

**VOTE ECONOMIC DEVELOPMENT  
BRIEFING FOR THE INCOMING MINISTER  
2008**

**Prepared by the Ministry of Economic Development**

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## INTRODUCTION

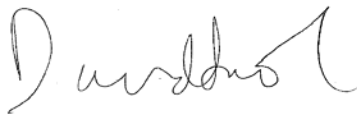
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This briefing provides you with an introduction to the Economic Development portfolio and Vote Economic Development in the light of the Government's stated intentions in this portfolio. It summarises key areas of policy and major policy issues. It also lists pending actions and decisions that you will need to consider in the next three months.

This briefing is supplemented by the Ministry of Economic Development's broader overview briefing on *Key Economic Development Opportunities and Challenges*, along with a *Guide to the Ministry of Economic Development*, which details the Ministry's role, structure, and functions.

The Ministry of Economic Development and the Treasury are the government's primary advisors on its economic growth strategy. Work under Vote Economic Development aims to create an environment for business that supports productivity growth, and build the capability of firms, sectors and regions.

We would welcome an early meeting with you to discuss your priorities and how we can best help you achieve them.



David Smol  
Chief Executive

## OVERVIEW

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*As Minister of Economic Development, you will have three distinct roles*

1. As Minister of Economic Development, you will be responsible for leading advice on New Zealand's economic development from a business perspective. Previously, this has involved working with the Minister of Finance to develop a cross-government programme of work aimed at increasing productivity. This role both informs and is informed by the Ministry's responsibility for key parts of New Zealand's economy including tourism, energy, information and communications technologies, business and consumer law, and the business sector generally.
2. You will also be the Responsible Minister for the Ministry of Economic Development. This role includes oversight of our eight portfolios - Economic Development, Energy and Resources, Tourism, Commerce, Small Business, Communications and Information Technologies, Rugby World Cup and Consumer Affairs which, taken together, make a strong contribution to economic growth. In this role, you will oversee the Budget process for the Ministry, including the capital expenditure which sits within Vote Economic Development. In addition, you are responsible for the financial performance of the Ministry, and for presenting the Ministry's Annual Report to the House of Representatives, which accounts for all expenditure administered by the Ministry across its portfolios.
3. Finally, you will lead the provision of firm-level policies and programmes that support businesses, and have responsibility for major events policy. This work makes up the majority of Vote Economic Development, and is the focus of the remainder of this briefing. Additional relevant material can be found in the companion briefing from New Zealand Trade and Enterprise (NZTE).

*Vote Economic Development is primarily concerned with lifting the productivity of firms...*

4. A key objective for the Government is to grow a more prosperous economy, closing the income gap with Australia by 2025.
5. To do this, New Zealand obviously needs to lift the productivity and profitability of its firms. This is the primary concern of the Ministry of Economic Development – and will require concerted and integrated action across a wide range of activity.

*...through firm-level policies and programmes...*

6. Getting basic macroeconomic (economy-wide) and microeconomic (firm-focused) frameworks right is important for firm productivity. But all available evidence shows that this alone is unlikely to make the step change we need to close the income gap with Australia. Under Vote Economic Development, the Ministry therefore works with NZTE to develop and deliver programmes that actively aim to help firms grow.
7. New Zealand is not alone in doing this. In fact, all OECD countries pursue policies aimed at supporting firms to become more productive. And these policies are particularly important in New Zealand given our small size and distance from markets.

8. However, to allocate scarce resources most effectively, it is essential to know what works and what doesn't. Although our economic development programmes are modelled on successful overseas approaches, New Zealand's distinctive economic conditions mean that policies and programmes that have worked overseas will not necessarily work in New Zealand.
9. The Ministry has therefore invested in high-quality research and evaluation to ensure the government's interventions represent value for money.

*...and we work closely with business to do this*

10. We also foster close links with other economic policy agencies and business stakeholders to help build a comprehensive understanding of the structure and dynamics of the New Zealand economy, and the actions that are needed to promote economic growth.
11. Currently, the main way we do this is through the Growth and Innovation Advisory Board. The Board is made up of experienced and knowledgeable leaders of firms, sector groups, and public institutions across a wide spectrum (members are listed in Appendix 4). This enables it to provide balanced, objective advice on the issues that matter most for economic growth. The Board will provide you and other Ministers with its own briefing and offer its assistance to help the Government achieve its goal of improving New Zealand's productivity performance. You may wish to meet Board members at an early stage to discuss this, and get their perspectives on your priorities.
12. The Ministry also supports the work of the Small Business Advisory Group, which seeks to identify issues impacting on the growth and development of small businesses, and provides departments with a small business perspective to inform policy-making processes. In addition, the Ministry chairs the Global Business Focus Group – a private-public sector forum that seeks to identify major issues for internationalising New Zealand firms, and to allow business input into policy development in this area.
13. You have signalled your intention to set up a number of advisory groups and task forces with private sector membership. You may want to review the membership and focus of these existing groups, to ensure they align with your priorities and, if appropriate, to identify whether they could be adapted to meet your needs.

