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# The Business Growth Agenda 2017





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# The Business Growth Agenda

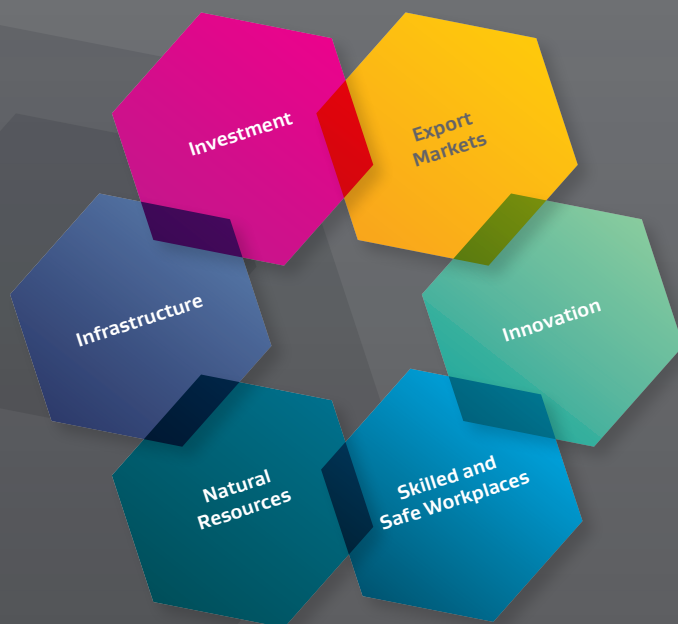
It is business that drives economic growth and builds a more successful economy with more jobs for New Zealanders.

Growing competitive businesses creates jobs and increases exports to the world. Nothing creates sustainable, high-paying jobs and boosts our standard of living better than business confidence and growth.

Building a more competitive and productive economy for New Zealand is one of the key priorities the Prime Minister has laid out for this Government to achieve. The Business Growth Agenda drives this by ensuring the Government stays focused on what matters to business, to encourage confidence and further investment.

There are six key inputs that businesses need to succeed and grow. By focusing on these areas we will ensure businesses have the opportunity to lead economic growth.

## The six key areas in the Business Growth Agenda:



The Government is holding itself accountable to the business community and to the public to achieve tangible progress in each of these areas.

The Ministry of Business, Innovation and Employment and the Treasury are working alongside other agencies to co-ordinate the Business Growth Agenda and ensure businesses can more easily access the government advice and support they need to be successful.

### GROUP OF MINISTERS FOR:

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Hon Steven Joyce  
Hon Gerry Brownlee  
Hon Simon Bridges (Chair)  
Hon Nathan Guy  
Hon Todd McClay  
Hon Paul Goldsmith  
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Hon Nicky Wagner

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# Ministers' Foreword

In 2012, the Government developed a new microeconomic reform programme through the Business Growth Agenda (BGA). This was to support businesses to grow and thrive in the aftermath of the Global Financial Crisis, and to build a more productive and competitive economy. The BGA has been the focus of our engagement with businesses since then. It has helped us progress several significant economic milestones and is a key part of the Government's economic development programme.

While our vision for the economy is ambitious and challenging, indicators of our performance have been positive. Many of our BGA targets have been met and in some cases exceeded. In particular, New Zealand has been experiencing very strong job growth leading to historically high levels of employment.

We will continue to build on best practice in our efforts to increase the pace and impact of our work. Our work to support greater research and development (R&D) by business has helped generate an impressive 29 per cent increase over two years, and Moody's has reaffirmed New Zealand's AAA sovereign credit rating. Significantly, Moody's rating was based on its expectation that New Zealand will be one of the fastest-growing AAA rated economies over the next few years.

In addition, our strong economic management has meant a larger fiscal surplus than expected. The New Zealand economy is stable and better placed than many others not just to get through geopolitical and economic turbulence, but to respond quickly to the changing demands of a fast moving global environment.

Turning opportunities into economic benefits requires Government to be persistent and take a system-wide, long-term view of our work, and for that work to make sense to people and business. This means looking at the big picture and in some areas, such as resource management, the recent refresh of the Trade Strategy and our financial markets work, we have overhauled legislation to enable system-wide improvement and attract more investment for greater growth.

At the same time as undertaking our broad strategic work, we have spent time listening to business about the more immediate issues they face. In responding to this, we have made tangible progress in the way government provides services to business. This can be seen through the work of Result 9: Better for Business, which focuses on reducing the cost of interacting with government, and through products such as [www.business.govt.nz](http://www.business.govt.nz) which brings together tools and advice from across government, help reduce compliance costs for businesses and save them time.

In our regional work, we are developing an ever more informative database of the characteristics unique to each region. This enables businesses to identify regional investment opportunities and resources. We have made this freely available via the Regional Economic Activity app which provides regular updates on several key aspects of regional economic data: [www.mbie.govt.nz/info-services/business/business-growth-agenda/regions](http://www.mbie.govt.nz/info-services/business/business-growth-agenda/regions)

The BGA 2017 Refresh lays out priorities and key actions across our work programmes. Reflecting the Government's ongoing commitment to responsible financial management, this Refresh also illustrates that we are investing in areas that make the greatest impact towards our goals.

In particular, this Refresh is built around investing in three important and mutually reinforcing factors. We are investing in diversification and growing a higher value economy with more, higher paying jobs. We are also investing for a growing and resilient economy that is agile and responds to change, and we are investing for inclusive and sustainable growth so that the benefits are shared by all New Zealand's people and regions.

The aim of the BGA is not just to deliver economic growth centred solely on business. It is also about making sure that all New Zealanders have meaningful pathways to contribute to and benefit from this growth.

As joint Ministers responsible for delivering the Government's Business Growth Agenda, we are proud to publish the BGA 2017 Refresh Report and we remain dedicated to continuing to build a more productive and competitive economy that grows more jobs for New Zealanders.

We appreciate your feedback on the New Zealand's Business Growth Agenda and encourage you to provide your views on what matters for business success and growth.



  
**Hon. Steven Joyce**  
Minister of Finance

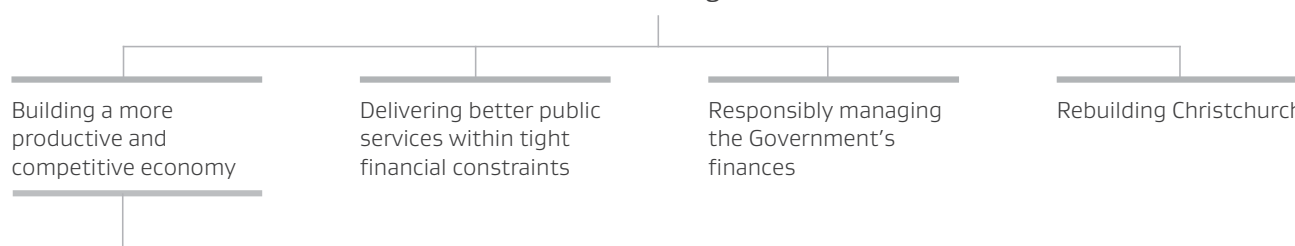


  
**Hon. Simon Bridges**  
Minister for Economic Development

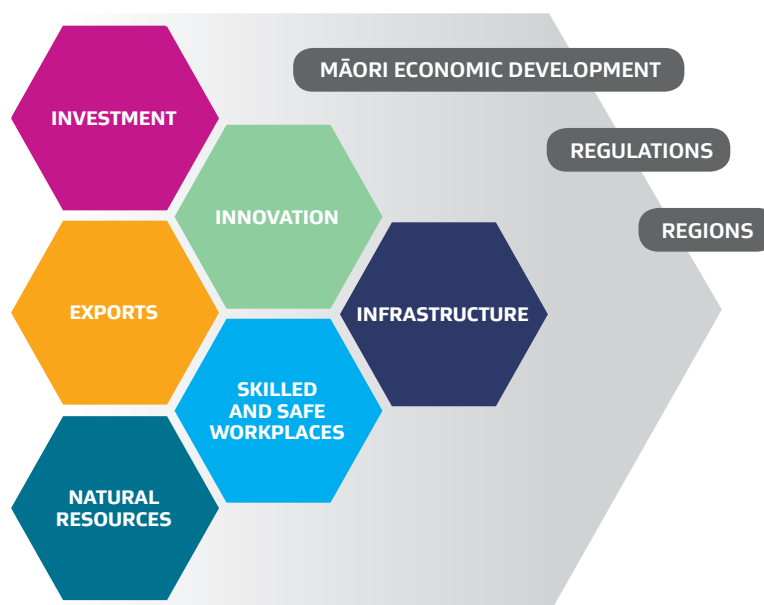
# The Business Growth Agenda 2017

**Vision:** To create a diverse and internationally-connected economy by 2025 that will grow our productivity and incomes, delivering real and ongoing improvements in the quality of life for all New Zealanders.

### Government's Strategic Priorities



### Business Growth Agenda



### What is the Business Growth Agenda (BGA)?

The BGA is the Government's organising framework for economic growth and microeconomic reform. It aims to create an environment that businesses can grow and thrive in.

It is focused on building the six key inputs that businesses tell us they need to grow and succeed: *Export Markets, Investment, Innovation, Skilled and Safe Workplaces, Natural Resources, and Infrastructure*. It also captures three important cross-cutting themes: *Māori economic development, Better Regulation and Regional economic development*.

# What are we working towards?

The BGA was established in 2012 to drive a more productive and competitive New Zealand.

In 2015, the Government, in consultation with business, developed **the BGA vision** to create a diverse and internationally-connected economy by 2025.

Characteristics of an economy that will grow our productivity and incomes and deliver real, ongoing improvements in quality of life for all New Zealanders are:

## What will economic success look like by 2025?



## Recent performance towards the vision

The economy has performed well over the past few years with growth stronger for longer than anticipated. The Organisation for Economic Co-operation and Development (OECD) Economic Survey of New Zealand 2017 confirmed that New Zealand continues to enjoy strong, broad-based economic expansion. Many measures indicative of our performance are tracking in the right direction and are better than for comparator countries...

### including...

- › High labour force participation.
- › Employment is shifting towards high-skilled occupations.
- › High percentage of 25-34 year olds with tertiary qualifications.
- › Increasing median income levels.
- › Low levels of unemployment.
- › A global leader in species-recovery programmes.

### ... and these survey rankings.

- › First in the 2017 World Bank ease of doing business index.
- › First in social capital and economic quality.<sup>1</sup>
- › Second in Government and Business Environment.<sup>1</sup>
- › First equal, perceived as the least corrupt public sector in the world (Transparency International 2016).

<sup>1</sup> Legatum Institute 2017

# Our context

New Zealand's domestic and international context is rapidly evolving. Addressing the opportunities and challenges this presents is central to the BGA 2017 Refresh.

We have some enduring strengths that help us exploit opportunities and respond quickly in a fast changing world including agile regulatory systems, high labour force participation, strong international networks, and abundant, high quality natural capital.

However New Zealand's size and distance from markets will remain a challenge.

While it is important to continue with many of our existing priorities (such as diversifying our export base and ensuring flexible and adaptive regulatory systems), we need to be alert to changes in our operating environment that will require us to reprioritise and select new initiatives or approaches.

Key elements of our current context include, **internationally:**

- › Continuing growth of middle-class demand in Asia is likely to remain strong.
- › Resistance to globalisation and immigration internationally, and demand for more inclusive distribution of the benefits of growth. This can be seen through the emergence of a tougher more volatile geo-political environment and, changing architecture for international trade. While this environment is challenging, there are also emerging opportunities for new trading alliances with likeminded countries both within and outside traditional geographical trade partner groups.
- › Concerns about the environment and climate change prevail – these issues have moved onto the international agenda and how we respond to these will impact on the marketability of our exports, our brand premium and our competitive advantage.
- › Technological change such as digital advances, artificial intelligence, big data and genetics are changing business models, creating new opportunities and impacting on jobs and the skills required to fill them.

**And domestically:**

- › We have well performing labour markets and increasing median incomes.
- › Strong growth, including that in population and tourism, increases pressure on our housing, infrastructure and the environment.
- › Labour productivity is low relative to comparator countries and not all people and regions share in the benefits of growth.
- › Natural disasters, such as the 2016 Kaikōura earthquakes, highlight the need for resilient infrastructure and service provision.



Source: Household Labour Force Survey (Statistics New Zealand)

## The role of government in the context of our goal and the evolving operating environment

To do government's job well requires a combination of persistence and agility. We are persistent across BGA workstreams and work programmes in continuing to implement best practice policies that reflect the Government's priority for responsible fiscal management and to ensure we stay at the best practice frontier. Being agile enables us to recognise and stop, or change, policies that are not working, as well as identifying and dealing with emerging risks, new challenges and opportunities.



Credit: Sara Orme



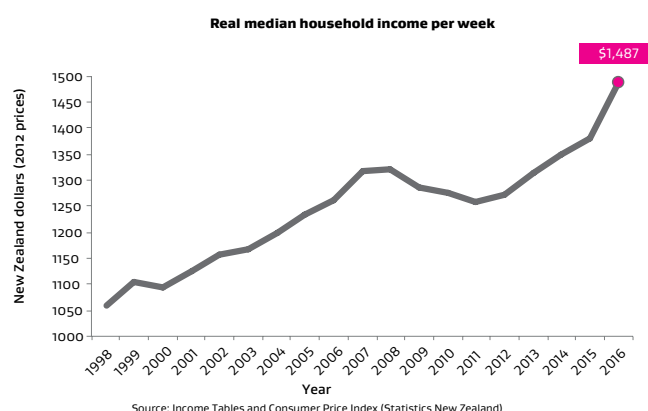
# The 2017 Refresh

## We are seeking greater diversification and a higher value economy with more, higher paying jobs.

Diversification means increasing our international connectedness, adding value to our products and services, moving up value chains and building our resilience and ability to respond to changes in an uncertain international environment.

Diversifying up the value chain will also add to the number of well-paid jobs across the economy, reduce pressure on natural assets and particular places, spread risk and reduce our exposure to shocks – whether internal or external (e.g. a major biosecurity breach).

Diversification also drives work on our trade strategy, *Trade Agenda 2030: Securing Our Place in the World* which focuses on adding greater value to our exports.



## An Increasingly Diverse Mix

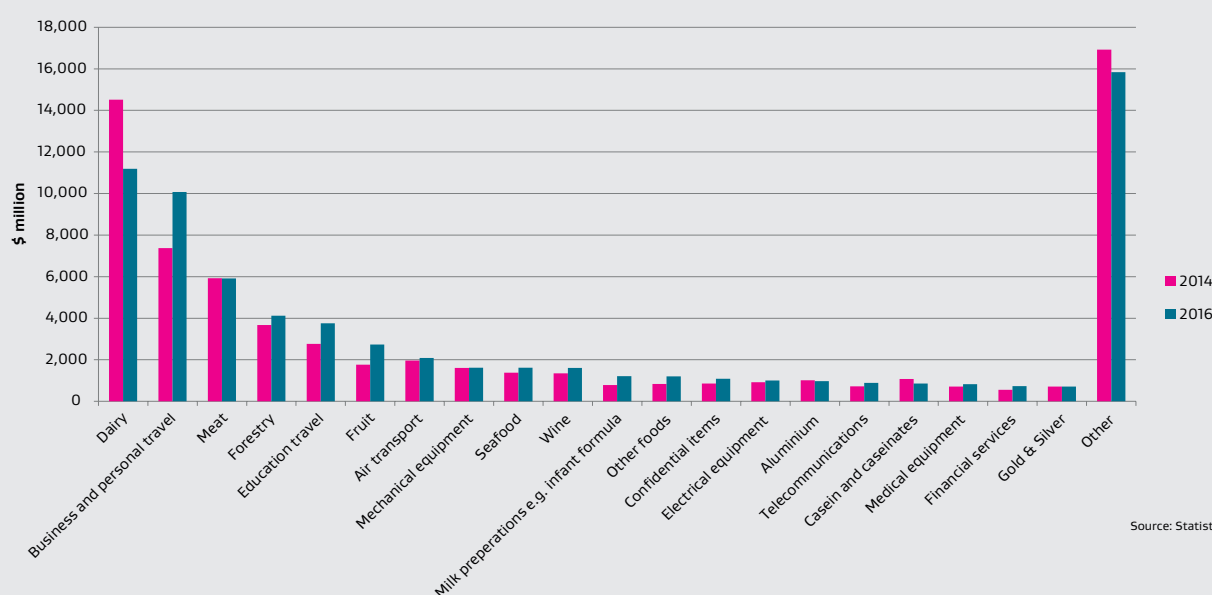
Diversifying New Zealand's exports is an ongoing process. We have come a long way over the last 40 years. In 1975, meat, dairy and wool accounted for half of our total exports. Service exports have increased considerably, notably through tourism and international education. Based on OECD data, today 57 per cent of New Zealand's total exports are services, either in their own right or embodied (as part of the production process) or embedded (co-sold) with products. And although the primary sector is still responsible for 70 per cent of New Zealand's goods exports, whole new industries have emerged like wine and horticulture.

We only have to look at the last two years to see the importance of a diverse export mix. Over 2015 and 2016, New Zealand's export revenue grew by 4 per cent despite the decline in dairy revenue of \$3.3 billion that resulted from a significant fall in international dairy prices.

That loss was more than offset by New Zealand's next nineteen largest export categories increasing by a total of \$7 billion.

Exports in some high value-added sectors have also grown strongly over the last two years, albeit from a small base. Information and Communications Technology (ICT) exports have increased 38 per cent since 2013 to over \$740 million (surpassing the value of more traditional wool exports) helped by the Government's investments in R&D and support in growing export companies. According to the 2016 TIN100 report, which combines export and other international revenue reported by New Zealand high tech manufacturing, ICT and biotech companies, the tech sector was worth nearly \$7 billion in 2016.

## By having a more diverse export base, shocks in some sectors have seen growth in others



## Introduction

We are diversifying our product and market base through an ambitious Free Trade Agreement (FTA) agenda, attention to non-tariff barriers, more trade in services (investment and digital trade) and translating market access opportunities into competitive success against businesses from other countries.

Achieving our aspirations in trade and innovation requires lifting our rates of business investment to unlock more productive capital and enable innovation. To do this we are identifying and shaping investment opportunities, and engaging with investors to understand and match the opportunity with the investment. We are developing relationships with multinational corporations to build a pipeline over the longer term for investment and R&D opportunities, which will accelerate the growth of New Zealand's innovation system.

The BGA 2017 Refresh is an opportunity to focus and accelerate the move up the value chain, increasing the diversification of New Zealand's exports, underpinned by a more diverse economy overall.

We are also working to build responsiveness into the skills system to ensure we have a highly skilled and well-equipped workforce for a changing business environment, and to accommodate the ever-increasing role of technology in the workplace.

We are simultaneously pursuing several objectives to reach our goals by:

- › Proactively addressing **climate change** and environmental challenges that underpin **New Zealand's brand premium**.
- › Delivering an **innovation** work programme that supports further **diversification** to increase our international **competitiveness** and **resilience** by helping New Zealand businesses bring new technologies to the global market.
- › Continuing to monitor our **regulatory settings** so they are enabling, flexible and adaptable for new businesses and innovation.

Illustrative of success against many of these objectives is the establishment of the New Zealand Space Agency in 2016. The Space Agency is enabling New Zealand to participate in the global space economy and demonstrates how our regulatory settings are agile and enabling us to innovate, diversify and compete in complex new markets.



