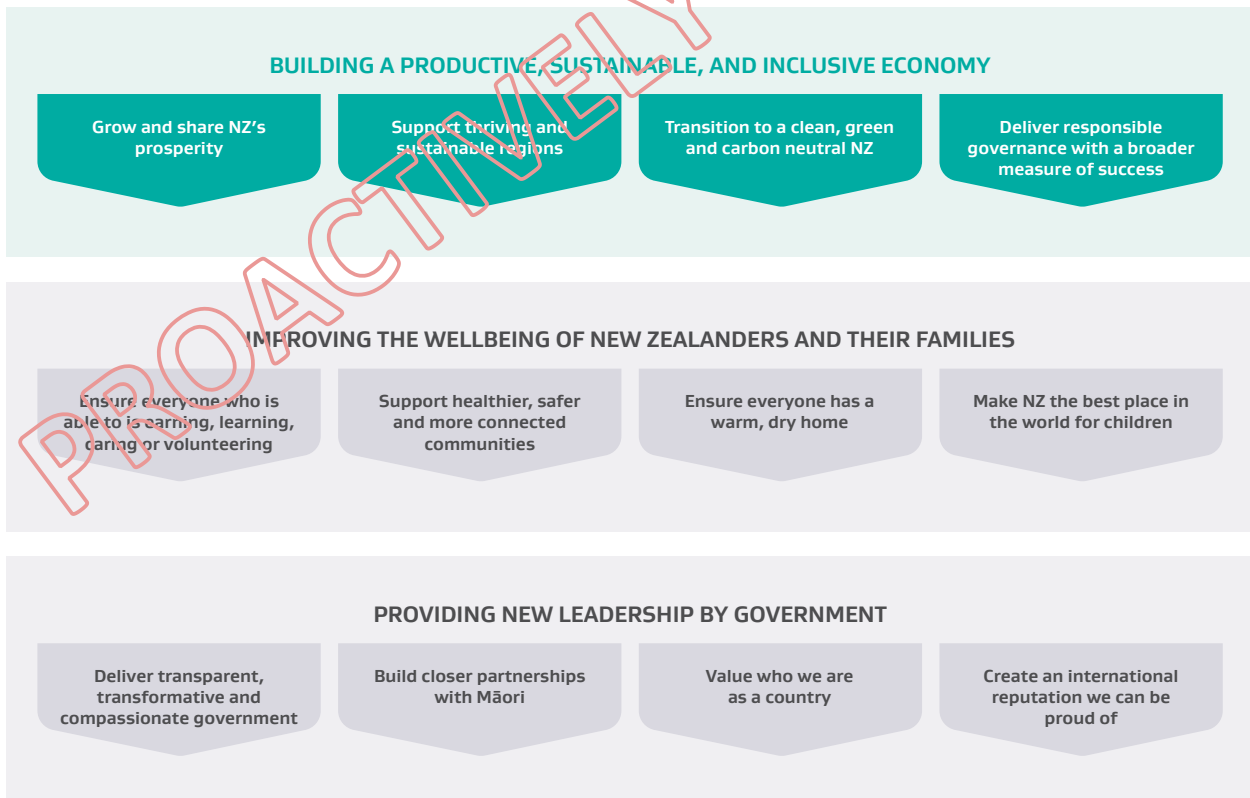
New Zealanders care about the wellbeing of our people and the health of our environment – we see ourselves as kaitiaki (guardians) of our land. That is why we are putting the health and wellbeing of our people and environment at the heart of how we manage the economy and measure success.

Wellbeing is when people are able to lead fulfilling lives with purpose, balance and meaning to them. Ensuring more New Zealanders enjoy good wellbeing requires tackling the long-term challenges we face as a country, improving the state of our environment, the strength of our communities and the performance of our economy.

Last year the Government released [Our Plan](#) for a modern New Zealand we can all be proud of. It looks thirty years ahead, not just three, focusing on tackling big challenges to lift wellbeing for current and future generations.

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## Our Priorities for New Zealand





Our Economic Plan directly focuses on four priorities to help us deliver a more productive, sustainable and inclusive economy. It will also help us to achieve our wider priorities, such as ensuring everyone has a warm, dry home and ensuring everyone who is able is earning, learning, caring or volunteering.

### **We want to grow and share New Zealand's prosperity more fairly.**

New Zealand is recognised as being one of the best places in the world to live. Wellbeing is high for New Zealanders overall, but the benefits of economic growth have been unevenly distributed.

Significant disparities exist with some parts of our society and regions faring worse on some wellbeing indicators including unemployment, income, health and educational attainment.

We want all New Zealanders to have equal opportunities to participate in an economy that is strongly connected to the world, and for all New Zealanders to share in the rewards and benefits of economic growth.

The best way we can raise the living standards of all New Zealanders in the long run is to work smarter not harder. This means increasing our skill levels to improve our productivity, and support higher incomes for all New Zealanders. We must ensure our education system and labour market settings encourage investment in the new skills our workforce needs now and for the future. Economic growth must be inclusive and sustainable, showing care for people and the environment.

### **We want to transition to a clean, green, carbon-neutral New Zealand.**

This Government is committed to making a just transition to a low-emissions economy, to lead by example and minimise New Zealand's contribution to climate change.

Our land, forests, fresh water, marine environment and indigenous biodiversity are the foundation of our society and economy and hold a special place in the hearts and minds of New Zealanders. They are at the heart of our success, livelihoods and wellbeing as New Zealanders. They are valuable for their own sake, and provide us with clean water, food production, and the landscapes that are the backbone of our economy.

Our focus is on how we support our people, places and businesses to use our resources more sustainably through the smart use of technology, education, regulation and investment.

We must work together to positively change how we live, work, do business and play. Progressively reversing existing environmental damage and protecting nature for ourselves and for future generations.

### **We want thriving and sustainable regions.**

We want people to prosper and have opportunities no matter where they live. Regions are home for many New Zealanders, and where some of our major industries are located.

When people and businesses do well, their place does well. We're unlocking the potential of our regions to create an environment where they thrive as much as our big cities. We're building resilient and sustainable infrastructure that enables our regions and supports a modern and connected economy across New Zealand.

### **We want to deliver responsible government with a broader measure of success.**

As a country, we cannot achieve these goals and aspirations by continuing with the status quo. We must do things differently, and measure our success more holistically. We know that what gets measured gets managed so over the past two years we've changed our measures of success to put wellbeing at the heart of what we do.

Our wellbeing approach is built around the Living Standards Framework, and its four capitals – financial/physical, human, natural and social. Measures of current wellbeing and the state of these four capitals are being tracked through the Living standards Framework Dashboard.

Our Economic Plan lays out our ambitious vision to improve living standards for current and future generations by transitioning our economy to be productive, sustainable and inclusive.

The Government remains focused on building a strong foundation for our economy through strong macroeconomic, monetary and fiscal policy settings. Our fiscal management approach – running surpluses and keeping debt under control – ensures we are resilient and prepared for disasters and shocks.

We are improving our institutional settings to support a modern New Zealand economy that benefits all New Zealanders. We have amended the Reserve Bank Act to focus on employment as well as price stability and improving the banking system to better protect New Zealanders' savings.

Our commitment to being financially disciplined will ensure we build a resilient economy that benefits all New Zealanders, now and for future generations.

## OUR VISION

TO BUILD A PRODUCTIVE, SUSTAINABLE ECONOMY  
TO IMPROVE THE WELLBEING AND LIVELIHOODS OF ALL NEW ZEALANDERS

Grow and share NZ's prosperity

Support thriving and sustainable regions

## THE KEY ECONOMIC SHIFTS WE NEED



The NZ economy moves from volume to value with Kiwi businesses, including SMEs, becoming more productive

### This means...

- › Building on our existing strengths and international connections to leverage new opportunities in domestic and international markets
- › Investing in new technology and being at the forefront of digital innovation including to drive mitigation and adaptation to climate change
- › Thriving and dynamic small, medium and large enterprises



People are skilled, adaptable and have access to lifelong learning

### This means...

- › Businesses can access the skills and labour when and where they need it
- › People continually updating the skills they need for success in the future of work
- › Productive and fair employment



Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets

### This means...

- › We have the modern infrastructure we need to enable our transition to a low emissions economy
- › Kiwis have confidence to invest in innovative NZ firms
- › Regions and businesses have access to the world's knowledge and innovation through stronger international connections
- › NZ businesses have timely access to capital to innovate and grow



Strong and revitalised regions

### This means...

- › People and businesses thrive, irrespective of where they live or work
- › Regions are connected and equipped with modern and resilient infrastructure
- › Backing place-based comparative advantages and innovation strengths

# SUSTAINABLE AND INCLUSIVE ECONOMY RAISING STANDARDS OF ALL NEW ZEALANDERS

Transition to a clean, green  
and carbon neutral NZ

Deliver responsible governance  
with a broader measure  
of success

## KEY ACTIONS TO ACHIEVE OUR VISION ARE...



Enable a step  
change for Māori  
and Pacific  
economies

### This means...

- › Higher economic, social, environmental and cultural wellbeing
- › As partners, the Crown and Māori have strong, ongoing and effective relationships
- › Success in business, education, employment, regions and land use



Sustainable and  
affordable energy  
systems

### This means...

- › Businesses and households can access affordable, clean energy to achieve our economic potential
- › Establishing New Zealand's foothold in high-value clean energy systems and exporting our know-how to the world
- › Meeting New Zealand's climate change targets by driving emissions reductions



Land and resource  
use delivers greater  
value and improves  
environmental  
outcomes

### This means...

- › Shifting land use to higher value use while maintaining and improving our environment
- › Redesigning our activities to minimise waste
- › Transitioning to a low emissions economy



Transform our  
housing market to  
unlock productivity  
growth and make  
houses more  
affordable

### This means...

- › Overcoming the shortage of housing and focusing capital investment towards more productive areas of our economy
- › Current and future generations can access affordable housing in the places they desire close to the best jobs for them
- › A productive building and construction sector producing safe, healthy and durable homes and buildings

# INITIATIVES TO SHIFT OUR ECONOMY



The NZ economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive



People are skilled, adaptable and have access to lifelong learning



Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets



Strong and revitalised regions

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## Examples of contr

- › Industry Transformation Plans
- › Research, Science and Innovation Strategy
- › R&D Tax Incentive and broader tax treatment of innovation
- › Trade For All agenda
- › Small Business Strategy
- › Callaghan Innovation services and grants
- › Trade negotiations agenda
- › Future of Work Tripartite Forum
- › NZTE customer focus programme
- › Reforming government procurement
- › Small business tax simplification

- › Reform of Vocational Education
- › Active labour market programmes – such as Mana in Mahi and He Poutama Rangatahi
- › First year fees-free education and training
- › Changes to temporary work visas
- › Tomorrow's Schools review
- › Employment Strategy and Action Plan
- › Just Transitions programme
- › Strengthening NCEA
- › Welfare overhaul
- › School Leavers' Toolkit and Career System Strategy
- › Establishing regional skills leadership groups
- › Strengthening labour relations and lifting minimum standards

- › Investment in early stage capital markets
- › Infrastructure Commission
- › Green Investment Fund
- › Urban Growth Agenda: funding and financing options
- › Auckland City Rail Link
- › Government Policy Statement on Land Transport
- › Local Government funding and financing
- › NZTE Investment matching

- › Provincial Growth Fund investments
- › KiwiRail and Interislander investments
- › Accelerated rural broadband and 5G rollout
- › One Billion Trees programme
- › Three Waters review
- › Local Government funding review
- › Upper North Island Supply Chain Strategy
- › Just Transitions programme
- › Biosecurity Act overhaul
- › Eradicating Mycoplasma bovis



**Enable a step change for Māori and Pacific economies**



**Sustainable and affordable energy systems**



**Land and resource use delivers greater value and improves environmental outcomes**



**Transform our housing market to unlock productivity growth and make houses more affordable**

## Contributing initiatives

- › Te Arawhiti – Office for Māori Crown Relations
- › Whenua Māori programme
- › He Kai Kei Aku Ringa - the Crown-Māori economic development strategy
- › Pacific Business Trust
- › He Tupu Ōhanga commercial advisors scheme and Kōkiri Māori business accelerator
- › NZTE Māori customer focus
- › Māori Development and Māori Agribusiness funds
- › Tupu Aotearoa and Tupu Tai Internship programmes

- › Renewable Energy Strategy
- › Electricity Price Review
- › Low Emission Vehicles Contestable Fund
- › National New Energy Development Centre
- › Winter energy payment

- › Emissions Trading Scheme reform
- › Zero Carbon Bill and Climate Change Commission
- › Resource Management Act reform
- › Essential freshwater: healthy water, fairly allocated
- › Productive and Sustainable Land Use Package
- › Waste and resource efficiency work programme
- › Biodiversity Strategy
- › Crown Minerals Act reform

- › Urban Growth Agenda
- › Kiwibuild
- › Building system legislative reform
- › Residential Tenancies Act reforms
- › Healthy Homes Act
- › Resource Management Act reform
- › Warmer Kiwi Homes investment
- › Kāinga Ora
- › Construction Sector Accord
- › Improving tax settings for land use



## KEY ECONOMIC SHIFTS

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New Zealanders value the wellbeing of our people and health of our environment, inclusivity and fairness. New Zealanders want an economy in which sustainable economic growth genuinely improves the lives of us all.

Our economy must be productive, sustainable and inclusive. Our eight economic shifts identify some of the most important changes we must make to prepare our economy for the big changes coming our way and address our most pressing economic, social and environmental challenges as a country.

If we achieve these shifts, we'll go a long way towards making New Zealand a great place to make a living 'great place to make a living and make a life. Our work programme as a Government is just a start. Tackling long-term challenges takes time. We are bringing fresh thinking and looking beyond traditional economic and social policy to address these challenges and support wellbeing.









# The NZ economy moves from volume to value with Kiwi businesses, including SMEs, becoming more productive

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New Zealand is renowned for our innovative and adaptable culture and our connectedness around the world. Our economy depends on cultivating this and encouraging Kiwi businesses to move from volume to value.

This shift will see businesses innovate and compete more effectively as we face challenges such as new technology and climate change.

Our productivity challenge is complex and long-standing. We're encouraging innovative businesses and industries to take advantage of new technology and global markets and develop higher value products and services. Our aim is to lift R&D spending to 2% of GDP by 2027. Innovation is at the heart of productivity growth and we want to ensure New Zealand businesses have access to R&D that underpins better products and ways of doing things.

Key to realising our vision is making New Zealand a great place to do business. That's why we are partnering with our sectors to transform their industries. It's also why we are taking action to reduce compliance costs and make government better for business – improving and connecting government services and modernising our regulation and systems.

New Zealand is a trading nation and we want all New Zealanders to benefit from trade. We are building stronger international connections so that Kiwi businesses get better access to markets around the world – not just for goods, services and investments, but also for people and ideas. At the same time, we are supporting businesses to get the most from trade and grow the value and reach of our exports.

## Examples of key initiatives:

- › **Industry Transformation Plans** – adding value to key sectors of our economy and leveraging new opportunities.
- › **R&D Tax Incentive** and our **Research, Science and Innovation Strategy** – ensuring business access and build knowledge and innovation.
- › **Trade for All agenda** – supporting New Zealand businesses make the most of international connections, and we grow the value and reach of our exports
- › **Small Business Strategy** (forthcoming) – empowering small businesses to thrive.

## CASE STUDY: **Fingermark** – a Kiwi technology export success story

Fingermark is a global tech company based in Havelock North leading the development of applied computer vision and deep learning products. Fingermark designs, builds and manufactures leading-edge innovative solutions to help organisations streamline operations and enhance customer experience.

CEO Luke Irving says Fingermark creates technology that gives businesses data “they never knew they needed.”

Fingermark's high potential US export strategy centres around collaboration with global tech giants. Together, they solve problems for four of the top ten biggest fast food brands in the world. Adept at using advanced digital tools, Fingermark leverages computer vision, the Internet of Things (IoT) and artificial intelligence to remove business bottlenecks, drive efficiencies and ultimately, grow bottom lines for businesses around the world.

“Fingermark have for years leveraged the support of both Callahan Innovation and NZTE to help speed up our growth in both R&D and global expansion.” Fingermark also uses the FernMark to mark its unique kiwi roots and ingenuity.

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## People are skilled, adaptable and have access to lifelong learning

We are highly skilled and qualified compared to many countries. However, some regions and sectors find it hard to get enough workers with the right skills, and others consistently fare poorly in traditional labour market measures.

We're partnering with regions to address skill and workforce needs by launching active labour market policies and programmes. We're reforming our education and vocational education system and introducing new initiatives to get people into work. We're targeting our immigration processes to provide the workers and skills we need and working with businesses to reduce our reliance on low skilled migrants.

Automation and technology present new opportunities and new challenges for both businesses and workers. Change can be disruptive and we're facing this head on by working with businesses and unions to understand the future of work so that New Zealanders, young and old, can maintain, upgrade and adjust their skills over their working life.

We're working towards an education system that equips people with the desire and flexibility to keep learning. This is fundamental to our ability to adapt successfully to all the changes that are occurring.

New Zealanders want an education system that supports our learners to succeed in the workplace. We're working to ensure that all adults have access to high quality and affordable education and can engage in accessible learning throughout their working lives, meeting the changing skill needs of our economy as it evolves and helping us keep unemployment below 4%.

New Zealanders work hard and expect to be treated well and fairly. That is why we are working to ensure we have a productive, fair and rewarding employment relations system. A system that supports businesses and protects vulnerable workers. A system that delivers fairness, safety and wellbeing at work. A system that ensures people receive a fair day's pay for a fair day's work.

### Examples of key initiatives:

- › **Reform of vocational education** – creating a strong, unified, sustainable system for all vocational education that delivers the skills that learners, employers and communities need to thrive.

- › **Active labour market programmes** – such as **Mana in Mahi** (Strength in Work) - supporting people to find and stay in work.
- › **Changes to temporary work visas** – incentivising and supporting business to employ more New Zealanders, and ensuring that access to migrant labour is available where there is genuine need.
- › **First year fees free** – making the first year of post-secondary school education and training free. New apprentices get their first two years of training fees-free.

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### CASE STUDY: Opōtiki community comes together to support local rangatahi

Opōtiki's community and the Government are backing local rangatahi who are working towards future careers in the construction industry. He Poutama Rangatahi has funded a pre-apprenticeship programme at Opōtiki College, and local businesses Motu Trails Trust, Mitre 10 Opōtiki and Bunnings Whakatane donated materials and tools. The programme provides training and mentoring to help students gain a formal apprenticeship after school, with the support of four staff who are currently helping them build three one-bedroom units.

Deputy Principal Jenny Mays, interviewed by One News recently, says the school's staff are delighted with the response from the local community and the uptake of the course from students.

"In this close-knit community, we make things happen together. We have students on the programme who started to disengage with mainstream school and were at risk of dropping out without achieving their NCEA goals or gaining sustainable employment. Since moving to the He Poutama Rangatahi programme, they're actively involved, staying late and volunteering to come in outside class time."



## Deeper pools of capital are available to invest in infrastructure and grow New Zealand's productive assets

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Smart investment, from infrastructure to innovative firms, supports a modern, resilient and connected economy.

New Zealanders are proud when our businesses succeed. Yet we know that New Zealand businesses of all sizes, particularly young firms and start-ups, face capital constraints and struggle to grow beyond their early stages.

Improving access to capital is vital. We're taking action to encourage investment to enable our companies and assets to achieve their potential. We're also introducing reforms that give people the confidence to invest in New Zealand's home-grown talent and vision.

We want to build New Zealand ownership of assets, with both the Government and individual New Zealanders investing more in onshore firms and infrastructure.

We recognise that for New Zealand businesses to succeed in a global marketplace, we must keep ahead of the latest technology and market developments. We are focused on enabling our regions and businesses to connect internationally, and adopt global best practice, new technology and innovations.

### Examples of key initiatives:

- › **Funding for early stage businesses** – introducing an early-stage capital fund to partner with private venture capital funds to invest in high-value innovative firms and start-ups so they can grow and scale in New Zealand.
- › **Infrastructure Commission** – ensuring New Zealand gets quality infrastructure investment to improve our long-term economic performance and social wellbeing.
- › **Green Investment Fund** – catalysing a private green investment market in New Zealand.

### CASE STUDY: Innovative new approach to fund infrastructure enables 9,000 new homes north of Auckland

The Government is looking at developing alternative financing models for infrastructure as part of its Urban Growth Agenda. The aim is to create opportunities to accelerate investment in local government projects that would otherwise struggle to be funded.

The ability of some local authorities to build infrastructure for new housing developments is being constrained by the costs and impact on debt levels.

At Milldale, a development north of Auckland, Crown Infrastructure Partners teamed up with Auckland Council and Fulton Hogan to establish an alternative financing model to fund infrastructure for 9,000 new homes. The Milldale model uses a Special Purpose Vehicle for the project that allows debt to be raised without going on Auckland Council's balance sheet. This enables capital to be raised independent of the Council. The Council will repay this debt over time by collecting additional rates from section and apartment owners.

The Government is building on the Milldale model as it continues to develop new funding approaches. These new models will deepen our capital markets for infrastructure, allowing private investment in new infrastructure, and accelerate much needed housing development. In this case, the result was 9,000 more homes built and 9,000 families housed.

"It's a big step towards meeting Auckland's housing needs" says Auckland Mayor Phil Goff of the Milldale development.









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# 04

## Strong and revitalised regional economies

Provincial New Zealand is the heartland of Aotearoa, and home to some of our most creative and innovative people. Much of New Zealand's economy rests on the successes of the regions.

New Zealand's regions have their own unique strengths and advantages, and face different challenges and opportunities. Some regions of New Zealand are thriving, whereas others consistently experience lower economic and social outcomes. They may face higher unemployment and lower productivity, or lack of investment in infrastructure and other critical things they need to boost their economy.

We want to address this. We're committed to fairly sharing the benefits of a strong economy so that people and businesses in our regions thrive.

We're investing to support regional businesses to grow, and building the infrastructure regions need to participate in a modern economy, such as rail, road, ports and communications.

No matter where they live and what their background is, every New Zealander can participate in and benefit from an economy that is productive, sustainable and inclusive.

### Examples of key initiatives:

- › **Provincial Growth Fund** - ensuring people and businesses all over New Zealand have the resources they need to reach their potential.
- › **Enabling infrastructure** - building infrastructure, such as rural broadband and KiwiRail, that regions need to participate in a modern economy
- › **One Billion Trees** - working with our regions and partners to support planting of one billion trees by 2028.

### CASE STUDY: Putauaki Trust, Kawerau Industrial Hub

The Provincial Growth Fund Te Tuawhenua (PGF) is investing \$20m in infrastructure improvements needed for businesses to access Māori trust land that will be used to create a new industrial hub and employment opportunities for local whānau.