*We are ready to advise on how to help New Zealand firms through the financial crisis...*

14. Your aim of achieving greater prosperity for New Zealanders is made harder by the global economic situation. We are leading work across government to get a better understanding of the impact of this situation on business, and the way firms are responding. Our economic development overview also notes that we can offer advice on microeconomic, firm-level government responses that can help firms manage through the crisis, while keeping an eye on the longer term challenge of productivity. These responses fall largely within the ambit of the Economic Development portfolio.

*...and address the challenges that lie ahead*

15. Our overview brief identifies the most important opportunities and challenges if New Zealand is to respond effectively to the global economic crisis and raise productivity in the longer term. Key challenges that fall specifically within the Economic Development portfolio are:
  - delivering effective and focused support to help firms innovate
  - supporting the successful internationalisation of New Zealand businesses
  - growing an Auckland that accelerates national productivity growth.
16. Another key challenge that has previously fallen within the Economic Development portfolio is how to develop the first-class infrastructure that firms need to prosper. It is not yet clear what role the Ministry will play in relation to the newly-created infrastructure portfolio, but we have summarised our thinking in this document, based on our past work in this area.
17. These issues are discussed in more detail in the *Major Policy and Implementation Issues* section of this briefing.

*Work on Vote Economic Development is carried out across the Ministry*

18. Four branches of the Ministry contribute to the Vote:
  - **Economic Strategy Branch** (Deputy Secretary Lewis Holden) provides advice on development of a coherent overall government strategy for improving productivity, leads our work on Auckland, and supports the work of the Growth and Innovation Advisory Board.
  - **Industry and Regional Development Branch** (Deputy Secretary Mark Steel) provides policy advice on industry and regional policy, and major events including the Rugby World Cup 2011. This advice and associated evaluation work determines the shape of programmes delivered by NZTE and the New Zealand Venture Investment Fund (VIF). This Branch has responsibility for management of the Vote.
  - **Effective Markets Branch** (Deputy Secretary Liz MacPherson) provides advice under this Vote on issues relating to small business.
  - **Energy and Communications Branch** (Acting Deputy Secretary Stuart Calman) provides advice under this Vote on general infrastructure issues.
19. Further information on each of these branches can be found in the *Guide to the Ministry of Economic Development*.
20. The annual operating appropriations for Vote Economic Development in 2008/09 total approximately \$357.2 million, covering the following:
  - \$21 million of this (or 5.9 percent of the Vote) is for policy advice on economic, industry and regional development policies and issues related to small and medium enterprises and infrastructure

- \$176 million (49.3 percent) for purchasing outputs for services from New Zealand Trade and Enterprise and the New Zealand Venture Investment Fund Limited
  - \$151.4 million (42.3 percent) for Crown-related expenses for targeted grants programmes and contractual arrangements to New Zealand industry and regions administered through NZTE and the Ministry
  - \$9 million (2.5 percent) in multi-year appropriations for New Zealand's participation at the Shanghai Expo 2010 in China and Digital Graphics Cluster.
21. There is also a total of just over \$51 million for capital investments in the early stage equity finance markets through the Seed Co-investment Fund, capital investment to accelerate the development of the venture capital market in New Zealand through the Venture Investment Fund, and to expand NZTE activities in Asia.
22. In addition, because Vote Economic Development is the ownership Vote, and you are the Responsible Minister for the Ministry of Economic Development, departmental capital injections for the Ministry are made via this Vote, even though output delivery occurs in another portfolio. In 2008/09, these total approximately \$11.1 million, and this funding is predominantly for capital investment for the Ministry's registry activities provided under Vote Commerce (for example enhancing the Companies Office register, and developing Standard Business Reporting), and the development of the Emissions Trading Register (Vote Energy).
23. In line with your policy for State services, the Ministry is reviewing all the expenditure for which it has responsibility, looking at specific opportunities to improve the cost-effectiveness of delivering the Government's priorities. This includes identifying any areas where savings might be considered.

## **MAJOR POLICY AND IMPLEMENTATION ISSUES**

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### **Delivering effective and focused support to help firms innovate**

*Support for innovation should focus on New Zealand's areas of competitive strength*

24. International experience and research shows that small open economies mainly innovate and grow on the basis of long-standing and mature industries. While these are often regarded as low-tech, new technologies and processes can be applied to them to develop new areas of value. As a small economy based on natural resources, New Zealand's growth will similarly rely on its ability to adapt and apply technologies to its areas of current specialisation, as well as its ability to develop and exploit other emerging industries with potential competitive advantage.
25. To assist this process, it makes sense for government to focus its support for innovation on those areas where New Zealand has already developed, or can realistically develop, world-class, hard-to-replicate capabilities (our "areas of competitive strength").
26. However, the OECD review of innovation policy and other analyses have concluded that New Zealand public investment in business development is too fragmented and thinly spread across too many firms, sectors and projects. This is in part because New Zealand has a fragmented system of government support for

innovation, making it difficult to allocate public resources in a strategic manner, and resulting in duplication, clutter, and sub-optimal scale.

*Current work aims to target assistance more effectively and improve co-ordination*

27. To help address this, the Ministry has led a process with the six innovation agencies<sup>1</sup> to identify priority 'areas of focus' around which government investment in innovation could be targeted. If this work is to be taken forward, the next steps would be to identify these areas of competitive strength more fully, and to build concerted action around them.

