

Minister for Economic Development
Minister of Trade

18 November 2008

BRIEFING TO THE INCOMING MINISTER

Purpose

1. The attached briefing provides an overview of New Zealand Trade and Enterprise (NZTE) structure, role, and its current and strategic priorities.

Recommendation

2. It is recommended that you:

Note the content of this report.



Tim Gibson
CHIEF EXECUTIVE

1 PURPOSE

This paper:

- explains what NZTE does, and the products and services we offer
- outlines the challenges facing New Zealand firms and how we support your priorities for increasing productivity and growth
- summarises our advice to improve the performance of business across the export sector.

2 EXECUTIVE SUMMARY

NZTE's strategic priorities are:

- increasing international connections
- building business capability
- improving the environment for enterprise and growth.

NZTE provides a range of services that support New Zealand businesses to innovate and grow, build business capability and address systemic barriers to growth. We also work closely with the Ministry of Economic Development (MED) to consider the infrastructure that underpins the environment for growth (e.g. broadband capacity for businesses).

NZTE takes an integrated approach to economic development and trade. Services include trade promotion, domestic business capability building, regional development, encouraging innovation, and investment services. Through our quality networks and staff spread across 38 locations, NZTE is responsive to the needs of New Zealand firms as they engage in the global economy. Our business model and balance of services is constantly reviewed based on client feedback and the experience of other overseas government agencies.

The value of our integrated approach was recently recognised by the World Trade Promotion Organization. NZTE won the "Best of the Best" Award and the "Best Trade Promotion Organization from a Developed Country" Award for 2008. Other countries have adopted or are moving to similar models.

There is no shortage of international opportunities for New Zealand firms, but there is a shortage of companies capable of taking advantage of those opportunities. Achieving the right balance between onshore and offshore activities is constantly under review by NZTE, as it is vital that we have a

pipeline of companies that are equipped to operate internationally. Overcoming New Zealand's geographical location and connecting with global markets for goods and services as well as ideas, technology and people, is critical to New Zealand's economic performance.

NZTE's main public sector relationships are with our partner and monitoring agencies, MED and MFAT. Together, we have a shared goal of better aligning strategies and operations. NZTE also works with Tourism New Zealand on a branding strategy designed to promote New Zealand's value proposition, how it does business, and its place in the world.

We work in partnership with small and medium enterprises (SMEs), larger firms and major corporations and multinationals to help create the best conditions for economic growth. New Zealand's largest firms are viewed as small or medium sized on the international stage, and we continue to ensure that there are products and services designed to help New Zealand businesses of every size.

Over the last few years, we have strengthened our representation in key markets (in particular Asia) and we have rolled out a range of products such as Beachheads and Better by Design focused on actively supporting the internationalisation strategies of New Zealand's most productive firms.

In the current global economic trading conditions, we are reviewing our products and services to ensure that we continue to offer the most value to businesses. We consider that the overall strategic positioning of NZTE is valid, but there is likely to be increased demand for services designed to support firm productivity.

3 CHALLENGES FACING NEW ZEALAND FIRMS

New Zealand is a nation of small businesses. Only four per cent employ more than 20 staff and as few as 625 businesses are responsible for 91 per cent of New Zealand's exports. Experience and research has shown that there are particular challenges to building internationally competitive firms from a New Zealand base.

Lack of scale – New Zealand firms do not have a significant domestic market in which to build scale and gain experience. By European standards, 31 of New Zealand's top companies would be considered medium sized businesses. In the US, 55 of our biggest companies are considered 'small' businesses.

Distance – Success in global markets depends on having access to real time information on critical factors affecting their business including: customer tastes, cultural issues, channels to markets, business networks, and regulatory environments. New Zealand firms must bridge the distance between their production base and their end users.

Lack of capability in critical areas – New Zealand firms can lack international management expertise and may not be familiar with international business models. NZTE research shows that New Zealand businesses are perceived internationally as being high in human values, but lacking business acumen.

The challenge of shifting to a global mindset – New Zealanders need to aspire to become global suppliers and competitors, and adopt global ways of doing business.

The global credit crunch and changing economic conditions

New Zealand is a small, open economy. This means that firms are intimately connected and exposed to global markets. Being globally connected brings many benefits: increased markets for products, greater access to a wide range of consumer and producer goods at competitive prices, and the opportunity to learn from technology leaders.

However, in times of economic stress, business fundamentals become more important as they assist firms manage downturns and set them up for future opportunities. Building business capability to take advantage of international growth opportunities still has the greatest long-term benefit to the New Zealand economy. This will be challenging given the experience of NZTE staff and stakeholders that New Zealand firms are consistently under-prepared and consequently are vulnerable to changing market conditions.

The successful internationalisation of firms is critical to New Zealand's long-term growth prospects – this remains true regardless of the short to medium-term domestic and international environment. We consider there will still be more international opportunities than New Zealand firms will be able to take advantage of. Persevering in markets and with partners is critical in these tough times.

Over the latter half of 2008, governments everywhere have taken significant steps to increase liquidity and restore confidence and trust in the world's financial systems. At this stage, the impact of government bail-out packages is unknown though the 'credit crunch' is constraining some New Zealand firms' and overseas firms' ability to access capital.

A tight credit environment has implications not only for how (and whether) firms can fund growth opportunities, but also if they can access working capital. It also means that the strength of a firm's balance sheet is likely to drive business strategy. Managing credit risks, retaining existing investment and focusing on firm productivity are likely to become more important for businesses over the next 12 to 36 months.

