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**Prime Minister
MP for Mt Albert**



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SPEECH NOTES

Speech to Business New Zealand

Small business support and jobs top priorities

Tena koutou katoa.

Nga mihi nui kia kotou

Thank you for the opportunity to be with you today. My special thanks to Business New Zealand and also to Beca as our hosts.

I'm very aware that I'm speaking with you at a time when New Zealand feels like a calm oasis in a chaotic and difficult world.

Yesterday, like many of you, I watched the results of the US election roll in, and I couldn't help but reflect on our own elections in recent years.

No matter where you sit on the political spectrum, I'd like to think we can agree that a strong democracy requires a few pre conditions.

Citizens that believe in their system, and participate in it. Political parties that believe and support the system too. And, perhaps this last point is a little more debateable, but I've increasingly come to believe that we have to find ways that strong views can be held, and expressed, but without the accompanying partisanship that stops us from working to build consensus where it really matters.

We are living in an increasingly divided world. There are many people out there who could no doubt provide a range of evidence based theories as to why that is the case. From where I sit it feels as though we have a borderless world for things like trade and the exchange of people and skills, and yet, rather than this leading to people being exposed to new and different ideas and ways of thinking, the advent of technology and the creation of online platforms has led us instead to find and build our tribes to entrench our existing views. Places where we can lock in our opinions, where we can further reinforce them, rather than allow ourselves to be questioned and have our perspectives tested.

The emergence of a global pandemic over the course of the past year has undoubtedly exacerbated these issues. There is no question that there are certain facts about a pandemic that are just that – facts.

Where the debate exists is the space between those facts, and the strategy a country and its leaders choose to deploy in the face of them.

There are legitimate choices to be made. Priorities to be decided upon. In New Zealand's case, we made our choices. They were based on the make-up of our population, some of the unique advantages we have – not least our border, and our perspective that there is no cost free option, but by forgoing some freedoms, namely the free movement at our borders, we retain the long term health of our population and the open economy we now enjoy.

It was a choice, but one that I strongly believe has served us well, and that New Zealanders have for the most part, supported. That support has also been key. And the importance of consensus building has only been reinforced for me as a leader through this experience.

And while we are in the midst of this ongoing crisis, and will be for some time, there are encouraging signs that reinforce the choices we've made.

The unemployment figures yesterday at 5.3% is well below the more than 9% prediction we faced at the budget, and puts us below Australia at 6.9% and the OECD average of 7.4%.

Merchandise exports since 1 February were higher than in 2019, and up 5% from 2018. We also saw expansion in the manufacturing and services sectors in September and consumer and business confidence both improved in October

But like you, we are all too aware that we not will be spared the ongoing effects of this global pandemic.

Covid 19 is raging in Europe. We are seeing levels of infection not seen since the first wave, and the return of lockdowns in many places. Sweden has announced social gathering limits and sometime ago asked its population to prepare to work from home for 6 months.

The UK, Germany, France and other parts of Europe are under restrictions again. It is unquestionably tough out there. And while that is the case, it will be tough here too.

In fact the coming years will be very difficult with the global growth forecasts showing the impact of the virus is going to be with New Zealand for some time - both in terms of managing its spread but also recovering from its economic impact.

That's why we need and have a strong plan. One that preserves our hard won position, makes the most of the opportunities that do exist, and, very importantly, one that brings people with us.

Let me start with preserving our position.

Many of you will have heard on Monday that I have very deliberately constructed a Cabinet around two overarching priorities: to continue our health response to keep New Zealanders safe from COVID-19, and to drive our economic recovery and ensure we take the opportunity we have in front of us to build back better.

The new line-up has a greater coordination around the management of each – with both an enhanced and co-ordinated health team, making use of the talent we have in our caucus, and a senior and co-ordinated economic team, many of whom are here today.