The project involves development of a bi-modal freight distribution hub (road and rail) adjacent to a new large-scale industrial subdivision, which will enable co-location of factories that process nearby resources (e.g. forestry).

Once completed, the Putauaki Trust Kawerau Industrial Hub will provide at least 150 new jobs, attract new businesses and investment to the region, and have the potential to boost the productivity of the wider eastern Bay of Plenty. Shane Jones said "Kawerau has always been an industry-based town and upgrading the transport and associated infrastructure will help attract new businesses and create the right environment for existing companies to invest and expand in the region"

The Putauaki Trust is owned by approximately 800 shareholders - predominately descendants of Te Pahipoto, hapu of Ngati Awa of Te Teko. The Trust aims to create financial wealth to enable the cultural, social, environmental and economic aspirations of the shareholders and beneficiaries to be achieved, while also ensuring the land is protected as a taonga tuku iho.



# 05

## Enable a step-change for the Māori and Pacific economies

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### Enabling a step-change in the Māori economy

We recognise that whānau-led initiatives hold the key to bringing about a step-change in the Māori economy. Our Government is committed to supporting whānau, hapū and iwi to lift economic, social, environmental and cultural wellbeing.

We'll do this by ensuring we have strong partnerships with Māori, cross-agency collaboration and by supporting the outcomes in He Kai Kei Aku Ringa. We're focusing on improving employment and developing a highly skilled Māori workforce. We're investing in our rangatahi and in programmes that have a greater community focus. We want to grow Māori enterprises and are supporting digital innovation and connectedness.

We want to help Māori achieve their whenua Māori aspirations, which is why helping Māori access the capital and expertise they need is a focus. Through Te Puni Kokiri and Te Arawhiti, we're building the Crown's capability and capacity to partner effectively with Māori and make government accessible throughout the regions.

### Enabling a step-change in the Pacific economy

We're committed to helping our Pacific peoples build on their cultural and economic strengths. Pacific people bring an international connectivity, spirit of innovation, and broader perspective of value that the government wants to support and grow.

We want Pacific people to grow their prosperity, wellbeing and living standards. We're supporting Pacific enterprises to thrive and make the best use of the unique entrepreneurial and innovative potential of Pacific peoples in our economy.

By enhancing Pacific peoples' participation as business owners, employees and trainees across all career stages we can lift wellbeing and support Pacific New Zealand to thrive.

### Examples of key initiatives:

- › **Te Arawhiti** – Office for Māori Crown Relations - fostering strong, ongoing and effective relationships with Māori across Government
- › **Government procurement** – working to provide opportunities for Māori and Pacific New Zealand businesses to access contracts from the \$41 billion we spend each year in Government procurement.
- › **Whenua Māori** (Māori land) – enabling Māori to realise the potential of their land.
- › **He Kai Kei Aku Ringa** - working in partnership with the Māori Economic Development Advisory Board to deliver the Māori economic development strategy.
- › **Pacific Business Trust** - supporting and growing Pacific enterprises

## CASE STUDY: Robotics Plus' collaborative approach to agritech innovation a winner

Tauranga-based Robotics Plus is on a mission to help industry meet increasing agricultural demands, including labour shortages globally, by developing sophisticated and precision robotics and automation technologies that transform agricultural industries.

Robotics Plus co-founder and chairman Steve Saunders says a driving motivation is 'helping to feed the world in a sustainable way'. "It's estimated we will need to feed 10 billion mouths by 2050 and labour is becoming one of the biggest constraints to meeting that challenge, especially in the speciality crop food supply system. Our goal is solving those very simple labour pain points in horticulture, and other areas such as forestry, using automation, robotics and sensing technologies."

Over the past 18 months Robotics Plus has commercially launched its robotic Āporo apple packer worldwide, and its industry-changing Robotic Scaling Machines (RSM) which accurately measure logs on trucks. Its development efforts, which also include a number of other innovations, are well supported by partners and investors, including Yamaha Motor Co. Ltd. (Japan).

Māori heritage has played an important role in Robotics Plus' development. The company's core values are 'he aronga nui' (pioneering), 'manaakitanga' (collaboration), 'tika me te pono' (principled) and 'kaitiakitangi' (stewardship) says Saunders. "Importantly, these values also resonate strongly with our local and international partners, who are helping us to scale our technologies globally."

Robotics Plus' robotic Āporo apple packer won the New Zealand Trade & Enterprise (NZTE) Most Innovative Hi-Tech Agritech Solution and the company was named Callaghan Innovation Hi-Tech Kamupene Maori o te Tau - Maori Company of the Year at the 2019 NZ Hi-Tech Awards. "I was rapt that these awards, which recognise the dedication of our staff, partners and supporters, were presented by NZTE and Callaghan Innovation. They have been very supportive of our growth and innovation plans, along with MBIE, MPI and Te Puni Kokiri," says Saunders.

Robotics Plus also has important research relationships with the University of Waikato, the University of Auckland, Massey University, Plant & Food Research and PlantTech.



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# 06

## Sustainable and affordable energy system

Energy powers our economy – it drives our transport systems, fuels our jobs and enables our businesses to produce and deliver a huge variety of goods and services.

New Zealanders are leading the world in clean energy, with 82% of our electricity coming from renewable sources. But this isn't enough. We're challenging ourselves to reduce our reliance on fossil fuels across several industries.

As we make more use of technology and automation, supporting businesses to access low cost and clean energy is critical to our economic success. We've made a start, but we can't sit still. We have to develop our own sustainable energy technologies, continue to innovate, and explore ways to make efficient use of our energy resources. We must also back our businesses establishing footholds in fast-growing global "clean energy" industries build on our existing research capability.

New Zealanders rely on energy to heat and power our homes and fuel our cars and buses. We're conscious of the harm our energy use is doing to our environment and the impact on global warming. That's why we're focusing on shifting to a more environmentally sustainable energy system in a way that is affordable for us all. All of this is critical to getting to net-zero CO<sub>2</sub> and lifting renewable electricity generation to 100% within a normal hydrological year by 2035.

Young New Zealanders have been out on the streets in record numbers protesting lack of action on climate change and our Prime Minister has said that tackling climate change is New Zealand's nuclear free moment. We're showing global leadership by taking decisive action on climate change while creating jobs, and reducing emissions while ensuring energy is affordable.

### Examples of key initiatives:

- › **Renewable Energy Strategy** – outlining actions to achieve an affordable, secure and sustainable energy system.
- › **Electricity Pricing** – responding to the Electricity Price Review
- › **Transport electrification** and **low emissions** policies
- › **National New Energy Development Centre** – supporting the development, demonstration, uptake and use of new energy technologies

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### CASE STUDY: Charting our way towards a more renewable energy system

The Government's Renewable Energy Strategy is looking to address barriers to investment, support the uptake of new technology, and transition to a clean, green and carbon neutral economy by 2050. Energy Minister Megan Woods says "Our government's goal is to decarbonise our economy while keeping electricity costs low for consumers and creating new jobs in renewable energy."

The Government is establishing a National New Energy Development Centre in Taranaki. The centre will support new energy technology to be developed and commercialised and connect industry, government, research and leaders. We are backing this with a new fund for research into cutting edge energy technology, looking into the likes of organic photovoltaics, super conductors, nanotechnologies and inductive power.

The Government is also backing companies pioneering clean energy solutions through the Provincial Growth Fund. These include our investments in Hiringa Energy; dedicated to the supply of green hydrogen, and Eco Gas; focused on converting organic food waste into energy and bio-fertiliser.



# 07

## Land and resource use delivers greater value and improves environmental outcomes

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Kaitiakitanga, ingenuity, integrity and respect define who we are as New Zealanders - we care about everything we do and everything we create. We recognise that the wellbeing of our people and the health of our environment are directly impacted by how we use our land, water, oceans and resources.

We're working to support businesses to use our land and resources in a way that is good for our environment, good for our businesses, good for our workers and good for our future.

We understand that businesses don't need more red tape and empty words. We also understand that New Zealand is a pioneer and innovator in food and beverage and agritech.

That is why we are partnering with our food and fibre sectors to use science, technology and business practices that boost productivity and reduce emissions and pollution. This is critical to meeting our target of net-zero CO<sub>2</sub> and a 24 – 47% reduction in biological methane emissions by 2050.

We are focused on supporting our primary sectors to contribute to our economy for the long term. We know that consumers are increasingly demanding food and fibre produced with integrity. We are backing our primary sector to lead the world in providing sustainable and natural food, fibres and bioproducts. Supplying innovative high-value products made with integrity when it comes to people, animal welfare, waste and the environment. We're investing now to build our brand as a clean, green country.

Like most of the developed world, our economy produces a lot of waste – some of which can be bad for business, bad for the environment and bad for people. We need to focus on sustainable materials and processes and redesign our activities to produce less waste. This won't happen overnight – but with government support for innovation, smart regulation, and ongoing dialogue, these changes can be effective and enduring, and result in career opportunities and jobs that don't exist today.

### Examples of key initiatives:

- › **Zero Carbon Bill and changes to the Emissions Trading Scheme** - ambitious reforms to transition to a low emissions economy.
- › **Improving our Resource Management** – making the RMA easier for New Zealanders to understand and engage with.
- › **Urban Growth Agenda** – removing barriers to land supply and infrastructure and supporting productive and sustainable land use in urban areas.
- › **Essential freshwater reforms and sustainable land use package** - improving the health of our waterways and wetlands and providing support for farmers and growers to use their land more sustainably.
- › **Waste and resource efficiency work programme** – supporting New Zealand's transition to a circular economy.

## CASE STUDY: Partnering to grow our craft beer industry

Craft beer presents a creative, innovative way to use our resources – our high-quality hops, beautiful water, and terrific malt – creating a high value product, with a lower environmental impact.

Hāpi Research Ltd has partnered with the Ministry for Primary Industries (MPI) to deliver Hāpi – Brewing Success, a \$13.25 million, 7-year project funded through of the Government's Sustainable Food and Fibre Futures fund. The aim is to help growers and brewers to explore new possibilities for our hop growing and craft beer industries and support development of high-value, premium products from regional businesses.

Hāpi Research Ltd is a joint venture between Garage Project, a leading Wellington craft brewer, and Freestyle Farms, a leading Nelson hop farm. "Our project will pursue research to enhance and differentiate super-premium hop and craft beer markets and boost the growth of both industries," says Freestyle Farms director David Dunbar. "By collaborating across industries we'll accelerate development of unique Kiwi hops, promote uniquely New Zealand craft beer, and open up new areas to hop growing."

Hop growing will be supported by research on new precision agriculture practices and processing methods, and licensing for the hops will be limited to New Zealand growers – ensuring intellectual property and expertise it develops is retained in New Zealand.

Garage Project co-founder Jos Ruffell adds, "Our aspiration is to develop the resources and tools for domestic and export success along the lines of what our wine industry has achieved – elevating New Zealand craft beer to a sustainable global brand that commands premium pricing across all markets."

If successful, the project could increase revenue from hops and craft beer by \$171m per annum by 2027, largely driven by exports, and create 835 new jobs across the hop growing and craft brewing industries.

In addition to this project, we are partnering with our craft beer industry to help them to grow and share their unique products with the world drawing on customer insights and industry successes, highlighted in our recent NZTE report 'Craft Beer – Turning on the Export Tap'.

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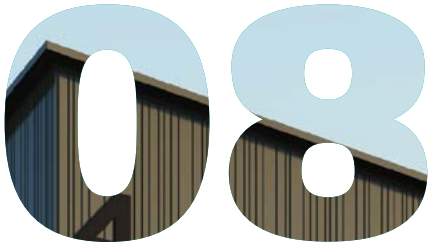




**From render to reality  
in 9 months**







## Transform our housing market to unlock productivity growth and make houses more affordable

A safe, warm, dry home or where is important for New Zealanders – whether owning or renting. Where we live, our turangawaewae, is central to wellbeing. We want New Zealanders to have choice in where they live, learn and work, and make it easier for workers to live close to the best jobs for them.

Our housing and urban development system has been under pressure for some time now. We are focused on addressing dysfunction and getting more houses built that are affordable for New Zealanders to rent or own. We want to reduce the debt and rental burden on our businesses and households from high house prices and rents. Our people should not be stressed about housing affordability or insecure tenure, nor should their health be affected by unsafe homes.

We know that New Zealand's high house prices have diverted capital into the housing market and away from more productive uses. We need this capital to help businesses to innovate, invest in new technology and pursue growth opportunities. High housing costs can also make it difficult for businesses and people to move to areas where there are better opportunities.

We're focused on increasing our housing supply to better meet demand and tackling long-standing failures at every point in the system. We are working to improve land supply; cut unnecessary red tape; and direct overseas housing investment into productive uses. Our rental focus will ensure renters have more secure, healthy and affordable homes. Our work with the construction sector supports smart developments, lower construction costs and more safe, healthy and durable homes. We are planning for future growth with local government and investing in infrastructure.

### Examples of key initiatives:

- › **Urban Growth Agenda** – working to get our urban markets working so they can respond to growth, improve urban land affordability, and support thriving communities.
- › **Kiwibuild** – Assisting first home buyers who have been locked out of our housing market to buy their first home
- › **Reforming our building system** – establishing a productive building and construction sector that produce safe, durable homes and buildings.

### CASE STUDY: Productive partnership to deliver new homes

Kiwibuild and NZ Living Ltd are transforming New Zealand's housing market, unlocking productivity growth, and together, they're reigniting the dream of first-home-ownership for Aucklanders. Innovative thinking in the design and construction phases results in high quality, affordable, well-located, medium-density homes that are incredibly robust, low-maintenance and liveable over the long-term.

NZ Living is using smart construction techniques which reduce the time it takes to get all the design and consenting paperwork done, lower costs and speed up construction. This is medium-density housing done well – located close to public transport hubs, open spaces and ground level apartments to include elderly, disabled and young families. Many of NZ Living's buildings are built to a Homestar 6 rating, providing quality assurance that a house will be warm, dry, healthy and cheap to run. All of this means these homes will be comfortable and low maintenance for buyers to live in long-term.

The deal between KiwiBuild and NZ Living has resulted in 144 homes, 97 of them KiwiBuild, that would otherwise not have been built or would have taken much longer to build. "What KiwiBuild does is enables you to on-sell apartments while you're building. That's quite different to most cases. Typically, developers need to achieve a threshold of pre-sales before starting, adding up to 12 months to any project. But KiwiBuild projects can be done by developers in half the time of the usual market-orientated projects."



# REDEFINING HOW WE MEASURE SUCCESS TO FOCUS ON WHAT MATTERS FOR NEW ZEALANDERS

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New Zealanders want us to measure success in line with their values – the wellbeing of our people, the health of environment and the strength of our economy.

We recognise that in the past while we've seen improvements in standard measures of economic success – such as our GDP growth – for many New Zealanders, this did not translate into higher living standards or better opportunities. We need to ensure long-term economic success in an inclusive, not exclusive way.

That's why we've built a comprehensive suite of economic social, cultural and environmental indicators to measure how well our economy is performing. These will help us monitor the wellbeing of the current generation, what we're leaving behind for future generations and how our actions are having impact over the medium term.

There's no single way to capture the complexity of the economy, but by widening our focus we can get important feedback about progress on our key economic shifts, and understand more about the impact we're having for New Zealanders.

We've made a start with StatsNZ's Indicators Aotearoa New Zealand and the Treasury's Living Standards Framework Dashboard and we'll keep building on this work to ensure that it reflects New Zealanders' values and focuses our attention on what matters.

We will report on how well the economy is performing for New Zealand using both traditional economic indicators and wellbeing indicators each year, through the wellbeing outlook in the budget Wellbeing Outlook in the Budget. This document will provide an overview of what the indicators are telling us about the strengths and weaknesses of the economy.

You can find more about the Living Standards Framework Dashboard and StatsNZ's Indicators Aotearoa New Zealand at [treasury.govt.nz/information-and-services/nz-economy/living-standards](https://treasury.govt.nz/information-and-services/nz-economy/living-standards) and [wellbeingindicators.stats.govt.nz](https://wellbeingindicators.stats.govt.nz)

# ANNEX: TRACKING SUCCESS THROUGH WELLBEING INDICATORS

We will use a range of wellbeing indicators, drawn from the Living Standards Framework Dashboard and IANZ, to measure the economy's performance for each of the key economic shifts. This approach brings together our economic, environmental and social indicators to give a broader view of how the economy is performing. Some indicators that are particularly important for each shift are set out below, though we will report through the Wellbeing outlook each year.

| Key economic shifts  | Wellbeing indicators (primarily from the LSF Dashboard and IANZ )   | Sources and frequency of update   |
|--|---|---|
| The NZ economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive | <p><b>Current wellbeing</b></p> <ol style="list-style-type: none"> <li>1. Disposable income</li> <li>2. Consumption</li> </ol> <p><b>Future wellbeing</b></p> <ol style="list-style-type: none"> <li>3. Multifactor productivity growth</li> <li>4. R&amp;D investment</li> </ol>   | <ol style="list-style-type: none"> <li>1. MSD, Household incomes in NZ (Annual)</li> <li>2. Treasury analysis of Household economic survey (four yearly)</li> <li>3. Stats NZ, Productivity Statistics (Annual)</li> <li>4. Stats NZ, R&amp;D Survey, (two yearly)</li> </ol>   |
| People are skilled, adaptable and have access to lifelong learning                                       | <p><b>Current wellbeing</b></p> <ol style="list-style-type: none"> <li>1. Unemployment rate</li> <li>2. Employment rate</li> <li>3. Hourly earnings</li> <li>4. Educational attainment (tertiary)</li> <li>5. Educational attainment (upper secondary)</li> <li>6. Cognitive skills at age 15</li> <li>7. % of 15-24 year olds not in employment, education or training (NEET rate)</li> </ol> <p><b>Future wellbeing</b></p> <ol style="list-style-type: none"> <li>8. Educational attainment (tertiary)</li> <li>9. Educational attainment (upper secondary)</li> <li>10. Cognitive skills at age 15</li> </ol> | <ol style="list-style-type: none"> <li>1. Stats NZ, HLF5 (Quarterly)</li> <li>2. Stats NZ, HLF5 (Quarterly)</li> <li>3. Stats NZ, HLF5 and Labour cost index (Quarterly)</li> <li>4. Stats NZ, HLF5 and MSD data (Annual)</li> <li>5. Stats NZ, HLF5 and MSD data (Annual)</li> <li>6. OECD, Programme for International Student Assessment survey (Three yearly)</li> <li>7. Stats NZ, HLF5 (Quarterly)</li> <li>8. Stats NZ, HLF5 and MSD data (Annual)</li> <li>9. Stats NZ, HLF5 and MSD data (Annual)</li> <li>10. OECD, Programme for International Student Assessment survey (Three yearly)</li> </ol> |

| Key economic shifts  | LSF Dashboard Measures   | Source and update frequency   |
|--|--|---|
| Deeper pools of capital are available to invest in infrastructure and grow New Zealand's productive assets | <b>Future wellbeing</b> <ol style="list-style-type: none"> <li>1. Total net fixed assets</li> <li>2. Net intangible fixed assets</li> <li>3. Household net worth</li> <li>4. Multifactor productivity growth</li> <li>5. Net international investment position</li> <li>6. Total Crown net worth</li> <li>7. Foreign Direct Investment</li> </ol>                          | <ol style="list-style-type: none"> <li>1. Treasury analysis of National Accounts Capital Stock tables (Annual)</li> <li>2. Treasury analysis of National Accounts Capital Stock tables (Annual)</li> <li>3. OECD, How's Life, (Approx. every two years)</li> <li>4. Stats NZ, Productivity Statistics (Annual)</li> <li>5. Stats NZ, Balance of Payments (Annual)</li> <li>6. Treasury, Fiscal Time Series Horizontal indicators (Annual)</li> <li>7. IANZ only Stats NZ, Balance of Payments (Annual)</li> </ol> |
| Strong and revitalised regions   | <b>Current wellbeing</b> <ol style="list-style-type: none"> <li>1. Periodic wellbeing analyses of regions</li> <li>2. Regional GDP</li> </ol>  | <ol style="list-style-type: none"> <li>1. Stats NZ, General Social Survey (every two years), and variety of other sources.</li> <li>2. Stats NZ, Regional GDP statistics, (Annual)</li> </ol>   |
| Enable a step change in Māori and Pacific economies  | <b>Current wellbeing</b><br>Periodic wellbeing analysis of Māori as a demographic group  | Stats NZ, General Social Survey (every two years), and variety of other sources   |
| Sustainable and affordable energy system   | <ol style="list-style-type: none"> <li>1. % of electricity generation</li> <li>2. Net greenhouse gas emissions</li> </ol>  | <ol style="list-style-type: none"> <li>3. MBIE, Energy in NZ, (Annual)</li> <li>4. MFE, Greenhouse gas inventory (Annual)</li> </ol>  |
| Land and resource use delivers greater value and improves environmental outcomes                           | <b>Current wellbeing</b> <ol style="list-style-type: none"> <li>1. Water quality (swimmability)</li> <li>2. Perceived environmental quality</li> </ol> <b>Future wellbeing</b> <ol style="list-style-type: none"> <li>3. Net greenhouse gas emissions</li> <li>4. Climate regulation</li> <li>5. Sustainable food production</li> <li>6. Kg of waste per capita</li> </ol> | <ol style="list-style-type: none"> <li>1. Swimmability data (unclear frequency)</li> <li>2. Lincoln University data (unclear frequency)</li> <li>3. MFE, Greenhouse gas inventory (Annual)</li> <li>4. MFE, Greenhouse gas inventory (Annual)</li> <li>5. Stats NZ and MFE, Average soil testing results (unclear frequency)</li> <li>6. MFE, Review of the Waste disposal levy (unclear frequency)</li> </ol>  |
| Transform our housing market to unlock productivity growth and make houses more affordable                 | <b>Current wellbeing</b> <ol style="list-style-type: none"> <li>1. Household crowding</li> <li>2. Housing cost</li> <li>3. Housing quality</li> </ol>  | <ol style="list-style-type: none"> <li>1. Census data (Five yearly)</li> <li>2. MSD, Household incomes in NZ (Annual)</li> <li>3. Stats NZ, General Social Survey (two yearly)</li> </ol>   |

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ISBN PRINT XXXXXXXXXXXX  
ISSN ONLINE XXXXXXXXXXXX



**MINISTRY OF BUSINESS,  
INNOVATION & EMPLOYMENT**  
HĪKINA WHAKATUTUKI



**TE TAI ŌHANGA  
THE TREASURY**

Reference: Treasury: T2019/2848  
MBIE: BR 0785 19-20

Date: 10 September 2019

To: Minister of Finance (Hon Grant Robertson)  
Minister for Economic Development (Hon Phil Twyford)

Deadline: Wednesday 11 September 2019

## **Joint Aide Memoire: DEV Discussion -- *Economic Plan* – Talking Points**

The Cabinet Economic Development Committee (DEV) is scheduled to discuss the Government's *Economic Plan* on Wednesday, 11 September 2019. The purpose of this report is to provide you with material to support this discussion.