*Focusing on the commercialisation of R&D will be crucial...*

28. As Minister for Economic Development you will have an important role to play in ensuring that the Government's research, science and technology focus is not just on supporting research, but also on how this research gets developed into commercial innovations. This commercialisation is arguably the most difficult – yet most important - part of the innovation process. The relatively small scale of New Zealand businesses (and hence, their limited capacity to invest time and resources in formal R&D) means that the transfer of innovation between research providers and business is more important than in many other economies.
29. R&D is a key contributor to higher productivity, particularly when undertaken in the private sector – so New Zealand's low private sector R&D expenditure is concerning. We look forward to working with you to implement your Research, Science and Technology policy in ways that boost business R&D, and promote successful commercialisation of research.
30. One way of doing this is to strengthen the weak connections that sometimes exist between industry, Crown Research Institutes (CRIs) and universities. This weakness is partly a result of the current incentives and funding arrangements. The more stable funding for the CRIs that you have proposed could help by providing a basis for greater cooperation between public sector institutions and industry. An additional step could be to review the incentives on both CRIs and universities in engaging with business, as suggested by the Growth and Innovation Advisory Board in its briefing.
31. There is also scope for facilitating particular cooperative networks such as the proposed Food Innovation Network of New Zealand, which envisages close collaboration between research and commercial organisations in Manakau, Waikato, Palmerston North, and Canterbury.

*...particularly in Auckland*

32. These are particular issues for Auckland. The ability of Auckland to contribute to New Zealand's economic prospects depends on the performance both of key sectors concentrated in the region and the regional innovation system. There are practical actions central government could take within the Auckland region to improve the innovation system, such as investing in new forms of industry focused

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<sup>1</sup> The Ministries of Economic Development, Education, and Research, Science, and Technology; the Foundation of Research, Science, and Technology; New Zealand Trade and Enterprise; and the Tertiary Education Commission.



research, development and commercialisation infrastructure. This would result in wider benefits to the economy.

*Other interventions that support firm innovation include lifting management capability...*

33. Low productivity is at least partly explained by skill deficiencies within firms. This can apply at all levels in the case of many organisations. However, a lack of capability amongst managers of businesses is a particular constraint on firms innovating and internationalising successfully.
34. Two priorities in this area are to:
  - address the lack of demand for management training and capability programmes despite considerable evidence of lack of capability and a significant supply of these services
  - consider if any additional services in this area could be provided to firms, particularly to assist them through the current economic crisis.

*...improving access to capital...*

35. Firms also need access to capital to help them devise new technologies, business models, and processes, or adopt existing ones.
36. In normal circumstances, established companies with good business propositions and management capability can obtain funding. But this is not always the case for innovative high-technology-based firms. Their common characteristics (low-to-negative cash flow, newness to market, and untried and unproven products), as well as the relatively small New Zealand capital market's limited ability to respond to niche opportunities, mean that firms with growth opportunities that benefit the wider economy can go unfunded.
37. There is a role for government support both in helping such firms become investment-ready, and in supporting the development of the market for early stage finance. This is particularly the case in New Zealand where the venture investment and angel investment markets are still developing. This situation is being exacerbated by the world financial crisis: as financial institutions become more risk-averse in the current economic conditions, firms are finding investment capital has dried up.

*...and reviewing innovation-limiting regulation*

38. Pursuit of your regulatory reform programme could also help to reduce barriers to innovation. As well as the Resource Management Act (RMA), aspects of the Hazardous Substances and New Organisms Act could usefully be reviewed. Regulatory issues are discussed more fully in our Commerce portfolio briefing.

## **Supporting the successful internationalisation of New Zealand businesses**

*International linkages are particularly important – and challenging – for New Zealand*

39. International linkages increase the flow of innovative thinking, ideas and skills into the country. They increase the incentives for firms to innovate by exposing them to

competitive pressure in offshore markets, and facilitate access to capital and larger markets. This in turn helps to compensate for scale disadvantages in the domestic market.

40. International linkages are particularly important – but also particularly challenging - for New Zealand given the combination of the small size of our economy and our distance from global markets and centres of innovation. Even larger firms in New Zealand face problems in internationalising as they are small and resource-constrained relative to their international competitors. These firms go through a significant step change to move to the next level.
41. Businesses have also expressed concerns at the costs of applying for assistance to internationalise (arising from the number of different agencies and programmes available) and have indicated that support needs to be more tailored to deal with New Zealand-specific conditions.
42. Against this background, we think there are four critical issues for you to consider. Further detail on each of these can be found in NZTE's companion briefing.

*Priorities in this area include growing firm capability to help them internationalise...*

43. Your trade policy sets out the goal of increasing the ratio of New Zealand exports to GDP by ten percentage points by 2020. However, the rate of growth of New Zealand's exports has been relatively slow compared with other OECD economies. Our research into the reasons for this shows that exporting is undertaken by firms that are generally already more productive than non-exporters.
44. To internationalise successfully, New Zealand businesses therefore need higher levels of productivity – which means higher levels of firm innovation, investment and management expertise. Programmes to grow firm capability aim to achieve this. The Ministry and NZTE are working on changes to these programmes to make them more effective at helping domestically-focused firms grow the capabilities they need to internationalise.