The health team are rightly focused on the biggest risk to our current position, and that is our border. This is a large and complex operation. In fact on a per capita basis our quarantine capacity is larger than Australia's, with up to 6,000 people in facilities at any given time. We

have a work force of 4000 people including up to 1000 health staff as well as our military and police monitoring security.

It requires rigorous infection controls, and daily health checks of staff as well as regular testing. Few other countries are even attempting to stop Covid at the border in this way and in the main it is working.

But there is also no fool proof, error free way of managing a virus. It is tricky, and requires layers of back up for the occasions when it may infect those working in high risk situations. We have built those layers, and they are serving us well. Recent transmission of the virus at the border for instance, has been picked up early, ring-fenced and prevented from spreading.

But ongoing vigilance is absolutely key. Every single day.

Then there is the complex exercise of managing the flow of people.

We have both scheduled and charter flights coming into New Zealand carrying citizens and permanent residents. Forward planning under these circumstances was difficult, making it extraordinarily hard to effectively and efficiently use excess capacity for essential workers when it was so difficult to anticipate demand from citizens.

From the 3rd of November we have required all returnees to have a voucher for managed isolation facilities. This enables us to plan ahead, match demand and capacity, and put in place our quota system for essential workers.

We want to find a balance here between bringing in more workers essential to our economic recovery and ensuring there is space for New Zealanders wanting to return home to do so - and I should note that as you can imagine, demand is high and at some points, at capacity in the lead up to Christmas. Kiwis understandably want to come home.

In the meantime, a persistent question that has come from the private sector has been whether we will open up managed isolation to private provision. I understand the call for extra capacity. And I am certainly not arguing that the only ones capable of managing a facility is a government agency. However, there are some basic provisions that we have to have in order to make quarantine work. These provisions are not limitless in their availability.

Health staff and law enforcement are amongst them. Every health worker we remove from the system, places pressure elsewhere. So let's keep the conversation on our borders going, but while remembering that they are key to our success.

That then brings me to the second tranche of our response, focused on our economic recovery.

Here within the cabinet line-up you will have noted the appointment of Grant Robertson as Deputy Prime Minister, and also the addition of Infrastructure Minister to his portfolios.

He is joined by David Parker and Megan Woods as Associate Finance Ministers. These are very deliberate appointments, with David focused on RMA reform and Megan in the energy space, both key to our recovery and the opportunities that lie in front of us.

Michael Wood joins the team in the transport space, and Stuart Nash, well known to many of you for his work in small business, picks up economic and regional development and tourism. Damien O'Connor takes over Trade. Growing our exports is a key plank in our recovery and with Damien retaining Agriculture there will be key synergies in his portfolios.

It's a strong team, with a strong plan that we started to roll out before the election, and will now look to speed up.

Many of you will recall the foundation of that plan

- 1) Investing in our people
- 2) Job creation
- 3) Preparing for the future
- 4) Supporting small business
- 5) Backing our exporters

I now want to set out the key areas of priority for the Government before Christmas.

From our perspective, and I know yours, there is no time to lose.

The first item of business when the new Cabinet meets on Monday will be making improvements to the small business loan scheme to provide ongoing support as we rebuild from Covid.

The scheme was originally intended as a stop gap. It provided access to finance for vulnerable but viable businesses who needed support to cover costs in the wake of lock downs and the impact of COVID.

We have to acknowledge though, that the uncertainty that COVID has created will be with us for some time to come. For a sector that makes up 97 percent of all enterprises and approximately 29 percent of all employees, we want to play a greater role in countering that instability through access to capital.

That is why we will be taking a proposal to cabinet on Monday that proposes extending the Scheme for three years; extend the interest free period from one year to two years.

Later in November Ministers will bring further proposals forward to enable the scheme to be used for a broader range of purposes, such as investing in new equipment or digital infrastructure. This is aimed at supporting small businesses to adapt to COVID-19, innovate in their business, supports jobs and ensure they keep going in any tough times to come.