This Aide Memoire includes:

- suggested talking points (**Annex One**);
- back pocket questions and answers (**Annex Two**); and
- changes to the document in response to Ministerial consultation (**Annex Three**).

### **Treasury contacts:**

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## **Annex One: Talking points for your discussion on the *Economic Plan***

- We are seeking Cabinet agreement to launch the *Economic Plan* on 23 September this year.

### **Background**

- The framework has been discussed at DEV in May, June and August. The *Economic Plan* narrative has also been out for Ministerial consultation. This version reflects feedback from Ministers, agencies and stakeholders.
- At this stage we are not seeking further comments or refinements to the *Economic Plan*.

### **Purpose of the *Economic Plan***

- This *Economic Plan* provides a coherent organising framework for the Government's economic programme. A "one stop shop" that pulls together material from other documents into one place. A challenge we face is that our economic programme is currently communicated across multiple channels (*Our Plan*, the Cabinet Priority Committee's priorities and the Business Partnership Agenda).
- With this *Economic Plan* we are taking a different approach from how previous Governments have thought about economic policy. Placing more value on the wellbeing of our people and the health of our environment.
- The *Economic Plan* has three purposes:
  - to clearly communicate the Government's vision to build a productive, sustainable and inclusive economy;
  - to set out how Government initiatives are contributing to achieving those goals; and
  - to support Ministerial and agency coordination and focus in the delivery of the work programme.

### **Where we are headed**

- The *Economic Plan* describes the Government's medium to long-term vision for the economy. It articulates the long-term economic challenges and opportunities that we are focused on and how New Zealand's economy must change to address them.
- It outlines eight key shifts our economy needs to make to achieve our vision of a productive, sustainable and inclusive economy. These include:
  - The NZ economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive
  - People are skilled, adaptable and have access to lifelong learning

- Deeper pools of capital are available to invest in infrastructure and grow NZ's productive assets
- Strong and revitalised regional economies
- Enable a step change for Māori and Pacific economies
- Sustainable and affordable energy systems
- Land and resource use delivers greater value and improves environmental outcomes
- Transform our housing market to unlock productivity growth and make houses more affordable.

### A work in progress

- The *Economic Plan* sets out work currently underway to drive each of these shifts. The initiatives listed here are a starting point for advancing the eight economic shifts. Further work will be needed.
- Achieving the key economic shifts will take time, and will require us to work closely and collaboratively. We will keep talking to you and working with your agencies to decide what else is needed to advance these shifts.
- We will report back to Cabinet on progress in implementing the *Economic Plan* and with further proposals to achieve the eight key shifts.

### Next steps

- **Cabinet** - The *Economic Plan* will be considered by Cabinet (CAB) on Monday 16 September, seeking formal approval to launch.
- **Print** - The *Economic Plan* will go to print on 17 September.
- **Launch** - The *Economic Plan* will be launched on 23 September. Press will be invited to the launch.
- **Next steps** - We will come back to DEV at a later date to discuss governance arrangements, process and oversight for the *Economic Plan*.



## **Annex Two: Back pocket Questions and Answers**

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*How is the Government's environment work programme reflected?*

- (paragraph 7 on page 5)
- There are two key economic shifts which recognise the importance of the environment in achieving our vision for a productive, sustainable and inclusive economy:
  - 'Land and resource use delivers greater value and improves environmental outcomes'; and
  - 'Sustainable and affordable energy systems'.

*How is the Government's work on the minimum wage and fair pay agreements reflected?*

- The narrative references the potential impacts of this Government's employment relations policies in the "Our vision" (see paragraph 5 on page 5) and the "People are skilled, adaptable and have access to lifelong learning" sections of the document (see paragraph 6 on page 15).
- We have changed the narrative to put more emphasis on the Government's work on the minimum wage:
  - Amending the language in the policy framework (under the skills shift on page 6) from "productive and fair employment" to "lifting wages and improving conditions of work";
  - Adding the minimum wage as a key initiative in the policy framework (under the skills shift on page 8).

*How is the Government's international connections work programme reflected?*

- The shift "The economy moves from volume to value and kiwi businesses become more productive" includes our work programme to improve international connections. We have also highlighted our Trade for All agenda and investments in supporting market access.
- Specific references to the importance of international connections are also included in the framework across a number of the key shifts.

*What level of consultation was undertaken in development of this Plan?*

- DEV has discussed the framework that underpins this strategy on several occasions – in May, June and August 2019.
- The *Economic Plan* builds on the earlier rounds of consultation at DEV, as well as the Ministerial and Agency consultation that concluded on 2 September.
- We also consulted with a number of external bodies including the Future of Work Tripartite Forum, the Māori Economic Development Advisory Board, the CTU and the PM's Business Advisory Council.

*Why are the Māori and Pacific economies considered in the same economic shift?*

- We recognise Māori and Pacific economies are unique and the role of Government in relation to these groups is different, particularly given our Treaty partnership.
- We felt it was important to include both economies in these shifts but were mindful of not creating too many shifts.
- We discuss the role of each of these economies separately in the shift to reflect their distinct differences and aspirations.

*How will we implement the Economic Plan and prioritise initiatives?*

- The implementation of the *Economic Plan* is the key next stage of this work. We will look to finalise governance arrangements, process and oversight and report back to DEV on our proposed approach.

*What happened to the six I's outlined in an earlier framework?*

- The "six I's" (infrastructure, institutions, investment, innovative industries, international connections, inclusive work) are key levers available for government to drive the economic shifts. These are referenced throughout the narrative.
- The focus on the eight economic shifts highlights the distinctive approach we intend to take to build a more productive, sustainable and inclusive economy.

## Annex Three: Consultation and Changes

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### We made changes to the narrative in response to Ministerial feedback

- In the most recent round of Ministerial consultation on the *Economic Plan* your offices received written feedback from the Minister of Conservation and the Minister for Workplace Relations.
- [REDACTED] Free and frank opinions [REDACTED]
- The changes to the narrative include:
  - Referencing the importance of the freshwater and marine environment, and indigenous biodiversity in the “Our vision” section of the document (see paragraph seven on page 5).
  - Referencing the potential impacts of this Government’s employment relations policies in the “Our vision” (see paragraph 5 on page 5) and the “People are skilled, adaptable and have access to lifelong learning” sections of the document (see paragraph 5 on page 15).
- Note we also broadened the productive and sustainable land use shift to include resource use in response to feedback from the Minister of Conservation in an earlier round of consultation.

### We intend to make some further changes ahead of Cabinet approval

- In response to your feedback from your meeting with officials on Monday 9 September 2019 we intend to make the following changes to the narrative which you may wish to signal to your colleagues. These changes include:
  - Amending the language in the policy framework (under the skills shift on page 6) from “productive and fair employment” to “lifting wages and improving conditions of work”;
  - Adding the minimum wage as a key initiative in the policy framework (under the skills shift on page 8);
  - Adding the Hydrogen Strategy as a key initiative in the policy framework (under the energy shift on page 9).

## **In Confidence**

Office of the Minister of Finance

Office of the Minister for Economic Development

Chair, Cabinet Economic Development Committee

## **Launching the refreshed economic strategy: the Economic Plan**

### **Proposal**

1. This paper seeks agreement to the refreshed economic strategy (the *Economic Plan*), and seeks agreement to launch the strategy in September 2019.

### **Background**

2. In 2018 we confirmed our economic vision is to improve the wellbeing and living standards of New Zealanders by building a productive, sustainable and inclusive economy [CAB-18-MIN-0111; DEV-18-MIN-0222]. Throughout 2019 we have been discussing this vision, and how we are working to achieve it, in the Economic Development Cabinet Committee (DEV) [DEV-19-MIN-0107.01; DEV-19-MIN-0181; DEV-19-MIN-0215].
3. This reflects our commitment to putting the wellbeing of our people and the health of our environment at the centre of our thinking so that all New Zealanders benefit from growth, now and in future generations.
4. In 2018 we also launched the Business Partnership Agenda to set out the ways the Government was working with businesses to grow and improve the economy at the time.

### **The need for a refreshed economic strategy**

5. While the domestic economy is currently performing well, it is facing increasing uncertainty from international headwinds, and businesses are signalling that they want greater visibility of the Government's economic policy agenda. We have heard the need for greater detail about how we will transition to a productive, sustainable and inclusive economy, over the next thirty years.
6. We have also achieved some major milestones as a Government including launching the first Wellbeing Budget, introducing the Zero Carbon Bill, and holding the first Just Transition Summit in Taranaki.
7. Now is the time to build upon, consolidate, and communicate the work we have done and our vision for the future, by launching our refreshed economic strategy, the *Economic Plan*.



## The Economic Plan

8. The *Economic Plan* (annexed) describes the Government's medium to long-term vision for the economy. It articulates the long-term economic challenges that we are focused on and how New Zealand's economy will need to change to address those challenges.
9. The *Economic Plan* is the product of our discussion in DEV over the past six months. It first reaffirms and articulates our vision for a productive, sustainable and inclusive economy including how it supports our overarching priorities (as agreed by the Cabinet Priorities Committee).
10. The *Economic Plan* will be important for delivering a number of CPC priority outcomes, and focusses particularly on supporting four outcomes:
  - 10.1. Grow and share New Zealand's prosperity;
  - 10.2. Support thriving sustainable regions;
  - 10.3. Transition to a clean, green and carbon-neutral New Zealand; and
  - 10.4. Deliver responsible governance with a broader measure of success.
11. The *Economic Plan* sets out eight key economic shifts that the Government will drive forward. These key shifts are the necessary changes needed to achieve our economic vision. They reflect the Government's strategic goals for the economy and are the product of consultation and discussions at DEV over the last few months.
12. The key economic shifts are:
  - 12.1. The New Zealand economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive;
  - 12.2. People are skilled, adaptable and have access to affordable lifelong learning;
  - 12.3. Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets;
  - 12.4. Strong and revitalised regions;
  - 12.5. Enable a step change for Māori and Pacific economies;
  - 12.6. Sustainable and affordable energy systems;
  - 12.7. Land and resource use delivers greater value and improves environmental outcomes; and
  - 12.8. Transform our housing market to unlock productivity growth and make houses more affordable.

13. The *Economic Plan* sets out the work already underway to drive each of these key economic shifts in the form of key initiatives presented under each shift. We acknowledge that these initiatives are the starting point for advancing the key economic shifts and that further work will be needed. There are also critical connections across the shifts. Some initiatives will enable multiple shifts, such as establishing the Infrastructure Commission, introducing the Zero Carbon Bill or reforming the Resource Management Act.
14. As our work programmes evolve and new initiatives are developed we will need to consider how they align to support key shifts within the *Economic Plan*.
15. Lastly, the *Economic Plan* explains how our wellbeing approach to policy will be used to measure success. The Minister of Finance intends to report on the state of the economy using both traditional economic measures and wellbeing indicators each year through the Budget's Wellbeing Outlook. This reflects our focus on measuring economic performance in terms of environmental and social outcomes for New Zealanders, not just outputs.

#### *Aligning our policies and efforts across the key economic shifts*

16. Achieving the key economic shifts will take time, and will require us to work closely and collaboratively.
17. As our work programmes advance in each of our portfolios and we develop further policies to deliver these shifts, Ministers should be aware of how their portfolio's policies will have implications for achieving other shifts. Where tensions and trade-offs arise, we (and our agencies) will need to continue working collaboratively to advance the *Economic Plan*. This extends the work we did in Budget 2019 to enhance collaboration across the public sector.
18. The forum currently available for discussing and addressing these trade-offs is the DEV Strategic Subcommittee, but we will continue to work on deepening cross-portfolio collaboration. We propose reporting back to Cabinet with further proposals on how to govern and implement the economic strategy.

#### **Consultation**

19. The Treasury and Ministry for Business, Innovation and Employment have prepared this Cabinet paper in consultation with the Ministry for the Environment, Ministry for Primary Industries, Ministry of Foreign Affairs and Trade, Ministry of Transport, Ministry of Housing and Urban Development, Inland Revenue, Ministry of Pacific Peoples, Department of Conservation, Te Puni Kokiri, Ministry of Education, Department of Internal Affairs, Callaghan Innovation and New Zealand Trade and Enterprise.
20. The Department of the Prime Minister and Cabinet has been informed.
21. The Future of Work Forum, the Prime Minister's Business Advisory Council, and the Māori Economic Development Advisory Board were consulted in the development of the *Economic Plan*.

## Financial Implications

22. There are no financial implications.

## Legislative Implications

23. There are no legislative implications.

## Impact Analysis

24. A regulatory impact analysis is not required.

## Human Rights

25. The Government's economic strategy is consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

## Gender Implications

26. The Government's economic strategy aims to create a productive, sustainable and inclusive economy. An inclusive economy will mean people being able to participate in the economy fully, and free from gender discrimination.

## Publicity

27. The Minister of Finance and Minister for Economic Development will launch the *Economic Plan* publicly on the 23 of September 2019.
28. Following the launch, Ministers should begin using the language of the *Economic Plan* (including the eight key economic shifts), for public communication of economic policies and initiatives. This will help communicate clearly how the Government's economic policy agenda is advancing.

## Proactive Release

29. We propose releasing this paper proactively shortly after the strategy is launched, subject to redaction as appropriate under the Official Information Act 1982.

## Recommendations

The Minister of Finance and Minister for Economic Development recommend that the Committee:

1. **approve** the attached economic strategy, the *Economic Plan*;
2. **note** the strategy reaffirms our vision for a productive, sustainable and inclusive economy;
3. **note** that strategy describes the eight key economic shifts which support the transition to a productive, sustainable and inclusive economy;
  - 3.1. The New Zealand economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive;

- 3.2. People are skilled, adaptable and have access to affordable lifelong learning;
  - 3.3. Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets;
  - 3.4. Strong and revitalised regions;
  - 3.5. Enable a step change for Māori and Pacific economies;
  - 3.6. Sustainable and affordable energy systems;
  - 3.7. Land and resource use delivers greater value and improves environmental outcomes; and
  - 3.8. Transform our housing market to unlock productivity growth and make houses more affordable.
4. **Note** that the Government plans measure the success of the strategy by reporting on how the economy is performing through the Wellbeing Outlook.
  5. **Agree** that the Minister of Finance and Minister for Economic Development launch the *Economic Plan* in September 2019;
  6. **Invite** the Minister of Finance and Minister for Economic Development to report back on progress implementing the Economic Plan and with further proposals to achieve the eight key economic shifts

Authorised for lodgement

Hon Grant Robertson  
**Minister of Finance**

Hon Phil Twyford  
**Minister for Economic Development**





# Economic Plan

FOR A PRODUCTIVE, SUSTAINABLE  
AND INCLUSIVE ECONOMY

SEPTEMBER 2019





# FOREWORD: POSITIONING NEW ZEALAND FOR THE FUTURE

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This Government has an ambitious goal of improving the wellbeing and living standards of all New Zealanders now, and for future generations.

We aspire to be a country where all New Zealanders reach their potential. A country where business, workers and Government work together to foster innovation and encourage transformational, sustainable growth.

New Zealand's strong economic fundamentals lay the foundation for achieving sustainable growth. Our economy continues to grow faster than our international peers and we have near record low unemployment. The government continues to run a surplus and keep debt under control. Our enviable economy has roots in agriculture, horticulture, forestry and tourism, and we proudly share our success in these sectors with the world.

While these sectors will continue to serve us well, we're facing challenging times and must build our resilience. We must widen our focus and mitigate against and prepare for the impacts of climate change; international pressure and headwinds; the changing face of New Zealand's population; technological advancements

PROACTIVELY PREPARED



and new ways of working; and the digital revolution sparking innovation at a rate not previously seen.

New Zealanders value the wellbeing of our people and the health of our environment, inclusivity and fairness. This care extends to everything we do and everything we create. What we do, and how we do it, matters. We see the economy, the environment, our people, and our communities as deeply interconnected. This Government will not trade one off for another. We're making decisions to protect our unique environment and heritage for generations to come, and be world leaders on environmental issues and climate change.

We have a unique opportunity to build on our strengths and boldly reshape our economy. This Economic Plan builds on our strong foundations and sets out a clear path to build a more productive, sustainable and inclusive future for New Zealand. It identifies eight key shifts that we believe are required to transform our economy and seize local and international opportunities presented by rapid change.

The shifts we're tackling will not take place overnight, and the future is highly uncertain. However, we are being more deliberate to ensure people and businesses have the opportunities they need to adapt to new working environments and respond confidently and rapidly to change.

We can't do this on our own. It's essential we partner with business, communities, workers and iwi on what has been seen as too hard for too long. By working together, we will build an economy that delivers for all New Zealanders.

Success is making New Zealand a great place to make a living and a great place to make a life. Now, and for future generations.

PROACTIVELY RELEASED



# OUR VISION – WELLBEING FOR ALL NEW ZEALANDERS NOW AND IN THE FUTURE

New Zealand is a proud, small country located deep in the South Pacific, with an advanced economy. We are a progressive and innovative people – a nation who embrace new challenges and deliver new solutions to the world.

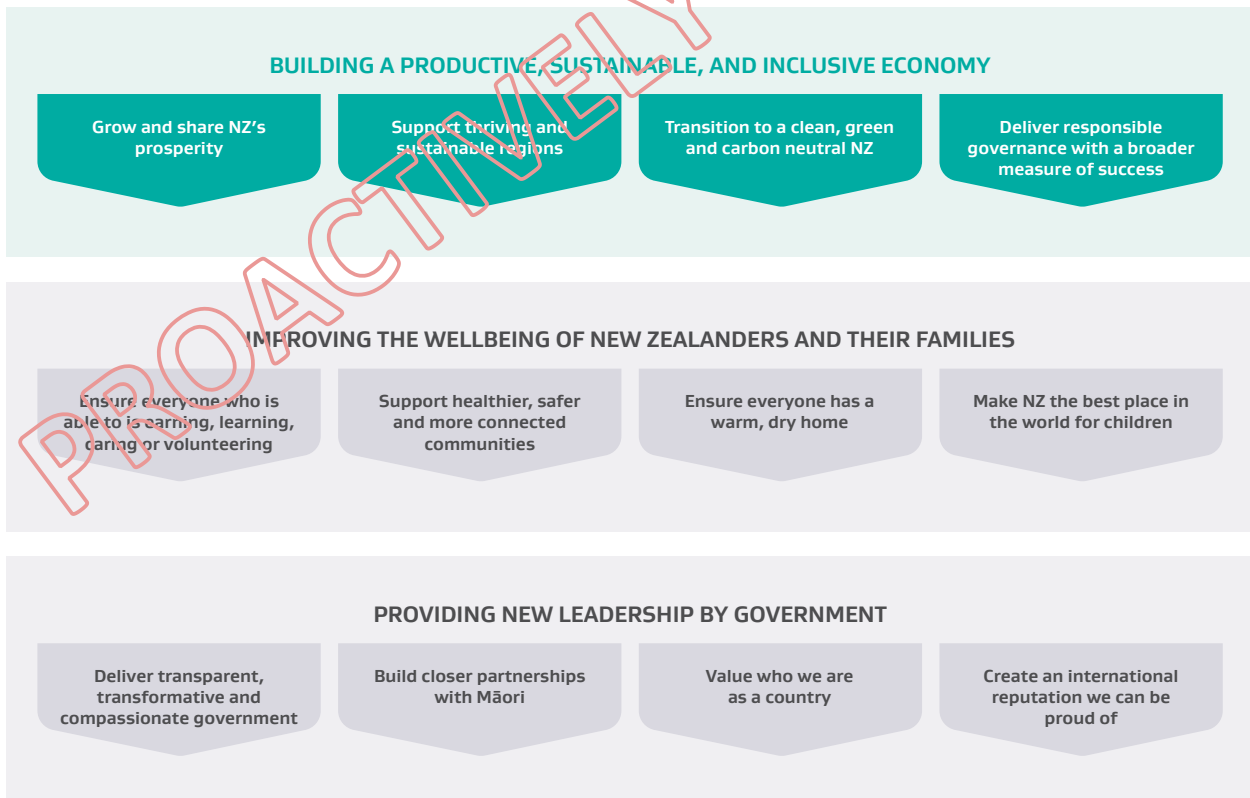
New Zealanders care about the wellbeing of our people and the health of our environment – we see ourselves as kaitiaki (guardians) of our land. That is why we are putting the health and wellbeing of our people and environment at the heart of how we manage the economy and measure success.

Wellbeing is when people are able to lead fulfilling lives with purpose, balance and meaning to them. Ensuring more New Zealanders enjoy good wellbeing requires tackling the long-term challenges we face as a country, improving the state of our environment, the strength of our communities and the performance of our economy.

Last year the Government released [Our Plan](#) for a modern New Zealand we can all be proud of. It looks thirty years ahead, not just three, focusing on tackling big challenges to lift wellbeing for current and future generations.

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## Our Priorities for New Zealand





Our Economic Plan directly focuses on four priorities to help us deliver a more productive, sustainable and inclusive economy. It will also help us to achieve our wider priorities, such as ensuring everyone has a warm, dry home and ensuring everyone who is able is earning, learning, caring or volunteering.

### **We want to grow and share New Zealand's prosperity more fairly.**

New Zealand is recognised as being one of the best places in the world to live. Wellbeing is high for New Zealanders overall, but the benefits of economic growth have been unevenly distributed.

Significant disparities exist with some parts of our society and regions faring worse on some wellbeing indicators including unemployment, income, health and educational attainment.

We want all New Zealanders to have equal opportunities to participate in an economy that is strongly connected to the world, and for all New Zealanders to share in the rewards and benefits of economic growth.

The best way we can raise the living standards of all New Zealanders in the long run is to work smarter not harder. This means increasing our skill levels to improve our productivity, and support higher incomes for all New Zealanders. We must ensure our education system and labour market settings encourage investment in the new skills our workforce needs now and for the future. Economic growth must be inclusive and sustainable, showing care for people and the environment.

### **We want to transition to a clean, green, carbon-neutral New Zealand.**

This Government is committed to making a just transition to a low-emissions economy, to lead by example and minimise New Zealand's contribution to climate change.

Our land, forests, fresh water, marine environment and indigenous biodiversity are the foundation of our society and economy and hold a special place in the hearts and minds of New Zealanders. They are at the heart of our success, livelihoods and wellbeing as New Zealanders. They are valuable for their own sake, and provide us with clean water, food production, and the landscapes that are the backbone of our economy.