In addition to reduced global liquidity and increased risk aversion, world economic growth is slowing. While the global slow down will not be uniform across countries and sectors, in aggregate it is likely to lead to reduced demand for New Zealand goods. It will also reduce asset values and the commercial outlook of many New Zealand firms seeking capital. This is likely to reduce the risk appetite banks have for some clients in the absence of further guarantees or capital injections from the owners.

How current economic conditions are affecting New Zealand companies - a snapshot

We are surveying client facing staff around the world on a weekly basis. Feedback indicates that a growing number of New Zealand firms are being paid more slowly or not the full amount owed. This is evident even with large household name companies. Long payment terms will put pressure on some businesses. Firms are

responding by proactively managing outstanding debtors and looking at options such as factoring as a form of short term investment/cash flow.

With respect to the internationalising objectives of NZTE clients, responses over the two weeks are fairly evenly split between being positive and negative. Firms appear to be working harder (often with existing clients) to ensure success. Firms are positive if they see the current climate as presenting great deals or they are looking for growth opportunities to challenge larger competitors. A surprising number of firms report business as usual. It is not clear whether this is because they are well insulated from risk or whether this represents a lag in the impact across markets and market niches.

The top three major changes in opportunities for NZTE clients are perceived to be:

- revenue potential from new markets
- consolidating position in existing markets
- confidence.

The major changes in risks facing NZTE clients over the two week period (confidence; payment; credit risks; access to capital; and cash flow and working capital) reflect concerns around payment terms being extended.

We will continue to work with firms to respond to changing conditions, and to position firms to take advantage of growth opportunities. As firms position themselves to ride out the downturn, NZTE will help them to consolidate in market niches where demand is likely to hold up, and to prepare themselves to successfully expand and grow as new opportunities emerge.

4 THE ROLE OF NZTE - NEW ZEALAND'S ECONOMIC DEVELOPMENT AGENCY

NZTE provides value to firms by understanding the opportunities and challenges of the global economy and delivering products and services to enable firms to improve their productivity and performance. Relationships with clients range from working with SMEs to strategic projects with large international firms.

Products and services sit within each of the roles outlined below. To fulfil these multiple roles we rely on our people, our global reach, the trust and goodwill of our clients and networks, and a compelling New Zealand brand.



Using high quality networks in New Zealand and internationally to extend firms reach in global markets:

New Zealand is a small market. Businesses that prosper do so by looking beyond New Zealand's shores to develop larger, higher value markets where they can sell their products and services at higher margins. They do this in many ways – by becoming exporters, by supplying exporters or overseas businesses, by investing overseas and by taking steps to become global players in the sectors in which they operate.

The **Beachheads** Programme is an excellent example of the use of networks to support firms. Most New Zealand companies entering new international markets do not fully appreciate how hard it is to create new networks and how those networks help companies penetrate and grow markets. This programme fast-tracks the development of networks and ensures participants get access to top strategic market entry and market growth advice, and access to influential connections it would normally take years to develop.

The programme is a powerful partnership between NZTE and an influential network of senior private sector executives who provide companies with strategic business advice and access to decision makers in offshore markets. The programme operates across the Americas, Europe, the Middle East, India, South East Asia and North Asia. There are up to 85 companies in the programme at any one time, and 30 new companies joined the Beachheads programme in the year ending June 2008.

Other NZTE services that also use networks to support firms include our market outreach through our global network of 38 offices, sector projects to build specific vertical networks and regional networking within New Zealand under the Regional Strategy Fund. NZTE is also tapping into its networks to gather up to date market intelligence on economic conditions that is being shared with clients, policy agencies and business stakeholders.

Building the capability of firms to enhance their productivity and support their growth

Most companies start small – many with just an idea, or a single contract, and one or two motivated people. To grow, they need to acquire new knowledge and skills, connect with customers and business partners in New Zealand and overseas, acquire or develop new technology, and raise capital.

Better by Design is an award winning programme that delivers support for firms to build their capability in terms of industrial design, embedding creativity and structuring their business for growth. Through Better by Design, more than 100 New Zealand companies are using design to build their brands and differentiate their products in international markets. The programme has helped clients achieve an average increase in export revenue of 23 percent – double the increase in total New Zealand exports.

The **New Zealand International Business Awards** programme was developed following a review of the New Zealand Export Awards. The revised Awards programme will better build applicants’ business capability, increase understanding of internationalisation, recognise a broader range of international business models, showcase exemplar companies to inspire others, and profile how NZTE can help grow globally competitive firms.

Support for **Incubators** is also a vital part of NZTE’s support for small and growing businesses. NZTE currently funds eight incubators that are delivering services to start up firms across the country. In 2009/10 NZTE will increase funding for incubators and move to a multi-year funding model. This will streamline administration, provide greater certainty to incubators and improve the quality of services offered.

Path to Market is an award winning programme that helps groups of early stage exporters into new markets. We have a range of other products and services developed specifically for New Zealand small-to-medium sized enterprises (SMES). These include:

| Service | Objective | Number of clients |
|---------------------|---|---|
| Enterprise Training | Improving the management skills of owners and operators of SMEs | 7000-8000 |
| Biz | Providing a business information and referral service | 15,000 – 20,000 jobs logged 60,000 – 100,000 referrals |
| Mentoring | Supporting Business Mentors New Zealand to deliver mentoring | 2 – 3000 client-to-mentor matches |
| Export Training | Capability building for export firms, and those getting ready to export | Included in Enterprise Training figures |
| E-business guide | Providing an online self-service roadmap for e- | 2400 businesses |

| | business | currently registered |
|-----------|---|---|
| Escalator | Providing investment ready businesses with assistance to access capital | 150 – 200 trained \$15m capital raised |

The majority of these services are delivered through contractual relationships with service providers. NZTE is in discussion with key stakeholders such as Business New Zealand to ensure that our service offerings remain well targeted, and that we avoid crowding out other providers.