But I also want us to take up the challenge that has been extended to us by the small business council and commence work on new ways to support small businesses with finance, such as the proposed Small Business Growth Fund, repurposing the Small Business Cashflow Loan Scheme, establishing a micro-finance company for small businesses, or expanding the mandate of the Venture Investment Fund.

We need to find long term solutions to a problem that actually existed before COVID arrived on our door step.

The second priority is to get the flexi-wage scheme up and running by the end of the year.

While the unemployment figures released yesterday were lower than many had predicted, the disproportionate impact of job losses on Maori, Pacific and woman is undeniable.

It's our view that we must tackle employment from both angles – through job creation such as infrastructure investment, our jobs for nature programme, and our free training opportunities. But we also have a role to play in supporting employers to take on employees also.

The flexi-wage is a wage subsidy programme that assists employers to hire people who are at risk of long-term unemployment and receiving a benefit. The subsidy is targeted and flexible, commensurate to the type of business or the needs of the person being employed.

We will boost investment in the flexi-wage programme through an additional \$311 million of funding to increase the average subsidy paid to businesses and enable up to an additional 40,000 unemployed people to take advantage of the programme. Policy details will go to Cabinet before Christmas, and we will start rolling out the additional funding this year.

Part of our flexi-wage proposals also include \$30m being ring fenced to support out of work kiwis to help start a business through an expanded Flexi-wage Self Employment programme. This will provide the same amount a business would receive for an employee subsidy to assist starting their own business.

Ultimately, by building on a proven programme we are able to offer additional support to struggling businesses and create a strong incentive to employ those who are most affected by the economic recession. It's a win-win and one we are keen to get going with, and promote to employers.

We know these types of employer focused programmes make a difference. In the early stages of our COVID response we focused heavily on retaining and growing apprenticeships.

A comprehensive \$519.8 million support package was launched for apprentices and their employers, and this has been essential to ensure that the jobs of existing apprentices are secure and that new apprentices are able to start training through our COVID recovery.

I can share today (for the first time) that as of 2 November one part of that package, the Apprenticeship Boost Initiative has seen payments made to 5,219 employers to take on 11,455 apprentices. The thousands of New Zealanders taking up trades will help form the critical workforce needed to deliver the \$42 billion earmarked for infrastructure projects over the coming years.

In addition, since we introduced free trades training and apprenticeships on 1 July we have seen 6791 new apprentices sign up in the building and constructions sector alone, 4000 more than in the same time period last year.

These are policies that are delivering and I encourage anyone here who can take on apprentices to do so, and to share the message that anyone wanting to retrain should consider signing up for free trades training and become part of the workforce to help New Zealand build back better.

I can also announce today that we will continue to approve fast tracked RMA projects this year. Cabinet will consider additional projects to go through the fast-track process before Christmas and will be announced in due course. The first project has already been approved by the fast track panel and we expect to refer additional projects to panels within the next two weeks

The wider work on RMA reform is a priority this term. There will be change. David Parker is progressing this work and we intend to make this a priority for the first half of 2021.

Over the next term we will also have a particular focus on sustainability, and pursuing carbon neutrality. If we are going to ask the private sector to reduce emissions we know as a public service we need to get our own house in order too, and at the same time continue to pursue large scale projects that will pay dividends in multiple ways – this includes work on the

business case to shift to 100% renewable electricity, work on our hydrogen road map with a focus on domestic freight use and as a potential export market, and exploring the potential opportunities created by biofuels. All of this creates efficiencies for us, addresses our international obligations, but also creates an opportunity to trade on our clean, green status with authenticity.

Our climate status has the potential to be an economic golden ticket for our products, if we get it right.

But this is just one opportunity that lies in front of us as we rebuild. I am utterly convinced that one of the others is in the digital space.

On Monday we very deliberately created the role of Minister for the Digital Economy and Communications, which will be held by Dr David Clark. This will pull together many currently separated strands of work – the digital divide, issues around rural access to digital technologies right through to the digitisation of the public service.