*...ensuring NZTE assistance is well-focused and better-co-ordinated...*

45. Your trade policy indicates that you want to further focus NZTE grant-making on supporting New Zealand businesses to operate successfully overseas, and ensure that the Ministry of Foreign Affairs and Trade (MFAT) and NZTE seamlessly support firms offshore.
46. Building off this, it will be also be important to further strengthen links between NZTE and the Foundation for Research, Science and Technology to more effectively manage the work of both agencies with the same firms and groups of firms within a sector.

*... capturing wider benefits from larger, more capable firms...*

47. Another challenge is helping larger, more capable firms with high potential to accelerate their growth, and capturing the wider benefits to the economy that occur when these firms carry other New Zealand suppliers with them.

48. NZTE and the Ministry are moving to work intensively with these firms. To do this, NZTE has established a Key Account pilot scheme with around 30 firms, in close collaboration with the Ministry and the Foundation for Research, Science and Technology to ensure that there is one robust and transparent selection and development process across agencies.

*...building scale and capability within regions...*

49. The Ministry has assisted regions, and groups of regions, to develop economic strategies which exploit their areas of strength. We have also assisted in the implementation of regional strategies through support of commercially driven regional projects that are both priorities for regions and provide significant national benefits. We can provide you with advice on the options for future policy in this area.

*...and maximising the returns from major events like the Rugby World Cup*

50. You indicated in the policies you set out before the election that you propose to commit to a major events strategy, focusing on opportunities related to the 2011 Rugby World Cup in the short term.
51. The Ministry has been leading an inter-agency process under Vote Economic Development to develop such a strategy aimed at ensuring that economic benefits arising from major events are maximised and are not impaired by regional competition or duplication of government and/or industry effort.
52. The Rugby World Cup 2011 (RWC 2011) will be the largest sporting event ever hosted in New Zealand. An economic impact assessment carried out by independent consultants estimated that the event would contribute \$500 million in additional GDP, attract 70,000 international visitors and have a television audience in excess of 3.5 billion people.
53. This event has the potential to play a significant role in economic and social development and act as a catalyst for jobs, business growth, infrastructure improvement and community development. It offers an opportunity for New Zealand to show-case its national and business strengths, and for individual businesses to make overseas connections.
54. Along with NZTE, Tourism New Zealand, and other agencies, the Ministry is working with the tournament delivery agent, Rugby New Zealand 2011 Limited to ensure that the:
  - necessary infrastructure is in place to enable RWC 2011 to go ahead (for example completion of the re-vamped Eden Park Stadium)
  - opportunities that arise from hosting the event are captured and provide wide-ranging and long-lasting economic, social, and cultural benefits to New Zealand.

## **Realising the potential of Auckland to accelerate national productivity growth**

### *Government can support Auckland's development...*

55. Cities worldwide, as highly concentrated centres of economic activity, play a crucial role in driving productivity growth.
56. Auckland is New Zealand's international gateway. It is home to two-thirds of the country's top 200 companies and two-fifths of all tertiary students. Key research and development, design, financial, marketing, legal and skill development activities that take place there support production in other parts of the country and improve New Zealand's position in key global value chains.
57. While recent research shows that Auckland is the most productive region in the country, it has considerable potential to improve its performance, and its contribution to economic growth.

### *...by reforming governance...*

58. There is widespread concern that Auckland's current governance arrangements are preventing effective decision-making.
59. One of the most significant opportunities that the Government will have in relation to Auckland will be to respond to the recommendations of the Royal Commission of Inquiry on Auckland Governance (due by the end of March 2009).
60. It is expected that the Commission will recommend far-reaching changes to strengthen Auckland's regional governance arrangements. These could include reforms of overall leadership, as well as ownership and funding arrangements for regional infrastructure, sporting and cultural facilities, urban development, economic development, and tourism promotion. The government will face pressure to release the recommendations of the Royal Commission and make decisions about governance reforms quickly.
61. The development of a single, over-arching, action-focused "One Plan" for Auckland has, in the meantime, partly fulfilled the role of aligning central, regional and local government priorities in Auckland. Seven programmes of action have recently been agreed which largely build on current local and central government commitments.

### *...and investing in quality infrastructure and growth management*

62. You have outlined plans for major new investments in infrastructure. This is particularly vital for Auckland, as investment has lagged behind rapid population growth. Infrastructure funding is a long-standing issue for the region, particularly for transport, with funding tending to come from both central government funding and local rates. With the current international financial crisis, there is a risk that local authorities will defer or reduce their capital investment.
63. The next version of the One Plan for Auckland is expected to produce a prioritised Regional Infrastructure Plan by August 2009. Central government could take a

proactive approach by ensuring that this is integrated into, and consistent with, the Government's Infrastructure Plan.

*This programme of work will need to be coherent and coordinated*

64. The Ministry's work on Auckland issues is managed under Vote Economic Development through the Government Urban and Economic Development Office (GUEDO) located in downtown Auckland. This is a network of nine central government agencies<sup>2</sup> that work together to promote Auckland's economic development.