Sharing knowledge with firms to find the best opportunities for them to grow

NZTE's international offices provide a critical pathway for New Zealand firms to learn about global markets and identify the most viable opportunities. Market research, trade missions, and one-on-one support for firms delivered through our offshore offices enabled 541 companies to explore new markets in 2007/08.

Information is also disseminated through our regional services and via online tools such as www.marketnewzealand.com and www.business.govt.nz. In 2007/08 145,702 visits were made to the marketnewzealand.com website and 12,418 people received assistance from NZTE through a free-phone line.

Facilitating tactical and strategic activities that address systemic barriers to growth

NZTE works with sectors, regions and firms to facilitate individual and group activities that address the constraints of scale, distance or other market asymmetries. Facilitating activities across groups and acting as a trusted advisor for firms is a core part of what we do and spans our programmes in terms of regional economic development (seven major initiatives funded in 2007/08), investment attraction (seven significant foreign direct investment deals negotiated last year), and Strategic Initiatives.

Strategic initiatives are cross sectoral – cross regional programmes of work that seek to match international opportunity to particular areas of New Zealand capability. They encompass 3-5 year projects that build on areas of long term opportunity. More detail about strategic initiatives is provided on page 10.

The **Food and Beverage Taskforce** is an example of a sector-focused initiative that is seeking to bring together participants across the food and beverage value chain to facilitate deals and stimulate growth. Sector specific activities help firms achieve high margins for its high quality food and beverage products both in New Zealand and in specific international markets.

Funding the development of firms, industry groups and regions

NZTE administers economic development grants and co-funding programmes on behalf of the government. The funding NZTE makes available to firms has been

shown to improve firms' access to private sector advice and support. An OAG audit in 2007 found that NZTE is effectively and efficiently administering the grant programmes that were examined, in keeping with the intentions of government. There is criticism at times that our grant processes are overly 'bureaucratic'. We are constantly reviewing whether we have the right balance between ease of access and accountability for taxpayer dollars.

Grant and co-funding programmes cover a wide range of initiatives and partnership assistance. Programmes administered by NZTE include the Growth Services Fund, enterprise development grants to build capability, market development funding, regional strategy funding, and strategic investment funds. Funding for Strategic Initiatives and sector projects as well as support for industry bodies also provides indirect support for firms, sectors and regions.

NZTE's co-funded grants programmes are currently being reviewed to ensure that the design and targeting of co-funded grants is world class and aligns with the cross agency Globally Competitive Firms strategy. NZTE and MED have been directed to report back to Ministers on the review, by 30 June 2009.

As well as working with firms of all sizes, we work directly with regions because strong regional economies are an integral aspect of growing the New Zealand economy. NZTE has been key in taking a collaborative joined-up approach, to lift productivity levels across New Zealand. To ensure that regions fulfil their economic potential, we provide advice and funding to regions and major firms in priority sectors and key business areas. This includes providing advice on the development of medium-long term regional economic development strategies.

Investment New Zealand

Investment New Zealand (INZ) is a division of NZTE that assists international corporations to explore investing in, and partnering with, New Zealand companies. INZ helps existing overseas investors to develop their business activities in New Zealand, to ensure economic benefits are maximised. INZ is also focused on supporting a vibrant capital market in New Zealand, which can provide finance for business growth. NZTE's investment managers are based in New Zealand and in strategic locations around the world.

High quality foreign and outward direct investment is internationally recognised as an important component of economic transformation, growth and the internationalisation of New Zealand firms. Services include facilitating access to investment through provision of 'investment ready' information, advice and training, and through the Escalator investment brokering programme, and promoting/attracting direct productive investment into New Zealand and facilitating outward direct investment.

5 NZTE'S STRATEGIC PRIORITIES

Globally Competitive Firms

NZTE is leading cross-agency work to increase the scale and number of New Zealand firms successfully competing in global markets. Under the Globally

Competitive Firms (GCF) framework, we are focusing on providing more effective support for firms that are developing their international operations. We are doing this by:

Working more closely with a smaller number of firms that have the capability or potential to compete with the best businesses internationally - NZTE is sharpening our focus on firms with the ability to become successful international operators and towards large New Zealand businesses that are already committed to global expansion. We are reviewing the characteristics of the firms that we engage with to ensure that we can assist in maximising the growth opportunities for them and for New Zealand.

Tailoring our products and services more to the needs of those firms - More strategic and integrated support will be offered to businesses that are either operating internationally or that are committed to global expansion. NZTE's network of staff in New Zealand and overseas will develop tailored client management plans to provide these businesses with access to the right people, knowledge, funding and opportunities to help them succeed.

Managing development activities for firms that have the potential to internationalise in the future - NZTE assists the development of a pipeline for the next generation of globally competitive firms by ensuring service delivery and integrated client management for firms that have the potential to extend their international activities in the future.

Continuing to support other businesses, with a focus on third party and internet based delivery - New Zealand needs a healthy and resilient base of domestic businesses, especially since many supply essential products and services to international companies. These firms have indicated that they want accessible information and tools to help them manage their businesses efficiently. NZTE is examining ways that more sophisticated internet tools and training services could extend the reach and accessibility of information for businesses focused on domestic markets.