Credit: Chris Sisarich



Credit: Kieren Scott

### Key priorities for diversification include:

- › **Implementing Trade Agenda 2030** – Protecting existing trade flows and diversify into new markets, continuing work to address non-tariff barriers and progress trade agreements within a challenging international environment. (*Export Markets*)
- › **Strengthening New Zealand's brand and realising tourism's full potential** – Attracting higher value visitors, increasing off-peak demand and encouraging regional dispersal. Ensuring the sector has the requisite labour and skills, and managing pressure on public conservation land and community facilities. (*Export Markets*)
- › **Supporting new business through innovation, invest in advanced technologies and improve the use and uptake of ICT** – Growing New Zealand's start-up ecosystem and support businesses with smart new ideas, including through development of the Callaghan Innovation sector approach. Invest in advanced science through our National Statement of Science Investment, and in technologies to further diversify our economy. (*Innovation*)
- › **Innovation Skills** – Ensuring businesses have the skills they need to succeed through programmes that support entrepreneurial education, cyber security skills and digital skills. (*Innovation*)
- › **Whai Pakihi: grow the number and value of Māori enterprises** – Raising incomes and enabling Māori to be their own bosses. Māori authorities will be sustaining their taonga, optimising use and providing meaningful returns to whānau. (*Māori Economic Development*)
- › **Attract and match investment to accelerate growth** – Use New Zealand's Investment Attraction Strategy to attract smart capital throughout New Zealand's regions. (*Investment / Regional Economic Development*)

## Introduction

### We are investing for a growing and resilient economy.

We are adapting to an evolving world, and managing pressures and pinch points to realise the full benefits of growth.

The Government is further investing in infrastructure to support a growing economy. High quality and fit for purpose infrastructure provides incentives for business investment which in turn helps support further increases our growth and productivity.

Good urban design plays a strong role in generating economic benefits from our major centres while supporting environmental and social outcomes. For example, when we are addressing Auckland's housing supply issues we also consider whether the city has adequate land supply for future business and high-value industries, and whether planned developments provide employment accessibility.

Likewise, a shift in our tourism strategies will ensure that this sector can continue to grow in a sustainable way by attracting the right mix of tourists, targeting high value markets and sectors, increasing off-peak demand and evening out regional dispersal of visitor numbers.

### Key priorities for investing in a growing economy include:

- › **Strengthening the management and development of urban infrastructure** – Ensuring timely and cost-effective investment into urban infrastructure – particularly for housing and transport. (*Infrastructure*)
- › **Ensuring infrastructure is resilient and connects our regions** – High quality infrastructure provides opportunities to attract investment and connect our regional businesses to the rest of the nation and a growing global marketplace. This will involve delivering the Roads of National Significance and strengthening our regional road linkages. (*Infrastructure / Regional Economic Development*)
- › **Fast and dependable communications** – Enabling New Zealand communities and businesses to connect to each other and the world, for example through expansion of Ultra-Fast Broadband and the Rural Broadband Initiative. (*Infrastructure*)
- › **Building resilience to natural events and climate change** – Better understanding our infrastructure assets and building resilience into the system, including consideration of climate change adaptation and earthquake responsiveness. (*Infrastructure*)
- › **Adaptive regulatory frameworks and competitive markets** – Supporting and encouraging innovative businesses with an agile regulatory system and competitive markets. (*Innovation / Regulation*)



Credit: Blaine Harrington



## Introduction

### Our aim is inclusive and sustainable growth with the benefits shared by all New Zealand's people and regions.

The Government is focused on ensuring growth is sustainable and that the benefits are widely shared and contribute to improvement in New Zealanders' quality of life.

Our work in natural resources and infrastructure aims to ensure that we manage and invest in our resources carefully to sustain economic growth from our resource base in a socially and environmentally sustainable way.

The Government's actions to improve the operation of the housing market, and so housing affordability, tackle both demand and supply. The Government's housing programme centres on freeing up the supply of new housing through regulatory reform, assistance with housing development and direct delivery of housing. We also have work in progress that is focused on the operation of land markets, development markets, infrastructure markets and construction markets.

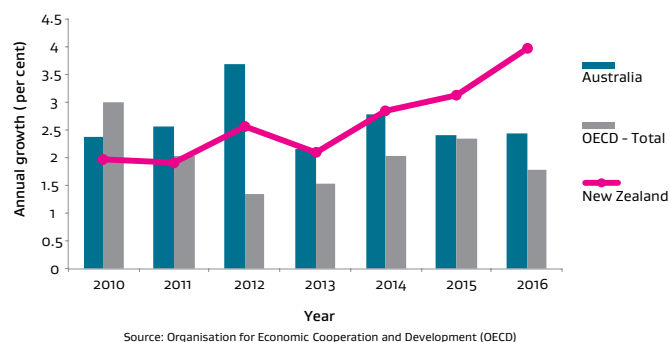
We are developing new approaches to working with local and regional employers and communities to unlock the potential of young people not in employment, education or training, in order to grow and develop regional economies. A strong economy provides us with a great opportunity to work with business and Iwi to support our young and growing Māori population into entrepreneurship and high-paying industries of the future.

Our regions have unique characteristics and a range of opportunities and challenges. We are building on our understanding of these features to unlock economic opportunities within regions and to drive new growth. The Regional Growth Programme is tailored to each region and has resulted in regionally-led and owned economic action plans that focus on opportunities that have the most potential to grow investment, incomes and jobs.



Credit: Yealands Estate – Seaview Vineyard, Marlborough

Real Average Annual GDP Growth



### Key priorities for inclusive and sustainable growth include:

- **Strengthening transitions to higher education and into the workforce, and deliver the skills and qualifications needed for a modern economy** – Improving education and employment outcomes, with a focus on youth not in employment, education or training, and further increasing the proportion of 25 to 34-year-olds with advanced trade qualifications, diplomas and degrees. (*Skilled and Safe Workplaces*)
- **Lifting the participation of Māori and Pasifika in the workforce to the same level as the rest of New Zealand** – Boosting achievement of Māori and Pasifika, and encouraging workforce transitions through initiatives such as Māori and Pasifika Trades Training. **Whai Mahi: building the future Māori workforce** is a key priority for *He kai kei aku ringa* (the Crown-Māori Economic Growth partnership). Whai Mahi aims to lift levels of labour participation to the national level, and move more Māori into higher skill sectors. (*Māori Economic Development*)
- **Ensuring New Zealand is a more productive, low emissions economy that is resilient to climate change** – Developing a high level plan to transition to low emissions economy, progress the Emissions Trading Scheme review, and deliver on the next New Zealand Energy Efficiency and Conservation Strategy. (*Natural Resources*)
- **Realising the full potential of marine resources in a sustainable and innovative way** – Improving existing marine management regimes to enable sustainable growth in aquaculture, progress work on marine protected areas, and research into increasing potential through Future of our Fisheries. (*Natural Resources*)
- **Implement economic action plans within regions** – Supporting regions as they implement action plans and opportunities identified through the Regional Growth Programme. (*Regional Economic Development*)

# 01 Building Export Markets

Further diversify into value-added, knowledge-intensive exports of both goods and services, to a broader range of markets.

## Why Export Markets matter

As a small country, with a domestic market of just 4.7 million people, we depend on trade for our prosperity.

Today one in five New Zealand businesses are engaged in exporting (*Statistics New Zealand 2015 Business Operations Survey of businesses with six or more employees*). Our export intensity sits around the average for an OECD country but meeting the level of other small, advanced economies will take further improvement. These are indicators of a broader opportunity for the New Zealand economy: to be more internationally connected, through trade and investment, and flows of people and ideas.

Internationally connected firms are valuable to New Zealand as they can access larger markets, and bigger opportunities. They can upscale and specialise in the face of potentially greater competition. With access to bigger pools of capital, skills and ideas, most internationally connected firms are more innovative and productive. They are therefore critical to creating jobs and lifting incomes in a sustainable way.

## What are we working towards?

With the launch of the BGA in 2012, the Government set the goal of increasing the value of exports from 30 to 40 per cent of Gross Domestic Product (GDP) by 2025 – an aspirational goal to drive collective effort over the medium term.

Our trade history – both very recent and back to the 1970s – underlines the importance of having a diverse export mix which trades into a range of markets.

It is these characteristics that make a small, open economy like New Zealand resilient in a fast-changing, politically uncertain and economically unpredictable world. We also need to continue the drive for value on volume, to make the most of our assets and reduce vulnerability to commodity price fluctuations.

## Where have we been focused?

Over the past year, the Government has continued delivering the conditions and support for New Zealand firms to succeed internationally. It has expanded New Zealand's offshore footprint and network of FTAs, as the basis for building diverse export markets. It has engaged with business, including small and medium size enterprises (SMEs), to promote awareness of FTAs, and tackled significant non-tariff barriers affecting New Zealand exporters, including through World Trade Organisation dispute settlement.

The Government has increased the number of firms that receive intensive support from New Zealand Trade and Enterprise (NZTE) to 700, led 37 Ministerial trade missions between November 2014 and December 2016, and developed New Zealand's international marketing brand.

In the tourism and international education sectors, the Government is working with local authorities, providers and business to target higher value tourists and students, and to disperse the benefits of growth throughout the regions.

Throughout this work, the Asia-Pacific has been particularly important, as we look to take advantage of the shift in the centre of global economic activity to our part of the world.

## Building Export Markets



Credit: Chris Williams

### What progress have we made?

The early BGA years have been challenging and still, New Zealand's exports have continued to grow. Stellar growth in tourism (up 58 per cent in value from 2013 to 2016) and international education (up 54 per cent) has helped provide a positive overall performance when traditional commodity markets were softer.

While the prices of some key commodities dropped significantly, export volumes have generally held up. As demand in one market has fallen, exports have been diverted to other markets. This has been enabled by New Zealand's expanding network of FTAs, which give exporters choices about where to sell as market conditions change.

Exports in some high value-added sectors have also grown strongly over the last two years, albeit from a relatively small base. ICT exports, for example, have increased 38 per cent since 2013 to over \$740million – surpassing the value of our more traditional wool exports.

New Zealand's export intensity currently remains at around 30 per cent of GDP, reflecting the fact that domestic consumption and investment have grown in line with exports.

Part of the answer to sustained growth is to drive for higher value in both products and markets. We need to make the most of New Zealand's great natural capital and traditional strengths, diversify into new areas, harness the niche offerings of our regions, and leverage the strength of our authentic and internationally recognised brand and unique Māori value proposition.



Source: Expat Explorer Survey, HSBC, 2016.

## Milestones to date:

**More and more New Zealand firms are selling goods and services overseas** – More than 7,600 firms in 2015, an increase of 18 per cent from 2011, largely focused on the Australian market. In 2015, 44 per cent of Māori authorities, and one in five Māori SMEs, were engaged in exporting. (*Statistics New Zealand 2015 Business Operations Survey of businesses with six or more employees*)

**International visitor numbers have grown dramatically** – Up 12 per cent to 3.5 million from 2015 to 2016 with the arrival of new airlines in New Zealand, and more direct flights to, and from more locations around the Pacific Rim.

**The export base is diversifying and there has been growth in niche high-value exports sectors, for example, ICT services** – More passenger flights and increased air freight capacity, enables growth in exports of premium perishable food products like rock lobster, pacific salmon, cherries, and innovative processed foods.

**In 2015, Māori Authorities exported goods worth \$485 million to 65 countries** – Māori SMEs exported goods to 53 countries worth \$44 million, up 15 per cent from 2014. More than 50 per cent of Māori exports are food and beverage; 25 per cent are manufactured; and 20 per cent are in ICT.

**We have continued to improve the efficiency and effectiveness of our border** – Relevant initiatives include E-Cert and Trade Single Window. By mid-2017, five of New Zealand's top six export markets – Australia, China, United States, Japan and Korea – will recognise New Zealand businesses accredited as trusted traders in the New Zealand Customs Service's Secure Exports Scheme.

**New Zealand exporters can more easily enter and compete in more international markets as a result of new trade deals** – Those deals include New Zealand's FTA with Korea, accession to the World Trade Organisation Procurement Agreement, and the World Trade Organisation Nairobi outcome that eliminates agricultural export subsidies. Under New Zealand's agreement with Chinese Taipei, a further round of tariff cuts took effect from January 2016, taking the percentage of exports entering Taiwan duty-free to 98.7 per cent. New Zealand signed the Trans-Pacific Partnership Agreement in February 2016 with a group of countries accounting for some 36 per cent global GDP. Even without the US being a party to the agreement it has value as a first FTA for New Zealand with other countries: Japan, Canada, Mexico, and Peru.

**We are identifying and removing other regulatory barriers to trade** – Major wins include an arrangement with the United Arab Emirates to improve access for \$100 million worth of food exports, and a successful World Trade Organisation panel ruling on our challenge to Indonesian barriers affecting New Zealand beef and horticultural exports.

**The New Zealand Story is being leveraged by more than 5,000 companies** – This enables them to articulate their own brand stories in more compelling and consumer-relevant ways.

# Next Steps

Our focus is on further diversifying into value-added, knowledge-intensive exports of both goods and services, to a broader range of markets.

If we are to achieve the BGA vision of an economy that grows productivity and incomes, delivering real and ongoing improvements in the quality of life for all New Zealanders, then increasing international connections, especially through trade, remains the right goal.

The period ahead is one of increased uncertainty around the world. We are focusing on creating resilient and sustainable growth.




The actions outlined below are a snapshot of the work Government is doing in Building Export Markets. A full list of projects can be viewed on the Ministry of Business Innovation and Employment website:

[www.mbie.govt.nz/info-services/business/business-growth-agenda/2017](http://www.mbie.govt.nz/info-services/business/business-growth-agenda/2017)

## Priority areas – the action we are taking

	All projects	New projects	In progress	Completed
July 2017	112	23	19	70

### KEY

-  Complete
-  In progress
-  New project

### Implement Trade Agenda 2030

The Government's newly launched *Trade Agenda 2030 – Securing Our Place in the World* supports diversification and the drive for a higher value and more resilient economy. It does so by setting an ambitious goal for extending New Zealand's network of Free Trade Agreements, which will give exporters even greater choice and flexibility to take advantage of opportunities as they arise, and to adjust to a downturn in any one market.

The new trade strategy also facilitates the development of new businesses, building on our traditional strengths and expanding into new territory, so our exporters can make the most of globalisation and technological advances. Overseas investment, trade in services and the digital economy all have greater focus.

An immediate priority is to ensure that relevant agencies have enough resources deployed, in the right places, to protect and advance current trade access and flows, and to safeguard New Zealand's broader economic interests – including with China, the US and UK. We have identified potential implications for New Zealand from the Brexit decision and will drive a programme of engagement with both the EU and UK to protect and promote our interests where required.

Trade Agenda 2030 will see New Zealand continuing to invest in the World Trade Organisation, to advance work on issues like agricultural domestic production subsidies that cannot be addressed by FTAs and to enforce our international trade rights, when necessary.

The new trade policy strategy also signals four shifts in the focus of Government effort, to be implemented over time.

First, the Government will urgently push on with New Zealand's ambitious FTA agenda with key trade partners wherever it is possible to secure high-quality trade agreements. We have set an ambitious target of achieving FTA coverage for 90 per cent of our goods exports by 2030 – up from 53 per cent today. At the same time, the

Government will also be doing more to implement, enforce and enhance our agreements. That includes making sure that businesses are aware of the opportunities available to them under existing FTAs.

Second, the Government will continue its multi-pronged approach to eliminating tariffs – which are still high for some sectors, i.e. dairy, and in some markets – while also looking to lift its effort on other kinds of trade barriers. We will augment the work of the non-tariff barriers Cross-Agency Group and continue to work closely with sectors and businesses to understand their needs and priorities.

Third, the Government will put greater emphasis on measures affecting services, investment and the digital economy, given the changing nature of New Zealand's trade, and their importance to business internationalisation and value-add.

Finally, the Government will increase focus on helping businesses translate market access opportunities into market success by appropriately supporting them to compete and win on the international stage.

Our immediate work includes:

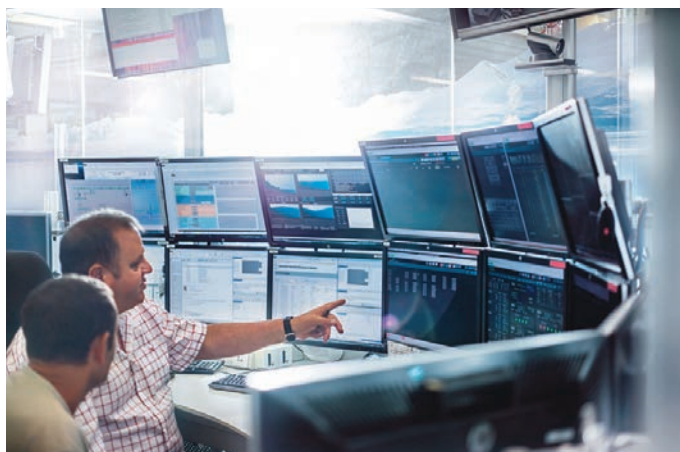
- › Establishing new posts in Dublin and Colombo.
- › Increasing resourcing onshore and at existing posts, to negotiate new trade agreements, build on existing ones, tackle non-tariff barriers and improve business engagement.
- › Establishing an all-of-government clearing house for trade barriers, and an online portal for exporters in need of help.
- › Embedding NZTE's Export Essentials workshops, to support aspiring and newly internationalising companies' successful entry to export markets, as well as new sales and digital services.

The full Trade Policy Strategy can be found online at:

[www.mfat.govt.nz/en/trade/nz-trade-policy/trade-agenda-2030](http://www.mfat.govt.nz/en/trade/nz-trade-policy/trade-agenda-2030)



## Building Export Markets



Credit: Chris Sisarich

### Grow value-added, knowledge intensive export companies

The primary sector is responsible for 70 per cent of New Zealand's goods exports. Supporting companies to achieve market success and capture higher value is therefore critical.

A new Exporter Regulatory Advice Service within the Ministry for Primary Industries (MPI) is enabling exporters to take advantage of improved market access by helping them understand and navigate a complex regulatory environment. The service deals directly with exporters, providing bespoke advice and support in partnership with other Government agencies such as the Ministry of Foreign Affairs and Trade (MFAT), NZTE, the New Zealand Customs Service and industry organisations.

We are advancing this by:

- › Establishing an Economic Intelligence Unit in MPI to help overcome the information barriers that New Zealand primary sector companies typically face in identifying and assessing market opportunities, and developing their strategies.
- › Developing a more supportive environment for trusted producers, with services to accelerate uptake of new technologies and farming practices, development of a national narrative for food exports, help with sector strategies and support for value claims for high value products.

More broadly, we will also:

- › Continue NZTE's focus on growing the international success of knowledge-intensive, value-adding, niche-hunting companies in NZTE's Focus 700 group; support for Māori companies; and business-led, go-to-market coalitions.
- › Continue support for the screen industry, with an additional \$222 million over four years and \$18 million in 2016/17 for the International Screen Production Grant as part of Budget 2017 to bring international productions to New Zealand.
- › Fund \$53.3 million through Budget 2017 for New Zealand to prepare to participate in Expo 2020 in Dubai, to showcase New Zealand's innovative businesses to markets in the Middle East, Africa and South Asia, and to present New Zealand as an outstanding place to invest, study and visit.

### Realise tourism's full potential

Recently we have seen significant tourism growth – both in the number of visitors coming here, and the amount they spend. Increasing profitability is leading to greater confidence and investment in the sector.

Growth in tourism is a great opportunity for New Zealand. Maintaining a high quality experience, including our beautiful landscapes and unique flora and fauna, is key to realising the sector's full potential.

The Government's tourism strategy is focused on ensuring:

- › We are attracting the right mix of visitors to give us the best return on our marketing investment.
- › The sector continues to provide high-quality experiences that include world-class products and services, good infrastructure, and skilled and committed people. This also involves responding to the challenges that higher visitor numbers place on communities, services and infrastructure.
- › Regions are in a position to benefit from increasing visitor numbers.