### **Developing the first-class infrastructure that firms need to prosper**

*Infrastructure is a key enabler of sustainable economic growth*

65. As noted above, the Ministry's role in relation to infrastructure advice is not yet clear. However, based on our previous experience in this area, we have set out what we see as the key infrastructure issues.

66. There are clear links between investment in infrastructure and economic growth. Specifically, efficient and reliable infrastructure services reduce production costs, increase the attractiveness of New Zealand as a location for investment, and facilitate the flow of ideas, goods, services and people.

67. Advice on energy and communications infrastructure is provided under Votes Energy and Communications. Advice under Vote Economic Development focuses on how infrastructure policy can contribute to economic growth, including:

- taking an overview of infrastructure policy, with a view to ensuring an integrated approach is taken to priority areas
- identifying and recommending action on important infrastructure issues that are currently not being addressed or not being advanced quickly enough
- providing a perspective on the interface between the economy and environment - where many infrastructure issues get played out.

*Your planned changes to the RMA will promote infrastructure investment*

68. The Government has identified reform of the RMA to reduce the costs, delays, and uncertainties in infrastructure investment as one of its priorities. Despite a history of amendments, and the recent increase in central government guidance, there are still concerns about this Act, especially its impact on investment certainty. The Ministry has been involved in past, more limited reviews of the Act, and we are therefore well-positioned to take a strong role if required.

*Other steps to balance environmental and economic considerations will also help...*

69. As you have indicated in your policy for the environment, economic growth and improving the environment can and must go hand in hand. A healthy environment, based on well-functioning eco-systems, is integral to meeting economic needs and

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<sup>2</sup> Economic Development, Transport, Environment, Labour, Agriculture and Forestry, Internal Affairs, State Services Commission, Treasury and Department of Prime Minister and Cabinet.

aspirations. And both economic growth and a healthy environment depend on the productive use of scarce, natural resources.

70. However, there can be significant tensions between economic and environmental objectives. Work under Vote Economic Development helps to ensure that an economic development perspective is also brought to bear in the development of environmental policy, with a view to ensuring that natural resources are allocated and used efficiently, and that environmental regulation imposes least cost on business.
71. Reform of the Resource Management Act will go some way to ensuring a better balance between environmental and economic objectives. We are also leading work on identifying sectoral level impacts of an emissions trading scheme, which could assist the planned select committee review.
72. Our work also aims to help firms take advantage of the opportunities offered by the increasing importance of environmental performance - and the scope this offers to them to use environmental integrity for economic advantage.

*...as will your national infrastructure plan and development of new funding approaches*

73. The proposals in your policy for infrastructure for a 20-year national infrastructure plan and the introduction of new and more flexible funding arrangements also offer significant prospects for improving the general environment for infrastructure investment. We are already working on some issues that could feed into this work including the previously-discussed work on infrastructure in Auckland, and a planned study of the adequacy of freight logistics for firms seeking to export. We would welcome an opportunity to discuss additional ways to help the Government develop and implement its proposals in this area.

## **MONITORING AND GRANTS ADMINISTRATION**

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*The Ministry has responsibilities under this Vote for monitoring NZTE and VIF...*

74. The Ministry and MFAT jointly monitor NZTE on behalf of you and the Minister of Trade. On the basis of this monitoring, we provide you and the Minister of Trade with an independent stream of advice on whether government expectations are being met. Our monitoring role also enables us to provide support and advice to the Chief Executives of the Ministry and MFAT who are specialist advisors on the board of NZTE.
75. The framework for this monitoring role is set by the Crown Entities Act, the State Services Commission guidance on monitoring of Crown entities and the expectations set by Ministers. Some of the functions include advice on funding and overall performance measures, strategic management support of the relationship between Ministers and Crown entities, support for delivery of core accountability documents (such as letters of expectations, statements of intent, output plans, quarterly and annual reports), and statutory appointments to the Boards as positions for renewal for appointment fall due.

76. The Ministry also establishes a performance agreement with, and monitors the performance of, the New Zealand Venture Investment Fund Ltd, in close liaison with the Crown Company Monitoring Advisory Unit.

*...and administering several grants and contracts*

77. The Vote also includes six Ministry-administered grants programmes and three contracts that are not grant specific but have been committed to through the annual Budget process, as outlined below. Two grant programmes will close by the end of this financial year: these are the Buy Kiwi Made grant programme and the Regional and Industry Development Fund Grant.

