

## Seona Ku

---

**From:** John Haylock [REDACTED] s9(2)(a)  
**Sent:** Thursday, 19 September 2019 11:45 a.m.  
**To:** VCF  
**Subject:** RE: Venture Capital Fund consultation [UNCLASSIFIED]

**Follow Up Flag:** Follow up  
**Flag Status:** Completed

Good morning

Thank you for the opportunity to provide feedback on the proposed definitions and policies in the Draft Policy Statement for the Venture Capital Fund Act 2019.

Venture Taranaki is the regional development agency for the Taranaki region. We have goals of integrating innovation into enterprise and encouraging investment into the region, while also positioning Taranaki as a great place to invest.

Here is some background on our work in developing the investment sector that is relevant to this process – and should be read in conjunction with our specific feedback on the questions posed in the consultation document.

In 2016 Venture Taranaki directly helped facilitate the establishment of Launch Taranaki as an angel investment group. While it is good to now have a local investment vehicle for addressing the angel funding gap we are aware of the gap that still remains for early stage-growth capital. So, in early 2019, we asked Deloitte Waikato to explore the potential for a Taranaki Regional Investment Fund.

Deloitte's advice to us was the gap was not primarily a capital gap (in fact they said there is plenty of capital available), rather it was a gap of focused institutional expertise and networks. Taranaki is simply not big enough to justify the establishment of a dedicated regional investment fund – there are not enough high quality opportunities to warrant the allocation of sufficient depth and breadth of the required expertise. While Deloitte's advice was focused on establishing a generic funding entity in Taranaki (a region of 115,000 people) the same concerns are apparent across New Zealand. For example in New Zealand there are few sectors that have specialist investment funds. Of particular interest to Venture Taranaki is that there is no specialist energy sector venture capital investment fund in New Zealand. This gap is a constraint for investment in the energy sector – investment which is vital if New Zealand is to quickly and effectively transition to a low carbon economy.

We suggest that the establishment of the new \$300m Venture Capital Fund provides opportunity for sector specific gaps such as energy to be filled (not all of the \$300m should be invested alongside or with existing funds). Some of the funds could be used to help establish a dedicated Energy Venture Capital Fund. This is analogous to how the Seed Co-investment Fund has been used to establish New Zealand's network of regional angel investment groups.

We also note that Deloitte advised us that there is an ongoing investment-readiness gap in Taranaki and other regions. There are businesses with great growth opportunity but the owners are not experienced in raising capital or have ready access to advice on how to do so. In conjunction with establishing the fund it would be sensible for there to be support for Regional Development Agencies to work with enterprises to help get them investment ready.

There is also a resourcing gap in some of New Zealand regional angel groups in their capacity for their due diligence work assessing opportunities. If addressed this would help ensure that funds are invested in the best opportunities.

We suggest that improved resourcing in these two areas should be carried out in association with establishment of the \$300m Venture Capital Fund and will help achieve better deal flow and investment returns.

Here is our specific feedback on the questions in consultation document.

### Proposed definitions

1 Do you agree with the proposed definitions? If not, please explain why.

*We are comfortable with the proposed definitions.*

2 Is the overall drafting of the Policy Statement objectives and definitions clear and consistent?

*We are comfortable that the objective and definitions are clear and consistent.*

### Proposed policies

3 Do you agree with the proposed policies as set out in the Policy Statement? If not, please explain why.

*We agree with the proposed policies but suggest there is an issue that has not been addressed. The policies appear to be written from the perspective that the Venture Capital Fund will invest in or coinvest with existing venture capital funds. We believe that there is an opportunity for the Venture Capital Fund to be utilised to address sector specific investment gaps, particularly where these gaps are hindering investment in sectors that will help in the transition to a low emissions economy.*

*The key investment gap we highlight is with the energy sector where there is no focused venture capital fund in New Zealand. There is an opportunity for such a fund to be based in Taranaki and complement the establishment of the National New Energy Development Centre – this was another initiative announced by the Government in Budget 2019. We are intending to explore the development of such a Fund as the National New Energy Development Centre is established through until mid-2020 and we welcome further discussions with you.*

*This policy gap could be addressed by extending Policy 9 where it states that “In setting out terms with the VCF manager, the Guardians must have regard to the following aspects of the government’s economic strategy and plan to transition to a low carbon economy”.*

*In addition to exploring the development of such dedicated funds to support the transition process we suggest that there should be a requirement that a minimum level of funds will be applied into specific sectors. Of particular importance in New Zealand’s transition to a low emissions economy are the energy and food sectors.*

4 Do you think the policies will achieve the objectives of the Venture Capital Fund as set out in the objectives section of the Policy Statement? If not, please explain why.

*We suggest it is essential the policies address the issue of filling gaps in the investment ecosystem such as that outlined for energy. Simply working with existing generic funds will be unlikely to fully achieve the objectives. A dedicated fund or funds will enable the establishment of sufficient sector-specific expertise.*

5 Do you have any other comments?

*We have no further comments.*

Regards

John Haylock  
General Manager Strategic Projects  
**Venture Taranaki Trust**

9 Robe Street | PO Box 670 | New Plymouth 4340

s9(2)(a)

s9(2)(a) | W: [www.taranaki.info](http://www.taranaki.info)

*Taranaki – Lonely Planet’s #2 best region in the world to visit in 2017*