Our focus is on how we support our people, places and businesses to use our resources more sustainably through the smart use of technology, education, regulation and investment.

We must work together to positively change how we live, work, do business and play. Progressively reversing existing environmental damage and protecting nature for ourselves and for future generations.

### **We want thriving and sustainable regions.**

We want people to prosper and have opportunities no matter where they live. Regions are home for many New Zealanders, and where some of our major industries are located.

When people and businesses do well, their place does well. We're unlocking the potential of our regions to create an environment where they thrive as much as our big cities. We're building resilient and sustainable infrastructure that enables our regions and supports a modern and connected economy across New Zealand.

### **We want to deliver responsible government with a broader measure of success.**

As a country, we cannot achieve these goals and aspirations by continuing with the status quo. We must do things differently, and measure our success more holistically. We know that what gets measured gets managed so over the past two years we've changed our measures of success to put wellbeing at the heart of what we do.

Our wellbeing approach is built around the Living Standards Framework, and its four capitals – financial/physical, human, natural and social. Measures of current wellbeing and the state of these four capitals are being tracked through the Living standards Framework Dashboard.

Our Economic Plan lays out our ambitious vision to improve living standards for current and future generations by transitioning our economy to be productive, sustainable and inclusive.

The Government remains focused on building a strong foundation for our economy through strong macroeconomic, monetary and fiscal policy settings. Our fiscal management approach – running surpluses and keeping debt under control – ensures we are resilient and prepared for disasters and shocks.

We are improving our institutional settings to support a modern New Zealand economy that benefits all New Zealanders. We have amended the Reserve Bank Act to focus on employment as well as price stability and improving the banking system to better protect New Zealanders' savings.

Our commitment to being financially disciplined will ensure we build a resilient economy that benefits all New Zealanders, now and for future generations.

# ECONOMIC PLAN

## OUR VISION

TO BUILD A PRODUCTIVE, SUSTAINABLE ECONOMY  
TO IMPROVE THE WELLBEING AND LIVELIHOODS OF ALL NEW ZEALANDERS

Grow and share NZ's prosperity

Support thriving and sustainable regions

## THE KEY ECONOMIC SHIFTS WE NEED



The NZ economy moves from volume to value with Kiwi businesses, including SMEs, becoming more productive

### This means...

- › Building on our existing strengths and international connections to leverage new opportunities in domestic and international markets
- › Investing in new technology and being at the forefront of digital innovation including to drive mitigation and adaptation to climate change
- › Thriving and dynamic small, medium and large enterprises



People are skilled, adaptable and have access to lifelong learning

### This means...

- › Businesses can access the skills and labour when and where they need it
- › People continually updating the skills they need for success in the future of work
- › Productive and fair employment



Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets

### This means...

- › We have the modern infrastructure we need to enable our transition to a low emissions economy
- › Kiwis have confidence to invest in innovative NZ firms
- › Regions and businesses have access to the world's knowledge and innovation through stronger international connections
- › NZ businesses have timely access to capital to innovate and grow



Strong and revitalised regions

### This means...

- › People and businesses thrive, irrespective of where they live or work
- › Regions are connected and equipped with modern and resilient infrastructure
- › Backing place-based comparative advantages and innovation strengths

# AINABLE AND INCLUSIVE ECONOMY IVING STANDARDS OF ALL NEW ZEALANDERS

Transition to a clean, green  
and carbon neutral NZ

Deliver responsible governance  
with a broader measure  
of success

## ED TO ACHIEVE OUR VISION ARE...

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Enable a step  
change for Māori  
and Pacific  
economies

### This means...

- › Higher economic, social, environmental and cultural wellbeing
- › As partners, the Crown and Māori have strong, ongoing and effective relationships
- › Success in business, education, employment, regions and land use



Sustainable and  
affordable energy  
systems

### This means...

- › Businesses and households can access affordable, clean energy to achieve our economic potential
- › Establishing New Zealand's foothold in high-value clean energy systems and exporting our know-how to the world
- › Meeting New Zealand's climate change targets by driving emissions reductions



Land and resource  
use delivers greater  
value and improves  
environmental  
outcomes

### This means...

- › Shifting land use to higher value use while maintaining and improving our environment
- › Redesigning our activities to minimise waste
- › Transitioning to a low emissions economy



Transform our  
housing market to  
unlock productivity  
growth and make  
houses more  
affordable

### This means...

- › Overcoming the shortage of housing and focusing capital investment towards more productive areas of our economy
- › Current and future generations can access affordable housing in the places they desire close to the best jobs for them
- › A productive building and construction sector producing safe, healthy and durable homes and buildings

# INITIATIVES TO SHIFT OUR ECONOMY



The NZ economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive



People are skilled, adaptable and have access to lifelong learning



Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets



Strong and revitalised regions

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## Examples of contr

- › Industry Transformation Plans
- › Research, Science and Innovation Strategy
- › R&D Tax Incentive and broader tax treatment of innovation
- › Trade For All agenda
- › Small Business Strategy
- › Callaghan Innovation services and grants
- › Trade negotiations agenda
- › Future of Work Tripartite Forum
- › NZTE customer focus programme
- › Reforming government procurement
- › Small business tax simplification

- › Reform of Vocational Education
- › Active labour market programmes – such as Mana in Mahi and He Poutama Rangatahi
- › First year fees-free education and training
- › Changes to temporary work visas
- › Tomorrow's Schools review
- › Employment Strategy and Action Plan
- › Just Transitions programme
- › Strengthening NCEA
- › Welfare overhaul
- › School Leavers' Toolkit and Career System Strategy
- › Establishing regional skills leadership groups
- › Strengthening labour relations and lifting minimum standards

- › Investment in early stage capital markets
- › Infrastructure Commission
- › Green Investment Fund
- › Urban Growth Agenda: funding and financing options
- › Auckland City Rail Link
- › Government Policy Statement on Land Transport
- › Local Government funding and financing
- › NZTE Investment matching

- › Provincial Growth Fund investments
- › KiwiRail and Interislander investments
- › Accelerated rural broadband and 5G rollout
- › One Billion Trees programme
- › Three Waters review
- › Local Government funding review
- › Upper North Island Supply Chain Strategy
- › Just Transitions programme
- › Biosecurity Act overhaul
- › Eradicating Mycoplasma bovis





**Enable a step change for Māori and Pacific economies**



**Sustainable and affordable energy systems**



**Land and resource use delivers greater value and improves environmental outcomes**



**Transform our housing market to unlock productivity growth and make houses more affordable**

## Contributing initiatives

- › Te Arawhiti – Office for Māori Crown Relations
- › Whenua Māori programme
- › He Kai Kei Aku Ringa - the Crown-Māori economic development strategy
- › Pacific Business Trust
- › He Tupu Ōhanga commercial advisors scheme and Kōkiri Māori business accelerator
- › NZTE Māori customer focus
- › Māori Development and Māori Agribusiness funds
- › Tupu Aotearoa and Tupu Tai Internship programmes

- › Renewable Energy Strategy
- › Electricity Price Review
- › Low Emission Vehicles Contestable Fund
- › National New Energy Development Centre
- › Winter energy payment

- › Emissions Trading Scheme reform
- › Zero Carbon Bill and Climate Change Commission
- › Resource Management Act reform
- › Essential freshwater: healthy water, fairly allocated
- › Productive and Sustainable Land Use Package
- › Waste and resource efficiency work programme
- › Biodiversity Strategy
- › Crown Minerals Act reform

- › Urban Growth Agenda
- › Kiwibuild
- › Building system legislative reform
- › Residential Tenancies Act reforms
- › Healthy Homes Act
- › Resource Management Act reform
- › Warmer Kiwi Homes investment
- › Kāinga Ora
- › Construction Sector Accord
- › Improving tax settings for land use

## KEY ECONOMIC SHIFTS

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New Zealanders value the wellbeing of our people and health of our environment, inclusivity and fairness. New Zealanders want an economy in which sustainable economic growth genuinely improves the lives of us all.

Our economy must be productive, sustainable and inclusive. Our eight economic shifts identify some of the most important changes we must make to prepare our economy for the big changes coming our way and address our most pressing economic, social and environmental challenges as a country.

If we achieve these shifts, we'll go a long way towards making New Zealand a great place to make a living 'great place to make a living and make a life. Our work programme as a Government is just a start. Tackling long-term challenges takes time. We are bringing fresh thinking and looking beyond traditional economic and social policy to address these challenges and support wellbeing.









# The NZ economy moves from volume to value with Kiwi businesses, including SMEs, becoming more productive

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New Zealand is renowned for our innovative and adaptable culture and our connectedness around the world. Our economy depends on cultivating this and encouraging Kiwi businesses to move from volume to value.

This shift will see businesses innovate and compete more effectively as we face challenges such as new technology and climate change.

Our productivity challenge is complex and long-standing. We're encouraging innovative businesses and industries to take advantage of new technology and global markets and develop higher value products and services. Our aim is to lift R&D spending to 2% of GDP by 2027. Innovation is at the heart of productivity growth and we want to ensure New Zealand businesses have access to R&D that underpins better products and ways of doing things.

Key to realising our vision is making New Zealand a great place to do business. That's why we are partnering with our sectors to transform their industries. It's also why we are taking action to reduce compliance costs and make government better for business – improving and connecting government services and modernising our regulation and systems.

New Zealand is a trading nation and we want all New Zealanders to benefit from trade. We are building stronger international connections so that Kiwi businesses get better access to markets around the world – not just for goods, services and investments, but also for people and ideas. At the same time, we are supporting businesses to get the most from trade and grow the value and reach of our exports.

## Examples of key initiatives:

- › **Industry Transformation Plans** – adding value to key sectors of our economy and leveraging new opportunities.
- › **R&D Tax Incentive** and our **Research, Science and Innovation Strategy** – ensuring business access and build knowledge and innovation.
- › **Trade for All agenda** – supporting New Zealand businesses make the most of international connections, and we grow the value and reach of our exports
- › **Small Business Strategy** (forthcoming) – empowering small businesses to thrive.

## CASE STUDY: **Fingermark – a Kiwi technology export success story**

Fingermark is a global tech company based in Havelock North leading the development of applied computer vision and deep learning products. Fingermark designs, builds and manufactures leading-edge innovative solutions to help organisations streamline operations and enhance customer experience.

CEO Luke Irving says Fingermark creates technology that gives businesses data “they never knew they needed.”

Fingermark's high potential US export strategy centres around collaboration with global tech giants. Together, they solve problems for four of the top ten biggest fast food brands in the world. Adept at using advanced digital tools, Fingermark leverages computer vision, the Internet of Things (IoT) and artificial intelligence to remove business bottlenecks, drive efficiencies and ultimately, grow bottom lines for businesses around the world.

“Fingermark have for years leveraged the support of both Callahan Innovation and NZTE to help speed up our growth in both R&D and global expansion.” Fingermark also uses the FernMark to mark its unique kiwi roots and ingenuity.



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## People are skilled, adaptable and have access to lifelong learning

We are highly skilled and qualified compared to many countries. However, some regions and sectors find it hard to get enough workers with the right skills, and others consistently fare poorly in traditional labour market measures.

We're partnering with regions to address skill and workforce needs by launching active labour market policies and programmes. We're reforming our education and vocational education system and introducing new initiatives to get people into work. We're targeting our immigration processes to provide the workers and skills we need and working with businesses to reduce our reliance on low skilled migrants.

Automation and technology present new opportunities and new challenges for both businesses and workers. Change can be disruptive and we're facing this head on by working with businesses and unions to understand the future of work so that New Zealanders, young and old, can maintain, upgrade and adjust their skills over their working life.

We're working towards an education system that equips people with the desire and flexibility to keep learning. This is fundamental to our ability to adapt successfully to all the changes that are occurring.

New Zealanders want an education system that supports our learners to succeed in the workplace. We're working to ensure that all adults have access to high quality and affordable education and can engage in accessible learning throughout their working lives, meeting the changing skill needs of our economy as it evolves and helping us keep unemployment below 4%.

New Zealanders work hard and expect to be treated well and fairly. That is why we are working to ensure we have a productive, fair and rewarding employment relations system. A system that supports businesses and protects vulnerable workers. A system that delivers fairness, safety and wellbeing at work. A system that ensures people receive a fair day's pay for a fair day's work.

### Examples of key initiatives:

- › **Reform of vocational education** – creating a strong, unified, sustainable system for all vocational education that delivers the skills that learners, employers and communities need to thrive.

- › **Active labour market programmes** – such as **Mana in Mahi** (Strength in Work) - supporting people to find and stay in work.
- › **Changes to temporary work visas** – incentivising and supporting business to employ more New Zealanders, and ensuring that access to migrant labour is available where there is genuine need.
- › **First year fees free** – making the first year of post-secondary school education and training free. New apprentices get their first two years of training fees-free.

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### CASE STUDY: Opōtiki community comes together to support local rangatahi

Opōtiki's community and the Government are backing local rangatahi who are working towards future careers in the construction industry. He Poutama Rangatahi has funded a pre-apprenticeship programme at Opōtiki College, and local businesses Motu Trails Trust, Mitre 10 Opōtiki and Bunnings Whakatane donated materials and tools. The programme provides training and mentoring to help students gain a formal apprenticeship after school, with the support of four staff who are currently helping them build three one-bedroom units.

Deputy Principal Jenny Mays, interviewed by One News recently, says the school's staff are delighted with the response from the local community and the uptake of the course from students.

"In this close-knit community, we make things happen together. We have students on the programme who started to disengage with mainstream school and were at risk of dropping out without achieving their NCEA goals or gaining sustainable employment. Since moving to the He Poutama Rangatahi programme, they're actively involved, staying late and volunteering to come in outside class time."



## Deeper pools of capital are available to invest in infrastructure and grow New Zealand's productive assets

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Smart investment, from infrastructure to innovative firms, supports a modern, resilient and connected economy.

New Zealanders are proud when our businesses succeed. Yet we know that New Zealand businesses of all sizes, particularly young firms and start-ups, face capital constraints and struggle to grow beyond their early stages.

Improving access to capital is vital. We're taking action to encourage investment to enable our companies and assets to achieve their potential. We're also introducing reforms that give people the confidence to invest in New Zealand's home-grown talent and vision.

We want to build New Zealand ownership of assets, with both the Government and individual New Zealanders investing more in onshore firms and infrastructure.

We recognise that for New Zealand businesses to succeed in a global marketplace, we must keep ahead of the latest technology and market developments. We are focused on enabling our regions and businesses to connect internationally, and adopt global best practice, new technology and innovations.

### Examples of key initiatives:

- › **Funding for early stage businesses** – introducing an early-stage capital fund to partner with private venture capital funds to invest in high-value innovative firms and start-ups so they can grow and scale in New Zealand.
- › **Infrastructure Commission** – ensuring New Zealand gets quality infrastructure investment to improve our long-term economic performance and social wellbeing.
- › **Green Investment Fund** – catalysing a private green investment market in New Zealand.

### CASE STUDY: Innovative new approach to fund infrastructure enables 9,000 new homes north of Auckland

The Government is looking at developing alternative financing models for infrastructure as part of its Urban Growth Agenda. The aim is to create opportunities to accelerate investment in local government projects that would otherwise struggle to be funded.

The ability of some local authorities to build infrastructure for new housing developments is being constrained by the costs and impact on debt levels.

At Milldale, a development north of Auckland, Crown Infrastructure Partners teamed up with Auckland Council and Fulton Hogan to establish an alternative financing model to fund infrastructure for 9,000 new homes. The Milldale model uses a Special Purpose Vehicle for the project that allows debt to be raised without going on Auckland Council's balance sheet. This enables capital to be raised independent of the Council. The Council will repay this debt over time by collecting additional rates from section and apartment owners.

The Government is building on the Milldale model as it continues to develop new funding approaches. These new models will deepen our capital markets for infrastructure, allowing private investment in new infrastructure, and accelerate much needed housing development. In this case, the result was 9,000 more homes built and 9,000 families housed.

"It's a big step towards meeting Auckland's housing needs" says Auckland Mayor Phil Goff of the Milldale development.









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# 04

## Strong and revitalised regional economies

Provincial New Zealand is the heartland of Aotearoa, and home to some of our most creative and innovative people. Much of New Zealand's economy rests on the successes of the regions.

New Zealand's regions have their own unique strengths and advantages, and face different challenges and opportunities. Some regions of New Zealand are thriving, whereas others consistently experience lower economic and social outcomes. They may face higher unemployment and lower productivity, or lack of investment in infrastructure and other critical things they need to boost their economy.

We want to address this. We're committed to fairly sharing the benefits of a strong economy so that people and businesses in our regions thrive.

We're investing to support regional businesses to grow, and building the infrastructure regions need to participate in a modern economy, such as rail, road, ports and communications.

No matter where they live and what their background is, every New Zealander can participate in and benefit from an economy that is productive, sustainable and inclusive.

### Examples of key initiatives:

- › **Provincial Growth Fund** - ensuring people and businesses all over New Zealand have the resources they need to reach their potential.
- › **Enabling infrastructure** - building infrastructure, such as rural broadband and KiwiRail, that regions need to participate in a modern economy
- › **One Billion Trees** - working with our regions and partners to support planting of one billion trees by 2028.

### CASE STUDY: Putauaki Trust, Kawerau Industrial Hub

The Provincial Growth Fund Te Tuawhenua (PGF) is investing \$20m in infrastructure improvements needed for businesses to access Māori trust land that will be used to create a new industrial hub and employment opportunities for local whānau.

The project involves development of a bi-modal freight distribution hub (road and rail) adjacent to a new large-scale industrial subdivision, which will enable co-location of factories that process nearby resources (e.g. forestry).

Once completed, the Putauaki Trust Kawerau Industrial Hub will provide at least 150 new jobs, attract new businesses and investment to the region, and have the potential to boost the productivity of the wider eastern Bay of Plenty. Shane Jones said "Kawerau has always been an industry-based town and upgrading the transport and associated infrastructure will help attract new businesses and create the right environment for existing companies to invest and expand in the region"

The Putauaki Trust is owned by approximately 800 shareholders - predominately descendants of Te Pahipoto, hapu of Ngati Awa of Te Teko. The Trust aims to create financial wealth to enable the cultural, social, environmental and economic aspirations of the shareholders and beneficiaries to be achieved, while also ensuring the land is protected as a taonga tuku iho.

# 05

## Enable a step-change for the Māori and Pacific economies

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### Enabling a step-change in the Māori economy

We recognise that whānau-led initiatives hold the key to bringing about a step-change in the Māori economy. Our Government is committed to supporting whānau, hapū and iwi to lift economic, social, environmental and cultural wellbeing.

We'll do this by ensuring we have strong partnerships with Māori, cross-agency collaboration and by supporting the outcomes in He Kai Kei Aku Ringa. We're focusing on improving employment and developing a highly skilled Māori workforce. We're investing in our rangatahi and in programmes that have a greater community focus. We want to grow Māori enterprises and are supporting digital innovation and connectedness.

We want to help Māori achieve their whenua Māori aspirations, which is why helping Māori access the capital and expertise they need is a focus. Through Te Puni Kokiri and Te Arawhiti, we're building the Crown's capability and capacity to partner effectively with Māori and make government accessible throughout the regions.

### Enabling a step-change in the Pacific economy

We're committed to helping our Pacific peoples build on their cultural and economic strengths. Pacific people bring an international connectivity, spirit of innovation, and broader perspective of value that the government wants to support and grow.

We want Pacific people to grow their prosperity, wellbeing and living standards. We're supporting Pacific enterprises to thrive and make the best use of the unique entrepreneurial and innovative potential of Pacific peoples in our economy.

By enhancing Pacific peoples' participation as business owners, employees and trainees across all career stages we can lift wellbeing and support Pacific New Zealand to thrive.

### Examples of key initiatives:

- › **Te Arawhiti** – Office for Māori Crown Relations - fostering strong, ongoing and effective relationships with Māori across Government
- › **Government procurement** – working to provide opportunities for Māori and Pacific New Zealand businesses to access contracts from the \$41 billion we spend each year in Government procurement.
- › **Whenua Māori** (Māori land) – enabling Māori to realise the potential of their land.
- › **He Kai Kei Aku Ringa** - working in partnership with the Māori Economic Development Advisory Board to deliver the Māori economic development strategy.
- › **Pacific Business Trust** - supporting and growing Pacific enterprises



## CASE STUDY: Robotics Plus' collaborative approach to agritech innovation a winner

Tauranga-based Robotics Plus is on a mission to help industry meet increasing agricultural demands, including labour shortages globally, by developing sophisticated and precision robotics and automation technologies that transform agricultural industries.

Robotics Plus co-founder and chairman Steve Saunders says a driving motivation is 'helping to feed the world in a sustainable way'. "It's estimated we will need to feed 10 billion mouths by 2050 and labour is becoming one of the biggest constraints to meeting that challenge, especially in the speciality crop food supply system. Our goal is solving those very simple labour pain points in horticulture, and other areas such as forestry, using automation, robotics and sensing technologies."

Over the past 18 months Robotics Plus has commercially launched its robotic Āporo apple packer worldwide, and its industry-changing Robotic Scaling Machines (RSM) which accurately measure logs on trucks. Its development efforts, which also include a number of other innovations, are well supported by partners and investors, including Yamaha Motor Co. Ltd. (Japan).

Māori heritage has played an important role in Robotics Plus' development. The company's core values are 'he aronga nui' (pioneering), 'manaakitanga' (collaboration), 'tika me te pono' (principled) and 'kaitiakitangi' (stewardship) says Saunders. "Importantly, these values also resonate strongly with our local and international partners, who are helping us to scale our technologies globally."

Robotics Plus' robotic Āporo apple packer won the New Zealand Trade & Enterprise (NZTE) Most Innovative Hi-Tech Agritech Solution and the company was named Callaghan Innovation Hi-Tech Kamupene Maori o te Tau - Maori Company of the Year at the 2019 NZ Hi-Tech Awards. "I was rapt that these awards, which recognise the dedication of our staff, partners and supporters, were presented by NZTE and Callaghan Innovation. They have been very supportive of our growth and innovation plans, along with MBIE, MPI and Te Puni Kokiri," says Saunders.

Robotics Plus also has important research relationships with the University of Waikato, the University of Auckland, Massey University, Plant & Food Research and PlantTech.

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# 06

## Sustainable and affordable energy system

Energy powers our economy – it drives our transport systems, fuels our jobs and enables our businesses to produce and deliver a huge variety of goods and services.

New Zealanders are leading the world in clean energy, with 82% of our electricity coming from renewable sources. But this isn't enough. We're challenging ourselves to reduce our reliance on fossil fuels across several industries.