<b>Grant/Fund</b>	<b>Appropriation</b>
Regional and Industry Development Fund (RIDF) <i>Non-contestable</i>	\$1.644 million in 2007/08 and 2008/09.
Enterprising Partnership Fund (EPF) <i>Contestable</i>	\$9.25 million 2007/08, \$10.45 million 2008/09 \$9.25 million 2009/10 and outyears
Enterprising Auckland Fund (EAF) <i>Contestable</i>	\$1 million per year for 2007/08, 2008/09 and 2009/10
Buy Kiwi Made Fund (BKM) <i>Contestable</i>	\$721,000 2007/08
Management Development Fund (MDF) <i>Contestable</i>	\$966,000 2007/08 \$756,000 2008/09 and outyears
Major Events Development Fund (MEDF) <i>Contestable</i>	\$4 million for 2007/08, 2008/09 and 2009/10
Funding for KEA, Film NZ and Nextspace.	Film NZ - \$750,000 2007/08, \$750,000 2008/09, \$799,000 2009/10 and \$833,000 2009/10 and outyears Kea - \$630,000 2007/08, 2008/09 and 2009/10 Nextspace (3D Digital Graphics Cluster) \$3 million 2007/08, \$2 million 2008/09 and 2009/10

## PENDING DECISIONS, ACTIONS OR EXISTING COMMITMENTS

78. This section highlights issues on which you will have to take a decision in the next three months. Besides these initiatives, the other key decisions you will need to make in relation to the Vote will be for Budget 2009. Budget bids for Vote Economic Development will be provided to you in November for your consideration and, if you support them, submission to the Minister of Finance.
79. There are also a number of processes where decisions have been taken but have yet to be implemented or where funding or contractual agreements have yet to be finalised. These decisions need to be confirmed or otherwise so that appropriate arrangements can be made. Because of existing commitments to stakeholders, we need to urgently confirm how we are to proceed with these initiatives.

Initiative	Matters for Early Decision	Commitment	Contact Person
Withheld under section 9 (2) (ba)	Withheld under section 9 (2) (ba) of the Official Information Act 1982 in that it is subject to an obligation of confidence.	Withheld under section 9 (2) (ba) of the Official Information Act 1982 in that it is subject to an obligation of confidence.	Eric Koed
Enterprising Partnerships Fund – Innovation Waikato Ltd	Confirm arrangements to give effect to Enterprising Partnerships Grant to support further development of the Waikato Innovation Park.	\$4 million	Paul Swallow
Enterprising Auckland Fund Digital Content Sector Development Initiative	Confirm arrangements to give effect to Enterprising Auckland Grant to accelerate innovation and growth in the digital content sector.	\$2 million	Jami Williams
Digital Content National Sector Entity	Confirm the process to establish the feasibility of, and business case for, a commercially focused digital content sector entity to capture major international productions.	\$120,000	Jami Williams
Management Development Fund – Entrepreneurship Initiative	Confirm arrangements to give effect to Management Development Grant to develop entrepreneurial skills.	\$150,000	Ron Clink
New Zealand Innovation Centre	Confirm next steps in working with stakeholders to undertake detailed design, master planning and company syndication for the innovation centre at Tamaki.	Subject to tender process	Stephen Knuckey
Food Innovation Network of New	Confirm next steps in working with stakeholders to develop	Subject to tender	Paul Swallow



<b>Initiative</b>	<b>Matters for Early Decision</b>	<b>Commitment</b>	<b>Contact Person</b>
Zealand (FINNZ)	proposal for a national network to support innovation in the food sector.	process	
West Coast Timber Processing Rationalisation	Confirm next steps in working with key stakeholders on the rationalisation of the West Coast timber processing industry.	Unknown	Paul Swallow
Health Innovation Hub	Confirm the process to design and test the business case for a health innovation hub at Counties Manukau DHB to commercialise health IT and medical technologies.	\$150,000	Stephen Knuckey
Major Events Development Fund	Withheld under section 9 (2) (j) and section 9 (2) (b) (ii) of the Official Information Act 1982 to avoid unreasonably prejudicing the commercial position of a party, and to allow the Crown to carry on negotiations without prejudice or disadvantage.	Withheld under section 9 (2) (j) and section 9 (2) (b) (ii) of the Official Information Act 1982	Wayne Morgan

<b>Issue/Topic</b>	<b>Pending Decision/Action</b>	<b>Expected Timeframe</b>	<b>Contact Person</b>
Buy Kiwi Made Media Campaign	Note the media campaign, which concludes in 2008/09, has non-refundable TV, radio and outdoor bookings totalling \$600,000 for December 2008. Any future media bookings (up to \$500,000) will be subject to Ministerial confirmation.	December	Paul Swallow
NZ Fast Forward	Respond to briefing papers prepared by the New Zealand Fast Forward Board (in consultation with Minister of Agriculture as lead Minister, and Ministers of Research, Science and Technology, Environment and Fisheries).	December	Paul Swallow
Biofuels	Decision, in conjunction with Minister of Finance and the Minister of Forestry, on whether to provide funding for an industry proposal to develop a partnership with government to facilitate	December	Paul Swallow