Specific initiatives include:

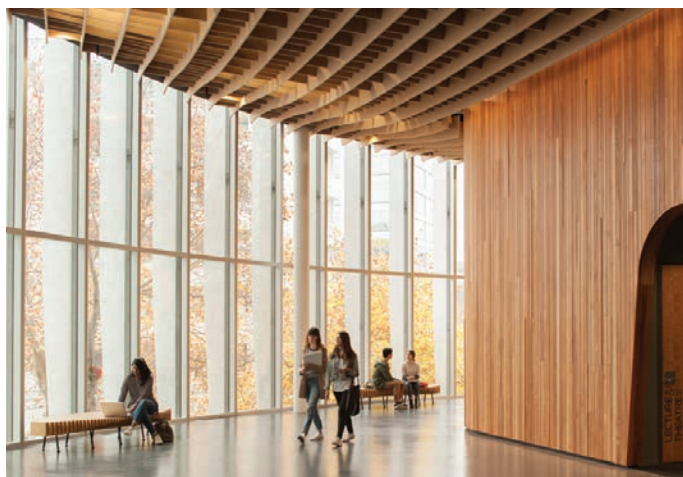
- › Implementing Tourism New Zealand's new four-year strategy targeting off-peak demand, greater regional dispersal, and high-value markets and sectors.
- › Working with local government and industry to address infrastructure pressures, to meet visitor expectations and maintain local support for tourism growth through the \$102 million Tourism Infrastructure Fund.
- › Better managing and equipping high-use destinations on public conservation land by investing \$76 million in new and upgraded tourist facilities.
- › Encouraging visitors to disperse more widely by developing and promoting under-utilised sites on public conservation land and in the regions, and investing in tourism initiatives through the Regional Growth Programme.
- › Facilitating connections between investors and projects to address accommodation constraints.



Credit: Chris McLennan



## Building Export Markets



Credit: David Straight

### Sustainable growth for international education

International education has experienced significant growth in recent years and is now one of New Zealand's main export earners. In 2016, the sector contributed \$4.5 billion to the economy, supporting 33,000 jobs across the country. Building on recent successes we are working to deliver sustainable growth, and investing in areas of the industry that will bring the most value to New Zealand. We are ensuring our international education strategy is fit for purpose and is attracting students who can benefit New Zealand. This will include:

- › Refreshing and implementing the New Zealand International Education Strategy.
- › Continuing work to diversify source markets and explore alternative modes of delivery, including offshore and online.

### Grow New Zealand's marketing brand

New Zealand has a respected reputation and a recognised and trusted country brand centred on natural beauty, environmental and social stewardship, and our values of integrity, good governance and caring. This brand has served us well in promoting tourism, education and immigration. As our export portfolio continues to diversify, we must build on our reputation to include an understanding of New Zealanders as culturally unique, creative and innovative.

The New Zealand Story provides a comprehensive and compelling narrative across Government and industries for marketing New Zealand in an aligned and authentic way to international influencers and buyers. It also builds awareness of our capability in science, technology and high-tech manufacturing. It is a platform that our companies can leverage to grow and succeed.

Looking forward, we will focus on:

- › Integrating consistent and powerful messaging across other sectors, including red meat, energy and technology.
- › Integrating the New Zealand Story into the Government's offshore diplomacy, and domestic and international major events and marketing.
- › Increasing business uptake of the New Zealand FernMark.

### Advance the World's Best Border

Border services are a key part of delivering trade and travel growth while also managing risks to New Zealand. How well we carry out these functions matters for export competitiveness, which relies on efficient supply chains, as well as for New Zealand's attractiveness as a place to travel to, to do business, live or visit.

Border agencies (Customs, MPI and the Ministry of Business, Innovation and Employment (MBIE)) work together to ensure the border management system is cost effective for business and provides a positive customer experience.

We also work to ensure that New Zealand is protected from biosecurity risks, terrorism, people smuggling, organised transnational criminal groups and imported illegal drugs.

New Zealand's success in growing trade and travel is placing increased demands on our border services. To support continued growth, our work will include:

- › Continuing to expand the network of Customs Mutual Recognition Arrangements, with an initial focus on our top six export markets, and the Secure Exports Scheme.
- › Progressing Secure Trade Lanes, Trusted Trader and Trusted Traveller initiatives, to enable more efficient flows of low risk goods and passengers.
- › Investing in the biosecurity system, to strengthen the ability to manage risks offshore, to raise public and business awareness, and to drive more rapid uptake of technologies.



Credit: Chris Sisarich

## Building Export Markets



Source: Ministry of Foreign Affairs and Trade

### Support Māori businesses to succeed internationally

The Māori economy is an important and growing part of New Zealand's economy, with a history of exporting that pre-dates the 1830s and significant collective ownership of productive capacity in the primary sector.

Today, Māori businesses are at the forefront of new and world-class sustainable agricultural exporters. Their eco-tourism companies sit at the core of the country's vibrant tourism proposition. New areas of technology-driven entrepreneurial activity have also emerged, for example, in ICT. The ability of Māori exporters to weave a rich story around products and services that is linked strongly to cultural values such as whakapapa and kaitiakitanga will continue to command a high premium in international markets.

Abundant opportunities remain to unleash the commercial potential of Māori assets and to grow the number and value of Māori export businesses.

The Government is providing support by funding Māori primary sector businesses to identify opportunities to improve productivity; supporting the development of internationalising capability in Māori businesses through participation in in-market programmes, including Ministerial Trade Missions and Māori Trade Missions to priority markets; and championing the New Zealand International Business Award for Māori Excellence in Export.

We will build on this work by:

- › Developing a plan for increasing Māori participation in the implementation of Trade Agenda 2030.
- › Working with Māori to craft their customer value propositions within the context of a wider New Zealand Story to reflect our unique cultural perspective and identity.
- › Intensifying support for Māori SMEs and improved utilisation of Māori assets in support of the pipeline of future exporters.



Credit: Chris Williams

# Cross-cutting themes

## Māori Economic Development



Support sustained increases in median income for Māori people, contributing to higher standards of living for whānau.

### Why Māori Economic Development matters

The Māori population is young and growing. By 2040, Māori will be a significant proportion of our working-age population. A highly skilled and motivated Māori workforce will contribute to increased standards of living and help support business growth for New Zealand as a whole.

Historically, the Māori population has experienced worse social and economic outcomes than other New Zealanders. This has resulted in significant and ongoing disadvantage for some whānau.

However, Māori enterprises are re-emerging as a significant force, in particular in the primary sector and by receiving Treaty Settlements across our regions.

Māori have significant opportunities for growth and contribution to the New Zealand economy. We are developing and implementing policy and operational settings that respond to this range of circumstances.

### What are we working towards?

*He kai kei aku ringa* (the Crown-Māori Economic Growth Partnership) was established in 2012 and embedded in the BGA as a cross-cutting theme. It means “food in my own hands” and is a metaphor for Māori people having the economic means to achieve an improved quality of life for themselves and their whānau.

*He kai kei aku ringa* is led by Māori and enabled by the Government. It focuses on whānau as the core unit for Māori economic development.

The vision of *He kai kei aku ringa* is for a productive, innovative, export-oriented Māori economy driven by whānau.

This vision will be achieved by:

- › **Employment** – building the future Māori workforce and implementing youth employment pathways.
- › **Rangatahi** – supporting Māori youth to define and lead their economic aspirations.
- › **Enterprise** – growing the number and value of Māori enterprises.
- › **Regions** – positioning Māori towards a leading role in regional development.
- › **Education** – improving Māori education achievement and transition to work.

### Where have we been focused?

Over the past five years, the Government has maintained a focus on driving employment opportunities for Māori people. We have supported purposeful connections between whānau, education providers and employers.

We have strengthened trade training opportunities. We have encouraged the development of ICT skills for our future-focused economy through the Māori Digital Technology Innovation Fund. We have developed a range of programmes to support rangatahi who are not in employment, education or training.

We also support Māori SMEs and Māori authorities to strengthen their commercial operations. We have provided governance training and access to commercial advisors through the Māori Innovation Fund, and we have enabled them to partner with R&D institutes through Vision Mātauranga.

We have utilised the Government’s regional economic development work programmes to connect Māori across several regions and have established a forum for iwi leaders to engage directly with economic development Ministers (the Iwi-Crown Economic Taumata) to help drive improved economic outcomes for Māori.



## Cross-cutting themes

### What progress have we made?

There has been significant progress against some key indicators of Māori economic development. However, there are some ongoing challenges.

Between 2012 and 2016, National Certificate of Educational Achievement (NCEA) Level 2 achievement rates for Māori 18 year olds increased from 61 per cent to an estimated 75 per cent. The national achievement rate was estimated at 85 per cent.

In March 2017, 308,200 Māori were employed. This was an increase of 50,000 people since 2012. The Māori unemployment rate has reduced from 13.9 per cent in March 2012 to 10.4 per cent in March 2017. However, this remains more than twice the national rate of 4.9 per cent.

The number of Māori self-employed and employers has increased from 20,000 in 2012 to 29,000 in December 2016. Māori SMEs have a survival rate of 86 per cent over this period. There are approximately 1200 Māori authorities managing tribal and taonga assets. These entities have grown their asset base from \$12 billion in 2012 to \$15 billion in 2016. In 2015, these entities achieved an average return on assets of 3.4 per cent.

We have focused on engaging iwi and Māori in the Regional Growth Programme. This has connected iwi with central and local government, and local enterprises, to drive growth.

### Milestones to date:

Over **50,000** more Māori in work since 2012.

**\$8 million** available for growing Māori enterprise through the Māori Innovation Fund since it was established in 2014.

**Iwi representation** in the governance of Regional Growth Strategies.

**Ka Hao** (the Māori Digital Technology Development Fund) went live in 2016.

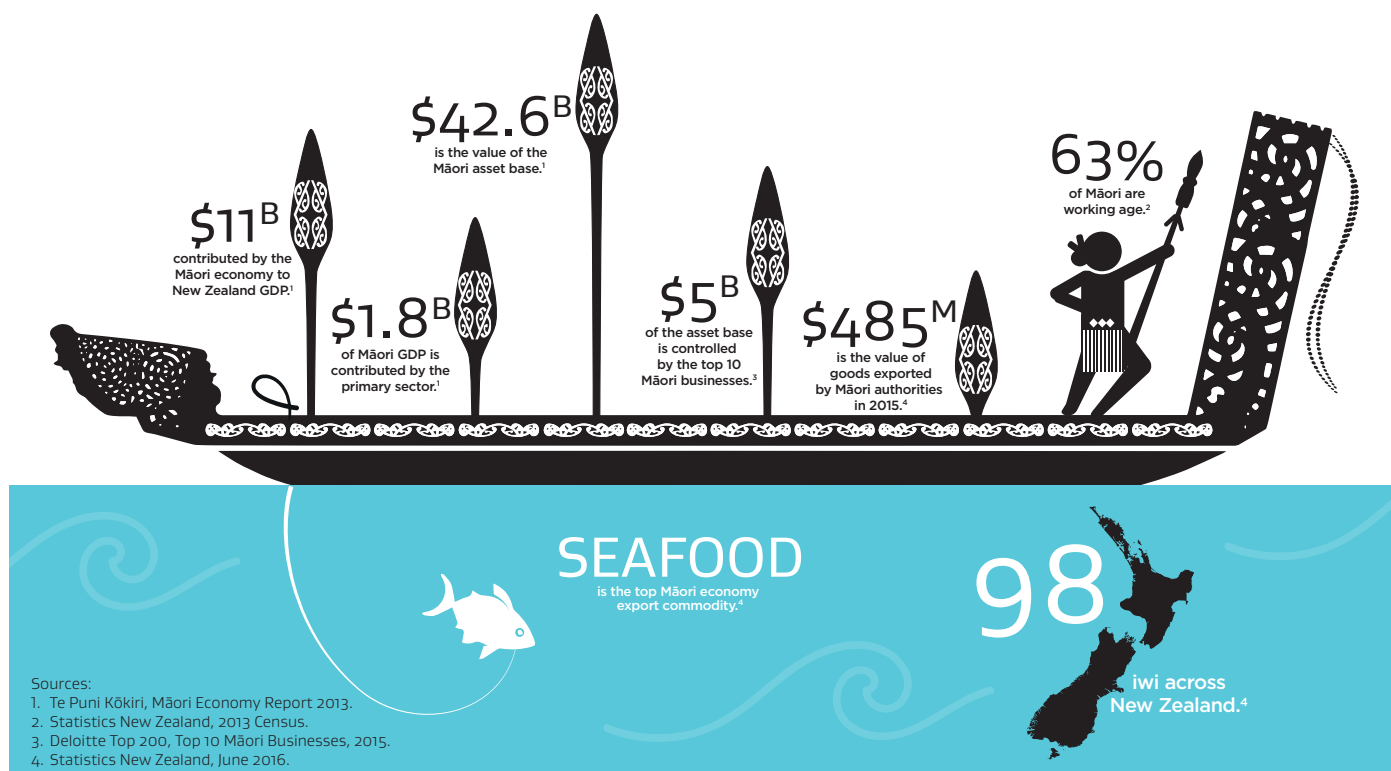


More information on how the government is advancing Māori economic development can be found online:

[www.mbie.govt.nz/info-services/infrastructure-growth/maori-economic-development](http://www.mbie.govt.nz/info-services/infrastructure-growth/maori-economic-development)

[www.erere.maori.nz](http://www.erere.maori.nz)

## THE MĀORI ECONOMY



# Next Steps

Our focus is to support sustained increases in median income for Māori people, contributing to higher standards of living for whānau.

We have refreshed and updated *He kai kei aku ringa*. Through this work, we have set a blueprint for reducing Māori unemployment and growing the number of Māori workers who are progressing into high-skilled roles over the course of their careers.

We will grow the number and value of Māori enterprises that provide products and services to domestic and international markets. We will support Māori authorities to realise the full potential of their whenua and other assets. We will also facilitate and strengthen iwi and Māori participation in the Regional Economic Development programme.

We are also focusing on young people at risk of long-term unemployment through the Youth Employment Pathways initiative.

*The actions outlined below are a snapshot of the work Government is doing. A full list of BGA projects can be viewed on the Ministry of Business Innovation and Employment website:*

[www.mbie.govt.nz/info-services/business/business-growth-agenda/2017](http://www.mbie.govt.nz/info-services/business/business-growth-agenda/2017)

## Priority areas – the action we are taking

**Whai Mahi:** *building the future Māori workforce.*

Māori people will be participating fully in the workforce across the New Zealand economy and progressing into high-skilled roles across the course of their careers. We will focus on ensuring Māori jobseekers are ready for work and we will connect Māori labour supply with employer labour demand through work brokerage.

This will ensure young Māori have the literacy and numeracy learning skills and motivation to contribute to a highly-skilled and productive workforce. We will provide focused and intensive support for rangatahi Māori (aged 15–24 years) who are not in employment, education or training.

**Rangatahi Tū Maia:** *supporting Māori youth to define and lead their economic aspirations.*

Young Māori will be skilful and confident leaders of Māori economic development with relevant tertiary-level economic qualifications and experience in enterprise and governance. We will convene wānanga for rangatahi and connect them to mentors and role models.

**Whai Pakihi:** *growing the number and value of Māori enterprises.*

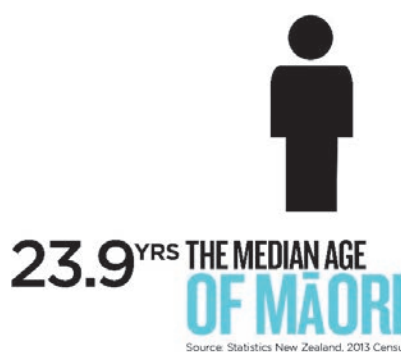
Māori people will own and operate vibrant, innovative and profitable enterprises that provide goods and services to domestic and international markets. We will support Māori enterprises to access business support services. We will work with them to build their ICT capability and capacity and we will support Māori business networks.

**Rohe Tū Pakari:** *supporting iwi and Māori to lead regional growth.*

Iwi and Māori will be leading participants in regional economic development across New Zealand. We will continue to facilitate iwi participation in the Regional Growth Programme. We will also facilitate direct discussions between iwi and the Crown through the Iwi-Crown Economic Taumata.

**Whai Mātauranga:** *improving Māori education achievement and transition to work.*

This will ensure young Māori have the literacy and numeracy learning skills and motivation to contribute to a highly-skilled and productive workforce. We will provide focused and intensive support for rangatahi Māori (aged 15–24 years) who are not in employment, education or training.



## Foreign Direct Investment in New Zealand

New Zealand's stock of foreign direct investment stands at 39 per cent of GDP, about average for a small, open, advanced economy. Most of this investment comes from Australia (51 per cent) and is invested into our financial sector (32 per cent). In 2016, foreign direct investment in New Zealand was \$98.4 billion.

Our attraction efforts focus on high quality investment that provides additional benefits for the economy and allows New Zealand firms to be more productive, more competitive and more internationally focused. This means investment that:

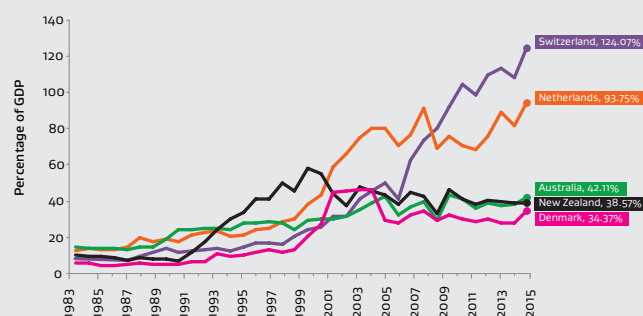
- › Provides access to major high-growth opportunities.
- › Creates sustainable export and employment growth.
- › Integrates with global value chains.
- › Leverages capabilities of New Zealand firms (processes and industries).
- › Requires engineering, business, skills investment.
- › Promotes renewable services industries.
- › Provides R&D linkages.

We will deploy the knowledge and experiences gained through Project Palace, a programme to identify commercial investment initiatives by industry, and use scale to leverage results. We will strengthen and accelerate our relationships with regional stakeholders to lift regional investment deal flow. We will continue to strengthen our overseas investment regime through targeted investment into the Overseas Investment Office to ensure robust, transparent processes and an improved service to investors.

We have identified five priority areas for multinational corporation R&D attraction: Agritech, health technologies, digital, high value nutrition, and space/high altitude. In each of these priority areas, we have a competitive advantage based on scientific capability and our natural resources. We can utilise nimble and innovative approaches to advance strategic partnerships and differentiate ourselves from the rest of the world.

By developing eco-system level schemes in each of these priority areas, we build scale and capability in New Zealand, and through successful commercialisation, produce a sustainable stream of investment opportunities for multinational corporations.

Foreign Direct Investment Stock as a percentage of GDP (1983-2015)



Source: United Nations Conference on Trade and Development

Our focus is to deliver platform plays across each of the five priority areas and to continue to engagement with multinational corporations to build relationships that will benefit New Zealand into the future.

New Zealand offers a fantastic proposition for investor migrants – we have a great place to live and many excellent investment opportunities that would benefit from the capital investment and business networks that investor migrants can bring. Our research suggests that investors are initially conservative with deploying their funds while our experience shows that we have the opportunity to encourage them towards more high quality investments.

We have worked hard to optimise our investor migrant policies to incentivise investor migrants to lift the proportion of their investment requirement into growth investments (i.e. into New Zealand firms) as this will have a more positive impact on the economy.

We will implement and deliver on our investor migrant policies and the Global Impact Visa to bring in high-quality smart capital and entrepreneurial opportunities. We will sharpen our efforts on aftercare with our regional partners to ensure that investor migrants are quickly integrated into the New Zealand economy.

Alongside action led by the Investment Attraction Taskforce, we continue to progress work across a broad range of activities designed to stimulate economic growth and deepen our investment opportunities.

**Over the past 12 months, there have been a number of offshore firms making significant investments in New Zealand, including:**

Investor	Description	Region of investor
Newell Brands Inc	Acquisition of Sistema Plastics Ltd for \$660 million.	United States
Allied Faxi New Zealand Food Co Ltd	Conversion of an old cheese factory into Kerepehi Ice Cream factory providing up to 50 jobs and exporting 20 tonnes of cream and ice cream a day.	China
Tomra Systems ASA	Acquisition of Compac Sorting Equipment Ltd for \$70 million.	Norway
CDH Investments	Agreement to acquire 80 per cent stake in The Better Health Company Ltd, a New Zealand-based manufacturer and distributor of vitamins, minerals and dietary supplements for an undisclosed consideration.	China
Fairfax Financial Holdings Ltd	Acquisition of Tower Ltd, a New Zealand-based financial services group engaged in the provision of general insurance, for \$197 million.	Canada
Allnex with Advent International Corporation	Acquisition of Nuplex Industries Ltd for \$1 billion.	Belgium/United States
Shanghai Maling Aquarius Co Ltd	Acquisition of 50 per cent interest in Silver Fern Farms Beef Ltd for \$261 million with intention to assist with product development, market research and access to e-commerce sites and 2,000 retail stores over three years.	China
Jubilee Capital Management Ltd	Investment in LatiPay as part of a \$4.1 million series A funding round.	Singapore
Champ Private Equity Group	Acquisition of Strait Shipping Group (which operates Bluebridge and Freight Lines) for an undisclosed sum.	Australia
Sequoia Capital	90 Seconds, a cloud video production company, secured \$11 million investment led by one of the world's top venture capital firms.	India

## 02 Building Investment

Attract and match higher levels of smart capital to accelerate growth throughout New Zealand.