As we make more use of technology and automation, supporting businesses to access low cost and clean energy is critical to our economic success. We've made a start, but we can't sit still. We have to develop our own sustainable energy technologies, continue to innovate, and explore ways to make efficient use of our energy resources. We must also back our businesses establishing footholds in fast-growing global "clean energy" industries build on our existing research capability.

New Zealanders rely on energy to heat and power our homes and fuel our cars and buses. We're conscious of the harm our energy use is doing to our environment and the impact on global warming. That's why we're focusing on shifting to a more environmentally sustainable energy system in a way that is affordable for us all. All of this is critical to getting to net-zero CO<sub>2</sub> and lifting renewable electricity generation to 100% within a normal hydrological year by 2035.

Young New Zealanders have been out on the streets in record numbers protesting lack of action on climate change and our Prime Minister has said that tackling climate change is New Zealand's nuclear free moment. We're showing global leadership by taking decisive action on climate change while creating jobs, and reducing emissions while ensuring energy is affordable.

### Examples of key initiatives:

- › **Renewable Energy Strategy** – outlining actions to achieve an affordable, secure and sustainable energy system.
- › **Electricity Pricing** – responding to the Electricity Price Review
- › **Transport electrification** and **low emissions** policies
- › **National New Energy Development Centre** – supporting the development, demonstration, uptake and use of new energy technologies

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### CASE STUDY: Charting our way towards a more renewable energy system

The Government's Renewable Energy Strategy is looking to address barriers to investment, support the uptake of new technology, and transition to a clean, green and carbon neutral economy by 2050. Energy Minister Megan Woods says "Our government's goal is to decarbonise our economy while keeping electricity costs low for consumers and creating new jobs in renewable energy."

The Government is establishing a National New Energy Development Centre in Taranaki. The centre will support new energy technology to be developed and commercialised and connect industry, government, research and leaders. We are backing this with a new fund for research into cutting edge energy technology, looking into the likes of organic photovoltaics, super conductors, nanotechnologies and inductive power.

The Government is also backing companies pioneering clean energy solutions through the Provincial Growth Fund. These include our investments in Hiringa Energy; dedicated to the supply of green hydrogen, and Eco Gas; focused on converting organic food waste into energy and bio-fertiliser.



# 07

## Land and resource use delivers greater value and improves environmental outcomes

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Kaitiakitanga, ingenuity, integrity and respect define who we are as New Zealanders - we care about everything we do and everything we create. We recognise that the wellbeing of our people and the health of our environment are directly impacted by how we use our land, water, oceans and resources.

We're working to support businesses to use our land and resources in a way that is good for our environment, good for our businesses, good for our workers and good for our future.

We understand that businesses don't need more red tape and empty words. We also understand that New Zealand is a pioneer and innovator in food and beverage and agritech.

That is why we are partnering with our food and fibre sectors to use science, technology and business practices that boost productivity and reduce emissions and pollution. This is critical to meeting our target of net-zero CO<sub>2</sub> and a 24 - 47% reduction in biological methane emissions by 2050.

We are focused on supporting our primary sectors to contribute to our economy for the long term. We know that consumers are increasingly demanding food and fibre produced with integrity. We are backing our primary sector to lead the world in providing sustainable and natural food, fibres and bioproducts. Supplying innovative high-value products made with integrity when it comes to people, animal welfare, waste and the environment. We're investing now to build our brand as a clean, green country.

Like most of the developed world, our economy produces a lot of waste - some of which can be bad for business, bad for the environment and bad for people. We need to focus on sustainable materials and processes and redesign our activities to produce less waste. This won't happen overnight - but with government support for innovation, smart regulation, and ongoing dialogue, these changes can be effective and enduring, and result in career opportunities and jobs that don't exist today.

### Examples of key initiatives:

- › **Zero Carbon Bill and changes to the Emissions Trading Scheme** - ambitious reforms to transition to a low emissions economy.
- › **Improving our Resource Management** - making the RMA easier for New Zealanders to understand and engage with.
- › **Urban Growth Agenda** - removing barriers to land supply and infrastructure and supporting productive and sustainable land use in urban areas.
- › **Essential freshwater reforms and sustainable land use package** - improving the health of our waterways and wetlands and providing support for farmers and growers to use their land more sustainably.
- › **Waste and resource efficiency work programme** - supporting New Zealand's transition to a circular economy.



## CASE STUDY: Partnering to grow our craft beer industry

Craft beer presents a creative, innovative way to use our resources – our high-quality hops, beautiful water, and terrific malt – creating a high value product, with a lower environmental impact.

Hāpi Research Ltd has partnered with the Ministry for Primary Industries (MPI) to deliver Hāpi – Brewing Success, a \$13.25 million, 7-year project funded through of the Government's Sustainable Food and Fibre Futures fund. The aim is to help growers and brewers to explore new possibilities for our hop growing and craft beer industries and support development of high-value, premium products from regional businesses.

Hāpi Research Ltd is a joint venture between Garage Project, a leading Wellington craft brewer, and Freestyle Farms, a leading Nelson hop farm. "Our project will pursue research to enhance and differentiate super-premium hop and craft beer markets and boost the growth of both industries," says Freestyle Farms director David Dunbar. "By collaborating across industries we'll accelerate development of unique Kiwi hops, promote uniquely New Zealand craft beer, and open up new areas to hop growing."

Hop growing will be supported by research on new precision agriculture practices and processing methods, and licensing for the hops will be limited to New Zealand growers – ensuring intellectual property and expertise it develops is retained in New Zealand.

Garage Project co-founder Jos Ruffell adds, "Our aspiration is to develop the resources and tools for domestic and export success along the lines of what our wine industry has achieved – elevating New Zealand craft beer to a sustainable global brand that commands premium pricing across all markets."

If successful, the project could increase revenue from hops and craft beer by \$171m per annum by 2027, largely driven by exports, and create 835 new jobs across the hop growing and craft brewing industries.

In addition to this project, we are partnering with our craft beer industry to help them to grow and share their unique products with the world drawing on customer insights and industry successes, highlighted in our recent NZTE report 'Craft Beer – Turning on the Export Tap'.

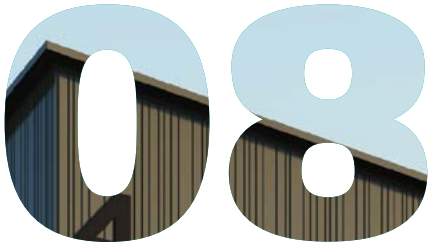




**From render to reality  
in 9 months**







## Transform our housing market to unlock productivity growth and make houses more affordable

A safe, warm, dry home or where is important for New Zealanders – whether owning or renting. Where we live, our turangawaewae, is central to wellbeing. We want New Zealanders to have choice in where they live, learn and work, and make it easier for workers to live close to the best jobs for them.

Our housing and urban development system has been under pressure for some time now. We are focused on addressing dysfunction and getting more houses built that are affordable for New Zealanders to rent or own. We want to reduce the debt and rental burden on our businesses and households from high house prices and rents. Our people should not be stressed about housing affordability or insecure tenure, nor should their health be affected by unsafe homes.

We know that New Zealand's high house prices have diverted capital into the housing market and away from more productive uses. We need this capital to help businesses to innovate, invest in new technology and pursue growth opportunities. High housing costs can also make it difficult for businesses and people to move to areas where there are better opportunities.

We're focused on increasing our housing supply to better meet demand and tackling long-standing failures at every point in the system. We are working to improve land supply; cut unnecessary red tape; and direct overseas housing investment into productive uses. Our rental focus will ensure renters have more secure, healthy and affordable homes. Our work with the construction sector supports smart developments, lower construction costs and more safe, healthy and durable homes. We are planning for future growth with local government and investing in infrastructure.

### Examples of key initiatives:

- › **Urban Growth Agenda** – working to get our urban markets working so they can respond to growth, improve urban land affordability, and support thriving communities.
- › **Kiwibuild** – Assisting first home buyers who have been locked out of our housing market to buy their first home
- › **Reforming our building system** – establishing a productive building and construction sector that produce safe, durable homes and buildings.

### CASE STUDY: Productive partnership to deliver new homes

Kiwibuild and NZ Living Ltd are transforming New Zealand's housing market, unlocking productivity growth, and together, they're reigniting the dream of first-home-ownership for Aucklanders. Innovative thinking in the design and construction phases results in high quality, affordable, well-located, medium-density homes that are incredibly robust, low-maintenance and liveable over the long-term.

NZ Living is using smart construction techniques which reduce the time it takes to get all the design and consenting paperwork done, lower costs and speed up construction. This is medium-density housing done well – located close to public transport hubs, open spaces and ground level apartments to include elderly, disabled and young families. Many of NZ Living's buildings are built to a Homestar 6 rating, providing quality assurance that a house will be warm, dry, healthy and cheap to run. All of this means these homes will be comfortable and low maintenance for buyers to live in long-term.

The deal between KiwiBuild and NZ Living has resulted in 144 homes, 97 of them KiwiBuild, that would otherwise not have been built or would have taken much longer to build. "What KiwiBuild does is enables you to on-sell apartments while you're building. That's quite different to most cases. Typically, developers need to achieve a threshold of pre-sales before starting, adding up to 12 months to any project. But KiwiBuild projects can be done by developers in half the time of the usual market-orientated projects."

# REDEFINING HOW WE MEASURE SUCCESS TO FOCUS ON WHAT MATTERS FOR NEW ZEALANDERS

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New Zealanders want us to measure success in line with their values – the wellbeing of our people, the health of environment and the strength of our economy.

We recognise that in the past while we've seen improvements in standard measures of economic success – such as our GDP growth – for many New Zealanders, this did not translate into higher living standards or better opportunities. We need to ensure long-term economic success in an inclusive, not exclusive way.

That's why we've built a comprehensive suite of economic social, cultural and environmental indicators to measure how well our economy is performing. These will help us monitor the wellbeing of the current generation, what we're leaving behind for future generations and how our actions are having impact over the medium term.

There's no single way to capture the complexity of the economy, but by widening our focus we can get important feedback about progress on our key economic shifts, and understand more about the impact we're having for New Zealanders.

We've made a start with StatsNZ's Indicators Aotearoa New Zealand and the Treasury's Living Standards Framework Dashboard and we'll keep building on this work to ensure that it reflects New Zealanders' values and focuses our attention on what matters.

We will report on how well the economy is performing for New Zealand using both traditional economic indicators and wellbeing indicators each year, through the wellbeing outlook in the budget Wellbeing Outlook in the Budget. This document will provide an overview of what the indicators are telling us about the strengths and weaknesses of the economy.

You can find more about the Living Standards Framework Dashboard and StatsNZ's Indicators Aotearoa New Zealand at [treasury.govt.nz/information-and-services/nz-economy/living-standards](https://treasury.govt.nz/information-and-services/nz-economy/living-standards) and [wellbeingindicators.stats.govt.nz](https://wellbeingindicators.stats.govt.nz)



# ANNEX: TRACKING SUCCESS THROUGH WELLBEING INDICATORS

We will use a range of wellbeing indicators, drawn from the Living Standards Framework Dashboard and IANZ, to measure the economy's performance for each of the key economic shifts. This approach brings together our economic, environmental and social indicators to give a broader view of how the economy is performing. Some indicators that are particularly important for each shift are set out below, though we will report through the Wellbeing outlook each year.

| Key economic shifts  | Wellbeing indicators (primarily from the LSF Dashboard and IANZ )   | Sources and frequency of update   |
|--|---|---|
| The NZ economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive | <p><b>Current wellbeing</b></p> <ol style="list-style-type: none"> <li>1. Disposable income</li> <li>2. Consumption</li> </ol> <p><b>Future wellbeing</b></p> <ol style="list-style-type: none"> <li>3. Multifactor productivity growth</li> <li>4. R&amp;D investment</li> </ol>   | <ol style="list-style-type: none"> <li>1. MSD, Household incomes in NZ (Annual)</li> <li>2. Treasury analysis of Household economic survey (four yearly)</li> <li>3. Stats NZ, Productivity Statistics (Annual)</li> <li>4. Stats NZ, R&amp;D Survey, (two yearly)</li> </ol>   |
| People are skilled, adaptable and have access to lifelong learning                                       | <p><b>Current wellbeing</b></p> <ol style="list-style-type: none"> <li>1. Unemployment rate</li> <li>2. Employment rate</li> <li>3. Hourly earnings</li> <li>4. Educational attainment (tertiary)</li> <li>5. Educational attainment (upper secondary)</li> <li>6. Cognitive skills at age 15</li> <li>7. % of 15-24 year olds not in employment, education or training (NEET rate)</li> </ol> <p><b>Future wellbeing</b></p> <ol style="list-style-type: none"> <li>8. Educational attainment (tertiary)</li> <li>9. Educational attainment (upper secondary)</li> <li>10. Cognitive skills at age 15</li> </ol> | <ol style="list-style-type: none"> <li>1. Stats NZ, HLF5 (Quarterly)</li> <li>2. Stats NZ, HLF5 (Quarterly)</li> <li>3. Stats NZ, HLF5 and Labour cost index (Quarterly)</li> <li>4. Stats NZ, HLF5 and MSD data (Annual)</li> <li>5. Stats NZ, HLF5 and MSD data (Annual)</li> <li>6. OECD, Programme for International Student Assessment survey (Three yearly)</li> <li>7. Stats NZ, HLF5 (Quarterly)</li> <li>8. Stats NZ, HLF5 and MSD data (Annual)</li> <li>9. Stats NZ, HLF5 and MSD data (Annual)</li> <li>10. OECD, Programme for International Student Assessment survey (Three yearly)</li> </ol> |

| Key economic shifts  | LSF Dashboard Measures   | Source and update frequency   |
|--|--|---|
| Deeper pools of capital are available to invest in infrastructure and grow New Zealand's productive assets | <b>Future wellbeing</b> <ol style="list-style-type: none"> <li>1. Total net fixed assets</li> <li>2. Net intangible fixed assets</li> <li>3. Household net worth</li> <li>4. Multifactor productivity growth</li> <li>5. Net international investment position</li> <li>6. Total Crown net worth</li> <li>7. Foreign Direct Investment</li> </ol>                          | <ol style="list-style-type: none"> <li>1. Treasury analysis of National Accounts Capital Stock tables (Annual)</li> <li>2. Treasury analysis of National Accounts Capital Stock tables (Annual)</li> <li>3. OECD, How's Life, (Approx. every two years)</li> <li>4. Stats NZ, Productivity Statistics (Annual)</li> <li>5. Stats NZ, Balance of Payments (Annual)</li> <li>6. Treasury, Fiscal Time Series Horizontal indicators (Annual)</li> <li>7. IANZ only Stats NZ, Balance of Payments (Annual)</li> </ol> |
| Strong and revitalised regions   | <b>Current wellbeing</b> <ol style="list-style-type: none"> <li>1. Periodic wellbeing analyses of regions</li> <li>2. Regional GDP</li> </ol>  | <ol style="list-style-type: none"> <li>1. Stats NZ, General Social Survey (every two years), and variety of other sources.</li> <li>2. Stats NZ, Regional GDP statistics, (Annual)</li> </ol>   |
| Enable a step change in Māori and Pacific economies  | <b>Current wellbeing</b><br>Periodic wellbeing analysis of Māori as a demographic group  | Stats NZ, General Social Survey (every two years), and variety of other sources   |
| Sustainable and affordable energy system   | <ol style="list-style-type: none"> <li>1. % of electricity generation</li> <li>2. Net greenhouse gas emissions</li> </ol>  | <ol style="list-style-type: none"> <li>3. MBIE, Energy in NZ, (Annual)</li> <li>4. MFE, Greenhouse gas inventory (Annual)</li> </ol>  |
| Land and resource use delivers greater value and improves environmental outcomes                           | <b>Current wellbeing</b> <ol style="list-style-type: none"> <li>1. Water quality (swimmability)</li> <li>2. Perceived environmental quality</li> </ol> <b>Future wellbeing</b> <ol style="list-style-type: none"> <li>3. Net greenhouse gas emissions</li> <li>4. Climate regulation</li> <li>5. Sustainable food production</li> <li>6. Kg of waste per capita</li> </ol> | <ol style="list-style-type: none"> <li>1. Swimmability data (unclear frequency)</li> <li>2. Lincoln University data (unclear frequency)</li> <li>3. MFE, Greenhouse gas inventory (Annual)</li> <li>4. MFE, Greenhouse gas inventory (Annual)</li> <li>5. Stats NZ and MFE, Average soil testing results (unclear frequency)</li> <li>6. MFE, Review of the Waste disposal levy (unclear frequency)</li> </ol>  |
| Transform our housing market to unlock productivity growth and make houses more affordable                 | <b>Current wellbeing</b> <ol style="list-style-type: none"> <li>1. Household crowding</li> <li>2. Housing cost</li> <li>3. Housing quality</li> </ol>  | <ol style="list-style-type: none"> <li>1. Census data (Five yearly)</li> <li>2. MSD, Household incomes in NZ (Annual)</li> <li>3. Stats NZ, General Social Survey (two yearly)</li> </ol>   |

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ISBN PRINT XXXXXXXXXXXX  
ISSN ONLINE XXXXXXXXXXXX





# Cabinet Economic Development Committee

## Minute of Decision

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### Launching the Refreshed Economic Strategy: The Economic Plan

**Portfolios** Finance / Economic Development

On 11 September 2019, the Cabinet Economic Development Committee (DEV):

- 1 **approved** the economic strategy, *Economic Plan for a Productive, Sustainable and Inclusive Economy* (the Economic Plan), attached to the paper under DEV-19-SUB-0244, subject to any minor or technical changes approved by the Minister of Finance and the Minister for Economic Development prior to release;
- 2 **noted** that the Economic Plan reaffirms the government's vision to improve the wellbeing and living standards of New Zealanders by building a productive, sustainable and inclusive economy [CAB-18-MIN-0111 and DEV-18-MIN-0222];
- 3 **noted** that the Economic Plan describes the eight key economic shifts that support the transition to a productive, sustainable and inclusive economy:
  - 3.1 the New Zealand economy moves from volume to value, with Kiwi businesses, including SMEs, becoming more productive;
  - 3.2 people are skilled, adaptable and have access to affordable lifelong learning;
  - 3.3 deeper pools of capital are available to invest in infrastructure and grow New Zealand's productive assets;
  - 3.4 strong and revitalised regions;
  - 3.5 enable a step change for Māori and Pacific economies;
  - 3.6 sustainable and affordable energy systems;
  - 3.7 land and resource use delivers greater value and improves environmental outcomes;
  - 3.8 transform the housing market to unlock productivity growth and make houses more affordable;
- 4 **noted** that the government plans to measure the success of the Economic Plan by reporting on how the economy is performing through the Wellbeing Outlook;
- 5 **agreed** that the Minister of Finance and the Minister for Economic Development launch the Economic Plan in September 2019;

- 6 **invited** the Minister of Finance and the Minister for Economic Development to report back to DEV on progress in implementing the Economic Plan and with further proposals to achieve the eight key economic shifts referred to in paragraph 3 above.

Jack Petterson  
Committee Secretary

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**Present:**

Hon Kelvin Davis  
Hon Phil Twyford (Chair)  
Hon Dr Megan Woods  
Hon Chris Hipkins  
Hon Nanaia Mahuta  
Hon Stuart Nash  
Hon Iain Lees-Galloway  
Hon Jenny Salesa  
Hon Shane Jones  
Hon Kris Faafoi  
Hon Willie Jackson  
Hon James Shaw  
Hon Eugenie Sage

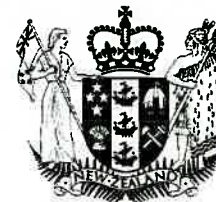
**Officials present from:**

Officials Committee for DEV

**Hard-copy distribution:**

Minister of Finance  
Minister for Economic Development

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**Joint Report: Launch of the Economic Plan**

|              |                   |                     |  |
|--------------|-------------------|---------------------|--|
| <b>Date:</b> | 13 September 2019 | <b>Report No:</b>   | T2019/2911 (TSY)<br>BR 0846 19-20 (MBIE) |
|              |                   | <b>File Number:</b> | SH-11-1-3                                |

**Action sought**

|   | <b>Action sought</b>   | <b>Deadline</b>          |
|---|--|--------------------------|
| Minister of Finance<br>(Hon Grant Robertson)            | <b>Agree</b> to finalise the Economic Plan for print on 17 September 2019<br><b>Note</b> the plan to launch the Economic Plan at Gracefield on 23 September 2019<br><b>Note</b> we will work with your offices to provide you with a comprehensive communications plan next week | Monday 16 September 2019 |
| Minister for Economic Development<br>(Hon Phil Twyford) | <b>Agree</b> to finalise the Economic Plan for print on 17 September 2019<br><b>Note</b> the plan to launch the Economic Plan at Gracefield on 23 September 2019<br><b>Note</b> we will work with your offices to provide you with a comprehensive communications plan next week | Monday 16 September 2019 |

**Contact for Telephone Discussion (if required)**

| <b>Name</b>   | <b>Position</b>   | <b>Telephone</b>                        | <b>1st Contact</b> |
|---------------|---|---|--------------------|
| Scott Russell | Senior Analyst, Economic Strategy and Productivity, The Treasury                    | Privacy of natural persons<br>n/a (mob) | ✓                  |
| Erin King     | Team Leader, Economic Strategy and Productivity, The Treasury                       | N/A (mob)                               |                    |
| Jack Dysart   | Advisor, Strategic Policy, Ministry of Business Innovation & Employment             | N/A (mob)                               | ✓                  |
| Hamish Wilson | Manager, Strategic Policy Integration, Ministry of Business Innovation & Employment | N/A (mob)                               |                    |

**Minister's Office actions (if required)**

Return the signed report to Treasury and the Ministry of Business Innovation & Employment.

**Enclosure:** Yes (attached)

## Joint Report: Launch of the Economic Plan

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### Purpose of Report

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1. The purpose of this report is to finalise the *Economic Plan* and outline proposed arrangements to release the Plan.

### Background

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2. You are releasing the *Economic Plan* on 23 September 2019.
3. We have provided you a final version of the *Economic Plan* for your approval ahead of printing on 17 September 2019 (**Annex One**).
4. You will meet with officials on Monday 16 September 2019 at 5:30pm which will provide an opportunity to discuss logistics around release of the *Economic Plan*.

### Finalising the Economic Plan

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5. We have made minor editorial changes to the *Economic Plan* following feedback received from the Joint Ministers meeting on 9 September 2019, and from Ministers' offices. These include incorporating the Minister of Finance's feedback, changes to the foreword as directed by the Ministers' offices, picking up errors and updating photos.
6. Cabinet Economic Development Committee (DEV) approved the release of the *Economic Plan* on 11 September 2019, subject to any minor or technical changes approved by the Minister of Finance and the Minister for Economic Development.
7. We now seek your agreement to the final *Economic Plan* document, which is attached in **Annex One**.
8. Please note that the *Economic Plan* is scheduled to be reviewed by a professional proof reader before print. Our design team is also improving the resolution of the spider chart on page 26.
9. The *Economic Plan* is scheduled to go to print on Tuesday 17 September 2019, where we have arranged to print 400 copies.