Issue/Topic	Pending Decision/Action	Expected Timeframe	Contact Person
	investment in adapting off-shore forestry-based biofuel technologies once they become commercially viable.		
Board selection	Decision on the appropriate composition of the NZTE board, including new capabilities that may be required as the Globally Competitive Firms initiative is implemented, given that the terms of five NZTE Board members are due to expire in March and May 2009.	December	Guy Beatson
Business Capability Partnership (BCP)	Decision, in conjunction with Minister of Finance, regarding the future use of the Management Development fund.	December/January	Ron Clink
Large Budget Screen Production Grant	In conjunction with the Minister of Finance, consider and approve an increase to the appropriation for 2008/09 as allowed for in the Grant's establishment documents to meet demand.	December/January	Paul Swallow
Refreshed Major Events policy including operational policy changes to the administration of the Major Event Development Fund	Consider and approve a Cabinet paper which proposes a more strategic approach to the Government's investment and support of major events.	February/March	Wayne Morgan
Maximising the benefits to New Zealand from hosting the Rugby World Cup	Confirm that officials proceed to develop a whole of government Budget bid for 2009/10 and out years to resource a detailed legacy plan to maximise the benefit to New Zealand from hosting the Rugby World Cup.	November	Wayne Morgan
Globally Competitive Firms (GCF)	Consultation regarding direction and implementation of GCF initiatives and the alignment of other NZTE grant schemes with the GCF policy.	Early 2009	Guy Beatson
<b>Minister for Small Business within Vote: Economic Development</b>			
Standard Business Reporting	Consultation regarding Cabinet report-back, including business case for phase two. This is under Vote Economic Development, but formal approval is the responsibility of the Minister for Small Business.	December	Jo Doyle/ Kara Bonnevie

<b>Issue/Topic</b>	<b>Pending Decision/Action</b>	<b>Expected Timeframe</b>	<b>Contact Person</b>
Small Business Advisory Group (SBAG)	Advice will be provided to the Minister on the most effective structure and make-up of SBAG and on the provision of the annual Letter of Expectation for SBAG.	March 2009	Small Business Advisory Group (SBAG)

## APPENDIX 1

### MINISTERIAL RESPONSIBILITIES IN RELATION TO CROWN ENTITIES AND OTHER BOARDS

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#### **New Zealand Trade and Enterprise (NZTE) – Crown Entity**

NZTE was formally established by the NZTE Act in 2003 when the Government decided to integrate the services previously provided by Industry New Zealand and Trade New Zealand.

Two Ministers have delegated joint responsibility for NZTE – the Minister for Economic Development and the Minister of Trade. The Chief Executive is Tim Gibson.

NZTE is the government's primary agency for promoting business, sector and regional growth and capability development by providing advice and information, supporting networking and providing direct funding assistance where required. Its budget for 2008/09 comprises \$174m for operating expenses and \$77m for grants.

Programmes and services include:

- facilitating the development and implementation of sector and regional strategies
- promotion of New Zealand business and development of business opportunities
- providing business information and advice
- providing business training and capability building opportunities.

NZTE also includes Investment New Zealand, the national investment promotion agency.

NZTE is governed by a Board of eight appointed by the joint responsible Ministers. The NZTE Act allows Ministers to appoint one further member if required. The chairman is Jon Mayson whose term ends in February 2011. The term of one member ends in March 2009 and the terms of four further members end in May 2009. In late 2008, we intend to report to you to initiate the process for the board appointments, with a view to the new capabilities that may be required as the Globally Competitive Firms initiative is implemented.

The Ministry, through the Industry and Regional Development Branch, with MFAT, works closely with NZTE in developing and delivering industry policy.

Additionally, the Ministry and MFAT provide monitoring advice to joint Ministers in respect of their responsibilities under the Crown Entities Act, while the Ministry exercises the responsibilities of a Vote-managing department.

As part of its policy evaluation role, the Ministry also evaluates the impact of programmes delivered by NZTE on a periodic basis.

Overall, the Minister for Economic Development and the Minister of Trade are jointly responsible for:

- ensuring that an effective board is in place to govern NZTE
- participating in setting the direction of NZTE

- monitoring and reviewing NZTE operations and performance
- managing risks on behalf of the Crown.

### **New Zealand Venture Investment Fund Limited (NZVIF)**

NZVIF is a Crown-owned company established under the Companies Act 1993 and incorporated in June 2002. Based in Auckland, the Company is governed by a private sector Board of Directors. Sir John Anderson is the Chair of the Board and Franceska Banga is the Chief Executive.

NZVIF is contracted by the New Zealand government to administer the Venture Capital and Seed Co-investment Programmes.

The Ministry of Economic Development jointly monitors NZVIF with the Crown Company Monitoring Advisory Unit.

The Minister for Economic Development also has responsibilities around the appointment of members to the following the Growth and Innovation Advisory Board, and the New Zealand Venture Investment Fund. Depending on allocation of responsibilities under portfolios, the Minister for Small Business or the Minister of Economic Development will have responsibility for the appointment of members to the Small Business Advisory Group.

**APPENDIX 2****LEGISLATION ADMINISTERED BY THE MINISTRY UNDER VOTE ECONOMIC DEVELOPMENT**

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**New Zealand Trade and Enterprise Act 2003**

NZTE was established by the New Zealand Trade and Enterprise Act 2003. This sets out the purpose and functions of the organisation.

Although the Ministry of Economic Development has no statutory obligations under this Act, the Ministry (and MFAT) as agents for the responsible Ministers, provide advice to Ministers on policies and strategies for achieving industry and regional development goals and support Ministers in carrying out their responsibilities under the Act.