### Why Investment matters

Investment is vital for fuelling growth – it brings the capital firms need to establish new operations, expand their businesses and meet the costs to access new markets. Higher rates of business investment help drive job growth and productivity improvements and enable firms to grow and export.

Attracting higher levels of the right kind of smart capital – capital that comes with skills, knowledge and capability – brings investment to our economy, improves the talent pool, and increases innovation (e.g. through R&D). Access to smart capital helps break down the barriers to growth resulting from our small size and distance from key markets.

While domestic savings are an important source of funding for investment, attracting high quality overseas investment increases the level of overall investment to help further our ambitions for growth.

New Zealand's cost of capital relative to other countries is an important factor in securing better performing/high quality domestic and overseas investment. Reducing the premium on the cost of capital lowers the cost of finance and so supports New Zealand businesses to invest and grow.

While a multitude of factors influence this premium, not least responsible financial management by government itself, several targeted activities within BGA's *Building Investment* workstream help to reduce the cost of capital by improving the efficiency of our capital markets.

### What are we working towards?

We are focused on lifting the rate of business investment as a percentage of GDP to accelerate growth in jobs and income throughout New Zealand. A key focus for 2017 will be attracting and matching investors to opportunities so that higher levels of smart capital are used to accelerate growth in all our regions.

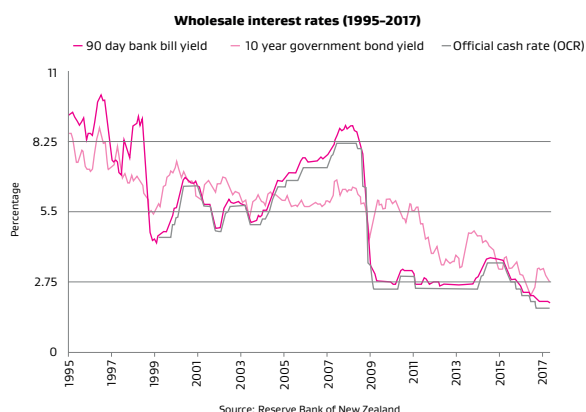
To ensure we have the skills to support this we are focusing on broad access to good quality financial advice for all New Zealanders, whether individuals or firms. The aim is for everyone to have the knowledge, confidence and motivation to make financial decisions that improve their wellbeing.

### Where have we been focused?

The launch of the BGA in 2012 saw New Zealand's capital markets still responding in the aftermath of the Global Financial Crisis and the collapse of a number of offshore finance companies. The initial focus of our work was to make sure that New Zealand's financial system remains well-functioning by building investor confidence and reducing the cost of capital to business.

A well-defined BGA vision for the New Zealand economy in 2025 has enabled us to build on the success of reinvigorated financial markets, and focus on attracting investment that fuels growth. Strong and stable economic settings are critical foundations that enable benefits from investment and high-quality business investment, to accelerate growth.

## Building Investment



### What progress have we made?

In the past year, the Investment Attraction Taskforce has supported the delivery of the Investment Attraction Strategy, focusing on Government working in a co-ordinated, methodical manner, driven by strategy and sound metrics, to deliver objectives. This has sharpened our response to incoming investors and meant that we are working collaboratively to improve regional capability to grow the New Zealand brand.

The Regional Growth Programme and the Investment Attraction Strategy are action-focused initiatives which will assist businesses to identify, shape and confidently seize opportunities to take them into the global market and attract quality investment.

To identify potential growth opportunities in selected regions and to help increase jobs, income and investment in regional New Zealand, we have established the Regional Growth Programme.

Proactive initiatives such as these are underpinned by solid institutional frameworks and systems that ensure firms have security and confidence in their business transactions. This year we completed the overhaul of financial markets legislation, with the Financial Markets Conduct Act, enabling easier access to capital by firms and increased investor confidence. We have also facilitated the growth of new capital markets, such as angel investment and equity crowdfunding platforms.

We continue to see positive signs in our early stage capital markets. There is particularly strong confidence by investors in New Zealand's earliest stage software and technology companies – \$37.8 million was invested into these firms in 2016, sustaining the 2015 levels (of \$39.4 million). We have seen 61 companies raise \$38.9 million through our new equity crowdfunding regime – a solid start, with innovative offerings coming through utilising both retail and wholesale investment channels.

## Milestones to date:

### Implementing the Investment Attraction Strategy –

Activity covered by the Investment Attraction Taskforce has seen new foreign direct investment with a potential direct economic impact of \$3.8 billion, six new international companies undertaking R&D activities in New Zealand, and \$4.7 billion of capital brought to New Zealand by investor migrants.

### Progressed the Regional Growth Programme –

Which now includes ten regions – Northland, the Bay of Plenty, Manawatu-Wanganui, Gisborne, Hawke's Bay, Waikato, Taranaki, Canterbury, the West Coast and Southland, plus the launch of eight action plans.

### Complete overhaul of financial markets legislation –

Finishing the Financial Markets Conduct Act, enabling easier access to capital by firms and increased investor confidence.

### Facilitating new growth markets –

This includes new alternative markets, angel investment and equity crowdfunding platforms.

### Stable and prudent fiscal management –

This includes a Crown account surplus of \$1.8 billion for 2015/16 and with core Crown expenses being under 30 per cent of GDP for the first time since 2006.

### Better business tax processes –

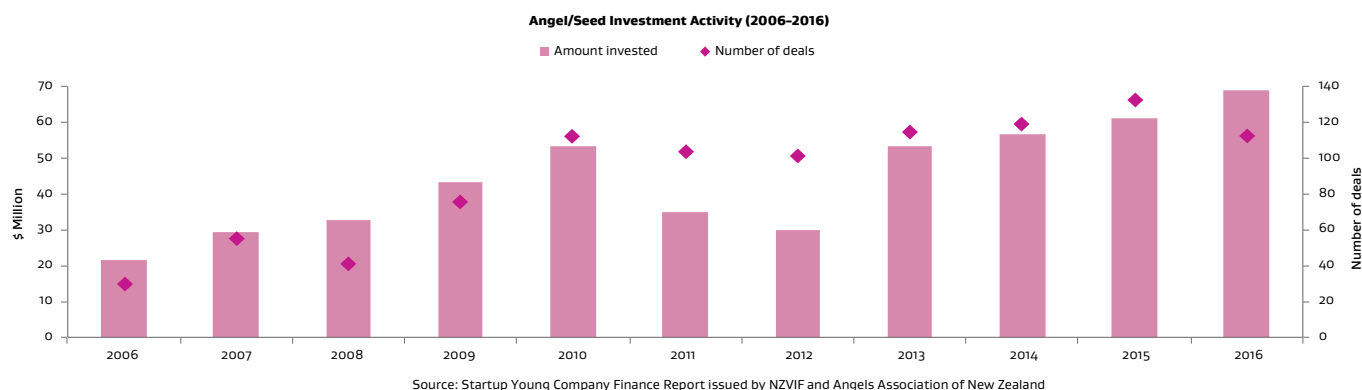
Including the modernisation of the provision of PAYE and GST information, and making provisional tax easier and more certain by providing a pay-as-you-go option for small businesses from 1 April 2018.

### Developing macro-prudential tools to encourage

productive business investment – This includes loan-to-value restrictions and the potential for a loan-to-income tool, as well as a new residential land withholding tax.

### Responding to the OECD's Base Erosion and Profit

Shifting Action plan – Alongside implementing recommendations from the Shewan Review of New Zealand's foreign trust regime.





# Next steps

Our focus is to attract and match higher levels of smart capital to accelerate growth throughout New Zealand.

To do this we are identifying and shaping investment opportunities and engaging with investors, to understand and match prospects to their investment needs. Lifting our rates of business investment is vital to accelerated economic growth and realising the BGA vision, as well as building export markets, supporting innovation, and improving the skills and job opportunities for all our regions and people.

We know that firms and investors must have the confidence to invest. This is why we work across a range of settings – market regulation, the tax system and our financial management approach – to build confidence in New Zealand's long-term direction.

Alongside effective long-term financial management, we help encourage business investment through our investment attraction work programme – whether joining up or promoting regional opportunities, or through identifying the advantages and opportunities New Zealand has to offer the world.




*The actions outlined below are a snapshot of the work Government is doing in Building Investment. A full list of projects can be viewed on the Ministry of Business Innovation and Employment website:*

[www.mbie.govt.nz/info-services/business/business-growth-agenda/2017](http://www.mbie.govt.nz/info-services/business/business-growth-agenda/2017)

## Priority areas – the action we are taking

	All projects	New projects	In progress	Completed
July 2017	75	7	27	41

### KEY

-  Complete
-  In progress
-  New project

### Attract investment to accelerate growth

While domestic investors provide an important source of the capital we need to grow, we can accelerate growth by targeting high quality foreign investment. Foreign investment drives economic performance through a number of direct and indirect channels. It is an important source of capital for New Zealand firms. It can also improve firm productivity and innovation when investing firms transfer technology, knowledge and skills. Firms with foreign investment pass on those innovations to other New Zealand firms, leading to wider improvements across the economy.

New Zealand workers benefit from foreign investment. Firms with overseas investment employ more people and pay higher wages than domestic firms. International connections enable New Zealand firms to take advantage of opportunities offshore, which enable them to grow and employ more people at home.

We also know that foreign investment is vital to building an export-led economy. Foreign investment often allows firms to build the connections with international markets that are essential to exporters. Foreign investment can directly support exporting when firms invest in marketing and distribution functions offshore and can indirectly support exporting by lowering production costs.

More detailed information on the impact of foreign investment in New Zealand can be found in the International Investment for Growth report available at: [www.treasury.govt.nz/publications/informationreleases/overseasinvestment/growth](http://www.treasury.govt.nz/publications/informationreleases/overseasinvestment/growth)

The Government has launched an ambitious Investment Attraction Strategy and tasked a senior group of government officials – the Investment Attraction Taskforce – with achieving a step change in New Zealand's investment attraction efforts.

It is anticipated that meeting and sustaining the targets set in the Strategy can deliver almost \$60 billion of new productive investment into the New Zealand economy by 2025.

The Investment Attraction Taskforce is working across three priority areas:

- › Attracting high-value foreign direct investment in areas of competitiveness for New Zealand, with a target of facilitating investments with a potential direct economic impact of \$5 billion over three years.
- › Attracting overseas investment in R&D, especially from multinational corporations with a target of ten new international companies undertaking R&D activity in New Zealand over the next five years
- › Expanding New Zealand's pool of smart capital by attracting individual investors and entrepreneurs to reside in New Zealand, with a target of doubling the amount of capital migrant investors and entrepreneurs have brought to New Zealand from \$3.5 billion to \$7 billion over the next three years.

More detail on the activities of the Investment Attraction Taskforce can be found at: [www.nzte.govt.nz](http://www.nzte.govt.nz)

## Building Investment



Credit: Chris Sisarich

### Ensure financial markets are well-functioning

Thriving financial markets are essential for our economic growth. They give New Zealand firms access to the capital they need to grow, and enable investors to capture more of the gains from the success and growth of New Zealand businesses. The recent reforms of the Financial Markets Conduct Act regime support thriving financial markets by:

- › Bolstering investor confidence in our financial markets.
- › Supporting the development of innovative new sources of capital, streamlining the capital-raising process for businesses.
- › Removing unnecessary costs associated with financial markets regulation.

We are actively monitoring the effectiveness of our financial market reforms to ensure that they continue to achieve their intended purpose and that our regulations are able to respond to new challenges or opportunities in the market. A key focus of the Financial Markets Conduct Act is to promote the confident participation of investors in financial markets, it is important that we measure the impacts of the reforms on lifting investor confidence over the next few years.

The International Monetary Fund (IMF) Financial Sector Assessment Programme completed its in-depth analysis of New Zealand's financial sector this year. The IMF assessed New Zealand's resilience to key vulnerabilities, including the housing market, debt levels in the agricultural sector, and the banking system's dependence on overseas funding. It found New Zealand has the capacity to withstand any adverse events brought on by those risks.

The IMF also recognised the significant progress that New Zealand has made in developing its regulatory system since the last assessment in 2003/04, including the introduction of a prudential regime for the insurance sector, the creation of the Financial Markets Authority and the introduction of the Financial Markets Conduct Act.

### Modernise and streamline our tax system

Having an efficient and effective tax system is important for the sound operation of the economy. Tax systems provide revenue to fund government expenditure, but tax collection must be done in a way that is fair and efficient.

A well-functioning, modern tax system makes it simple and clear for taxpayers to pay tax and doesn't detract from the ease of doing business or inhibit investment decisions.

Inland Revenue's Business Transformation Programme will modernise Inland Revenue's systems and processes to make it easier for New Zealanders to pay tax, receive entitlements and interact with Inland Revenue. This programme is more than just replacing the Inland Revenue's dated computer system. It involves modernising and streamlining Inland Revenue's policies and processes and changing Government policy and legislation. The aim is to preserve our broad-base, low-rate tax system, as well as reduce compliance costs and smooth tax collection impacts for businesses.

More information can be found on the Inland Revenue website: [www.ird.govt.nz/transformation](http://www.ird.govt.nz/transformation)

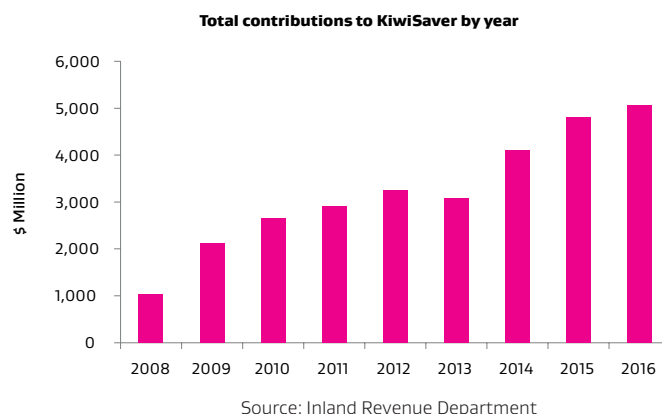
Actions we are taking in this area include:

- › The 2017 Family Incomes Package, making changes to tax thresholds, Working for Families and the Accommodation Supplement, to ensure that New Zealand families directly share in the benefits of New Zealand's economic growth.
- › The 2016 Better Business Tax Package, making provisional tax easier and more certain.
- › Proposed changes to the provision of PAYE and GST information.
- › Our continued work in response to the OECD's Base Erosion and Profit Shifting Action Plan and Strengthening Inland Revenue's ability to tackle aggressive tax avoidance arrangements by large multinational corporations.
- › Limiting the ability of multinational corporations to shift their New Zealand profits offshore.

### Build New Zealanders' financial capability

Strong financial capability is about having the financial knowledge, confidence and motivation to take and implement financial decisions that improve both individual and whānau wellbeing over a lifetime. Currently, nearly one third of New Zealanders have very low levels of financial capability. Low financial capability can act as a barrier to New Zealanders making sound financial judgements, growing their personal savings, managing debt or making investment decisions that can help to grow our economy.

The Government's Statement on Building Financial Capability in New Zealand confirms the importance of lifting financial capability and sets out the roles and activities of different government agencies in achieving this. The Government is working collaboratively to take advantage of opportunities to build financial capability, and to implement a strategy aimed at enhancing the financial wellbeing of all New Zealanders, with a particular focus on lifting Māori and Pasifika financial capability.





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## Cross-cutting themes

# Better Regulation

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Ensure our regulatory environment is straightforward, flexible and responsive to enable our firms to take advantage of emerging opportunities.

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### Why Better Regulation matters

Regulation has a significant impact on business, including business competitiveness, prices charged (for goods and services), and employment. The quality of design, delivery and on-going attention to our regulatory systems fundamentally determines whether regulation creates an environment in which businesses can innovate and invest, or whether it increases the costs of doing business and inhibits innovation and investment. Improving the regulatory environment for business is therefore an important cross-cutting theme of the BGA.

Being small and distant from global markets means competition intensity and scale efficiencies are harder to find. The BGA recognises that, given New Zealand's particular challenges, our regulatory environment needs to be not just good, but best-in-class, in order to be resilient to geographic challenges and to succeed internationally.

Our regulation needs to be well attuned to and supportive of New Zealand's international competitiveness. This doesn't mean a 'race to the bottom', or ignoring New Zealand specific conditions

### What are we working towards?

New Zealand's reputation as one of the best places in the world to do business rests in part on our reputation for being able to do business transactions easily, for example, being first on the 2017 World Bank ease of doing business survey.

It also rests on our reputation for the highest standards of integrity in our business environment and consistently fair treatment of consumers, investors and employees. Businesses investing and operating in New Zealand need to be confident that there is no risk to their global brand.

How government applies regulation is vitally important. Good regulatory processes should see rules applied consistently, without distracting innovative enterprise with unnecessary time and costs dealing with government agencies

Businesses are entitled to expect that legislation and regulation spells out their legal obligations clearly, so that they can make business and investment decisions accordingly. Regulation should have sufficient flexibility to enable businesses and other regulated parties to adopt efficient or innovative ways of meeting their obligations.

Proposals for regulatory change should be supported by clear identification of the nature and underlying cause of problems and systematic analysis of risks and impacts, including impacts on compliance costs.

The Government's Better Public Service: Result 9: Better for Business initiative is promoting greater awareness of the impact of regulation on business and greater participation by business in the design and implementation of regulation. The rollout of the New Zealand Business Number is a practical example of the ways in which this work aims to make it easier for businesses to deal with Government.

## Cross-cutting themes



Credit: Chris Sisarich

### Where have we been focused?

The Government's Regulatory Management Strategy sets out the Government's approach to deliver more systematic attention to maintaining, and improving the performance of New Zealand's vital regulatory systems.

This can be viewed on the New Zealand Treasury website:

**[www.treasury.govt.nz/regulation/system/strategy](http://www.treasury.govt.nz/regulation/system/strategy)**

The Government's approach is based on the introduction in 2013 of the Government's expectations **on departments to exercise more active "regulatory stewardship" over the regulatory systems they administer**. The Government expects each regulatory system to be an asset, providing net benefits to New Zealanders over time. To support this, the Government expects that agencies will assess the performance of regulatory systems and use this information to inform improvement in their design or operation.

### What progress have we made?

In 2015, the Government established the Rules Reduction Taskforce. The Government accepted or partially accepted 72 of the 75 opportunities identified by the Taskforce to improve property rules and the government processes and policies for making rules. The majority of the opportunities identified related to the Building Act 2004, the Resource Management Act 1991 and local government-related legislation.

The Government enacted the Statutes Repeal Act 2017, which repeals, or partially repeals, more than 130 superfluous or redundant Acts.

In 2016, for the first time, six major regulatory policy departments published their department's regulatory stewardship strategy. These include:

- › The department's approach to regulatory stewardship.
- › An assessment of the condition of their important regulatory systems.
- › The Government's plans for improving those systems in the year ahead.

These strategy documents set out the regulatory pipeline and provide an opportunity for stakeholders to engage the Government on the performance of those regulatory systems and on the nature and priority of the suggested improvements.

## Milestones to date:

**The Government Regulatory Practice Initiative (G-Reg) was established in 2015** – G-Reg is a network of central and local government regulatory agencies working collaboratively on actions that improve leadership, culture, regulatory practice and workforce capability in regulatory organisations and systems.

**The Attorney-General established in 2015 the Legislation Design and Advisory Committee (LDAC)** – LDAC is an expert committee that gives Ministers and departments earlier advice on important legislation design issues.