NZTE is working closely with other government agencies such as the Ministry of Economic Development, Ministry of Foreign Affairs and the Foundation of Research Science and Technology in implementing the strategy. Through a coordinated approach the agencies aim to reduce duplication and make businesses' interaction with government seamless.

Strategic Initiatives

Strategic initiatives are multi-year activities that seek to address systemic barriers to growth within or across sectors, and to capture sector or cross-sector global opportunities. There are currently six strategic initiatives, each of which encompasses a range of cross-sectoral projects or activities. They have been developed by staff who are specialists in their fields, and their selection is based on our experience and understanding of the New Zealand business sector as well as the opportunities presented by offshore markets.

The funding for the strategic initiatives comes from output class two (regional and sector development services). The current strategic initiatives are:

Creating value from the primary sector - accelerating the growth of globally successful firms from the primary sector, by shifting the emphasis from exporting to broader international engagement using a range of business models.

Entertainment – content-driven experience - helping New Zealand film and creative content firms and other industry players to break into markets and develop partnerships with global players, and facilitating industry capability building around content development and the integration of digital content and technology innovation.

Lifestyle/wool industry - improving the economic returns for New Zealand wool, by focusing on New Zealand wool's premium quality, and taking advantage of growing global demand for sustainable materials and processes.

Emerging technologies - validating the business applications and value of emerging technologies for New Zealand, including high temperature superconductors, titanium alloy powder metals and downstream engineering products and coatings.

Global transformation of the manufacturing sector - improving the way manufacturers do business, with a specific focus on improving productivity and connecting firms to large, defined opportunities overseas.

Integrated healthcare – positioning New Zealand to be internationally recognised as a world leader in applying technology to provide integrated healthcare solutions for targeted markets.

Leveraging International Opportunities

Rugby World Cup 2011

The Rugby World Cup 2011 provides a unique opportunity to showcase New Zealand business across a range of sectors.

NZTE is leading work to maximise the opportunities for New Zealand businesses by leveraging off the largest sporting event New Zealand has ever hosted. Opportunities will range from hosting VIP clients and investors, exhibiting at sector events, networking with potential clients/investors and business networking events right through to tourist spend and procurement. The NZTE project plan builds on the successful business programme run during the Rugby World Cup 2007, which resulted in \$11.4 million of new business for New Zealand from a total project cost of \$213,000. NZTE plans to triple this return with activities related to Rugby World Cup 2011.

Bilateral and multilateral trade

New Zealand's strong outward focus is reflected in our support for the World Trade Organisation and preferential trade agreements. The pattern of bilateral and multilateral trading relationships is shifting and Asia is becoming more important to New Zealand's future competitiveness.

New Zealand has learned from its involvement in trading agreements with countries like Singapore and Thailand and NZTE applied these lessons when we joined MFAT in actively leveraging the recent New Zealand China Free Trade Agreement (FTA). Over 1200 firms attended the NZTE roadshows held after the announcement of the FTA and we will build on this type of activity to secure opportunities made possible by the FTA with China.

A specific example of this is the one stop business centre, known as New Zealand Central, which had a soft opening in Shanghai in November 2008. It is designed to help companies grow their business in China, and will provide a physical presence and home for the New Zealand brand in Shanghai. This business-to-business initiative will support sector and company strategies in the region and help businesses looking to make the most of the FTA.

NZTE will continue to identify opportunities to leverage trading relationships and support MFAT as New Zealand participates in ongoing negotiations including the Doha round of the WTO, the US Trans-Pacific Economic Partnership Agreement, the extension of the P4 relationship, ASEAN negotiations, and possible new bilateral relationships with Korea, India, Japan and the EU.

World Expo 2010, Shanghai

In April 2006 New Zealand was one of the first twelve countries to accept the invitation to participate at World Expo 2010 Shanghai. NZTE is leading a whole of government effort to deliver the New Zealand Pavilion and leverage opportunities from the Expo. The decision to participate in Shanghai recognised China's rapid economic growth, increasing prominence as a global player, and importance as New Zealand's third largest trading partner, with bilateral trade worth \$7.51 billion to November 2007.

Participation at the Expo will help to build relationships with China at every level: government to government, business to government, and business to business. It will also present a unique opportunity to promote New Zealand as a tourism destination in the Chinese market place.

Asia Strategy

Over the past two years, NZTE has taken steps to increase its presence in Asia – specifically in China, India and Japan. Economic growth within Asia, especially in China and India, is fast eclipsing all other regions. As competition intensifies for a share of the large Asian consumer markets, local knowledge and understanding of consumer buying patterns and changing tastes will increasingly become important drivers. Firms are also likely to require additional assistance to manage the market complexity arising from, for example, language and cultural barriers, procedures for

securing licensing and distribution rights, and other general barriers to market access in Asia. Because of the rapid pace of change it will be increasingly difficult to maintain this knowledge from New Zealand.

NZTE will assist firms and sectors to better position themselves to seize the opportunities provided by Asian markets. This will involve extending our offshore services to almost double capacity in China and Japan, and triple the capacity in India. A Beachheads initiative has been launched in China and the Hong Kong Focus Centre continues to deliver value for clients. Further intervention in China, India and Japan will enable more firms to increase their chances of international success in these markets.

Sustainable Business

Many NZTE clients are looking for assistance in understanding how sustainability will impact their business and the associated opportunities and risks. Sustainability is significantly changing the way in which business operates in international markets, in particular through changes in consumer behaviour, international supply chains, and government regulations and legislation.