### Logistics for the launch event

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#### Launch Venue

10. We have been working with your offices on the venue for launching the *Economic Plan* on the morning of 23 September 2019.
11. You will be releasing it at the Gracefield Innovation Quarter which is run by Callaghan Innovation and located in Lower Hutt.
12. Gracefield's proximity to Wellington and facilities make it an ideal choice at short notice. It has a function room that can hold 100 invitees, audio visual equipment and on site catering.
13. There are innovative businesses located at Gracefield including Hot Lime Labs, Glycosen, and KiwiStar, and a range of other innovative and successful businesses in the surrounding area.
14. The Government invested just over \$70m to upgrade Gracefield in the 2018 Wellbeing Budget. Gracefield illustrates the importance of investing in the infrastructure and institutions that can help drive New Zealand's wellbeing and prosperity.



15. We propose showcasing the 3D printing facilities (ADDLab) at Gracefield on the day of the launch. On hand will be a company, *Additive Manufacturing Solutions (AMS)*, which has made use of these facilities in order to build their export business. AMS provides metal 3D printing services to the Australasian region.

### Launch Event

16. We are working with your offices to finalise a programme for the launch event.
17. We are confirming timing of speeches, business meet and greet, and opportunity for media questions with your office.
18. We are working with your offices to finalise a guest list for the event comprising:
- a. Key businesses, largely made up of local and innovative firms
  - b. Stakeholders in the business and innovation ecosystem (funders, sector groups)
  - c. Media
  - d. Ministers
  - e. Hutt City Council
  - f. Public sector chief executives on the Economic Sector Leadership Group.
19. Invitations need to be sent out on the morning of Tuesday 17 September 2019 to allow sufficient notice for people to make time for the event.

### Communications Plan

20. We will provide your offices with a full communications plan next week, including
- o A joint press release
  - o Q&A notes
  - o Final run sheet, venue and attendee info
  - o Outline of process for release of the NZStory video
  - o Suggested talking points
  - o Background on the associated *Economic Plan* webpage to be hosted on the MBIE website, and include background on the initiatives outlined in the Plan.

### Briefing key stakeholder groups in advance of release

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21. You agreed to provide key stakeholders with a copy of the *Economic Plan* in advance of the launch on 23 September 2019. These groups include:
- o The Prime Minister's Business Advisory Council (Fraser Whineray, Chair)
  - o The Future of Work Tripartite Forum (Kirk Hope, Richard Wagstaff)
  - o Māori Economic Development Advisory Board (Robin Hapi, Chair).
22. We suggest giving each group phone call in advance to let them know of the release. We have provided suggested talking points at **Annex Two** to canvas some of the issues each group has raised.

### Next steps

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23. Following our discussion with you on Monday 16 September 2019, we will provide you both with a detailed event briefing and your offices with communications materials.

Annexes

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*Annex One:* The Economic Plan for final approval

*Annex Two:* Suggested talking points for key stakeholder groups

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Recommended Actions

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We recommend that you:

- a **note** we have made minor updates to the *Economic Plan*;
  - b **agree** to finalise the *Economic Plan* for print on 17 September 2019;
- |   |   |
|---|---|
| <i>Agree/Disagree</i><br><i>Minister of Finance</i> | <i>Agree/Disagree</i><br><i>Minister for Economic Development</i> |
|---|---|
- c **note** the plan to launch the *Economic Plan* at Gracefield on 23 September 2019;
  - d **note** we will work with your offices to finalise the run sheet and guest list for the event;
  - e **note** that in addition to the speeches and media, the event will provide an opportunity to meet with a range of innovative firms in the Hutt valley, view Gracefield's 3D printing lab (ADDLab), and meet a local firm that has used the equipment to build their export business; and
  - f **note** that we will provide you with a comprehensive communications plan next week.



Erin King  
**Team Leader, Economic Strategy and  
Productivity, The Treasury**



Hamish Wilson  
**Manager, Strategic Policy Integration,  
Ministry of Business Innovation and  
Employment**

Hon Grant Robertson  
**Minister of Finance**

Hon Phil Twyford  
**Minister for Economic Development**

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## Annex Two: Suggested talking points for key stakeholder groups

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### Proposed talking points – for Fraser Whineray, PM’s Business Advisory Council

Privacy of natural persons

- At the 5 July meeting of the Business Advisory Council (BAC), we discussed the Government’s Economic Plan that we proposed to launch in September.
- We discussed BAC views on the focus and the framing of the Government’s Economic Plan and the economic shifts needed to achieve a productive, sustainable and inclusive economy.
- We have now finalised the Plan and will release it on 23 September. I just wanted to give you a heads up on the release. We will also send you an advance copy for you to share with the other Council members.
- The economic shifts outlined in the Plan reflect the discussions we’ve been having with BAC over the last year – picking up on ideas you have put forward such as the importance of investing in skills, capital and infrastructure.
- The wording of the economic shifts has changed slightly since our July discussion. In particular, we have picked up BAC feedback on the importance of seeing SMEs more explicitly in the Plan.
- We have also added an additional economic shift – picking up on BAC priorities – to highlight that *deeper pools of capital are available to invest in infrastructure and grow New Zealand productive assets*.
- Woven throughout the final narrative, we have also reflected BAC view that the Plan needs to have long-term aspirational goals for the kind of country we want New Zealand to be over a long timeframe (i.e. 30 years).
- Thank the BAC for their ongoing valuable input and reflections on what is important for New Zealand’s prosperity and wellbeing.

**Proposed talking points – for Kirk Hope, Business New Zealand**

Privacy of natural persons

- On 12 August at the Future of Work Tripartite Forum we outlined the Government's Economic Plan, noting that it would be released soon.
- We have now finalised the Plan and will release it on 23 September. I just wanted to give you a heads up on the release. We will also send you an advance copy for your information.
- At the last Tripartite Forum you questioned whether there would be metrics and progress reports in the Strategy.
- The final plan includes a table of key wellbeing indicators, which are aligned with the Treasury's Living Standards Framework and Indicators Aotearoa New Zealand.
- We will report on how well the economy is performing for New Zealand both using traditional economic indicators and wellbeing indicators each year, through the Wellbeing Outlook in the Budget.

**Proposed talking points – for Richard Wagstaff, CTU**

- On 12 August at the Future of Work Tripartite Forum we outlined the Government's Economic Plan, noting that it would be released soon.
- We have now finalised the Plan and will release it on 23 September. I just wanted to give you a heads up on the release. We will also send you an advance copy for your information.
- The Plan takes a different approach from how previous Governments have thought about economic policy - placing far more value on the wellbeing of our people and the health of our environment.
- We picked up on the CTU feedback on the importance of the Plan to be holistically focused on wellbeing, rather than traditionally economic. We have emphasised our goal to grow and share New Zealand's prosperity more fairly, and have equal opportunities to participate.
- We have also explicitly articulated the impact of the Government's employment relations policies in delivering higher wages and better conditions at work.

**Proposed talking points – for Robin Hapi, Māori Economic Development Advisory Board**

Privacy of natural persons

*Note: Ministers have not previously discussed the Economic Plan directly with MEDAB – however at an officials' level there have been earlier discussions on the broad scope.*

- I understand that officials have previously discussed the proposed scope of the Government Economic Plan with the Māori Economic Advisory Board.
- We have now finalised the Plan and will release it on 23 September. I just wanted to give you a heads up on the release. We will also send you an advance copy for your information that you might like to share with MEDAB members.
- I'd like to emphasise that the Economic Plan provides a framework for communicating the Government's vision to build a productive, sustainable and inclusive economy, and the economic shifts needed to achieve this vision.
- It sets out how Government initiatives are contributing to achieving these economic shifts.
- These initiatives are a starting point for advancing the shifts. Further work will be needed, and will require us to work closely and collaboratively with all of our stakeholders.



# Economic Plan

FOR A PRODUCTIVE, SUSTAINABLE  
AND INCLUSIVE ECONOMY

SEPTEMBER 2019





# FOREWORD: POSITIONING NEW ZEALAND FOR THE FUTURE

This Government has an ambitious goal of improving the wellbeing and living standards of all New Zealanders now, and for future generations.

We aspire to be a country where all New Zealanders reach their potential. A country where business, workers and Government work together to foster innovation and encourage transformational, sustainable growth.

New Zealand's strong economic fundamentals lay the foundation for achieving sustainable growth. Our economy continues to grow faster than our international peers and we have near record low unemployment. This Government continues to run a surplus and keep debt under control. Our enviable economy has roots in agriculture, horticulture, forestry and tourism, and we proudly share our success in these sectors with the world.

While these sectors will continue to serve us well, we're facing challenging times and must build our resilience. We must widen our focus and mitigate against and prepare for the impacts of climate change; international pressures and headwinds; the changing face of New Zealand's population; technological advancements

and new ways of working; and the digital revolution sparking innovation at a rate not previously seen.

New Zealanders value the wellbeing of our people and the health of our environment, inclusivity and fairness. This care extends to everything we do and everything we create. What we do, and how we do it, matters. We see the economy, the environment, our people, and our communities as deeply interconnected. This Government will not trade one off for another. We're making decisions to protect our unique environment and heritage for generations to come, and be world leaders on environmental issues and climate change.

We have a unique opportunity to build on our strengths and boldly reshape our economy. This Economic Plan builds on our strong foundations and sets out a clear path to build a more productive, sustainable and inclusive future for New Zealand. It identifies eight key shifts that we believe are required to transform our economy and seize local and international opportunities presented by rapid change.

The shifts we're tackling will not take place overnight, and the future is highly uncertain. However, we are being more deliberate to ensure people and businesses have the opportunities they need to adapt to new working environments and respond confidently and rapidly to change.

We can't do this on our own. It's essential we partner with business, communities, workers and iwi on what has been seen as too hard for too long. By working together, we will build an economy that delivers for all New Zealanders.

Success is making New Zealand a great place to make a living and a great place to make a life. Now, and for future generations.



Hon Grant Robertson  
Minister of Finance



Hon Phil Twyford  
Minister for  
Economic Development





# OUR VISION – WELLBEING FOR ALL NEW ZEALANDERS NOW AND IN THE FUTURE

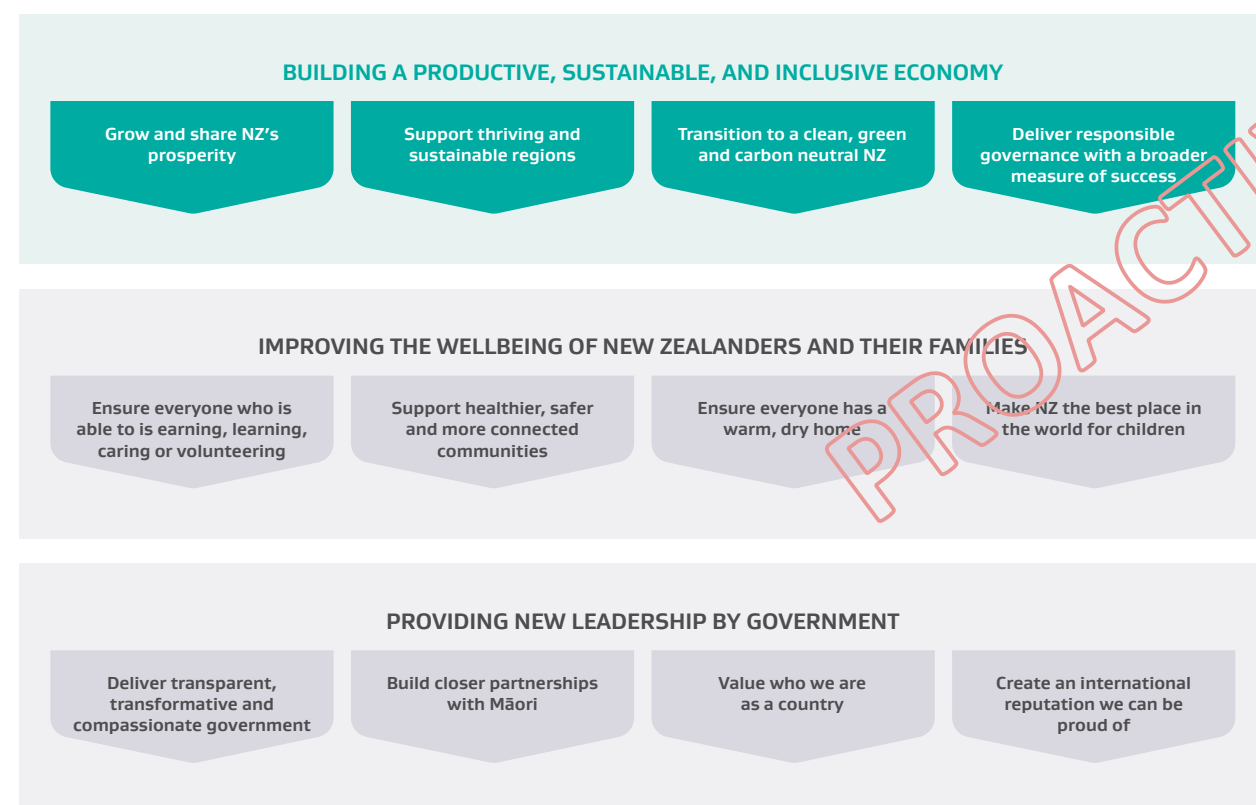
New Zealand is a proud, small country located deep in the South Pacific, with an advanced economy. We are a progressive and innovative people – a nation which embraces new challenges and deliver new solutions to the world.

New Zealanders care about the wellbeing of our people and the health of our environment. That is why we are putting the health and wellbeing of our people and environment at the heart of how we manage the economy and measure success.

Wellbeing is when people are able to lead fulfilling lives with purpose, balance and meaning to them. Ensuring more New Zealanders enjoy good wellbeing requires tackling the long-term challenges we face as a country, improving the state of our environment, the strength of our communities and the performance of our economy.

Last year, this Government released **Our Plan** for a modern New Zealand we can all be proud of. It looks thirty years ahead, not just three, focusing on tackling big challenges to lift wellbeing for current and future generations.

## Our Government's priorities - taken from Our Plan



Our Economic Plan directly focuses on the four Government priorities to help us deliver a more productive, sustainable and inclusive economy. It will also help us to achieve our wider priorities, such as ensuring everyone has a warm, dry home and ensuring everyone who is able is earning, learning, caring or volunteering.

### We want to grow and share New Zealand's prosperity more fairly

New Zealand is recognised as being one of the best places in the world to live. Wellbeing is high for New Zealanders overall, but the benefits of economic growth have been unevenly distributed.

Significant disparities exist with some of our communities faring worse on wellbeing indicators including unemployment, income, health and educational attainment.

We want all New Zealanders to have equal opportunities to participate in an economy that is strongly connected to the world, and for all New Zealanders to share in the rewards and benefits of economic growth.

The best way we can raise the living standards of all New Zealanders in the long run is to work smarter, not harder. This means increasing our skill levels to improve our productivity, and support higher incomes for all New Zealanders. We must ensure our education system and labour market settings encourage investment in the new skills our workforce needs now and for the future. Economic growth must be inclusive and sustainable, showing care for people and the environment.

### We want to transition to a clean, green, carbon-neutral New Zealand.

This Government is committed to making a just transition to a low-emissions economy, to lead by example and minimise New Zealand's contribution to climate change.

Our land, forests, fresh water, marine environment and indigenous biodiversity are the foundations of our society and economy and hold a special place in the hearts and minds of New Zealanders. They are at the heart of our success, livelihoods and wellbeing as New Zealanders.

Our focus is on how we support our people, places and businesses to use our resources more sustainably through the smart use of technology, education, regulation and investment.

We must work together to positively change how we live, work, do business and play. Progressively reversing existing environmental damage and protecting nature for ourselves and future generations must be part of our plan for a more sustainable economy.

### We want thriving and sustainable regions.

We want people to prosper and have opportunities no matter where they live. Our regions are home for many New Zealanders, and where some of our major industries are located.

When people and businesses do well, their region does well. We're unlocking the potential of our regions to create an environment where they thrive. We're building resilient and sustainable infrastructure that enables our regions to grow and supports a modern and connected economy across New Zealand.

### We want to deliver responsible government with a broader measure of success.

As a country, we cannot achieve these goals and aspirations by continuing with the status quo. We must do things differently, and measure our success more holistically. Over the past two years we've broadened our measures of success to put wellbeing at the heart of what we do and measure.

The wellbeing approach is built around the Treasury's Living Standards Framework, and its four capitals – financial/physical, human, natural and social. Measures of current wellbeing and the state of these four capitals are being tracked through the Living Standards Framework Dashboard.

Our Economic Plan lays out our ambitious vision to improve living standards for current and future generations by transitioning our economy to be productive, sustainable and inclusive.

This Government remains focused on building a strong foundation for our economy through macroeconomic, monetary and fiscal policy settings. Our responsible fiscal management – running surpluses and keeping debt under control – ensures we are resilient and prepared for disasters and shocks.

We are improving our institutional settings to support a modern New Zealand economy that benefits all New Zealanders. We have amended the Reserve Bank Act to focus on employment as well as price stability, and are improving the banking system to better protect New Zealanders' savings.

Our commitment to being financially disciplined will ensure we build a resilient economy that benefits all New Zealanders, now and for future generations.



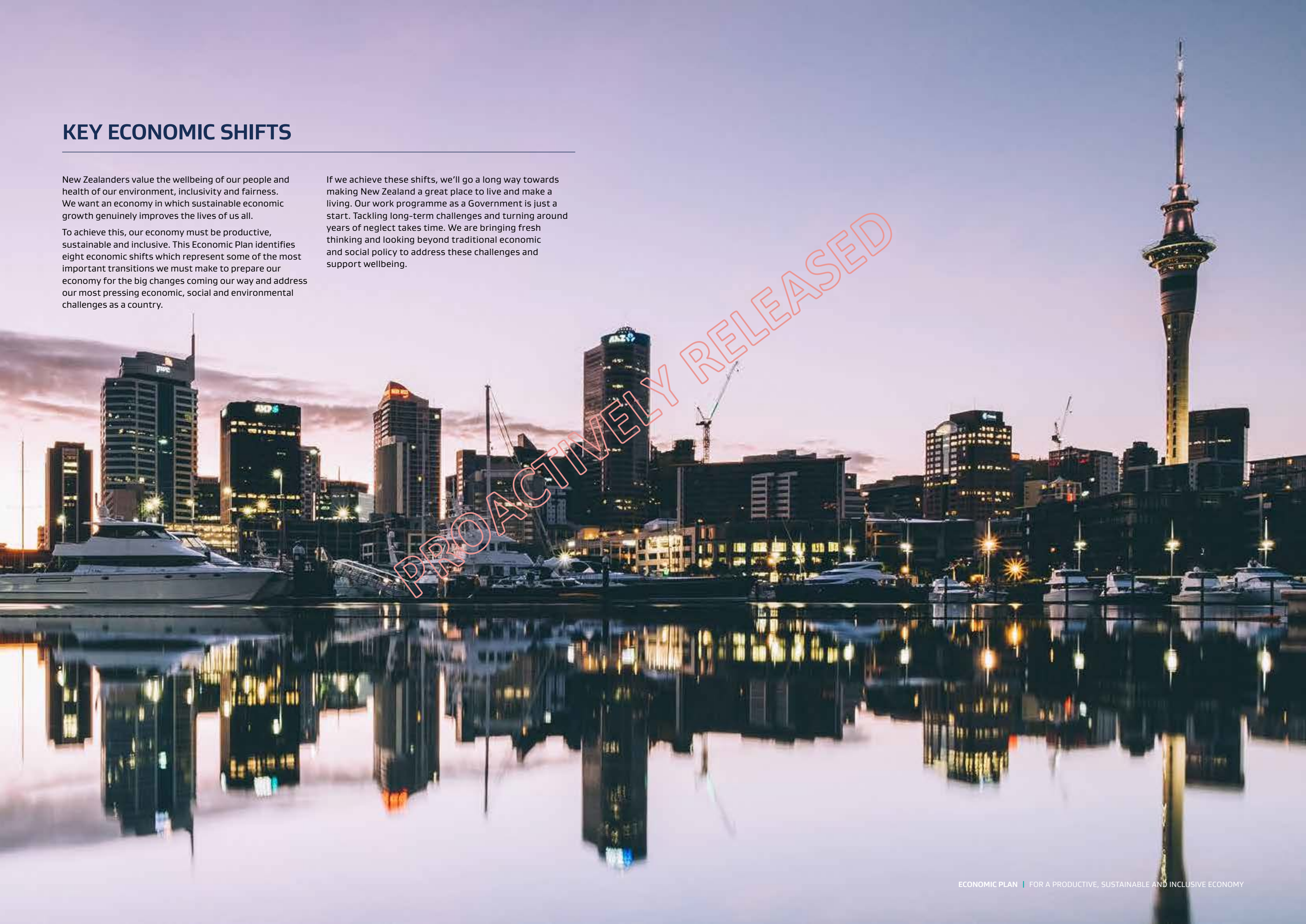
## KEY ECONOMIC SHIFTS

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New Zealanders value the wellbeing of our people and health of our environment, inclusivity and fairness. We want an economy in which sustainable economic growth genuinely improves the lives of us all.

To achieve this, our economy must be productive, sustainable and inclusive. This Economic Plan identifies eight economic shifts which represent some of the most important transitions we must make to prepare our economy for the big changes coming our way and address our most pressing economic, social and environmental challenges as a country.

If we achieve these shifts, we'll go a long way towards making New Zealand a great place to live and make a living. Our work programme as a Government is just a start. Tackling long-term challenges and turning around years of neglect takes time. We are bringing fresh thinking and looking beyond traditional economic and social policy to address these challenges and support wellbeing.







THE KEY ECONOMIC SHIFTS WE NEED TO ACHIEVE OUR VISION ARE...