Under the Crown Entities Act 2004, the functions and powers of responsible Ministers include:

- appointment, remuneration and removal of Board members
- where necessary, directing the entity to give effect to government policy
- participating in the process of setting and monitoring the entity's strategic direction and targets
- reviewing the operations and performance of the entity and requesting associated information.

The Act also provides that the Minister may appoint the Secretary of Foreign Affairs and Trade and the Chief Executive of the Ministry for Economic Development as special advisors to assist the NZTE Board in aligning its strategy and activities to government policy. The two Chief Executives currently attend Board meetings in this function.

**Major Events Management Act 2007**

The purpose of the Major Events Management Act is to provide certain protections for events that are declared to be "major events" under the Act in order to:

- obtain maximum benefits from the major event for New Zealanders
- prevent unauthorised commercial exploitation at the expense of either a major event organiser or a major event sponsor
- ensure the smooth running of the event.

More specifically, these protections include ambush marketing by association; ambush marketing by intrusion; ticket scalping protections; and pitch invasion.

Under the Act, the functions and powers of the Minister for Economic Development include:

- recommending to the Governor General that an event be declared a "major event"
- recommending to the Governor General that major event words and emblems be declared
- declaration of clean zones, clean transport routes and clean periods by notice in the Gazette.

Before making such recommendations, the Minister is required to consult with the Minister of Commerce and "persons the Minister considers are likely to be substantially affected by the recommendation". Although there is no formal requirement for consultation with the Minister for the Rugby World Cup, the report and applications will be copied to him given his portfolio responsibilities relating to major events.

### **Ministry of Economic Development Act 2000**

This Act established the Ministry, transferred responsibilities of the former Ministry of Commerce to it, and updated references in legislation.

**APPENDIX 3**

**STATUTORY FUNCTIONS WITHIN THE ECONOMIC DEVELOPMENT  
PORTFOLIO**

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**Nil**



## KEY STAKEHOLDERS

The following people may write or seek an early appointment with the Minister.

### Crown Entities and Other Statutory Bodies

New Zealand Trade and Enterprise	Jon Mayson, Chair Tim Gibson, Chief Executive
New Zealand Venture Investment Fund Ltd	Franceska Banga, Chief Executive
Rugby New Zealand 2011 Ltd	Martin Snedden, Chief Executive

### Other Business Stakeholders

Growth and Innovation Advisory Board	Members include Stephen Tindall (Chair), Founder The Warehouse Limited and Tindall Foundation; Rick Christie, Professional director; Dr Brian Easton, Economist; Phil O'Reilly, CE Business New Zealand; Jeremy Moon, CE Icebreaker NZ Limited; Helen Kelly, President New Zealand Council of Trade Unions; David Shand, Chair Tertiary Education Commission; Sam Robinson, Chair AgResearch Limited; Jo Brosnahan, Chair Landcare Research; Andrew Ferrier, CE Fonterra Co-operative Group; Prof Roger Field, Chair NZ Vice Chancellors' Committee; Bryan Gould, Chair Foundation for Research, Science and Technology; Sam Knowles, CE Kiwibank Limited; Dr Peter Lee, CEO Auckland UniServices Limited; Jonathan Ling,, CE Fletcher Building Limited; Prof Philip McCann, Economics Professor Waikato University; Nick Main, Chair Deloitte and NZ Business Council for Sustainable Development; Jon Mayson, Chair New Zealand Trade and Enterprise; Sue Suckling, Chair National Institute of Water and Atmospheric Research Limited; Mark Tume, Professional Director.
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Small Business Advisory Group

Global Business Focus Group

The Group comprises representatives from key government agencies (MFAT, NZTE and the Ministry) and major industry association and business groups, including Business New Zealand, Chambers of Commerce, Export New Zealand, Employers' and Manufacturers' Association (Northern, Otago/Southland), Economic Development Association of New Zealand, New Zealand Council of Trade Unions, and the New Zealand Pacific Business Council.

Auckland Chamber of Commerce	John Lindsay, Chairman Michael Barnett, Chief Executive
Royal Commission on Auckland Governance	Chair, Hon Peter Salmon
New Zealand Council of Trade Unions	President, Helen Kelly
Business New Zealand	Phil O'Reilly, Chief Executive
Wellington Regional Chamber of Commerce	John Lumsden, President Charles Finny, Chief Executive
Canterbury Employers' Chamber of Commerce	Peter Townsend, Chief Executive
Canterbury Manufacturers' Association	John L Walley, Chief Executive
Employers and Manufacturers Association (Northern)	Alasdair Thompson, Chief Executive
Local Government NZ	Eugene Bowen, Chief Executive
Economic Development Association of New Zealand	Samantha Seath , Executive Director
New Zealand Fast Forward Limited	Bill Falconer, Chairperson
New Zealand Fast Forward cornerstone investors	Fonterra, Meat & Wool New Zealand, Meat Industry Association, PGG Wrightson, Zespri and Dairy NZ
New Zealand Business Council for Sustainable Development	Peter Neilson, Chief Executive

## APPENDIX 5

### **INTERNATIONAL AGREEMENTS RELEVANT TO THE PORTFOLIO**

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New Zealand is a signatory to the following international agreements relevant to the Economic Development portfolio:

- World Trade Organisational (WTO) obligations.