NZTE is building business capability with regard to sustainable business practice by raising awareness among businesses, integrating sustainability into our programmes and services, and improving market intelligence.

6 NZTE STRUCTURE

NZTE is established under the New Zealand Trade and Enterprise Act 2003, and is a Crown Agent under the Crown Entities Act 2004. NZTE is funded under Vote: Economic, Industry and Regional Development. NZTE is governed by a Board that is accountable to the Minister of Trade and the Minister of Economic Development. NZTE's Board members are expert in a number of business areas. This is invaluable, as it means that our strategy is tested and shaped by a Board with deep commercial and business experience. The Board members are:

- Jon Mayson (Chair)
- Craig Ellison
- Jane Hunter
- Alan Isaac
- Peter Maire
- Peter Menzies
- Lorraine Witten
- Peter Conway

Profiles of Board members are included in appendix 3. The Chief Executives of MFAT and MED are special advisors to assist the Board in aligning strategy and activities with Government policy.

The Board appoints the Chief Executive who is accountable for the operation of the agency. The Chief Executive is supported by a Senior Executive Team (SET) made

up of eight senior staff. SET is responsible for implementing the strategy as agreed by the Board.

NZTE has a total of 602 full time equivalent staff (FTEs) delivering our services across 38 offices around the world. Five percent of NZTE staff are fixed term employees, 38 percent are based in the overseas network and 57 percent are based in New Zealand. Most NZTE staff are recruited from the private sector, and all New Zealand based employees are on individual employment agreements.

We take a hub and spoke approach to international offices to ensure depth and expertise in markets while retaining operational flexibility. Five regional hubs are permanent locations housing regional directors and trade commissioners, investment, sector and market specialists (Los Angeles, Hamburg, Singapore, Hong Kong and Auckland). Spoke offices are intended to be flexible; with their duration and resources reflecting changing market opportunity (hub and spoke locations are outlined in appendix 1).

Total operating expenditure in 2008/09 is \$174.3 million. The following breakdown is based on our 2008/09 Output Agreement¹.

- Standardised training and advisory services (\$16.1 million)
- Regional and sector development services (\$44.9 million)
- Analysis and development services for firms (\$22.5 million)
- Identification and coordination of international market opportunities (\$68.4 million)
- International investment facilitation services (\$16.7 million)
- New Zealand's participation at Expo 2010 Shanghai, China (\$5.6m)

\$76.8 million is appropriated in 2008/09 for grant programmes.

Reporting and evaluation

NZTE develops an output agreement every year, and reports to Ministers on performance every four months. MED manages an annual evaluation process, which reviews our performance in delivering programmes. We use a performance measurement framework for strategic decision-making, accountability and communication with stakeholders. The framework is based on the balanced scorecard and measures four key areas:

- **Impact:** to enable Ministers, NZTE and other stakeholders to determine the impact of NZTE's activities and their contribution to economic growth
- **Cost** and resource allocation: to support the accountability and reporting relationship with Government, and inform resource allocation
- **Creating value** for clients and partners: to provide information to Managers and staff and align behaviour to the strategy
- **Learning and growth:** to ensure NZTE has the people, culture and technology to enable the organisation to implement the strategy.

¹ Figures have been rounded to one decimal place.

7 WORKING IN PARTNERSHIP

NZTE's knowledge of the business sector means we bring a unique perspective to the overall government policy development process. NZTE sits at the nexus of public and private sector engagement. We share the information and perspectives we gather with other public sector agencies, and provide advice on Government policies, particularly around economic and regional development.

Our main public sector relationships are with our partner and monitoring agencies, MED and MFAT. Together, the agencies have a shared goal of better aligning strategies and operations. In working with MED, we have a role in bringing the views of business and our implementation experience to the policy development process.

We work with MED to...

- implement government policies to promote economic development
- evaluate the effectiveness and efficiency of programmes delivered by NZTE
- gain access to information, expertise and advice that will help deliver the organisation's strategy
- share resources in the development and implementation of initiatives
- collect and share information on the impacts of economic trends on New Zealand firms.

We work with MFAT to...

- address trade access issues and influence perceptions that may affect market access
- gain access to people overseas with influence in business and government
- build a network of relationships that will support New Zealand's growth overseas
- enhance the credibility and attractiveness of events overseas for selected invitees
- gather timely information that affects New Zealand's economic and business interests
- raise the profile of New Zealand and the New Zealand New Thinking brand
- share New Zealand government resources where it is effective and efficient to do so.

NZTE also works closely with other agencies with an interest in issues that cut across the economy such as productivity, skills development and innovation. Chief Executives of MED, NZTE, Ministry of Research Science and Technology (MORST), Foundation for Research Science and Technology (FRST), Ministry of Education (MOE) and Tertiary Education Commission (TEC) meet regularly to coordinate activities. The Trilateral Alignment Forum (NZTE's partnership with TEC and FRST) is one of the mechanisms for enabling this cooperation. The Board Chairs and Chief Executives use this mechanism to advance joint projects and ensure operational alignment.

Industry bodies and other economic development agencies

We work closely with industry bodies, business organisations and regional and local economic development agencies (EDAs) to support firms and our strategy.

Partnerships with key industry bodies such as Business New Zealand and the Chambers of Commerce enable us to inform the strategies of groups of firms and position these sectors for future growth. The Business Capability Partnership is an example of this. NZTE worked with a variety of local, regional and business stakeholders to create a tool for assessing the needs of firms. This tool is now being applied consistently across a range of organisations to assist firms more effectively.

We also maintain relationships with expatriate New Zealanders through our networks and through groups such as KEA New Zealand.