6
7

|   |   |  |   |  |   |   |  |
|---|---|--|---|--|---|---|--|
|   |   |  |   |  |   |   |  |
| <p><b>The NZ economy moves from volume to value with Kiwi businesses, including SMEs, becoming more productive</b></p>  | <p><b>People are skilled, adaptable and have access to lifelong learning</b></p>  | <p><b>Deeper pools of capital are available to invest in infrastructure and grow NZ's productive assets</b></p>  | <p><b>Strong and revitalised regions</b></p>  | <p><b>Enable a step change for Māori and Pacific economies</b></p>   | <p><b>Sustainable and affordable energy systems</b></p>   | <p><b>Land and resource use delivers greater value and improves environmental outcomes</b></p>  | <p><b>Transform our housing market to unlock productivity growth and make houses more affordable</b></p>   |
| <p><b>This means...</b></p> <ul style="list-style-type: none"> <li>› Building on our existing strengths and international connections to leverage new opportunities in domestic and international markets</li> <li>› Investing in new technology and being at the forefront of digital innovation including to drive mitigation and adaptation to climate change</li> <li>› Thriving and dynamic small, medium and large enterprises</li> </ul> | <p><b>This means...</b></p> <ul style="list-style-type: none"> <li>› Businesses can access the skills and labour when and where they need it</li> <li>› People continually updating the skills they need for success in the future of work</li> <li>› Higher wages and better conditions at work</li> </ul> | <p><b>This means...</b></p> <ul style="list-style-type: none"> <li>› We have the modern infrastructure we need to enable our transition to a low emissions economy</li> <li>› Kiwis have confidence to invest in innovative NZ firms</li> <li>› Regions and businesses have access to the world's knowledge and innovation through stronger international connections</li> <li>› NZ businesses have timely access to capital to innovate and grow</li> </ul> | <p><b>This means...</b></p> <ul style="list-style-type: none"> <li>› People and businesses thrive, irrespective of where they live or work</li> <li>› Regions are connected and equipped with modern and resilient infrastructure</li> <li>› Backing place-based comparative advantages and innovation strengths</li> </ul> | <p><b>This means...</b></p> <ul style="list-style-type: none"> <li>› Higher economic, social, environmental and cultural wellbeing</li> <li>› As partners, the Crown and Māori have strong, ongoing and effective relationships</li> <li>› Success in business, education, employment, regions and land use</li> </ul> | <p><b>This means...</b></p> <ul style="list-style-type: none"> <li>› Businesses and households can access affordable, clean energy to achieve our economic potential</li> <li>› Establishing NZ's foothold in high-value clean energy systems and exporting our know-how to the world</li> <li>› Meeting NZ's climate change targets by driving emissions reductions</li> </ul> | <p><b>This means...</b></p> <ul style="list-style-type: none"> <li>› Shifting land use to higher value use while maintaining and improving our environment</li> <li>› Redesigning our activities to minimise waste</li> <li>› Transitioning to a low emissions economy</li> </ul> | <p><b>This means...</b></p> <ul style="list-style-type: none"> <li>› Overcoming the shortage of housing and focusing capital investment towards more productive areas of our economy</li> <li>› Current and future generations can access affordable housing in the places they desire close to the best jobs for them</li> <li>› A productive building and construction sector producing safe, healthy and durable homes and buildings</li> </ul> |

# INITIATIVES TO SHIFT OUR ECONOMY



## Examples of contributing initiatives

|  |   |   |  |   |   |  |   |
|--|---|---|--|---|---|--|---|
| <ul style="list-style-type: none"> <li>› Industry Transformation Plans</li> <li>› Research, Science and Innovation Strategy</li> <li>› R&amp;D Tax Incentive and broader tax treatment of innovation</li> <li>› Trade for All agenda</li> <li>› Small Business Strategy</li> <li>› Callaghan Innovation services and grants</li> <li>› Trade negotiations agenda</li> <li>› Future of Work Tripartite Forum</li> <li>› NZTE customer focus programme</li> <li>› Reforming government procurement</li> <li>› Small business tax simplification</li> </ul> | <ul style="list-style-type: none"> <li>› Reform of Vocational Education</li> <li>› Active labour market programmes – such as Mana in Mahi and He Poutama Rangatahi</li> <li>› First year fees-free education and training</li> <li>› Changes to temporary work visas</li> <li>› Tomorrow's Schools review</li> <li>› Employment Strategy and Action Plan</li> <li>› Just Transitions programme</li> <li>› Strengthening NCEA</li> <li>› Welfare overhaul</li> <li>› School Leavers' Toolkit and Career System Strategy</li> <li>› Establishing regional skills leadership groups</li> <li>› Strengthening labour relations and lifting minimum standards</li> <li>› Minimum wage increases</li> </ul> | <ul style="list-style-type: none"> <li>› Investment in early stage capital markets</li> <li>› Infrastructure Commission</li> <li>› Green Investment Fund</li> <li>› Urban Growth Agenda: funding and financing options</li> <li>› Auckland City Rail Link</li> <li>› Government Policy Statement on Land Transport</li> <li>› Local Government funding and financing</li> <li>› NZTE Investment matching</li> </ul> | <ul style="list-style-type: none"> <li>› Provincial Growth Fund investment</li> <li>› KiwiRail and Interislander investments</li> <li>› Accelerated rural broadband and 5G rollout</li> <li>› One Billion Trees programme</li> <li>› Three Waters review</li> <li>› Local Government funding review</li> <li>› Upper North Island Supply Chain Strategy</li> <li>› Just Transitions programme</li> <li>› Biosecurity Act overhaul</li> <li>› Eradicating Mycoplasma bovis</li> </ul> | <ul style="list-style-type: none"> <li>› Te Arawhiti – Office for Māori Crown Relations</li> <li>› Whenua Māori programme</li> <li>› He kai kei aku ringa – the Crown-Māori Economic Growth Partnership</li> <li>› Māori Business Growth Support</li> <li>› Pacific Business Trust</li> <li>› He Tupu Ōhanga commercial advisors scheme and Kōkiri Māori business accelerator</li> <li>› NZTE Māori customer focus</li> <li>› Māori agribusiness funds</li> <li>› Tupu Aotearoa and Tupu Tai Internship programmes</li> </ul> | <ul style="list-style-type: none"> <li>› Renewable energy generation and process heat</li> <li>› Electricity Price Review</li> <li>› Low Emission Vehicles Contestable Fund</li> <li>› National New Energy Development Centre</li> <li>› Winter energy payment</li> <li>› Green Hydrogen</li> </ul> | <ul style="list-style-type: none"> <li>› Emissions Trading Scheme reform</li> <li>› Zero Carbon Bill and Climate Change Commission</li> <li>› Resource Management Act reform</li> <li>› Essential freshwater: healthy water, fairly allocated</li> <li>› Productive and Sustainable Land Use Package</li> <li>› Waste and resource efficiency work programme</li> <li>› Biodiversity Strategy</li> <li>› Crown Minerals Act review</li> <li>› Resource Strategy</li> </ul> | <ul style="list-style-type: none"> <li>› Urban Growth Agenda</li> <li>› KiwiBuild</li> <li>› Building system legislative reform</li> <li>› Residential Tenancies Act reforms</li> <li>› Healthy Homes Act</li> <li>› Resource Management Act reform</li> <li>› Warmer Kiwi Homes investment</li> <li>› Kāinga Ora</li> <li>› Construction Sector Accord</li> <li>› Improving tax settings for land use</li> </ul> |
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# 01

## The NZ economy moves from volume to value with Kiwi businesses, including SMEs, becoming more productive

New Zealand is renowned for our innovative and adaptable culture and our connectedness around the world. Our economy depends on cultivating this and encouraging Kiwi businesses to move from volume to value.

This shift will see businesses innovate and compete more effectively as we face challenges such as new technology and climate change.

Our productivity challenge is complex and long-standing. We're encouraging innovative businesses and industries to take advantage of new technology and global markets, and develop higher value products and services. Our aim is to lift R&D spending to 2% of GDP by 2027 from around 1.2% when we entered Government. Innovation is at the heart of productivity growth and we want to ensure New Zealand businesses have access to R&D to underpin better products and ways of working.

Key to realising our vision is making New Zealand a great place to do business. That's why we are partnering with sectors to transform their industries through Industry Transformation Plans. It's also why we are taking action to reduce compliance costs and make government better for business – improving and connecting government services and modernising our regulations and systems.

New Zealand is a trading nation and we want all New Zealanders to benefit from trade. We are building stronger international connections so that Kiwi businesses get greater access to markets around the world – not just for goods, services and investments, but also for people and ideas. At the same time, we are supporting businesses to get the most from trade and grow the value and reach of our exports.

### Examples of key initiatives:

- › **Industry Transformation Plans** – adding value to key sectors of our economy and leveraging new opportunities.
- › **R&D Tax Incentive** and our **Research, Science and Innovation Strategy** – increasing business R&D, innovation and the use of new ideas and technology.
- › **Trade for All agenda** – supporting New Zealand businesses to make the most of our international connections and grow the value and reach of our exports.
- › **Small Business Strategy** (forthcoming) – empowering small businesses to thrive.

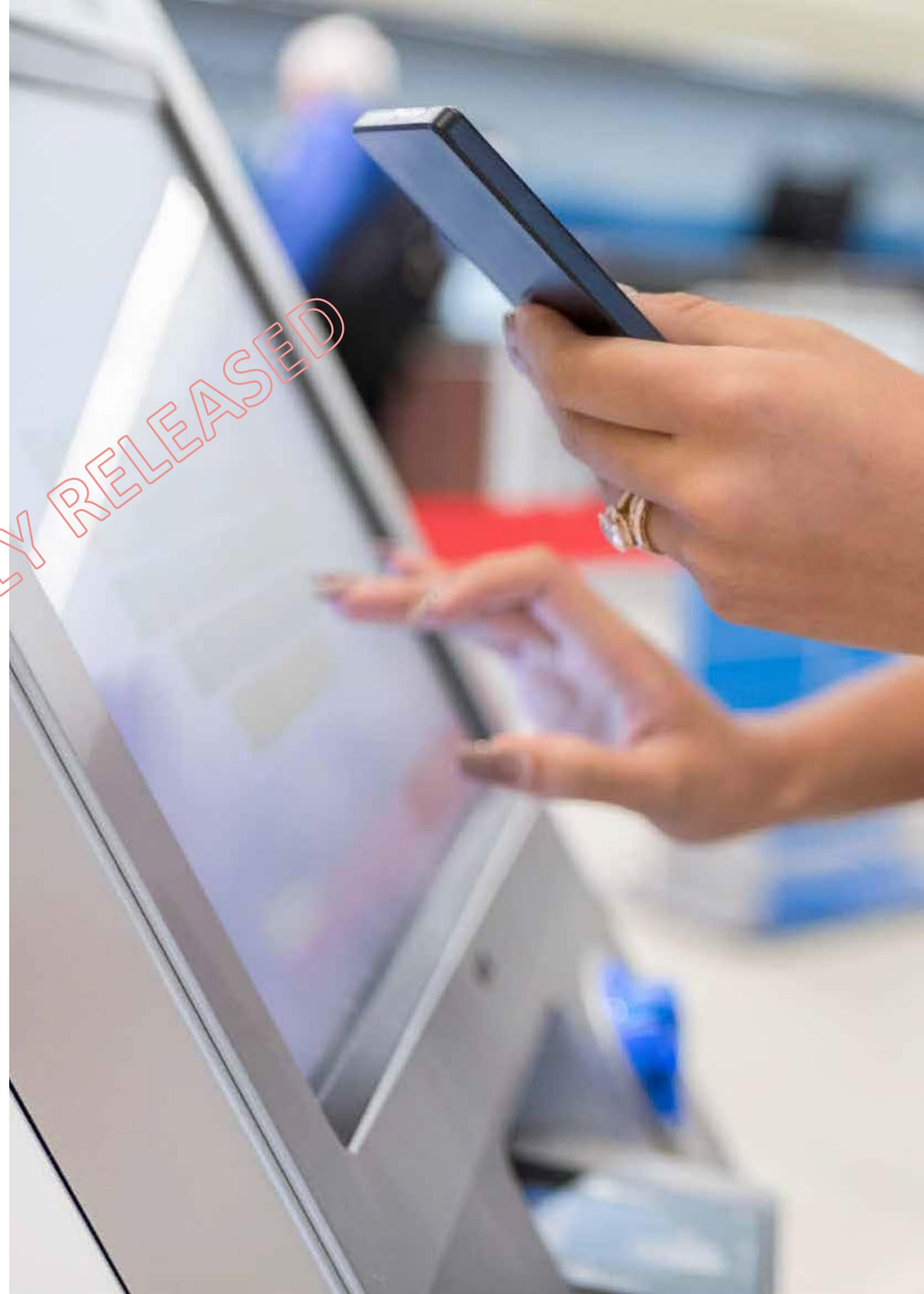
### CASE STUDY: Fingermark – a Kiwi technology export success story

Fingermark is a global tech company based in Havelock North leading the development of applied computer vision and deep learning products. Fingermark designs, builds and manufactures leading-edge innovative solutions to help organisations streamline operations and enhance customer experience.

CEO Luke Irving says Fingermark creates technology that gives businesses data “they never knew they needed.”

Fingermark's high potential US export strategy centres around collaboration with global tech giants. Together, they solve problems for four of the top ten biggest fast food brands in the world. Adept at using advanced digital tools, Fingermark leverages computer vision, the Internet of Things (IoT) and artificial intelligence to remove business bottlenecks, drive efficiencies and ultimately, grow bottom lines for businesses around the world.

“Fingermark have for years leveraged the support of both Callaghan Innovation and NZTE to help speed up our growth in both R&D and global expansion.” Fingermark also uses the FernMark to mark its unique kiwi roots and ingenuity.







## People are skilled, adaptable and have access to lifelong learning

New Zealanders are highly skilled and qualified compared to many countries. However, some regions and sectors find it hard to get enough workers with the right skills, and others consistently fare poorly in traditional labour market measures.

We're partnering with regions to address skill and workforce needs by launching active labour market policies and programmes. We're reforming our education and vocational education system and introducing new initiatives to get people into work. We're targeting our immigration processes to provide the workers and skills we need and working with businesses to reduce our reliance on low skilled migrants.

Automation and technology present new opportunities and new challenges for both businesses and workers. Change can be disruptive and we're facing this head on by working with businesses and unions to understand the future of work so that New Zealanders, young and old, can maintain, upgrade and adjust their skills over their working life.

We're working towards an education system that equips people with the desire and flexibility to keep learning. This is fundamental to our ability to successfully adapt to change.

New Zealanders want an education system that supports our learners to succeed in the workplace. We're working to ensure that all adults have access to high quality and affordable education and can engage in accessible learning throughout their working lives, meeting the changing skill needs of our economy as it evolves and helping us keep unemployment around 4%.

New Zealanders work hard and expect to be treated well and fairly. That is why we are working to ensure we have a productive, fair and rewarding employment relations system. A system that supports businesses and protects vulnerable workers. A system that delivers fairness, safety and wellbeing at work. A system that ensures people receive a fair day's pay for a fair day's work.

### Examples of key initiatives:

- › **Reform of Vocational Education** – creating a strong, unified, sustainable system for all vocational education that delivers the skills that learners, employers and communities need to thrive.
- › **Active labour market programmes** – such as **Mana in Mahi** (Strength in Work) – supporting people to find and stay in work.

- › **Changes to temporary work visas** – incentivising and supporting business to employ more New Zealanders, and ensuring that access to migrant labour is available where there is genuine need.

- › **First year fees free** – making the first year of post-secondary school education and training free. Eligible apprentices get their first two years of training fees-free.

- › **Minimum wage rises** – increasing the minimum wage to make a difference for low income workers.

### CASE STUDY: Opōtiki community comes together to support local rangatahi

Opōtiki's community and the Government are backing local rangatahi who are working towards future careers in the construction industry. He Poutama Rangatahi has helped fund a pre-apprenticeship programme at Opōtiki College. Local businesses Motu Trails Trust, Mitre 10 Opōtiki and Bunnings Whakatane donated materials and tools. The programme provides training and mentoring to help students gain a formal apprenticeship after school, with the support of four staff who are currently helping them build three one-bedroom units.

Deputy Principal Jenny Mays says the school's staff are delighted with the response from the local community and the uptake of the course from students.

"In this close-knit community, we make things happen together. We have students on the programme who started to disengage with mainstream school and were at risk of dropping out without achieving their NCEA goals or gaining sustainable employment. Thanks to the support from our local businesses and the He Poutama Rangatahi programme, they're actively involved, staying late and volunteering to come in outside class time."



# 03

## Deeper pools of capital are available to invest in infrastructure and grow New Zealand's productive assets

Smart investment, from infrastructure to innovative firms, supports a modern, resilient and connected economy.

New Zealanders are proud when our businesses succeed. Yet we know that New Zealand businesses of all sizes, particularly young firms and start-ups can face capital constraints and can struggle to grow beyond their early stages.

Improving access to capital is vital. We're taking action to encourage investment to enable our companies and assets to achieve their potential. We're also introducing reforms that give people the confidence to invest in New Zealand's home-grown talent and vision.

We want to build New Zealand ownership of assets, with both the Government and individual New Zealanders investing more in onshore firms and infrastructure.

We recognise that for New Zealand businesses to succeed in a global marketplace, we must keep ahead of the latest technology and market developments. We are focused on enabling our regions and businesses to connect internationally, and adopt global best practice, new technology and innovations.

### Examples of key initiatives:

- › **Funding for early stage businesses** – introducing an early-stage capital fund to partner with private venture capital funds to invest in high-value innovative firms and start-ups so they can grow and scale in New Zealand.
- › **Infrastructure Commission** – ensuring New Zealand gets quality infrastructure investment to improve our long-term economic performance and social wellbeing.
- › **Green Investment Fund** – catalysing a private green investment market in New Zealand.

### CASE STUDY: Innovative new approach to fund infrastructure enables 9,000 new homes north of Auckland

The Government is looking at developing alternative financing models for infrastructure as part of its Urban Growth Agenda. The aim is to create opportunities to accelerate investment in local government projects that would otherwise struggle to be funded.

The ability of some local authorities to build infrastructure, including for new housing developments, is being constrained by the costs and impacts on debt levels.

At Milldale, a development north of Auckland, Crown Infrastructure Partners teamed up with Auckland Council and Fulton Hogan to establish an alternative financing model to fund infrastructure for 9,000 new homes. The Milldale model uses a Special Purpose Vehicle for the project that allows debt to be raised without going on Auckland Council's balance sheet. This enables capital to be raised independent of the Council. The funding will be repaid over time by the landowners as an 'infrastructure payment' collected by the local authority as a separate line item on the rates bills.

The Government is building on the Milldale model as it continues to develop new funding approaches. These new models will deepen our capital markets for infrastructure, allowing private investment in new infrastructure, and accelerate much needed housing development. In this case, the result was 9,000 more homes built and 9,000 families housed.

"It's a big step towards meeting Auckland's housing needs" says Auckland Mayor Phil Goff of the Milldale development.







# 04

## Strong and revitalised regional economies

Provincial New Zealand is the heartland of Aotearoa, and home to some of our most creative and innovative people. Much of New Zealand's economy rests on the successes of the regions.

New Zealand's regions have their own unique strengths and advantages, and face different challenges and opportunities. Some regions of New Zealand are thriving, whereas others consistently experience lower economic and social outcomes. They may face higher unemployment and lower productivity, or lack the investment in infrastructure needed to boost their economies.

The Coalition Government is committed to fairly sharing the benefits of a strong economy so that people and businesses in our regions thrive.

We're investing to support regional businesses to grow, and building the infrastructure regions need to participate in a modern economy, such as rail, road, ports and communications.

No matter where they live and what their background is, every New Zealander should be able to participate in and benefit from an economy that is productive, sustainable and inclusive.

#### Examples of key initiatives:

- › **Provincial Growth Fund** - ensuring people and businesses all over New Zealand have the resources they need to reach their potential.
- › **Enabling infrastructure** - building infrastructure, such as roads, rail and rural broadband that regions need to participate in a modern economy.
- › **One Billion Trees** - working with our regions and partners to support planting of one billion trees by 2028.

#### CASE STUDY: Putauaki Trust Kawerau Industrial Hub

The Provincial Growth Fund Te Tuawhenua (PGF) is investing \$20m in infrastructure improvements needed for businesses to access Māori trust land that will be used to create a new industrial hub and employment opportunities for local whānau.

The project involves development of a bi-modal freight distribution hub (road and rail) adjacent to a new large-scale industrial subdivision, which will enable co-location of factories that process nearby resources (e.g. forestry).

Once completed, the Putauaki Trust Kawerau Industrial Hub will provide at least 150 new jobs, attract new businesses and investment to the region, and have the potential to boost the productivity of the wider eastern Bay of Plenty. Shane Jones said "Kawerau has always been an industry-based town and upgrading the transport and associated infrastructure will help attract new businesses and create the right environment for existing companies to invest and expand in the region."

The Putauaki Trust is owned by approximately 800 shareholders - predominately descendants of Te Pahipoto, hapū of Ngati Awa of Te Teko. The Trust aims to create financial wealth to enable the cultural, social, environmental and economic aspirations of the shareholders and beneficiaries to be achieved, while also ensuring the land is protected as a taonga tuku iho.



# 05

## Enable a step-change for the Māori and Pacific New Zealand economies

### Enabling a step-change in the Māori economy

We recognise that whānau-led initiatives hold the key to bringing about a step-change in the Māori economy. This Government is committed to supporting whānau, hapū and iwi to lift economic, social, environmental and cultural wellbeing.

We are doing this by ensuring strong partnerships with Māori, cross-agency collaboration and by supporting the outcomes in He kai kei aku ringa. We're focusing on improving employment outcomes and developing a highly skilled Māori workforce. We're investing in our rangatahi and in programmes that have a greater community focus. We want to grow Māori enterprises and are supporting digital innovation and connectedness.

We are also helping Māori achieve their whenua Māori aspirations, which is why access to capital and expertise is a focus of our plan. Through Te Puni Kōkiri and Te Arawhiti, we're building the Crown's capability and capacity to partner effectively with Māori and make government accessible throughout the regions.

### Enabling a step-change in the Pacific New Zealand economy

We're committed to helping our Pacific peoples build on their cultural and economic strengths. Pacific people bring an international connectivity, spirit of innovation, and broader perspective of value that the Government wants to support and grow.

We want Pacific people to grow their prosperity, wellbeing and living standards. We're supporting Pacific enterprises to thrive and make the best use of the unique entrepreneurial and innovative potential of Pacific peoples in our economy.

By enhancing Pacific peoples' participation as business owners, employees and trainees across all career stages we can lift wellbeing and support Pacific New Zealand to thrive.

### Examples of key initiatives:

- › **Te Arawhiti** – Office for Māori Crown Relations - fostering strong, ongoing and effective relationships with Māori across Government.
- › **Government procurement** – working to provide opportunities for Māori and Pacific New Zealand businesses to access contracts from the \$41 billion we spend each year in Government procurement.
- › **Whenua Māori** (Māori land) – enabling Māori to realise the potential of their land.
- › **He kai kei aku ringa** - working towards a productive, innovative, export oriented Māori economy driven by whānau.
- › **Pacific Business Trust** - supporting and growing Pacific enterprises.