**The first Regulatory Systems Amendment Bill became law on 31 March 2017** – This legislation allowed for changes to 20 different MBIE statutes, essentially tidying up, or making minor repairs and maintenance to existing law. Doing this in a single piece of legislation is a timely and cost-effective way to deliver the flow on benefits to business and the wider economy.



# Next Steps

Our focus is to ensure our regulatory environment is straightforward, flexible and responsive to enable our firms to take advantage of emerging opportunities.

The Government has recently updated and extended its expectations of regulatory stewardship and its expectations for the design of regulatory systems. Now extended to include the work of frontline regulators, the expectations promote a whole-of-system view and a proactive, collaborative approach to the care of the regulatory systems in which Government regulatory agencies have a role.

*The actions outlined below are a snapshot of the work Government is doing. A full list of BGA projects can be viewed on the Ministry of Business Innovation and Employment website:*

**[www.mbie.govt.nz/info-services/business/business-growth-agenda/2017](http://www.mbie.govt.nz/info-services/business/business-growth-agenda/2017)**

## Priority areas – the action we are taking

- › Supporting agencies to meet the Government's expectations for regulatory stewardship.
- › Building on the 2016 regulatory stewardship strategies to take a more consistent and collaborative approach to future strategies.
- › The Minister for Regulatory Reform, Hon Paul Goldsmith, and the Parliamentary Under-Secretary for Regulatory Reform, David Seymour, have recently announced changes to improve the effectiveness of the Regulatory Impact Analysis requirements.
- › Increasing the attention given to legislative design, including through greater use of exposure drafts for significant legislation.
- › Building regulatory capability by progressing G-Reg's work programme, including the further development and delivery of the regulatory compliance qualification framework.
- › Improving regulator cost recovery practices including through the use of open book exercises so fee payers can have more input into agency cost structures.
- › The Government will review the regulatory environment for the Digital Economy to ensure that it is internationally competitive and new technology friendly.
- › The Government investment in transformation programmes for two of the agencies which form a major part of the regulatory environment for business – Inland Revenue and Accident Compensation Corporation – will be reflected in enhanced services for business over the next three years.



1<sup>ST</sup>

IN THE WORLD FOR LOWEST PERCEIVED  
**CORRUPTION**

Source: Corruptions Perceptions Index, Transparency International, 2016.

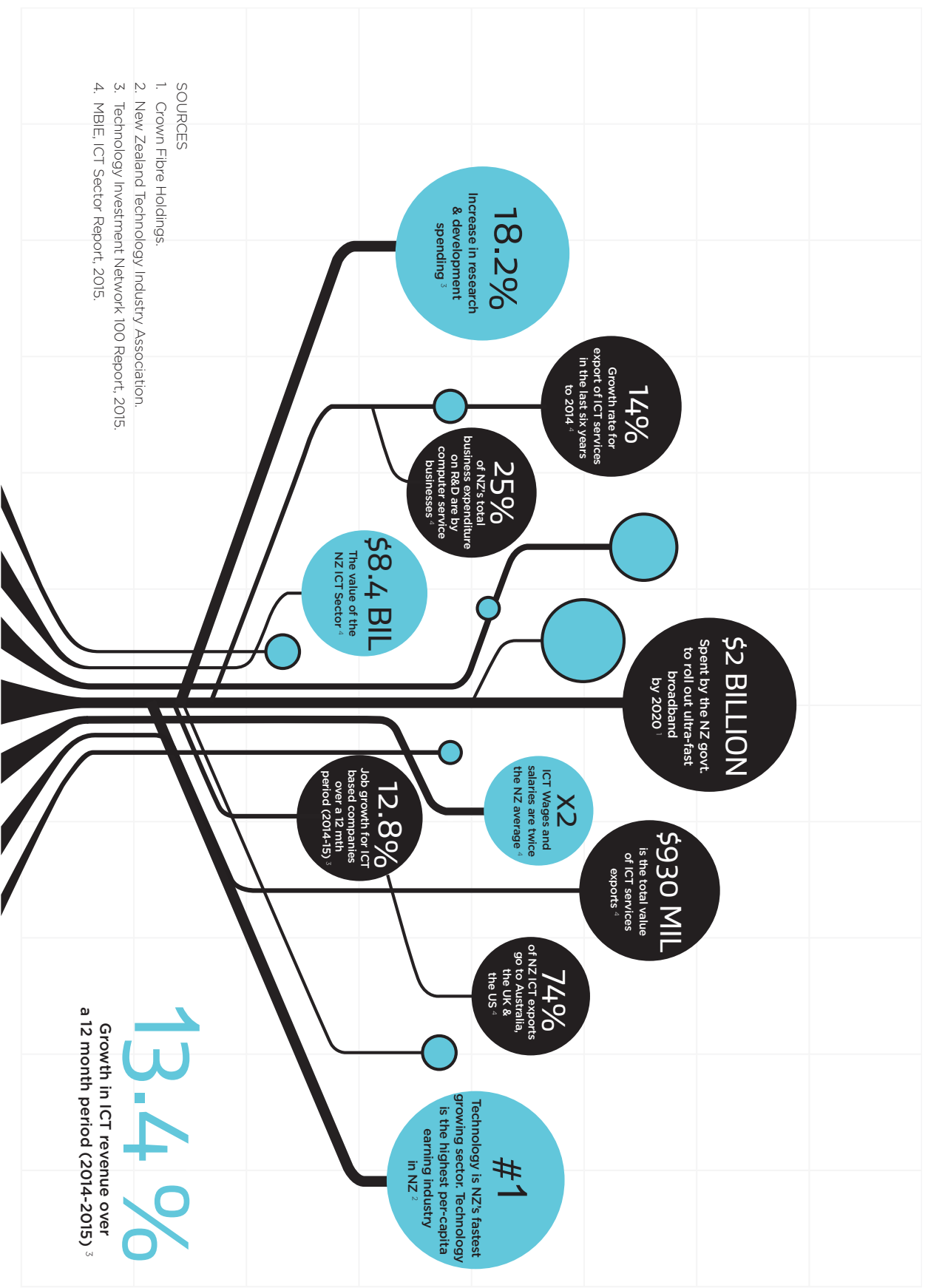


3<sup>RD</sup>

OUT OF 186 ECONOMIES FOR  
**ECONOMIC FREEDOM**

Source: Index of Economic Freedom, The Heritage Foundation, 2016.





**SOURCES**

1. Crown Fibre Holdings.
2. New Zealand Technology Industry Association.
3. Technology Investment Network 100 Report, 2015.
4. MBE, ICT Sector Report, 2015.

## 03 Building Innovation

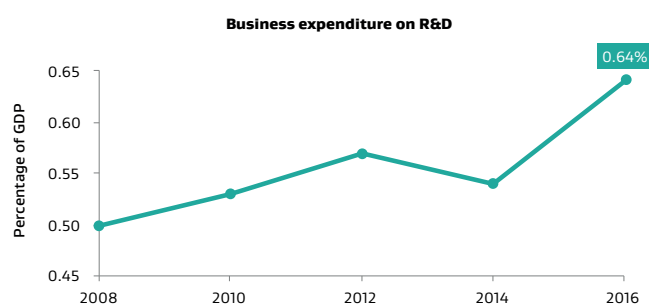
### Support New Zealand businesses to bring new technologies and other innovations to market.

#### Why Innovation matters

Innovation is critical to diversifying New Zealand's economy. It provides new technologies, new products and new processes. It creates new business models and opens up new markets, expanding the range of international opportunities. It allows New Zealand businesses to compete and win on the world stage. Ultimately this drives economic growth, is a key ingredient in developing higher value exports and greater diversity, and provides more opportunities for New Zealanders.

While most innovation takes place in businesses, government also has a role to play in supporting and further developing New Zealand's innovation ecosystem. This includes ensuring that businesses with smart ideas have the support, capability, and connections they need to succeed.

Government also fosters innovation by ensuring an enabling regulatory environment and creating opportunities for businesses to diversify into new and higher-value sectors.



Source: Statistics New Zealand

#### What are we working towards?

We are driving the creation of a more competitive and productive economy by supporting New Zealand businesses to develop new technologies and to bring them to the global market. In pursuit of this objective the Government has set a target to increase business investment in R&D to 1 per cent of GDP.

#### Where have we been focused?

We are encouraging businesses to innovate, through improvements to the regulatory environment, increasing government investment, and evaluating our programmes to make sure they deliver the best value for money in the long term.

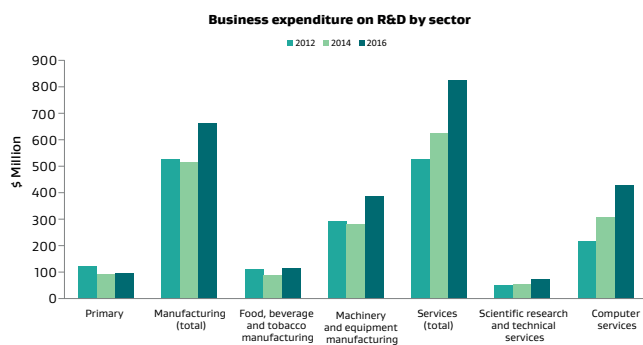
We have also been focused on ways to partner with business, educators and researchers, and ensure that government is clear on its priorities when working to increase the impact and relevance of publicly-funded science.

We are focused on ensuring that businesses have access to the skills they need, and that our education, immigration and investment systems are resilient enough to meet the demands of innovative growth in a rapidly changing world.

Improving the use and uptake of ICT remains a priority, as does the building of the Digital economy. We have established three ICT Graduate Schools to meet industry demand for ICT skills and to connect education with industry.

We have also made inroads into establishing systems and are now in the process of implementation, such as for the National Statement of Science Investment.

## Building Innovation



Source: Statistics New Zealand

### What progress have we made?

R&D is crucial for creating a strong and diversified economy, which is why the Government has set its target to increase business R&D to 1 per cent of GDP. In 2013 the Government established Callaghan Innovation and designed a new R&D grants incentive to support businesses to innovate and increase their R&D activities.

The first R&D survey to fully capture the impact of these initiatives was released in March 2017. The results of the survey are tangible evidence that these initiatives are working, with business R&D increasing by 29 per cent from 2014 to 2016. This lifts business expenditure from 0.54 per cent of GDP to 0.64 per cent. Total expenditure on R&D increased by 20 per cent over the same period.

The services and manufacturing sectors led the growth in business R&D up 32 and 29 per cent respectively. From the services sector, the highest increase came from computer services at 40 per cent, which includes businesses involved in software production or web design.

The survey also highlighted a significant increase in international investment in New Zealand R&D, up 27 per cent to \$265 million in 2016. This shows international confidence in New Zealand being a good place to invest and do research.

Government investment in science and innovation has also increased considerably, with investment in the science system set to grow 48 per cent over the ten years to 2021.

Recent years have also seen continued investment in New Zealand's innovation infrastructure, with more innovation hubs, precincts and Regional Research Institutes and greater access to Ultra-Fast Broadband.

## Milestones to date:

**Introduced the Outer Space and High-altitudes Activities Bill** – This established the regulatory regime for space and high altitude activities.

**Significantly increased funding for science and innovation** – This includes establishment of the Strategic Science Investment Fund and the National Science Challenges to support mission-led science and research of enduring importance.

**Launched the Callaghan Innovation C-Prize competition** – The inaugural C-Prize encouraged development of unmanned aerial vehicle technology for the screen industry. The current C-Prize is focused on wearable tech.

**Completed Phase 1 of the Rural Broadband Initiative** – This ensures over 297,000 rural homes and businesses can access fixed wireless broadband and continued roll-out of Ultra-Fast Broadband with 71 per cent of New Zealanders having access to fibre as of 31 December 2016.

**Established the Digital Economy Programme** – This ensures government is focused on the right areas to support New Zealand to become a leading digital nation.

**Published the National Statement of Science Investment** – This sets out the long-term vision for the science system and the direction for future investment to achieve this vision.

**Developed the Investment Attraction Strategy** – This includes the Multinational R&D Attraction Programme.

**Launched three ICT Graduate Schools** – These support industry demand for ICT skills and increase industry-focused ICT education and research.

**Increased investment in the Pre-Seed Accelerator Fund** – This maximises the commercial benefits of publicly funded research.





# Next steps

Our focus is on supporting New Zealand businesses to bring new technologies to the global market.

We are supporting New Zealand businesses to bring new technologies to the global market, and there are a range of activities and new projects underway to support this.

The BGA innovation work programme is focused on lifting diversification to increase our international competitiveness and economic resilience. This means that, along with other BGA workstreams, we are encouraging connections nationally and internationally between people, businesses, government, researchers and tertiary education providers.

Our main focus is on improving the system – making sure that our regulations, funding and infrastructure support businesses to grow and innovate, and our education and training systems provide our people with the skills and capability.

Government provides support for businesses to innovate through services provided by Callaghan Innovation.

The BGA's cross cutting themes are also crucial to New Zealand's innovation system. Our aim is to ensure that all our people and businesses have the resources and opportunities to grow and compete on the world stage. Regional development, Māori economic development, and regulations form the foundation for achieving this.

*The actions outlined below are a snapshot of the work Government is doing in Building Innovation. A full list of projects can be viewed on the Ministry of Business Innovation and Employment website:*

[www.mbie.govt.nz/info-services/business/business-growth-agenda/2017](http://www.mbie.govt.nz/info-services/business/business-growth-agenda/2017)

# Priority areas – the action we are taking

	All projects	New projects	In progress	Completed
July 2017	105	3	38	64

#### KEY

- Complete
- In progress
- New project

## New business through innovation

We are growing New Zealand's start-up ecosystem and supporting businesses, including projects on precision agriculture, and developing the Callaghan Innovation sector approach, lifting sector development in places of greatest value to innovative firms. This includes:

- Development of an enhanced Hazards Response Capability with \$19.5 million in funding over four years in Budget 2017, to enable GeoNet to deliver new earthquake, tsunami and volcano monitoring and warning capability, and the development of new models and tools to improve the reliability and resolution of hazards warnings.
- Establishing a Māori Founder Accelerator, to stimulate more Māori enterprise, build entrepreneurial capability and attract investment. This programme will build on best practice Accelerator and Māori business development models. It will also draw on Māori talent as mentors and seek to develop new investment interests.

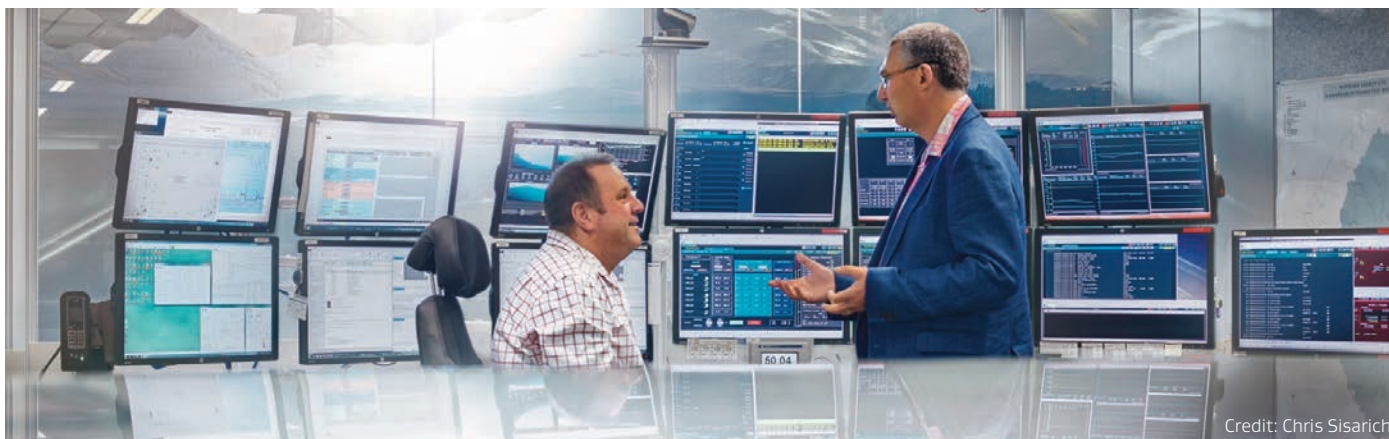
## Globally integrated innovation network

International connections provide businesses with access to the knowledge, skills and networks that they need to grow.

This will strengthen the integration of New Zealand businesses into global innovation as part of wider global value networks. By improving connections across the New Zealand system, we can facilitate the transfer of ideas and build opportunities for collaboration, further strengthening our ability to compete globally.

Actions in this area include:

- Initiatives to support New Zealand's strategic interests in Antarctica.
- Participation in the Square Kilometre Array, an intergovernmental project to construct the world's largest and most sensitive radio telescope.



### Regional Research Institutes

The Government is establishing two privately-led Regional Research Institutes – the Centre for Space Science Technology in Otago, and the New Zealand Wine Growers Research Centre in Blenheim. More recently, it has announced a further two new Institutes: Minerals to Materials on the West Coast, and Plantech in the Bay of Plenty.

The Institutes will stimulate leading edge, commercially focused and industrially exploitable research. The goal is to maximise unique economic growth opportunities in the regions.

### Data-driven innovation

We are using data to drive innovation and build performance across the science and innovation system, through initiatives that support advanced data analytics, and data access.

Actions in this area include:

- › Better measuring the impact of the science system through the Research, Science and Innovation Domain Plan, a set of co-ordinated actions across government and the research community to improve the use of data on the science and innovation system.
- › Implement a single electronic health record for New Zealand and promote the implementation of patient portals.
- › Enable safe and secure information sharing between agencies and non-governmental organisations to support better decision making through a new Data Exchange.

### Innovation skills

We are ensuring businesses have the skills they need to succeed through programmes that support entrepreneurial education, cyber security skills and various levels of digital skills.

Actions in this area include:

- › The Entrepreneurial Universities initiative will help lift commercialisation of university research and embed the mind-set of becoming an entrepreneur into the university system.
- › ICT Graduate Schools will strengthen the tertiary sector's provision of skills and ICT industry relevant R&D, and connections between tertiary education providers and businesses.
- › The Digital Technology Skills Forum, which brings together industry associations with government agencies to identify and address issues and opportunities regarding the development of skills for New Zealand's digital technology sector.

### Digital economy

We are enabling New Zealand to become a leading Digital Nation – a nation with a thriving digital sector, where our businesses, people, and government are all using digital technology to drive innovation, improve productivity, and enhance the quality of life for all New Zealanders.

Actions in this area include:

- › Engaging SMEs about the opportunities of digital technologies.
- › Initiating research to understand the impacts of digital inclusion on the social and economic outcomes of New Zealanders.
- › Partnering with industry to understand the risks and opportunities posed by emerging disruptive technologies such as Artificial Intelligence, the Internet of Things, and Augmented and Virtual Reality.
- › Supporting the establishment of a nation-wide Techweek event.

### Advanced technologies

We are investing in advanced science and technologies to diversify our economy such as space and satellite technologies, or by refining how we fund significant science research in order to maintain New Zealand's contact with cutting edge developments.

We are establishing a new genomics research platform that will produce high-quality research capability for the whole science sector and grow links to other world-leading genomics research.

### Science and Innovation Investment

Following the \$716.4 million from Budget 2017 invested an additional \$255.6 million over four years in science and innovation. This continues momentum from the \$716.4 million investment from Budget 2016.

- › \$74.6 million for R&D Growth Grants to meet rising demand.
- › \$81.9 million for the Endeavour Fund to support excellent research with a transformational impact.
- › \$52.5 million for the Performance-Based Research Fund to enable tertiary organisations to further lift the skills of their students and encourage excellent research.

## Building Innovation

### Adaptive regulatory frameworks and competitive markets

We are supporting and encouraging innovative businesses with an agile regulatory system and competitive markets that create the conditions and opportunities for business to innovate.

Actions in this area include:

- › Put in place a leading edge regulatory regime that enables outer space and high altitude activities and manages risk.
- › Introduce the Electronic Interactions Reform Bill to enable better digital interactions between individuals, businesses and government.



### Gearing up to participate in the global space economy – Rocket Lab

Space is of immense strategic importance around the world. Technological change and globalisation are radically transforming how space is being accessed and used. Globally the space industry is big business and growing at pace.