Branding New Zealand

Countries compete for a share of the world's attention and wealth, and people's decisions about what to buy, who to do business with and where to visit are influenced by their perceptions of a country. 'New Zealand New Thinking' is NZTE's international marketing campaign, designed to enable New Zealand businesses to connect with key international audiences. The campaign is focused on building New Zealand's business reputation internationally, by demonstrating New Zealand's creativity and innovation.

We have worked with Tourism New Zealand on the development of the brand and the values can be used consistently by both organisations to promote New Zealand, its people and products on the world stage.

8 UPCOMING EVENTS

A calendar of major trade promotion and other events is outlined below. You will also be receiving briefings and reports related to our current work programme. In December you will receive an update on our work to align NZTE grant schemes as part of the globally competitive firms policy. A full report on implementation of globally competitive firms will be provided by 30 June 2009.

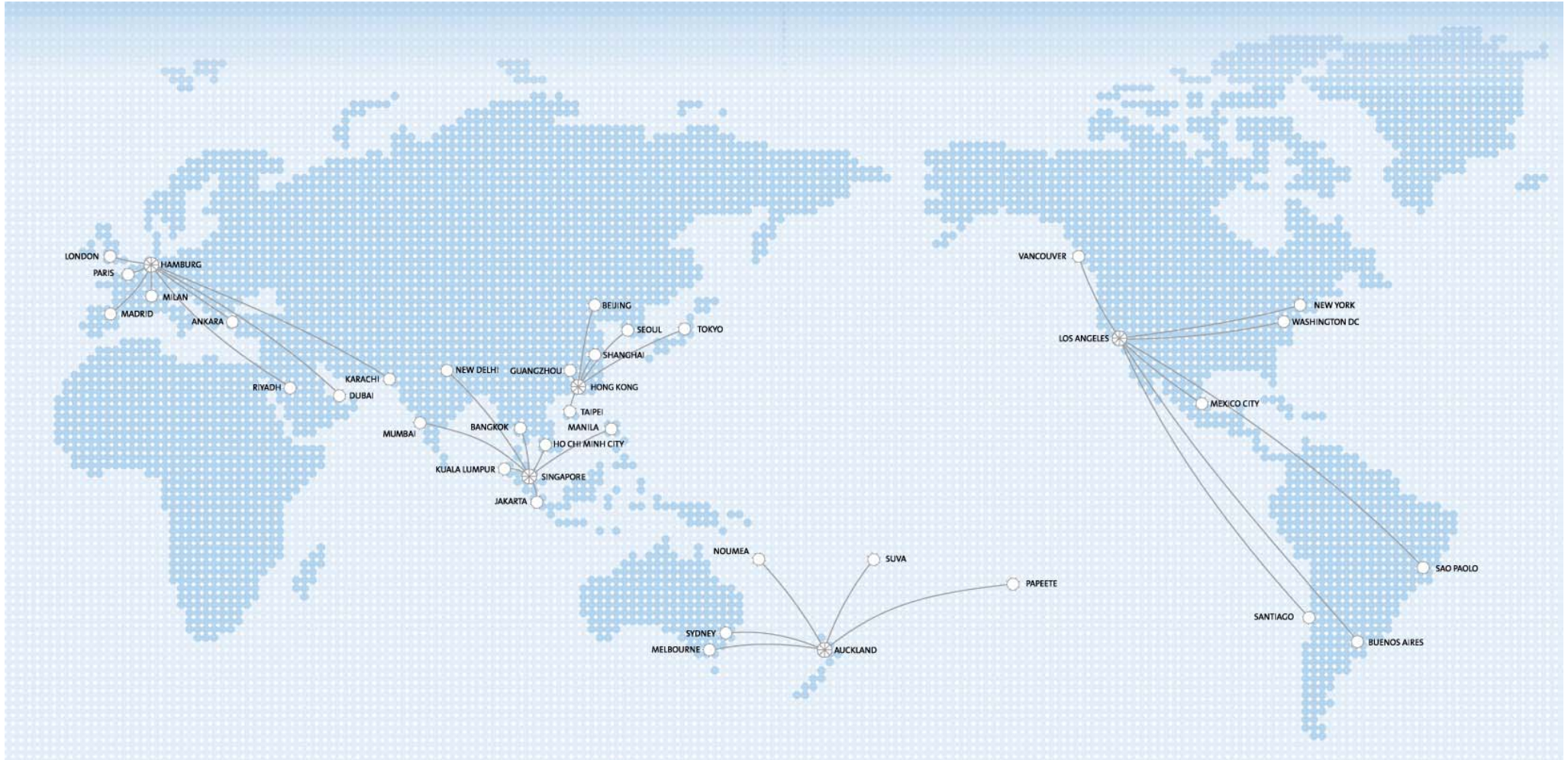
The Trilateral agencies – New Zealand Trade and Enterprise, Tertiary Education Commission and the Foundation – are currently working on two major projects with the potential to embed significant new industries in New Zealand based on technology platforms related to high temperature superconductors and metal powder processing. The agencies will provide you and the Ministers of Finance, Research Science and Technology, and Tertiary Education with a report on Trilateral projects by 27 February 2009. This report will outline delivery of funds appropriated for Trilateral projects in 2008/09 and proposals for further funding in 2009/10 and out years. The Chairs of the Trilateral agencies look forward to discussing this initiative with you.