### CASE STUDY: Robotics Plus' collaborative approach to agritech innovation a winner

Tauranga-based Robotics Plus is on a mission to help industry meet increasing agricultural demands, including labour shortages globally, by developing sophisticated and precision robotics and automation technologies that transform agricultural industries.

Robotics Plus co-founder and chairman Steve Saunders says a driving motivation is 'helping to feed the world in a sustainable way'. "It's estimated we will need to feed 10 billion mouths by 2050 and labour is becoming one of the biggest constraints to meeting that challenge, especially in the speciality crop food supply system. Our goal is solving those very simple labour pain points in horticulture, and other areas such as forestry, using automation, robotics and sensing technologies."

Over the past 18 months Robotics Plus has commercially launched its robotic Āporo apple packer worldwide, and its industry-changing Robotic Scaling Machines (RSM) which accurately measure logs on trucks. Its development efforts, which also include a number of other innovations, are well supported by partners and investors, including Yamaha Motor Co. Ltd. (Japan).

Māori heritage has played an important role in Robotics Plus' development. The company's core values are 'he aronga nui' (pioneering), 'manaakitanga' (collaboration), 'tika me te pono' (principled) and 'kaitiakitangi' (stewardship) says Saunders. "Importantly, these values also resonate strongly with our local and international partners, who are helping us to scale our technologies globally."

Robotics Plus' robotic Āporo apple packer won the New Zealand Trade & Enterprise (NZTE) Most Innovative Hi-Tech Agritech Solution and the company was named Callaghan Innovation Hi-Tech Kamupene Māori o te Tau - Māori Company of the Year at the 2019 NZ Hi-Tech Awards. "I was rapt that these awards, which recognise the dedication of our staff, partners and supporters, were presented by NZTE and Callaghan Innovation. They have been very supportive of our growth and innovation plans, along with MBIE, MPI and Te Puni Kōkiri," says Saunders.

Robotics Plus also has important research relationships with the University of Waikato, the University of Auckland, Massey University, Plant & Food Research and PlantTech.







# 06

## Sustainable and affordable energy systems

Energy powers our economy - it drives our transport systems and enables our businesses to produce and deliver a huge variety of goods and services.

New Zealanders are leading the world in clean energy, with 82% of our electricity coming from renewable sources. But this isn't enough. We're challenging ourselves to reduce our reliance on fossil fuels.

As we make more use of technology and automation, supporting businesses to access low cost and clean energy is critical to our economic success. In New Zealand we have the opportunity to develop our own sustainable energy technologies, continue to innovate, and explore ways to make efficient use of our energy resources. We are backing our businesses to establish footholds in fast-growing global "clean energy" industries and build on our existing research capability.

New Zealanders rely on energy to heat and power our homes and fuel our cars and buses. We're conscious of the harm our energy use is doing to our environment and the impact on global warming. That's why we're focusing on shifting to a more environmentally sustainable energy system in a way that is affordable for us all. All of this is critical to getting to net-zero CO2 and lifting renewable electricity generation to 100% within a normal hydrological year by 2035.

We're showing global leadership by taking decisive action on climate change, using this opportunity to create jobs and reduce emissions while ensuring energy is affordable.

### Examples of key initiatives:

- › **Renewable Energy Strategy** – outlining actions to achieve an affordable, secure and sustainable energy system.
- › **Electricity pricing** – responding to the Electricity Price Review.
- › **Transport electrification** and **low emissions** policies.
- › **National New Energy Development Centre** – supporting the development, demonstration, uptake and use of new energy technologies.

### CASE STUDY: Charting our way towards a more renewable energy system

The Government's Renewable Energy Strategy is looking to address barriers to investment, support the uptake of new technology, and transition to a clean, green and carbon neutral economy by 2050. Energy Minister Megan Woods says "Our government's goal is to decarbonise our economy while keeping electricity costs low for consumers and creating new jobs in renewable energy."

We are establishing a National New Energy Development Centre in Taranaki. The centre will support new energy technology to be developed and commercialised and connect industry, government, research and leaders. We are backing this with a new fund for research into cutting edge energy technology, looking into the likes of organic photovoltaics, super conductors, nanotechnologies and inductive power.

We are also backing companies pioneering clean energy solutions through the Provincial Growth Fund. These include our investments in Hiringa Energy; dedicated to the supply of green hydrogen, and Eco Gas; focused on converting organic food waste into energy and bio-fertiliser.



# 07

## Land and resource use delivers greater value and improves environmental outcomes

Kaitiakitanga, ingenuity, integrity and respect define who we are as New Zealanders - we care about everything we do and everything we create. We recognise that the wellbeing of our people and the health of our environment are directly impacted by how we use our land, water, oceans and resources.

This Government is working to support businesses to use our land and resources in ways that are good for our environment, good for our businesses, good for our workers and good for our future.

New Zealand is a pioneer and innovator in food and beverage production and agritech.

That is why we are partnering with our food and fibre sectors to use science, technology and new business practices that boost productivity and reduce emissions and pollution. This is critical to meeting our target of net-zero CO<sub>2</sub> and a 24 – 47% reduction in biological methane emissions by 2050.

We are focused on supporting our primary sectors to leverage the opportunities offered by those shifts. We know that consumers are increasingly demanding food and fibre produced sustainably, and we are backing our primary sectors to lead the world in producing sustainable and natural food, fibres and bioproducts. We're investing now to grow our brand as a clean, green country.

Like most of the developed world, our economy produces a lot of waste – some of which can be bad for business, the environment and our people. We need to focus on sustainable materials and processes and redesign our activities to produce less waste. This won't happen overnight – but with government support for innovation, smart regulation, and ongoing dialogue, these changes can be effective and enduring, and result in opportunities and jobs that don't exist today.

### Examples of key initiatives:

- › **Zero Carbon Bill and changes to the Emissions Trading Scheme** - ambitious reforms to transition to a low emissions economy.
- › **Improving our Resource Management** – making the Resource Management Act (RMA) easier for New Zealanders to understand and engage with.
- › **Urban Growth Agenda** – removing barriers to land supply and infrastructure and supporting productive and sustainable land use in urban areas.
- › **Essential Freshwater programme and our Productive and Sustainable Land Use Package** - improving the health of our waterways and wetlands and providing support for farmers and growers to use their land more sustainably.
- › **Waste and resource efficiency work programme** – supporting New Zealand's transition to a circular economy.

### CASE STUDY: Partnering to grow our craft beer industry

Craft beer presents a creative, innovative way to use our resources – our high-quality hops, beautiful water, and terrific malt – creating a high value product, with a lower environmental impact.

Hāpi Research Ltd has partnered with the Ministry for Primary Industries (MPI) to deliver Hāpi – Brewing Success, a \$13.25 million, 7-year project funded through of the Government's Sustainable Food and Fibre Futures fund. The aim is to help growers and brewers to explore new possibilities for our hop growing and craft beer industries and support development of high-value, premium products from regional businesses.

Hāpi Research Ltd is a joint venture between Garage Project, a leading Wellington craft brewer, and Freestyle Farms, a leading Nelson hop farm. "Our project will pursue research to enhance and differentiate super-premium hop and craft beer markets and boost the growth of both industries," says Freestyle Farms director David Dunbar. "By collaborating across industries we'll accelerate development of unique Kiwi hops, promote uniquely New Zealand craft beer, and open up new areas to hop growing."

Hop growing will be supported by research on new precision agriculture practices and processing methods, and licensing for the hops will be limited to New Zealand growers – ensuring intellectual property and expertise it develops is retained in New Zealand.

Garage Project co-founder Jos Ruffell adds, "Our aspiration is to develop the resources and tools for domestic and export success along the lines of what our wine industry has achieved – elevating New Zealand craft beer to a sustainable global brand that commands premium pricing across all markets."

If successful, the project could increase revenue from hops and craft beer by \$171 million per annum by 2027, largely driven by exports, and create 835 new jobs across the hop growing and craft brewing industries.

We are also supporting our craft beer industry to grow and share their unique products with the world. Our recent NZTE Report 'Craft Beer - Turning on the Export Tap' provides customer insights and industry success stories.

PROACTIVELY RELEASED





# 08

## Transform our housing market to unlock productivity growth and make houses more affordable

A safe, warm, dry home or whare is important for New Zealanders – whether owning or renting. Where we live, our *ruranga* wāewāe, is central to wellbeing. We want New Zealanders to have choice in where they live, learn and work, and make it easier for workers to live close to the best jobs for them.

The Coalition Government inherited a housing and urban development system under pressure. We are focused on addressing housing crisis and getting more houses built that are affordable for New Zealanders to rent or own. We want to reduce the debt and rental burden on our businesses and households from high house prices and rents. People should not be stressed about housing affordability or insecure tenure, nor should their health be affected by unhealthy homes.

We know that New Zealand's high house prices have diverted capital into the housing market and away from more productive uses. We need to redirect this capital to help businesses to innovate, invest in new technology and pursue growth opportunities. High housing costs can also make it difficult for businesses and people to move to areas where there are better opportunities.

We're focused on increasing our housing supply to better meet demand, and tackling long-standing failures at every point in the system. We are working to improve land supply; cut unnecessary red tape; and direct overseas investment into productive parts of the economy. Our rental focus will ensure renters have more secure, healthy and affordable homes. Our work with the construction sector supports smart developments, lower construction costs and more safe, healthy and durable homes. We are planning for future growth with local government and investing in infrastructure.

### Examples of key initiatives:

- **Urban Growth Agenda and RMA reform** – working to get our urban markets working so they can respond to growth, improve urban land affordability, and support thriving communities.
- **KiwiBuild** – Assisting first home buyers who have been locked out of the housing market to buy their first home.
- **Reforming our building system** – establishing a productive building and construction sector that produce safe, durable homes and buildings.

## From render to reality in 9 months



### CASE STUDY: Productive partnership to deliver new homes

KiwiBuild and NZ Living are transforming New Zealand's housing market, unlocking productivity growth, and together, they're reigniting the dream of first-home-ownership. Innovative thinking in the design and construction phases results in high quality, affordable, well-located, medium-density homes that are incredibly robust, low-maintenance and liveable over the long-term.

NZ Living is using smart construction techniques which reduce the time it takes to get all the design and consenting paperwork done, lower costs and speed up construction. This is medium-density housing done well – located close to public transport hubs, open spaces and ground level apartments to include elderly, disabled and young families. Many of NZ Living's buildings are built to a Homestar 6 rating, providing quality assurance that a house will be warm, dry, healthy and cheap to run. All of this means these homes will be comfortable and low maintenance for buyers to live in long-term.

The deal between KiwiBuild and NZ Living has resulted in 144 homes, 97 of them KiwiBuild, that would otherwise not have been built or would have taken much longer to build. Shane Brealey, director of NZ Living, says "what KiwiBuild does is enables you to on-sell apartments while you're building. That's quite different to most cases. Typically, developers need to achieve a threshold of pre-sales before starting, adding up to 12 months to any project. But KiwiBuild projects can be done by developers in half the time of the usual market-orientated projects."



# REDEFINING HOW WE MEASURE SUCCESS TO FOCUS ON WHAT MATTERS FOR NEW ZEALANDERS

New Zealanders want us to measure success in line with their values – the wellbeing of our people, the strength of our communities, the health of our environment and the resilience of our economy.

In the past we've seen improvements in headline measures of economic success – such as our GDP growth. However for many New Zealanders, this did not translate into higher living standards or better opportunities. We need to ensure long-term economic success in an inclusive, not exclusive way.

That's why we've built a comprehensive suite of economic social, cultural and environmental indicators to measure how well our economy, people, communities, and environment are performing. These will help us monitor the wellbeing of current generations, what we're leaving behind for future generations and how our actions are having an impact over the medium and long-term.

There's no single way to capture the complexity of the economy. By taking a broader look at our measures of success we can get important feedback about the progress of our key economic shifts, and understand

more about the progress we're making for all New Zealanders.

We've made a start with StatsNZ's Indicators Aotearoa New Zealand and the Treasury's Living Standards Framework Dashboard. We'll keep building on this work to ensure that it reflects New Zealanders' values and focuses our attention on what matters.

We will report on how well the economy is performing for New Zealand using both traditional economic indicators and wellbeing indicators each year, through the Wellbeing Outlook in the Budget. This document will provide an overview of what the indicators are telling us. An example of how we are measuring wellbeing is presented in the diagram below showing outcomes for Māori.

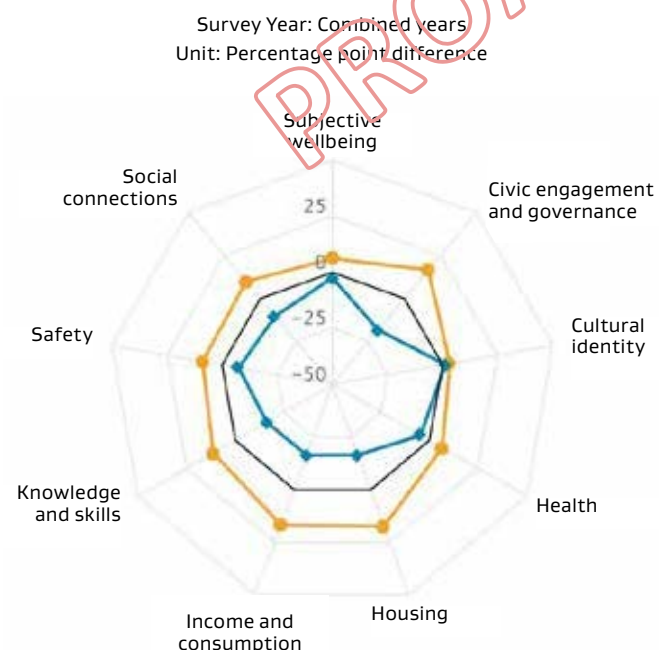
You can find more about the Living Standards Framework Dashboard and StatsNZ's Indicators Aotearoa New Zealand at [treasury.govt.nz/information-and-services/nz-economy/living-standards](https://treasury.govt.nz/information-and-services/nz-economy/living-standards) and [wellbeingindicators.stats.govt.nz](https://wellbeingindicators.stats.govt.nz)

## Māori wellbeing analysis compared to the rest of New Zealand

This chart shows how Māori compare to the rest of the population. If in a particular wellbeing domain the yellow point is further from the middle of the diagram than the black point, and the blue point is closer to the middle, this means the particular group's wellbeing is lower than the national average in that domain. It is clear that Māori rank low relative to the rest of the population in most measures of wellbeing.



Source: Stats NZ, General Social Survey







Low High  
Rest of the population



# ANNEX: TRACKING SUCCESS THROUGH WELLBEING INDICATORS

We will use a range of wellbeing indicators, drawn from the Living Standards Framework (LSF) Dashboard and Indicators Aotearoa New Zealand (IANZ), to measure the economy's performance for each of the key economic shifts. This approach brings together our economic, environmental and social indicators to give a broader view of how the economy is performing. Some indicators that are particularly important for each shift are set out below.

| Key economic shifts   | Wellbeing indicators (primarily from the LSF Dashboard and IANZ)  | Sources and frequency of update   |
|---|---|---|
|  <p>The NZ economy moves from volume to value with kiwi businesses, including SMEs, becoming more productive</p> | <p><b>Current wellbeing</b></p> <ol style="list-style-type: none"> <li>1. Disposable income</li> <li>2. Consumption</li> </ol> <p><b>Future wellbeing</b></p> <ol style="list-style-type: none"> <li>3. Multifactor productivity growth</li> <li>4. R&amp;D investment</li> </ol>   | <ol style="list-style-type: none"> <li>1. MSD, Household incomes in NZ (Annual)</li> <li>2. Treasury analysis of Household economic survey (four yearly)</li> <li>3. Stats NZ, Productivity Statistics (Annual)</li> <li>4. Stats NZ, R&amp;D Survey, (two yearly)</li> </ol>   |
|  <p>People are skilled, adaptable and have access to lifelong learning</p>                                     | <p><b>Current wellbeing</b></p> <ol style="list-style-type: none"> <li>1. Unemployment rate</li> <li>2. Employment rate</li> <li>3. Hourly earnings</li> <li>4. Educational attainment (tertiary)</li> <li>5. Educational attainment (upper secondary)</li> <li>6. Cognitive skills at age 15</li> <li>7. % of 15-24 year olds not in employment, education or training (NEET rate)</li> </ol> <p><b>Future wellbeing</b></p> <ol style="list-style-type: none"> <li>8. Educational attainment (tertiary)</li> <li>9. Educational attainment (upper secondary)</li> <li>10. Cognitive skills at age 15</li> </ol> | <ol style="list-style-type: none"> <li>1. Stats NZ, HLFS (Quarterly)</li> <li>2. Stats NZ, HLFS (Quarterly)</li> <li>3. Stats NZ, HLFS and Labour cost index (Quarterly)</li> <li>4. Stats NZ, HLFS and MSD data (Annual)</li> <li>5. Stats NZ, HLFS and MSD data (Annual)</li> <li>6. OECD, Programme for International Student Assessment survey (Three yearly)</li> <li>7. Stats NZ, HLFS (Quarterly)</li> <li>8. Stats NZ, HLFS and MSD data (Annual)</li> <li>9. Stats NZ, HLFS and MSD data (Annual)</li> <li>10. OECD, Programme for International Student Assessment survey (Three yearly)</li> </ol> |

| Key economic shifts   | Wellbeing indicators (primarily from the LSF Dashboard and IANZ)   | Source and update frequency  |
|---|--|--|
|  <p>Deeper pools of capital are available to invest in infrastructure and grow New Zealand's productive assets</p> | <p><b>Future wellbeing</b></p> <ol style="list-style-type: none"> <li>Total net fixed assets</li> <li>Net intangible fixed assets</li> <li>Household net worth</li> <li>Multifactor productivity growth</li> <li>Net international investment position</li> <li>Total Crown net worth</li> <li>Foreign Direct Investment</li> </ol>                                    | <ol style="list-style-type: none"> <li>Treasury analysis of National Accounts Capital Stock tables (Annual)</li> <li>Treasury analysis of National Accounts Capital Stock tables (Annual)</li> <li>OECD, How's Life, (Approx. every two years)</li> <li>Stats NZ, Productivity Statistics (Annual)</li> <li>Stats NZ, Balance of Payments (Annual)</li> <li>Treasury, Fiscal Time Series Horizontal indicators (Annual)</li> <li>IANZ only Stats NZ, Balance of Payments (Annual)</li> </ol> |
|  <p>Strong and revitalised regions</p>   | <p><b>Current wellbeing</b></p> <ol style="list-style-type: none"> <li>Periodic wellbeing analyses of regions</li> <li>Regional GDP</li> </ol>   | <ol style="list-style-type: none"> <li>Stats NZ, General Social Survey (every two years), and variety of other sources.</li> <li>Stats NZ, Regional GDP statistics, (Annual)</li> </ol>  |
|  <p>Enable a step change in Māori and Pacific economies</p>   | <p><b>Current wellbeing</b></p> <p>Periodic wellbeing analysis of Māori and Pacific communities as demographic groups</p>  | <p>Stats NZ, General Social Survey (every two years), and variety of other sources</p>   |
|  <p>Sustainable and affordable energy system</p>   | <p><b>Current wellbeing</b></p> <ol style="list-style-type: none"> <li>Renewable energy as a % of NZ's total primary energy supply</li> <li>% of electricity generation from renewables</li> </ol> <p><b>Future wellbeing</b></p> <ol style="list-style-type: none"> <li>Gross greenhouse gas emissions</li> </ol>   | <ol style="list-style-type: none"> <li>MBIE, Energy in NZ (Annual)</li> <li>MBIE, Energy in NZ (Annual)</li> <li>MfE, Greenhouse gas inventory (Annual)</li> </ol>   |
|  <p>Land and resource use delivers greater value and improves environmental outcomes</p>                         | <p><b>Current wellbeing</b></p> <ol style="list-style-type: none"> <li>Water quality (swimmability)</li> <li>Perceived environmental quality</li> </ol> <p><b>Future wellbeing</b></p> <ol style="list-style-type: none"> <li>Net greenhouse gas emissions</li> <li>Climate regulation</li> <li>Sustainable food production</li> <li>Kg of waste per capita</li> </ol> | <ol style="list-style-type: none"> <li>Swimmability data (unclear frequency)</li> <li>Lincoln University data (unclear frequency)</li> <li>MFE, Greenhouse gas inventory (Annual)</li> <li>MFE, Greenhouse gas inventory (Annual)</li> <li>Stats NZ and MfE, Average soil testing results (unclear frequency)</li> <li>MFE, Review of the Waste disposal levy (unclear frequency)</li> </ol>   |
|  <p>Transform our housing market to unlock productivity growth and make houses more affordable</p>               | <p><b>Current wellbeing</b></p> <ol style="list-style-type: none"> <li>Household crowding</li> <li>Housing cost</li> <li>Housing quality</li> </ol>  | <ol style="list-style-type: none"> <li>Census data (Five yearly)</li> <li>MSD, Household incomes in NZ (Annual)</li> <li>Stats NZ, General Social Survey (two yearly)</li> </ol>   |

PROACTIVELY RELEASED

ISBN PRINT 978 1 99 000446 9  
ISSN ONLINE 978 1 99 000445 2

## Final Economic Strategy Video Storyboard

**16 September 2019**

| Frame             | Text   |
|-------------------|--|
| OPENING<br>FRAME: | <i>An Economic Plan to take New Zealand into the future</i>  |
| TEXT<br>FRAME 1:  | <i>We want all Kiwis to reach their potential</i>  |
| TEXT<br>FRAME 2:  | <i>Economic success should not come at a cost to our environment or our people's wellbeing</i>         |
| TEXT<br>FRAME 3:  | <i>We have eight priorities to make the economy more productive, sustainable and inclusive.</i>        |
| TEXT<br>FRAME 4:  | 1. Moving Kiwi businesses from <b>volume to value</b> so they succeed in a global market               |
| TEXT<br>FRAME 5:  | 2. Making sure people are <b>skilled</b> with access to <b>lifelong learning</b>                       |
| TEXT<br>FRAME 6:  | 3. Investing in a <b>modern, resilient and connected economy</b>                                       |
| TEXT<br>FRAME 7:  | 4. Building <b>strong and revitalised regions</b>  |
| TEXT<br>FRAME 8:  | 5. Partnering with our <b>Māori and Pacific communities</b> to lift incomes, skills and opportunities. |
| TEXT<br>FRAME 9:  | 6. <b>Affordable clean energy</b> that is accessible to all.   |
| TEXT<br>FRAME 10: | 7. Land and resource use that is more <b>productive and sustainable</b>                                |
| TEXT<br>FRAME 11: | 8. Fixing our housing market to enable <b>affordable growth</b>  |
| CLOSING<br>FRAME  | <i>We're positioning New Zealand for a <b>productive, sustainable and inclusive future.</b></i>        |