New Zealand is gearing up to participate in this new global space economy. Rocket Lab is a first mover in redefining how space is being accessed.

Rocket Lab's mission is to develop lightweight, cost-effective commercial rocket launch services. The Electron Program was founded on the premise that small payloads such as CubeSats require dedicated small launch vehicles and flexibility not currently offered by traditional rocket systems. Founder Peter Beck has been quoted as saying he is "remov(ing) the barriers to commerce in space".

Rocket Lab has already successfully launched prototypes from New Zealand and was the first private company to reach space on the southern hemisphere in 2009. New Zealand's geography is an advantage for Rocket Lab as it provides good satellite trajectories, and is surrounded by relatively free air and sea space.

All of Rocket Lab's R&D and most of its manufacturing are currently done in New Zealand. Rocket Lab works with high-tech niche manufacturers in New Zealand. It also works with the University of Canterbury Rocketry group. The collaboration has led to the development of an advanced engineering course specialising in aerospace engineering.

To support the development of an internationally credible, competitive and well-connected New Zealand-based space economy, New Zealand is putting in place the necessary legislation and international treaties. These will ensure the peaceful, safe, responsible and secure use of space from our country.



### Multinational R&D Attraction Programme

Attracting overseas investment in R&D is one of Government's three priorities under its Investment Attraction Strategy. Internationally successful firms carry out R&D globally to access world class talent and strengthen their value. The Multinational R&D Attraction Programme is maximising this global reach by actively promoting our strengths to international companies and attracting them to undertake research and develop their products in New Zealand.

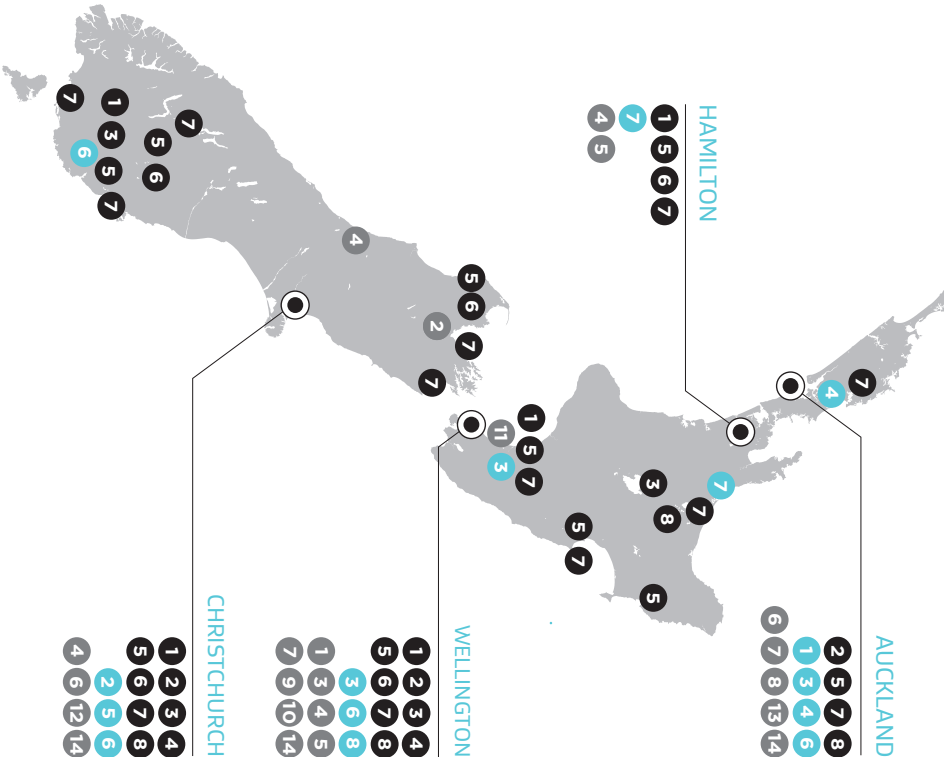
The aim of the Multinational R&D Attraction Programme is to attract ten multinationals to undertake R&D in New Zealand by 2020. In order to be most effective, the programme targets sectors where New Zealand can add most value, and already has an international reputation for excellence. The targeted sectors are: agri-tech, digital, health technologies, high value nutrition and space and high altitude. These sectors are well-integrated across business, industry and research, with established and collaborative relationships across players in the sector. Each of these areas have underpinning platform-plays with existing strengths, and where closer collaboration with global companies will build on these.

Over sixty opportunities have been identified and are being pursued. Already four multinationals have committed to testing and certifying their technology in New Zealand. Many more are in the process of actively investigating the opportunities that New Zealand has to offer.

The programme ultimately will build a more internationally connected innovation system by incorporating research and New Zealand firms into the global value chain and enhance New Zealand's reputation as a great place to do business.

SCIENCE AND INNOVATION  
SUPPORTED BY THE NEW ZEALAND GOVERNMENT

CROWN RESEARCH INSTITUTES	UNIVERSITIES	RESEARCH ASSOCIATIONS AND ORGANISATIONS
<div>1 AgResearch</div> <div>2 ESR (Environmental and Social)</div> <div>3 GNS Science (Geological and Nuclear Science)</div> <div>4 IRL (Industrial Research Limited)</div> <div>5 Landcare Research</div> <div>6 NIWA (Water and Atmosphere)</div> <div>7 Plant and Food</div> <div>8 Scion (Forest Research)</div>	<div>1 Auckland University of Technology</div> <div>2 Lincoln University</div> <div>3 Massey University</div> <div>4 University of Auckland</div> <div>5 University of Canterbury</div> <div>6 University of Otago</div> <div>7 University of Waikato</div> <div>8 Victoria University of Wellington</div>	<div>1 BRANZ (Building Research)</div> <div>2 Cawthron Institute (Marine Biology)</div> <div>3 Cement and Concrete Association of New Zealand</div> <div>4 CRL Energy (Coal Research)</div> <div>5 Dairy NZ</div> <div>6 Fert Research</div> <div>7 Harmonic</div> <div>8 Heavy Engineering Research Association</div> <div>9 Malaghan Institute</div> <div>10 Meat and Wool New Zealand</div> <div>11 NZ Leather and Shoe Research</div> <div>12 New Zealand Plant Breeding and Research Association</div> <div>13 Transport Engineering Research New Zealand</div> <div>14 Callaghan Innovation</div>



Source: Statistics New Zealand March 2016

# 04 Building Skilled and Safe Workplaces

Ensure the skills, welfare and immigration systems work together to support all our people in work, and support our businesses to grow and add jobs across all our regions.

## Why Skilled and Safe Workplaces matter

A more competitive and productive economy needs a diverse and inclusive workforce with the training, skills, knowledge and experience to grow our businesses. This means enabling everyone to contribute to and benefit from New Zealand's growth.

Central to business success is access to the skills, ideas, experience, knowledge and international connections that stimulate innovation and build strong, productive and competitive exporting firms. In short, people with the right skills are needed to drive strong growth through meeting business needs and innovation.

The Skilled and Safe Workplaces workstream is built around ensuring that businesses support workers with safe, productive working environments so that our people are equipped to support, develop and grow businesses, and can effectively respond to the opportunities and challenges of a fast changing world

Raising skill levels in New Zealand will help drive improved social outcomes and create a more productive economy, so all New Zealanders benefit from the higher standards of living that flow from better and more diverse employment opportunities.

## What are we working towards?

Our vision is for New Zealand to be one of the most highly-skilled and inclusive countries in the world.

This means ensuring all New Zealanders have access to the skills they need; from foundation skills for employability, to the world class specialist skills demanded by our top performing firms.

The main aim for the Skilled and Safe Workplaces work programme is to lift New Zealand's long-run productivity while maintaining our high rate of labour market participation.

## Where have we been focused?

The Skilled and Safe Workplaces workstream is focused on connecting government and industry to deliver a more skilled workforce, particularly in high-growth areas, and to expand the pool of skills to increase innovation and productivity.

A key priority is to ensure that more New Zealanders are able to participate in the labour market and contribute to a growing economy. The government is achieving this through improving educational achievement and increasing opportunities to raise skill levels, across all areas of the workforce.



Credit: Chris Sisarich



## Building Skilled and Safe Workplaces

### What progress have we made?

We have seen a strong improvement in our educational outcomes, and the level of skills in the workforce is rising:

- › We are ranked fourth for literacy and fifth for problem solving skills when compared with other OECD countries.
- › We have high rates of labour force participation and relatively low unemployment.
- › Our labour market is flexible and effective at matching people to jobs.
- › Our immigration settings effectively attracts skilled labour to supplement domestic supply.

These features help make New Zealand an attractive place to work and for firms to invest.

Major milestones over the past year include a significant increase in the number of 25–34 year olds with a qualification at level 4 or above and the establishment of three ICT Graduate Schools. We are also seeing a reduction in workplace fatalities (the primary objective for the “Working Safer” strategy) and will continue to support the implementation of the Health and Safety at Work Act passed in April 2016.



Credit: Chris Sisarich



Credit: David Straight

## Milestones to date:

**The Better Public Service Result 5: Increase the proportion of 18-year-olds with NCEA Level 2 or equivalent was achieved** – The Government target that 85 per cent of 18-year-olds will have achieved NCEA Level 2 or an equivalent qualification in 2017 has been met a year early. On completion it has been replaced with a new target to improve mathematics, pāngarau, literacy and te reo matatini skills for all students. In 2016 the estimated 2016 NCEA Level 2 attainment rate for all 18-year-olds was 85.2 per cent. This is an overall lift in achievement of 10.9 percentage points since 2011.

**Expanded the Paid Parental Leave scheme in 2016** – More workers are able to access the scheme, especially casual and seasonal workers, and primary carers other than biological and formal adoptive parents.

**Eliminated zero hour contracts** – This prohibits unfair employment practices where employers do not commit any hours of work, but expect employees to be available when required without compensation.

**Increased Māori attainment rate for 18-year-olds with NCEA Level 2 or equivalent** – In 2016 this was estimated at 74.7 per cent up 17.6 percentage points since 2011.

**We have invested \$359 million to establish Communities of Learning | Kāhui Ako** – These improve educational achievement by lifting the quality of leadership and teaching, and supporting pathways through the education system. 67 per cent of schools and 551,000 students now benefit from cross sector collaboration.

**Increased Pasifika attainment rate for 18-year-olds with NCEA Level 2 or equivalent** – In 2016 this was estimated at 80.3 per cent, up 14.8 percentage points since 2011.

**The Health and Safety at Work Act 2015** – This includes nine sets of supporting regulations that came into effect in April 2016.



TOP  
3%

GLOBALLY PLACED IN  
TERTIARY  
EDUCATION

Source: QS World University Rankings, 2017

# Next Steps

Our focus is to ensure the skills, welfare and immigration systems work together to support all our people in work, and support our businesses to grow and add jobs, across all regions.

The government is building on progress to date and focusing on initiatives to improve the outcomes of the skills, welfare and immigration systems. Part of this is to identify opportunities for further improvement, particularly where these systems intersect.

Our work represents a collaborative effort across the public and private sector to achieve results, for example, by improving pathways for young people in all our regions to move through education and training and into employment. This also means we are building resilience into the skills system so that we can be responsive to changing trends, international and domestic pressures, and the increasing role of technology in the workplace.

While our education system is geared to provide the skills people need to work, we want to deliver additional training opportunities for people to continue their development once they enter the workforce.

Providing skills for our workplaces also involves an international component; we need to make sure our immigration settings support our businesses to grow, and that skills and knowledge sourced through migration are transferred to our workforce.

*The actions outlined below are a snapshot of the work Government is doing in Building Skilled and Safe Workplaces. A full list of projects can be viewed on the Ministry of Business Innovation and Employment website:*

[www.mbie.govt.nz/info-services/business/business-growth-agenda/2017](http://www.mbie.govt.nz/info-services/business/business-growth-agenda/2017)

## Priority areas – the action we are taking

	All projects	New projects	In progress	Completed
July 2017	89	0	49	40

### KEY

- Complete
- In progress
- New project

### Prepare our people for a modern economy

We are building a New Zealand education system that is responsive to changing demands for skills and knowledge needed for a more diverse, higher value economy. We are preparing students to be productive participants in New Zealand's future workforce. As part of this work:

- › We are supporting more students in 2017 to gain the tertiary level skills that businesses are demanding, particularly in science and technology, through the e2e Engineering project and ICT Graduate Schools. We are also integrating digital technology into the school curricula from 2018.
- › We are working through the recommendations of the Productivity Commission's report into New Models of Tertiary Education, released March 2017. The Commission's inquiry looked at how high impact trends may drive changes in business and delivery models in the tertiary education sector. Recommendations focus on opportunities to improve flexibility and reduce constraints on innovation.

### Ensure safe and fair workplaces.

We have made strong progress towards safer workplaces. Building on this work, we are also taking action to make New Zealand workplaces fairer. Part of this work is to proactively assess and respond to changes in the labour market, such as an ageing workforce, an increasingly globalised economy and the increased use of technology in the workplace. This includes:

- › Developing legislation to support a new process for addressing pay equity which will make it easier for parties to bargain over pay equity concerns, rather than having to go through the courts. We are also seeking to ensure that workers who are self-employed contractors are not more vulnerable to poor employment outcomes by ensuring the law is being enforced consistently.

## Building Skilled and Safe Workplaces

### Use immigration settings to attract the best people to fill skill shortages across different sectors and regions

Growth and innovation lead to changes in the skills businesses need. The immigration system can help build greater international connections that expose our people and businesses to new ideas and ways of doing things.

We are working on getting the right balance by encouraging employers to attract, hire and upskill local workers, while still ensuring there is access to temporary migrant labour where there is a genuine need. To achieve this balance we are:

- › Reviewing temporary work visa settings. This involves exploring changes to visa settings to encourage the employment of New Zealanders while enabling sectors and regions facing genuine skills shortages to easily get the workers they need.
- › Reviewing how we determine if we have skills shortages.

### Strengthen transitions from secondary school to higher education and into the workforce

A key part of ensuring that growth is inclusive of all our people is to ensure that people have the foundation skills that school leavers need for higher education, or to develop into skilled employment.

We have a range of work underway to achieve this, and collectively these programs seek to meet a range of regional, economic and social needs. Our aim is for people to have access to clear and useful information on educational outcomes and how these affect earning and career potential. This helps to focus education providers on being responsive to the needs of students, businesses and communities. Work underway includes:

- › Supporting personalised learning pathways, building on the creation of Communities of Learning | Kāhui Ako, the Vocational Pathways initiative and secondary/tertiary programmes.
- › Continuing the successful lift in NCEA Level 2 achievement and improving the flow into qualifications at Level 4 and above.
- › Working with employers and industry training organisations to meet Government's target of 50,000 apprentices by 2020.
- › Refining secondary/tertiary programmes, for example Trades Academies.
- › Building on the careers review to provide better careers education and information in Communities of Learning and in schools.



Credit: Sara Orme



Credit: Chris Williams

### Maximise the employment of adult New Zealanders

New Zealand's employment rate is the highest it has ever been and the second highest across the OECD for workers aged 15 and over.

Our economy relies on a skilled, flexible and innovative workforce. Lifelong learning is important in keeping the workforce responsive to the changing demand for skills. We are working to create a variety of educational opportunities to meet people's needs throughout their lifetime.

In line with the investment approach we are also increasing our use of trials to improve our understanding of how we can most effectively move different groups off benefits and into work and how we can use this data to make targeted investment decisions which respond directly to the needs of industry.

At one end, our growing older population is staying in the workforce longer, giving more of their time to the community and is a growing consumer group. Supporting their skill development and utilisation is important in realising their value to the labour market.

- › The Business of Ageing Project highlights the growing value of older peoples labour market participation, income, tax, spending, and voluntary/ unpaid work to our economic competitiveness over the next 40 years.

At the other end, to improve the outcomes of young people not in education, employment and training, we are prioritising a cross-agency, cross-sector range of initiatives designed to increase the number of disadvantaged people progressing to full employment. These include:

- › The Driver Licensing Scheme which supports road safety and has positive social impacts such as access to employment, particularly in areas where drivers licensing is a necessity.
- › Working with employers to ensure they feel confident and have the information they need to hire workers with health needs and appropriately manage the impact of drugs on employability.

To create better connections between industry and job seekers we will also continue to grow and progress programs such as:

- › The Sector Workforce Engagement Program, which has been successful in meeting industry skills quickly, whilst giving priority to domestic job seekers including beneficiaries.



## Building Skilled and Safe Workplaces

### Lift the participation of Māori and Pasifika in the workforce to the same level as the rest of New Zealand

Māori and Pasifika are a younger and rapidly growing section of the population, particularly compared to the overall national trend towards an older workforce. It is crucial we support our future workforce to have the education and opportunities they need to contribute to a productive economy at all skill levels.

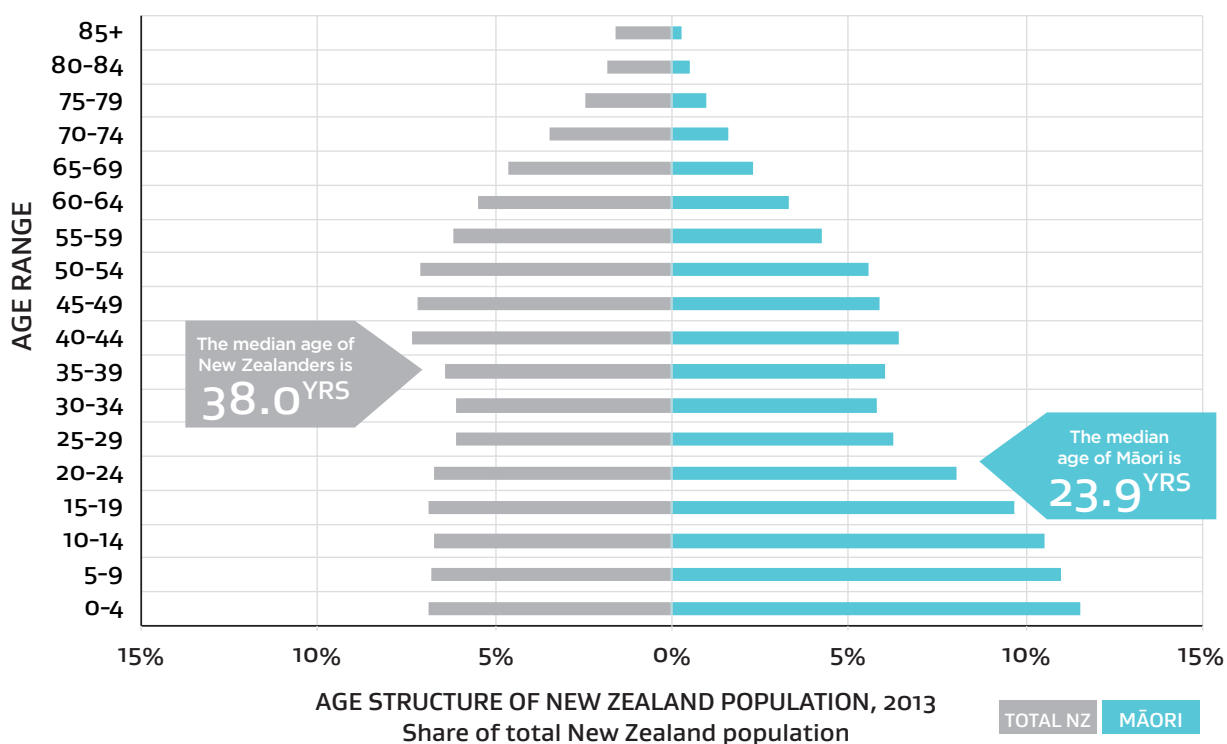
Strong economic growth means more highly skilled jobs, and higher incomes. But challenges remain in ensuring these jobs are visible and accessible to young Māori and Pasifika exiting education. This is not just about communication, but also understanding the diverse cultural needs of these young people and groups. Initiatives that contribute to lifting young Māori and Pasifika participation in the workforce include:

- › The Māori and Pasifika Trades Training programme, which supports fees-free training for Māori and Pasifika learners aged 16-40 to develop skills for entry to New Zealand apprenticeships and other sustainable employment outcomes. It reaches those who would not otherwise participate in tertiary education and includes assistance with their transition into employment. We will support almost 3,200 learners and 16 consortia in 2017, with a target of offering 5,000 places by 2019.
- › Tupu Tai Pasifika Public Policy Internships were established in 2016 to support diversity across the public sector particularly in areas

of policy development. The inter-agency initiative provides Pacific learners with work experience and skill development that allow participation in broader growth industries whilst supporting agencies to develop their cultural competence and capability.