Calendar of Major Events

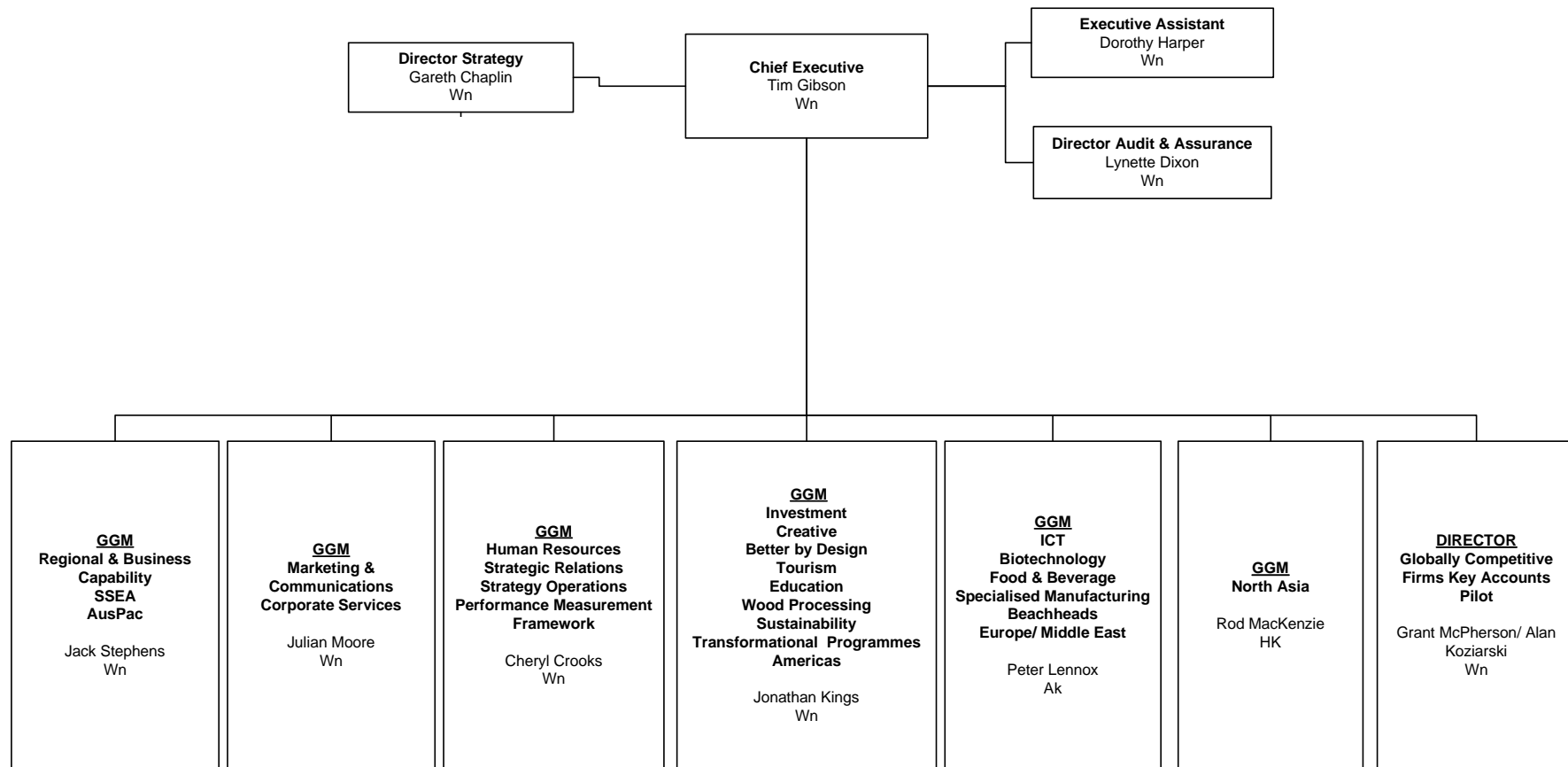
| Date | Event | Detail |
|------------------------------|--|---|
| 13 – 15 November 2008 | METS (Marine Components) Amsterdam, Holland | 18 New Zealand companies will exhibit at the world's largest tradeshow for equipment and components for the recreational marine industry. |

| | | |
|------------------------------|--|--|
| 19 – 22 November 2008 | Medica (World Forum for Médecine) Dusseldorf, Germany | The world's leading medical technologies show. New Zealand business participation is supported by New Zealand branding and significant pre and in-market development programmes. |
| 27 November 2008 | Rugby World Cup Event London, England | Business networking event to be held in the inflatable rugby ball pavilion, which will be erected near Tower Bridge and will be a focus for New Zealand Inc. promotion during the All Blacks tour. |
| 4 – 6 December 2008 | Food Hotel China Shanghai, China | Food and Hotel China is the longest running trade show for the food, beverage, hospitality and food service sector in China and the leading showcase for imported food and beverage product. A custom built New Zealand pavilion will provide a platform for company participants and NZTE to develop key in-market relationships. |
| 2 – 4 March 2009 | Beachheads Conference Auckland, New Zealand | The conference provides an opportunity for New Zealand businesses to meet with 30 leading expert independent advisors from around the world. |
| 3 – 8 March 2009 | CeBIT conference Hannover, Germany | NZTE will be attending CeBIT for the fifth time in 2009. With a high concentration of NZ companies present, CeBIT provides NZTE Europe with a major opportunity to profile New Zealand's technology capability on an international platform. |
| 3 – 6 March 2009 | Foodex, Tokyo, Japan | FOODEX Japan is considered the largest trade-only food and beverage show in the Asia region. In 2008 the show attracted some 95,000 visitors over four days - largely from Japan (in both the food service and retail sectors), but also from Korea, China and Taiwan. |
| 10 – 15 March 2009 | Australian International Airshow and Aerospace and Defence Exposition Avalon, Australia | A key Asia Pacific aviation, aerospace and defence event. 611 exhibitor companies from 20 nations participated in the 2007 exposition. |
| March/April 2009 | Official opening of New Zealand Central Shanghai, China | Following the historic signing of the FTA with China, New Zealand Central is the most visible and significant investment that the government has made in China. The opening of the New Zealand Central business-to-business hub demonstrates New Zealand's commitment to China. |