But more than that. I see this role as an excellent opportunity to help us respond to COVID-19 and to position ourselves in the future.

The total global e-commerce market was estimated to be worth US\$7.7 trillion in 2018, including both the retail and business to business market.

Already our technology sector is New Zealand's third largest exporter, with ICT alone representing \$6.7 billion worth of revenue in 2019 and COVID has shown the role it can play in our recovery and in working in a more remote fashion.

I see this ministerial delegation supporting the rollout of new technology across New Zealand and creating a digital strategy for Aotearoa. To help do this the Minister will create a Digital Ministers Group that will focus on: connectivity, economic benefits of digitalisation and e-commerce, data, digital skills and inclusion.

We have the ability and opportunity to be a truly digital nation, but we have a lot of work to do to get there. I'm committed to making improvements and gains in this area this term, and I am very much looking forward to working with all of you on that goal.

In fact, I anticipate a busy period for collaborative work over the coming months in many other respects.

Prior to the election, we signalled our view that we needed reform of our sick leave provisions. Making sure that workers are well supported to stay home when they are unwell is an important part of our COVID response, and in our view, the current provision of 5 days is not sufficient.

During the election we proposed a shift to the same level of sick pay as Australia, with 10 days. We know there are issues to be worked through on some of the wider implementation. We are committed to working through those questions together.

That's why cabinet will consider draft legislation before Christmas, with a plan to introduce this in the house before the end of the year, but then move to a full select committee process so we can try and build some consensus around this issue. Michael Wood will lead this process for us, and I know is keen to build on the good relationships we already have with Business NZ.

So as you can see our priorities through to the end of the year are about what is most urgent, and that is supporting jobs and business through the small business loan scheme, getting the flexi-wage scheme up and running and continuing to promote enrolment in free trades training and apprenticeships. We are also getting infrastructure projects moving with more projects to go through the fast-track process.

In the meantime we will be continuing with our existing border settings for now, while we work on what can be accommodated within those settings. New Zealanders want and deserve a safe summer holiday, so our focus is on managing the existing risk profile.

But our response does not end there. In fact it is only the beginning. We have a constant eye to the future. To the time when we can expect to see a change in the COVID landscape we are currently operating in.

Our vaccine strategy is rolling out well. We have advanced purchase arrangements with Pfizer and BioNTech and are in negotiations with a number of others. Based on current predictions, roll out of different vaccinations is likely to begin in earnest next year, albeit with some varying estimates around which quarter.

When we are in a position to change our border settings, a trade mission will be on the top of my list. I have already asked the Ministry of Foreign Affairs and Trade for advice around leading a delegation into several key markets, including Europe and the UK where we have already begun negotiations on critical free trade agreements as well as China and the US

In the meantime, we are continuing with concluding other trade agreements like RCEP, which I expect announcements around soon. This represents the largest FTA in the world (along with CPTPP) While it may not give us any new access, it will provide a single rule book covering 14 markets, which will significantly reduce complexity for exporter. In fact the economic benefit of RCEP is likely to exceed \$2b. It is forecast to add over \$400b to the world economy and shift global economic activity towards East Asia, and will support New Zealand's COVID recovery, especially since East Asia is forecast to recover more quickly than Europe and America.

RCEP demonstrates that while getting our borders open again will be important, we can continue to further our interests in the current environment. And we will.

To conclude, I want to expand just a little bit on something I said on election night, approximately a lifetime ago.

I said we will govern for all New Zealanders and to reach as wide a consensus on key issues as possible. And I said that very deliberately. Yes we have been humbled by such a strong mandate, but in my mind, that mandate was both endorsement of what we have done and plan to do, as it was about the way we do things.

Yes, we will from time to time have different opinions. We may disagree on strategies or goals, but so long as we are able to continue our dialogue, recognise that we have the same ambition for New Zealand, we will find a way through difficult situations and challenges in a way that will stand us in good stead for the future.

That is my commitment to you.

In the meantime, let's crack on with it.