- › Project 1000 brings together businesses, iwi, local authorities, training providers, and central government to support the creation of 1,000 new jobs over three years for local people who are not currently participating in the Hawke's Bay economy. This programme provides skills training and job-matching to get local people into sustainable jobs. Over 250 new jobs have been created, with 69 per cent of those employed being Māori.
- › Te Puni Kōkiri Cadetship Initiative supports employers to provide Māori Cadets with career development pathways into higher-skilled jobs and achieving qualifications. Approximately 350 cadetships are offered each year targeting new employees, or Māori employees with low qualifications.
- › The Tertiary Education Commission has committed to a programme of work to advance Māori learner participation, progression and achievement in tertiary education. The Kura to Career pilot is one of the initiatives whereby Waikato Tainui and Ngāi Tahu deliver a two-year pilot to help 200 Māori secondary school students in their regions to stay on track toward better career pathways.

### The Māori population is young and growing



Source: Statistics New Zealand, 2013 Census.

## Youth Employment Pathways

### Providing young people with a pathway to employment matters

Long-term unemployment has a major impact on life choices and living standards for individuals, their families and the wider communities in which they live. Spending significant periods between the ages of 15-24 not in work or not on the pathway to work through education or training is an indicator of poor employment outcomes throughout a person's lifetime.

Engaging with work or education and training that lead to jobs improves the ability of a young person to support themselves and their family and to make a meaningful contribution to the community.

While young people at risk are distributed across New Zealand, He Poutama Rangatahi/ the Youth Employment Pathways Strategy has begun by concentrating in four regions: Northland/Taitokerau, Eastern Bay of Plenty, East Coast/Tairāwhiti, and Hawkes Bay.

Communities within these regions may have high proportions of their 15-24 year olds who are either not working or not on the pathway to work through education or training. At the same time, many employers in these regions have been struggling to fill job vacancies.

### What are we working towards?

He Poutama Rangatahi/ Youth Employment Pathways seeks out young people for whom existing services and support are not making a significant difference in connecting them with the labour market and helping them to find and hold a job.

Most of the approximately 86,000 young people not in work or on the pathway to work through education or training find work through their own efforts or with the help of existing services and programmes provided or funded by the Ministry for Social Development. Many New Zealanders have not been in employment, education or training at some point in their lives without this having affected their long-term outcomes.

There is a much smaller group that does need additional help or a customised mix of services to successfully find and hold a job. This is the group on which He Poutama Rangatahi/Youth Employment Pathways focuses. In the four regions He Poutama Rangatahi will operate, there are approximately 5,280 young people who we intend to provide the additional help they need. We will offer them a more customised mix of support to advance them along the pathway to sustained employment.

The goal of He Poutama Rangatahi is to ensure that all of the young people in those groups, and who are able, will be at work or on the pathway to work.

### What is our focus now?

He Poutama Rangatahi will begin by supporting communities within the four regions, to develop youth employment plans. These plans will identify both the young people at risk of long-term unemployment and, through employer participation in the development of the plans, the work opportunities that are available to them within their regions.

The plans also review existing support services in each region for the target group and aim to identify what else is needed to make a significant difference for those people most at risk of long-term unemployment. These young people often have complex needs and require a mix of interventions tailored to their circumstances, together with significant pastoral support along the length of the pathway to sustained employment. The employers that invest in employing them may also need more support, and this strategy provides it.

Employment plans will be able to propose better alignment of existing services, changes to existing programmes, reallocation of existing resources or new initiatives that complement or supplement existing approaches. A \$50 million contingency fund has been established to support initiatives that cannot be resourced through existing funding or re-allocation of existing funding.

### Next Steps

The next steps towards achieving our goal are to identify and understand the:

- › Specific needs of the young people at risk in the four regions
- › Aspirations of communities for their young people most at risk of long-term unemployment.
- › Existing support and services within these regions and communities, and which are most effective in supporting our target group.
- › Needs of local employers and the likely jobs for young people in our target group, as well as the support employers need in employing them on a sustained basis.

This information will be used by regions and communities to help develop youth employment plans. The plans are progressive so that necessary changes, identified in the early stages of plan development, can inform modifications required to existing support and services. These can then be included in the final plan and enable faster progress.



Credit: Chris Williams

# Cross-cutting themes

## Regional Economic Development



Promote regional economic development focused on growing employment and investment.

### Why Regional Economic Development matters

New Zealand's regional economies are important for lifting national economic performance and living standards. A diversified and resilient economy requires its regions and cities to succeed.

Our major cities, Auckland, Wellington and Christchurch account for almost two-thirds of national GDP, and are hubs for commercial services and the infrastructure that links New Zealand to the world. New Zealand's rural regions have long drawn on a rich natural resource base to generate exports, with growth in tourism recently complementing primary exports.

The Government wants to ensure every region maximises its economic contribution. As is the case on a national level, diversification of goods and services help regions to withstand external events.

Regional development is integral to progressing *He kai kei aku ringa* (the Crown-Māori Economic Growth Partnership). Māori enterprises are being revitalised and Māori have significant opportunities for growth that will deliver benefits across the New Zealand economy.

### What are we working towards?

Regions are proactively working on growing sustainable economies and providing opportunities for their communities and residents.

Regions have natural strengths built on productive land, natural landscape, iwi assets, entrepreneurialism, and the ideas of local people. We are working with regions so that they can utilise these strengths to realise their economic potential.

We are keen to continue building on our understanding of the economic opportunities within regions, and to enable those regions to use all levers available to them to drive new growth.

Partnerships are key to harnessing the skills and energy of local leaders from business, iwi/Māori and local government.

### Where have we been focused?

Over the past three years, we have been focused on working with regions through our Regional Growth Programme. The Programme has been designed to identify economic challenges and opportunities, and help increase jobs, income and investment in regional New Zealand.

Regions face a variety of challenges and are at different stages in their development – some face persistent economic challenges but have strong growth potential, while others have a stronger base but want to ensure that they can retain growth and further diversify their economies.

The Regional Growth Programme works in partnership with businesses, iwi, Māori, and councils – to determine what is needed within individual regions.

## Regional growth programme



**Exploring opportunities for growth**

## Cross-cutting themes



Credit: Kieren Scott, Minaret Station

### What progress have we made?

The Regional Growth Programme now spans ten regions, including Northland; the Bay of Plenty; Manawatu-Whanganui; Gisborne; Hawke's Bay; Waikato; Taranaki; Canterbury, the West Coast; and Southland. The programme looks at a wide range of issues that affect a region's growth, and in doing so combines social and economic perspectives.

The Regional Growth Programme has been tailored to each region and has led to the development of regionally-led, regionally-owned economic Action Plans. In some cases, independent studies have been commissioned to identify and prioritise commercial opportunities that have the most potential to sustainably grow investment, incomes and jobs.

Collectively, the Regional Growth Programme regions are providing new insights into how government can more effectively use its tools to support regional growth.

#### The Tai Poutini West Coast Economic Development Action Plan 2017

The West Coast was included in the Regional Growth Programme in November 2015 as a region with persistent economic under-performance. West Coast leaders and Ministers launched the Tai Poutini West Coast Growth Study in September 2016.

Since the release of the Growth Study the West Coast Governance Group has been working with stakeholders across the region and with government officials to develop and prioritise the opportunities emerging from the Growth Study for inclusion in the Action Plan.

The Governance Group consulted widely with West Coast councils, businesses and iwi across the region as the Action Plan was developed. The Plan focuses on five priority areas:

- › Growing the West Coast visitor economy,
- › Making it easier to invest and do business,
- › Supporting economic diversification,
- › Improving connectivity and infrastructure,
- › Better economic development support, with work underway on establishing a new business-led Regional Economic Strategy Group, and a new Regional Economic Development Unit within Development West Coast.

### Milestones to date:

**Expansion of the Regional Growth Programme** to now include ten regions – Northland, the Bay of Plenty, Manawatu-Whanganui, Gisborne, Hawke's Bay, Waikato, Taranaki, Canterbury, the West Coast and Southland.

**Improved information available to regions through regional growth studies** provides new insights into how local communities and government can more effectively enable and support regional growth.

**Launch of eight regional economic Action Plans** since the Regional Growth Plan was established – in Northland, Bay of Plenty, Manawatu-Whanganui, Gisborne, Hawke's Bay, Canterbury, the West Coast and Southland. These Action Plans outline and prioritise the key initiatives that will stimulate economic growth over the short-medium term.

**Primary Growth Partnerships** are important to a number of regions. Around \$759 million of government and industry funding has been committed to 22 Primary Growth Partnership programmes across New Zealand to date. These investments boost productivity, value and profitability in the primary sector while delivering long-term economic growth and sustainability. Sustainable Farming Funds are also being used to accelerate primary industry technology transfer and embed best practice knowledge.

**Significant investments in transport**, including \$815 million on an Auckland transport package, the Roads of National Significance, and significant regional roads investment. The Government has committed \$212 million to the Accelerated Regional State Highway Programme.

73.8 per cent of **the build in Ultra-Fast Broadband** (Phase 1) areas has been completed as of March 2017, with well over 300,000 users now connected to Ultra-Fast Broadband.

**The Tourism Infrastructure Fund** will provide financial support for local tourism-related infrastructure where tourist growth is placing pressure on, or potential growth is constrained by, existing infrastructure. The Fund will support projects that address capacity constraints in hotspots and support visitor growth in the regions. The Fund is intended to protect and enhance New Zealand's reputation both domestically and internationally by supporting robust infrastructure which in turn contributes to quality experiences for visitors and maintains the social licence for the sector to operate.



# Next Steps

Our focus is to promote regional economic development focused on growing employment and investment.

Looking ahead, we aim to build on the momentum and successes of our Regional Growth Programme, and continue to foster ambitious, game changing ideas.

We are continuing to support the Regional Growth Programme, completing remaining action plans and working alongside regions as these are implemented. The Regional Growth Programme will also help implement the Investment Attraction Strategy which will help attract more high-quality foreign business investment across our regions.

The actions outlined below are a snapshot of the work Government is doing. A full list of BGA projects can be viewed on the Ministry of Business Innovation and Employment website:

[www.mbie.govt.nz/info-services/business/business-growth-agenda/2017](http://www.mbie.govt.nz/info-services/business/business-growth-agenda/2017)

## Priority areas – the action we are taking

The Regional Economic Development BGA cross-cutting theme is an integral part of each workstream, and will involve applying a strong regional lens to key initiatives across the BGA.

Some emerging priorities across different workstreams are:

- › Developing opportunities in the primary sector, and realising tourism's full potential by shaping higher value and off-peak demand. (*Export Markets*)
- › Implementing the Investment Attraction Strategy, including through a regional investment model. (*Investment*)
- › Continuing programmes to increase regional skill levels, for example trades training, driver licensing, and other programmes to deliver outcomes for youth and Māori. (*Skilled and Safe Workplaces*)
- › Delivering Roads of National Significance, and expanding upon the Ultra-Fast Broadband programme and the Rural Broadband Initiative across our regions. The Government's newest connectivity target is that by 2025, 99 per cent of New Zealanders have access to broadband at peak speeds of 50 megabits per second (Mbps). (*Infrastructure*)
- › Further development and investment in our Regional Research Institutes. The Institutes will stimulate leading edge, commercially focused and industrially exploitable research, with a goal of maximising unique economic growth opportunities in the regions. (*Innovation*)
- › Making sure land across our regions is sustainably used to its best value, and that communities care for and get what they need from freshwater. (*Natural Resources*)

### Regional Growth Programme Highlights

- › \$4 million for investment into the Hundertwasser Art Centre and Wairau Māori Art Gallery. (*Northland*)
- › The Government has committed to completing the Waikato Expressway by 2020. (*Waikato*)
- › Delivering 1,000 new jobs over three years through Project 1000. (*Hawke's Bay*)
- › Improving the efficiency of the minerals consents regulatory approvals process. (*West Coast*)
- › Progress earthquake recovery and the rebuild in greater Christchurch and North Canterbury. (*Canterbury*)
- › Attracting larger numbers of international student enrolments through Education Southland. (*Southland*)



Credit: Northburn Station



# New Zealand's regions

97  
NORTH SOUTH



# 05 Building Natural Resources

## Invest in our natural and built resource base as a source of global competitive advantage.

### Why Natural Resources matter

New Zealand's natural resources are critical for our economic success, for our sense of wellbeing, and cultural identity as New Zealanders. A strong economy and high quality of life are dependent on a healthy environment.

In recent years our rich source of natural capital has supported strong levels of growth in parts of our primary and tourism sectors. Improving the way we invest, plan, and allocate our resource base is critical for future export growth, future prosperity, and adapting to a changing international context.

Natural disasters of the past five years have had devastating impacts on some of our regions and businesses. We have learned a great deal about how to improve business and community preparedness and resilience.

### What are we working towards?

The launch of the BGA in 2012 provided a platform for the Government to connect its work to create a productive economy with a long term approach to natural resource assets.

Key to our success is setting the right domestic conditions to build resilience in our economic, social and environmental systems, to help our firms succeed on the world stage, and to safeguard future earning potential from our natural and built assets.

Global markets place premiums on high quality goods with reliable environmental credentials. This trend diversifies the markets we trade into and enables access to more niche markets for New Zealand exporters. Successfully capitalising on this trend will build on our comparative advantage in primary production and tourism, and help our producers move up the value chain for their goods and services.

Proactively addressing climate change and environmental limits underpins New Zealand's brand and economy. Robust and credible data and information will enable effective decision making with proper consideration of our natural assets.

The measure of our success will be reflected in the creation of sustainable wealth across the spectrum of New Zealand's economic activity, including our ability to increase the range of products and services that we export, the number and types of markets and sectors that we trade into, and the extent to which we attract high value tourism and investment.

### Where have we been focused?

Being a responsible global player, such as through our participation in the Paris Agreement, contributes to our international standing as a competitive, lower emissions economy. It reinforces our environmental credentials and our domestic efforts towards improved environmental quality and resilience.

We have also been working towards improving the environmental health of our freshwater resources and the framework for managing the use of our freshwater assets in a sustainable and enduring way.

For our land-based industries we have focused on helping farmers and growers increase on-farm productivity while managing within limits, restoring biodiversity to improve farm viability, and reducing risks to productivity such as pests, soil erosion and soil contamination. We have invested in initiatives to develop and bring to market innovative products and services that reduce emissions from agriculture.

We have made significant regulatory improvements to help manage our urban environment. Other improvements provide greater certainty in the development of marine resources, and improve the productivity and sustainability of existing marine activities.

### Te Ture Whenua Māori reforms

With Māori land covering 5 per cent of New Zealand's area, Te Ture Whenua Māori reforms are a significant opportunity to lift land productivity and boost regional economies. The reforms will enable more efficient decision making by land owners and provide better support for land development. They are centred on four core elements:

- › New legislation to make it easier for land owners to make decisions about their land.
- › The removal of impediments and inequities arising from other legislation (such as rating legislation and the Public Works Act).
- › A new Māori Land Service to provide practical support to Māori land owners.
- › The Whenua Māori Fund, which provides \$3.2 million per annum to support Māori land owners to improve the productivity of their land.

Significant progress has been made, with the Bill progressing towards enactment and the Whenua Māori Fund providing direct resources to land owners.

### What progress have we made?

New Zealand has ratified the Paris Climate Agreement, signed the amendment to Montreal Protocol and is phasing out the 1 for 2 subsidy for emitters. We have made specific commitments to reducing greenhouse gas emissions and increasing renewable electricity generation.

We introduced an independent environmental reporting regime and released the Environment Aotearoa 2015 report, with subsequent environmental domain reports that helped identify areas where further investment in our environment is needed.

The Government and industry have committed to 22 Primary Growth Partnership programmes across New Zealand that boost productivity, value and profitability in the primary sector and deliver sustainable economic growth. Sustainable Farming Fund projects help develop innovative ideas and accelerate technology and knowledge transfer as well as improved on farm best practice uptake.

Our resource management reforms have improved processes to provide investor certainty, supporting productive and well-functioning cities within environmental constraints. We established a streamlined process for delivering a unitary plan for Auckland, reducing fragmentation, and complexity and the time needed to make the Plan operative, and releasing a National Policy Statement on Urban Development Capacity.

We have developed a National Policy Statement for Freshwater aimed at responsible management of freshwater assets within environmental limits and established a fund of \$100 million over ten years to support initiatives to clean up New Zealand's rivers, lakes and aquifers. Since 1 July 2016, Crown Irrigation Investments Ltd has also provided grant funding for investment in water infrastructure.

We established the Predator Free 2050 programme that connects efforts across communities, iwi/Māori, business, philanthropists, scientists and government. The Government committed \$28 million over four years, and \$7 million per year thereafter, on top of the \$70 million already spent each year on predator control by government and others.

## Milestones to date:

**New Zealand has reconfirmed its commitment to transition to a lower emissions economy through ratification of the Paris climate agreement, and signing the amendment to the Montreal Protocol** – We have committed to reducing greenhouse gas emissions by 30 per cent below 2005 levels by 2030, and increasing renewable electricity generation to 90 per cent by 2025.

**An additional \$20 million was committed to the Global Research Alliance on Agricultural Greenhouse Gases following the Paris Climate talks in late 2015** – This will assist farmers to reduce emissions, while improving the productivity and value of our primary products.

**Released the New Zealand Energy Efficiency and Conservation Strategy 2017–2022 in June 2017** – The Strategy sets the direction for unlocking our energy productivity and renewable potential in the next five years. It shifts our focus towards the most cost-effective opportunities for energy savings and emissions reductions for New Zealand: process heat, transport and electricity.

**Through the Warm Up New Zealand programme, government has invested in the insulation of nearly 300,000 homes** – This investment increases the energy efficiency of our homes and urban infrastructure, reduces energy emissions, and improves health outcomes across New Zealand.

**\$759 million in government and industry funding has been committed to 22 Primary Growth Partnership programmes across New Zealand** – These investments boost primary sector productivity, value and profitability, and support long-term economic growth and sustainability. Within a number of Primary Growth Partnerships, Sustainable Farming Funds are being used to accelerate primary industry technology and knowledge transfer and embed best practice.

**We have established a streamlined process for delivering a unitary plan for Auckland** – This has shortened the time needed to make the plan operative, and reduced planning fragmentation and complexity.

**Released the National Policy Statement on Urban Development Capacity in 2016** – This sets out the objectives and policies for development capacity under the Resource Management Act. Our resource management reform programme continues to improve processes to develop land for business and housing, that meets community needs and supports productive and well functioning cities.

**Updated of the New Zealand Biodiversity Action Plan 2016–2020** – This outlines the contribution that New Zealand will make toward stemming global loss of biodiversity over the next four years.

# Next Steps

Our focus is to invest in our natural and built resource base as a source of global competitive advantage.

We will invest in New Zealand's natural and built resources to support our ambition to build sustainable wealth, a competitive, lower emissions economy, and improve environmental quality and resilience.

*The actions outlined below are a snapshot of the work Government is doing in Building Natural Resources. A full list of projects can be viewed on the Ministry of Business Innovation and Employment website at:*

[www.mbie.govt.nz/info-services/business/business-growth-agenda/2017](http://www.mbie.govt.nz/info-services/business/business-growth-agenda/2017)

## Priority areas – the action we are taking

	All projects	New projects	In progress	Completed
July 2017	75	2	31	42

### KEY

- Complete
- In progress
- New project

### Ensure our land is sustainably used to its best value

Managing our land, including Māori land, in a sustainable and agile way is key to improving land productivity and the resilience of our natural resources. The quality of our land use decisions impacts on our regional and national development. It is critical that our land resources provide for changing demands, changing climate and potential future land use.