APPENDIX 1: NZTE LOCATIONS – HUB AND SPOKE MODEL



APPENDIX 2: NZTE SENIOR EXECUTIVE TEAM



APPENDIX 3: NZTE BOARD MEMBERS

NZTE's performance and strategic direction is overseen by a Board of private and public sector directors appointed by the Government.

There are also two special advisors to the Board; Simon Murdoch, Secretary of the Ministry of Foreign Affairs and Trade and David Smol, Chief Executive of the Ministry of Economic Development.



Jon Mayson, Chair

Jon Mayson spent ten years at sea with the Merchant Navy, coming ashore in 1972 as tug master and then pilot at the Port of Tauranga before moving into operational management, culminating in the position of Chief Executive from 1997 to 2005. He was concurrently Chief Executive of Northport Ltd from its establishment in 2001 through to 2004.

Jon has an MBA in International management, has undertaken consultancy work, holds a number of directorships and has pursued an active role in the local community. He is also immediate past President of Export New Zealand. He was made a Companion of the New Zealand Order of Merit (CNZM) in the 2006 New Years Honours List. Jon joined the NZTE Board in February 2008, and became Board Chair on 1 April 2008. Mr Mayson was recently appointed to the Government's Growth and Innovation Advisory Board.



Peter Conway

Peter Conway is Economist and Director of Policy with the New Zealand Council of Trade Unions. In this role he is involved in a number of trade areas including the Doha round, Thailand, P4, ASEAN, the China FTA and the OECD Guidelines for Multinational Enterprises. Other relevant areas of work include productivity, innovation, economic development, industry training, and industry strategies.



Craig Ellison

Craig Ellison has been an active participant in the New Zealand fishing industry, is currently President of the New Zealand Fishing Industry Association and is on the boards of a number of companies in the seafood sector. Of Ngai Tahu descent, he is a director of Aotearoa Fisheries and was a Commissioner with the Treaty of Waitangi Fisheries Commission (Te Ohu Kai Moana) until 2004.

Mr Ellison is chairperson of the New Zealand Seafood Standards Council and the Prepared Foods Group and a director of New Zealand Airways Corporation and the Trade Liberalisation Network.

Mr Ellison was on the previous Trade New Zealand Board.



Jane Hunter

Jane Hunter has been owner, viticulturalist and Managing Director of Hunter's Wines since 1987, and has strong skills and experience in company management and international trade.

Mrs Hunter has been a director of HortResearch New Zealand, and the New Zealand Wine Guild, and a member of the Prime Minister's New Zealand 2000 Task Force.

Mrs Hunter was the inaugural winner of the International Women in Wine Award in 2004 at the Guildhall in London. In 1993 she was awarded an OBE for service to the wine industry and in 1997 she was awarded an Honorary Doctorate of Science from Massey University for her outstanding contribution to the industry.



Alan Isaac

Alan Isaac has extensive experience in the field of corporate governance, corporate management and in commercial accounting. He retired as Chair of KPMG New Zealand in March 2006 after 35 years with the company.

Mr Isaac is a Fellow of the College of Chartered Accountants and the Institute of Chartered Secretaries and Administrators and a member of the Institute of Directors.

He is a member of the New Zealand Cricket and New Zealand Golf Boards and of the Board of Rugby New Zealand 2011 Limited which will have responsibility for New Zealand's hosting of the Rugby World Cup in 2011.



Peter Maire

Peter Maire was the founder and past President of Navman NZ Ltd and has a strong background in establishing and growing companies, in particular exporting companies in the ICT sector. Since his retirement from Navman, Mr Maire has made significant investments in New Zealand-based companies Rakon, Cadmus, Orion Systems and Fusion Electronics.

Mr Maire is a member of the Government's Growth and Innovation Advisory Board, the Hi Growth Advisory Board and is an Honorary Fellow of the Institution of Professional Engineers New Zealand. He is

also the chairman of the New Zealand Innovation Fund's Investment committee, a new multi-million dollar private sector venture investment fund.

Peter was made a Distinguished Companion of the New Zealand Order of Merit (DCNZM) in the 2008 Queen's Birthday Honours.



Peter Menzies

Peter Menzies was the chief executive of Mainzeal Group Limited from 1970 to 1990 and Chairperson from 1987 to 1992. Since that time he has been a company director and consultant.

Mr Menzies is currently a council member of the University of Auckland, a director of Dam Watch Services Limited, New Zealand Seed Fund and Neuronz Limited.



Lorraine Witten

Lorraine Witten has 20 years experience in a range of senior management, finance and director roles in both large and small companies. She has worked in a wide variety of industries and companies, including fast-moving consumer goods, importing, exporting production, manufacturing, clothing, hospitality, primary produce, telecommunications and health.

Ms Witten was General Manager of Telecom Mobile until 2002 and now operates as a business consultant and Executive Chairman of telecommunications company CallSouth and client management company Pulse Business Solutions.

She is a member of NZTE's Beachheads Advisory Board and is director of a number of private companies.