To achieve this we are:

- Improving the allocation, planning systems and management of the rural/urban interface for example, by implementing the resource management reforms, the National Policy Statement on Urban Development Capacity and responding to the Productivity Commission *Better Urban Planning* report.
- Improving the productivity of land while reducing environmental impacts and preserving long term economic productivity and resilience, for example by supporting growth in sustainable farm production and process changes.
- Better enable Māori trusts and landowners to make and implement decisions about the use of their land.

### Freshwater quality and use

Improving freshwater quality, efficient use and ecosystem health will increase its value and benefit to iwi, communities and businesses while supporting overall resilience.

To achieve this we are:

- Improving the quality of our rivers and lakes, continuing work on a fair and equitable allocation system for water and discharge.
- Continuing investment in irrigation and water storage developments, further developing the freshwater regulatory framework and providing support for its implementation.
- Increasing the value to business, iwi/Māori, and communities from more efficient freshwater use.

### Recognise the benefits and value of biodiversity to the economy and the lives of New Zealanders

Investing in and growing the resilience and health of New Zealand's ecosystems, and reducing direct pressures on biodiversity (such as through pest control) to enable sustainable primary production and to enhance the benefits for everyone from biodiversity and ecosystem services.

To achieve this we are:

- Accelerating the Predator Free 2050 programme and other initiatives to deliver against New Zealand's updated Biodiversity Strategy and Action Plan.
- Progressing biodiversity protection, restoration and other actions to halt the decline of indigenous biodiversity. This will be an important consideration as we manage pressures on our national conservation estate.



**2050** IS THE YEAR NZ TARGETS TO BECOME  
**PREDATOR FREE**

Source: Department of Conservation, March 2017

## Building Natural Resources

### Sustainably realise the full potential of our marine resources

Our aim is that New Zealand's vast oceans are sustainably managed and protected to support local communities, the economy and the environment.

Over the next year we will improve existing marine management regimes and develop a more co-ordinated approach to improving the quality of the marine environment and the allocation of marine resources.

We will further develop our aquaculture, fisheries and other marine industries to enable sustainable growth while maintaining marine biodiversity and sustainability, through:

- › Improving existing marine management regimes.
- › Developing a co-ordinated approach to improving the quality of the marine environment and the allocation of its resources.

### Ensure New Zealand is a more productive, low emissions economy that is resilient to a changing climate

A successful New Zealand is one that can grow its economy over time while reducing its greenhouse gas emissions. New Zealand can do this through responsible productivity growth within existing economic activity and through growth that involves the reallocation of resources from high to low emissions activity through more innovative goods and services.

Cost effective adaptation to the impacts of climate change is critical to maintaining our comparative advantage in natural resources. We are in a unique position to be able to adapt with plenty of renewable energy available.

This will require assessing out policy settings for climate adaptation. Over the next year we will continue to progress partnerships targeting emission reduction activities. We are also assessing these issues in the current review of the Emissions Trading Scheme, and through New Zealand's Energy Efficiency and Conservation Strategy that sets the direction for future emissions reductions for 2017-2022.

Our focus includes:

- › Transitioning to a lower emissions economy, building on price signals from the Emissions Trading Scheme.
- › Improving resilience of resource-related industries to the economic and environmental impacts of climate change.

### Everyone in the system has the information and data they need for better decisions, investments and innovation

Improving the availability, quality and accessibility of natural resource data to better inform decisions and investments, and maximising the value gained from science and research investment.

Specific actions in this area include:

- › Delivering the Conservation and Environment Science Roadmap.
- › Improving the data and tools that support decisions, investment and innovation.



### Electric Vehicles Programme

The Government announced an Electric Vehicles Programme in May 2016 with the target of doubling the number of electric vehicles registered in New Zealand every year to reach 64,000 by 2021.

As most of New Zealand's electricity comes from renewable resources (approximately 80 per cent), electric vehicles present an opportunity to reduce greenhouse gas emissions from the transport sector by up to the same amount. With about three million light vehicles on the road, the transport sector produces around 20 per cent of New Zealand's total greenhouse gas emissions and the potential gains are significant.

Having ratified the Paris Agreement and committed to our target, the Government is signalling that it supports global momentum to a climate-resilient, low-emissions future, and that New Zealand is taking tangible steps to transition towards a low-emissions economy.

The programme includes:

- › Supporting the development and roll-out of public charging infrastructure.
- › Undertaking a nation-wide electric vehicle information and promotion campaign.
- › Supporting a contestable fund of up to \$6 million per year to support innovation.
- › Extending Road User Charges exemption for electric vehicles.
- › Working across Government and the private sector to investigate bulk purchasing.

More information about the Electric Vehicles Programme is available at: [www.electricvehicles.govt.nz](http://www.electricvehicles.govt.nz)



# 06 Building Infrastructure

Ensure resilient and co-ordinated infrastructure that contributes to a strong economy and high living standards.

## Why Infrastructure matters

The Government is investing in infrastructure for a growing economy which includes a wide range of services and infrastructure. Infrastructure supports investment and growth across the country and is an essential component for increasing quality of life for New Zealanders.

High quality infrastructure provides opportunities to attract investment and connect our regional businesses to the rest of the nation and to the global marketplace. Infrastructure is critical for supporting growth in our regions.

New Zealand's strong economic performance has seen higher levels of migration, contributing to growth in our population. Partly as a result of this, housing affordability and availability is an issue very much at the front of New Zealanders' minds.

Greater demand on current infrastructure means it is increasingly important to ensure the effective use of our existing assets alongside new investment to manage these impacts.

Disruption from natural disasters, such as earthquakes in Canterbury and more recently in Kaikōura, has meant our attention is also on ensuring resilience, preparedness, response and recovery.

## What are we working towards?

When the BGA was launched in 2012, work on developing a more co-ordinated and resilient approach to the delivery of infrastructure was already well underway. The objective is to better meet future demand across a range of sectors such as housing, transport and tourism, while taking into account affordability constraints, a growing population, demographic changes and our ability to withstand and respond to disruptive events.

## Where have we been focused?

We have been working to ensure our infrastructure requirements e.g. housing, roading and broadband continue to attract investment, and to manage the impact that a growing economy places on infrastructure networks.

Our work has included:

- › Enabling investment in housing and commercial development. This has been through improved regulation for better provision of land supply for housing and the rules governing its development.
- › Continuing with New Zealand's largest ever road building programme.
- › Extending the Ultra-Fast Broadband programme and the Rural Broadband Initiative..
- › Continuing the regeneration of Christchurch as a modern, resilient urban centre.
- › Response and regeneration after the Kaikōura earthquakes of November 2016.

The Kaikōura earthquakes of November 2016 required an urgent response from government to ensure that key infrastructure was reinstated. The aftermath from those earthquakes placed renewed emphasis on work to assess how urban centres and the greater Wellington region are positioned for future earthquakes, or other natural hazards.

We remain focused on resilience, both to shock events like earthquakes and floods, as well as long-term challenges of increasing population and climate change and how these impact on our long-term infrastructure requirements.

## Building Infrastructure

### What progress have we made?

In our work on urban environments we are making positive progress in addressing the country's housing supply and affordability challenge. This includes the development of Special Housing Areas and the implementation of the National Policy Statement on Urban Development Capacity, which requires councils to provide sufficient development capacity for anticipated growth in their plans.

The Government's \$1 billion Housing Infrastructure Fund, and potential urban development authorities, will help high growth councils unlock new housing areas to meet demand pressures. The Government is establishing a new Crown company that will design commercial models for partnering with local councils to accelerate investment in water and transport infrastructure to enable housing supply.

The final Auckland Transport Alignment Project (ATAP) report, released in September 2016, sets out a clear direction for the development of Auckland's transport system over the next 30 years. It is also an excellent example of the increasingly productive collaboration we are seeing between government and councils. One of the first projects to come out of ATAP looks at an innovative approach to reduce congestion on our current roads. The Smarter Transport Pricing Project will investigate the option of using smarter transport pricing for demand management in Auckland.

Alongside work already in underway in the *Building Natural Resources* workstream we are helping support the primary sector. Crown Irrigation is managing the Government's \$400 million investment in regional irrigation construction.

We have made significant headway towards our goal of a resilient and co-ordinated infrastructure system, for example, by contributing \$1.8 billion to the Transport portfolio in Budget 2017. This includes \$450 million for KiwiRail for the rail network around New Zealand, \$812 million for the reinstatement of State Highway 1 north and south of Kaikōura, and \$98 million for upgrades to Wellington's metro rail network. Additionally, \$436 million will go towards the first stage in Auckland's City Rail Link. This is on top of previous projects which accelerated \$815 million of roading projects in Auckland and committed \$212 million to the Accelerated Regional State Highway Programme.

We have continued to implement the Ultra-Fast Broadband programme and Rural Broadband Initiative, which deliver improved access and faster broadband speeds across the country and which are now 73.8 per cent complete, with respect to Ultra-Fast Broadband. The Government has also invested \$1.536 billion in new school infrastructure since Budget 2014.

In taking a long-term view on infrastructure requirements we have developed the *Thirty Year New Zealand Infrastructure Plan* – a long-term, strategic roadmap to navigate the challenges and seize the opportunities ahead through better use of existing assets, as well as encouraging more innovative approaches to procurement. For example, we are procuring six new schools as part of a circa \$200 million public-private partnership (PPP) – the third schools' PPP we have entered into. Taking a thirty-year lens we canvas the potential for using new technologies, and strive for a deeper understanding of the levels of service provided by key networks and how this meets demand by end users.

We have come a long way in the regeneration of Canterbury and have developed improved systems to deal with natural disaster recovery and are actively managing infrastructure resilience.

### Milestones to date:

**A co-ordinated plan for Auckland transport** – We are making significant investment in transport, including contributing \$436 million towards the first stage of Auckland's City Rail Link and accelerating \$815 million of roading projects. In 2016, together with Auckland Council, we released the ATAP final report that set out a clear direction for the development of Auckland's transport system over the next 30 years to respond to the region's forecast growth.

**Investing in schools** – We have invested over \$1.5 billion in new school infrastructure since Budget 2014 to provide the infrastructure needed to support development of a workforce that meets the demand for skills in a fast changing world. We are continuing to innovate with the use of PPPs as a service delivery model.

**Roll out of Broadband upgrades** – The first phase of the Rural Broadband Initiative is complete, benefiting more than 300,000 homes and businesses. Under Ultra-Fast Broadband, more than one million households, businesses, schools and hospitals are able to access Ultra-Fast Broadband services.

**Planning New Zealand Infrastructure** – We published the *Thirty Year New Zealand Infrastructure Plan* in 2015. In the medium-term, the 2016 Capital Intentions Plan shows that approximately \$40.5 billion will be spent by central government, and \$51.1 billion by local government for the period from 2016-2025. Along with the new Investment Pipeline report and the latest National Construction Pipeline report, these plans help build a programme of action for New Zealand's infrastructure.

**New phase of the Christchurch Earthquake Rebuild** – After the 2010-2011 earthquakes, greater Christchurch is transitioning from recovery to regeneration as a modern resilient gateway city to the South Island. Good progress is also being made on the City's Anchor Projects and Precincts, with the Bus Interchange and the Canterbury Earthquake National Memorial now complete.

**The Government is developing new ways of supporting housing growth** – We have been addressing the country's housing supply and affordability challenge, for example with the development of Special Housing Areas, the Government's \$1 billion Housing Infrastructure Fund, and potential establishment of urban development authorities, to help high growth councils unlock new housing areas. A new Crown company has been established to accelerate investment in water and transport infrastructure to enable housing supply.

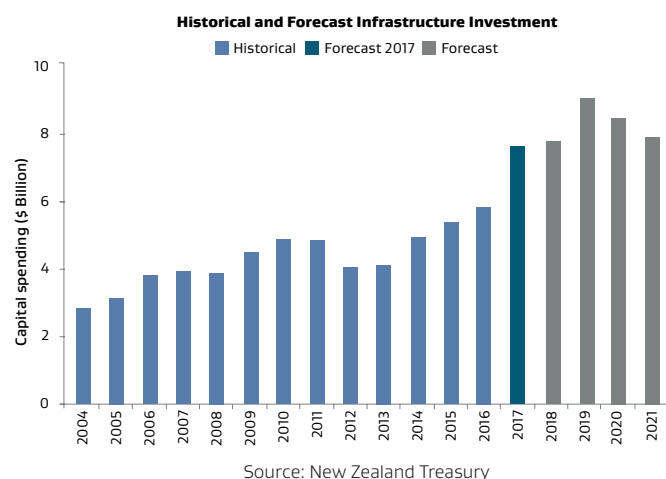
**Developing a shared infrastructure pipeline with Australia** – We have taken steps to grow the trans-Tasman infrastructure market to help attract investment from Australia and beyond, as well as enabling local infrastructure firms to grow by expanding into the Australian market.

**Metadata standards** – Work is underway to develop national metadata standards for roads, water and buildings, to establish consistent data on which to build evidence and undertake forecasting. This will enable more effective planning and management of future infrastructure and equip central and local government to deepen capability to manage infrastructure assets.

# Next Steps

Our focus is on ensuring resilient and co-ordinated infrastructure that contributes to a strong economy and high living standards.

Our job is to deliver the \$32.5 billion infrastructure investment Government is planning over the next four years.



In delivering this investment, we will be responsive to the challenges that present themselves and focus on improving the regulatory settings to increase the provision of housing and infrastructure in high growth areas, such as Auckland. As part of this, we will continue to pursue the use of new technologies in order to better manage demand on our infrastructure and develop new approaches, such as road user pricing.

We will also continue to invest in the roll-out, across the country, of fast and dependable communications, especially Ultra-Fast Broadband.

Supporting the regeneration of Christchurch and work with our Australian colleagues to bring closer alignment to our two countries' infrastructure markets also remain priorities.

*The actions outlined below are a snapshot of the work Government is doing in Building Infrastructure. A full list of projects can be viewed on the Ministry of Business Innovation and Employment website:*

[www.mbie.govt.nz/info-services/business/business-growth-agenda/2017](http://www.mbie.govt.nz/info-services/business/business-growth-agenda/2017)

## Priority areas – the action we are taking

	All projects	New projects	In progress	Completed
July 2017	129	3	65	61

### KEY

- Complete
- In progress
- New project

### Strengthen the management and development of urban infrastructure

To ensure timely and cost-effective investment into infrastructure that supports growth and investment in housing and commercial development we will:

- Explore the availability of additional land to enable new housing developments.
- Assess alternative delivery models and funding tools to support urban infrastructure and housing supply and demand.
- Progress the Auckland Central Rail Link.
- Build on the success of the ATAP, a joint project with Auckland Council that recommended a strategic approach to developing the city's transport system over the next 30 years.

### Realise the opportunities from data and technology

Innovation and data can be used to inform planning decisions for future investment.

We will develop our use of data and information as an enabler that supports robust decision making by:

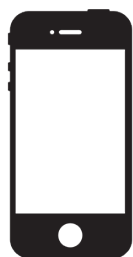
- Creating metadata standards for roads, water and buildings (and alignment with existing roading standards) will ensure we have a consistent base to build evidence, undertake forecasting and deepen the capability of asset managers in central government, local government and the private sector.
- In our urban centres, new and emerging technologies provide opportunities to influence travel demand in ways that have not previously been possible. In particular, this includes moving over time to a smarter transport pricing system, which varies charges according to time and location.
- The ATAP recommends a shift to smarter transport pricing that would increase the cost of travel for some and reduce it for others, depending on the time and location of travel.

## Building Infrastructure

### Global infrastructure market place

Following the release of the *Thirty Year Infrastructure Plan* in 2015, we have the opportunity to explore multiple procurement options and connect to the world as part of a global infrastructure marketplace.

- › We will continue to diversify and find alternative and optimal funding methods for our infrastructure, benefiting from the international market.
- › We will continue to update our *Ten-Year Capital Intentions Plan*, which has been an annual product since 2014. This provides the market with a clear view of upcoming infrastructure investment, both in the public and private sector, and indicates that there will be significant investment opportunities in New Zealand over the next ten years.
- › In October 2016 we launched the Australia New Zealand Infrastructure Pipeline. We will use this to open New Zealand up to broader markets to enable more competition in our infrastructure investment. In December 2016 the Global Infrastructure Hub Pipeline was launched, and we contributed a number of projects.



**\$2B** SPENT BY THE NZ GOVT ON  
**FIBRE INTERNET**

Source: Crown Fibre Holdings.

### Deliver the Roads of National Significance and strengthen our regional state highway linkages

The focus is on moving people and freight between and within these centres more safely and efficiently. The Roads of National Significance are lead infrastructure projects, which means they enable economic growth rather than simply responding to it.

All seven Roads of National Significance have long been identified through regional land use and transport studies as being strategically significant investment needs. Identifying and labelling these corridors as Roads of National Significance signalled their importance, priority and certainty.

- › The Mackays to Peka Peka section of the Wellington Northern Corridor is now complete.
- › Western Ring Route on track to be complete by 2020 and Waikato Expressway by 2020.

Other important regional routes are making progress:

- › Hamilton City's Ring Road, a local road, is nearing completion.
- › New Plymouth's Vickers to City project now complete.
- › Bay of Plenty's Haurini Link is well underway.



Credit: Chris Sisarich

### Fast and dependable communications

We need fast and dependable communications to enable New Zealand communities and businesses to connect to each other and the world.

New Zealand's telecommunications network had become outdated which limits our productivity. To address this, the Government has a set of forward looking connectivity targets that include:

- › By 2025, 99 per cent of New Zealanders will have access to broadband at peak speeds of at least 50 Mbps.
- › All New Zealanders would have access to peak speeds of at least 10 Mbps.
- › Extension of the Ultra-Fast Broadband programme to make fibre to the premises available to 84 per cent of New Zealanders by the end of 2024. Ultra-Fast Broadband typically provides download speeds of up to 100 Mbps, and up to 1000 Mbps.

Extending the Rural Broadband Initiative and creating a new Mobile Black Spot Fund to facilitate fast broadband and mobile connectivity for more rural communities.



Credit: Chris Sisarich



## Building Infrastructure

### Build resilience into the system

The Canterbury and more recently Kaikōura earthquakes have sharpened the nation's focus on resilience. Resilience is not just about shock events such as earthquakes, but also includes longer-term events like climate change adaptation.

- › We will continue to improve our understanding of infrastructure assets and build resilience into the system.
- › This includes our three-waters infrastructure which has a large asset base and significant levels of expenditure planned over the next decade.
- › We will work to improve our understanding of how the changing climate will impact on infrastructure in the long term.

### Contribute to the rebuild of greater Christchurch

Christchurch continues to be the South Island's powerhouse and main service provider to the strong rural economy, and is the main South Island international gateway.

Good progress is being made on the City's Anchor Projects and Precincts. Anchor Projects and Precincts are key initiatives that will encourage other developments around them and attract people into the central city:

- › The Bus Interchange and the Canterbury Earthquake National Memorial are now complete.
- › The Justice and Emergency Services Precinct is expected to be complete mid-2017.
- › The Health Precinct is expected to be complete in 2018.

### Social and regional infrastructure

The *Ten-Year Capital Intentions Plan* 2016 shows that central government expects to spend \$39.2 billion on social infrastructure during the period of 2012 to 2025. Social infrastructure includes schools, prisons, hospitals and defence facilities. The 2016 figure is an increase on \$26.9 billion estimated for the same period in 2015 and \$30.1 billion in 2014.

Over the next 15 years, New Zealand Defence Force will complete a \$1.7 billion rejuvenation of 5,000 Defence buildings and other infrastructure and facilities. Work on the 81,000 hectare Defence estate is needed to make it fit for purpose and operating as efficiently and effectively as possible. This investment represents significant economic stimulus across a number of regions over the next 15 years.

As well as an increase in government investment, we are also seeking new ways to achieve better outcomes for communities, and it is not only transport where we expect to see more PPPs.

The government is now finalising negotiations for procuring four new schools in Auckland and one co-location of two schools in Christchurch, as part of the third New Zealand Schools' PPP project. This circa \$200 million PPP should deliver value for money while taking the burden of school property management off teachers and Boards of Trustees.



Credit: Chris Sisarich



